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Sustainable Development Report 2012



SINOCHEM GROUP

ABOUT THE REPORT

This is Sinochem Group's third Sustainable Development Report. The two previous reports were issued in June 2010 and June 2012. Sinochem Group also published a Corporate Social Responsibility Report in April 2007, June 2008, June 2009, and June 2010.

REPORT PERIOD

This report covers Sinochem's activities between 1 January and 31 December 2012. In some instances 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.

REPORT REFERENCE

The report follows the guidance of the *Guidelines for Key State-owned Enterprises to Fulfill Corporate Social Responsibility*, the *Ten Principles of the United Nations Global Compact*, the *Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI G3.1)*, the *ISO 26000: 2010 Guidance on Social Responsibility* issued by the International Organization for Standardization, and the *CSR Reporting Guidelines for Chinese Companies (CASS-CSR 2.0)* issued by the Chinese Academy of Social Sciences (CASS).

IMPROVEMENTS

We have made improvements to this year's report. We have:

- put forward Sinochem's CSR philosophy;
- optimized the structure of the report, and highlighted Sinochem's leading position in the chemical industry;
- incorporated more diagrams into the report to increase its readability.

DATA SOURCES

The data used in this report are from official documents and statistical reports of Sinochem. When applicable, the report offers corrections to past data. In case of any discrepancy, the information in this report shall prevail.

REFERENCES TO SINOCHEM GROUP

All references to "we", "our", "the company" and "Sinochem" refer to "Sinochem Group" unless otherwise stated.

LANGUAGE OF THE REPORT

The 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

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President's Message

Corporate social responsibility (CSR) is more than a global trend, it is a widely recognized business norm and seen by business leaders as an extremely effective way to enhance corporate competitiveness. Any company that intends to achieve sustainable development must deliver on its CSR objectives and gain support from its stakeholders. At Sinochem, we are committed to "Creating Value, Pursuing Excellence", and integrating CSR into our business operations to create the maximum value for the economy, society, and the environment.

2012 was a demanding year for Sinochem Group as it was full of complicated global developments and intense challenges. However, we remained committed to the requirements set by SASAC, executed the Management Improvement Project, and took positive step to reduce costs and increase profitability. This approach allowed us to maintain our steady business growth. We also pressed ahead with our major strategy, solidified the foundation our main business segments, and contributed to protecting the national energy security and agricultural security, while facilitating upgrades to the chemical industry. We continue to build a multifaceted service system by innovating our service model and extending our service outreach, and by providing comprehensive professional services to our clients to ensure that we grow together. We are implementing our green development strategy and executing a systematic, professional, and lean HSE management to ensure that Sinochem Group is producing safely, protecting the environment, conserving energy, and harmoniously coexisting with nature. We protect the rights of our employees and are building a platform that ensures that they will develop in partnership with the company. We believe this is the best way to create a harmonious corporate culture and positive working atmosphere. We are implementing social welfare projects, providing poverty alleviation assistance to impoverished areas, pursuing win-win cooperation with our partners, and constructing harmonious community in area where we operate or conduct projects. We do this to meaningfully transfer our approach to sustainable development to social progress.

The forthcoming year is critical to Sinochem as we will continue our strategic transformation, and lay solid foundation that allows us to make greater progress in attaining "the Third Long March" goals. We will continue to emphasize steady progress to ensure the quality of our products and services and to increase our profitability, and will embed lean management processes to better reform the healthy and innovative development of the company. In addition, we will continue to integrate CSR into our daily operations and management, try to create mutual benefit for our stakeholders, and contribute to "a Beautiful China".

We sincerely hope that this Report will become a window and bridge for friends from all walks of life to get to know Sinochem Group. We also hope it objectively, effectively and transparently responds to the expectations and demands of our stakeholders, and motivates you to join hands with us to create an even brighter future.

刘 俊

President & CEO
Sinochem Group

ABOUT US

Sinochem Group was founded in 1950. Its predecessor was China National Chemicals Import and Export Corporation, which was China's largest trading firm. Sinochem Group is a key state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council (SASAC). Sinochem's headquarter is located in Beijing.

Our core businesses span energy, agriculture, chemicals, real estate and financial service. We are one of China's four largest state oil companies, China's biggest agro-inputs (fertilizers, seeds and pesticides) company, and the country's leading chemical services company. We also exert strong influence in real estate and non-banking financial services sector. As a global conglomerate, Sinochem's quality products and services play a vital role in many aspects of the mass economy and in the lives and well being of billions of people. We have a strong brand reputation and are acknowledged around the world.

Sinochem currently owns more than 300 subsidiaries with domestic and international operations. We control several listed companies including Sinochem International (SH, 600500), Sinofert (HK, 00297), Franshion Properties (HK, 00817) and Far Eastern Horizon (HK, 03360). In June 2009, Sinochem Group established Sinochem Corporation as the vehicle for potential group IPO.

Sinochem Group was China's first entrant on the Fortune Global 500 and has been on the list 22 times, ranking 113th in 2012. Our strategic transformation and management overhaul over the years, has helped us maintain our sustainable, healthy and rapid development. Sinochem received the "Top A Corporate Performance" rating from SASAC for eight straight years.

Our vision is to become a reputable company with global influence, and to deliver financial and social benefits to our stakeholders and society. Our 40,000 employees adhere to the doctrine of "Create value, Pursue excellence", and relish the opportunity to shoulder social responsibility as a corporate citizen. Together we will adopt a scientific development approach to help us realize the potency of sustainable business practices, and bring benefit to all of our stakeholders.

Sinochem Basics	
Company Name	Sinochem Group
Registered Capital	10.17 billion Chinese Yuan (RMB)
Time of Establishment	March, 1950
Asset Scale	RMB 286.62 billion
Headquarters	Central Tower, Chemsunny World Trade Center, 28 Fuxingmennei Street, Beijing

22 times

Sinochem has appeared on the Fortune Global 500 list.

113

In 2012, Sinochem on the Fortune Global 500 was ranked.

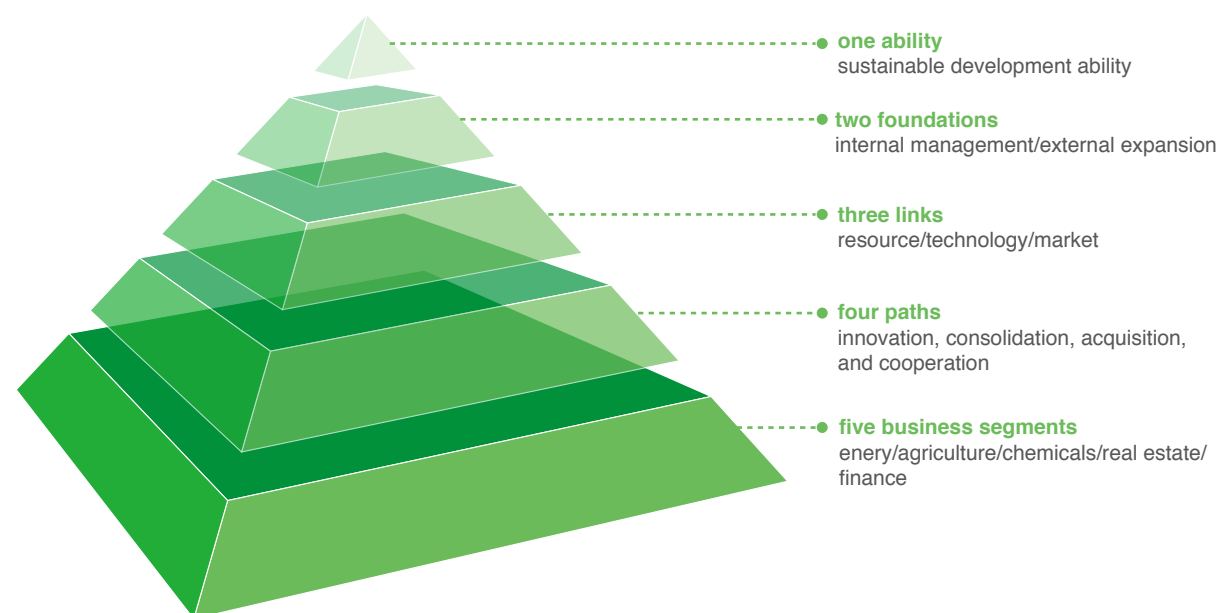
	Industrial Position	Business Overview
 Energy	Sinochem Group is the fourth largest national petroleum company in China with more than 60 years of oil business operations. We are a large energy company with strong international operations, a complete industrial chain, and outstanding marketing services capacity. We play an increasingly important role in the global energy market.	<ul style="list-style-type: none">Our energy business consists of oil and gas exploration and production, trade, refining, storage and logistics, and retailing. Each of the business segments is involved in oil and gas exploration and production, international trade and transportation, development and refining project operations, construction and warehouse operations and logistics facilities, as well as domestic distribution and retailing of oil.
 Agriculture	<ul style="list-style-type: none">We are the only SOE that operates in all three of the major agro-inputs (fertilizer, seed and pesticides). Sinofert Holdings Limited (Sinofert for short) is the largest fertilizer supplier and distributor in China, and is committed to becoming the global service provider leader in agro-inputs and agricultural services.China National Seeds Group Corporation (CNSGC for short) is owned by Sinochem and is a national class seed company. It is the leading company in China and a top-ranking company globally and is devoted to integrating seed breeding, production and popularization, and promoting upgrades to the industrial seed market in China.Our pesticide business integrates R&D and production and sales to enhance our competitiveness and ranking against competitors in China. In recent years, our traditional strength in trade has allowed us to enhance key links to the pesticide industrial chain and to provide efficient and green pesticide product and professional services, making us an important force for driving China's pesticide industrial upgrading.	<ul style="list-style-type: none">Sinofert is developing resources, production, technology, marketing, and services from a global perspective. Its operational philosophy is to integrate resources with production, and production with distribution and products with service in order to protect agricultural production and national grain security.CNSGC is intensifying its core competitiveness in the industrial chain by implementing a development strategy that integrates R&D, production, and sales. As a result, CNSGC has integrated R&D, production, refining, sales and technology services to become a large seed group with holistic industrial chain activities and corps operations. Its business covers breeding production and the refining of seeds of major corps including corn, rice, and vegetables.The crop protection business covers R&D, active ingredient production, pesticide formulation and repackaging, product registration, and brand marketing; we lead the country in proprietary pesticide development. We own two national crop protection R&D platforms, namely the Shenyang Research Institute of the Chemical Industry (Shenyang Institute for short) and Zhejiang Research Institute of Chemical Industry (Zhejiang Institute for short). Crop-protection product lines include pesticides, fungicides, herbicides, and plant growth regulators, and cover more than 40 active ingredients. We have many products registered overseas, and enjoy market strength in South America, North America, the Asia-Pacific region, and the EU.
 Chemicals	Our chemical business is based on the international trade and circulation services for chemical products, and is competitive in fluorine chemical, natural rubber, chemical logistics, petrochemical feedstock and pharmaceutical businesses. We have become a leading service provider for chemical products in China, and are playing a constructive role in promoting technological upgrades and the safe, green, harmonious development of chemical industry.	<ul style="list-style-type: none">In the fluorine chemical business, we have established a complete industrial chain that comprises resource exploitation (fluorine spa and AHF), R&D, production, sales and marketing. Our complete product line in this field includes ODS substitutes, fluorine polymers and fluorine fine products. We also enjoy a leading market share for more than 10 products including HFC-134a.We have 60 years of history engaging in natural rubber, plantation, processing, distribution and other value-added services in a globally. Among our global operations, the rubber product 6PPD accounts for our largest market share.We continue to maintain our position as China's leading petrochemical logistic service provider. Our business covers such areas as shipping, tank container multimodal transport, freight forwarding and warehousing, as well as terminal and depot service. We own the largest hazardous chemical fleet and ISO tank lorries in China and adhere to the strictest safety standards, providing multiform, highly efficient and low-cost aggregate logistics services to our clients. In addition, our environment, health and safety (EHS) standard, has established us as one of the world's leading companies in EHS management.We are specialized in plastic and bulk trade, and have taken the lead in the petrochemical feedstock industry as a comprehensive service provider with international operations, professional marketing, and lean management. We provide professional services to upstream and downstream clients in all sectors in which we operate.We have maintained our leading position in China as an exporter of pharmaceutical intermediate and API, and we continue to strengthen our capacity in R&D, production and circulation.
 Real Estate	As a SOE we were ratified by SASAC to pursue the development of hotels and real estate as a main business, and are now the leading developer and operator of high-end commercial real estates in China.	<ul style="list-style-type: none">Our Hong Kong-listed subsidiary Franshion Properties is "delivering upscale products", and focuses its business strategy on first-tier cities, central second-tier cities and well-known tourist resorts. Its core business includes the development and operation of urban complexes, first-rate office space, and upscale hotels. Its upscale office buildings and hotels are recognized for their operational efficiency and always rank among the top players in China.
 Finance	We are a leading non-bank financial services provider in China.	<ul style="list-style-type: none">Our financial services business spans financial leasing, trust, securities investment funds, life insurance, corporate finance, and futures. We have established our business operations in all financial business licenses except banking. We enjoy a good reputation with highly recognized brands such as Far Eastern Horizon, FOTIC, Lion Fund, and Manulife-Sinochem, and are consistently improving our profitability and risk management.

Corporate Strategy and Governance



Our Industrial Service Strategy

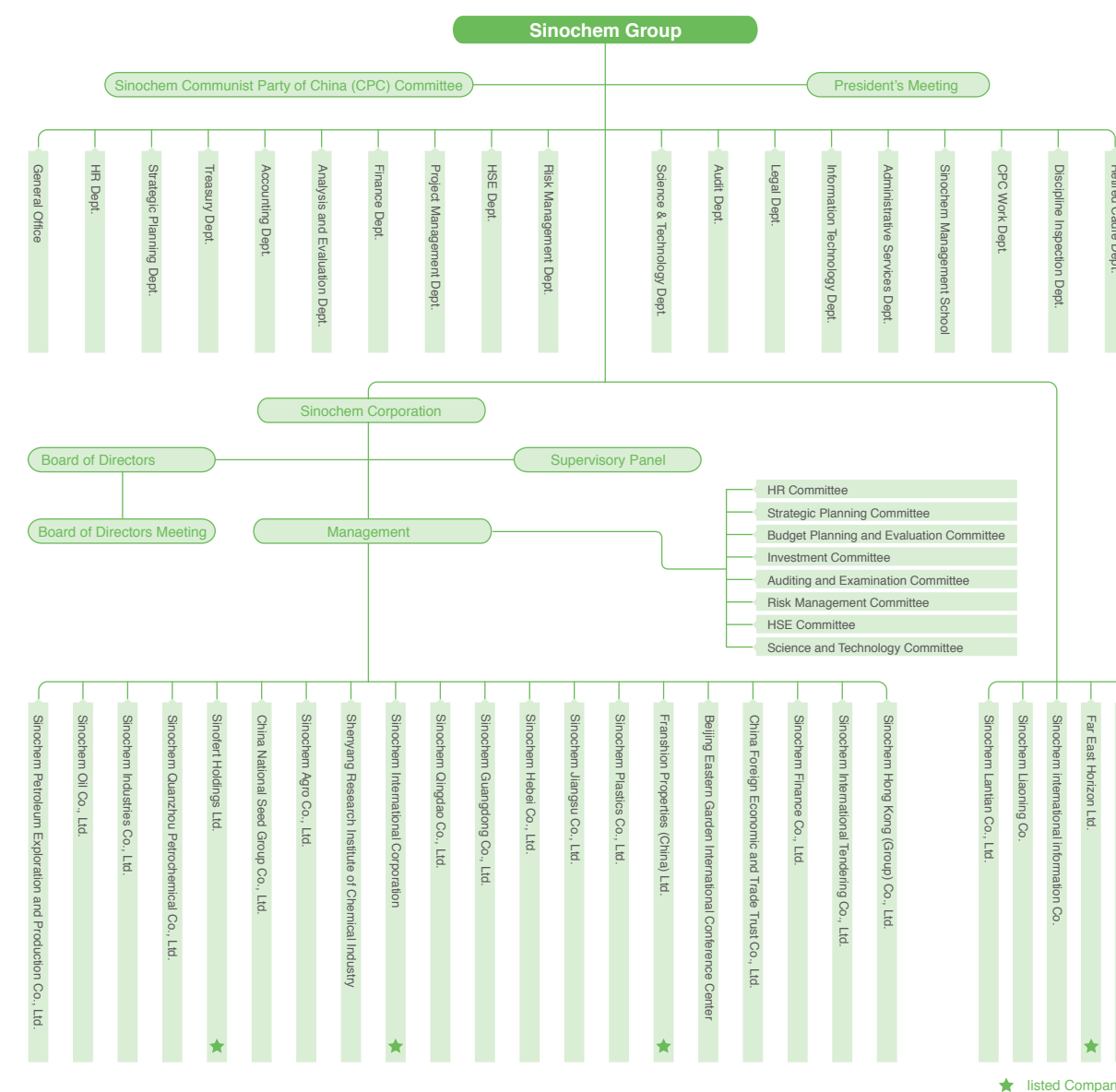
We refer to our Industrial Service Strategy as the “One-Two-Three-Four-Five Strategy”. This is an extended and deeper version of our previous “One-Two-Three Strategy”.



Corporate Governance Structure

Sinochem strives to improve its operations and company rules in order to enhance its corporate governance and guarantee the company's healthy and steady development.

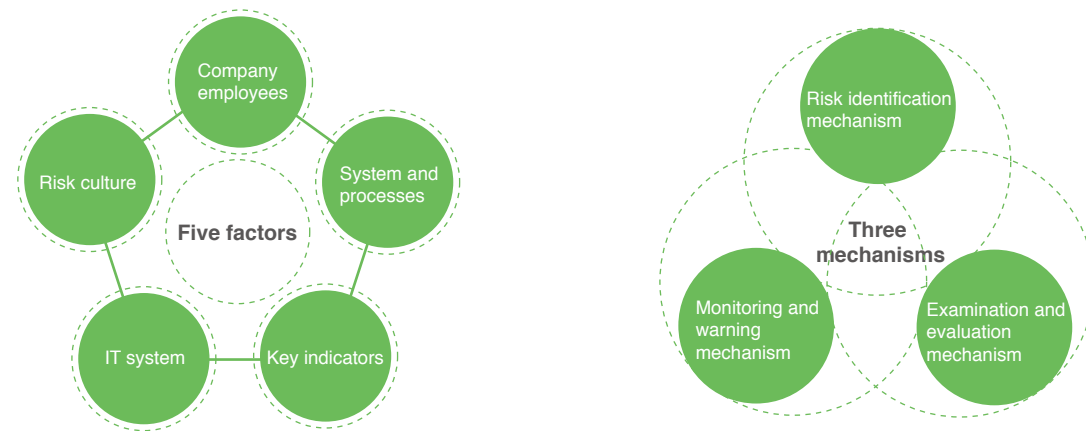
We adhere to the principles of collective decision-making and democratic centralism in order to optimize our rational and democratic decision-making mechanism. Our group-level top executives are responsible for different segments of our business operations, and we have complete systems for the Party Committee Meeting as well as the Presidents Meeting. The Party Committee Meeting is responsible for major political, business and key personnel issues, while the Presidents Meeting determines and manages the corporate strategy and operations. We also have specialized committees that review specific projects and make project proposals.



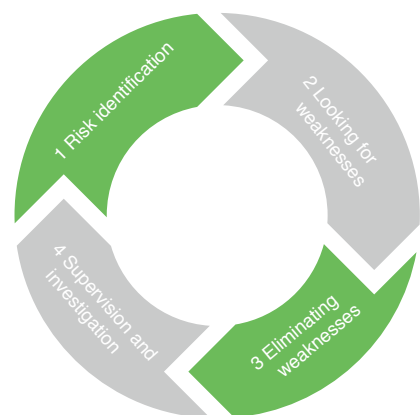
★ listed Companies

Promoting Comprehensive Risk Management

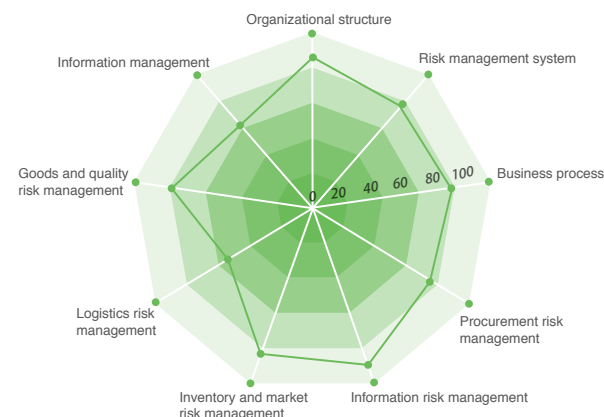
Facing severe market competition, strict supervision requirements, and pressures associated with our strategic transformation, we attach great importance to risk management and have set up a comprehensive risk management and internal control system that emphasizes “Five Factors and Three Mechanisms”. By doing this, we have created synergy between risk management and our internal controls. We also conduct assessment on the risk management systems of our subsidiaries. All these efforts have further strengthened Sinochem’s risk resistance ability.



- We have transformed our “Risk Management Committee” into the “Risk Management and Internal Control Committee” to strengthen our work on internal controls. We have also established an Internal Control Working Team, which consists of our Risk Management Department, Accounting Department, and Auditing Department. We have improved our work rules for the Risk Management and Internal Control Committee, and “The Plan for Enhancing the Internal Control System”.
- We have set up a risk management certification system including “two dimensions, 68 indicators, 165 grade points” to assess the risk management capacity of our subsidiaries. The assessment results will help us to adjust the authorization we grant to those subsidiaries and implement weakness management (diagram left and right). This measure has contributed to intensifying our overall risk management.



