



SINOCEM

科学至上
IN SCIENCE WE TRUST

2018

**SUSTAINABILITY
REPORT**



*The competitiveness of
the country ultimately
lies in the competitiveness
of the enterprise*

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In Science We Trust a driver for a better life



History has repeatedly testified that continued progress of enterprises and society, prosperity of the country, and the lasting of human civilization cannot be disconnected with scientific and technological forces.



In the growth path of the enterprise, those truly respectful enterprises are not necessarily with large size and impressive financials, rather those mandated with a mission and a goal---always aligning self-development with the reality and future development of the nation, taking advancing social progress, industry development and improving people's quality of life as the ultimate driving force for the survival and development of the enterprise, and displaying the responsibility, mission and value of the enterprise in propelling the tides.

Growing with New China, the past 70-years' reform and development has related Sinochem Group closely with social progress. Starting from a traditional foreign-trade oriented enterprise to a diversified and comprehensive multinational group covering energy, chemicals, agriculture, real estate, finance after several transformation, whose products and services are widely distributed to all walks of social production and people's livelihood, boasting sound reputation at home and abroad with brands "中化" and "SINOCHEM".

Innovation is the foremost engine of development. History has repeatedly testified that continued progress of the enterprises and society, prosperity of the country, and the lasting of human civilization cannot be disconnected with scientific and technological forces. For example, the three industrial revolutions since the mid-18th century have enabled unprecedented prosperity of human beings. The 4th industrial revolution, featured by artificial intelligence, robotics, quantum information technology, controllable nuclear fusion, clean energy and biotechnology, is bringing significant change to the world. The invention and application of creative, differentiated, and new science and technology will play a pivotal role in the future development of the world economy and the competition among countries and enterprises. To build China into a socialist modern power, the main driver of its economy will also be the transformation and upgrading of the industry and scientific and technological innovation. Innovation-driven, scientific and technological development have become the trend and symbol of the new era.

In March 2018, we put forward "In Science We Trust" as core value of the enterprise, embarking on another long March to build Sinochem into a world-class chemical conglomerate driven by sci-tech innovation. This will not only be another arduous and thorough reform and transformation on top of the mission of the nation and responsibility for the society, but also a great cause to commit to, to make great achievements in the business operation so as to better meet the needs of the people for a better life. In this regard, our reform and transformation is not only to renew and upgrade the development strategy, but also thoroughly understanding the growth of the enterprise in the new era and comprehensively reconstructing corporate culture.



Sci-tech Innovation for People. To provide clients with cleaner high-quality fuel, safer hi-tech chemicals, smarter living experience, and wiser agricultural and financial services is expected. To maximally excites the innovative potential of our employees, and engage them in this grand and exciting undertaking filled with happiness. The innovative development is to refine the living and cater people's greater needs for a better life, with quality high-tech products and services. Innovation should be immersed in the thinking, working and living of our staff to unleash their value. Only in this way can we benefit people and human beings with sci-tech innovation.

A High-end Sci-tech Innovation for Development. We construct sustainable and win-win network mobilizing the upstream and downstream of the industry; enhance competitiveness of chemical industry with strategic restructuring; promote transformation and upgrading of agriculture through innovation and technological progress; resolve the problem long besetting fine chemical industry via breaking up the monopoly of international players; develop green, safe and efficient pesticides to mitigate negative impact on natural environment; contribute to pollution control and ecological civilization

against climate change with less energy consumption and cleaner production. The innovative development of Sinochem not only facilitates industrial progress and social development, but also helps resolve the universal problem. Only in this way can we shoulder our due responsibilities and bring out our value on a larger scale.

A Far-sighted Sci-tech Innovation for Future. We propel intensive integration of information technology with traditional petrochemical industry to lead digital revolution of the industry; explore fields such as new materials, new energy, biology and environmental protection, to create new business scope of Sinochem and serve the benefits of human beings faster and easier. Only in this way can we help China seize the commanding heights of new round of development in economy and science, and drive sustainable development with higher standing and greater vision.

Things are always new, but change is eternal. To drive innovation and development with science and technology has become the symbol and footnote of Sinochem in the new era. We will never stop forging ahead in spite of difficulties during the transformation from an investment-driven enterprise to an innovation-driven one. Looking ahead, Sinochem will thoroughly

implement Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the 19th National Congress of the Communist Party of China, stick to the core value of "In Science We Trust", and integrate scientific spirit and attitude into the management and reform of the enterprise. We will strive for a world-leading innovative chemical conglomerate as a deep participant and active contributor to high-quality development and people's well-being, with avant-garde benchmark and world-class goal. We will lead the trend in transforming and upgrading the industry, and shoulder our responsibility in pursuing the prosperity of the country, the rejuvenation of the nation, and the happiness of the people. This is our original aspiration and our everlasting conviction.

Secretary of Party Group &
Chairman of the Board
Frank Ning

About Sinochem

Company Profile

Headquartered in Beijing, China, Sinochem Group Co., Ltd. (Sinochem Group for short) was founded in 1950. Its predecessor was China National Chemicals Import and Export Corporation. Sinochem Group is a key state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of China (SASAC).

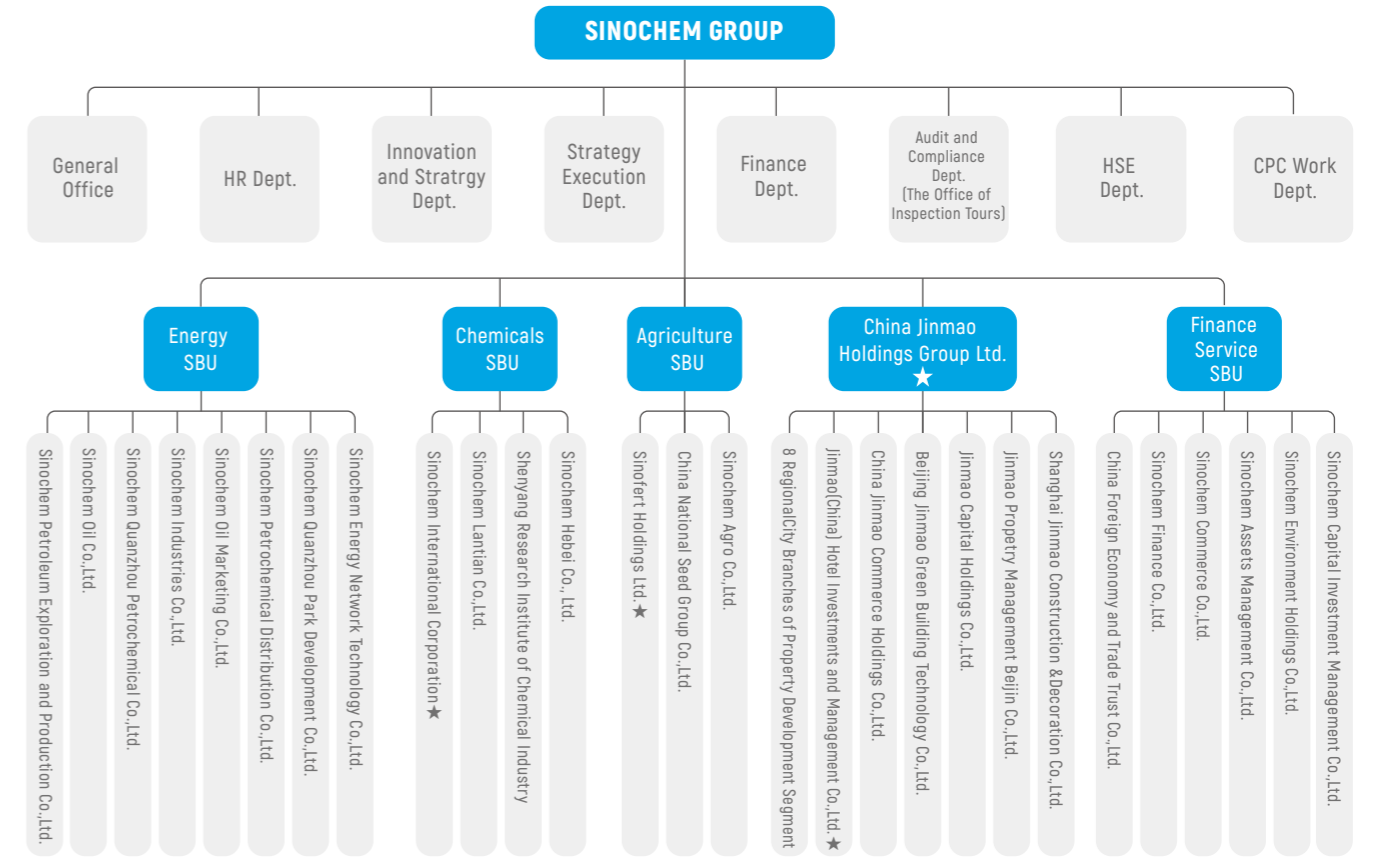
Sinochem Group is a leading integrated operator in oil and chemical industry, providing agricultural inputs (seeds, agrochemicals and fertilizers) and modern agricultural services, as well as a strong influencer in city operation and non-banking financial sector. As a market-oriented global conglomerate, Sinochem Group's quality products and services are widely distributed to many walks of life. The "SINOCHEM" and "中化" brands are respectful in China and the rest of the world.

Sinochem Group has established five Strategic Business Units (SBU), namely Energy, Chemical, Agriculture, Real Estate and Finance. It operates more than 300 subsidiaries around the world. It holds a controlling stake in a number of listed companies, including Sinochem International (SH, 600500), Sinofer (HK, 00297) and China Jinmao (HK, 00817). Sinochem Group has over 60,000 staffs around the world.

Sinochem Group is among the earliest Chinese enterprises on Fortune Global 500 list and has been included for 29 times in total, ranked 88th in 2019 and honored as World's Most Admired Companies for two consecutive years. Sinochem Group has completed SASAC indicators and been rated A in corporate performance by SASAC for 14 years. Meanwhile, Sinochem was one of the 10 enterprises that won all the three titles of "Enterprises with Excellent Business Performance", "Enterprises with Outstanding Technological Contributions" and "Enterprises with Outstanding Contributions in Energy Conservation and Emission Reduction".

Looking into the future, Sinochem Group will uphold the value of "In Science We Trust, Upon Knowledge We Act" and strive to build a technology-driven innovator and a world-class comprehensive chemical company, promoting our technological innovation ability, core competitiveness and sustainability. We aim to create maximum value for clients, shareholders and employees, and contribute to development of the industry and social progress.

Organization Structure



★ Listed companies

Corporate Culture

Value

In Science We Trust, Upon Knowledge We Act

Vision

To become an industry leader and a respectable company

Mission

To innovate and grow, to pursue excellent management, and to provide first-class products and services; to deliver maximum value for clients, shareholders and employees; to promote sustainable development of the society

Overall goal

To become an innovative enterprise driven by science and technology

Code of Conduct

integrity, professionalism, innovation, teamwork



Scan to watch Sinochem corporate video

Profile of Sinochem

Company Name: Sinochem Group
 Registered Capital: RMB 40.307 billion
 Established: March 1950
 Asset Scale: RMB 417.195 billion
 Headquarter: Central Tower, Chemsunny World Trade Center, 28 Fuxingmennei Street, Beijing

Business Overview



Energy

Our energy business consists of exploration & production, oil trading, petroleum refining, petrochemical warehousing, energy technology, park construction, petrochemical product sales, oil sales, etc. We accelerate the extension to the upstream and downstream of the petroleum industrial chain to improve business sustainability. We actively promote the integration of energy and the Internet, and foster innovation in present Business Modes with Internet technology, so as to become an intelligent operator in petrochemical industry.

We provide oil and gas for economic and social development, and involve in the construction of national strategic oil reserve system as well as energy development planning and research, playing an increasingly important role in domestic and international energy market.



Agriculture

Sinochem is a leading central SOE in integrated operation of agricultural inputs (fertilizers, seeds and agrochemicals) and modern agricultural services in China. Based on its advantages in advanced technology, quality products and integrated professional services, Sinochem innovates agricultural service modes, provides comprehensive solutions covering the whole process for agricultural modernization and transformation, thus contributing to the supply-side reform in agriculture and the implementation of the rural vitalization strategy.



Real estate

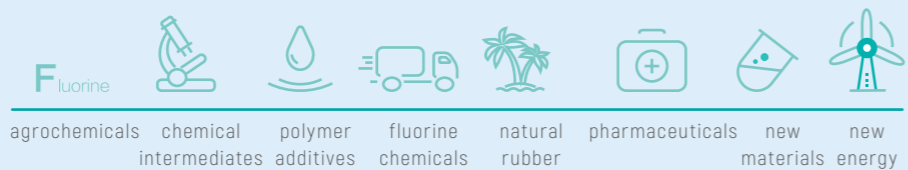
Sinochem Group is a central SOE approved by SASAC of the State Council to conduct main business of property development and hotel management. China Jinmao, a subsidiary of Sinochem, takes the mission of "Unleashing Future Vitality of the City" and always pursues high-end boutique property development path. Based on the "two-wheels and two-wings" (development + holding and service + finance) strategy centered on high quality, China Jinmao focuses on "two-driven and two-upgrade" (two drivers: Plan-driven + capital driven; two upgrades: city upgrading + industry upgrading) in city operation and strives to be a leading city operator in China. China Jinmao has steadily carried out business in more than 40 major cities and successfully built a "Jinmao", a subsidiary representing high-end products.



Chemicals

Based on the well-established R&D system and strong technological innovation capability, we have sharpened our competitive edge in the fields of agrochemicals, chemical intermediates, polymer additives, fluorine chemicals, natural rubber, pharmaceuticals, new materials, new energy, etc., and become a leading chemical product and service provider in China.

Now we further focus on nurturing fine chemicals, and dedicate to providing innovative, quality and green products and comprehensive solutions in fields of new energy, new materials and bio-industry.



Finance

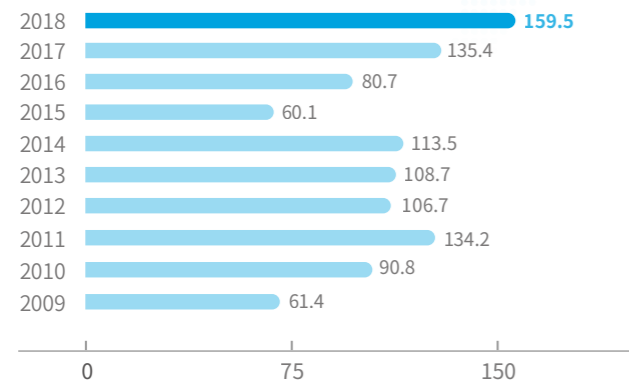
Our financial businesses cover trust services, finance company, comprehensive business service, securities investment funds, financial leasing, life insurance, industry funds, environmental protection, Fintech, etc. We have developed financial business portfolios with complete qualifications, and built competitive and influential brands such as FOTIC, Far East Horizon, Manulife Insurance and Lion Fund.

In 2018, we set up Sinochem Capital Company Limited, which focuses on ordinary clients and industrial chain, take Fintech as the trend, and develop industrial finance as the core, aiming to build a green, open and shared platform for intelligent financial service.

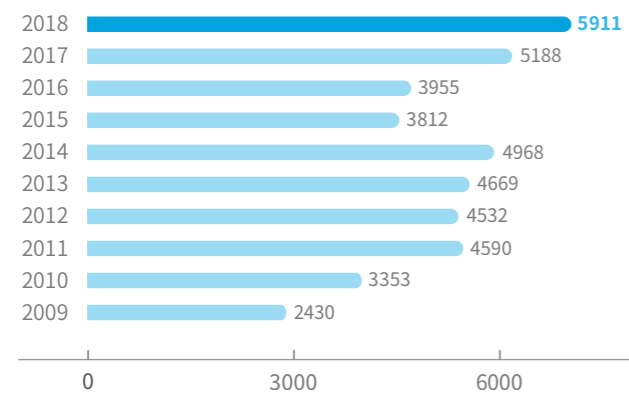


An National Pillar of China under Concerted Efforts

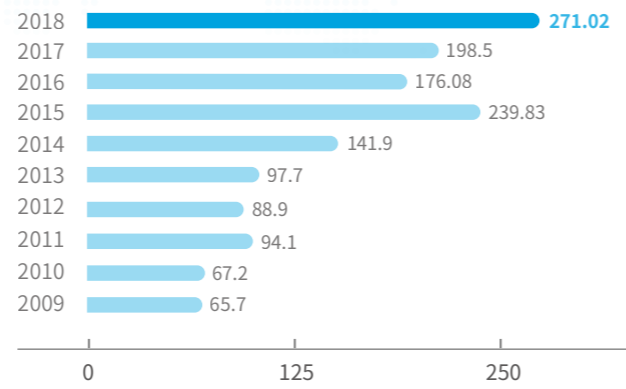
China has braved thorny paths and gone through great changes in the past 70 years. As one of the first state-owned foreign trade companies in New China, Sinochem started as China Import Company founded in 1950, and grew with People's Republic of China. After decades of reform and development, Sinochem has gradually transformed from a traditional foreign trade enterprise to an multinational industrial group with outstanding market performance and international operation, and then to an innovative enterprise driven by sci-tech. The history of Sinochem can be described as a history of entrepreneurship and endeavor, which is also a microcosm of the reform, development, transformation and reconstruction of Chinese state-owned enterprises, in particular state-owned foreign trade enterprises.



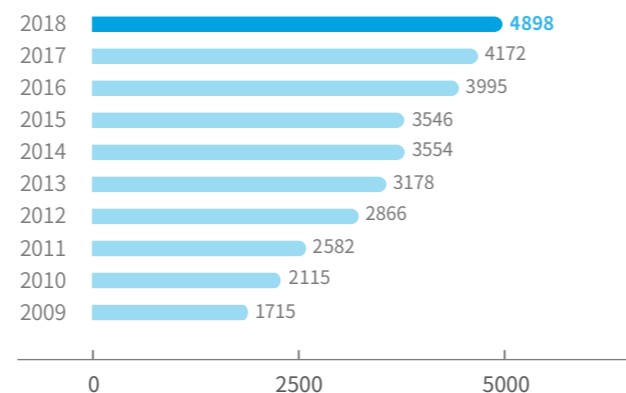
List of total profits 2009-2018 (in 100 million yuan)



List of operation revenue 2009-2018 (in 100 million yuan)



List of total tax payment 2009-2018 (in 100 million yuan)



List of total assets 2009-2018 (in 100 million yuan)

1950 – 1997

As a foreign trade enterprise specializing in the import and export trade of oil, chemical fertilizer and products during the planned economy period, Sinochem conscientiously fulfilled the responsibilities entrusted by the state, actively developed import and export business, and effectively promoted the development of national foreign trade undertakings. Therefore, it is praised as the bellwether of China's foreign trade enterprises.

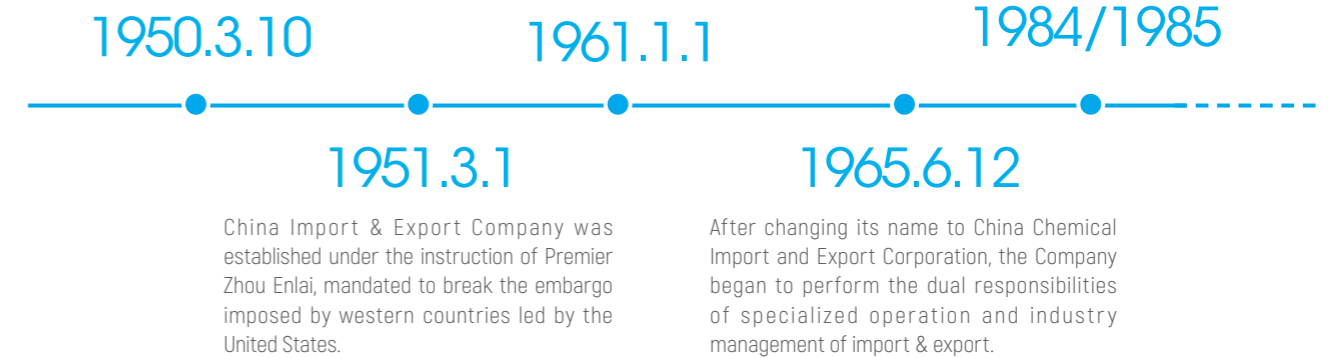


On December 31, 1994, the State Council approved us as the first company to pilot comprehensive business

China Import Company, the predecessor of Sinochem Group, was established as the first state-owned foreign trade company in New China.

With the approval of the Ministry of Trade of Central Government, China Import and Export Co., Ltd. was renamed China Chemical Import and Export Co., Ltd. and formally adjusted to be a professional petrochemical trading company.

The import and export trade volume of China Chemical Import and Export Corporation exceeded USD 10 billion and became one of the largest foreign trade companies in China.



In 1952, the East Berlin Representative Office was established, which is the first overseas agency of China import and export corporation



Since 1953, China Import and Export Corporation has signed a number of trade agreements with the british business and industry delegation (later THE 48 GROUP CLUB)



On March 1, 2000, Sinochem International, which was established after the reorganization of some chemical products business, became the first branch listed on the Shanghai Stock Exchange

The first major transformation of Sinochem from 1998 to 2015

In line with the trend of the reform and development of China's market economy, we have gradually transformed from a traditional foreign trade enterprise that relies heavily on favorable policy with single business and extensive management, to a new one with advanced ideas and standardized management, forming five strategic business units--energy, chemicals, agriculture, real estate and finance, significantly enhanced the competitiveness of the Company.

Asian financial crisis worsened together with major changes in the market of national oil and fertilizer. The Company suffered from a serious payment crisis. To break the dilemma, the Company launched "management improvement initiative". Through the marketization strategy of "one ability, two extensions and three pillars" as the core, it gradually transformed from traditional management mode featuring import and export, to marketing service-oriented enterprise, and then industrial service enterprise.



On July 28, 2005, Sinofert was listed on the Stock Exchange of Hong Kong as the first fertilizer company of China listed overseas

After several years of accelerated market transformation, the original company name can no longer cover the business connotation. On November 10, 2003, the Company was renamed as "Sinochem Group".

The 12-million-ton-per-year oil refining project at Sinochem Quanzhou Petrochemical was officially completed and put into production, which has not only broken through the refining business that had long confined Sinochem and completed the oil industry chain of the Company, but also supported Sinochem's position as the "fourth pole" in China's oil and gas market, and forcefully backed up future sustainable development of Sinochem's oil business.

1998

2003.11.10

2014.9

Since 2003

2007

2018.3.17

Focusing on energy, agriculture, chemical industry, finance and real estate, the Company actively promotes strategic development and accelerated business transformation, striving to build a respectful company with global influence, and entered into accelerated development.

The Company successively merged two central SOEs of Sinochem Group, Shenyang Research Institute of Chemical Industry and China National Seed Group, and its strength has been further improved. The Company's operating performance achieved "four breakthroughs", namely, sales revenue exceeding RMB 200 billion, total profit exceeding RMB 8 billion, total assets exceeding RMB 100 billion and net assets exceeding RMB 40 billion. With these efforts, the Company became among the first batch of SOE rated Grade-A in business performance assessment, and was selected as one of Exemplary SOEs by Ministry of Publicity and SASAC.



On May 31, 2009, the company was reorganized and restructured to rename as Sinochem Co., Ltd.

The second major transformation Of Sinochem since 2016

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we, in line with the new round of scientific and technological revolution and the tide of industrial revolution, focus on becoming a great and respectful conglomerate with global presence and upholding the core principle of "In Science We Trust, Upon Knowledge We Act" to transform from resource-oriented and investment-driven traditional industrial enterprise to technology-driven innovative enterprise in an all-round way, building core competence suiting the future, embarking on a new and more sustainable development path, and constantly making new contributions to the country and society.



On January 5, 2016, Frank Ning was appointed Chairman of Sinochem Group and Secretary of the Party Group



On December 15, 2017, Sinochem Group held a "Sinochem Lecture" with the theme of "6S on the New long March" to carry out 6S management system

Frank Ning put forward in his long article entitled "In Science We Trust" that Sinochem should be transformed into "an innovative enterprise driven by science and technology" in an all-round way.



In 2018, the indicators of Sinochem Group hit a record high with breakthrough in business performance



On September 16, 2018, Frank Ning attended China Development Forum Special Session

Ten Major CSR Achievements of Sinochem in 2018

1. Starting a new journey to deepen comprehensive transformation with In Science We Trust

Frank Ning put forward in his long article entitled "In Science We Trust" that Sinochem should be transformed into an innovative enterprise driven by science and technology in 5 to 10 years. Taking this as the starting point, the Party Group of the Company released the decision and plan on deepening comprehensive transformation to clarify the new concept and strategic goal, and completed thirty-six key tasks of deepening reform to further the reform.

2. Performing duties in ABAC to contribute to a new round of high-level opening-up

As Chairman of Sustainable Development Working Group of APEC Business Advisory Council (ABAC), Frank Ning went to Port Moresby, the capital of Papua New Guinea, to chair a dialogue between ABAC representatives and APEC economic leaders, at which he led 10 ABAC representatives to engage in dialogue and exchanges with APEC economic leaders, including Chairman Xi Jinping.

3. Breakthrough in Sci-tech innovation

Aiming to build a world-class comprehensive chemical company, we have thoroughly implemented the national innovation-driven development strategy and the concept of high quality development to construct an open and pluralistic scientific and technological innovation system. In 2018, we won national and provincial awards for many of our scientific and technological achievements, and therefore was rewarded the honorary title of outstanding enterprise in scientific and technological innovation by SASAC in 2018.

4. Progress in energy business

Sinochem Energy was launched in Beijing, and many businesses have achieved breakthroughs including the establishment of International Sci-tech Innovation Centre of Hydrogen Energy and Fuel Battery, the first successful overhaul of Sinochem Quanzhou Petrochemical, the first successful hoisting of the first overrun equipment in Ethylene Project, the construction of public utility in Sinochem exclusive park, the Aoli fuel jointly launched by Sinochem Oil Marketing and Sinochem Quanzhou Petrochemical.

5. Breakthrough of incremental business in Chemicals

The incremental business of Chemicals SBU has achieved important breakthroughs in fields such as new material including the pilot project with an annual output of 500-tons aramid fiber in Yizheng, the acquisition of Elix Polymers (a European ABS plastic manufacturer) by Sinochem International, the settlement of Membrane Industry Base and Research & Development Center in Xiangshan, Ningbo; new energy involving the successful acquisition of Junsheng New Energy Technology Co., Ltd. by Sinochem International, the NCM cathode material project, located in Zhongwei City of Ningxia Province, with an annual output of 1500 tons, has entered full load production.



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6. Effective implementation of MAP strategy

The MAP (Modern Agriculture Platform) strategy of Sinochem Agro has been steadily advanced throughout the country with 36 MAP crop technical centers (including the under constructed) serving more than 1.3 million mu and collecting nearly 300,000 tons of grain, 50 MAP economic crop centers (including the under constructed) serving more than 380,000 mu in the whole year, as well as assisting the sales for 15 kinds of fruits with more than 1,000 tons. We have made such new achievements in Smart Agriculture as three online products, namely MAP Smart, MAP Benefit and MAP-PER, realizing initial-visualized management and intelligent planting.

7. All-round upgrading of real estate and finance business

Sinochem Capital, established in Beijing, focuses on the booming consumer base of China and broad industrial chain pivoted by industrial upgrading. Through investment leading and Fintech empowerment, it has established a one-stop financial service platform based on big data and connectivity, which can meet the needs of industrial clients in many levels and many aspects. China Jinmao released Jinmao Palace 2.0 in Beijing and announced for the first time an upgrade of the product system, that is, a major upgrade from two aspects: green health and intelligent technology.

8. Promoting energy saving and environmental protection with multiple measures

We firmly promote HSE management to strengthen HSE responsibility system for prevention and control of risk reduction as well as investigation and rectification of hidden dangers, which not only ensures sustainable security throughout the year, but also facilitates three major defense battles of blue sky, clean land and clear water for the fight against environmental pollution and for green transformation of Sinochem.

9. Releasing new corporate culture

Following the principle of "inheriting history and surpassing innovation", Sinochem Group's corporate culture system, in line with the new environment and development goals, is injected with a new concept, "In Science We Trust, Upon Knowledge We Act" to condense Sinochem spirit and open up a new future. Through conference activities, evaluation training, media communication and other forms of active publicity and implementation, all the staffs set off an upsurge in the study and practice of corporate culture, and effectively promoted the brand image of Sinochem. In particular, the Sinochem song "We create", written by Chairman Frank Ning himself, has become an important carrier of corporate culture, playing a role in the integration of culture and convergence of consensus.

10. The impoverished areas paired with Sinochem have been lifted out of poverty successively

Sinochem Group resolutely implements the Central Committee's decision and deployment to win the final battle against poverty. Since 2018, we have further stepped up efforts to help the poor with the annual poverty alleviation fund increasing from RMB 27.1 million to RMB 44 million, which has greatly promoted the economic and social development of the supported area. Following Horinger and Qingshuihe counties in Inner Mongolia and Dachaidan area in Qinghai Province, five poor counties have been successfully lifted out of poverty.

Governance

In consistent with the core value of "In Science We Trust, Upon Knowledge We Act", Sinochem has continuously promoted the comprehensive transformation to enhance the core competitiveness and sustainable development of the Company, and to ensure production and operation of the whole year with high quality and high standard. In 2018, Sinochem was ranked 88th for the 29th time in Fortune Global 500 as well as Chairman Frank Ning was rewarded Fortune Global CEO Lifetime Achievement Award by Fortune. Meanwhile, it was selected for the 15th time in "China's 500 Most Valuable Brands" ranking 7th and rated as Grade-A Enterprise for the 14th time in SASAC Business Performance Assessment.



Perfecting the Governance

According to the requirements of establishing modern enterprise system, focusing on new goal of science and technology driven innovation oriented enterprise, the Company improves governance structure combining with transformation and development, so as to create good conditions for high-quality development.

Deepening institutional reform

In line with the reform of the group from the operation-control company to strategy-control one, Sinochem sped up the institutional reform for the decentralization and empowerment, streamline the approval, undertake core operational functions, and clarify the rights and responsibilities focusing on the solution of inadequate operation after decentralization, aiming at the system of small headquarter with large business.

Optimizing organizational and governance structure

We have set up the Science and Technology Committee and the Investment Development and Off-sale Committee to co-ordinate scientific and technological innovation and lead investment development and business development and retreat scientifically.

Systematically improving capital operation

We have established a perfect management mechanism to improve the capital operation ability and the return on capital investment of the group, providing strong capital support for the transformation.

Establishing 6S management system

We have constructed 6S management systems with the connotation of "In Science We Trust, Upon Knowledge We Act" to consolidate the management foundation for building a real enabling headquarter.

6S management system of Sinochem

6S management system

Centered on the strategic development

Starting with strategic management system, we have taken budget management as the breakthrough, management report system as the focus, internal audit system as the back-up, performance rating system as the driving force, and manager assessment system as the foothold, to jointly ensure the landing of the current strategies and optimization and upgrading of future strategies

Party building system

With Politics as the Guide

We adhere to the leadership of the Party and resolutely implement the Party's line, principles and policies to highlight political construction and give full play to the leading role of leadership and the vanguard and exemplary role of Party members, arming the mind with the Party's thinking. Meanwhile, the momentum of reform and development has been converged with "Five Actions" to stimulate the vitality of innovation and entrepreneurship, striving to achieve strategic objectives of enterprise

Sci-tech innovation system

Characterized by open and pluralistic industrialization

With innovation triangle as the core, innovation management process as the link, and external innovation resources as the ecology, we have closely coordinated with internal innovation resources and made full use of external innovation resources to build an open and pluralistic industrial sci-tech innovation system, realizing the transformation from "small science and technology" to "big science and technology" system

Great supervision system

Targeted on safeguarding

We have improved the coordinated and effective supervision mechanism of decision implementation, and established the supervision consultation mechanism to supervise the exercise of power and ensure clean employment. Through overall inspection, the discipline supervision, and internal audit, we have formed a trinity pattern

Corporate culture system

Directed by condensing positive energy to enhance soft power

We shape corporate culture from three levels of concept, behavior and communication. The concept layer includes value concept, vision, overall goal, and mission to define enterprise development, guide enterprise behavior with code of conduct and leadership quality model at behavior layer, and practice corporate culture from eight communication channels for a full dimensional corporate culture system at communication layer

Operation system

Centered on standardized management

To adapt to global operation and management, we have built an intensive industrial chain, formed an efficient closed-loop of operation, and practiced integrated development by opening up information channel at decision-making level and executive level with information system. Meanwhile, we have built personalized operation management system with business characteristics and management needs



Strengthening Party Building

It is the root and soul of state-owned enterprises to uphold the leadership of the Party and strengthen the building of the Party. By thoroughly implementing the spirit of the National Conference on Party Building of State-owned Enterprises and practicing the "Two Consistent" as required, we have given full play to the role of the party group (party committee) in taking charge of the direction, managing the overall situation, ensuring implementation, and the role of grass-root party organizations as a bastion for battle. We highly value deep integration of party building and business management, ensuring smooth development of various undertakings on the right track.



9 batches of training and seminars for key personnel to understand the spirit of the 19th CPC National Congress

Over 600 cadres received direct training at all levels

About 50000 employees participated in the study of the spirit of the 19th CPC National Congress

Upholding overarching guidance of political principle

Guided by Xi Jinping Thoughts on Socialism with Chinese Characteristics for a New Era and the spirit of the 19th CPC National Congress, the Company adheres to enhancing the Party's political building as the overarching principle and holding dear the Party's ideals, convictions, and purpose as the underpinning to ensure all the Party members to firmly strengthen the consciousness to maintain political integrity, think big-picture, follow the leadership core, and keep in alignment, build up the confidence in the path, theory, system, and culture of socialism with Chinese characteristics, and resolutely uphold General Secretary Xi Jinping's core standing on the Central Party Committee and in the Party as a whole. We should resolutely stand as an important pillar and supporter for the Party to govern and rejuvenate the country.

Chairman Frank Ning lectured on Party Building on July 1

In July 2018, a group meeting was held in Beijing to celebrate the 97th anniversary of the Communist Party of China, on which Chairman Frank Ning gave a special Party lecture with the theme of "Upholding the tradition of the Party, striving for innovation, and giving tribute to the 19th National Congress of the party with new achievements of the Company's reform and development" to the Party members, combining the development of the Party and the innovation strategy of the group.



Strengthening the foundation

With the establishment of Party building responsibility system, we have focused on building primary-level CPC organizations in line with the "Three Basics" requirements to give full play to the primary-level Party branches and exemplary function of the Party members.

Ensuring the integration

By conscientiously implementing the "Two Consistency" requirements, Sinochem has integrated party building into overall status, which forges the combination of the party leadership with corporate governance, as well as the party building into the whole management, giving full play to the role of party organizations in "directing, managing and implementing" and providing a strong political guarantee for the reform and development of enterprise.

Strengthening incentive mechanism

Upholding the principle of Party-governance cadres and talents, we have deepened the talent system reform with virtue-orientation talent standard centered on the strategic goal of the group, which enhances the cultivation of high quality and professional talents. Meanwhile, the incentive system of the reserve cadres' selection, evaluation and management has been improved to guarantee the mechanism and talent for building industry-leading and respectable world-class enterprise.

Implementing effective supervision

Sinochem has upheld the overall Party leadership, ensured that the Party exercises effective self-supervision and practices strict self-governance in every respect. With great importance attached to the construction of Party conduct, we have constructed a large supervision system with unified command, full coverage, orderly operation and high efficiency, which facilitates the building of a loyal, clean and responsible Party team and the forming of a clean political ecosystem for healthy and sustainable development of the enterprise.



In August 2018, the political inspection conference was held to make inspection arrangements within the party for strict political life and implementation of the central Party leadership's eight-point decision

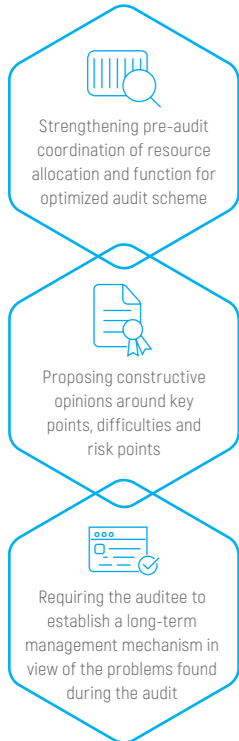
Highlighting cultural cohesion

The rich and colorful corporate cultural activities led by political culture have been widely carried out to unite the wise consensus of reform and development, stimulate the creativity and combat effectiveness of employees, which provides a strong spiritual driving force for the reform and development of Sinochem.



In September 2018, the Company Song "We Create" written by Chairman Frank Ning was officially released on the 7th Staff Sports Meeting of Sinochem, which inspires the employees' love for our Party, for China and for Sinochem

Strengthening Operation Management



Audit supervision

We bear the new concept of "In Science We Trust, Upon Knowledge We Act" in the mind to develop our audit work with full coverage as the goal, strategic control and empowerment of the front line as the underpinning for the exploration of the new mechanism of audit supervision.

Legal compliance

The key issues, projects, business decisions, and legal disputes have been equipped with legal support while the measures of prevention, control and remediation have been taken to safeguard standardized operation as well as legitimate rights and interests of the Company. In 2018, our group wasn't involved into any major litigation, and the subordinate enterprises handled a total of 16 major litigation cases, saved economic loss of RMB 715 million.

- Issuing a compliance guide and manual for the persons-in-chief of Sinochem to perform their duties as the first responsible person in Ruling by Law
- Establishing a closed-loop compliance mechanism of "compliance in operation, accountability in violation" with strengthened compliance publicity and responsible accountability for illegal operation
- Implementing chief counselor-at-law, establishing legal affairs institutions for each SBU, and applying for the pilot lawyers Company of the Ministry of Justice
- Conducting training, lectures, publicity and other activities with the theme of Managing and Operating by Law and carrying out large-scale law popularization with all the staffs signing Sinochem Compliance Commitment to create a compliance culture of compliance, discipline, trust, honesty and morality

Risk control

To thoroughly implement the spirit of the central government on comprehensive prevention and resolution of major risks, we have maintained sufficient sensitivity to the macro risk environment to further strengthen the main responsibility of risk management and control in business with effective risk control as the premise and basis of strategy advancing and business innovation, as well as perfecting the organization and the process, implementing the responsibility mechanism to optimize the risk control system, and constantly improving the overall anti-risk ability at all levels. With the down-to-earth risk prevention and control requirements of "three don'ts, four resolutions, and five prohibitions", we have implemented dynamic monitoring of the major operating risks and stucken to the bottom line of non-systematic and subversive risk events.

Finance management

The current capital plan management has been implemented to prevent and control the credit risk for improving the quality and optimizing the structure of credit assets. At the same time, we carried out the evaluation system reform, formulated the innovative financial model, and adopted the binary performance appraisal. Through the practice of budget and assessment plan in 2019, the vast number of cadres and workers are stimulated to actively devote themselves to the sci-tech innovation tide.

Accelerating Transformation

Centering the core value concept of "In Science We Trust, Upon Knowledge We Act", we open up deepening reform and comprehensive transformation for releasing development potential.

Clarify development path

In March 2018, the long article "In Science We Trust", written by Chairman Frank Ning, proposed a new concept of development for the Company, received widespread response within the company and in society. To truly become a world-class enterprise with global competitiveness, it is instructed in the article that Sinochem Group should actively integrate internal and external innovation resources with the concept of openness, integration and sharing, keep up with the forefront of industrial science and technology, seize the commanding heights of science and technology, focus on core technology for core competitiveness, make science and technology become the real driving force for various businesses and realize sustainable development of the enterprise.

Intensify top-level design

Deepening Reform Group, headed by Chairman Frank Ning, and the Deepening Reform Office, set up to jointly work out a plan for deepening the comprehensive transformation, put forward 36 key tasks for the overall plan of reform and transformation.

Accelerating implementation

In line with the concept of "In Scientific We Trust, Upon Knowledge We Act", we not only named the Chief Technology Officer (CTO) in the 5 SBUs, but also encouraged them to actively combine the actual operation with innovative search for clear focus and to formulate reform plan and to make positive progress.