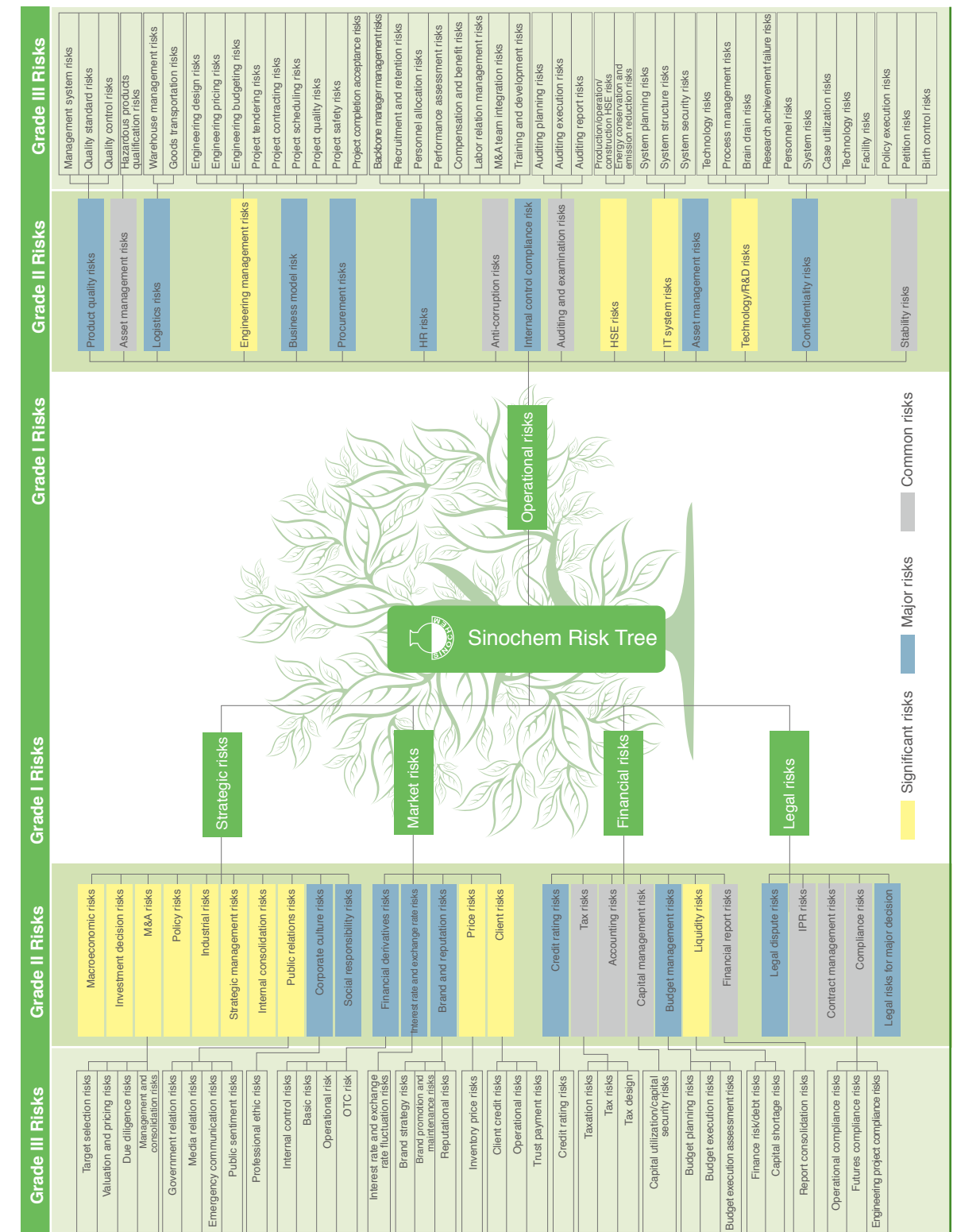
Control and manage our weaknesses by identifying risks



Schematic diagram of the risk identification score of trade subsidiaries under Sinochem

- We have established and continue to improve our closed-loop, whole-process risk management model that is composed of “resource allocation, process management, monitoring, review and evaluation”. This helps us survey and discover risks in advance, and has put in place effective measures that control risks at the beginning of all processes, which helps us detect, control, and manage our exposure to risks.

Sinochem Risk Tree



Enhance Anti-Corruption Education and Tighten Anti-Corruption Measures

Sinochem upholds the guideline of “wherever the strategy may go, anti-corruption measures will follow”. By controlling the source of corruption and stressing the effectiveness of anti-corruption measures, Sinochem combines its anti-corruption work with its strategic transformation, management improvement structure, and cadre training. By doing so, we have created a strong support and guarantee for the company to grow better, stronger, and more rationally.

- We have built up an accountability system that is able to break down, evaluate, and trace back responsibility. This is a close-loop administration system that embraces the management of targets, processes, and results. The system ensures the anti-corruption work is followed through by different levels of entities.
- We regularly check our anti-corruption system, and enhance the prevention and punishment mechanism. We have a “Five Clear” standard, namely “clear responsibility, clear authorization, clear risk point, clear risk level, and clear prevention measure”. Our focuses are on key areas, crucial links, and sensitive posts. Our aim is to make responsive measures to regulate and check the execution of power.
- We strengthen the advocacy and education on anti-corruption to create a righteous atmosphere. We have cooperation with procuratorial organs to conduct various activities, including case study and family participation, to enhance the anti-corruption awareness of our employees.
- We are strengthening our internal controls and supervision via onsite inspections. To this end, we have enhanced our administration of all major projects, all branches and subsidiaries, overseas investment,

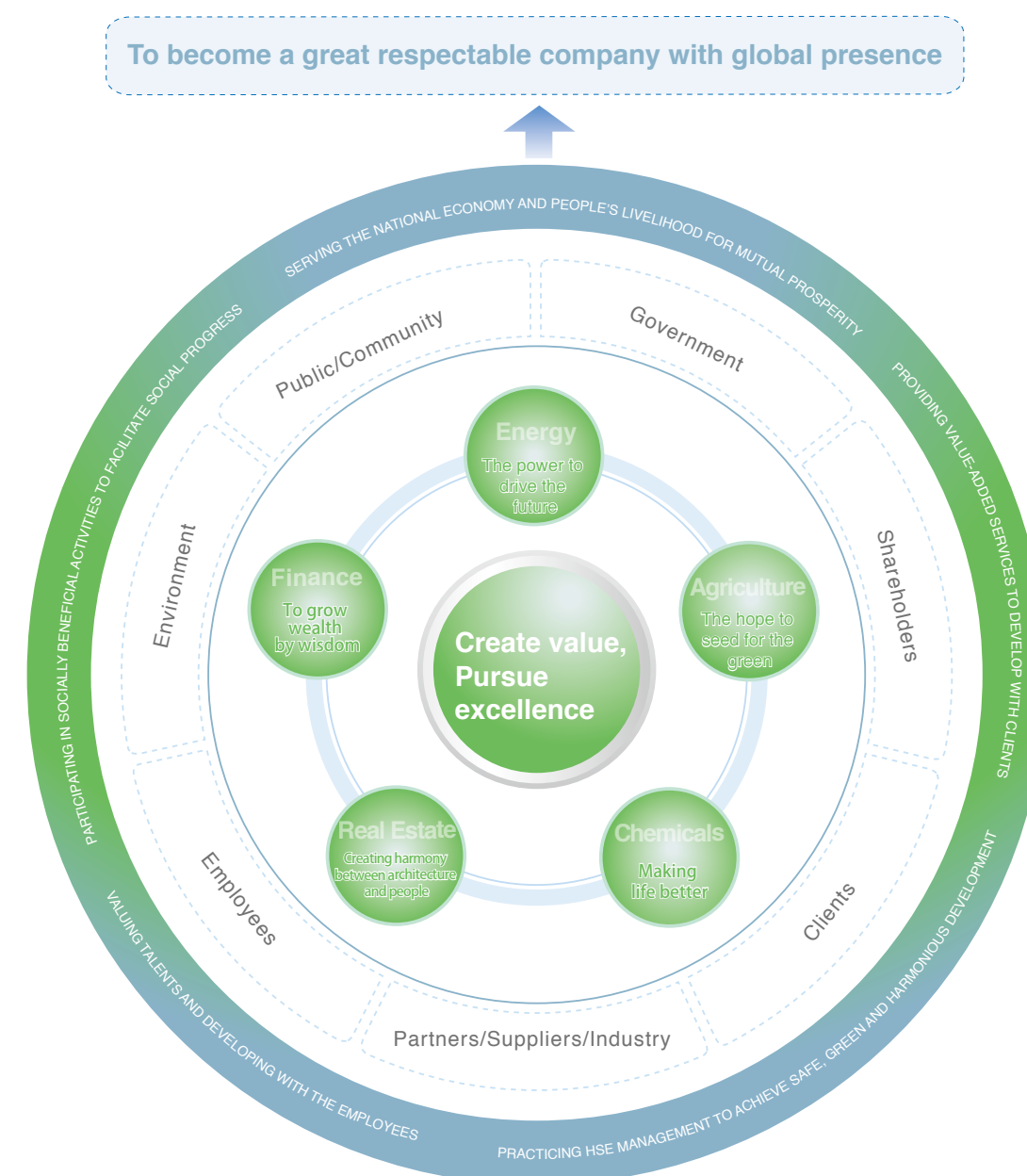
- and cadre teams. We utilize onsite inspections, have optimized the inspection team, revised the inspection rules and system, set up standards for inspection process, and carried out joint inspections to fully leverage resource for internal controls. We have also enhanced our monitoring systems in an effort to crack down on all forms of corruption before it materializes.
- In 2012, we launched a campaign to enhance management across the Group. It provided us with a great opportunity to analyze, amend and improve our anti-corruption system. By doing so, we have constructed a network that oversees and restrains power and people in powerful position. We believe this will regulate the exercise of power, and embed standards and regulations on our anti-corruption work.
- We enhance the capacity building of our discipline inspection team, so as to provide strong support to our anti-corruption work. We focus on their awareness on responsibility, crisis, overall situation and service, and enhance their ability to organize, to study, to operate, and to innovate. The integrity of the discipline inspection team is critical to our anti-corruption work.

Sinochem's Major Anti-Corruption Measures in 2012

Developed efficacy supervision programs	93 activities
Group-level executives signed 2012 CPC Anti-Corruption Letter of Responsibilities	11 signatures
General managers of Sinochem subsidiaries signed 2012 Anti-Corruption Letter of Responsibilities	44 signatures
Key managers signed 2012 CPC Anti-Corruption and Self-Discipline Commitment Letter	235 copies
Discipline Inspection Department of Sinochem gave opinions on the appointment and removal of key managers	141 times
Conducted workplace anti-corruption training for employees	10,941 employees trained
Conducted anti-corruption and self-discipline education across the group	155 times

CSR Management

Sustainable Development Model



CSR Governance

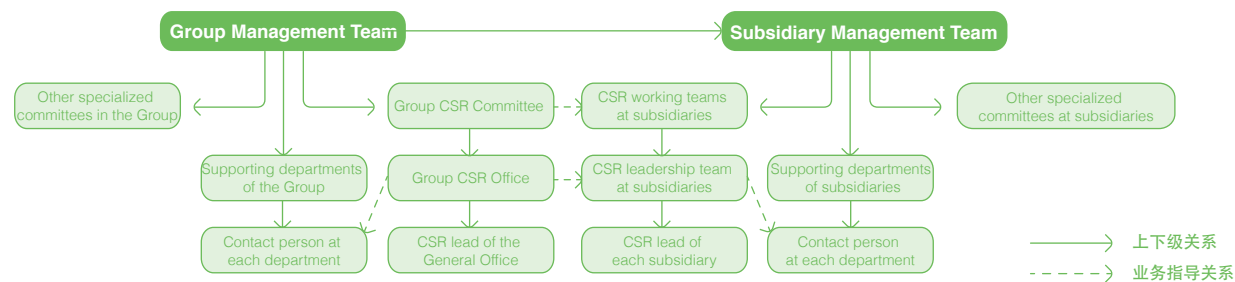
We believe that CSR is in our genes. We understand it is important to integrate CSR into our strategy management, and have a top-down CSR working system. According to the Group's overall plan, different levels of our subsidiaries and branches join hands together to work out a CSR matrix to make the best of our resources and help our managers establish a solid CSR philosophy. This is how we embed our CSR philosophy into the company mission, culture and value. What we are trying to do is make CSR acritical part of our management on different business fronts, demonstrate our CSR views while communicating with all stakeholders to realize an organic integration between CSR and our business operations.

We value CSR and have established a CSR management

system at our headquarters and subsidiaries, and are formulating CSR guidelines and administration measures.

We restructured our CSR Committee to include key personnel from our supporting departments and subsidiaries to enhance the connection between our CSR activities and our daily operations. Supporting departments are responsible for their own CSR activities such as developing a CSR plan and assessing CSR performance. The departments report their CSR progress to the General Office of the Headquarters. Subsidiaries also set up CSR leadership teams. The head of the team is in charge of the subsidiary's CSR work. Under the leadership team, offices with CSR contact persons are established and designated with daily CSR work.

Sinochem CSR Management Structure



CSR Capacity Building

Following the release of management improvement requirements by SASAC, we conducted an assessment on our CSR work, analyzed the perceived challenges to our CSR management system, and intensified our approach to improving our CSR management capacity.

- We held symposiums to discuss new approaches to CSR management that would better fit China's special context. We also participated in the specialized CSR management training sessions for SOEs, and learned from benchmark central SOEs. We invited external experts from the United Nations Global Compact (UNGC) as well as China WTO Tribune to offer suggestions on how to improve our management of CSR.
- We conducted CSR training programs, and provided our employees with lectures on our CSR philosophy, our CSR approach, and how we

formulate a sustainable development report. Our aim is to enhance our employees' CSR awareness and overall capacity, and to provide our subsidiaries guidance on how to improve their CSR practices and management based on their specific business conditions.

- We are building a CSR performance assessment system and a matrix-style CSR key indicators system with more than 60 indicators covering the economy, our clients and the environment, and will include more than 40 departments in our headquarters and at different levels of our subsidiaries.

CSR Communication

Sinochem underlines the importance of its communication with all stakeholders. We have set up a communication platform that is based on our Sustainable Development Report. The platform has helped to facilitate even greater interaction between the company and its stakeholders.



- We hold a press conference when we launch our Sustainable Development Report to share our CSR progress with the government and media. We also encourage our subsidiaries to issue their own sustainable development reports. Sinochem International, Sinofer, and Manulife-Sinochem have, for several years running, issued their own reports. And Sinochem Ningbo, Franshion Properties, and FOTIC have recently issued their first report, respectively.
- We conduct field surveys and hold specialized symposia on CSR, and we have selected outstanding best practice CSR cases for to enhance our CSR practices through the exchange of information.

- We added a CSR column on our company website to circulate our CSR philosophy and showcase our CSR practices. We have use feature reports on CSR to demonstrate Sinochem's CSR focus and characteristics, and strengthen employees' understanding toward CSR while encouraging them to join in and contribute to our CSR activities.
- We were selected as one of the 20 central government-owned enterprises to participate in the first CSR and Charity Show, co-organized by Department of Civil Affairs, SASAC, and Guangdong Provincial Government.

CSR Honors

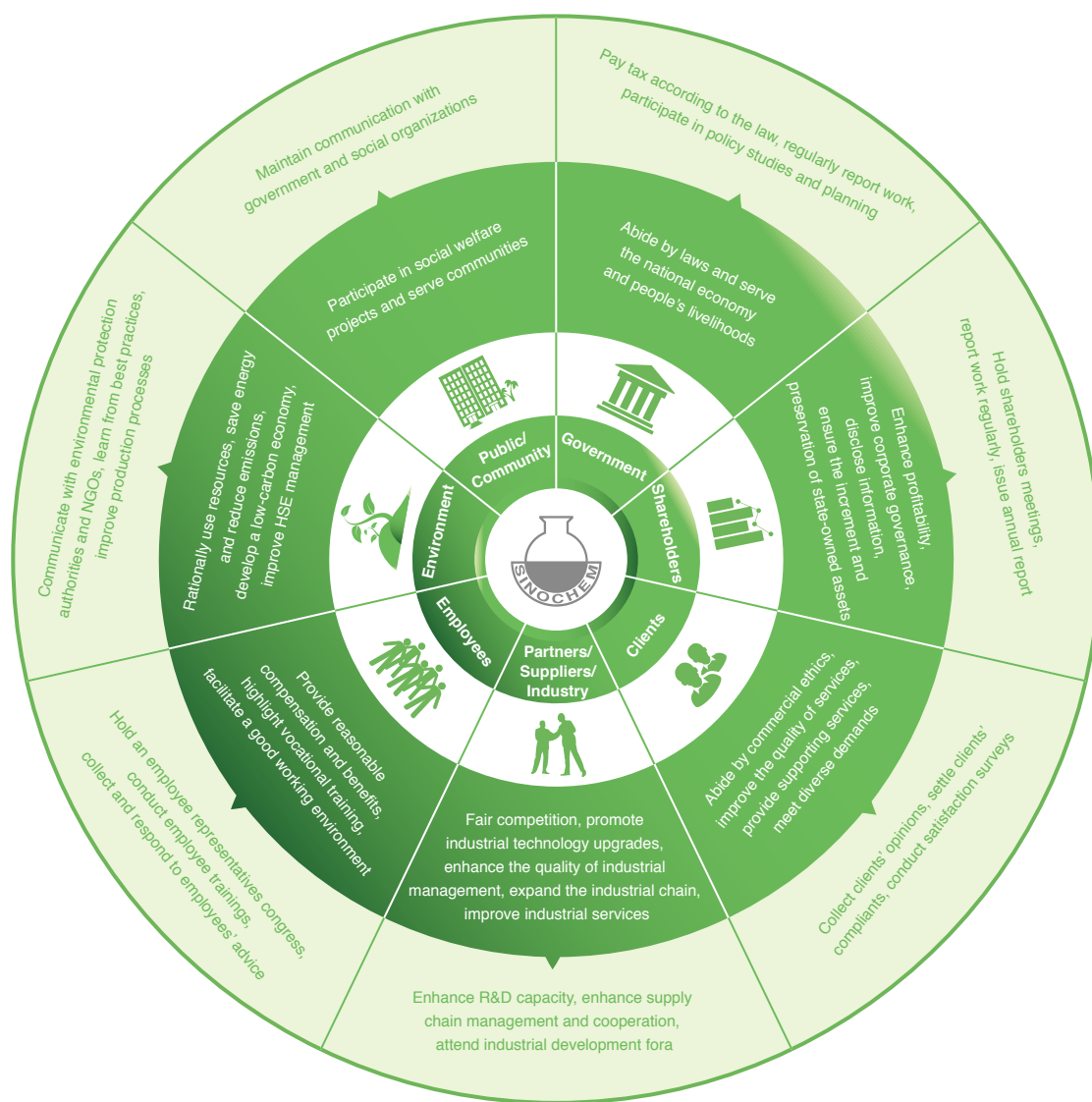


(left) Sinochem's case on overseas community development won the 2012 UNGC Best Practice for Facilitating Social Development award.

(right) Sinochem's 2011 Sustainable Development Report was granted the "Golden Bee 2011 Excellent CSR Report—Leading Enterprise" award.

Stakeholders and Key Topics

Based on the reality of our business operations and our five major business segments, Sinochem continues to innovate the way we communicate with our stakeholders, and is taking the initiative to identify key topics under our CSR theme. We try our best to understand and respond to our stakeholders' expectation and needs, and are forging ahead with our CSR work to achieve a common development with all stakeholders.



Model of Stakeholders' Participation and Communication

Sinochem's CSR Matrix

	Serve the national economy and people's livelihoods for mutual prosperity	Provide Satisfactory services to develop with clients	Conduct HSE management to reach harmony with nature	Valuing employees' talent to develop together	Participate in socially beneficial activities to facilitate Field social progress
Group	<ul style="list-style-type: none"> Protect national energy and agricultural security, promote chemical industry technology upgrading, commit to improving people's livelihood Carry out quality management and lean management projects Implement "Go Global" strategy 	<ul style="list-style-type: none"> Improve client service system Enhance service capacity 	<ul style="list-style-type: none"> Enhance HSE leadership Utilize comprehensive lifecycle HSE management Conduct specialized reviews of occupational health Carry out "Three Againsts" activity Enhance emergency response system 	<ul style="list-style-type: none"> Respect and protect employees' rights Improve compensation scheme Use corporate democratic management Enhance corporate culture 	<ul style="list-style-type: none"> Innovate poverty-alleviation model Enhance management on contractors and suppliers Improve work on social welfare projects Develop overseas community
Energy	<ul style="list-style-type: none"> Enhance oil and gas resource acquisition Improve oil storage facility allocation Build oil retailing network 	<ul style="list-style-type: none"> Innovate gas station development model Improve service quality 	<ul style="list-style-type: none"> Safe production Protection of nature and environment 	<ul style="list-style-type: none"> Improve employees' skill Enhance communication among employees 	<ul style="list-style-type: none"> Enhance suppliers' sense of responsibility and ability to deliver on their commitments Facilitate educational development
Agriculture	<ul style="list-style-type: none"> Secure fertilizer supply Protect national seed industry security Improve pesticide R&D system 	<ul style="list-style-type: none"> Expand scope of services Increase depth of services 	<ul style="list-style-type: none"> Promote balanced fertilization Develop and promote green environmental friendly pesticide Energy conservation and emissions reduction 	<ul style="list-style-type: none"> Enhance employees' career development Balance employees' life and work 	<ul style="list-style-type: none"> Organize donations for welfare projects
Chemicals	<ul style="list-style-type: none"> Service every aspect of people's lives Enhance competitiveness in refined chemical and new material sectors Facilitate fluorine chemical industry development 	<ul style="list-style-type: none"> enhance R&D provide tailored service and solutions Provide professional services throughout the industrial chain 	<ul style="list-style-type: none"> Safe production Energy conservation and emissions reduction Proper waste treatment 	<ul style="list-style-type: none"> Organize professional training Improve compensation and benefit scheme 	<ul style="list-style-type: none"> Expand volunteer team Continue to donate to medical care causes Promote industrial development
Real Estate	<ul style="list-style-type: none"> Develop high-quality property 	<ul style="list-style-type: none"> Expand services channel Consolidate property management business 	<ul style="list-style-type: none"> Build world-class green low-carbon pilot town Advocate environmental protection 	<ul style="list-style-type: none"> Care for employees' psychological health Improve employees' skill 	<ul style="list-style-type: none"> Improve supplier management mechanism Support regional development for social welfare causes
Finance	<ul style="list-style-type: none"> Consolidate financial services for people's livelihood Promote multiple business development 	<ul style="list-style-type: none"> Provide comprehensive high-quality financial services 	<ul style="list-style-type: none"> Support new energy development for urban bus system Help cities upgrade water treatment systems 	<ul style="list-style-type: none"> Hold corporate culture building activity 	<ul style="list-style-type: none"> Promote shipping and financial industry development Carry out social welfare activities for communities

Safeguarding National Energy Security

As a national oil company, Sinochem is committed to safeguarding the country's energy security. By tapping into our advantages in resources, channels and operations, we can supply oil and gas resources that are needed for economic and social development. We participate in the construction of the national strategic petroleum reserve system and conduct research for the national energy development plan. We are also contributing to the construction of a diverse and safe oil supply system for China.



Sustainable Development Report 2012

SERVING THE NATIONAL ECONOMY AND
PEOPLE'S LIVELIHOODS FOR MUTUAL PROSPERITY

As a backbone SOE, Sinochem Group focuses on energy, agriculture, chemicals, real estate and finance. Each of these sectors is closely linked to the national economy and people's livelihoods. We have an across-the-board management improvement approach that aims at deepening our lean management, optimizing our financial controls, and enhancing our technological innovation and IT system so that we can grow stronger and better. We are trying our best to protect national energy and agricultural security, and are propelling the development of the chemical industry development in order to develop premium products and professional services for social production that contribute to every facet of people's life.

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Major Indicators for Sinochem Group's Energy Business

Year	2008	2009	2010	2011	2012
Crude oil trading volume (million MT)	37.46	48.02	52.53	55.61	55.00
Equity oil and gas production (million barrels of oil equivalent)	9.77	13.74	17.74	22.01	23.34
Light oil sales (million MT)	3.08	4.61	4.12	4.28	2.89
Oil storage capacity (million cubic meters)	2.50	2.91	4.34	6.35	10.03
Oil refining capacity (million MT)	-	-	5.00	8.34	8.40

In the area of oil exploration and production, we are adapting ourselves to complex external investment environment and production conditions. We are extending our oil business into the upstream area, intensifying our project management, and currently producing equity oil production of 3.42 million MT (oil equivalent). Our recoverable resource volume grew by 35.44 million barrels.

- We have achieved breakthroughs in the oil exploration area. In two blocks of Colombia, where we work as the operator, we obtained high-yield oil flow and discovered a new oil-bearing system. In our Brazil project, we discovered two high quality sandstone reservoirs, which demonstrate a good show of oil and gas.
- We have notably enhanced our productivity and efficiency. In parts of the 10 blocks of our Ecuador and Yemen projects, we drilled infill wells, which resulted in a record high in daily output and maintained the steady production of the oilfields.
- Our new projects have been progressing well. We have completed the delivery of the Tepma project in Colombia, which helps us obtain

equity in the oilfield as well as the crude oil pipelines running from the south oil field to the upper north seaports in Colombia. We acquired 10% of Brazil Perenco offshore oil block to participate in the offshore oil and gas exploration. By acquiring 40% of Pioneer Natural Resources Company's Wolfcamp play, we obtained approximately 82,800 net acres of leasehold with development rights for the shale bed and deeper layers of oil and gas resources of Wolfcamp.

- When economically viable and permitted by the tax regime of the host country, we plan to import our equity oil to China for sale, so as to make contribution to protecting the safety of China's oil supply.



In terms of oil trading, we continue to optimize our trade structure. Our crude operations volume sits at 50 million MT, and is made up of a 1.1:1 ration of import and entrepot trade. Our refined oil operations volume reached 2.72 million MT, and consists of 1.63 million MT of entrepot trade, 200,000 MT of import, 770,000 MT of export, and tolling processing of 120,000 MT.

In the area of oil refining, we are intensifying our competitiveness in the sector. Our 12 million MT refining project in Quanzhou was officially included in China's Twelfth Five-Year Plan for Oil Refining, and was approved by the National Development and Reform Commission. Construction work is progressing on schedule. The project is expected to come into production in 2013.

In terms of oil storage and logistics, we have successfully answered the country's call for an energy security strategy, and are utilizing our storage network and management advantages. The total storage space that we are currently operating, constructing and managing is around 25 million cubic meters. We took the initiative to participate in the construction and management of a national oil reserve base as well as GC crude and refined oil reserves. We also kicked off the groundwork for site selection and feasibility studies for the national commercial oil reserve projects to meaningfully contribute to the protection of China's energy security.

- In China's coastal and riverside areas, we have built several petrochemical storage and transit bases, which form a strategic storage network covering Bohai Bay area, Yangtze River Delta, and Pearl River Delta. We own approximately 10 million MT cubic meters of commercial storage space, with several supporting petrochemical jetties ranging from 3,000 MT class to 300,000 MT class.
- Sinochem Nantong Phase 2, Sinochem Oriental Phase 4, and Sinochem Zhuhai Phase 3 are all progressing smoothly. In addition, the Sinochem Maoming, Sinochem Zhongshan, and Sinochem Caofeidian projects have officially launched with working teams stationed locally for preparation work. As a result, Sinochem's strategic oil storage landscape has been greatly expanded.

In the area of oil distribution and retails, we have sped up the construction of our distribution and retailing networks for refined oil. We have signed contracts for new oil depots and gas station projects, further completing our layout in the domestic market.

- We completed all renovation and operation permit applications for our projects in Hongshan of Liaoning, and Risheng of Shandong. We also wrapped up a 100% equity acquisition for Heilongjiang Longde Oil Sales Co., Ltd., and finalized changes to the refined wholesale operation permit.
- We conducted a market survey in Guangdong, Jiangsu and Hunan to select suitable sites for our new oil depots. We also accelerated the execution of our oil distribution depots in Liu'an of Anhui, Yuesheng of Jiujiang, and Xiamen Port.
- We are planning a pipeline project to transport refined oil across the Central and South China regions. The project starts in Fujian Province, and end in Hubei province, running through 33 counties of 4 provinces.



Protecting National Agricultural Security

As China's only central SOE that operates three major agro-inputs including fertilizer, seed and pesticide, Sinochem is dedicated to contributing to the grain safety and agricultural development of China and the world at large with our advanced technologies, premium products and professional services.

Stabilizing Fertilizer Supply

As "the grain for grains", fertilizer has great significance for agriculture. Sinochem's fertilizer business covers the industrial chain from resource, R&D to production, distribution and agronomic services. We embrace a global vision and focus on the Chinese agriculture industry. We follow the National Twelfth Five-Year Plan for the agriculture and chemical sectors, and are innovating our technology, products, services and management to deepen our strategic transformation. We have implemented an integrated strategy with fertilizer at our core so as to consolidate our leading position in the industry and become a role model in the development of technology, saving energy, and protecting the environment. Our aim is to become a reliable force for China to safeguard its agricultural security.

Fertilizer Industrial Chain	Specific Steps
R&D	<ul style="list-style-type: none">Developed 10 new fertilizers (three different types), and introduced DAP sulphur-enhanced technologyEstablished Chongqing Fuling Compound Fertilizer Engineering Technology Research Center, Jilin Changshan Nitrogen Fertilizer Engineering Technology Research Center, and Shandong Yantai Crop Nutrition and Plant Protection Research Center; conducted two government-endorsed technology development projects, one MOA agricultural project, and applied for 22 patents in 2012Actively cooperated with advanced enterprises and research institutes, conducted exchanges with eight agricultural research and educational institutes such as CAS, CAAS, and China Agriculture University to develop new productsFirst company to sign the Agriculture Companies Strategic Cooperation Agreement to Promote Formulation Fertilization with the National Agricultural Technology Promotion Center
Production	<ul style="list-style-type: none">Implemented "Advanced Manufacturing" industrial development strategy, and promoted technological progress and innovationAcquired Xundian Longmang Phosphate Chemical Limited to obtain 300 million MT of phosphorite, and built an industrial platform in Southwest China where phosphorite resources are abundantProduced the most complete range of fertilizer needed in China , with capacity in excess of 10 million MT
Distribution	<ul style="list-style-type: none">Improved strategic procurement system, renewed long-term contract for potash import, strengthened strategic cooperation with the key domestic suppliers of nitrogen and phosphate compound fertilizer, enhanced high-quality supplyEstablished 17 branches and more than 2,100 distribution outlets for marketing by the end of 2012Organized agronomists team and leveraged services to boost operationsDeveloped client relation management system

Major Indicators for Sinochem Group's Fertilizer Business

Year	2008	2009	2010	2011	2012
Total capacity (million MT)	10.16	10.34	10.34	10.34	10.00
Total sales volume (million MT)	16.22	15.23	15.51	16.46	17.14
Total distribution outlets	20.10	20.36	21.06	21.10	21.10

Note: According to research data, fertilizer's contribution ratio to grain output growth is 1:7.5 (every kilogram of pure fertilizer nutrient can help to increase 7.5 kilograms of grain). Calculated by our 17 million MT of fertilizer sales (based on pure nutrient) in 2012, we have helped China to boost its grain production by over 60 billion kilograms.

Case: Sinofert Cooperates with Research Institutes to Develop Specialized Fertilizers

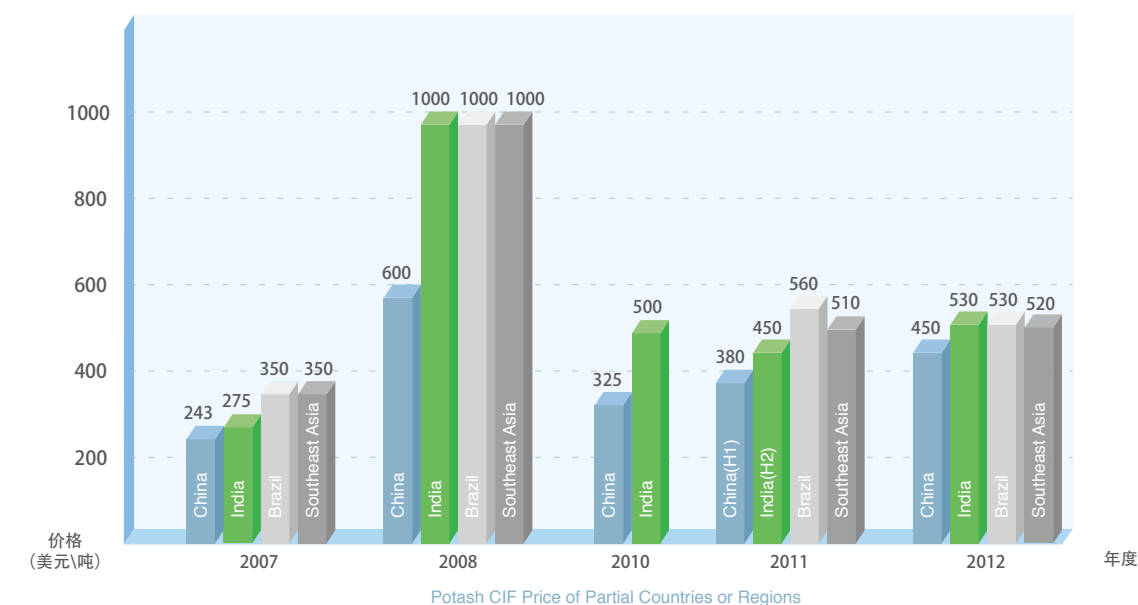
Sinofert actively cooperates with universities and research institutes. It serves as an innovation platform to commercialize the technological achievement of research institutes, and to keep enhancing its ability to provide quality products and services.

In 2012, Sinofert cooperated with the Institute of Applied Ecology, the China Academy of Sciences, and the Institute of Agricultural Resources and Regional Planning at CAAS on regional field trials that examined the soil condition of Northeast and North China to improve product formula and application techniques, develop specialized fertilizer, and to help farmers use fertilizer in a more effective way for increased grain production.

Case: Maintaining a Low Price for China's Imported Potash

The supply of potash directly impacts the agricultural security of China. In order to maintain the stability of the domestic potash supply and product price, Sinofert leverages its position in the potash import negotiation mechanism that is led by the government, advised by industrial association, and participated by companies to help reduce the cost of fertilizer imports to China against a backdrop of a soaring international potash price. This contribution protects the interest of Chinese farmers.

In 2012, China's potash import price was USD 450 per ton, while Brazil was USD 530 per ton, India was USD 530 per ton, and Southeast Asia was USD 520 per ton.



Note: Sinochem didn't reach agreement on price with suppliers in 2009, and thus didn't sign the import contract.

Safeguarding the Security for China's Seed Industry

While a country sees agriculture as the foundation of its growth, agriculture needs seeds to grow. China is a large agricultural country and an enormous seed consumer. The crop seed industry is a strategically important and fundamental industry in China, and is the foundation of China's long-term agricultural stability, and grain security. As a national seed company and the only central SOE to integrate the breeding, manufacturing and distribution of crop seeds as its core business, Sinochem is intensifying its core competitiveness across all areas of the industrial chain by independent innovation, external cooperation, and expanding business. With our aim to upgrade China's seed industry, we become a major force in protecting the national seed security and grain safety.

Seed Industrial Chain	Specific Steps
R&D	<ul style="list-style-type: none">193 participated in national and provincial trials, 19 passed registration (13 for rice, three for corn, and three for sunflower); applied five PVPSuccessfully developed the world's first rice genome breeding chipParticipated in creating the Crop Seed Industry Technological Innovation Strategic Alliance, to build an open innovation system that utilizes the competitive advantages of companies, universities and research institutes
Production	<ul style="list-style-type: none">Manufactured rice seeds in 125,000 Mu of land, corn and wheat for 91,000 Mu and 162,000 MuCorn processing projects of Sino-Seed Linze and CNDK came into operation
Distribution	<ul style="list-style-type: none">Built a distribution network and customer service system of approximately one hundred regional distributors and 2,000 grassroots distributors

Case: The First Rice Whole-Genome Breeding Chip

China National Seed Group Corporation partnered with Huazhong Agriculture University and Peking University to develop the first rice whole-genome breeding chip in the world. This chip can help exclude over 95% of single plants with very few single plants growing in the field, which reduces the workload in the field. This shortens the breeding cycle from 3-5 years to 8-10 years, and increases breeding efficiency. It also injects the power of high-tech approaches into China's rice breeding activity.



Case: Modern Seed Industry Development Fund

Sinochem joined hands with Department of Finance and Agricultural Development Bank of China to set up the Modern Seed Industry Development Fund with RMB 1.5 billion. The Fund is expected to finance the M&A of seed companies and resource consolidation, and to encourage industrial champions to grow bigger and stronger to protect the national seed security.



Developing and Popularizing Environmentally-Friendly Pesticides

Pesticides play an important role in boosting agricultural productivity, facilitating grain production, and increasing farmers' income. They are indispensable to production and disaster-relief. Sinochem's pesticide business integrates R&D, manufacturing and distribution. Based on our strength in trade, we are enhancing all links in the industrial chain to provide efficient and environmentally friendly pesticide products as well as professional services to the market, and ultimately we aim at promoting the industrial upgrading of China's pesticide sector.

Pesticide Industrial Chain	Specific Steps
R&D	<ul style="list-style-type: none">Shenyang Research Institute of Chemical Industry and Zhejiang Research Institute of Chemical Industry applied for 76 pesticide patents in 2012, with 28 being granted and one receiving a provincial level awardCooperated with the Pesticide Testing Institute of MOA on research for a new pesticide development mechanism to promote domestic pesticide developmentThe production technique of the methylene-method facility for producing amides herbicides of Nantong Jiangshan Chemical Company reached world-class standardSigned MOU with Mitsui Chemical on product development, technology introduction, and R&D cooperation
Production	<ul style="list-style-type: none">Formed four large-scale and sustainable industrial bases in Shenyang, Nantong, Lianyungang, and Yangzhou; the bases produce more than 40 types of AI, and have a production capacity of around 180,000 MT; all are highly efficient, safe, non-toxic and environmentally friendly productsAchieved flow-line production for glyphosate, mesotrione, amides herbicide, cyclohexenone herbicide, imidazolinone herbicide, pyrethroid pesticide, nicotinic insecticide and indigenously developed products
Distribution	<ul style="list-style-type: none">Our distribution channels cover most areas of China, and we have 600 Sino Agro Star OutletsEstablished branches or subsidiaries in Brazil, Mexico, and Australia for local operations / registration

Case: New Topping Agent for Cotton Successfully Developed

Zhejiang Hetian Chemicals Co., Ltd (Hetian Chemicals for short), a subsidiary of Sinochem Lantian, has been testing flumetralin (a plant growth regulator) on cotton in Xinjiang since 2009. After four years of effort, it developed a flumetralin formulation and technology that can be used to replace manual topping for cotton. The formulation reduces both workload and time, and increases cotton production by 6% to 9% per Mu. The product will facilitate the transformation of the development pattern of China's cotton industry, and enhance its overall competitiveness. In 2012, Hetian Chemicals extensively marketed and applied flumetralin to 80,000 Mu of cotton fields in Xinjiang to increase the yield by 2,000 tons, increasing the income of cotton farmers in the region by RMB 16 million.

Facilitating the Progress of the Chemical Industry

As China's leading comprehensive service provider for chemical products, Sinochem is intensifying its competitiveness in resources, technology and market, consolidating its leading position in the industry, and advancing a harmonious development between the technological upgrading of the chemical industry and the protection of the environment.

Diversifying the Fluorine Chemical Products

Sinochem is the leading manufacturer for fluorine chemicals and the leading supplier of the most complete range of fluorocarbon chemicals. Our fluorine chemical business covers the whole industrial chain from resource development (fluorite and hydrofluoric acid), R&D, manufacturing, and distribution. Our products include fluorocarbons, fluorine polymers, and specialty chemicals. A dozen of those products, including HFC-134a, capture the largest market share in China or abroad.

- In terms of resource development, we have tapped into our resource bases in Xingguo, Jiangxi province, Chenzhou, Hunan province, and Jianyang, Fujian province. Currently, we have more than 30 million MT fluorite reserves. Our resource development ensures our sustainable development in the industry, and is promoting the overall development of China's strategic reserve of fluorite.
- In terms of R&D, we facilitate technological introductions from and cooperate with research institutes, universities, and leading international enterprises to develop energy-saving and environment-protecting materials. We also provide the market with environmentally friendly and highly efficient green products, and are enhancing our green competitiveness and strength through technological innovation.

Completing the Industrial Chain for Rubber Business

Sinochem is China's largest and strongest distributor as well a core service provider for rubber. We are also a leading natural rubber enterprise with a foothold in the international market. Our strategy of securing upstream resources, expanding planting acreage, and improving capacity deployment in different areas is increasing our competitiveness. By the end of 2012, our natural rubber processing capacity was 630,000 MT at home and abroad, and we had distributed around 800,000 MT of natural rubber. Our market share ranks first in China and second worldwide.

- In terms of obtaining resources, we acquired EUROMA RUBBER in Malaysia, Singapore-listed GMG, and TBH in Thailand. We have also secured new planting and manufacturing resources in Africa and Southeast Asia by adding 100,000 hectares of a new land bank for rubber plantation. We are also making the most of premium resources in Indonesia, and have become the largest Indonesian rubber supplier for the Chinese market. By the end of 2012, our total land bank amounted to 240,000 hectares, and our total plantation area (including SIAT oil palm) was 73,000 hectares. We are now a leading player in the global natural rubber industry.
- As regards R&D, we have strengthened our new product development. Our independently developed TSR10CV has been awarded its certification from the Michelin Group, making it another

Several of our new material projects are listed in the National 863 Plan.

- Regarding our manufacturing areas, we have bases in Taicang, Hangzhou, Xi'an, and Shangyu. We continue to improve our technique, and are rolling out a series of fluorocarbon chemicals with cutting-edge technique. Our production capacity for fluorocarbon chemicals has reached 120,000 MT, while capacity for fluorine polymers and specialty chemicals amount to 17,000 MT. In addition, we have set up a joint venture with Solvay, Belgium, on high-purity wet chemicals, including the production of high-end fluorine chemical products such as electronic-grade hydrofluoric acid to meet China's rapidly increasing demand from the electronic and photovoltaic industry.

high-end product, like the TSR9710 and TSR5, to enter the procurement list of the top ten international tire makers. We acquired 60.976% interest of Jiangsu Sinorgchem Technology Co, Ltd., the world's largest supplier of rubber antiager 4020(6PPD), 4010NA(IPPD), and the intermediate 4-ADPA, which has enhanced our industrial foundation and R&D capacity.