Duties of Headquarter

- Ensuring the institutional arrangement and implementation
- Giving full play to the leading role of headquarters in reform
- Perfecting the 6S management systems

Duties of SBUs

Three-dimensional guidance of "Emphasizing Empowering and Targeting"

- Undertaking the adjustment of the management system of headquarter
- Decomposing and implementing the goal of "four 1000 in three years" realistically

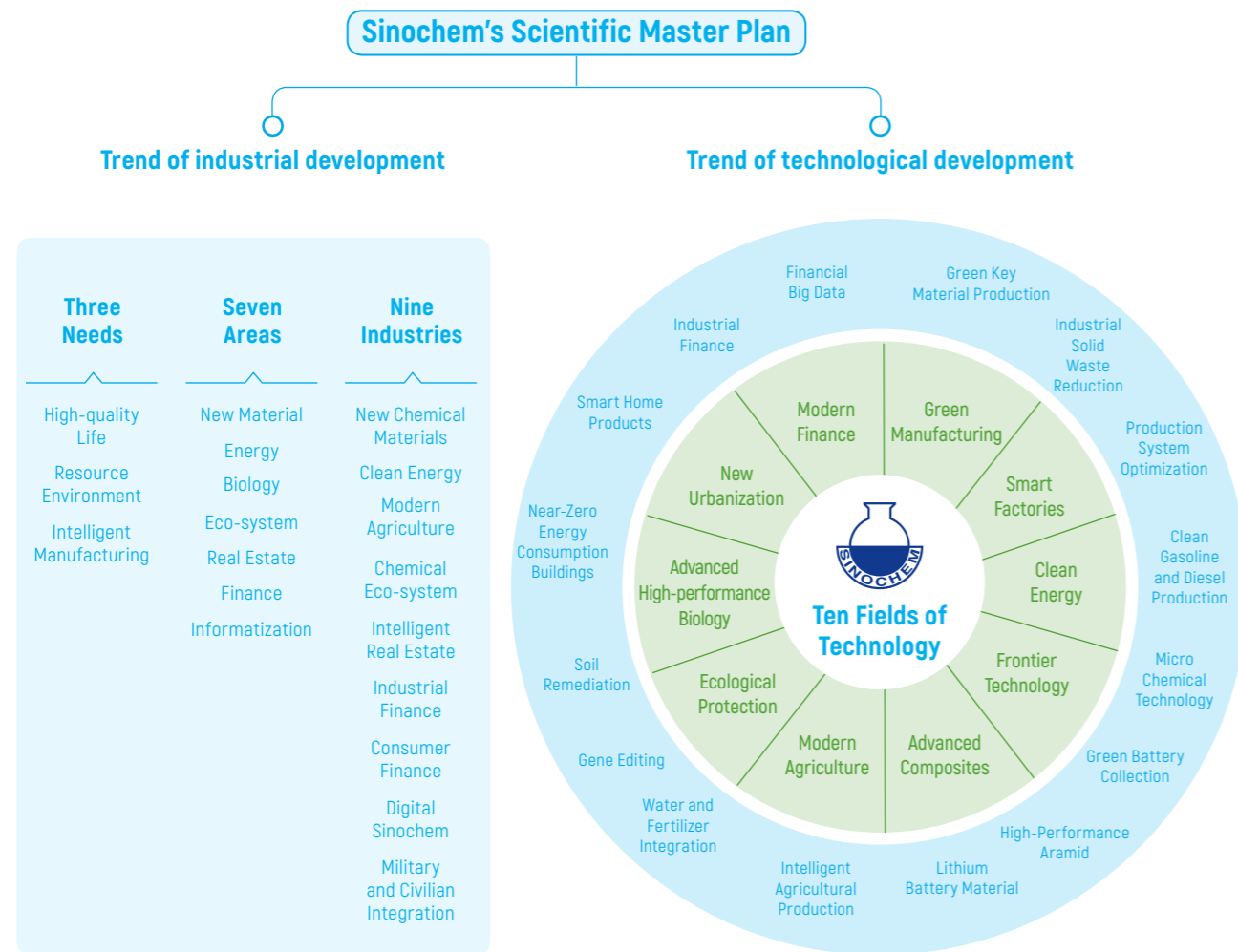
SBU of Energy	SBU of Chemicals	SBU of Agriculture	SBU of Finance	SBU of Real Estate
<ul style="list-style-type: none"> • Launching 27 key tasks of deepened reforms, to clarify the overall thought and objectives in the next three years, optimize the management framework, start process re-forming, and improve differentiated appraisal 	<ul style="list-style-type: none"> • Issued a guiding document for deepening the reform, to mobilise all the staffs, established an innovation fund of RMB 200 million, implemented TOP100 Sci-tech Talents Programme, and published measures for project management 	<ul style="list-style-type: none"> • We implement 25 innovative projects, set up a science and technology innovation center, perfect and optimize the scientific research mechanism, build a smart agriculture platform, increase cooperation and co-construction with research institutes and universities, and promote the long-term communication with well-known experts and scholars in the industry 	<ul style="list-style-type: none"> • Setting up the sci-tech innovation committee, perfecting the management mechanism of the financial sci-tech innovation, convening the financial sci-tech seminar, appointing the chief scientist in environmental protection, and completing the construction plan of the innovation center 	<ul style="list-style-type: none"> • Formulate strategic plan for reform and innovation, issue a management system related to innovation and entrepreneurship, establish an innovation incubation committee and fund, build a J-Idea platform, examining 16 innovation and entrepreneurship projects initiated by employees and incubate selected ones

Unleashing Sci-tech Innovation

Under the guidance of "In Science We Trust, Upon Knowledge We Act", we have accelerated the sci-tech innovation process, taking "Sinochem innovation triangle" (innovation subject, innovation mode, innovation culture) as the core, have constructed an open, multiple and industrial (OMI) system with which many sci-tech innovation achievements have been transformed effectively.

Making Scientific Master Plan

Our research on the general trend of industrial and technological revolution has laid the foundation for forward-looking industry research and overall strategic planning layout. On this basis, we have studied the current situation and trend of industrial technology, evaluated the sci-tech level and innovation ability of company, so as to form a panoramic view of sci-tech to be in line with both the overall situation and the practical status.

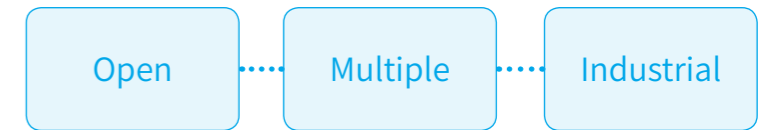


Sinochem's Scientific Master Plan

Building OMI sci-tech innovation system

Aiming to build a leading innovative and comprehensive chemical enterprise in the world, an OMI sci-tech innovation system characterized by Open, Multiple and Industrial.

OMI Sci-tech Innovation System



Technology-driven innovative company

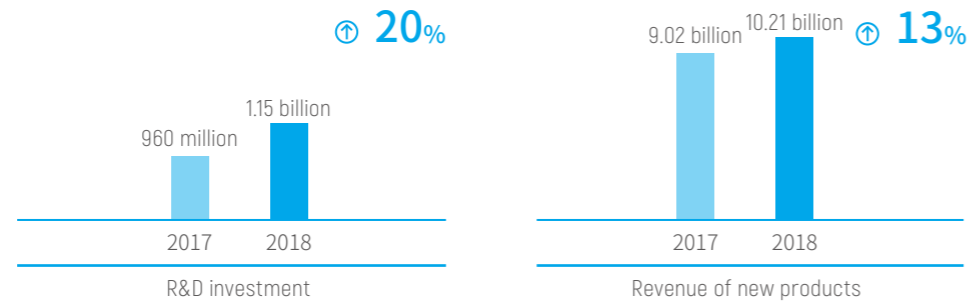
OMI sci-tech is consisted of 3 spheres, that is, internal innovation, innovative management and the external innovation, to form an industrial sci-tech innovation system with coordinated internal resources, abundant external resources, and open-multiple-industrial system.



OMI Sci-tech Innovation System

Transforming Sci-tech findings

In 2018, a number of scientific and technological achievements won national and provincial awards, with R&D investment rising 20%, sales revenue of new products increasing 13%, and number of patent applications increasing 62% year on year.



Sales of Sinochem Baozhuo exceeding RMB 100 million in 2018

Baozhuo is a highly effective acaricidal killer with independent intellectual property rights held by Sinochem Group for ten years. As an acaricidal product effectively killing mites in the whole growth cycle, it has received positive response from the market immediately. In 2018, the sales volume of Baozhuo exceeds RMB 100 million with a market share of 10%, surpassing many multinational companies as the first choice of acaricidal killer in the market.

Sinochem Environment independently develops industrial environmental protection technology

The integrated technology of comprehensive wastewater treatment developed by Sino Environment has realized the transformation of many scientific researches, with total amount of contract valuing more than RMB 100 million; development of waste salt utilization technology, successfully solved the ever bottleneck of the fine chemical industry.

An innovative seed coating agent developed independently by Sinochem hit the market successfully

During the last 8 years, after experiencing countless screening of formula portfolios and field demonstrations in various regions, Tengshou, an innovative seed coating agent developed independently by Sinochem, finally hit the market, which can prevent and control crop diseases and pests, safeguard crop growth from the root of the seed. It protects and secures healthy growth of crops.

Sinochem Energy was founded to probe into the internet value of petrochemical industry

In February 2018, Sinochem Energy High-tech Co., Ltd. was established as a technology Internet company owned by Sinochem SBU of Energy, committed to becoming a smart operator in petrochemical industry to promote deep integration of network technology and petrochemical industry with the support of advanced technologies such as Artificial Intelligence, Block Chain, Internet of Things, Cloud Computing and Big Data, etc. The company has built a digital platform for the whole industrial chain, which integrates supply chain management, crude oil trade, refining and optimization of chemicals, chemical product sales and petrol station operation.

Yangnong Chemical Received China Awards for Industry

The "Eco-friendly and High-efficiency Pyrethroid Pesticide" project of Yangnong Chemical received China Awards for Industry. Yangnong kept up independent innovation with more than 50 new products, filling the gap of 20 kinds of products at home and abroad, declared 182 invention patents and set 9 pyrethroids standards, which not only successfully broke the 20-year-long monopoly of multinational companies in Chinese market, occupying more than 70% of market share, and distributed to developed countries including European, the United States and Japan, contributed to the rise of Chinese permethrin in the world market.

Sennics won the second prize of the 2018 National Technology Invention Award

The project of second prize of "Key Technology and Industrial Application of Green Catalytic Synthesis for Substituted Aromatic Amines Products", completed by Sennics and Zhejiang University of Technology, won the second prize of National Technology Invention Award in 2018. They successfully applied the new process and industrialization technology of precious metal catalytic hydrogenation synthesis antioxidant 6PPD to promote the upgrading of the whole industry and contribute to efficient, green, safe and sustainable development of the fine chemical industry in China.

SBU of Chemicals won three first prizes awarded by CPCIF

The two projects, namely "safety technology and application in green Chemical manufacturing", "Pyraoxystrobin FAO Standards", declared by Shenyang Research Institute of Chemical Industry and Shenyang SCIENCREAT Chemicals, won the first prize for scientific and technological progress, and the project "Creation and industrialization of natural fungicide coumoxystrobin", declared by Sinochem Pesticide, was rewarded First prize for technological invention.

The Stage-gate Management System of Science and Technology Projects successfully put into operation

Adopting the leading stage-gate management concept to strengthen the market and customer leading, the management system covers the whole life cycle of the new product/ technology, and the sci-technology innovation at all levels, which is an important management tool and a great breakthrough for the construction of the OMI system.

Business

As one of the national key enterprises with influence in energy, chemicals, agriculture, real estate and finance at home and abroad, Sinochem on one hand always adhere to serving the overall development of the nation, combine the growth of the enterprise with national strategy, stay true to our original aspiration, aim at meeting the needs of the people for a better life, and commit to providing products, technologies and services closely related to national economy and people's livelihood; on the other hand, we rely on our own business advantages to actively safeguard national energy security, focus on promoting the progress of chemical industry, assist national transformation and upgrading in agriculture and contribute to national economic construction and social development.



Safeguarding National Energy Security

Sinochem actively participate in the system construction of the national strategic oil reserve and deployment research of national energy development. With advantages in resources, channels and operation in the domestic and foreign markets, we have accelerated the refining and chemical integration and completed oil industry chain to become a national pillar for energy, as an intelligent operator of the petrochemical industry characterized by internationalization, complete industrial chain and outstanding marketing service ability, which will play an increasingly important role in the energy market of China and the world.

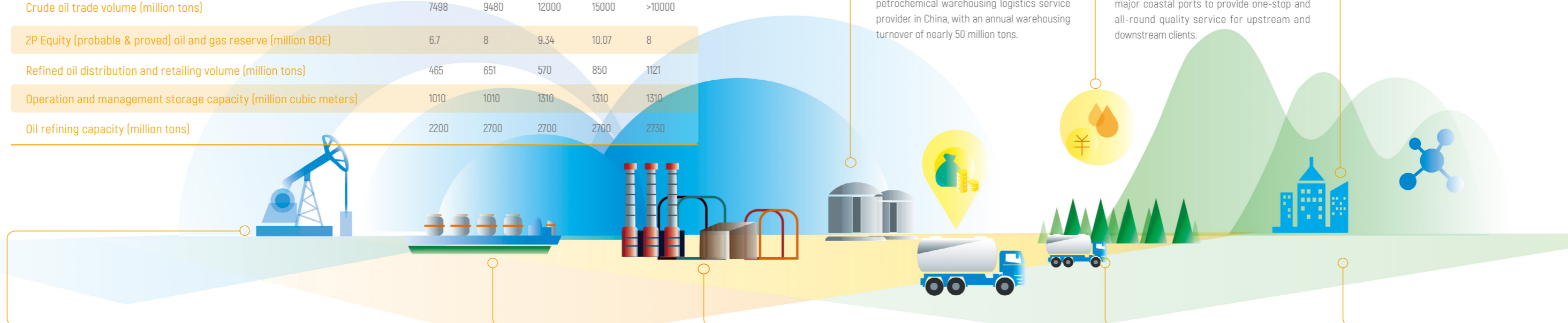


Honor

Sinochem is listed as Innovation and Application Pilot in National Supply Chain.

Sinochem is shortlisted for Platts Global Energy Award for Innovation Technology.

Year	2014	2015	2016	2017	2018
Crude oil trade volume (million tons)	7498	9480	12000	15000	>10000
2P Equity (probable & proved) oil and gas reserve (million BOE)	6.7	8	9.34	10.07	8
Refined oil distribution and retailing volume (million tons)	465	651	570	850	1121
Operation and management storage capacity (million cubic meters)	1010	1010	1310	1310	1310
Oil refining capacity (million tons)	2200	2700	2700	2700	2730



Warehousing & Logistics: By fully mobilizing internal and external resources, Sinochem innovates the Business Mode using the Internet and other means, Sinochem Group has built a "Sinochem logistics port" with petrochemical storage capacity of about 13.1 million cubic meters in operation, construction and management, forming a logistics network covering the coastal areas along Bohai Sea, Yangtze River Delta, Pearl River Delta and other areas together with a variety of supporting wharf systems ranging from 3,000 tons to 300,000 tons. It has become the largest and strongest third party petrochemical warehousing logistics service provider in China, with an annual warehousing turnover of nearly 50 million tons.

Petrochemical sales: Petrochemical sales mainly engage in by-products including aromatics, liquefied gas, asphalt, sulfur, as well as chemical products including plastics, styrene, ethylene glycol, PX. Taking Fujian as the pinpoint, the petrochemical network in East China and South China has been formed, and an overseas platform has been set up in Singapore, with an annual sales capacity of more than 11 million tons, an annual logistics distribution capacity of more than 5 million tons, and a transportation capacity reserve of 1 million tons. With the help of nearly 40 transit warehouses in the country, we have established sound cooperation with major coastal ports to provide one-stop and all-round quality service for upstream and downstream clients.

Industrial Parks: Pivoted by the Refining and Ethylene Project of Sinochem Quanzhou, we are committed to building Quanhui Petrochemical Industrial Park in Fujian Province into a world-class petrochemical industry base with refining and chemical integration as the vanguard, primary chemicals as the main line, synthetic fiber as the specialty, and high-end chemical new materials and fine chemicals as the wings, with the advantages of location, integration and the group.

Exploration and Development: Sinochem has involved in 27 oil and gas contracted clusters in 9 countries and regions, such as Brazil, Colombia and the United States, forming the strategic layout of the upstream oil business overseas.

Our oil exploration and development business fully covers exploration and development, conventional and unconventional, offshore and onshore, operators and non-operators; products cover light oil, heavy oil, natural gas, etc., with recoverable oil and gas reserves exceeding 1 billion BOE. We have rights of exploring 86,900 acres of shale oil in the Permian basin of the United States and a 40% interest in large offshore heavy oil fields in the Campos basin of Brazil sea area as well as eight exploration clusters in Colombia.

Oil Trade: Oil trade is the traditional advantageous business of Sinochem Group, which has formed a stable and extensive global sales channel, with an annual total of more than 100 million tons of crude oil and finished oil products, and an annual crude oil volume of more than 70 million tons. It not only meets the domestic market crude oil import demand, but also widely distributed to refineries in Southeast Asia, Europe, North America and other regions, and has become an important crude oil supplier in some countries and regions. At the same time, we are also engaged in gasoline, diesel, aviation coal and other oil import and export business.

Oil Refining: In Sinochem Quanzhou, the 1.2-million-ton-per-year refining project has been put into operation since 2014. In October 2017, the 1-million-ton-per-year ethylene project started construction, which is scheduled to be completed and put into production in June 2020, with ancillary construction of 2 million tons aromatics per year. In the future, the Quanzhou Company will further build into a world-class petrochemical industry base with the integration of refining, chemical and warehousing, with a scale of 30-38 million tons refined oil, 3-3.4 million tons ethylene, and 5-5.5 million tons aromatics per year.

Oil Marketing: Sinochem Group has formed a strategic layout of oil marketing covering 18 provinces and cities in South China, East China, Central China, North China and Northeast China, with 21 regional sales companies, more than 1,300 gas stations in construction and operation, and 70 supporting depots, providing consumers with clean, high-quality fuel and value-added services to meet differentiated needs in flexible and diverse marketing methods.

The "Sinochem Petroleum" sales network is developing steadily. In addition to our own oil stations, we also actively explore light assets Business Mode for a light-assets network. The network jointly developed by Sinochem and Total Group in Bohai Sea and Yangtze River Delta are expanding continuously, enhancing the brand influence of Sinochem.

Energy Technology: Founded in February 2018, Sinochem Energy High-tech promotes deep integration of artificial intelligence, blockchain, Internet of things, cloud computing, big data and other network technology with petrochemical industry, and creates a digital platform for the whole industrial chain covering supply chain management, crude oil trade, refinery optimization, chemical sales and petrol station operation, which has pushed forward the digital revolution of petrochemical industry in a groundbreaking way.

Promoting Progress of Chemical Industry

Relying on the research system and strong innovation ability in science and technology, Sinochem, China's leading chemical product and service provider, further focuses on fine chemical industry to provide innovative, high-quality and green products and comprehensive solutions in new energy, new materials, biological industry and other fields, which plays a positive role in promoting sci-tech progress and green transformation of chemical industry.

Developing domestic membrane materials

In order to develop domestic membranes to break the situation of high performance membrane materials monopolized by foreign countries and reduce cost of water treatment of Chinese enterprises, Sinochem entered membrane industry in 2018, forming a business pattern specializing in the separation of membrane materials and related products. The reverse osmosis membrane material of Sinochem is widely used in seawater desalination, electronic semiconductor and other fields, which plays an important role in the reduction of waste water discharge and energy consumption.



In November 2018, an investment agreement of RMB 3.5 billion was signed between Sinochem and People's Government of Ningbo Xiangshan County that a membrane R&D center and industrial base will be set up in Ningbo to improve China's independent ability and core competitiveness in the field of membrane materials, thus promoting the upgrading of high performance membrane materials in China.

Facilitating new-energy vehicle development

In fields related to lithium battery materials such as positive electrode material, lithium battery and battery collection, Sinochem has laid out the upstream and downstream industrial chain of lithium battery through technology introduction and joint research with leading enterprises, so as to become the provider for energy management scheme for new-energy vehicles.



In September 2018, through the merger and acquisition of Junsheng New Energy Technology Co., Ltd., Sinochem International quickly penetrated into field of lithium batteries. The high energy density lithium battery production base is being built in Huai'an, Jiangsu Province, where the mass production of ternary battery energy density can reach 247-275wh/kg, well leading the industry.

Providing fine chemical products

By actively expanding fine chemicals business, cooperating with well-known universities at home and abroad, and innovating management model and collaboration mechanism, we have established leading market position in the field of fine chemicals.

✿ Drafting Guidelines for Chemical Safety

Professor Cheng Chunsheng, leading his team of Shenyang Research Institute of Chemical Industry, has established core technology regime for chemical safety and precision process for energy conversion, which filled the gap transferring laboratory research to industrialization. In recent three years, our professional technical patent application accounts for 66% of the world, and led the drafting of Guidelines for Safety Risk Assessment in Fine Chemical Reactions, which was approved and applied nationwide.

✿ Striving for pesticide technology and quality testing to standardize pesticide

The team led by Professor Zhao Xinxin of Shenyang Research Institute of Chemical Industry carried out serial studies on the formulation of international standards of azothrin, a new methoxyacrylic fungicide independently developed by Shenyang Research Institute of Chemical Industry, developed the first analytical method of CIPAC (Collaborative International Pesticides Analytical Council) in China, and became the first FAO standard in producing new pesticides in China, breaking the technical monopoly of foreign pesticide giants.

Accelerate technical innovation based on Industry-Academia-Research cooperation

Sennics established an innovation and R&D model based on close Industry-Academia-Research cooperation. It has formed an R&D system with the ultimate goal of industrializing technological achievements, and owns various laboratories such as laboratories for synthetic research, analytical research and applied research with teams for product research, testing analysis, applied research, etc. In 2018, the Company's investment in science and technology rose more than 30%, while sales of new products accounted for more than 31% of revenue in its main business.

Building a fine chemical industry base

The layout of Sinochem International Fine Chemical Circular Economy Industrial Park in Lianyungang has been approved by the government; The first phase of Ruiheng aromatics project has been completed and put into operation, other projects including Sennics, Sinochem Plastics, Ruizhaoke have also entered the stage of administrative examination and land disposal.

Facilitating supervision and implementation of intelligent safety supervision

As the forerunner of domestic energy Internet transformation, Sinochem Group has made fruitful explorations in helping intelligent safety supervision and landing of chemical industry parks. The 66 Kuaiche platform, established by Sinochem Energy Technology Company has real-time positioning data of all the cargo vehicles and hazardous chemical vehicles on the road. By providing online real-time monitoring data (including vehicle location, trajectory, anomaly, etc.) and static data including company of the carrier, driver's information license, to chemical park and government supervision department, through Internet of things technology such as satellite positioning, electronic fence, etc., to improve safety management of dangerous chemical storage and transportation.



Honor

The project "Key Technologies and Industrial applications for Green Catalytic Synthesis of substituted aromatic Amine products" participated by Sennics won the second prize of 2018 National Award for Technological Invention

At the second meeting of the 40th session of the Chemical Society of China, Dr. Wang Ying, chief engineer from the New Chemical Materials Department of Shenyang Research Institute of Chemical Industry, was awarded the Hou Debang Chemical Science and Technology Innovation Award, and Guan Aiying of Shenyang Zhonghua Pesticide Chemical Research and Development Co., Ltd. was awarded the Hou Debang Chemical Science and Technology Youth Award

The two projects, namely "Pyraoxystrobin FAO Standards", "Chemical safety technology and application in green manufacturing", declared by Shenyang Research Institute of Chemical Industry, won the first prize of the Science and Technology Award awarded by China Petroleum and Chemical Industry Federation in 2018

Facilitating Transformation of Modern Agriculture

With the vision of "To be the leading enterprise of modern agriculture in China" and the mission of "To enable beautiful agriculture with science and technology", Sinochem agriculture business integrates the advantages of R&D, production, marketing and technological services. By integrating advanced technologies with agricultural resources, promoting comprehensive planning solutions and innovating the production model of intensive agriculture, Sinochem promotes the transformation of agricultural modernization and improves the sustainability of farmers' benefits, contributing to China's agricultural supply-side reform and the implementation of rural revitalization strategy of the nation.



Total output of chemical fertilizers

2.1193

million tons in 2018

Sales volume

11.61

million tons in 2018

35000

chemical fertilizer distribution outlets

Stabilizing supply of fertilizer

As China's largest fertilizer supplier and distributor, Sinofert have sold more than 10 million tons of chemical fertilizer in 2018, with broad marketing network. We actively participate in the strategic reserve of fertilizers during slack season, which resolved the shortage of chemical fertilizers in all seasons, and met the demand on fertilizers for agricultural production during the peak season in China.

Sinochem Group and BPC signed five-year MoU on large grain potash fertilizer as exclusive agent

On August 12, 2018, Sinochem Fertilizer Macao Commercial Offshore Limited and BPC signed a five-year (2019-2023) MoU of cooperation on large grain potash fertilizer (white) with the former as the exclusive agent for this product in Chinese market. The total volume was 700,000 tons (including quantity of selection). The signing of the MoU is an active promotion and implementation of the "Belt and Road" initiative. It is an effective contribution to the economic and trade exchanges between China and Belarus, the strategic cooperation between Sinochem Group and BPC, supporting the potash fertilizer production in Belarus and high quality potash fertilizer supply for China.



Fortifying security of China roductionaction

As a state seed company and a central state-owned enterprise who has the ability to develop, produce and promote varieties in the market and focuses on crop seed industry, Sinochem implements a development strategy of focusing on R&D, enhancing manufacturing, and promoting marketing. We aim to constantly improve our core competitiveness in all links of the industrial chain, cultivate new varieties of green crops, and guarantee crop security and food safety.

Business Area Progress in 2018

Production and Processing

Sinochem has built 14 modern seed processing storage and transportation centers with the layout in five dominant production bases in China's north-west, southwest, Huang-huai, mid and lower reaches of the Yangtze River, and southern regions, which helps ensure the safety of agricultural seed use and increase production and income for farmers, with much higher enterprise internal control standard than the national standard.

Marketing Services

Sinochem has set up 24 provincial marketing service agents throughout the country, covering key agricultural counties in the main grain and oil producing provinces. Around the key varieties and core markets, we have carried out seed demonstration projects with supporting services to ensure the brand of "China Seed" deliver high quality products.

Developing and promoting eco-friendly pesticides

Sinochem is comprehensively improving the service capacity for the full pesticide industrial chain, covering R&D, production, processing and packaging, registration, marketing, etc., so as to promote the industrialization of independently developed products and push the "Going Global" of eco-friendly pesticides.

Business Area Progress in 2018

Sci-tech Innovation

Centering product planning and target market, Sinochem has carried out technology research on new pesticide creation, imitation and ancillary application to develop sci-tech achievements leading in China and synchronizing with the world agrochemical innovation technology.

Tengshou, an innovative seed coating agent, is developed jointly by Shenyang Research Institute of Chemical Industry and Sinochem Crop.



Services

Aiming for client satisfaction, we create value for clients with value-added services. With the focus on new products, new process, new technology and smart innovation, we are constantly seeking to enrich the content and enhance capabilities for win-win development with our clients.



Technology Enhancing Oil Business Services

Sinochem Energy adheres to customer-value orientation and carries in-depth supply chain management to reduce costs, optimize structure, improve efficiency and uphold high quality in fields such as crude oil procurement, oil warehousing services, and petrochemical products sales, meeting diversified needs with high-quality services and comprehensive solutions. In 2018, while speeding up refining and chemical integration, the Company actively promoted the construction of energy Internet and rectification of business model with the help of Internet technology to satisfy customer needs with a full range of integrated services.



Aoli- high quality fuel

In December 2018, Aoli high quality fuel, jointly developed by Sinochem Oil Marketing, Sinochem Quanzhou Energy, and Beijing Petroleum Chemical Products Development & Supply Co., Ltd., entered the market for sale, which can effectively clean carbon accumulation of automobile oil, improve fuel efficiency and reduce harmful gas emissions from 4.7% to 0.37%, and the sediment reduction rate of simulated intake valve reaching 100%. By injecting fuel into the engine, the intake valve sediment weight will be decreased from average 175 mg per valve to 5 mg with total combustion sediment weight increased by only 7%, well below the maximum of 40% in national standard.



Smart online platform of Xiaohua Gas app

The platform of Xiaohua Gas launched by Sinochem energy, is an online integrated service platform for petrol filling stations built by means of big data, cloud service, artificial intelligence, Internet of things and other network technology, which helps petrol stations achieve comprehensive intelligent improvement in management, service and promotion design, improve the quality and management of gas station and enhance the experience of car owners in the refueling process through new retail and targeted services philosophy. By the end of 2018, the platform had not only served more than 1,200 Sinochem stations, but also helped more than 4,000 private filling stations, spreading the service concept of Sinochem throughout the country.



The first petrochemical fusion map in China

The intelligent supply chain of Sinochem Energy has developed the first petrochemical sea and land fusion map in China, which can not only display the whole chain of warehousing, vehicle and ship logistics in petrochemical industry in one-stop real-time visualization, but also display real-time information of vehicle location, trajectory, anomaly, etc. in road transportation, thus greatly improving the management efficiency of warehousing logistics.



The Visual Process Model System

The Visual Process Model System (VPMS), the first online optimization solution developed by Sinochem Energy for refining chemical enterprises, can provide users with five functional services: crude oil procurement optimization, production and processing optimization, product structure optimization, new business performance evaluation, investment planning and actuary service, which is conducive to the cost reduction and efficiency increase of refining chemical enterprises.



Establishing rural integrated service stations

In our rural integrated service stations, there are convenience stores, agricultural shopping supermarkets, solar grid-connected generators, UAV logistics parking lots, public bathrooms and other hardware facilities, providing a variety of services including vehicle refueling, vehicle rescue and emergency rescue as well as local specialties market for customers, realizing the transformation from oil supplier to integrated service provider.



Scan QR Code to Learn more about Aoli Fuel



Scan QR Code to Learn more about Xiaohua Gas app

Providing High-standard Chemical Services

By introducing sci-tech innovation into chemical business for new Business Modes and improving industrial planning for planned industrialization projects, we strive to become the leading comprehensive service provider of chemical products in China with innovative, high-quality, green products and comprehensive solutions for clients.

One-stop Petrochemical products and services solutions

To implement national Internet+ strategic decision, Sinochem has constructed a third-party one-stop comprehensive service platform for chemical products trading, which provides raw material procurement, product sales, warehousing, logistics, financing and other services for domestic and foreign chemical production enterprises, and realizes one-stop online service providing for customers in the industrial chain.

Safe logistics services for bulk commodity

Sinochem successfully realized the application of blockchain in the field of import and export trade of energy and chemical industry by continuously strengthening technological innovation, which is helpful to improve the efficiency of contract execution, inspection, customs clearance, settlement and delivery of goods in import and export business, and to reduce transaction costs and risks.



Sinochem Group Completed World's First Government Participated Blockchain Application



One-stop integrated trade platform for petrochemicals

1chemic.com is a B2B e-commerce website jointly developed by Sinochem Energy and Sinochem Oil Marketing, which relies on the industry of Sinochem to strengthen its own business, providing customers and suppliers with online trading whole process service for spot goods and forward products (including import), such as polyethylene, polypropylene etc.



Sinochem Group completed world's first government participated blockchain application

Sinochem Energy Network Technology Co., Ltd., a subsidiary of Sinochem Group, completed a simulated export transaction, which is the first blockchain application project in oil trading with participation of government in the world. It is also world's first blockchain application project that includes all key participants in the process of commodity trading.

Green, safe and efficient agrochemical services

Sinochem has developed and produced many green agrochemical products with high efficiency and low toxicity, no pollution and no drug resistance, which have helped farmers improve the yield and quality of crops, and provide systematic professional knowledge and safety programs for them to improve crop health, stress resistance and yield, thus increasing the harvest, reducing negative impact of pesticides on natural environment, and leading the development of agricultural science and technology.

Developing green agrochemical products to improve crop immunity

The new generation of biological stimulant product "Bangxiaofenglu" developed by Sinochem Crop Care can not only provide rich nutrients for crop growth, but also improve the immunity and resistance of crops to diseases and pests, reduce the probability of infecting diseases and attracting pests, and the amount of chemical pesticides, so as to realize green prevention and control of crops.



Award-winning green agrochemical products (Extracted)

Products	Awards
"Nongda", "9080"	Peasants' Favorite Innovative Pesticide Brand of China
"Qilu"	Top 10 potato star products of the year
"Baozhuo"	The most potential Brand in China's Plant Protection Market
30% ethazole nitrile suspension	Gold Award of Green Pesticide Expo
"Junsiqi"	2018 Contribution Award of Plant Health Product
"Jinguang Da Dao" Solution	Outstanding Crop Health Management Solution Award

Green fluorine chemical products service

We have independently developed alternatives to ozone-depletion substances and produced fluorine chemical products for environment protection and human development, in which Jincool® Refrigerant can be equipped with 80% domestic whole car plants, household and commercial air conditioning manufacturers while Dun'an® Fire Extinguisher, as a leading brand in domestic industry, can effectively reduce greenhouse gas effect. Sinochem brand has become the backbone of ozone layer protection and addressing climate change in China.

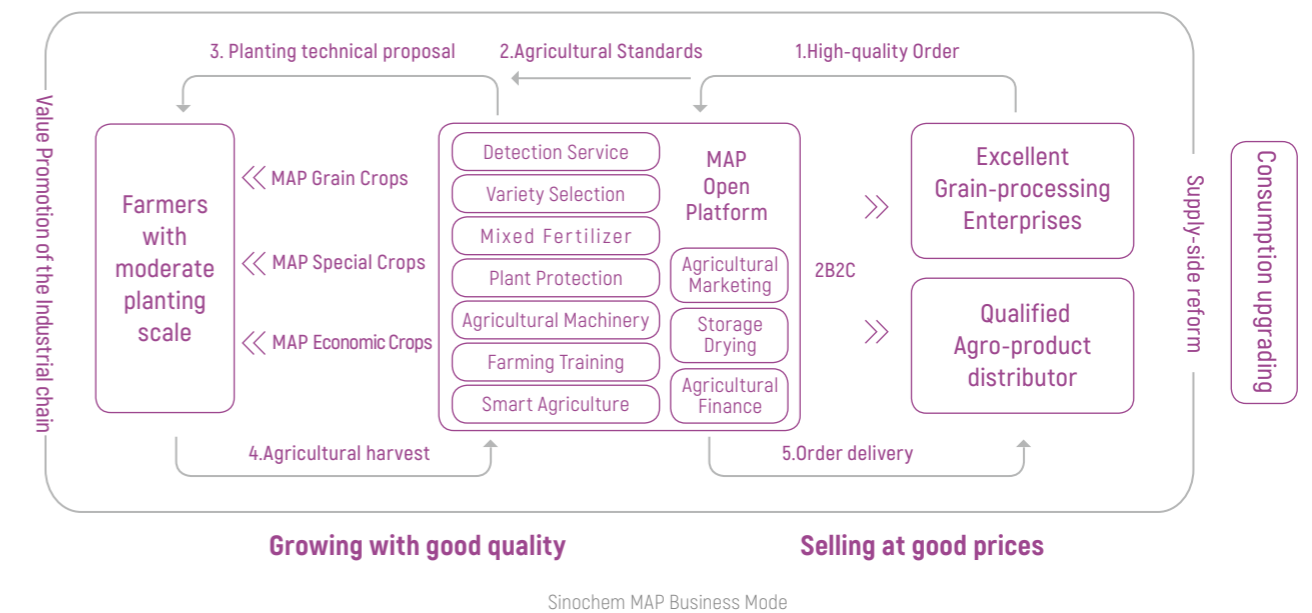
The products of Sinochem Jincool® and Dun'an® are used in Hong Kong-Zhuhai-Macao Bridge

Sinochem Lantian Jincool® refrigerants and Dun'an® fire extinguisher have been successfully matched with Zhuhai-Macao Port, providing a strong guarantee for the normal operation of the Hong Kong-Zhuhai-Macao Bridge. In April 2018, a number of air conditioning systems used in the artificial island of the Zhuhai-Macao Bridge were installed, debugged and put into operation by Jincool® refrigerants Cooperation Unit, using a total of more than 30 tons of HFC-134a and R410A while Dun'an® fire extinguisher were equipped with fire extinguishing system in Zhuhai and Macao Port and complex building maintenance, with a total product of 1.3 tons HFC-227ea.

Building Modern Agriculture Platform

In response to the "rural revitalization" strategy proposed by CPC, Sinochem put forward the Modern Agriculture Platform strategy (hereinafter referred to as "MAP"), which integrates modern agricultural planting technology and intelligent agriculture to provide an O2O (Online to Offline) comprehensive solution for modern agriculture. It covers the whole process of agricultural production, improves the level of agricultural planting in an all-round way, and gradually realizes the marketization, specialization and high quality of agricultural production. The value of agricultural industrial chain and the benefit of growers can be improved as well as the overall competitiveness and sustainability of China's agriculture.

In 2018, Sinochem Agriculture built 91 MAP technical service centers, 38 MAP demonstration farms and 168 demonstration parks nationwide. It has provided agricultural production services for land covering more than 1.7 million mu, granted the loan of RMB 270 million, and sold a total of 310,000 tons of agricultural products.



Sinochem MAP Technological Service Center in Zhenglan

Smart agriculture

Online

Precision planting management system
+
Modern agriculture management system
+
MAP central management system

**Technical standardization
Data corporatization**



Our intelligent agricultural service platform mainly includes precision planting decision system, modern farm management system and MAP technical service center service system, relying on offline MAP technological service center and demonstration farm service network, as well as technical services, massive data integrated in agricultural production and product management. With the help of mobile Internet and Internet of things and other technical means, the efficiency of the service center operation and the management of sizeable farms can be achieved to improve planting ability.

Lands with moderate scale

Offline

MAP demonstration farm
+
MAP Technological Service Centre

**Growing with good quality
and selling at good prices**



We have built localized MAP technology service centers and MAP demonstration farms to help sizeable business entities reduce cost and improve efficiency, with "growing with good quality and selling at good prices". By demonstrating and leading farmers, moderate scale of land has been promoted, coordination of smallholders and modern agricultural development enhanced, value for large scale farmers and industry partners created.

O2O Service Model

MAP demonstration farm reinvigorates Xiaozhan Rice

In April 2018, Sinochem and Wangwenzhuang Town reached cooperation to build MAP demonstration farm by combining traditional rice with modern science and technology on the 18,000 mu cultivated land. Through the mechanization of rice production process including land preparation, beating, watering, fertilizing, transplanting, plant protection, harvesting, the average yield of rice realized 550 kg per mu with first-class quality.



Xiaozhan Rice

Improving Farm Management with MAP Smart App

In Ar Horqinqi, Chifeng, Inner Mongolia, MAP Smart can generate NDVI map by means of remote sensing observation with satellite, UAV and other means to analyze the growth of Medicago sativa, which realized effective full monitoring of crops. In this regard, accurate field inspection can be implemented not only to reduce the cost of manual field inspection, but also to improve farm efficiency and management level.



Soil Moisture Meter

Deepening Urban Operation

Upholding the development strategy of "two wheels and two wings", China Jinmao, a subsidiary of Sinochem, focuses on the urban operation to constantly enhance the foundation of property development and holding through optimizing business integration and improving operational efficiency on one hand, as well as green construction and multi-dimensional service system to accelerate service innovation with financial innovation motivated by asset activation and private equity platform.

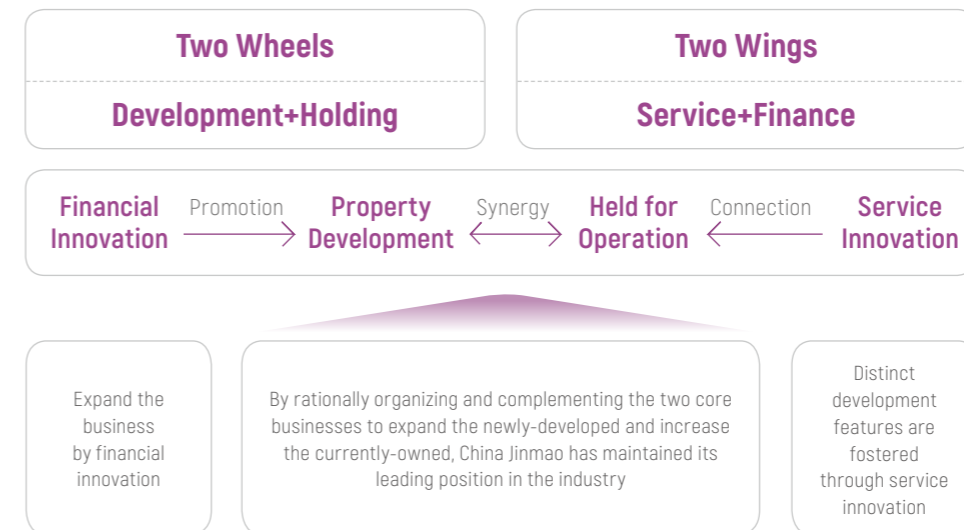


Newly entered cities

14 cities

Newly added land reserve

22.64 million square meters



International New City of Changsha Meixi Lake

Two driving forces, two upgrades

Taking advantage of its own experience and advantages in urban operation, China Jinmao continues to innovate the urban operation mode of "two driving forces, two upgrades" with planning drive as vanguard and capital drive as the cornerstone, to promote the two upgrades in urban function and industry for the local government to build new center of the city.

Plan-driven

Layout and Implementation of urban operation projects of team and partners with international vision

Capital-driven

Relying on Jinmao's capital advantage and credit endorsement to realize the combination of input and output, industry and finance

City upgrading

Advantages and reputation in fields of quality residence, five-star hotels, boutique business districts, and 5A office buildings

Industrial upgrading

Big Culture, Big Health, Big Sci-tech

Building green-tech real estate

Three series of products, namely Fu, Yue, Shu, launched by China Jinmao, take the lead in the high-end green technology housing market of China, realizing the dream of urban residents. In 2018, China Jinmao launched "Jinmao Palace 2.0" product system to provide more comfortable and convenient living space for urban residents with green health and smart technology.



"Jinmao Palace 2.0" launch ceremony

In 2018, China Jinmao launched "Jinmao Palace 2.0" and carried out major upgrades in two areas namely green health and smart technology, taking a great leap forward for Jinmao Palace from technology residence to smart residence. At the launch ceremony of "Jinmao Palace 2.0", China Jinmao mentioned the forces that drove the evolution of Jinmao Palace products—two major technological support platforms and the two major industry chain guarantees.



Jinmao Palace 2.0 launch ceremony

Innovative service model

China Jinmao accelerates the innovative integration between customer service and the Internet, endeavor to optimize service process and provide a "one-stop" solution covering smart property management, transparent property service, community interaction and convenient life for owners so as to create a pleasant living experience for customers.

- Enriched the functions of "Jinmao Service Expert" app to achieve entirely online and paperless property inspection and delivery, which not only enhanced working efficiency, but also enhanced customer experience.

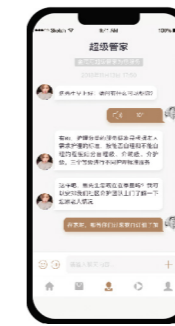
- Carried out our own R&D of "Go Home" app to provide smart access control, smart parking, visitor identification, online payment, online appointment service and online shopping, thus providing customers with a digital living experience.

"Go Home" app



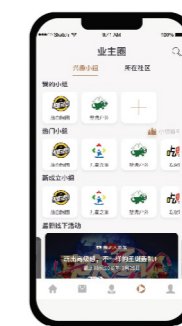
Home page:

Including property tools, activities, promotions, property rating, etc



Super housekeeper:

Designated housekeeper for calling and repairing in one click



Owners circle:

Community groups, interest groups, community events display and interaction



Building a one-stop community service platform

To satisfy customers' needs for convenient life, Jinmao Property built the pilot "Community Convenience Store 1.0" in Wangjing Jinmao Palace and launched the "Online Good Neighbor Experience Hall" to build a one-stop community service platform for providing reliable and convenient services.