- In the area of marketing and distribution, we have built up an overseas marketing platform and supporting logistics hub in Singapore, ramping up our service capacity for downstream clients. We have also strategically partnered with international tire manufacturers, and signed long-term sales contracts with many of the top ten global tire producers.

Serving to Improve People's Livelihoods and Happiness

Drawing on our business characteristics, Sinochem is providing premium products and services to people to increase people's happiness in all aspects of life.

Clothing

Chemical: we manufacture textile and dyestuff for garments, offering a diverse choice of clothing to people.



Food

Agriculture: we breed new seed varieties for grains and vegetables, providing a more diverse diet to people; we develop green pesticides and fertilizers to increase crop production and yield.

Chemical: we develop and manufacture food additives to improve food quality.



Housing

Chemical: we produce polyurethanes and HFC-245a foaming agent to enhance the energy-saving function of our construction materials; we produce plastics such as PP and PVC, which are widely applied in pipelines, doors, and windows.

Real estate: we built high-end buildings and provide thoughtful property services.



Transportation

Chemical: we operate rubber, rubber products and plastics, which serve as the raw materials for tires and other accessories in automobiles to meet the demands of the auto industry.

Energy: we are expanding our gas station layout. Currently, we own nearly 500 gas stations, providing a stable diesel and gasoline supply to meet people's transportation demands.



Medical Care

Chemical: as a professional operator of a pharmaceutical supply chain in China, we vigorously cooperate with globally recognized biotech pharmaceutical companies to enhance our overall strength.

Finance: we provide a comprehensive solution package for medical establishments in China, including financing, medical engineering, investment and development, management consulting, equipment and facility services, to help the medical care services develop in China. By the end of 2012, we provided services to more than 1500 hospitals.

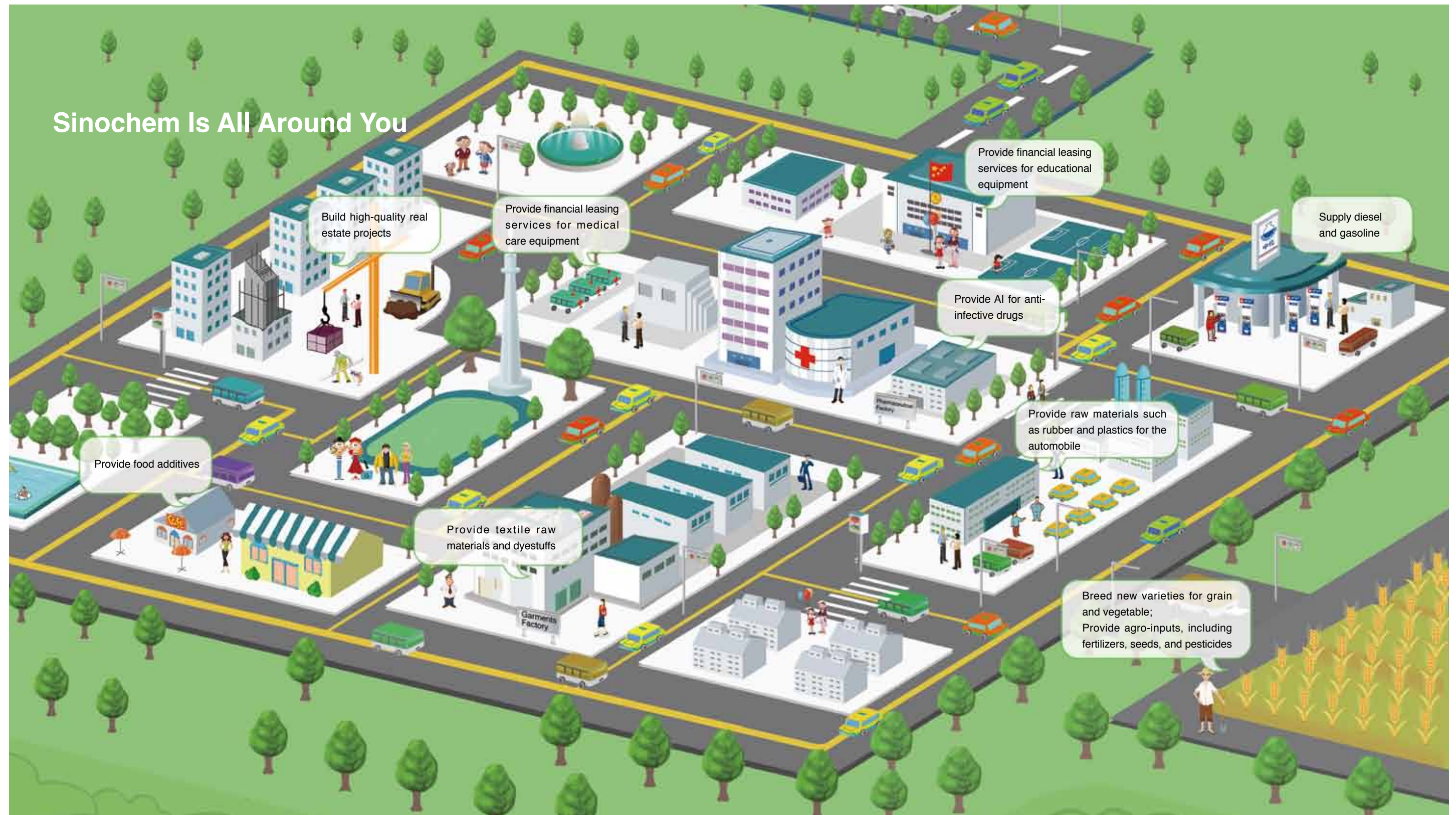


Education

Finance: we provide schools with multi-faceted financial services, including financing for equipment procurement and for school infrastructure construction to improve their teaching conditions. By the end of 2012, we had provided services to more than 120 universities, nearly 200 occupational training schools, more than 160 high schools, and around 50 local bureaus of education.



Sinochem Is All Around You



Creating the Highest Value for Shareholders

As a keybackbone SOE in China, Sinochem has a responsibility to preserve and increase the value of state-owned assets. As such, we are pressing forward with the strategic transformation and management reforms, conducting management improvement projects, deepening lean management to ensure our sustained, healthy and rapid corporate development. At the end of 2012, we were again named a Grade-A Enterprise in SASAC's performance assessment for the eighth year in a row.

Major Operational Indicators of Sinochem Group (Unit: billion of RMB)

Year	2008	2009	2010	2011	2012
Operating revenue	308.98	241.79	335.33	458.95	453.16
Net profit	6.45	5.39	7.35	10.70	7.55
Total assets	135.50	171.20	211.46	258.19	286.62
Shareholders' equity	47.86	66.96	76.38	87.33	97.42

Conducting a Management Improvement Project

Sinochem answers SASAC's call for management improvement by conducting a management improvement project. The project analyzed how we can improve our management to better meet the demand for our strategic transformation, and focused on our main operations and major projects.

Case: Building a Quality Management System at Headquarters

Sinochem leverages its Quality Management System building to improve its overall management system. Our goals for the Quality Management System in the Headquarters are to clarify responsibilities, streamline work, standardize operations, and quantify performance so as to enhance the quality and efficiency of the Headquarters' operation. We revised and enlarged 228 regulations, and added another 328 operational rules.

- We have initially realized our goal to clarify responsibility. We renew and publish the function and responsibility of different departments to clarify their work boundary and division of labor, which resolved the problems of overlapping work and unclear responsible entity in the past, and made management more responsive.
- We improved the whole institution system of the company. By formulating the documents for quality management system, we clarify the relation between regulations and operational rules,

making the institutional system more standard in form. We also defined a series of work requirements and standards of the trans-department issues, which filled the management loopholes in our work.

- We made the quality management system highly operational with specific goals and requirements. By making the management guideline, goals, and specific targets for each department, we made the system in great details and highly operational, which laid a solid foundation for the future practice of the system.
- The quality management philosophy is highly recognized among our employees, because everyone has participated in the formulation of the documents. The participation made them fully understand and accept the procedure management, standard operation, and responsibility traceback system. This created a foundation for the future to improve our work quality and efficacy by complying with the system.

Case: Far Eastern Horizon Carried out "the Mirror-Reflection Action"

Far Eastern Horizon conducted the Mirror-Reflection Action to improve its approach to management and review existing problems and weaknesses to its current operation. What followed was a systematic overhaul to its management and a set of long-term management improvement mechanisms that integrate a new working structure and systems to enhance problem probing, responsibility distribution, problem solving, publicity, supervision, and review and assessments.

- It established a Management Improvement Leadership Team with the general manager as the team leader. Under the team, different working groups are in charge of different aspects of Action, and all employees, including grass-root employees, examine their daily

work and reflect how they can improve their work efficiency and quality.

- The "Mirror-Reflection Action" self-diagnosis allows all senior managers to take stock of challenges and propose solutions that will enhance their management. The company's namesake internal publication publishes the management improvement reports from 22 subsidiaries, all signed by the respective company leader.
- Implemented the "Close to the Forefront" program to examine problems associated with frontline work operations. The program organized 35 discussion sessions, conducted surveys on 600 grass-root employees, and highlighted 1,280 problems.

Implement the Lean Management

Far Eastern Horizon used the lean management philosophy to guide its management improvement program, and created a lean management project to solve problems discovered in the management improvement program. Resolving the problems on a project-by-project basis was an efficient way to successfully overhaul the program. In 2012, the company adopted measures to strengthen the control on its budget management, its performance evaluation, and its daily monitoring. It completed 2,821 lean management activities, and reduced costs and expenditure by RMB 351 million.

Case: Sinochem Changshan Carried Out Lean Production Program

Sinochem Changshan built a lean production system, which won the "2012 China Petroleum and Chemical Industry Quality Benchmark Award" granted by China Petroleum and Chemical Industry Association.

Organizational and lean management leadership

- Organizational guarantee: Set up promotion team and clear division of labor and close cooperation
- Leadership participation: Create a lean atmosphere
- Employees participation: 1,258 proposals made by 94% of our employees

Keep reducing production cost

- Capacity utilization rate gradually increased: Synthesis ammonia and urea had a year-on-year increase by 1,468 MT and 1,553 MT, respectively, when compared with 2011 levels; growth rate reached 1.99% and 0.62%
- Reduced energy consumption: Energy consumption per RMB 10,000 reached 6.17 MT of standard coal, down 5%

Ensuring safety and quality

- Maintained 100% pass rate
- Zero production accidents for two years running

Timely production for all clients

- Closely followed clients and delivered product in a timely fashion
- Accelerated inventory turnover rate

Basic management

- Onsite 6S inspections
- Standardized production and operation
- TPM

Optimizing Financial Management

We improved financial management by factoring in different risks, improved our asset management system, expanded our financing channels, enhanced our capital efficiency and risk controls procedures, and ensured the progress of its Going-Global strategy.

- We expanded our financing channels. We issued medium-term notes and short-term financing bills worth RMB 6 billion at a relatively low price; registered for RMB 20 billion super-short-term financing bills, which subsequently helped to provide adequate funding for our business growth.
- We strengthened the foundation for our property ownership management, and completed the ownership registration of its 487 domestic and international branches. We built a company wide uniform regulation system, an information platform, and an operation standard,

and implemented comprehensive monitoring of the ownership transfer of our branches at home and abroad.

- As one of the first cross-border pilot companies conducting centralized management of foreign exchange capital, we completed the first transfer of overseas capital into China, opened up a channel connecting domestic and international capital, and achieved a breakthrough in centralizing and integrating the management of global capital. By the end of 2012, 100% of our international settlements were processed through our centralized management system.

Case: Centralized Capital Management from a Global Perspective

At 5:12AM, December 1, 2012, Sinochem successfully completed the first inbound capital flow business, using the capital to fund domestic trade and make external payments in a foreign currency. The operation helps us tap into two markets and two resources domestically and internationally, and obtain low-cost capital. It is also allows us to build a two-way channel between the domestic and overseas capital pools for integrated capital allocation, which will help us enhance our capital efficiency and risk controls, providing a strong guarantee to our "Go Global" strategy.

Enhancing Our IT System

We keep enhancing our IT system by focusing both on our strategic information system and core business information system. We have set up a series of application systems that support our business and management, from the trade and distribution, e-commerce, investment and management perspectives. We also expanded the coverage of our ERP system, and the application scope of the common information system, such as our knowhow management system and our file system.

- Our trade and distribution IT system has been built into the whole-process of trade and distribution, transaction risk controls, and inventory risk controls to meet the diverse demands of different business segments, expand the coverage of our control over important operational points, and to make the operations system more user friendly.
- We gathered ERP information, and formed an information resource that is able to support our business, optimize our management, and help our decision-making process. We now have more than 440 subsidiaries using the ERP system, which covers 90% of our subsidiaries.
- We have built specialized application systems based on the specific features of our major five business segments.

Case: Sinoferf Adopted a Client Relation Management System

Sinoferf has 17 branches and 1229 distribution centers using the Client Relation Management System, involving nearly a thousand of employees. This System enables the clients to order through cellphone, approve through internet, have text message notification on important processes, and check the inventory conveniently. It helps to improve the company's marketing workflow and enhance the work efficiency.

Facilitating Technology Innovation

We have intensified our innovation capacity and our brand value, and own a series of patents with proprietary intellectual property rights. We did this by enhancing our technology innovation strategy and increasing our technology investment, which has helped us speed up our industrial transformation and strengthen our competitiveness.

- We have set up a technological innovation team covering our major business segments, owned 11 national-level research institutes, 33 provincial-level research institutes. By 2012, the number of our researchers reached 2212, among which 1358 are working for R&D.
- We have increased our input in terms of capital and personnel. Our technology innovation reached RMB 1.18 billion, growing 25% annually on average over the past five years.
- We developed 156 new product (including new technique) projects, and achieved RMB 2.19 billion in sales for the new products.
- We took 57 national projects, received 20 provincial-level-or-above technological awards, created eight national standards and three industrial standards, applied for 210 patents with 117 granted, eight of which received overseas patents. Altogether, we have accumulatively received 517 patents.
- SASAC has included us as one of the 15 key enterprises that enjoy the priority of carrying out projects related to the Technology Innovation Strategy Implementation Guideline for Central SOE in the Twelfth Five-Year Plan Period.
- We are building the "Central Research Institute of Sinochem Group". Our company is one of the enterprises approved to build the third-batch of national innovation bases for introducing high-caliber overseas talents. We are planning to build "Central Research Institute of Sinochem Group" in Beijing Future Technology Park.
- We have strengthened the construction of the quality control and technology assessment institutes. In 2012, the Ministry of Industry and Information Technology approved totally 119 labs for industrial products quality control and technology assessment. Four of our labs for pesticide, dyestuff, fluorine chemicals, and pesticide safety assesement were in the approval list.
- We have strengthened our international cooperation on technology. We signed the Sinchem-Leeds University R&D Cooperation Agreement with the Leeds University from the U.K. and set up a joint laboratory with our partner.

2212

researchers

1.18

billion RMB of technology
innovation investments

57

national projects



Improving the Service to Oil End Market

Sinochem is developing a direct distribution channel and an end-customer market, expanding the services we provide to the oil sector, improve our service quality, and rendering professional and premium reserve and sales services.

Complete Our End-User Market Service Network

By leveraging the strength of our Quanzhou Refinery, we are extending our business to the coastal developed areas around North China, East China, and South China. We have established long-term strategic partnership with Sinopec, CNPC, and China Aviation Oil, and we have regular cooperation with industrial associations, petroleum commerce chambers, and retail joint ventures, and distributors in order to enhance our overall service capacity.

Strengthening Our Service Quality

Based on customers' need, we are enriching our services portfolio to provide all-round quality service to our clients, including tire inflation, glasses cleaning, umbrella lending, self-service shoes polishing, and cellphone battery recharging.

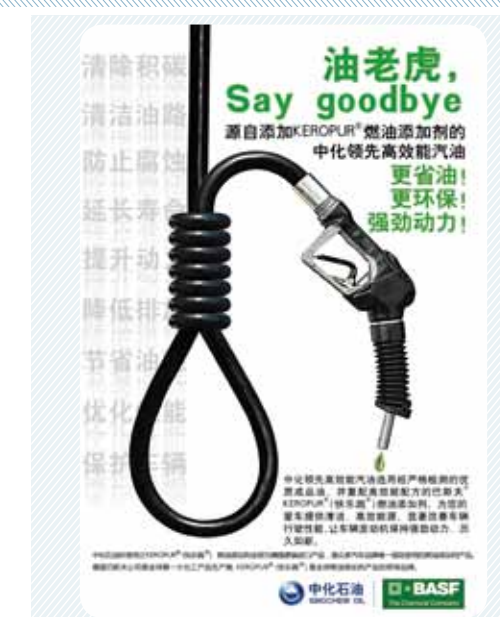


Case: "E-Payment" Bringing More Convenient Means of Payment to Customers

Sinochem cooperates with China Telecom in the rolling out of an "e-Payment" program in our 20 gas stations in Beijing. The program effectively allows smartphones to replace bankcards as a means of payment, making consumption more convenient and user-friendly. In addition, the approach let customers save RMB 0.54 per liter.

Case: Introducing "Sinochem High-Efficacy Gasoline"

Sinochem Fujian Oil cooperates with BASF, the global chemical giant from Germany, to develop high-performance oil, which is enhancing the quality and performance of refined oil. In 2012, Sinochem Fujian Oil started to put BASF fuel oil additives into its retail oil products, and released the "Sinochem high-performance gasoline" to the market. The new product possesses excellent properties in reducing oil consumption, reducing waste gas emissions, enhancing the power of engines, protecting engines, and reducing maintenance cost. While keeping the retail price unchanged, "Sinochem high-performance gasoline" demonstrates more outstanding and environmentally friendly performance, and thus is widely applauded among customers.



Sustainable Development Report 2012

Providing Value-Added Services to Develop with Clients

Sinochem Group regards serving the clients as our paramount task. We will continue to evolve our service model, expand our service portfolio, and provide professional, premium and comprehensive value-added services.

02

Improving the Service System for “Agriculture, Countryside, and Farmers”

Sinochem deems the service for “agriculture, countryside, and farmers” an important social responsibility. We leverage our strength in fertilizer, seed, and pesticide to facilitate the progress of agriculture and countryside.

Constituting a Scientific Fertilization Service System

Sinofert is implementing an agrochemical service system that is made up of agrochemical knowledge dissemination, onsite service and instruction, and balanced fertilization service”, which promotes the rational usage of agrochemical inputs and helps farmer increase their income.

Agrochemical Knowledge Dissemination System

We invited professors from China Agriculture University to provide hotline services to farmers all the year round. By the end of 2012, we had received and answered 230,000 calls.

Onsite Service and Instruction System

We cooperated with the Science, Technology and Education Division of MOA as well as the Agricultural Committees of various provinces to bring technology to the countryside, to set up technology demonstration counties and villages, to build field schools for farmers, and to have onsite instruction and services.

Balanced Fertilization Service System

We set up a demonstration station for high-standard, modern and large-scale fertilization technology. We cooperated with MOA to set up a soil testing formulation fertilization station in Wen County in Henan, Baoding in Hebei, and Dashi-qiao Region in Liaoning, which helped to create an operational model that provides technology services to farmers.

Case: Sinofert Provided Remote Video Diagnosis

In order to meet farmers’ demand, the Northwest Branch of Sinofert provided remote video diagnosis of farmers’ planting problems. Through the remote video, agronomists had online face-to-face communication with farmers and studied the pathology of crops. After the diagnosis, the agronomists wrote a “prescription”, which included a package of solutions that enabled the farmers to solve their miscellaneous planting problems and provided technological support to farmers.

Case: Production and Income Boost Program for Northeast China Farming Region

Sinofert cooperated with the Science and Education Department of the Ministry of Agriculture to roll out the “Production and Income Boost Program” to the Northeast China Farming Region. The aim of the Program is to increase the production of corn by 100 kilograms per Mu, and generate income growth of RMB 200 per Mu by the end of the Twelfth Five-year Plan period for 100 million Mus of land in Northeast China Region.

- We set up working groups to draw on our capacity advantages and soil-testing formulation network to develop specialized fertilizer for the Program, and to provide formulated fertilizers and fertigation solutions.

- We printed 50,000 copies of the Corn High-Yield Technology Manual, and the 100,000 Corn High-Yield Technology Wall Chart for farmers.

- We organized more than 200 rounds of training programs for corn farmers in order to educate them on corn planting, fertilization, and plant protection.

- We organized “Sinochem Corn Yield Contest” to encourage farmers to use more technology in crop planting. In pursuing the goals of the “Production and Income Boost Program” for 35 million Mus, most areas in the three northeastern provinces realized 1,000 kilograms of corn yield per Mu.

Providing Satisfactory Services for Farmers Purchasing Seeds

The China National Seeds Group Corporation (hereinafter referred to as CNSGC), a subsidiary under the Sinochem Group, regularly enhances its approach to management, and explores new and effective service models to improve its services to farmers.

- CNSGC adjusted its service model and upgraded its products. It developed breeding goals based on the planting needs of farmers, and leveraged its high-end breeding platform, first-class breeding team and technology, and global germplasm. It intensified its breeding resources, industrialized its breeding process, scaled up its breeding amount, and commercialized its research results. It helped China to upgrade its crop variety, and provides premium varieties for Chinese farmers.
- CNSGC improved its services and helped farmers increase their income. The company uses a quality control standard that is higher and stricter than the national standard to guarantee the quality of seed testing and shipment and to ensure that it provides the best seeds for farmers. In addition, the company is promoting the “CNSGC around

You 365 Days a Year” service philosophy. Before sales, the company runs surveys and conducts a planting demonstration for farmers; during sales, it makes sure of the supply; and post sales, it provides training programs. It uses every possible tool, including telephone calls, text messages, and leaflets, to inform farmers of pest and disease prevention methods and raise awareness on field management. By doing so, it has contributed to greater crop yields and income for farmers.