Digital empowerment, home delivery
Building a one-stop community service platform for providing reliable and convenient services to owners

Online customers steered to physical store

- Cost performance ratio
- Large varieties
- Information flow
- Cross-space traffic

Offline experience hall enables online retail

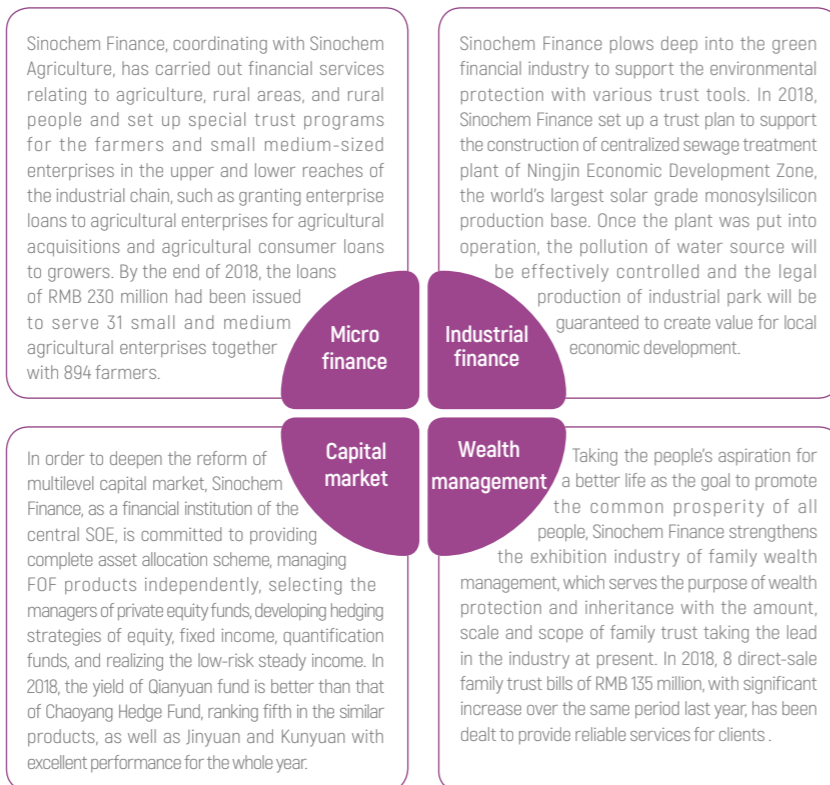
- Experience
- Immediate delivery
- Interaction
- Quality
- Transaction efficiency

Advancing Innovation in Financial Products and Services

Taking the industrial finance as the core, Sinochem strives to build a green, open, shared, and intelligent financial service platform with the strengthened sci-tech capabilities, a steady product system of "One Circle and One Chain", an expanded collaborative service for industrial customer groups, an innovative investment platform for social capital, and an accelerated incubation for emerging industries.

Trustee-first service

Aiming to build "A Good Financial Society", FOTIC adheres to customer-centered construction of product and organizational power for the development of the real economy and the needs of people's better life with micro-finance, industrial finance, capital market and wealth management as its focuses.



High-quality tendering service

Sinochem Commerce, a subsidiary of Sinochem Group, is vigorously promoting the innovation-driven development. It enhances the business innovation and the operation philosophy of "bidding+", and provides integrated services such as bid-invitation procurement, government procurement and PPP consulting, serving a wide range of industries that are pillars of the national economy, including national defense and military industry, rail transit, petrochemical industry, civil aviation, Municipal infrastructure, finance, culture, radio and television, etc.

- Sinochem Commerce provided the national bidding service for the construction of supplementary research and development guarantee conditions by the comprehensive laboratory of big guest research and insurance of Shanghai Aircraft Design and Research Institute.
- Based on the idea of establishing Belt and Road Initiative (BRI) infrastructure fund, Sinochem Commerce signed a memorandum of understanding on tripartite cooperation with the Serb Republic government and the Serb Republic Expressway Company, which is the first phased achievement of the BRI infrastructure fund project and helps the governments and enterprises along the belt and road to cooperate in the investment and construction of local infrastructure.

Innovative financial service

Guided by the concept of "In Science We Trust, Upon Knowledge We Act", Sinochem Finance implements the ICI (Intelligent Finance; Circle & Chain Platform; Industrial service) strategy to build an industrial financial service provider with sustainable innovation with the "Intelligent Finance" platform as the means, the "Industrial Service" as the goal.

Exclusive customer service schemes. Sinochem Finance vigorously carries out service innovation with "good style, new efficiency, good product, new model" as the goal, enhances the customer relationship management with the customer orientation and strives to raise the upper limit of financial service framework agreement for the listed member enterprises. Meanwhile, Sinochem Finance visits peer companies to research the strategy of centralized fund management and puts forward policy recommendations.

Innovative credit products and services. Sinochem Finance not only expands credit business products, such as M&A loans, development loans and syndicated factoring business, but also provides personalized and specialized financial services for the five strategic business units of Sinochem to effectively ensure their operation and liquidity security.

Enriched settlement products and services. Focusing on the Company's main business, Sinochem Finance provides a wide range of settlement products and services, builds a comprehensive settlement and payment platform, improves the integrated account monitoring system at home and abroad, and expands cross-border and overseas payment, which has constantly promoted the global capital centralized management process of Sinochem with safe and efficient full payment and settlement services for the customers.

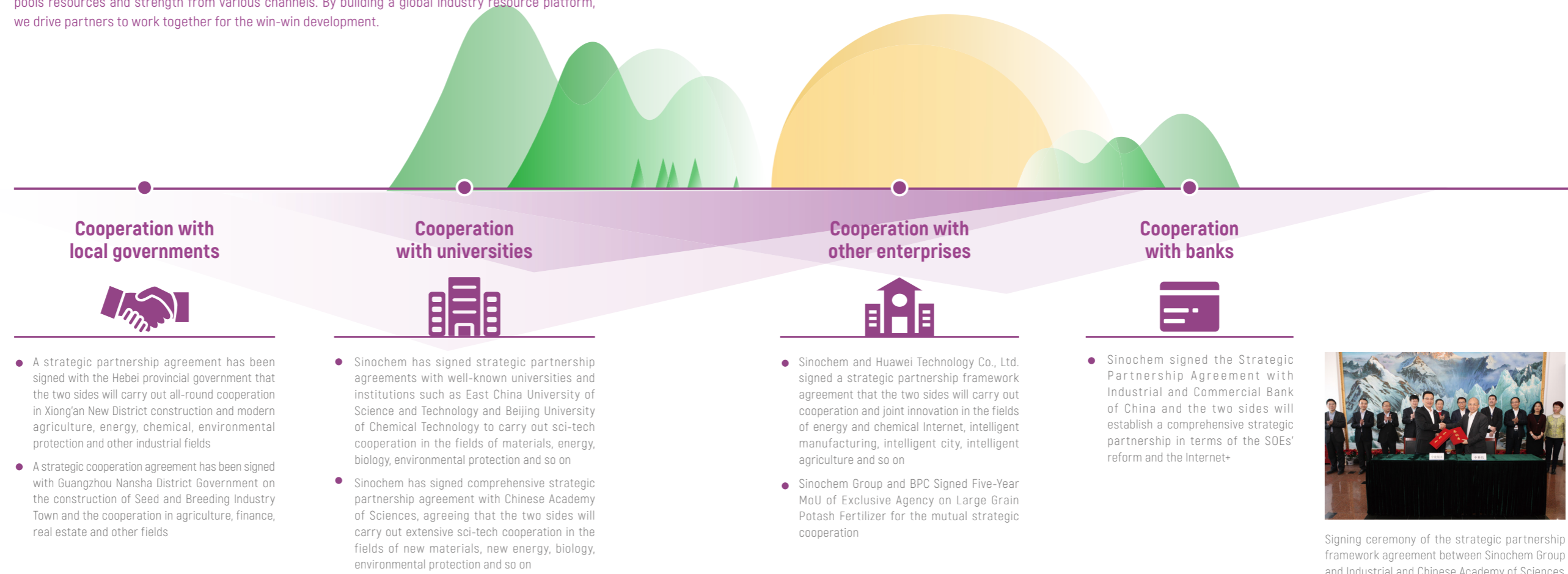
Extended supply-chain financial service. Sinochem Finance actively expands the financial business of supply chain and improves the scale of bill innovation business to effectively meet the actual business needs of Sinochem member units.

Empowered sci-tech financial development. Aiming to meet the requirements of business development strategy, Sinochem Finance gives full play to the core driving force of information technology, facilitating the transformation and innovation of the Company with digital technology in an all-round way. The disaster recovery system in two places with three centers has been continuously improved as well as the financial protection level of the core business system has been maintained at Level 3, which has provided a safe and reliable basic environment for the financial business.



Joining Hands for Win-win Cooperation

Sinochem Group attaches great importance to the cooperation with government, enterprises, financial institutions, research institutes, suppliers, etc., enhances industry exchanges and cooperation, and pools resources and strength from various channels. By building a global industry resource platform, we drive partners to work together for the win-win development.



Signing ceremony of the strategic partnership framework agreement between Sinochem Group and Industrial and Chinese Academy of Sciences



Signing ceremony of the strategic partnership framework agreement on Seed and Breeding Industry Town between Sinochem Group and Guangzhou Nansha District Government



Sinochem Oil Signs Oil Tanker Transport Cooperation Agreement with COSCO Shipping



Sinochem Capital Signs Project Cooperation Agreement with Expressway Company of Serb Republic

CSR Feature: Building a sustainable supply chain

The sustainable development of enterprises cannot be separated from the firm roots and healthy growth of the industrial chain. Upholding the justice and fairness, Sinochem Group has always integrated the responsibility into all aspects of supply chain management, and cooperated with the upstream and downstream partners for the common development relying on the five strategic business units among which the supply chain of Sinochem Energy is selected as the one of National supply chain innovation and application pilot enterprises jointly appraised by 8 central institutes such as the Ministry of Commerce, the Ministry of Industry and Information Technology and the people's Bank of China etc.

SBU of Energy

Sinochem Energy has established the smart supply chain characterized with the Canghaibang Platform as the core and the Chuanyunbang Platform and 66 Kuaiche Platform as two wings, which provides the upstream and downstream partners with integrated logistics monitoring, supply chain optimization, supply chain finance, big data as well as the rich interface to enter the "digital world", thus improving the operational efficiency and reducing cost by means of the industrial Internet.

Canghaibang Platform: the services concerning logistics, information flow, capital flow and trade flow for petrochemical warehousing enterprises has been provided on the platform by means of the two-tier system, namely, the underlying warehousing management system and the upper inventory customer platform

Chuanyunbang Platform: the one-stop shipping services including temporary accurate ship-searching, insurance, freight factoring, online inspection, shipping agents, medical treatment, ship maintenance, and refueling has been provided to the shipping industry on the platform

"66 Kuaiche Platform": the functions of petrochemical waybill, such as visualization, intelligent dispatching, freight settlement, insurance service of the day and route planning, have been realized on the platform



The real-time visual monitoring of hazardous chemical vehicles and shipping logistics is achieved by providing real-time data efficiently with the help of satellite positioning, electronic fence and other Internet of things technology.



The standard data can be generated naturally and at low cost in the process of obtaining the service by the user when the fragmented and non-standardized data source information of all parties is presented in a standardized and structured manner by means of our internet technology.



All the data can be generated online in real time through the accurate connection of the upstream and downstream of the industry, which not only improves the acquisition efficiency of the data, but also ensures the cooperative transmission of the working information flow between different legal entities and different systems to reduce the cost of collaboration and communication between the upstream and the downstream of the industrial chain.



SBU of Chemicals

Sinochem Chemicals launched the "FINE 2030 Action" initiative, which is based on such corporate-related goals as "responsible consumption and production" and "Climate Action" of UN SDGs 2030. By jointly handing with partners, a sustainable win-win network has been built from 1 to infinity as well as the improved sustainable supply chain management system.



The working mechanism has been established, with sustainable supply chain working group in charge of the main propulsion organization, Department of Operations Management and HSE Department in charge of the coordination, and Headquarter of SBU together with the supply chain department or procurement department of the affiliated production enterprises responsible for grass-roots promotion.



The online training course system of sustainable supply chain has been built by organizing sustainable supply chain workshop, carrying out special training, and setting up thematic section etc.



The commitment to sustainable development and the Code of Conduct for suppliers have been published publicly, while the Internal Evaluation Standard for Sustainable Supply Chain will be issued internally in the future to carry out the internal evaluation and classification.

SBU of Agriculture

Sinochem Agriculture is committed to building an agile, safe, economic and efficient supply chain system based on the scientific and rational value concept, which advocates strategic procurement and framework agreement procurement to ensure the rapid, safe and low-cost supply of materials in terms of procurement management and operation.



The construction of procurement management system has been continuously strengthened, which not only issues the procurement management measures and procurement mode working standards, but also forms the system process requirements from the aspects of procurement organization mechanism and responsibility, procurement mode selection standard, work process, and procurement document template etc.



The e-procurement platform of Sinochem Agriculture has been built with the first business successfully put into trial in December 2018.



The catalogue of qualified suppliers has been established and continuously expanded as well as the directory of qualified suppliers of non-operating materials. Since the first-batch bidding work of shortlisted projects was built, the supplier's product quality, delivery guarantee, product price, etc., have been regularly tracked and evaluated.



The classification management and access mechanism of suppliers have been greatly optimized, and the classified and graded management strategy of materials and suppliers has been adopted to implement unified admission management for all kinds of material suppliers. Only the admitted suppliers can become qualified for the further procurement and cooperation.

SBU of Real Estate



The whole bidding process has been completed by building an online open tendering platform, which improves the procurement efficiency.



The innovative technologies, such as Automatic identification, online automatic generation of contract documents, visual procurement progress etc., have been introduced, which can not only effectively reduce business risk, but also reflect the procurement performance in real time.

SBU of Finance



The Supplier Management Measures have been issued to manage the company's suppliers in a unified manner. The supplier bank has been established to qualify suppliers. Suppliers are reviewed on a regular basis, and qualified suppliers are supposed to be selected while guidance-level suppliers should be selected with prudence according to the results. In 2018, a total of 161 suppliers have been reviewed.



The supplier management system will be launched to manage suppliers throughout their life cycle, including supplier access, certification, performance assessment, rating management, exception and accident management, blacklist, etc.



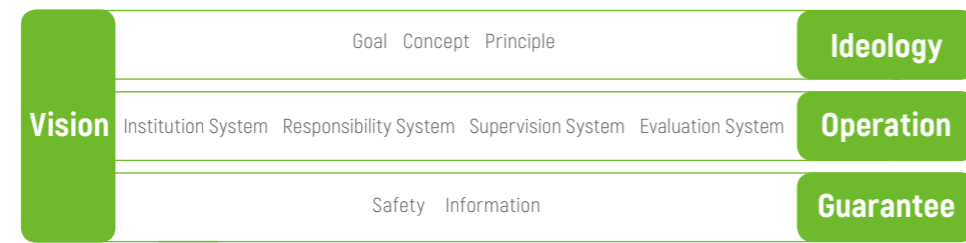
Health, Safety and Environment

Occupational health, safe production and environmental protection have been embedded to fulfill corporate social responsibility of Sinochem for our sustainable development. Through the implementation of systematic, professional and lean HSE management, we are committed to constructing essentially safe, environmentally friendly, and resource-conserving enterprise, so as to achieve harmonious development with the natural environment.

In 2018, Sinochem Group invested 78.46 million in energy conserving and realized: 5.56% YOY reduction in energy consumption per RMB 10,000 turnovers; saving 100,000 tons of standard coal, 65.55 million kwh of electric power and 820,000 tons of water, no new occupational diseases or suspected cases together with no production safety accidents of large scale or above.

Upgrading the HSE Management Model

We comprehensively adjust the traditional management mode of HSE with risk management as the core and system promotion as the main task, which enhances the support for the development strategy of our company in terms of professional management by innovating and perfecting the systematic management framework into a long-term mechanism of HSE management with standardized regulations, clear responsibilities, perfect supervision and comprehensive assessment.



HSE Management Framework of Sinochem

Institution system

In 2018, 47 items of HSE management system were added and revised at the group level. According to the requirements of the group system framework, each SBU and its affiliated enterprises have completed the preliminary docking of the system with a total of 6,816 institutions transformed, which has greatly contributed to the establishment of Sinochem's integrated HSE management mechanism for the systematic management of the Group HSE accelerated in an all-round way.

Supervision system

For the first time, Sinochem Group has clarified the position and supervision principles of HSE supervision in the form of system, and established six supervising mechanisms including that of work communication, notification, supervision and inspection, information report and early warning analysis, major matters supervision, assessment incentive and accountability. Meanwhile, 14 supervision systems have been formulated.

Responsibility system

We have clarified the three-level HSE management interface in terms of the Group, the SBU and the subsidiary company, defining the three-level HSE responsibility from the organization to each post to establish a list of HSE responsibilities from the Chairman to the first-line staff covering all the units, departments and posts at all levels.

Evaluation system

We improve the HSE performance evaluation criteria with which we resolutely implement one vote veto to break through the bottom line of HSE management centering on the key points of process control, such as responsibility system, double control management of risk and hidden danger, system establishment and operation; ten thousand evaluation criterion of item-by-item assignment with which we fully implement HSE Star-rating management through quantitative evaluation to clear the level of the enterprise for improving the management weaknesses.

Building a Safe Sinochem

By establishing the dual prevention and control mechanism of the hidden dangers and strengthening the control of the safety production process, we have solidly implement HSE work in all aspects to build a safe Sinochem.

Preventing security risks

We have investigated the hidden risks of all employees, implemented the announcement system of risk judgment and commitment, comprehensively promoted the source chiefs of major hazard sources for the supervision, inspection, implementation of all kinds of work, which has obviously strengthened the double control mechanism of safety risks and hidden risks.

Intensifying the process control

Establishing the Red Line Consciousness for the special actions of production safety to strengthen the management of production and operation with the improved safety management.

The HSE performance supervising campaign

The Group Supervision has been assigned to carry out special supervision and inspection on HSE performance of each SBU and its affiliated enterprises, urging the HSE implementation at all levels. In response to the problems found during the inspection, each unit has formulated targeted rectification plans to ensure systematic prevention of HSE risk measures for eliminating all kinds of accidents.

The comprehensive treatment of hidden electrical fire dangers

We have carried out the special hidden danger investigation and treatment of electrical fire in view of electrical design, procurement, construction, operation, maintenance, lightning and static electricity prevention, and qualifications of staff.

The special action for safety production

With lessons drawn from internal and external accidents, we have developed the special actions themed with Great Discussion for Great Reflection and Eight Inspections for Eight Implementations to clarify responsibilities, become aware of risks, investigate deficiencies, and rectified for improvement. The landing of the systematic HSE management and the sustainable production safety of Sinochem have been facilitated with concerted efforts.

The person-job investigation of hazardous chemicals enterprises

We have issued Guidance on Basic Conditions of Safety Production Personnel in Hazardous Chemicals Enterprises of Sinochem, with which the source of personnel in key positions is strictly controlled, thus speeding up the solution to the bottleneck of the front-line personnel quality.



100% comprehensive investigation of major hazardous sources

96360 investigated hidden dangers

99.5% successfully rectified

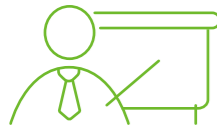
Enhancing the emergency rescue capacity

We carry out the regular emergency drills to highlight the construction of emergency rescue capacity. The Spring Emergency Drill 2018 held by Sinochem Group has applied to the joint emergency drilling command of the Group and the SBUs for the first time.



The national team for the emergency rescue of dangerous chemicals was set up at the Aoshan Petroleum Base of Sinochem

Strengthening Environmental Protection



Emergency drill of each SBU and the affiliated enterprises

2326 times

Emergency training

1823 times

Emergency fire-protection publicity and education

1312 times

Guided by Xi Jinping Thought of ecological civilization, we have carried out down-to-earth pollution prevention and control, transformed the development mode, comprehensively investigated environmental hidden dangers, and actively promoted the landing of Party Central Committee's deployment for the environment protection, thus realizing the green transformation and development.

Preventing and controlling the pollution

At the ecological environment conference, anti-pollution tasks were fully deployed to protect and control the ecological environment with about RMB 500 million investment in the standardized upgrading and transformation, special treatment of volatile organic compounds, and the seepage prevention and transformation of underground tanks in the gas stations, striving to deepen the "Three Major Defense Wars" for prevention and control of the pollution.

01 Defending the blue sky

More than 50 atmospheric treatment projects, including volatile organic matter treatment, boiler comprehensive treatment and online monitoring, have been implemented as well as the deep treatment of VOCs invested RMB 15 million by Sinochem Ruixiang Chemical, has realized the innocuous treatment of toxic and harmful gases.

28 supporting construction projects of sewage treatment and sewage diversion have been launched. For example, Sinochem Energy invested RMB 80 million to carry out the anti-seepage transformation of underground tanks in gas stations; Sinochem Environment under SBU of Finance has made a breakthrough in the field of complex industrial sewage disposal up to standard.

02 Defending the clear water

03 Defending the clean land

More than 10 solid waste yard and ecological treatment projects have been implemented including Sinochem Yunlong's transport of Phosphogypsum and Sinochem Fuling's closed storehouse treatment of Phosphogypsum Yard, with more than RMB 30 million invested by SBU of Agriculture, which has effectively prevented the pollution of temporary storage and repaired the ecological environment. Sinochem Environment has made new breakthroughs in the field of soil remediation and disposal in Chongqing, Shandong, Hebei, Liaoning etc., promoting the effective prevention and control of local soil pollution.

Further promoting energy conservation and emission reduction

We have integrated energy consumption into the management indicators for the effective energy management involving assessment, audit and balance testing in terms of energy consumption, which not only vigorously promote cleaner production, but also maintain the safe and stable operation of various industrial sectors throughout the year.

Sinochem Quanzhou has become a leader in energy efficiency

Sinochem Quanzhou Petrochemical has innovated the energy management mindset, carried out the lean management of energy consumption, deeply applied the energy management information system, and put forward the optimization scheme of energy saving and consumption reduction. In the first half of 2018, the thermal efficiency of the whole heating furnace reached 92.5% which is in the advanced level of petrochemical industry as well as the Company's refining unit energy factor also decreased to 6.89 kgoe/t. As a rewarding, Quanzhou Petrochemical Company was honored the 2018 Green Enterprise Management Award by Council of China Environment News in 2018.

Zero-carbon operation for energy-saving buildings

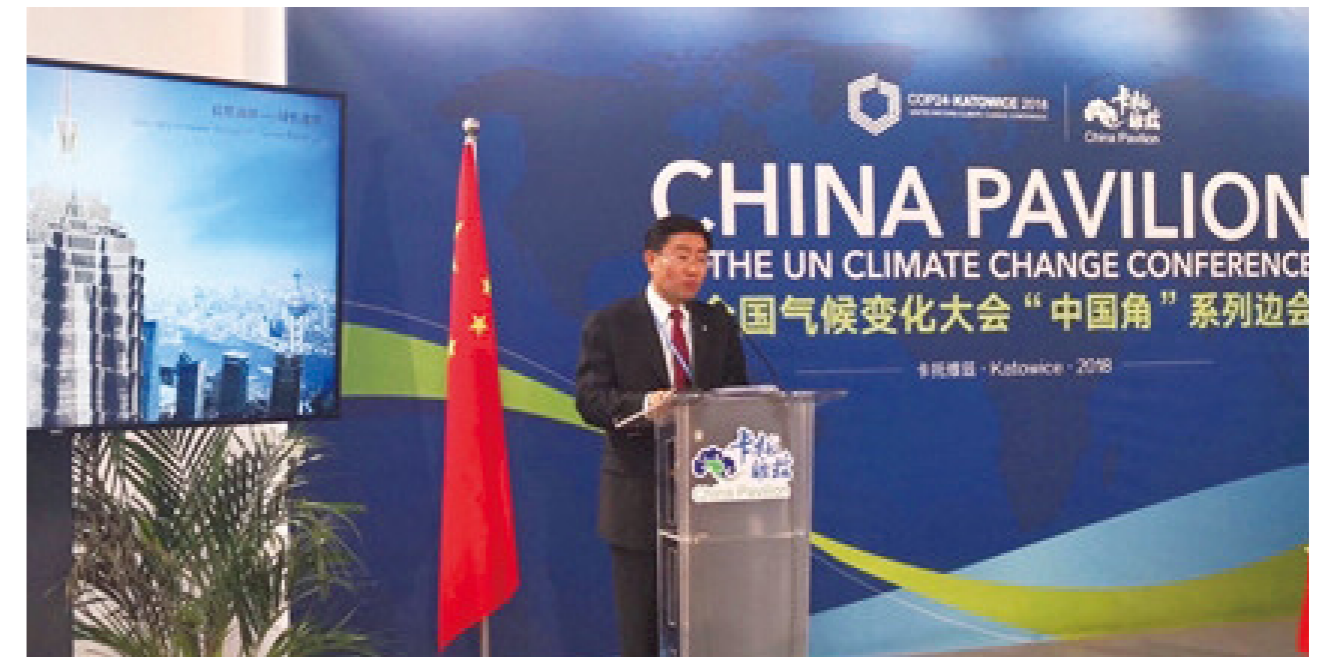
China Jinmao advocates the zero-carbon philosophy and carries out energy operation and maintenance services to adopt the green standards and technologies in the whole process of design, construction and operation. More than 90% of its independent projects have been applied to green building signs for design and management with an estimated total amount of life-cycle greenhouse gas emission reduction exceeding more than 300,000 tons per year as well as the zero-carbon philosophy has been gradually extended to all our residents involved in the urban operation projects.



Honor

Sinochem Group won the honorary title of "Outstanding Enterprise Contributing to Energy Saving and Emission Reduction" in 2016-2018 assessment

Sinochem Group won Best Organization Award for Responsible Care in China Petroleum and Chemical Industry



In December 2018, China Jinmao was invited to share experiences and achievements of carbon neutral at the opening ceremony of China Pavilion on 24th UN Climate Change Conference

Employees

Talents are the most valuable asset of Sinochem Group. We attach great importance to the building and development of talents and constantly enrich and improve the incentive mechanism to guarantee the wholehearted value creation, scientific value evaluation and the reasonable value distribution for stimulating enthusiasm and creativity of talents. We actively fulfill and protect the legitimate rights and interests of employees, take the initiative to seek the well-being of employees, and actively build a growth platform for employees, for the common development and shared future of enterprise and employees.

By the end of 2018, Sinochem Group owned 65,271 employees globally, among which female managers at middle and senior level accounting for 29.65% and 14.61% enjoying corporate annuity.



Safeguarding the Rights and Interests of Staff

Equal employment

Sinochem protects the legitimate rights and interests of our staff and adheres to Labor Law and other relevant laws and regulations strictly. We practice an employment mode mainly based on the labor contract system and supported by labor dispatch and part-time employment, with the contract signing rate reaching 100%. We adhere to the principle of equal employment, treat all employees impartially and equally regardless of their nationality, ethnicity, race, gender, religion and cultural background. We prohibit the employment and use of child labor resolutely and resist all forms of forced and compulsory labor, aiming to build harmonious labor relations.

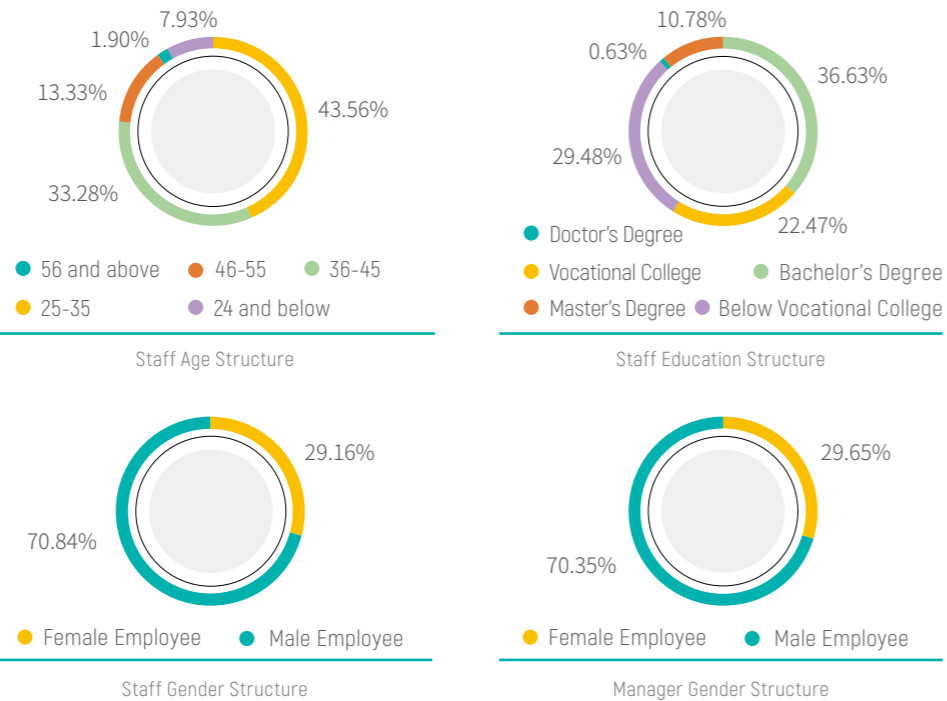


Recruited
11004
employees in 2018

Per capita paid leave
8.19 days in 2018

100%
Establishment of Labor Union in each unit of the Group in 2018

4 times
of Workers' Congress at all levels



Remuneration and insurance

Sinochem pays wages on time with employees' wages not lower than the local minimum wage standard, promotes the pilot incentive mechanism to enhance the linkage between salary and value creation, and strengthens and improves the efficiency of enterprise annuity management with the coverage rate reaching 14.61% in 2018. In addition, the social insurance and housing provident fund are provided for the direct employees as well as the cooperative labor dispatch companies are supervised to protect the legitimate rights and interests of the dispatched employees in accordance with the law.

Democratic management

We have established a sound democratic management system with the Workers' Congress as the main form to protect the employees' rights to know, express and supervise, and to respond actively to the demands of the employees.

Supporting the Development of Employees

The employee growth is the driving force of enterprise development and the team building is the key to enterprise innovation and development. Aiming to build an innovative enterprises driven by science and technology with the core of "In Science We Trust, Upon Knowledge We Act", we have taken the team, mechanism and culture as breakthroughs to vigorously advocate value orientation, performance orientation, sci-tech innovation orientation, thus offering more resources and opportunities for the young cadres, the front-line leaders, the reform innovators, which facilitates the reform and development of the group with strong organizational guarantee, talent support, incentive promotion and cultural guidance.

Adhering to the Party-supervising principle for the direction guidance of reform and innovation

By deeply implementing the Party's organizational line in the new era, we have implemented work, including talent standards, cadre selection, assessment and supervision, training, and incentive mechanisms. A series of key projects, such as leadership quality model, 6S manager evaluation and democratic evaluation, and selection and training of young cadres, the introduction of professionals, have implemented to cultivate loyal, clean and responsible high-quality professional cadres.

Enhancing the talent team building for the intelligence support of reform and innovation

With "In Science We Trust, Upon Knowledge We Act" as the core value and cultivating innovative talents as key goal, Sinochem Group has attached great importance to developing sci-tech and professional talents.



119302
person-time participants in training

26.53 hours
per capita training time

staff training coverage rate reaching
100%

For Sci-tech Talents

- Thousand-Talent Recruitment Program**
To introduce 1000 R&D personnel in comprehensive chemical industry together with 30 high-end scientific and technological personnel in three years
- Supporting Policy for Sci-tech Talents**
To establish a comprehensive supporting policy, including material incentive, honor system and development channel, which ensures the sci-tech talents can be attracted, used and retained

For Professional Talents

- Full Talent Training Program**
To provide advanced training at all stages for the staff to develop rapidly from a new graduate to a backbone staff, and then to a key-post talent
- National Talent Programs**
To organize units at all levels to participate in national competitions for all kinds of skills, and to recommend outstanding talents or units to be selected into the national high-level talent program
- Professional Title Evaluation**
To develop the Senior Title Evaluation and Professional Sequence Evaluation for Headquarter Functional Employees

Sinochem Innovation Workshop has been initiated for comprehensive coverage of scientific and professional personnel

With the core value concept of "In Science We Trust, Upon Knowledge We Act" rooted in talent training, Sinochem Group has initiated the cultivation of innovative talents by distilling and advertising the tool kit of "Sinochem Innovation Workshop". More than 200 innovation-related thematic discussions have been organized with nearly 10,000 participants. Sinochem was shortlisted as "Central SOE Innovation Base on International Cooperation & Talent Introduction" by SASAC and the State Foreign Administration, with 17 people and 2 units of Sinochem SBUs selected into all kinds of national high-level talent program and winning the honor titles of National Technical Experts and Outstanding Contribution Unit of Cultivation of Highly Skilled Talents, etc.

The Sinochem Innovation Management Institute has been established to train innovative talents in many aspects

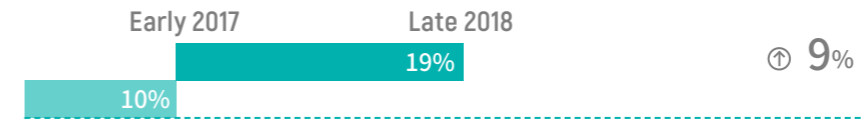
We have established and forged the Executive Management Team (EMT) course taught by senior leaders of the Company to train leading talents in reform and innovation in cooperation with top universities and well-known enterprises. By introducing the three main innovative methods in the world, the EMT training optimizes the teaching staff and content with independently developed new courses such as Leading Change and Project Postmortem as well as carries out research on innovation theory and practice with Tsinghua University. Sinochem Innovation Management Institute was shortlisted in China Enterprise University Top 50 and rewarded China's Most Innovative Knowledge Enterprise Award. The Strategic Blue Army Project was selected into the education and training case of the Organization Department of the CPC Central Committee and shared as the only enterprise case at the National Cadre Education Conference.

Perfecting the pluralistic incentive system for the strong impetus of reform and innovation

Adhering to the core concept of "infinitely close to marketization under the premise of the SOE attribute", we have optimized three aspects: policy, system and mechanism.



Proportion of key posts under 40 years

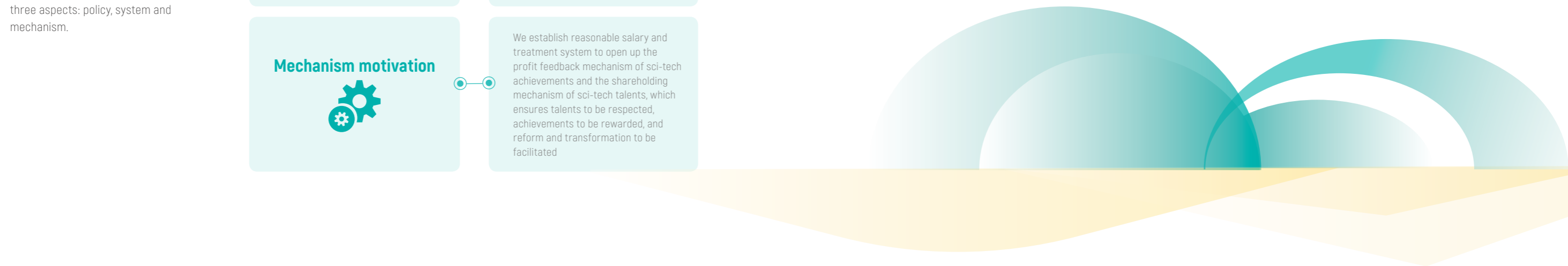


The New Power Project has been vigorously promoted to cultivate the young reserve talents

We follow the principle of party-governing cadres and talents, reshape the knowing-and-doing leadership quality model, and establish the standard of selecting and employing people in the new period. We take post value as the guide, break through hierarchy, and include heads of fourth-tier profit centers who makes contributions to the Company into key posts through the TOP manager model. We select outstanding young leaders through the New-Engine Project to enter the key positions of the group.

The talent assessment system has been improved for effective stimulation of team vitality

With a comprehensive evaluation system for key post personnel, we conduct a comprehensive assessment of key-post personnel in terms of moral character and performance. Guided by the principle that a cadre should be ready to take a lower as well as a higher post, we maintain the creativity and vitality of the team in key posts.

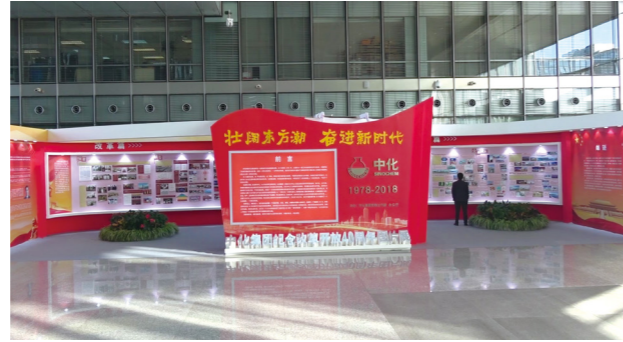


Cultivating a Harmonious Culture

Adhering to the people-oriented concept, we have unified the warm care and the strict requirements for the staff to share the fruits of reform and development with the Company happily. In 2018, Sinochem reshaped the corporate culture system with the new core value of "In Science We Trust, Upon Knowledge We Act" to reform the corporate culture and genes for a harmonious atmosphere of everyone's participation and innovation fully and comprehensively.



Sinochem Group serves retired cadres sincerely with encouraging activities



Sinochem Group holds a Picture Exhibition of 40-year Reform and Opening up



The Seventh Staff Sports Meeting themed with "In Science We Trust for Innovative Development and Shared Future"



The gala of "Celebrating the 40th Anniversary of the Reform and Opening-Up and to Pay Tribute to the Builders of Sinochem Aoshan Base"



Second National Debate Competition themed "Think Together and Exchange Ideas on Innovation" held by China Jinmao



The Youth Debate Competition with the theme of "In Science We Trust, In Youth We Believe"



The Company song "We create", written by Chairman Frank Ning, conveys the core value of "In Science We Trust, Upon Knowledge We Act"



The Women Labor Union of Sinochem Group initiates the first selection of "Pacesetters of Women Rendering Meritorious Service" to show the demeanor of the woman



Sinochem Group carries out training seminars of "Sinochem Youth 2018"



The Labor Union of Sinochem Group holds the ninth safety production skill competition with the theme of "In Science We Trust, Innovate and Create", implementing the instruction of the 19th CPC National Congress to build an educated, skilled, and innovative workforce



Community

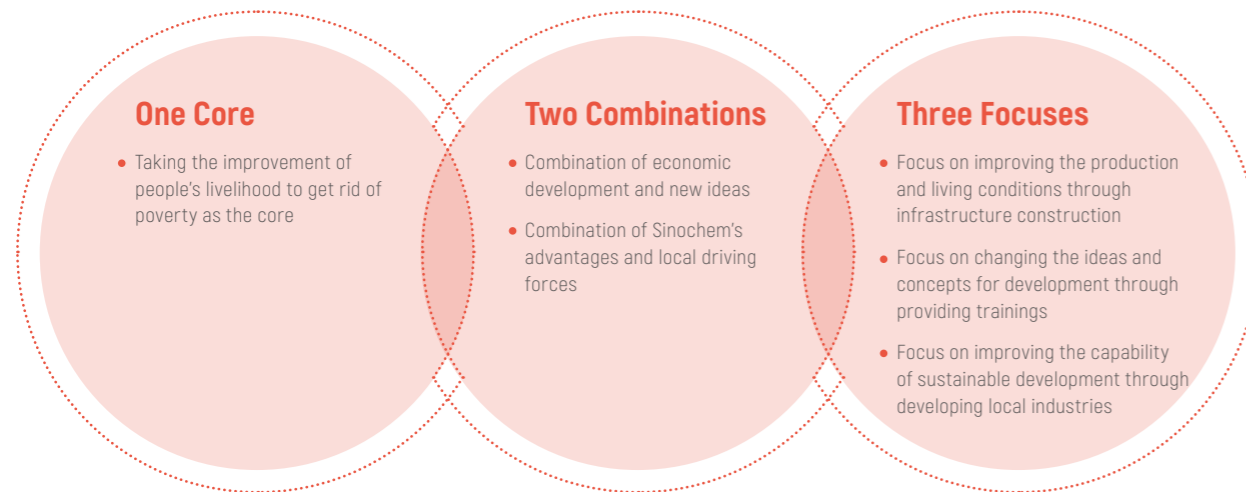
As one of the Central SOEs, we are not only committed to promoting social development through production and management activities, but also actively implements our shouldered responsibilities in terms of policy, economy and society, extensively participates in social public welfare undertakings to repay the society for the prosperity and strength of the country, the rejuvenation of the nation, the happiness of the people, and the promotion of social harmony and progress.

Dedicated to Fighting against Poverty

As President Xi Jinping pointed out, "we need perseverance in the fight against poverty as there are only two years left for the country to meet its goal of eradicating extreme poverty by 2020. There should be no retreat until a complete victory is won". In active response to the calling, Sinochem has undertaken the task of supporting Tibet, Qinghai and designated poverty alleviation in Inner Mongolia since 2002, sticking to the philosophy of "precision, quality and efficiency" to probe into a characteristic poverty alleviation model, which has been an overall alleviation mechanism with infrastructure building, industrial support, educational development and social forces. At the same time, we continue to increase investment in poverty alleviation assistance, help recipient areas improve production and living conditions, improve local people's livelihood, and participate in the establishment of Central SOEs' industrial investment funds in poor areas, which has greatly promoted the social economic development and stability in the targeted poverty-stricken areas, to facilitate the success of national poverty alleviation.

Building targeted poverty-relief mechanism

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we have thoroughly implemented General Secretary Xi's important exposition on poverty alleviation to construct an accurate guarantee mechanism for poverty alleviation in an all-round way, guided by the approach of "one core, two combinations, and three surroundings".