- In 2012, CNSGC completed a task entrusted by the State to reserve two million kilograms of seeds for disaster relief, which contributed to enhancing the country’s resistance to natural disasters in the agricultural sector.

Case: Helping Farmers to Choose Right Seeds

Sinochem helps farmers choose the right seeds. Our service marketing units provide farmers in more than 20 provinces with services and sales networks that cover major agricultural counties in major grain and oil production areas. We have organized activities such as “Show Farmers How to Plant” to help farmers with major crops, and have held more than a thousand demonstration field visits, conducted good planting approach training sessions, and run harvest demonstrations for farmers so that they can better understand good varieties’ nature and properties and choose the right seeds at the right time and with the right method in order to increase yield. In 2012, we promoted approaches that sow seeds and fertilizers together, and ran a mechanical harvest for corn in the Huanghuaihai Region to help farmers reduce costs and increase efficiency. For vegetables, we set up a technology services network in 52 key villages to provide professional services.

Expanding Pesticide Service Network

Sinochem is expanding its distribution channels and improving its service capacity to consolidate its customer base. We vigorously explore new ways to cooperate with peer companies, and try to innovate our business model to provide comprehensive agronomic services for farmers.

- We make use of our channels and brand advantages in the domestic high-end pesticide market, consolidate our upstream and downstream resources, and use our cooperation models of exclusive distribution and regional representation. We have set up a multi-layer distribution network and finalized our customer services network. In order to better serve farmers, we established a technology services team made up

of individuals with a master degree or higher in pesticide or plant protection. We also invited well-known experts from pesticide research institutes to provide technological support and product consulting services to end-users across China. Based on the realities of farming in China, we offer tailored and systematic prevention services.

Case: Providing Professional Agrochemical Services to Prevent and Treat Armyworm Problem

In August 2012, armyworm plagued more than 50 million Mus of land in Northeast and North China, accounting for 9.72% of all plantable land. Amidst the outbreak of this disaster, 6.5 million Mus of fields were damaged severely and threatened China’s grain security. To tackle the problem, we launched a contingency plan to protect farmers’ interest.

- We provided onsite instruction for pest and disease prevention in Heilongjiang province, and established a Disaster Response Mechanism with the local Agricultural Department, the Agricultural Reclamation Bureau, and the Plant Protection Station.

- We worked with the Agricultural Department of Liaoning province,

the Plant Protection Station, and local research institutes and universities to carry out technology demonstration services for pest control. We also set up professional a pest control team equipped with a self-propelled high-stalk-crop pesticide spraying machine to serve local farmers.

- We ran an expert service hotline to answer farmers’ questions regarding pest control and disease prevention.

- We asked our manufacturing plants to work on extra hours to supply pesticides when emergency broke out, and required local sales companies to arrange timely shipments to ensure market supply.

Providing Comprehensive Chemical Business Services

As China's leading comprehensive services renderer, Sinochem provides specialized services to customers that focus on such sub-sectors such as chemical logistics and plastics.

The Highest Safety Standards for the Liquid Chemical Logistics

Sinochem International owns the largest liquid chemical tanker fleet and ISO tank fleet in China. We also have the highest domestic safety standards. We are the leading liquid chemical logistics service provider in the domestic market, and our business includes shipping, the multimodal transportation of ISO tanks, freight forwarding and storage, and terminal tank storage. We provide our clients with the highest standard of highly efficient logistics services and multi-layer cost-effective logistics solutions. We have passed the CDI-MPC Tank Container assessment conducted by the European Association of Chemical Distributors, and were the first chemical logistics company to obtain the qualification.

- Our company has one of the largest professional liquid chemical fleets in China. At the end of 2012, we controlled 60 ships with a shipping capacity exceeding 600,000 tons. This enables us to render shipping service for domestic coastal routes, international long-haul routes, and near-sea shipping routes.
- We entered a joint venture with Stolt-Nielsen to set up Aoxing Shipping Management Company, which will establish a comprehensive "safety management system" to international standards.
- Our Shanghai Sierbo Chemical Logistics Company is the largest professional ISO tank owner in China. At the end of 2012, we owned 6,196 ISO tanks, 24% of which are specialized tanks. Our operations network covers critical areas in China, and important regions in Asia, America, Europe, and the Middle East.

Tailored Plastics Services for Our Customers

Sinochem Plastics Company is a subsidiary of the Sinochem Group and is highly customer-oriented. The company has set up a distribution network that covers major regions in China, and at the same time is innovating its service models to provide tailored services and solutions that meet customers' demands in all areas of the industrial chain.



Providing High-quality Real Estate Projects and Property Services

Franshion Properties has adopted a long-term vision and mindset for its innovative planning and design. It provides outstanding products and services, and world-class rational property planning philosophy to Chinese cities. The company creates high standard products and consolidates premium resources across the globe to improving its service capacity in real estate development and property management.

Case: Constructing Ecological Buildings, and Invigorating the Life of City

The Changsha Branch of Franshion Properties has been running the Changsha Meixi Lake New International Town Project for nearly two years. The Project started with "Jin Mao Meixi Lake" residential buildings, and brought in world-class resources. While pursuing a first-class quality product, it also focused on the protection of surrounding ecology and incorporating great Chinese traditions. Cultivating a high-end, international living environment in Changsha, the Project was crowned as one of "the National Green Pilot Ecological Projects" in China. 3000 Mus of perfect lake views, beautiful supporting infrastructure, and the Yuelu District Elementary School (the first green elementary School in Hunan Province) will all contribute to the living environment.



Yuelu District Elementary School

Case: Providing "Five-Star" Property Management Services

Jin Mao Property Management Company has accumulated 15 years of five-star hotel management experience. Its goal is to provide "standard, considerate, intelligent, and energetic" five-star hotel services that meet the diverse demands of its customers.

In terms of customer services, Jin Mao Property Management is rendering considerate "Butler-Style Service" to its property owners. It installs two qualified professional butlers in every building to solve all kinds of problems and provide value-added services to property owners. In addition, it also regularly holds special activities called "Bring Convenience and Luck to the Homes", which have been well received by residents.

In terms of security management, Jin Mao Property Management also holds regular checks on fire-fighting devices and related training for the residents. Patrollers wear soft shoes with plastics cover while patrolling to avoid unnecessary interruptions to the residents, which contributes to a safe and comfortable living environment for all.

In terms of cleaning, the company has installed rotary rubbish compression storage machines and kitchen rubbish processing machines in the community to compress and reduce rubbish, and ultimately sort and recycle the rubbish. It also publishes and

circulates materials and information on sorting rubbish so as to build a green ecological community in partnership with the residents.

The command from our building residents: "Jin Mao Property Management Company's services are impressive. Their professional butlers provide us with timely services no matter whether a big or small issue, or emergency. They live up to the name of Five-Star Property Management Company".



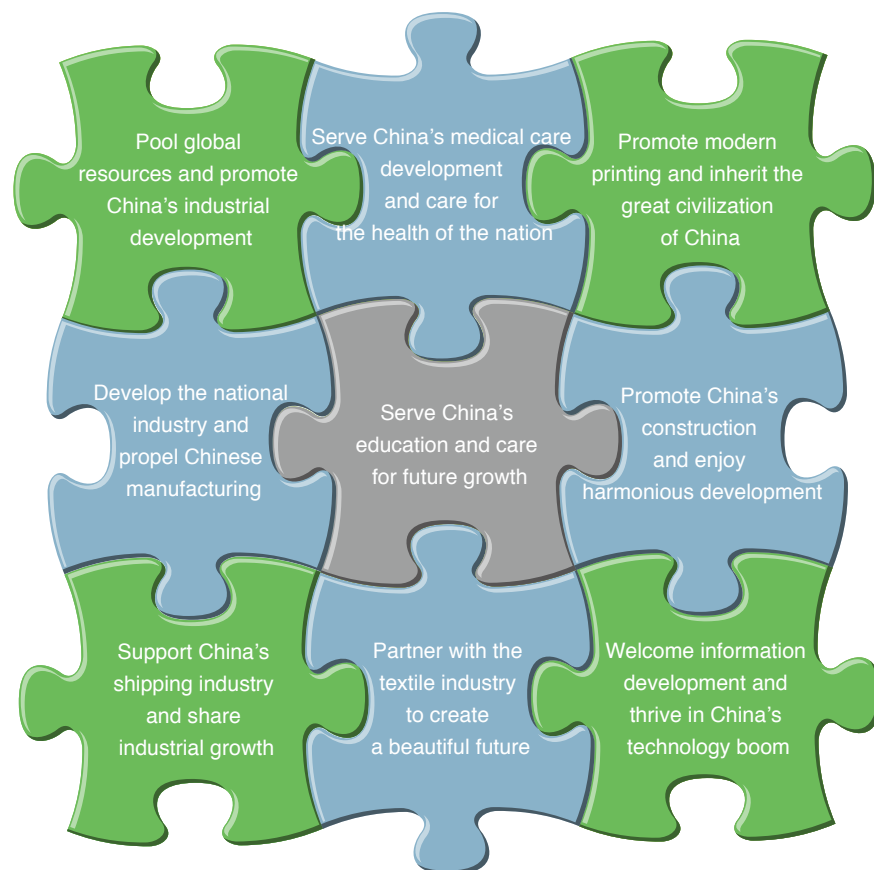
Providing Reliable and Efficient Financial and Tendering Services

Sinochem's financial business covers financial leasing, trust, security investment funds, life insurance, finance, and financial securities. We have built a complete non-banking financial development framework, and own a series of influential brands, including "Far Eastern Horizon", "FOTIC", "Lion Fund", and "Manulife-Sinochem Life Insurance". Through our business development and risk controls, we are continuing to enhance our service capacity.

The Financial Leasing Service Promoting the Industrial Advance

Far Eastern Horizon, controlled by Sinochem Group, runs a business model that combines financial services with industrial development. It provides financing, trade, consulting, and investment services in the areas of medical care, printing, shipping, construction, industrial equipment, education, textile, and electronic information.

- Far Eastern Horizon continues to innovate its service model, and is enhancing its service capacity in order to meet the diversified demand of clients, and to deepen its service involvement for industrial growth.
- It has consolidated its specialized resources inside and outside China, helping basic industries such as medical care and printing to realize their industrial upgrading.
- It provided funds for city bus companies in Guangzhou, Zhongshan, Fuzhou, Putian, Changde, and Nantong to upgrade their vehicles to use new energy such as LNG, LPG, CNG, and hybrid power. This contribution helped the bus companies meet higher emission standards.
- It provided nearly RMB 200 million to ten cities, including Wuxi and Suzhou, to contribute to upgrades to their water treatment system.



Trust Services that Take Trustee's Needs as Paramount

China Foreign Economic and Trade Trust Co.,Ltd. (hereinafter referred to as FOTIC) under Sinochem Group always takes its trustees' demands as paramount, and is committed to providing comprehensive financial services. The company is building a customer relations management system that is exemplary among its peers. It uses advanced information technology to provide complete pre-sales, sales, and post-sales services for trusted products.



- FOTIC abides by the requirements of the regulatory authority, and discloses all risk and earning features, and risk principles. Using its website, text messages, and telephone disclosures, FOTIC ensures that its clients have timely and full access to important information such as trust estate changes, value variation, and related yields.
- FOTIC has combined the traditional Five Chinese Elements Philosophy with its wealth management to provide trust products that have different maturity, investment, and risk-to-yield ratios. FOTIC is also offering value added services to its clients in terms of health care, children education, investment in antiques collection, and high-end sports.
- FOTIC has set up a well-managed, post-sale service system. It has a specialized online system that offers a convenient expressway for

post-sales services and as installed a professional wealth manager to conduct one-to-one follow-up services. The company has a comprehensive management system for the safekeeping and protection of clients' files and confidential information.

Case: FOTIC Issuing the First High-End Membership Card in the Industry

FOTIC held the "2013 New Policy, New Investment Forum" in Shenzhen. At the event it issued the first specialized membership card to its high-end clients, offering an exclusive gift exchange and services to the card holders.

Full-Course Quality Tendering Service

Sinochem International Tendering Limited (hereinafter referred to as Sinochem Tendering) is a subsidiary of Sinochem Group and provides high quality whole-process procurement consulting services that comply with all relevant standards and regulations. The company has been recognized as one of the "Top Ten Brands among Tendering Agencies", one of the "Top Ten Most Competitive Tendering Agencies", one of the "AAAAA Reliable Tendering Agencies".

Sinochem Tendering always follows the philosophy of

respecting its customer base and implementing major projects to encourage growth. It is involved in the railway transportation, and aeronautic sectors as well as the aerospace, non-ferrous metallurgy and petrochemicals industries. Getting new customers and developing new business areas will drive the company's market share. Meeting the needs of its customers and extending its services in the value chain, has strengthened its consulting management capacity, and is helping it become "a premium solution provider for procurement management".



Enhancing HSE Leadership

Sinochem deems it very important to have a strong HSE leadership. We identify 13 key management factors centering on HSE leadership.

- We include all executive team members into the HSE Committee, ensuring the deployment and execution of all major HSE decisions.
- All executive team members practice HSE through scheduled visits and check our grassroots units and projects.
- We are implementing our "Ironhanded Safety Policy". We have published "Two Institutions", "Four Requirements", and "Ten Prohibitions" regarding HSE management. We have set clear requirements on HSE leadership, for our HSE team and personnel, HSE funding, and for our accident accountability system.
- We continue to optimize our HSE and energy consumption assessment system. By increasing the weight of our assessment, quantifying our assessment indicators, and developing our assessment instruments, we intend to keep improving our assessment mechanism. We have also established a Group-level HSE and energy-conservation benchmark to enhance our "reward and punishment" mechanism. In addition, our annual role model and best practice selection will include rewards for those units and individuals who do outstanding jobs in HSE management and energy saving.



"Ten Prohibitions" Regarding Sinochem's HSE Management:

1. Prohibit any command or operation that violates related laws, regulations, and labor disciplines.
2. Prohibit any production activity that is unsafe, has hazards that have not been eliminated, or does not use proper protection measures.
3. Prohibit any M&A activities without adequate HSE due diligence, or that do not meet HSE requirements.
4. Prohibit employing contractors or sub-contractors without required national qualifications or capacity for safe production.
5. Prohibit any production that exceeds capacity limitations, intensity or headcounts.
6. Prohibit any compressing of the construction duration, or changing techniques and process without authorization.
7. Prohibit the use of any specialized equipment that is forbidden by laws, is below standard, or is without proper protection measures.
8. Prohibit any unqualified personnel from operating specialized work.
9. Prohibit any personnel without safety training or related certification to conduct work.
10. Prohibit production that is without legitimate permits or licenses.

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Conduct HSE management to reach harmony with nature

Providing premium products and services to the country and the society, Sinochem Group is committed to a safer, more environmentally friendly, and more efficient business model. It is our aim to protect every employee from being hurt, to protect the environment from pollution. This approach inspires us to explore a scientific, regulated, and systematic HSE (health, safety, and environment protection) mechanism, to enhance our core competitiveness, and to achieve healthy, harmonious, and sustainable growth.

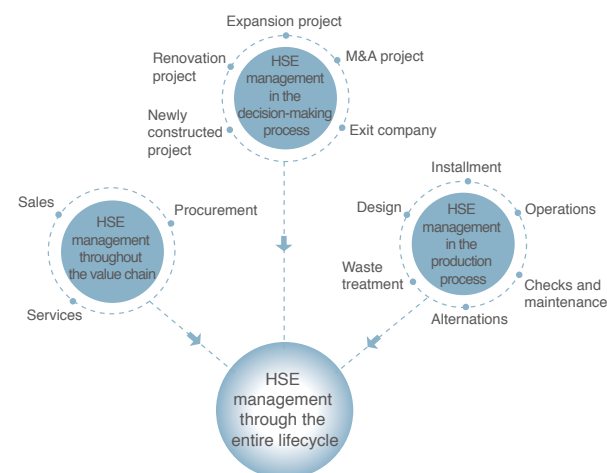
03

Enhancing HSE Management

We have set up a uniform HSE management system and an effective HSE assessment mechanism. We are executing a top-down HSE commitment delivery system, enhancing our HSE management work, and establishing a rapid and effective emergency response system. Last year, our HSE work maintained stable. We had two production accidents reaching the grade that requires report to the Group, and had zero HSE accident that requires report to the State Administration of Work Safety, Ministry of Environment Protection, and SASAC.

Practicing Whole Life Cycle HSE Management

We practice whole life cycle HSE management from project acquisition, through construction to exit. Using measures such as due diligence, HSE auditing, and onsite checks, we ensure the safe operation of every single project we conduct and make sure that our HSE management covers the whole value chain, from sales to service and procurement. By doing so, we include contractors into our management system, which is uniform in its structure, standards, and requirements.



Case: HSE Management on Suppliers to Quanzhou Petrochemical

Quanzhou Petrochemical incorporate HSE management requirements in its tendering documents and contracts to review contractors' HSE management proposal, and ensure the HSE management follow a uniform standard throughout the project construction. It has special funding for HSE examination, and allocates it on a monthly basis. It has a clear requirement on contractors' HSE management personnel amount and qualification, and has an individual talk mechanism and dismission mechanism for those having bad compliance. It also has a HSE training system covers all contractors. Since the project kicked off, Quanzhou Petrochemical has accumulatively trained 28080 people, and 1781 people have taken part inspecialized trainings.

Strengthening HSE Team Building

Sinochem has implemented a lean management project to build up our HSE team. We carry out evaluations and make improvements to our HSE structure and our HSE team, offer middle-rank certifications for safety engineers, and use HSE experts. We have set up a comprehensive HSE system for our personnel selection, training and incentives to better enhance their HSE awareness and capacity.

- We established the Sinochem Corporate Administration Rules on Middle-Rank Safety Engineer Certification to encourage HSE personnel to enhance their professional capacity. In 2012, seven people were granted the Certificate.
- We launched a project to evaluate and improve our HSE organizational structure and team building. All together we studied 23 units, interviewed 172 people, collected 349 surveys, and conducted

analysis on the HSE personnel of 119 subsidiaries and branches. The project successfully concluded with a proposal on improving HSE structure, team, performance assessment, and control model.

- We built an HSE experts development pipeline by organizing an HSE experts selection session, which provided a career development channel for the non-management HSE personnel.

Occupational Health

Sinochem has enhanced its management on the occupational health. We are protecting employees' occupational health through such groundwork as legal education, occupational hazardous factors identification, protection device distribution, and occupational health training.

- We collate relevant national laws, regulations, documents, and standards in a timely manner, and organize specialized training on occupational health management to systematically raise awareness and knowledge.
- We protect the occupational health of grassroots workers by improving the environment in which they work and enhance their ability to identify occupational illness. This ensures that our protection policy

on occupational health is followed through at the grassroots level.

- We conduct a systematic analysis and initial classification of our current occupational health management. We have carried out checks and investigations on 14 third-tier subsidiaries and three second-tier subsidiaries to analyze the realities of their approach to management to ensure all hidden risks are eliminated or controlled.

Case: Organizing Specialized Checks and Reviews on Occupational Health

Sinochem has conducted checks and reviews on occupational health in our key subsidiaries involved in fertilizer manufacturing, specialty chemical manufacturing, and mining industry. It was the first time we took stock of our current work on occupational health management. We have since intensified the supervision on our subsidiaries to guarantee the health and protection of our employees.

Safe Production

Sinochem prohibits any commands or operation that are against laws, regulations, and labor disciplines (hereinafter referred to as "Three Against"), which aimed to solidify our line of defense on safe production. In the "2012 Safe Development Summit", organized by the Propaganda Department of the Central Committee of the CPC and the National Security Supervision Bureau, Sinochem won the title of "Responsible Enterprise on Safe Production".

- Targeting different corporate posts, we asked employees to identify the "Three Against" behaviors around us, identify hazards, evaluate risks, and control risks. We also improved our operational procedures and standardized all processes.
- We enhanced our management and review of the field operations to ensure the safety of onsite operations.
- Responding to the root causes of the "Three Against", we made multi-tier training plans for all of our staff in order to strengthen their awareness of compliance and safety skills.



Case: Sinochem International's "Family Safety Day"

Sinochem International invited the family of their field operation workers to participate in our "Family Safety Day" event. It was a chance for the family to understand safety production with the workers. The family can now serve the role as the "side-supervisor" and urge their family workers to abide by related regulations and operate safely. We believe this is an effective way to enhance workers' sense of safety and responsibility, and to clamp down "the Three Against" operation.

Emergency Management

Sinochem is strengthening its emergency response system by intensifying employees' sense of safety, and conducting emergency response training sessions and drills to enhance its crisis management system.

- We amended the Sinochem Corporation HSE Accidents Emergency Response Plan, added emergency response specialized procedures, improved the working team action checklist and workflow chart to increase the operability of the Plan.
- We are popularizing the Emergency Scene Handling Card, and following up on the rules amendment for the employment of the Card for key device, facility, and post.
- We have enhanced our grassroots emergency response ability targeting at such highly risky industry as oil storage, refining, fertilizer, and fluorine chemicals, as well as such highly-populous places as hotels, office space or residential buildings. We trained our internal trainers to conduct drills, and set up standard and uniform drill methods for different levels of units.

Case: "Safe Sinochem" Emergency Response Drill

On November 7th, 2012, Sinochem Group held "Safe Sinochem" production accident and emergency response drill. Mr. Han Gensheng and Mr. Du Keping, Vice Presidents of Sinochem Group, as well as the Emergency Response Command Team members took part in the drill. The drill systematically tested our emergency response plan and management mechanism, and enhanced the crisis management and emergency response ability at the Group level.

Environmental Protection

We will continue to implement our green development path. We organize checks and reviews on environmental protection, promote clean production, and facilitate the commercialization of green technologies in order to achieve a harmonious coexistence with the Nature.

Energy Conservation and Emissions Reduction

Sinochem adheres to a low consumption and high profitability growth pattern. By implementing energy conservation measures, we will continue to increase our output value. In 2012, we saved 71,400 MT of standard coal, and recycled 70.8 MT of industrial solid waste in the process. Our energy consumption per RMB 10,000 was reduced to 0.75 MT of standard coal, much lower than SASAC's requirement.

- We have increased our energy efficiency. Sinochem Fuling was recognized as a "Benchmark Company in the Petroleum and Chemical Industry". Its energy consumption for producing 10,000 MT of P2O5, a component for DAP, as well as the energy consumption for producing 10,000 MT of sulfuric acid are leading the industry.
- We have overhauled our projects for energy saving purposes. Sinochem Changshan invested RMB 11.20 million in improvements to its production processes and to conserve energy for its high-pressure synthesis system, its medium-pressure dissolution and absorption system, its low-pressure dissolution and absorption system and its evaporation system of its urea facility. The renovations will save 77,400 MT of vapour, 1.34 million KWH of energy, 1,500 MT of liquid nitrogen, and recycled cooling water by 72,000 MT, which also reduced the waste water discharge.
- We have circular economy project. Sinochem Lantian's Hongyuan Chemicals invested RMB 1 billion in building an aluminum fluoride project with 80,000 MT of capacity, and a production line producing 200,000 MT of sulfuric acid per year and using the waste heat for cogeneration. Cogeneration not only meets the company's demand for energy, but it also supplies electricity to the local area.
- We are constructing a national-level, low-carbon green pilot town. Franshion Properties is pressing ahead with its Changsha Meixi Lake International New Town Project. The Project combines the ecology system with city planning, and takes carbon discharge per capita as an assessment indicator. It has eight general plans for the ecological environmental planning, and 47 detailed indicators for assessment. The project is aiming at building a low-carbon green model town.

Properly Disposing the Waste

We strongly believe that "waste air, water and solid (Three Waste) are misplaced resources", and are actively promoting the recycling of the "Three Waste". We comply with all environmental laws and regulations at the national and local level, use new environmentally friendly technology, and are trying to reduce our waste discharge.

- Sinochem Changshan invested RMB 11.28 million in running a deep treatment project for its ammonia and nitrogen containing waste water.
- Sinochem Yunlong invested RMB 9.4 million in a split flow for polluted rain and recycled production and waste water. By collecting and recycling the waste water, the company saves 1.33 to 1.80 million MT of water annually, and RMB 1.86 million.
- Sinochem Hongrun has implemented a deep treatment process for its waste water and reuses it in its production process. The recycling volume reaches 4,800 cubic meters per MT, and saves 1.68 million cubic meters of fresh water every year.

Protecting the Ecological Environment

We advocate the protection of the ecological environment, and pursue an optimized balance between profitability, resource efficiency, and environmental efficiency. We enhance ecological protection as well as water and soil conservation work at all our project sites in order to promote the common development of the economy and the surrounding ecology.

Quanzhou Petrochemical Enhancing Ecological Protection Management

Quanzhou Petrochemical enhances ecological protection management during its project construction period. It applies for above-water and below-water operation permits. When it is constructing jetties and having shipping channels dredged, it avoids the reproduction period for aquatic life so as to reduce its impact on the ecology of the water to the maximum extent possible. Quanzhou Petrochemical entrusts the Environment Monitoring Station of Meizhou Bay, Fujian province, to conduct sea monitoring in the project area, and have the monitoring results sent to the Municipal government and the County Oceanic and Fishing Bureau. The company also launched an ecological rehabilitation project in the areas surrounding the jetties by purchasing fingerings and releasing them into the sea for reproduction.

Advocating a Low-Carbon Life Style

Sinochem adopts a series of green office measures to advocate and encourage employees to follow a low-carbon green lifestyle.

- We save office materials, and distribute office supplies according to employee needs, and standardize the allocation of our office supplies.
- We enhance the management and use of electronic appliances, and use energy-saving lamps.
- We promote water-saving facilities and conduct regular checks on water supply pipes and replace obsolete ones.

Shenyang Kechuang Company Having an Energy Saving and Emission Reduction Week

Shenyang Kechuang Chemical Company is a subsidiary of the Sinochem Group and has conducted a "Saving Energy, Green Growth" week. During the week-long event it held lectures on the ABCs of energy saving and emissions reduction. It also used blackboards, slogan posters, picture posters, and pamphlets to advocate the theme and encouraged employees to give proposals and suggestions on energy saving, and to formulate the Pact on Economic Practices, advocating low-carbon green life style and consumption habits. It also organized the "Resource Conservation Activity" for Youth League Members, asking them to "save every drop of water, every kilowatt of electricity, every piece of paper, and every grain of rice", and guiding them to recognize the importance and urgency of energy conservation and emissions reduction.

71,400 MT

saved standard coal

70.8 MT

recycled industrial solid waste

0.75 MT

standard coal of energy consumption
per RMB 10,000

Protecting Employees' Rights

We abide by all laws and regulations, and believe in equality in the workplace. We provide diversified development channels for our employees and are building a democratic management system within the company. We are also implementing an equal consultation regime and will continue to improve our remuneration management system to attract more talented people.

"I have been working for Sinochem for 30 years. I deeply feel the company's care for every employee, and have experienced and witnessed many touching moments in the company. I also personally participate in much work that delivers love and care for our employees. We are living in a big warm family. Everyone has a strong sense of belonging, and profounding feeling towards our company."

— Li Ying, an employee from the Department of Administrative Service

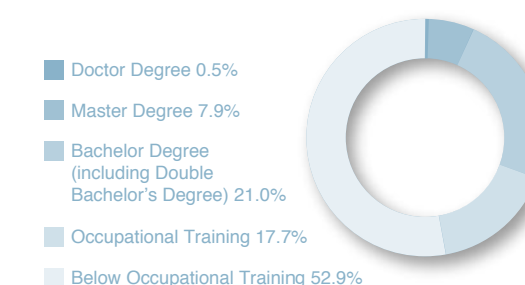


Rights Protection

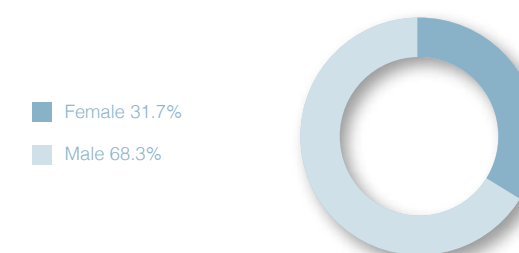
We strictly comply with international norms and practices and the laws and regulations of the host countries where we carry out our business operation. We will continue to keep improving our labor management regime, clarify our employment approach, and sign labor contracts with 100% of our employees in accordance with local laws. We offer a level playing field during recruitment, and treat every employee equally and justly. In 2012, we recruited 2,099 university graduates and 68 handicapped people. We are firmly against hiring child labor and forced labor, and insist on gender equality and providing equal promotion opportunities and remuneration schemes for female employees.

By the end of 2012, we had 48,414 employees. The average age is 33. Female staff account for 31.7%, and foreign staff make up 20.3%, up by 2.6% year on year.

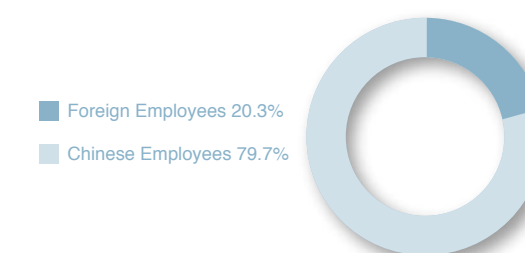
Employees Education



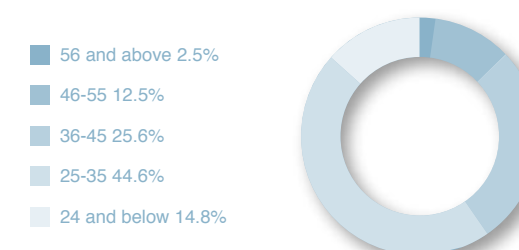
Employee Gender



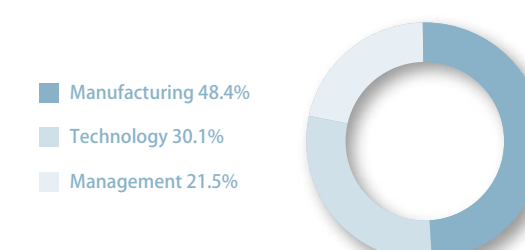
Nationality Structure



Employees by Age



Posts Structure (only Chinese employees)



Sustainable Development Report 2012

Valuing Talents and Developing with the Employees

We believe that human resources are the principal resource for our company, and that our values should grow together with the values of our employees. We protect our employees' legitimate rights, and provide comprehensive care for them. We are building a platform that will enable us to grow in partnership with our employees, and to create a diversified and harmonious working environment.

04

Democratic Management

Sinochem is keen to build a harmonious company, and is implementing an equal consultation scheme. We encourage all employees to take part in our democratic management process to create stable and harmonious labor relations. By 2012, 100% of our subsidiaries and branches had set up a Labor Union, with 100% of their employees joining it.

- We are improving our Employees' Representative Congress institution, and supporting the Congress at our headquarters as well as in our subsidiaries. The Congress plays an important role in our decision-making, democratic management process, and democratic supervision. In 2012, the Headquarters' Congress convened five conferences, and collected 21 proposals, among which 11 were adopted.
- We publish operational information on a daily basis, and publicize it through various informationized channels. We integrate the information

publicity into our management and operations. Through Backbone Managers Meeting, Employees Representative Meeting, the Sinochem Today Newspaper, Sinochem LAN, Publicity Display Window, and our ERP system, we publish all major decisions by the company and all information that is closely related to our employees' interest.

- We pay close attention to our communications with employees, and try to understand employees' demand and suggestions in a timely manner by holding employees group discussion.

Compensation and Benefit

We are highly market-oriented in terms of our compensation and benefit scheme. Our compensation and benefit management system is based on the value of a particular position and individual performance, which helps us establish a positive correlation between company performance and the employee remuneration package. We are optimizing our remuneration structure and innovating the incentive mechanism and we have set up a remuneration communication mechanism. We will also improve our performance assessment system to enhance the rationality of our distribution system.

- Sinochem regularly improves its benefit system. We provide employees with a pension, health care, industrial injury compensation, maternity, and unemployment insurance packages, as well as a housing provident fund. Our society insurance coverage is 100%. We also offer commercial insurance to our employees, have set up an insurance package for major sicknesses, and provide additional

insurance for additional medical care, property, and personal accidents. We also offer an average five days per year of paid leave.

- We have improved our compensation and benefit policy for expatriates by offering a benefit package that covers expat costs, residential costs, and family visit.

Case: Establishing a Uniform Post Rank and Incentive System

Sinochem International has developed a rational market-oriented remuneration system, and a uniform post rank system and incentive system. The post rank system is optimized by increasing the ranks from 7 to 14, and the post rank adjustments and remuneration system are design to be more suitable for Sinochem International Headquarters, Sinochem Singapore, Sinochem India, Sinochem Philippines, and Sinochem Thailand so as to meet employees' specific demand for career development.

Case: Standardize the Incentive and Distribution Mechanism

Sinochem Ningbo is standardizing its incentive and distribution mechanism. It has formulated regulations and rules, including the Bonus Distribution Rules for Business System, and the Guidance on Bonus Secondary Distribution. By doing so, it has created a remuneration system that connects post value with individual contributions, and has standardized the bonus distribution principles and procedures.

Realizing Employees' Value

We have been creative in the design of our HR mechanism. We see employee training and capacity improvement being vital to the success of our company and provide broad opportunities for training and development. We are expanding our employees' development channels, improving our assessment system, and rolling out a career design program that covers all employees so as to help them realize their true value.

Diverse Training

We pay significant attention to employee training. Our principle is "Train for Need, Learn for Use". We conduct diverse trainings sessions for staff at different levels of the company, targeting different posts, with different purposes. This helps us form a multi-layer, open-end training system. For example, we regularly hold trainings on our corporate culture, professional knowledge, post skills, and general quality. In 2012, the coverage of our

backbone manager-training program was 100%.

The company diversifies its training programs. In addition to the face-to-face trainings, we hold e-learning, on-post trainings, post rotations to overseas branches, academic exchanges, seminars, lectures on specific topics, and doctors' forums.

Training on Management Skills	Training on Speciality Skills
The Group conducted leadership and auditing management training.	The Group organized engineering project management training.
The Group held risk management training and lectures in 12 business units.	Sinofert held training sessions for new employees.
The Group and individual business units held HSE-themed training sessions entitled "Scientific Development and Safe Growth".	The Northwest Base of the China National Seed Group Corporation held training sessions on new variety technology regulations.
Sinochem Finance Company held lean management training sessions.	Shenyang Research Institute of the Chemical Industry organized a series of trainings on chromatographic techniques and SciFinder.

Improving the Development Pipeline

Sinochem is improving its "Dual Pipeline" employee development scheme, providing a range of development paths for management and technical posts. Employees can develop their career through management and administration posts, engineering technology positions, or trade and marketing jobs. By doing so, we have established an "Everyone Can Be Talented" platform.

- We launched the "Young Talents Project" to broaden career opportunities for young employees.
- We give more promotion opportunities to capable employees or employees with great potential, and have enhanced the competition mechanism for mid-rank posts.
- We regularly improve our training and selection mechanisms, expand our HR reserves, and strengthen employees' capability for their own career planning.

- We regularly hold skills competitions and team building activities, enhance our skill evaluations, perfect our performance assessment system, and ensure the equality and rationality of employees' promotion channels.
- We have a project called the "Overseas High-Caliber Talents Incubator". The project has established a leadership team, a working team, and a specialized office to improve our career development mechanism for overseas talents.

Enhancing Employees' Sense of Belonging

Sinochem is paying greater attention to enhancing its corporate culture, delivering care to its employees, and improving its employees' work and living conditions. We organize a ranger of activities to enrich employees' life, and help those in need and those who have retired to enhance our employees' overall sense of belonging.

Building Corporate Culture

The Sinochem corporate culture is based on the philosophy that "The Way of Being a Person: Honest, Cooperative, Open to Learn; The Way of Doing Things: Diligent, Innovative, Pursuing Excellence". We are working to create a harmonious, healthy, positive, and inclusive corporate culture. Through colorful activities such as forums, tea receptions, and competitions, we are enhancing our employees' recognition and understanding on the company value.

Department/Business Unit	Cultural Activities
Sinochem Group	We organized the first "Touched Sinochem" personnel selection activity to help employees to feel and understand our corporate culture from the perspective of daily life.
China National Seed Group Corporation	We held the "Colorful Seeds" series program to build an innovation platform that would show young employees' entrepreneurship and enhance their communication. By doing so, we inspired their desire to pursue perfection and enhance corporate cohesion.
Sinochem Lantian	We opened the Lanting Library to cultivate an atmosphere of learning and self-improvement.
Sinochem Liaoning	We organized the "Responsibility in My Heart, Safety I'm in Charge" activity to enhance employees' sense of responsibility, and encourage them to perform at their best in their posts.
Sinochem Zhuhai	Based on our corporate philosophy "Creating Value, Pursuing Excellence", we created a culture system that covers five elements, namely "safe, lean, green, innovative, outstanding"; the system helped us win the title of "2012 National Advanced Unit for Corporate Culture Building".
FOTIC	We held a "Youth@Innovation" innovation contest among young employees so that they could demonstrate their talents and enthusiasm for work.

Caring Employees' Life

We provide comprehensive care for our employees by improving our employee aid system, enriching employees' lives, and creating a harmonious working environment.

- Every year, we regularly arrange health checks for employees, and protect female employees' rights. We guarantee female employees' legitimate rights during the pregnancy and lactation period and ensure that they enjoy maternity insurance and maternity leave according the labor laws.
- We organize recreational activities for employees on a regular basis. Every year, we hold such sport events as basketball games, regularly organize spring and autumn outings as well as parent-child activities, and organize speech contests to light up employees' passion. We also hold health lectures to improve employees' work-

life balance, and help them better understand all aspects of their health. In particular, we organize "Women's Day" activities, and select "Model Woman Employees" to motivate all female staff.

- We care for and assist those employees in need, and make related policy measures to help them. We pay special attention to employees with severe illnesses, those in poverty, single employees, and female employees, and provide necessary assistance to ease their burden. In 2012, the company provided RMB 390,000 to help 11 employees in extreme difficulties.

Department/Business Unit	Employees Aid Activities
Sinochem Group	Implemented the "Congratulations Project" and the "Get Well Project", and executed the EAP Employees Aid Program to understand employees' demands and provide them with comfort and assistance.
Sinochem International	Implemented six projects: the project to enhance professional skills, the project to collect employees' demand, the project to inspire employees to pursue excellence, the project to deliver assistance to employees in need, the project to diversify employees' recreation and culture life, the project specially to train young employees.
Sinofert	Formulated the "Loving Fund" Implementation Regulations and Sinofert Loving Fund Charter.
Shenyang Research Institute of Chemical Industry	Rolled out an education program to provide financial assistance to the children of employees in difficulty.
Far East Horizon	Set up the "Loving Fund", and implemented the "Aid Program" and "Milk Bottle Assistance Program".

Caring for the Retired Employees

Sinochem keeps improving its service quality and efficiency for the retired employees providing them with all-round care and a comfortable retirement.

- We have set up a long-term mechanism to visit retired employees. We carried out the "Knock Hundred Doors and Solve Hundred Difficulties" activity to show our care for the old cadres and maintain a harmonious atmosphere around the company. We continue our communication with retired employees to gain a deep understanding on their needs.
- We organize spring and autumn outings, health rehabilitation programs, table tennis contests, reunion parties, and visit to production fields to enrich retired life.
- We organize exchange activity and onsite instruction so that retired employees can share their precious experiences in life and work.





Sustainable Development Report 2012

Participating in Socially Beneficial Activities to Facilitate Social Progress

In addition to pursuing our own sustainable development, we are leveraging our resource strength to benefit society. We engage in a number of socially beneficial activities and are creating better poverty alleviation models in order to achieve win-win cooperation with our partners, and a harmonious coexistence with local communities.

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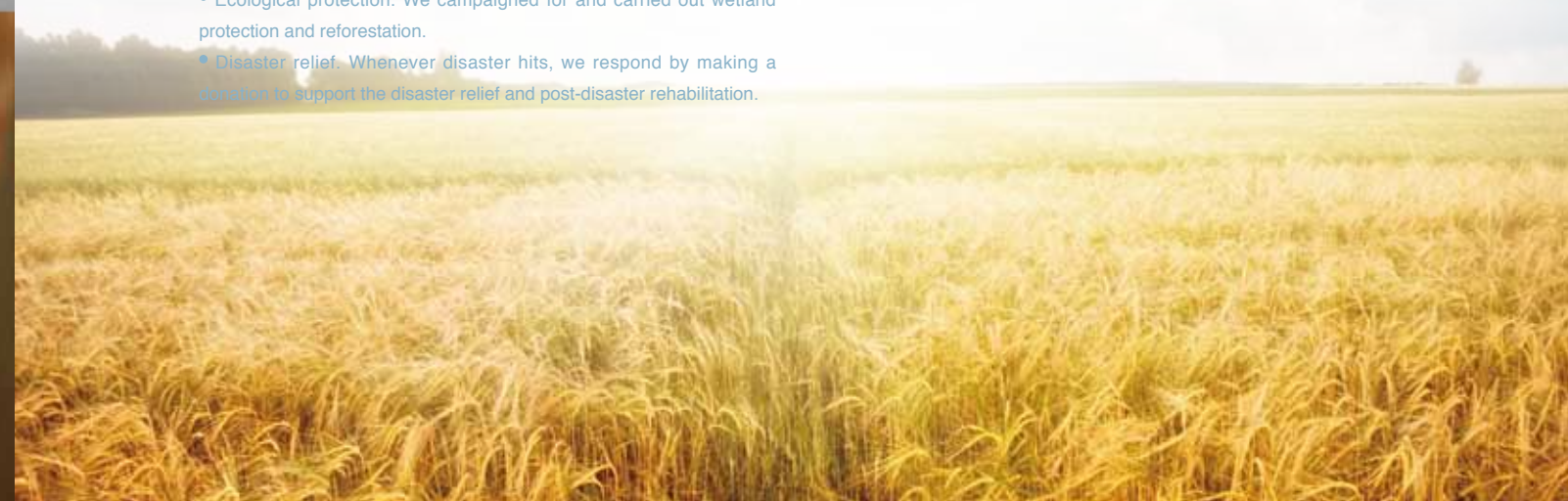
Poverty Alleviation

Sinochem has answered the call from the CPC Central Committee and the State Council to uphold the principle of “brining development, and bringing donations as a supplementary method” to our poverty alleviation work. Following the work guidance of “combining intellectual investment with physical project investment”, we sent 16 cadres to poverty-stricken areas, and have invested more than RMB 100 million over the past ten years. We are helping peasants in Tibet, Inner Mongolia and Qinghai to improve local infrastructure, as well as providing them with vocational training to facilitate the development of local production, medical conditions, and education.

Our poverty alleviation achievements over the past ten years have been recognized by the State Council. We were granted the “2001-2012 Central SOE Poverty Alleviation Work Model” title.