Work Ideas of Targeted Poverty Relief

Attention from the leadership

The Party group attaches great importance to the establishment of a leading group for poverty alleviation to investigate in the targeted areas

Deployment

The group-wide working conference on poverty alleviation has been held to decide the projects for the mutual exchange and the next-step deployment

Increase input

The annual amount of capital input has been increased to ensure funds reasonably

Select cadres

The attachment cadres has been assigned to the targeted areas every two years, with strict screening, special training, close supervision, and serious assessment to guarantee the down-to-earth implementation of the four "in-places", namely the in-place understanding, the in-place leadership, the in-place mechanism and the in-place measures

Results inspection

Convening an inquiry meeting on poverty alleviation every year to inspect the plan and progress of poverty-relief work as well as conducting a field guidance check on key projects

Guarantee Mechanism of Targeted Poverty Relief

Building dynamic targeted poverty-relief model

The targeted poverty-relief work of Sinochem involves targeted objects, targeted arrangement, targeted investment, targeted measures, targeted personnel of each village and targeted effect of each project. With the help of diversified industrial management advantages, we have constantly improved the relief forms, broadened relief channels, and increase relief input sincerely and attentively.

Constructing Infrastructure to Guarantee Basic Living Standards

With strengthening infrastructure construction and improving people's wellbeing as the prior target, more than half of the funds we allocate each year are used for the construction of infrastructure, such as local housing, roads, agriculture and animal husbandry, so as to provide a guarantee for the basic people's livelihood.

Improving people's livelihood

Sinochem has been working to improve the infrastructure in the impoverished areas. By the end of 2018, Sinochem had invested a total of RMB 23.5 million in Ar Horqin Banner, a designated poverty alleviation county to implement 27 projects. At the same time, the construction and reconstruction of 36,650 dangerous houses has been completed in Linxi County as well as 312 safe drinking water spots, 514 km cement road among villages, and the hardening of 1694 km streets and alleys has been constructed with electricity, radio, television and network opened in every village, which has greatly improved the livelihood of local people.

Building a beautiful frontier town in Tibet

Sinochem has increased the poverty alleviation investment for Tibet assistance to vigorously develop the tourism industry with national characteristics in Gangba County based on natural conditions, resource endowment, current economic and social development and people's livelihood demands as well as proposing to "concentrate human, material, financial resources on building Gangba into a beautiful pearl on the Chinese border three-year efforts".

In 2018, we donated 100 motorcycles to Gangba County, helping our compatriots guard the border of the motherland and build a beautiful homeland.



Sinochem Village

Blocking the inter-generational transmission of poverty with the educational poverty alleviation

It's believed that the spiritual poverty elimination is more important than the material poverty elimination. Therefore, Sinochem actively contributes to education in impoverished areas to get rid of poverty, thus preventing poverty to be passed on among generations and enhancing sustainable development.

Exploiting the industry advantages to fight against poverty with innovative models

In 2018, Sinochem formed the characteristic "1+3" poverty alleviation model, taking poverty alleviation as the core, supported by production and marketing integration, party building mobilization.

Facilitating the educational poverty alleviation with multiple measures

The "Dream Come True" Action has been taken to help those impoverished students in Tibet and Qinghai return to school with the establishment of Sinochem Teaching Award as well as Sinochem Scholarship. In addition, the one-to-one educational assistance by the staff has been encouraged for the students, which guarantees the educational poverty alleviation work to run in an organized and normalized manner.

Facilitating the intellectual poverty and employment alleviation with multiple channels

A series of skills training, such as carpentry, vegetable planting, car driving and repair, etc., has been conducted for the impoverished people to get rid of poverty intellectually. We have enhanced the ability to become rich with the free technical training. In December, 2018, Sinochem organized a targeted poverty alleviation job fair in Ar Horqin Banner and Linxi County, where the seven companies from the 5 SBUs of energy, chemicals, agriculture, real estate and finance, providing a total of 51 recruitment positions.

Poverty alleviation driven by agriculture and finance

Agricultural poverty alleviation with MAP strategy. We have applied MAP strategy to get rid of poverty and built "MAP Service Center" and "MAP Demonstration Farm" in the targeted counties, which successfully transfers the idle land of impoverished households and strengthens the rural cooperatives where farmers have become both cooperative workers and shareholders, thus sharing the double benefits of labor remuneration and industrial dividends.

Financial poverty alleviation with charitable trusts and foundations. In cooperation with the Aqi Emergency Relief Foundation, we have established the Prairie Poverty Alleviation Charitable Trust with a mechanism for connecting the interests of public welfare posts with poor households as well as investing RMB 2 million to launch SINOFOUNDATION Beijing to integrate poverty alleviation funds and social donation funds.



Water and Fertilizer Integration Project of Potato Planting in Linxi County

Building a golden bridge for producers and consumers

We have set up bridges for manufacturing and marketing to promote the agricultural products of the poverty-stricken areas.

Dedicated production. We have created "Talinhua Mutton", "Dajinmiao Millet" and other brands with science and technology, developing the Tibetan Gangba specialty mutton catering.

Deepened consumption. We have deeply excavated the internal purchase demands with Mengxiang Action, held the exhibition and marketing activities for the agricultural products into the canteen of central enterprises with RMB 1.7699 million sales volume, and carried out "100-ton eggs for poverty alleviation" cooperating with Deqingyuan production base of Linxi County, Inner Mongolia.

Docked production and marketing with Panda Guide and e-commerce. We have issued a creative Panda Guide, a list of 23 high quality agricultural products covering 106 impoverished counties, opened an online "Sinochem Poverty Alleviation Center" working with Social Participation in Poverty Alleviation and Development of China and create "Tiandisheng" brand series of high quality products, selling RMB 550,000 of Dangshan Pear of Anhui and Tiandong Mango of Guangxi, both the national impoverished counties.

Social Mobilization for poverty alleviation

We have fully mobilized social attention to poverty alleviation with nearly 20 reports of People.cn, Xinhuanet.com and other media about the Sinochem poverty alleviation with a good publicity and mobilization effect, including the report titled Modern Industry on Barren Land of People's Daily, the Sinochem experience of targeted poverty alleviation in Linxi County published on the editor in chief special issue of the Poverty Alleviation Office of the State Council about East and West Poverty Alleviation Cooperation and Targeted Point Poverty Alleviation, the report titled Affectionate Hand in Hand on the Snow Plateau of China Poverty Alleviation to propagandize Sinochem's accurate efforts to help Gangba County fight poverty.

We have also mobilized enterprises from all walks of life to participate in poverty alleviation, for example, introducing RMB 15.323 million of free investment from Inner Mongolia Caodu Animal Husbandry Company to build a museum of grass industry poverty alleviation industrial park and promote the development of grass and animal husbandry, as well as RMB 96,200 of unpaid funds such as "Friendship Love" and "Sunflower Public Welfare Association" for Aqi; attracting investment for Linxi County with poverty alleviation cadres leading teams to Beijing, Shandong and other places to visit 16 enterprises of more than 20 projects.

Party branch building for the primary party governance

It is pointed out that it is better to help with money and things than to help build a good Party branch, we have created the "1352" model of the party building with the belief "Wherever the poverty alleviation is targeted, our United party organization is built". The 8 joint Party organizations have been established in Aqi, including Xinping Village Party branch with four levels of "towns, villages, enterprises and cooperatives", Broom seeding industry demonstration base Party branch, National handicraft industry Party branch and Grass and livestock integration industry Party branch, together with the joint party building activities by the Group subordinate 11 party organizations and the party branches of villages and schools in Aqi, such as Warm-hearted FOTIC for Aqi People carried out by Sinochem FOTIC, and the three "Mobile Training Stations for Farmers" donated by China Jinmao.



Field Technical Guidance for Party-day Theme Activity

Establishing the general pattern to fight against the poverty with the efforts of 5 SBUs

The Company has initially established the four-level general pattern of "Group-SBU-BU- Staff" to fight against poverty, forming a new situation with full effort, management, strength and participation, which provides an important guarantee for Sinochem to win the key battle against poverty.

SBU of Energy. We give full play to the advantages of the oil value chain with the subordinate companies, such as Quanzhou Petrochemical and Fujian Petroleum, to facilitate the precise poverty alleviation with their own brand influence and gas station distribution. The "Sharing Love for Children-Loving Package" activity jointly held by Sinochem Oil and China Foundation for Poverty Alleviation, has improved the teaching situation and learning conditions of phonological beauty in poor areas, and sent care to the impoverished children with the love parcels.

SBU of Chemicals. We actively implement the core value concept of "In Science We Trust, Upon Knowledge We Act", devote ourselves to the construction of sustainable development system, adhere to the combination of government-led and multi-party participation, counterpart support and win-win cooperation, combine the scientific and technological characteristics of chemical industry and industrial reality, organize the affiliated companies including Sinochem International, Sinochem Lantian, Shenyang Research Institute of Chemical Industry, Sinochem Yangnong etc., to jointly carry out poverty alleviation.

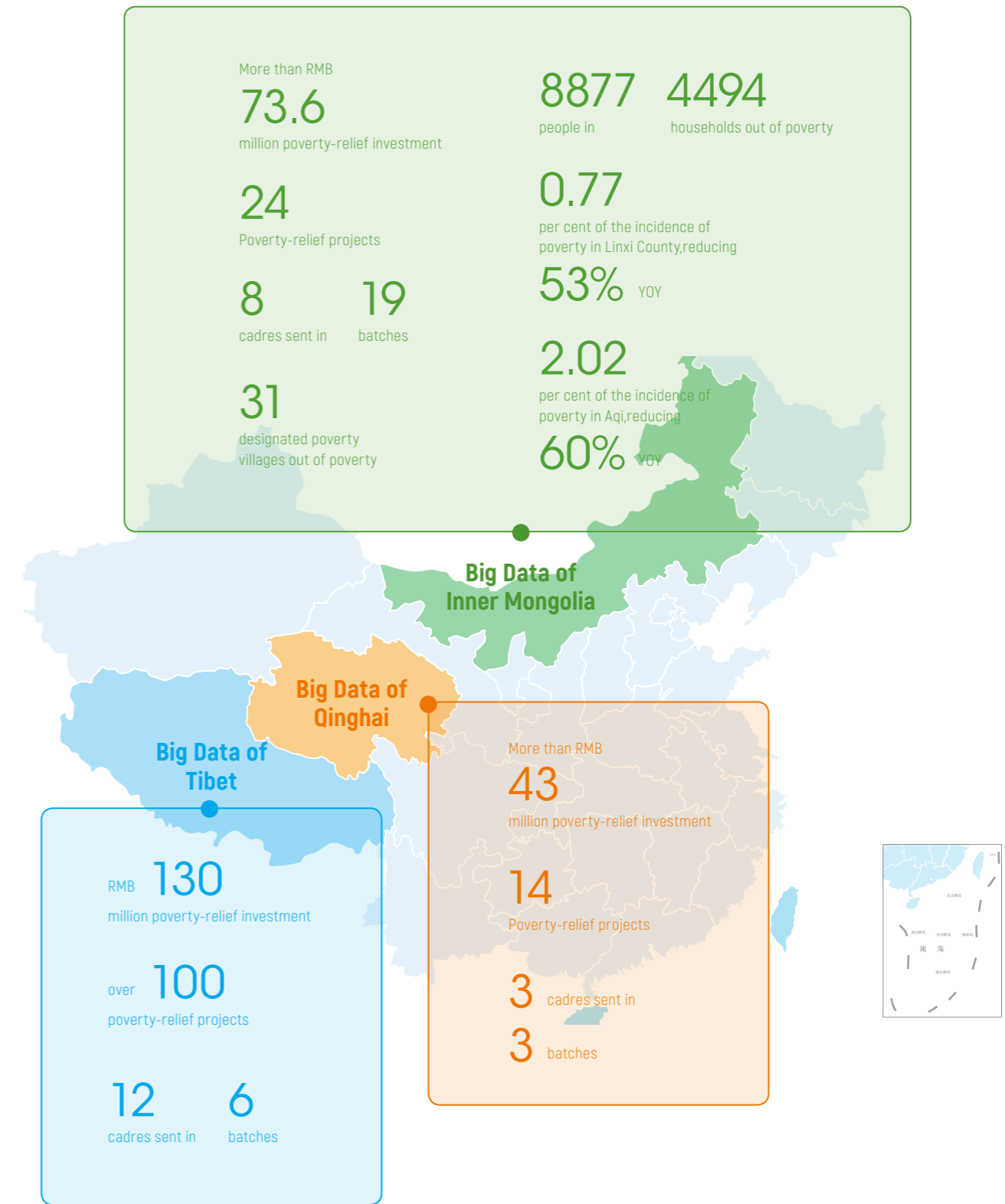
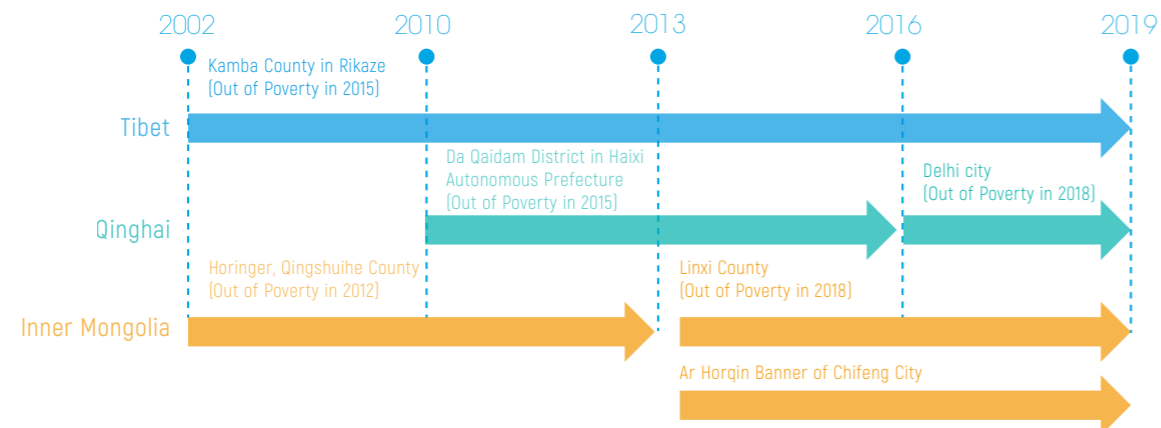
SBU of Agriculture. We rely on MAP strategy to implement and promote the strategy of rural revitalization. In addition to vigorously carrying out counterpart support in Inner Mongolia and Qinghai, our subsidiary enterprises such as Sinofert and China Seed have also provided such modern agricultural technical services and financial services for Hebei, Hainan, Anhui, and Shandong as field guidance, farmland soil improvement, seed improvement, soil testing and fertilization, and agricultural machinery support, which increases agricultural production, farmers' income and rural appearance.

SBU of Real Estate. We take "targeted poverty alleviation" and "education poverty alleviation" as the main line to establish the charitable foundations, cooperate with the other foundations, and organize the voluntary activities for the constant improvement of the public welfare management mechanism and the participation of the staff in public welfare voluntary activities. With the successful brand charity projects such as "Southwest Charity Journey of China Jinmao" and "Mobile Library", we have provided assistance to improve the educational infrastructure and children's reading environment in poor areas.

SBU of Finance. We actively promote the "financial poverty alleviation" for the new path, mode and method of combining charitable trust with targeted support funds to give full play to the function of poverty alleviation funds. We adhere to the leadership of party building in poverty alleviation work, highlighting the political and public welfare attribute of accurate poverty alleviation; we attach great importance to the construction of poverty alleviation assistance platforms for the social development and educational progress in poor areas, rely on bidding and trust to amplify the function of poverty alleviation funds and optimize the management of social and social funds.

Achievements of Targeted Poverty Alleviation

After years of continuous help and the joint efforts with local party committee and government, Sinochem has made positive progress in poverty-relief assistance. In 2018, Linxi County of Inner Mongolia and Delhi city of Qinghai were lifted out of poverty, which was another achievement after winning the battle against poverty in Horinger and Qingshuihe counties of Inner Mongolia in 2012 and Dachaidan area of Qinghai Province in 2015.



16-year big data of poverty-relief

Contributing to Social Well-being

An enterprise can never develop without the support and assistance from government, community, general public and other stakeholders. Sinochem has always striven to give back the society for economic and social development, sharing Sinochem's development with the whole society and contributing to the social harmony.

Holding countryside theatrical performance to promote rural civilization

Guided by the mission of "Technology Creates Better Agriculture", Sinochem Agriculture is committed not only to the countryside's prosperity, but also to the cultural and ideological progress, shouldering our social responsibilities as a central SOE. In order to promote the rural revitalization and rural civilization, the MAP Countryside Theatrical Performance themed "A New Era of Harvest" was held in December 2018.



Launching "Dream Come True" campaign to facilitate educational poverty alleviation

In 2014, Sinochem launched "Dream Come True" campaign to offer one-on-one assistance to economically disadvantaged students in poor areas. Meanwhile, outstanding students in those areas were organized to visit Beijing for an expansion of vision. By the end of 2018, more than 2,400 employees had participated in this campaign with more than RMB 1.81 million raised for more than 2,400 students.



Sinochem Group carries out one-on-one "Dream Come True" Campaign to help impoverished students for many years successively

Engaging in Public Welfare

Sinochem Group greatly attaches importance to the social public welfare activities, vigorously encourages employees to participate in volunteer activities, promoting the development of public welfare philanthropy, and contributing to the spiritual civilization of society.

Improving the medical conditions through free consultation activities

In cooperation with the local Red Cross branch, Sinochem International conducted free diagnosis for the stay-at-home children in Mingxing Village, Matian Town, Chenzhou, Hunan Province, including physical examination, hemoglobin determination, and nutrition evaluation etc. According to inspection index, comprehensive health assessment and guidance were given, and drugs were distributed free of charge to children with health problems. In addition, 17 Bo'ai Health Stations funded by Sinochem International have been established in impoverished villages in Hubei, Hunan, Jiangxi, Anhui and Guizhou provinces, which were equipped with commonly used drugs, medical devices and medical equipment to solve the problems that local villagers have to travel to counties and township hospitals, benefiting nearly 100,000 farmers.



Physical examination for villagers at Bo'ai Health Station

Warming the children's hearts with packages full of love

Sinochem Oil and China Foundation jointly held public welfare marketing activities for Poverty Alleviation themed "Sharing Love for Children: Love Package", raising more than RMB 350,000 and 1,500 love parcels for 7 schools in impoverished counties of 4 provinces and cities.



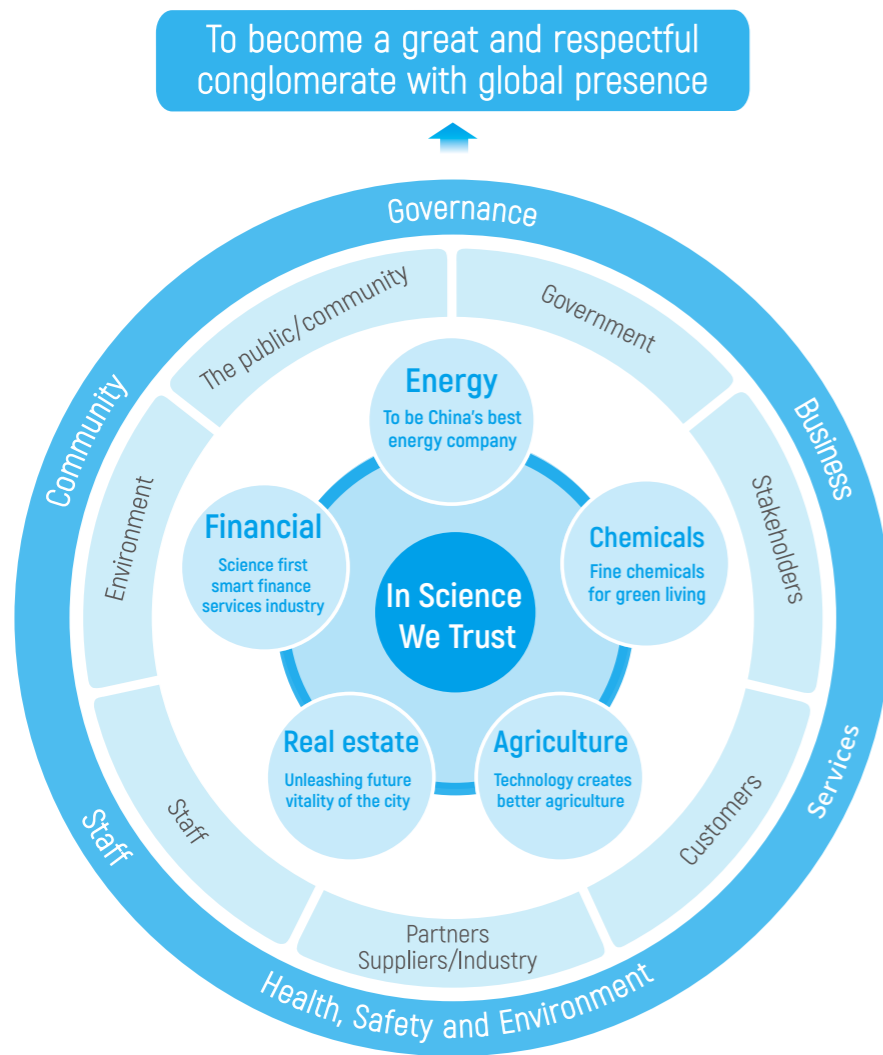
Distribution of Love Packages

Sustainable Management

Based on our practices of sustainable development, development strategy and operation model of Sinochem, we have strengthened sustainable development management by clarifying the sustainable development responsibilities, policies and other relevant institutional arrangements and integrating the sustainable development into corporate strategy, daily management and business operation, together with the value pursuit and job responsibilities of employees. Meanwhile, we are striving for the win-win harmony and shared value with our interested parties.