In Tibet, Sinochem adheres to its Tibet assistance guidance by “combining physical project investment with intellectual investment, and promoting both local economic development and changes to people’s mindsets”. We have accumulatively injected RMB 65 million in Tibet, and executed more than 80 projects related to infrastructure, education, and personnel training. In 2012, we partnered with provinces and other enterprises providing assistance to Tibet and building a platform for university graduates from Tibet and who want to find jobs outside Tibet. In total, we created 3,400 jobs related jobs.

- Intellectual assistance. We executed 26 training programs covering 11 areas including planting, carpentering, catering, maintenance, and medical care, which helped to enhance local people’s ability to work and raised thier education and civility. This was a boon to the local employment market.
- Housing project. We helped locals improve their infrastructure for production, livelihood, culture, education, science and medical care, among which the housing project we implemented increased local farmers’ residential area per capital from 12 square meters to 25 square meters.
- Ecological protection. We campaigned for and carried out wetland protection and reforestation.
- Disaster relief. Whenever disaster hits, we respond by making a donation to support the disaster relief and post-disaster rehabilitation.



In Inner Mongolia, Sinochem invests RMB 1.5 million annually to Helingeer County and Qingshuihe County to enhance local medical care and education facilities, and to develop agricultural projects that have growth potential and generate more income for peasants.

- **Developing agriculture.** We build up platforms, expand agricultural channels, and improve the skills of local workers. We help peasants cultivate projects for cattle and sheep raising, to build a rain collection cellar, and to construct water-saving irrigation field, which paves the way for locals to eliminate poverty and change their lives.
- **Village migration project.** We help the peasants in mountainous areas build full-facility houses and migrate to a better and happier life in a new area.
- **Education and medical care improvement.** We help build and renovate school buildings, hospitals, and clinics, and deliver new advanced education and hospital facilities to improve their education and medical care.
- **Infrastructure improvement.** We help build village roads and drinking water wells, and improve dock facilities and the surrounding village environment to develop tourist and scenery spots.

Case: 11 Years of Poverty Relief in Qingshuihe County

Sinochem has selected cadres to be stationed in the Qingshuihe County, injects capital and physical material and has helped locals in the region over the past 11 years. We have accumulatively injected RMB 16.50 million into building four pilot new villages, developed 30 agricultural technology demonstration projects, and added more than 1000 Mus of water-saving dry-farming fields. We have also built seven elementary and middle schools, and maintained or rebuilt three county hospitals and clinics to solve education and medical care problems.



The farming project Sinochem assisted to build for Qingshuihe County

In Qinghai, Sinochem has developed five projects for housing, education, medical care, social security, and vulnerable groups. From 2010 to 2012, we invested approximately RMB 10 million in supporting the construction of people's livelihood in Dachaidan area. We invested in building kindergartens and helped with the purchasing of medical facilities. We also contributed to earthquake-stricken regions by offering community development planning and building a service center. All together we have meaningfully changed the local reality by contributing kindergartens and hospitals.

Case: Built the Dachaidan Kindergarten

Sinochem attaches great importance to the investment in Dachaidan's social welfare projects. We have accumulatively injected over RMB 10 million to build local kindergarten, purchase medical care facility, build earthquake-response projects, and community service center. The Daichaidan Kindergarten is the first social welfare project we had in Qinghai province. The kindergarten takes up a floor area of 16,500 square meters, and the building area is 3548.64 square meters. It can admit 360 children. The kindergarten will provide first-class learning environment in the province for kids, and solve the long-existing problems of the local people. It will also balance the education development among different regions.



Dachaidan Kindergarten

Donations to Health Care and Education

Sinochem is leveraging the internal and external resources to enrich its donations and making its donation more transparent and standardized. We are also expanding our volunteer groups to further contribute to the development of health care and education.

Case: Free Clinic Services

Sinochem International cooperated with the Red Cross to build Sinochem International Charity Clinics in the remote mountainous areas in nine provinces across China, including Hubei province, Guizhou province, and Fujian province. They sent doctors and nurses to the villages to provide free clinic services for the left-behind elderly, women, and children of migrant workers' families. This helped to improve the health care services in poor villages.

Case: Developing the Volunteer Platform "Shiyi Volunteers Family"

Intmedic Group under Sinochem partnered with Shiyi Hospital of Hangzhou Municipality as well as the Qianjiang Evening News to set up the "Shiyi Volunteers Family", which was designed to attract volunteers from all walks of life, and helped to create a harmonious social environment that echoed the program's slogan "From the People, For the People". The first batch of more than 100 volunteers made up of healthcare personnel for Shiyi Hospital, students from Nanjing Medical University, and employees from Intmedic Group, stepped onto the posts to serve an extensive coverage of patients.



Case: Establishing Special Funds for Scholarship

Sinochem Xingzhong signed a charity and assistance agreement with Zhoushan Municipal Charity Council to provide RMB 510,000 in a special fund to support 22 local university students with three years of economic assistance. It also established the Xingzhong Scholarship in Zhoushan Deaf-Mute School as well as Qianhe School to inspire outstanding but poor students.



Case: Caring for Orphans and Disabled Children

Franshion Property, a subsidiary of Sinochem, organized a donation program called "Offering a Loving Heart to Warm up a Living Dream". Through the program, they have donated cotton clothes, sweaters, long johns, and stationary to children in the Beijing Zhenhua Elementary School, a school specially built for the children of migrant workers. The Changsha subsidiary of Franshion Property donated desks and chairs, computers, and projectors to Luoheping Elementary School at Yuanling County in Hunan province. And Lijiang subsidiary worked with the Publicity Department of Lijiang Municipal Government to send materials to more than 300 orphans at the Minzu Orphan School in Lijiang Municipality, and encouraged children to participate in recreational and sport activities.

Win-Win Cooperation

We will continue to honor our promise to our partners to cooperate for win-win results, strengthen the management of our suppliers, and facilitate academic exchanges and cooperation with peer companies and research institutes to boost the development of the industry.

Enhancing Suppliers' CSR Delivery

We will keep enhancing our management of suppliers, diversifying our management approach, and strengthening suppliers' CSR understanding and practice.

Unit	Specific Steps
Sinochem Group	Set up an effective three-tier management system including contractor access, assessment, and elimination process; initiated a contractor data room to maintain a list of qualified and unqualified contractors; organized second-tier subsidiaries to evaluate their projects and service contractors; and by issuing the Project Construction Contractor Management Measures as well as the Contractors Assessment Indicators, we have laid a foundation for future contractor management.
Franshion Properties	<ul style="list-style-type: none">Currently building an equal, just and open procurement tendering platformHave standardized our qualification review templates to select the most qualified and outstanding suppliersImplemented a new management system and reward and punishment measures at suppliers, and have established an efficient and professional strategic cooperation model
Quanzhou Petrochemical	<ul style="list-style-type: none">Have improved our procurement control strategy, including our tendering methodsHave enhanced our contract management, and set up an interview mechanism for key managers of contractors. We have strengthened how we assess the qualification of workers applying for posts with specialty requirements, and now conduct continuous reviews among suppliers to motivate them to be more professionalWe now require contractors to improve their quality assurance system, checking and urging them to enhance the quality of their products and services in the process
Sinochem Plastics	Established a catalogue on suppliers' information; implementing the "6Σ" suppliers' management plant to ensure we select the best proposal from bidding suppliers; use follow-up tracking on their service and renew their information on our catalogue

Facilitating Industrial Progress

We abide by all industrial standards, actively participate in the formulation of standards, hold and participate in related forums, conferences and technology exchanges that help communicate our development experience and boost the healthy and sustained development of the industry.

Case: Shenyang Research Institute of Chemical Industry Passed the GLP Certification

The Safety Evaluation Center and the Pesticides Testing Laboratory of Shenyang Research Institute of Chemical Industry has passed the GLP certification of Netherlands, an OECD member country, becoming the first institute of its kind in China to receive the certification. This enhanced our overall strength and industrial position in pesticides, pharmaceuticals, and new chemicals. It also helped to confirm that China no longer needs to rely on overseas testing for the safety of the chemicals it exports to developed countries in Europe and the US.

Case: Sinochem International Received the "Contribution Award for Promoting the Security Management on Storage and Transportation"

Sinochem International undertook the "2012 Forum for China Responsible Care in Storage and Transportation Security Management", which contributed to popularizing "Responsible Care Codes" and strengthening our security management work in the storage and transportation sector. As the drafting entity for the Responsible Care Codes for Storage and Transportation Security Management, we have carried out pioneering work in delivering our responsible care to the society, and received a "Contribution Award for Promoting the Security Management on Storage and Transportation".

Case: Drafting National Standards

Intmedic Group is a subsidiary of Sinochem Group and was the principal drafting unit for the *Pharmaceuticals Cold Chain Logistics Operation Specification* (GB/T28842-2012), a set of national standards published on 5 November 2012 and coming into effect on 1 December 2012. The document will enhance the quality control and administration in pharmaceuticals circulation, and regulate and standardize the logistics and distribution services of pharmaceuticals.

Case: Promoting the Development of Shipping Finance

Far Eastern Horizon cooperated with the Transportation Management Institute of Dalian Maritime University to set up a shipping finance discipline, which aims at building an education system to cultivate high-caliber talents in shipping finance. By doing so, we are showing our initiative to serve the shipping sector and promote the growth of shipping finance industry.

Community Charity Service

Sinochem keeps improving its engagement with community charity work. We have set up donations standards, show continuous care to vulnerable groups, participate in community charity activities, and encourage young people to volunteer to community construction and environmental protection.

Case: Far Eastern Horizon Charity Fund

Far Eastern Horizon established the Far Eastern Horizon Charity Fund to promote charity undertaking in China. Through such projects as the "Far Eastern Horizon Scholarship", the "Far Eastern Horizon Student Grant", and the "Donation on Catastrophic Disaster Relief", it has provided access to education for vulnerable groups and improved living condition. The Fund will continue to supply nutritious food to children in poverty-stricken regions. For example, it is currently providing eggs and milk to 1,074 students in Jiqu District in Nangqian County of Yushu Autonomous Region in Qinghai province to enhance the balance of nutrition in their food, and thus invigorate their health.

Case: Guo Mingyi Love Outreach—Saturday Volunteer Day

"The Guo Mingyi Love Outreach Team" of Sinochem Liaoning cooperated with the Dalian Municipal Government on the "Saturday Volunteer Day" activity, which donated books to the community library on Renmin Road. The books can be borrowed and read by the cleaning workers. Under the instruction of the cleaning workers, Youth League members also volunteered to do cleaning for the community, such as cleaning white trash and adlets on the street, and the stairway of community buildings.

Case: Organizing "Care Commitment to the Society" Event

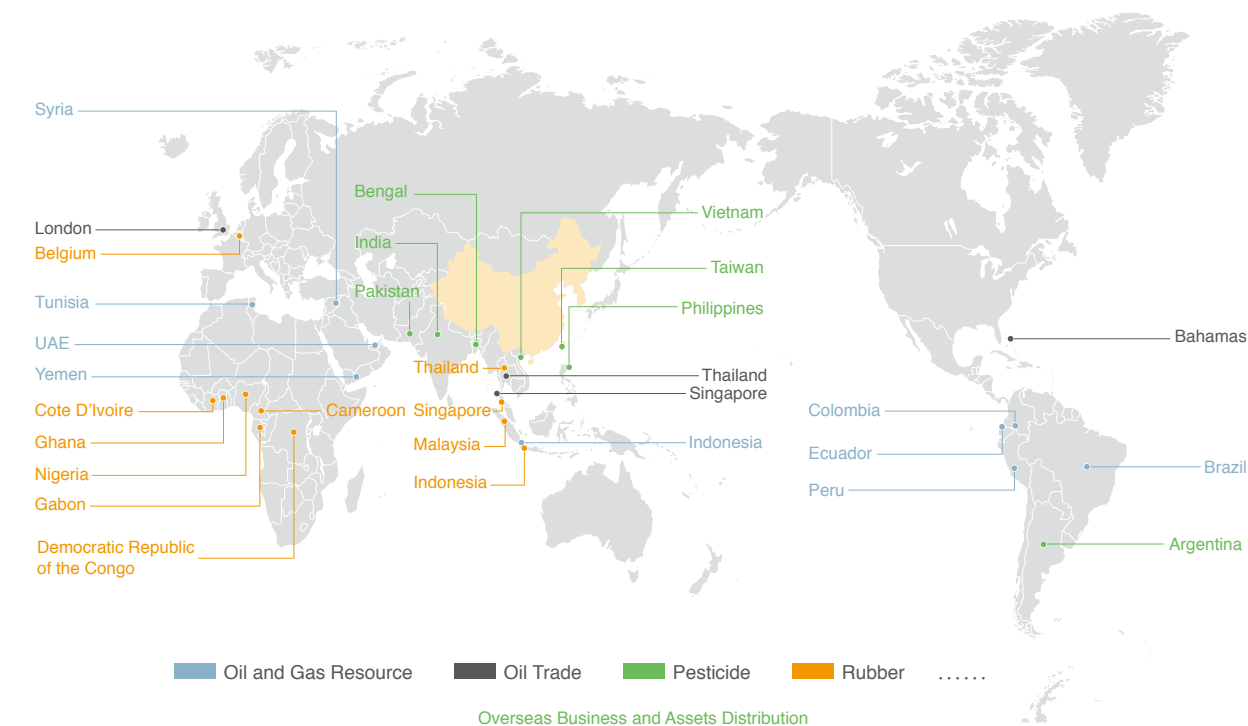
Manulife-Sinochem Life Insurance has organized the "Care Commitment to the Society" event for 10 years. It cooperated with the Healthy Grow-Up Fund under the China Next Generation Education Foundation and organized an activity called "Go, Kid, Go" across 50 cities in China. The program encourages children in the cities to raise funds by selling "loving photo frames" and using the proceeds to buy sports shoes for children in backward areas in Yunyang County of Chongqing City as well as the Liangshan Autonomous Region of Sichuan province.



Feature Report—Global Operations

Global Responsibility

Sinochem Group was once the largest trade company in China. Since 1998, we have pressed ahead with our strategic transformation, coping with external changes to leverage “the two resources and two markets” inside and outside China to organize resources from a global perspective. We have blazed a path for market-orientated operations; we utilize resources and technology as well as lean management processes and have transformed from a traditional trade company into a multinational corporation with strong market presence and influence.



As a member of the UNGC, we see our corporate social responsibility (CSR) as an organic part of our corporate genes. We are trying to integrate CSR into our business operation throughout the whole process of internationalization. We have established a great image of “responsible Sinochem and responsible Chinese enterprise” overseas. Our case for building overseas community was granted the “2012 China Best Practice Award of UNGC”

“Multinational companies are operating with global footprint and strong market influence; therefore their CSR action can not only mobilize and enhance other companies’ CSR awareness and capability worldwide, but can intensify their own CSR competitiveness, which helps them to grow farther and stronger in the international arena.”

——Liu Deshu,
President & CEO of Sinochem Group

Global Operations: Developing with the Local Economy

Sinochem has positioned itself as a “global resource and market organizer” during its strategic transformation. We make the best use of our strength in international operation, and are speeding up our pace to be more international. At present, our overseas projects are mainly located in Africa, Latin America, and the Middle East, covering business sectors such as energy, rubber, and pesticides. From 1998 to 2012, we accumulatively invested RMB 95 billion. By the end of 2012, our overseas assets, overseas revenue, and overseas profit accounted for 49%, 67%, and 37% of our total. We have more than 60 overseas subsidiaries and branches, and our foreign employees make up 20% of our total employees.

Energy

With the global strength to organize resources and render professional services, we have become an important crude oil supplier to the Asia-Pacific region, providing crude oil for refineries in China, Southeast Asia, Europe and America. Our import and entropot trade volume exceeds 50 million MT.

In 1999, we made a strategic decision to “extend to the upstream oil sector”. For more than a decade, we have expanded globally and acquired 33 blocks in 10 countries in the Middle East and South America. Thirteen blocks among them are under production, four are under development appraisal, and the remaining 13 are under exploration. We work as operator in 13 blocks, and have formed a strategic development network with the UAE, Colombia and Brazil, each serving as a core region and covering the surrounding countries. In 2012, our equity production reached 3.42 million MT (oil equivalent).

- In January, 2002, we signed an agreement with PGS to purchase Atlantis Holdings Norway AS, making our first stride into the petroleum E&P area.
- In February, 2007, we acquired 100% equity of New XCL China LLC to obtain 24.5% of non-operator interest in Zhaodong Block located in Bohai Bay region, marking our entrance to the domestic oil E&P sector.
- In October 2009, we acquired 100% interest in UK-listed Emerald Company and now own around 50%-100% operator equity in 11 blocks in Syria, Colombia, and Peru.

We established oil production bases in Colombia, cultivated a team of operators, and initially formed a strategic plan that blankets South America and the Middle East.

- In May 2012, we acquired 40% equity of the Peregrino Project from Statoil. This offshore project is located at Block BMC-7 and Block BMC-47 in Campo Basin, 85 kilometers away from the Brazilian coast. This acquisition was the largest of its kind in Sinochem’s history. It has greatly expanded our E&P portfolio, and increased our reserve by a large margin.



FORTUNE World's Most Admired Companies

Most Admired			
Rank	Company Name	Location	Industry Rank
1	Sinochem Group	China	1
2	COFCO	China	2
3	Mitsubishi	Japan	3
4	Samsung C&T	South Korea	4

Sinochem has appeared on the Fortune Global 500 twenty-two times, ranking 113th in 2012. In the “World’s Most Admired Companies” list released by Fortune Magazine in February 2013 Sinochem ranked 1st on the trade company category, and boasts the best record of all Chinese companies on the list. That ranking reflects the general view of industrial executives, board directors and analysts on the growth and reputation of Sinochem.

Pesticide

- In 2008, Sinochem acquired Monsanto pesticide's distribution rights in India, Philippines, Thailand, Vietnam, Pakistan, Bangladesh, and Taiwan, and set up sales channels and a network abroad. We own 45 brands in Southeast Asia, and are consistently increasing our market presence. For example, our glyphosate takes up 40% of the Philippines market.
- We keep enhancing our presence in other important markets worldwide, too. In 2011, we established a subsidiary in Argentina. In 2012, we opened our branches in Brazil, Mexico, and Australia.
- In March 2013, the company acquired the exclusive distribution rights to Monsanto's Roundup herbicide in Australia and New Zealand, becoming an important supplier of Monsanto agrichemical products.
- Our pesticide import and export volume always tops lists in China, with our products covering South America, North America, Brazil, the EU, Northwest Asia, the Middle East, and Africa.

Rubber

Through years of development of our natural rubber business, we currently own 73,000 hectares of plantations, 240,000 hectares of land bank, 22 production plants in eight rubber-producing countries, and have a total capacity of 680,000 MT. In 2012, our global sales reached 800,000 MT, taking third place in the world, and penetrating 8% of the European and American market.

- In September 2008, Sinochem Singapore acquired the Singapore-listed GMG Global Ltd., which provided a platform for us to reach out to the ASEAN countries. GMG Global Ltd is a company that integrates rubber planting, processing and distribution. Its planting and processing business covers ASEAN countries like Indonesia and Thailand, and African countries like Cameroon and Cote D'Ivoire. In Indonesia and Thailand, we own several natural rubber companies and plants with a total capacity of 10,000 MT, with all products going to Europe, America, and Asia. This acquisition enhanced our competitiveness and influence in the natural rubber industry.
- In November 2010, we acquired TBH, a natural rubber tycoon in Thailand. At present, TBH has a production capacity of 200,000 MT, with its five plants located in the major rubber-producing region in the south of Thailand, which has the highest rubber plant density in the world. TBH's processing capacity and brand advantages in the natural rubber production area have enhanced our overall strength in the industry.
- In July 2012, we invested RMB 1.6 billion in acquiring 35% of SIAT NV, Belgium. SIAT's major business involves the planting, processing, production, and sales of natural rubber and oil palm. Its major assets are distributed in West Africa, including Cote D'Ivoire, Ghana, Nigeria, and Gabon. At present, it has 51,500 hectares of plantation for natural rubber and oil palm. The deal has increased our resources and land bank in Africa, and helped to create synergy with our existing business, and significantly supports the global rubber resource consolidation and distribution strategy of Sinochem.

Pharmaceuticals

On 31 August 2011, Sinochem and DSM set up a global anti-infective joint venture, DSM-Sinochem Pharmaceuticals (DSP). DSP's major production facilities are located in Europe, America, and Asia.

- On 9 December 2011, DSP kicked off the construction for the new generation of the green enzymatic solution facility, which adopts DSM's proprietary green enzymatic biotechnology to manufacture new semisynthetic cephalosporins.
- On 21 June 2012, DSM-Sinochem Biochemical Intermediates (Changchun) Co., Ltd., which is DSP's intermediate manufacturing base in Yushu of Changchun, Jilin province, was officially opened. It will produce the key intermediates for semi-synthetic penicillin.

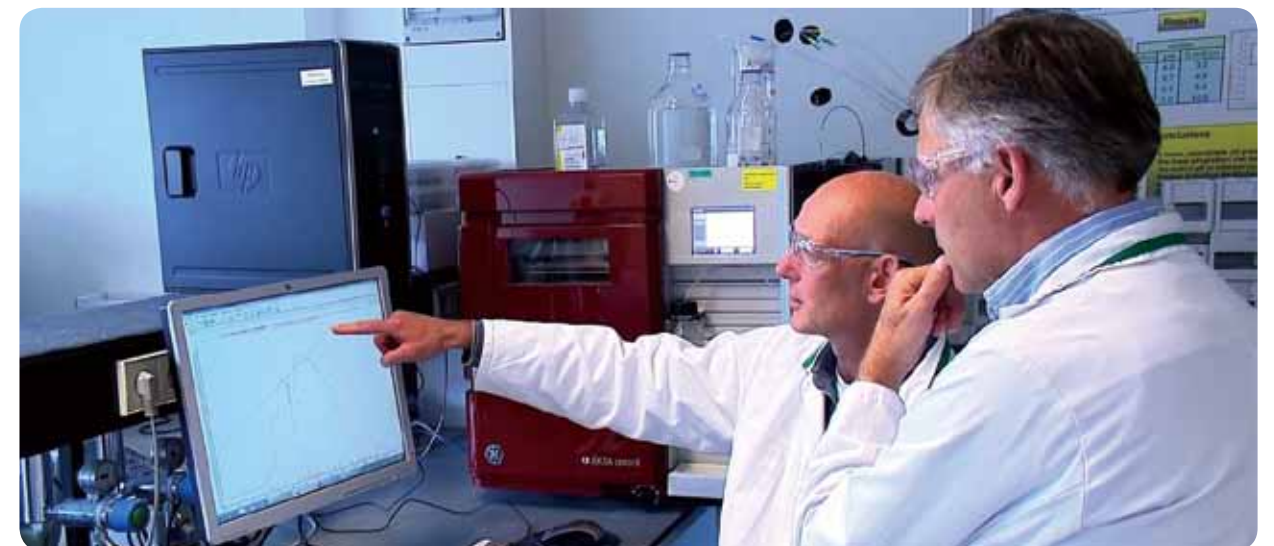
Global Responsibility: Being an Outstanding Corporate Citizen

We are delivering our CSR commitments by developing local economies, society, and employment markets, and protecting the local environment in our global operation processes. We are trying to be an international CSR role model, and hope to command the respect and trust of the international community.

Harmonious Coexistence with the Environment

We value our harmonious coexistence with the environment, and make it a benchmark for every project we conduct to achieve a balance between human activity and the natural ecology. We are actively protecting the local environment.

- Our overseas E&P projects have an HSE (health, safety, and environment protection) management system that covers the lifecycle of our projects, reduces safety hazards and our environmental impact. Our HSE management in the UAQ offshore gas field in UAE was selected as a case of good practice in *Emerging Best Practices of Chinese Globalizers: the Corporate Global Citizenship Challenge*, a report co-published by the World Economic Forum and the Boston Consulting Group. Our management system involves all stakeholders including clients, suppliers, and contractors. It covers all project operation links, including design, purchasing, construction, transportation, and production, and runs standardized risk controls in new projects M&A as well as asset divestiture. Using this management system has contributed to our safe operations for more than 1,700 days on the UAQ project.
- In Africa, we have established a green circular economy for our natural rubber business. We signed an agreement with WWF, and Hevecam Campo Ma'an National Park to protect land for primeval forests and to balance the ecology in our plantations. In addition, we have developed a biological circular mechanism that is suitable for the plantations and is based on local conditions. We use waste from oil palm processing as feed for livestock or burn raw materials to generate heat, we collect waste timber and use as organic fertilizer, and we have introduced advanced water treatment technology to our rubber processing plants. The local government and local people have speak highly about these measures because they have developed local resources, protect the local environment, and have established a local circular economy.
- DSM-Sinochem Pharmaceuticals employs the new generation of green enzymatic technology for production. Compared with the traditional way, we save energy by 50% for each kilogram of products, reduce organic solvent by 90%, and VOC discharge by 90%, which effectively promote the sustainable development of the pharmaceutical industry.



• When Sinochem closed its US Agri-Chemicals Company in 2005, a phosphate fertilizer production subsidiary of Sinochem, it shouldered the follow-up environment protection work. In fact, we promised to conduct 50 years of environment monitoring and maintainance after the closure, committing significant funding to the project. We believe this commitment fully reflects our CSR commitment to local residents and the local environment. In the eight years following the closure, we have utilized internationally advanced environment treatment processes. In 2013, we completed the backfill of phosphorite. To date, our efforts have reached all international environmental protection monitoring standards and indicators for special projects. Our approach has won praise from people from all walks of life in Fort Meade City, Florida State, the project location.



Prior to the treatment



Post treatment



"The closure of US Agri-Chemicals is progressing very well. We are very satisfied with the closure work."

— —Comment from an officer from the local Environment Protection Department

Common Development with the Local Community

We always upholds the principle of "being friendly with and being partner of the neighbors" while developing our overseas community. Our overseas projects are primarily located in Africa, South America, and the Middle East, and involve many diverse cultures. In the long process of "Going Global", we have successfully implemented a win-win cooperation model with local communities that help us coordinate our approach with the local economy, society and environment.

To effectively communicate with local communities we set up specialized Community Liaison Department at overseas projects. We dispatch a Community Coordinator to hold project presentations and inviting project personnel and community representatives attend. This helps us understand the concerns of local residents and win their support and participation during the construction of our projects.

One way that we contribute to the economy of local communities is by procuring and sourcing work locally, and hiring local agencies to provide services. This approach also creates employment opportunities, and promotes equality and harmony in the local community.

In Cameroon, we invest USD 2.2 million annually in building hospitals and schools. To date, we have built 17 kindergartens, 26 elementary schools, 2 middle schools, and 1 vocational training school. We also built public hospitals and an obstetrical and gynecological hospital.



In Colombia, we signed a contract with Healing the Children to provide health care treatment for children. To date, the project has cured difficult illnesses for more than 160 children, and provided medical services to more than 500 children suffering linguistically, helping them regain their health. We have cooperated with the Social Security Department of Colombia to provide funding for the purchasing of ambulances for hospitals, which has greatly benefited the residents in 22 communities around our GIGANTE oilfield. In terms of infrastructure construction, Sinochem cooperates with many institutions on the renovation and expansion of school dormitories, canteens, classrooms, medical care centers, and kindergartens. This has benefited more than 5,000 people.



The manager of Colombia Emerald project is having conversation with the head of the local community

Growing with the Local Talents

We understand the importance of training local employees. We recruit local and international staff. Based on the local community's requirements, we recruit 100% of our non-technical workers locally, and for technical positions we give priority to the local employment market. We also provide sufficient training to employees at all levels of the company to help them develop and grow in their career with us. We build new residential accommodation for our employees' families and use clubs to create a safe and stable working environment and living conditions.

Every year, in our Excellent Employees Selection, we have special awards for "Foreign Model Workers". We invite the award winner to China and to the Sinochem Headquarters for an awards ceremony and the spring festival gala to let them see and better understand our Sinochem family.

The "recruiting locally" policy has played an important role in improving local salaries and people's livelihoods. For instance, our rubber business has created more than 18,000 jobs in Africa. As we continue our fast growth internationally, we will create more job opportunities in the future.



We invite excellent employees and their family to visit Sinochem Group Headquarters

Future Outlook

In 2013 Sinochem Group will follow through the guidance offered by the 18th CPC National Congress. It is a crucial year for us and we will lay a solid foundation for our strategic transformation and the realization of our goals for “the Third Long March”. We will focus on the quality of our products and services and increase our profitability. We will use a lean management approach to speed up our strategic transformation, press ahead with “the Third Long March”, and facilitate the sustainable development of the company and society.

We will deepen our reform and innovation, and improve our management approach.

We will be guided by our lean philosophy as we work to improve our management and complete our internal control system. We will make our management more professional and rational, optimize our corporate governance structure, our system reforms, and our resource allocation. By doing so, we seek to achieve steady, healthy, and sustainable growth.

We are pressing ahead with our corporate strategies, and intensifying our approach to serving the national economy and the Chinese people.

We will continue to consolidate our internal resources and industrial focus in order to ensure more intensive and professional operations. We will enhance the supporting role of technological innovation towards our core business and solidify our position in the national economy and related sectors to laid a solid foundation for improving people's livelihoods.

We will innovate our business model, and strengthen our capacity to create more value to the clients.

We will continue optimizing our products and operational structure, improving our products and services, and creating more value to our clients.

We will honor our HSE commitments, and construct an environmentally friendly company.

We will improve our Occupational Health Management System to better protect occupational health. We will strictly carry out the implementation of our Safe Production Accountability System, enhance our review and investigation of hidden perils, and strengthen our emergency response ability. We will also work hard on energy conservation and emissions reduction by reducing energy consumption and pollutant discharges, so as to realize a harmonious development between man and nature.

We are providing a better working environment to bring more value to employees.

We will improve our recruitment, promotion, compensation and benefit mechanism, and further optimize our headcount and personnel structure. We will help employees enhance their work capacity, and cultivate a better environment for them to grow, demonstrate their talent, and achieve success. We are devoted to creating more value in life for every one of our employees.

We will continue to actively participate in social welfare projects in order to construct a harmonious environment for society.

We will provide poverty-alleviation assistance to Tibet, Inner Mongolia, and Qinghai. Drawing upon our own expertise and know-how, we will continue to engage in social welfare projects to contribute more to harmonious social progress.

EXPERT'S COMMENTS

This Report has many highlights, and what I am most impressive is the two words “sustainable development”. I always believe that corporate social responsibility is not only about public relation, neither just building a nice corporate image, but actually about sustainable development. Publishing a report like this gives the company a great opportunity to communicate with all stakeholders through CSR topic, to review and solve its problems in corporate sustainability. It evokes the company's thinking on both current development and the future, on realizing both annual operation target and the company's future competitiveness. To put in a nutshell, it helps a company to grow into a century old brand.

This year's Sinochem Report fully shows the core of corporate social responsibility, that is, “sustainable development”. The Report systematically disclosed the company's sustainable development philosophy, practice, and achievement in each of its major business segments. In the chapter of “Serving the National Economy and People's Livelihoods for Mutual Prosperity”, it focuses on energy, agriculture, chemical, real estate, and financial sectors, and highlights Sinochem's involvement and contribution to the social production and people's daily life. In the chapter of “Providing Satisfactory Services to Develop with Clients”, the Report demonstrates the company's innovation on service model to provide value-added service for clients. In the chapter of “Practicing HSE Management to Achieve Safe, Green and Harmonious Development”, it discloses the company's efforts on realizing a healthy, harmonious and sustainable development through a safer and more environmentally friendly and efficient business model. In the Chapter of “Valuing Employees' Talent to Develop Together”, it shows the company's care for its employees and commitment to create a diversified company environment. In the chapter of “Participating in Socially Beneficial Activities to Facilitate Social Progress”, it demonstrates the company's efforts in leveraging all kinds of resources and cooperating with partners to develop harmoniously with communities. In the CSR Feature Report, it presents the company's self-positioning as a “global resource and market organizer” and its “Go Global” steps to enhance the international operation.

After reading such a report, SASAC as one of the stakeholders feels very delighted, as Sinochem's report integrates sustainable development concept into corporate strategy, human resource, technology innovation, information communication, CSR funding, and supply chain management. It really catches the core of “sustainable development”, which makes this Report especially praiseworthy.

Wish Sinochem to have an even brighter future.

楚序平

Research Bureau

State-owned Assets Supervision and Administration Commission

EXPERT’S COMMENTS

Sinochem Group 2012 Report on Sustainable Development has a systematic summary on Sinochem’s CSR philosophy, practice and performance in 2012. The Report is well-formed, very informative and high credible. It has a high-quality sustainable development report with great readability and full illustration by texts and graphics. The Report has the following features:

Firstly, the informativity of the Report has been enhanced. It has an across-the-board disclosure on CSR related topics, including protecting national energy and agricultural security, promoting chemical industry upgrading, serving agriculture, countryside and farmers, whole life cycle HSE management, energy conservation and emission reduction, realizing employees’ value, poverty alleviation, and strengthening management on suppliers’ CSR practice, which present response to stakeholders’ expectation and demand. In addition, the Report adds a feature report on the company’s international operation, highlighting Sinochem’s position as a market-oriented multinational as well as its efforts as a global corporate citizen to win the respect and trust from the international and local community.

Secondly, the structure of the Report has been optimized. It removes the fluorine chemical business from “Participating in Socially Beneficial Activities to Facilitating Social Progress” chapter to “Serving the National Economy and People’s Livelihoods for Mutual Prosperities” chapter to stress the company’s leading position in chemical industry. It also adds the report on management improvement project and financial management enhancement to enrich content on value creation for shareholders and highlight the company’s key achievement on management overhaul. In the chapter of “Participating in HSE Management to Achieve Safe, Green and Harmonious Development”, the Report changes “Improving Our HSE Management Mechanism” into “Enhancing Our HSE Management Capacity”, adopts the two subtitles of “Practicing Whole Life Cycle HSE Management” and “Strengthening HSE Team Building”, and adds contents related to proper waste treatment to underline that the company uses its professional strength to solve environmental problems.

Thirdly, the Report is highly readable. It pays much attention on the communication effectiveness. By employing a lot of graphics and diagrams, it clearly demonstrates the logic between CSR practice and company performance. For example, the risk management graphics have showcased the company’s risk management measures; the data tables are highlighted to show some important statistics of the company performance, which helps the stakeholders to locate the needed information and data.

钟宏武

Director of Corporate Social Responsibility Research Center
Chinese Academy of Social Sciences

IMPLEMENTATION OF THE UNITED NATIONS GLOBAL COMPACT

As a member of the UN Global Compact, Sinochem Group has reported the implementation of the Global Compact annually since 2010. In 2012, Sinochem actively carried out and made positive progress.

Issues	Principles	Performance in 2012
Human rights	<ul style="list-style-type: none">● Respect and support the protection of internationally proclaimed human rights;● No complicity in human rights abuses.	<ul style="list-style-type: none">● Hire graduated students and handicapped people;● Protect women’s rights and hold a series of activities on Women’s Day;● Increase young employees’ promotion opportunities;● Enhance the compensation and benefit scheme for expatriate employees.
Labor standards	<ul style="list-style-type: none">● Uphold freedom of association and the effective; recognition of the right to collective bargaining;● Eliminate all forms of forced and compulsory labor;● Effectively abolish all forms of child labor;● Eliminate discrimination in respect of employment and occupation.	<ul style="list-style-type: none">● Never have relationship with human rights violators;● Strictly abide by international code of conducts and the laws of host countries where we have business; regulate our labor relation management;● Hold communication meeting when we have posts adjustment;● Publish our business development on daily basis, and encourage our employees to participate in the democratic corporate governance; Implement paid leave system.
Environment	<ul style="list-style-type: none">● Take a precautionary approach to environmental challenges;● Undertake initiatives that promote greater environmental responsibility;● Encourage the development and promotion of environmentally friendly technologies.	<ul style="list-style-type: none">● Promote clean production projects, energy conservation projects, and circular economy projects;● Have a real-time monitoring system on waste water discharge;● Build national level green low-carbon city;● Develop green circular economy in Africa to enhance the local ecological protection;● Have Energy Conservation Week in 2012 to advocate low-carbon life.
Anti-corruption	<ul style="list-style-type: none">● corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none">● Combine anti-corruption with strategic transformation, management improvement and cadre team building;● Enhance our decision making mechanism on major issues, major personnel appointment, major project investment, and large amount of capital usage;● Improve our internal control system and internal supervision system that emphasizes onsite investigation and efficacy administration;● Leverage the management improvement project to institutionalize and standardize our anti-corruption system.

GLOBAL REPORTING

INITIATIVE (GRI) INDEX

Note: ● Fully disclosed, ◐ Partly disclosed, ○ Not disclosed, N Not applicable

NO.	GRI Content Index	Extent of Disclosur	Where Reported (Catalog of Report)
1.1	Strategy and Analysis	●	P5
1.2	Statement from the most senior decision-maker of the organization Description of key impacts, risks, and opportunities	●	P5
Organizational Profile			
2.1	Name of the organization	●	P6
2.2	Primary brands, products, and/or services	●	P6-7
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	◐	P9
2.4	Location of organization's headquarters	●	P6
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	●	P20, P60-65
2.6	Nature of ownership and legal form	●	P6
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	●	P7
2.8	Scale of the reporting organization	●	P6
2.9	Significant changes during the reporting period regarding size, structure, or ownership	◐	P20
2.10	Awards received in the reporting period	◐	P15
Report Parameters			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	●	P1
3.2	Date of most recent previous report (if any)	●	P1
3.3	Reporting cycle (annual, biennial, etc.)	●	P1
3.4	Contact point for questions regarding the report or its contents	●	P1, inside back cover
3.5	Process for defining report content	●	P17
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance	●	P1
3.7	State any specific limitations on the scope or boundary of the report	●	P1
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	○	P1
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	●	P1
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisition, change of base years/periods, nature of business, measurement methods)	●	P1
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	○	
3.12	Table identifying the location of the Standard Disclosure in the report	●	P69-P72
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	○	P70-P73

NO.	GRI Content Index	Extent of Disclosur	Where Reported (Catalog of Report)
Governance, Commitments, and Engagement			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	●	P9
4.2	Indicate whether the Chair of the highest governance body is also an executive officer. (and, if so, their function within the organization's management and the reasons for this arrangement).	○	
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	○	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	●	P9
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	○	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	P11
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	●	P9
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation	●	P8
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	○	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	○	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	●	P10-P11
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses	●	P69
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership dues; or Views membership as strategic.	●	P69
4.14	List of stakeholder groups engaged by the organization	●	P16
4.15	Basis for identification and selection of stakeholders with whom to engage	○	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	P16
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	●	P16
ECONOMIC			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	●	P30
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	○	
EC3	Coverage of the organization's defined benefit plan obligations	●	P50
EC4	Significant financial assistance received from government	●	P33
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	●	P50
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	●	P58
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	●	P65
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	●	P57
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	◐	P10
Environmental			
EN1	Materials used by weight or volume	●	P46
EN2	Percentage of materials used that are recycled input materials	●	P46
EN3	Direct energy consumption by primary energy source	●	P46
EN4	Indirect energy consumption by primary source	●	P46
EN5	Energy saved due to conservation and efficiency improvements	●	P46
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	◐	P47

NO.	GRI Content Index	Extent of Disclosur	Where Reported (Catalog of Report)
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	P46
EN8	Total water withdrawal by source	◐	P46
EN9	Water sources significantly affected by withdrawal of water	○	
EN10	Percentage and total volume of water recycled and reused	●	P47
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	●	P47
EN13	Habitats protected or restored	●	P47
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	●	P47
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	○	
EN16	Total direct and indirect greenhouse gas emissions by weight	●	P47
EN17	Other relevant indirect greenhouse gas emissions by weight	●	P47
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	P47
EN19	Emissions of ozone-depleting substances by weight	●	P47
EN20	NOx, SOx, and other significant air emissions by type and weight	●	P47
EN21	Total water discharge by quality and destination	◐	P46
EN22	Total weight of waste by type and disposal method	●	P46
EN23	Total number and volume of significant spills	○	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	○	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	◐	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	P47
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	○	P46
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	○	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	●	P47
EN30	Total environmental protection expenditures and investments by type	●	P47
Labor Practices andDecent Work			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	●	P49
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	◐	P49
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	●	P50
LA4	Percentage of employees covered by collective bargaining agreements	●	P49
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	◐	P50
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	◐	P45
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	◐	P45
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	●	P45
LA9	Health and safety topics covered in formal agreements with trade unions	●	P50
LA10	Average hours of training per year per employee by gender, and by employee category	○	

NO.	GRI Content Index	Extent of Disclosur	Where Reported (Catalog of Report)
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	P51
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	◐	P51
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	P49
LA14	Ratio of basic salary and remunerations of women to men by employee category, by significant locations of operation.	◐	P49
LA15	Return to work and retention rates after parental leave, by gender.	○	
HUMAN RIGHTS			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	N	
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	N	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	N	
HR4	Total number of incidents of discrimination and corrective actions taken	●	P49
HR5	Operations and signifi cant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	N	
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	◐	P49
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	◐	P49
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	N	P52
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	N	P52
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	N	P52
HR11	Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms.	N	P52
Society			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	●	P60
SO2	Percentage and total number of business units analyzed for risks related to corruption	●	P12
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	●	P12
SO4	Actions taken in response to incidents of corruption	●	P12
SO5	Public policy positions and participation in public policy development and lobbying	N	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	N	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	○	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	○	
SO9	Operations with significant potential or actual negative impacts on local communities	○	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	●	P46
PRODUCT RESPONSIBILITY			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	●	P38
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	○	
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	●	P36
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	○	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	◐	P24
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	●	P25
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	○	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	○	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	○	

FEEDBACK FORM

In order to improve Sinochem Group's CRS work, we look forward to your feedback, which will be an important basis for our improvement. We hope to receive your valuable advice on our Report and our work.

Your Information:

Name: _____ Company: _____

Telephone: _____ E-mail: _____

Your Comments:

In your opinion, the Report is:

☐ Very Good ☐ Good ☐ Medium ☐ Bad ☐ Very Bad

In your opinion, the disclosure in the Report's is:

☐ Very Informative ☐ Informative ☐ Medium ☐ Somewhat Informative ☐ Not Informative

In your opinion, the quality of the information disclosure in the Report is:

☐ Very High ☐ High ☐ Medium ☐ Low ☐ Very Low

In your opinion, the structure of the Report is:

☐ Very Good ☐ Good ☐ Medium ☐ Bad ☐ Very Bad

In your opinion, the layout design of the Report is:

☐ Very Good ☐ Good ☐ Medium ☐ Bad ☐ Very Bad

Your thoughts and suggestions on Sinochem Group's CSR work as well as on the compilation and publication of its sustainable development report:

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Mixed Sources
Product group from well-managed
forests, controlled sources and
recycled wood or fiber

此报告采用国际FSC认证
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