Sustainable Model

Upholding the core value of "In Science We Trust, Upon Knowledge We Act", we have integrated sustainable development into our corporate operation, which adheres to combining the business characteristics of 5 SBUs with our stakeholders' appeals to carry out the responsibility practices and build a sustainable development model with Sinochem characteristics step by step.



Sustainable Matrix

	Governance	Business	Services	Health, Safety and Environment	Staff	Community
Group	<ul style="list-style-type: none"> Improving the corporate governance structure Perfecting the six major management systems Building OMI scientific and technological innovation system 	<ul style="list-style-type: none"> Active integration into national strategies Safeguarding national energy security Promote industry progress 	<ul style="list-style-type: none"> Optimizing the customer service system Enhancing the customer service capability Good cooperation with partners 	<ul style="list-style-type: none"> Strengthening the emergency management system Deploying battles against the pollution Upgrading the HSE Model 	<ul style="list-style-type: none"> Concerning the rights and interests of staff Enhancing the team building of talents Cultivating a Harmonious Culture 	<ul style="list-style-type: none"> Improving the public welfare mechanism of community Developing the targeted poverty alleviation Advocating the voluntary services of staff
Energy	<ul style="list-style-type: none"> Deepening the reform of enterprise Establishing the innovation system 	<ul style="list-style-type: none"> Accelerating the development of refining and chemical integration Consolidating the oil industry chain Facilitating the layout of energy internet 	<ul style="list-style-type: none"> Upgrading the services of gas stations Launching the high-quality fuel 	<ul style="list-style-type: none"> Safety production Environmental Protection 	<ul style="list-style-type: none"> Reinforcing the communication between employees and their families Improving the skills of staff 	<ul style="list-style-type: none"> Encouraging the contractors to perform responsibilities Facilitating the development of education
Chemicals	<ul style="list-style-type: none"> Formulating a three-year plan of action for sustainable development Deepening the reform of enterprises 	<ul style="list-style-type: none"> Developing the green and safe agricultural chemical products Developing the domestic membrane materials Contributing to the new-energy vehicles Cultivating medical and food industries for the benefit of national health 	<ul style="list-style-type: none"> Innovating the business model driven by technical services Striving for BRI Construction Initiating the green agricultural chemical services 	<ul style="list-style-type: none"> Building the core competitiveness of HSE Prevention and Control of Pollution and Safety Production with energy saving and emission reducing 	<ul style="list-style-type: none"> Establishing a pluralistic corporate culture Balancing the work and life Developing the specialized training for employees 	<ul style="list-style-type: none"> Carrying out accurate poverty alleviation actively Building a better community with the efforts of public welfare Helping the impoverished students with the support of education Facilitating the social stability with the achievement of rescue and relief
Agriculture	<ul style="list-style-type: none"> Establishing the sci-tech innovation centre Establishing the sci-tech incentive mechanism 	<ul style="list-style-type: none"> Guaranteeing the fertilizer supply Safeguarding the national seed industry Perfecting the agricultural R & D system 	<ul style="list-style-type: none"> Building MAP 	<ul style="list-style-type: none"> Popularizing balanced fertilizer application Promoting the eco-friendly pesticides Developing the new efficient fertilizer 	<ul style="list-style-type: none"> Promoting the professional development of employees Balancing the work and life of employees Upgrading the skills of employees 	<ul style="list-style-type: none"> Initiating the MAP Precise Poverty Alleviation Facilitating the social stability with the achievement of rescue and relief Helping the impoverished students with the support of education Activating the public donations
Real Estate	<ul style="list-style-type: none"> Formulating a strategic plan for reform and innovation Promoting the incubation of Innovation 	<ul style="list-style-type: none"> Deepen the urban operation 	<ul style="list-style-type: none"> Innovating the service model Upgrading the service level 	<ul style="list-style-type: none"> Facilitating the green construction Advertising the environmental protection 	<ul style="list-style-type: none"> Promoting the development of mental health Upgrading the skills of employees 	<ul style="list-style-type: none"> Perfecting the management of suppliers Supporting the public welfare of local areas
Finance	<ul style="list-style-type: none"> Establishing the sci-tech innovation committee Perfecting the financial sci-tech innovation management 	<ul style="list-style-type: none"> Consolidating the financial services of people's livelihood 	<ul style="list-style-type: none"> Providing the high-quality and all-round financial services 	<ul style="list-style-type: none"> Strengthening the data risk control 	<ul style="list-style-type: none"> Carrying out the enterprise culture construction 	<ul style="list-style-type: none"> Activating the public welfare in the communities

Sustainable Process

We regard the sustainable development as part of our gene which has been integrated into strategic management. Surrounding the concepts integration, the system building and the practice guidance, we have facilitated the sustainable development from top to down by so as to promote its continuous integration into the management processes and business segments of Sinochem.

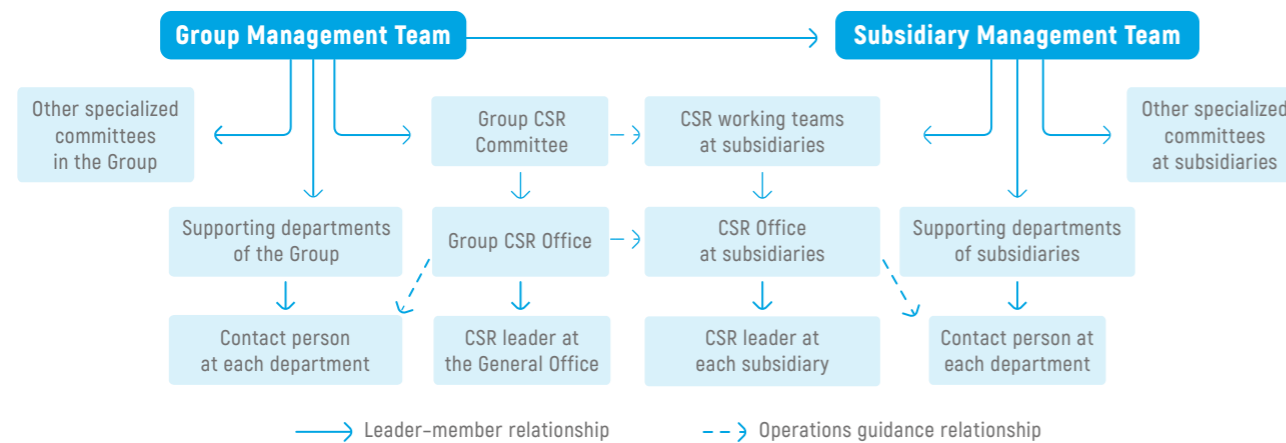
Concept integration

We continuously strengthen the concept of the "Three Compatibility" and "Three Integration", giving full play to the enthusiasm of all departments and subsidiaries at all levels, to urge managers to firmly establish the working concept of sustainable development and integrate the sustainability concept into corporate mission, culture, values, and management as well as the communication with the interested parties for the organic integration of sustainable development into the enterprise operation.



System buildingng

We have established a sustainable development system covering headquarters and subsidiaries, adjusting the personnel composition of sustainable development committee by including relevant functional departments and key subordinate enterprises leaders to make sustainable development work more compatible with corporate management. A leading group for sustainable development has been set up in subsidiaries at all levels, identifying the person in charge and the contact person for sustainable development practice.



Practice guidance

We compile the Guide and Management Rules for Sustainable Development to instruct and promote the sustainable development work of the Company and subsidiaries. We encourage the whole company, from the group-level to all subsidiaries, to organize diverse CSR activities based on their own circumstances and exert social influence. We collect sustainable development practices, identify highlighted cases, shape the brand of responsibility, and encourage all subsidiaries to fulfill and implement the sustainable development work.

CSR Honors

At the 11th International Conference on CSR Reporting in China organized by the China WTO Tribune, the Sinochem Group Sustainability Report 2017 won the GoldenBee Excellent CSR Report Evergreen Award for the sixth time.

Tips

GoldenBee Excellent CSR Report Evergreen Award

The outstanding social responsibility report issued by Chinese enterprises has won the GoldenBee Excellent CSR Report Evergreen Award for three years, and still maintains high quality standards in this year. The report is highly praised by stakeholders and represents the highest level of the annual corporate social responsibility reports released in China. It is a model and benchmark for enterprises to compile CSR reports. It is worth to be recommended to the society.

Stakeholder Communication

We adhere to the principle of transparent operation, strengthen the management of communication and involvement with various stakeholders, innovate in the communication and interaction model, and protect their rights to know, to participate and supervise in order to win their understanding, trust and support.

Stakeholders	Demands and expectations	Response
Government	<ul style="list-style-type: none"> • Legal compliance • Serving for national economy and people's livelihood 	<ul style="list-style-type: none"> • Paying taxes in accordance with relevant laws • Regular performance briefing • Contributing to policy research and study, development of plans
Stakeholders	<ul style="list-style-type: none"> • Improving profitability • Improving the corporate governance structure • Fulfilling the duty of information disclosure • Ensuring the preservation and appreciation of corporate assets 	<ul style="list-style-type: none"> • Convening general meetings of shareholders • Holding performance briefings regularly • Issuing annual reports regularly
Customers	<ul style="list-style-type: none"> • Strictly obeying business ethics • Improving service quality • Providing marketing and supporting services • Satisfying diversified needs 	<ul style="list-style-type: none"> • Soliciting opinions from customers • Handling customer complaints • Conducting customer satisfaction surveys
Suppliers/ Industry/ Partners	<ul style="list-style-type: none"> • Fair competition • Promoting technological progress • Promoting the industrial management • Extending the industrial chain, expanding industrial services 	<ul style="list-style-type: none"> • Enhancing research and development capabilities • Strengthening supply chain management and cooperation • Participating in industry development forums
Staff	<ul style="list-style-type: none"> • Offering reasonable pay and benefits • Laying great emphasis on career development and training • Providing a satisfactory working environment 	<ul style="list-style-type: none"> • Convening the workers' congress • Training the staff • Collecting and responding to the comments and suggestions of staff
Environment	<ul style="list-style-type: none"> • Reasonable utilization of resources • Energy conservation and emissions reduction • Developing low carbon economy • Improving the HSE management system 	<ul style="list-style-type: none"> • Keeping communication with environmental protection departments and social groups • Learning and exchanging advanced experience at home and abroad • Improving manufacturing techniques
The public/ community	<ul style="list-style-type: none"> • Contributing to public welfare • Serving community development 	<ul style="list-style-type: none"> • Keeping communication with government agencies and social groups

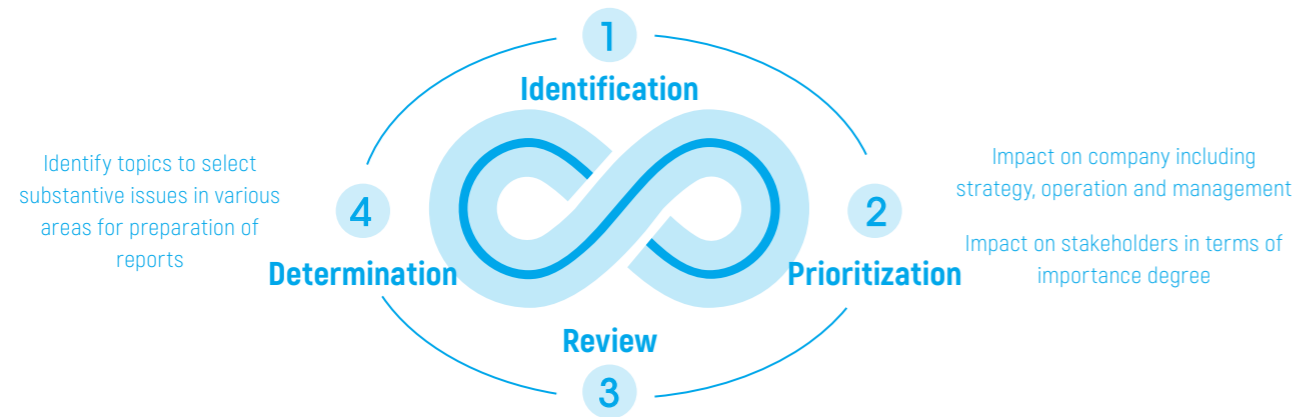
Material Topic Management

Based on our company operation and business of the 5 SBUs, Sinochem actively identify key issues on sustainable development, respond to the demands and expectations of our stakeholders parties, keep improving our performance, and try to achieve common development with stakeholders.

To establish the issue bank with the analysis of standards and guidelines

To identify the issues highly related to the five major businesses of Sinochem Group with the benchmark of industry

To identify the issues with universal social needs with the analysis of policies and public opinions



Identification and the Ordering of Material Topics

Database of Key Material Topics					
Credit Management	Combating Corruption and Promoting Integrity	Safety Production	Internal Collaborative Development	Equal Employment	Compensation and Benefits
Staff Training	Health and safety	Efficient Resource Utilization	Pollutant Treatment	Sci-Tech Innovation	Strategic Cooperation
Career Development	Supplier Management	People's Livelihood	Poverty Alleviation	Public Charity	Industrial Progress

Prospects

This year of 2019 is the 70th anniversary of the founding of the People's Republic of China, which is also a crucial year to achieve the first Centenary Goal of building a moderately prosperous society in all respects. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will carry the mission entrusted by the party and the state on our shoulders, follow the overall plan of the 19th CPC National Congress on deepening the reform of state-owned enterprises to deeply promote the transformation and reform of Sinochem, adhere to creating the first-class company by benchmarking to advanced models, and speed up the construction of innovative and comprehensive chemical enterprise driven by science and technology, thus contributing our efforts to national progress, social development, and national rejuvenation.

To fulfill the economic responsibility with the innovative reform as a starting point

On one hand, we will persist in the core value of "In Science We Trust, Upon Knowledge We Act" to improve the system and mechanism of scientific and technological innovation with the increasing investment in science and technology for a sound R&D layout as well as the supply-side structural reform policy to deepen the reform of state-owned enterprises in an all-round way with an focus on the reform of mixed ownership. On the other hand, we will actively cultivate the main body of innovation, shape the innovation culture and stimulate the innovation vitality in order to create "high-throughput quality innovation machine" for the transformation from a resource-driven company to an innovation-driven one.

To fulfill the environmental responsibility with the low-carbon style as the underpinning point

With the concept of green development and ecological civilization rooted in our company, we will continuously improve environmental management to practice the low-carbon operation, deepen energy conservation and emission reduction, develop green technology, and produce environmental protection products. At the same time, we will spare no effort to enhance the solid waste treatment and recycling of the Company, do a good job of environmental protection publicity and education, protect biodiversity, reduce the negative impact of enterprise production and operation on the environment, so as to maximize environmental friendliness, resource conservation for the harmonious symbiosis between human beings and nature.

To fulfill the social responsibility with the humane care as the footlanding point

We will strive to create maximum value for our stakeholders including customers, shareholders, and employees, achieving common sustainable development of our company and stakeholders. We will enhance our safety management capabilities to build a safe company. Putting people first, we will go all out for the growth of the employees with the enterprise. Besides, we will take the initiative to engage in community construction and communication.. The poverty alleviation investment will be further increased with the business and brand advantage as a central SOE, carrying out all-round poverty alleviation assistance at many levels, such as industrial support, consumption poverty alleviation, wisdom-and-ambition poverty alleviation and convergence of social forces so that the whole society can share the well-being brought about by the development of Sinochem.



Index of Indicators

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Content	GRI Standards	CASS-CSR 4.0
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Our Progress in Ten Principles of United Nations Global Compact

Topics	Principles	Sinochem Progress in 2018
 <p>Human Rights</p>	<ul style="list-style-type: none"> Do support and respect the internationally proclaimed human rights Do not go hand in hand with those who trample on human rights 	<ul style="list-style-type: none"> Facilitating the equal employment with women managers taking up 29.65% of all and ethnic minority employees accounting for 2.03% of all Promoting medium- and long-term incentives pilot to enhance the link between pay and value creation Paying social insurance and housing fund for staff, and urging the cooperative labor dispatch units to protect the rights and interests of the dispatched staff in accordance with the law
 <p>Labor</p>	<ul style="list-style-type: none"> Upholding the freedom of association and the recognition of the collective bargaining right Eliminating all forms of forced and compulsory labor Prohibiting the child labor Eliminating the discrimination in employment and occupation 	<ul style="list-style-type: none"> Establishing a sound democratic management system with the Workers' Congress as the main form to protect the employees' rights to know, express and supervise Adhering to the principle of equal employment and treating employees with different nationalities, ethnics, races, genders, religious beliefs and cultural backgrounds equally and fairly Resolutely prohibiting the child labor and resisting all forms of forced and compulsory labor
 <p>Environment</p>	<ul style="list-style-type: none"> Supporting the preventative approach to the environmental challenges Undertaking initiatives to promote greater environmental responsibility Encouraging the development of eco-friendly technologies 	<ul style="list-style-type: none"> Strengthening the protection and control of the ecological environment, upgrading the old equipment, and promoting the "three battles" against environment pollution Incorporating the energy consumption into management indicators to promote the effective development in energy-saving assessment, energy audit, energy balance testing for the deepened energy conservation and emission reduction Facilitating to adopt a green and eco-friendly production method and lifestyle and implement green offices for the environment protection with various environmental public welfare activities and the low-carbon lifestyle
 <p>Anti-corruption</p>	<ul style="list-style-type: none"> Fighting against all kinds of corruption including extortion and briber 	<ul style="list-style-type: none"> With the guidance of Xi Jinping Thought on socialism with Chinese Characteristics for a New Area and the spirit of the 19th CPC National Congress, we comprehensively and strictly govern the party to supervise and enforce discipline and accountability in accordance with rules and regulations, perfect the great supervision system to give full play to both symptoms and root causes in the construction of the system

About This Report

This is Sinochem Group's ninth Sustainability Report. The previous eight reports were issued in June 2011, June 2012, May 2013, June 2014, July 2015, May 2016, September 2017 and October 2018. Sinochem Group also published a Corporate Social Responsibility Report in April 2007, June 2008, June 2009, and June 2010.

Period Covered

This report covers Sinochem's activities between 1 January and 31 December 2018. Parts of the content may reflect activities and data from previous years.

Report Publication Cycle

This is an annual report.

Report Scope

This report includes Sinochem Group and its subsidiaries.

Compilation References

The report follows the guidance of the national standards GB/T 36001-2015 CSR Reporting Guidelines, Guidelines for Central Enterprises to Fulfill Social Responsibilities by SASAC of the State Council, the Ten Principles of the United Nations Global Compact, the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI Standards), the ISO 26000: 2010 Guidance on Social Responsibility issued by the International Standards Organization, and the CSR Reporting Guidelines for Chinese Companies (CASS-CSR 3.0) issued by the Chinese Academy of Social Sciences (CASS).

Compilation Process

The report compilation scheme was made and work team established; Stakeholders and key subjects were identified and the reporting framework determined;

The report was made, edited and enhanced;

The report was reviewed by company leadership team;

The report was released and feedback collected to make future improvements.

Improvements

Improvements to this year's report include:

- Adding Sinochem Group's development process to make the report more complete
- Taking the Company's value chain as a hidden line and compliance management as a clear direction to systematically represent the practice of fulfilling responsibilities
- Adding special topics to practical content to reflect the integration of special topics and main contents and improve the readability of report

Data Sources

The data used in this report comes from Sinochem's official documents and statistical reports. Because of the statistical scope, the report offers corrections to past data. In case of any discrepancy, the information in this report shall prevail.

Appellation

All references to "Sinochem", "the Group", "the Company" and "we" refer to "Sinochem Group" unless other-wised stated.

Language of the Report

This report is published in both English and Chinese. If any inconsistency or ambiguity exists between the two versions, the Chinese report shall prevail.

Obtaining Copies of the Report

To read or download the report, please visit www.sinochem.com.

Feedback Form

We are constantly striving to improve our corporate social responsibility work. Your feedback is therefore greatly appreciated and serves as an important basis for our improvements.

Personal information:

Name: _____ Company: _____

Telephone: _____ E-mail : _____

Your evaluation:

1. What do you think of the report?

Excellent Good Satisfactory Poor Very Poor

2. What do you think of the disclosed information?

Excellent Good Satisfactory Poor Very Poor

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

Excellent Good Satisfactory Poor Very Poor

4. What do you think of the report in terms of structure?

Excellent Good Satisfactory Poor Very Poor

5. What do you think of the report in terms of format?

Excellent Good Satisfactory Poor Very Poor

6. Please offer your valued opinions or recommendations in connection with corporate social responsibility, report drafting, or publishing, etc.

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