

Sustainable Development Report 2011



SINOCHEN GROUP

ABOUT THE REPORT

This is Sinochem Group's second "Sustainable Development Report". The first report was issued in June 2011. Sinochem Group also published a Corporate Social Responsibility Report in April 2007, June 2008, June 2009, and June 2010.

REPORT TIME FRAME

This report covers Sinochem's activities between January 1st and December 31st 2011. In some instances content may reflect activities and data from previous years.

REPORT PUBLICATION CYCLE

This report 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).

REPORT IMPROVEMENTS

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

- Offers comprehensively collected information on Sinochem's approach to CSR management and presents the systematic progress and results of our CSR management activities in 2011 to stakeholders;
- Integrates stakeholder comments on our approach to CSR in an attempt to further increase the transparency and credibility of our report;
- Includes more information than previous years as we have now increased the breadth of our disclosure and the depth of our core CSR indicators to ensure that the report highlights new breakthroughs and developments on CSR at Sinochem while maintaining its traditional features.

DATA SOURCES

The data used in the report are from the company's official documents and statistical reports. The report makes some corrections to the past data. In case of any discrepancy, this report shall prevail.

NOTE ON NAMES USED

For the convenience of expression and reading, "Sinochem Group" in this report is also referred to as "Sinochem", "the company" and "we".

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

As China's economy and social development progresses, corporate social responsibility (CSR) is receiving greater attention and being given a more important role by all social circles in China. Shouldering and fulfilling CSR obligations and effectively managing the impacts of the enterprise on society and the environment are at the heart of China's corporate efforts to achieve sustainable development. The concept of CSR is also in line with the Scientific Development Concept and the Chinese government's call to build a harmonious society.

As a highly market-oriented multinational conglomerate, Sinochem Group provides quality products and professional services to support social production and serve people's livelihoods. We believe that it is our mission to promote a sustainable society and economy. We shoulder and fulfill CSR and try to integrate it into every aspect of our corporate operations. We ensure that our development pattern follows trends in social progress, and we strive to maximize the value that we create for the economy, society and the natural environment.

In 2011 China's "12th Five-year Plan" began. 2011 also marked the beginning of a critical transitional stage in Sinochem's "Third Long March" period. Bearing in mind the requirements and goals set by the State-owned Assets Supervision and Administration Commission (SASAC) to "becoming stronger and better, cultivating a world-class enterprise with international competitiveness", we will continue to seize opportunities, prevent risks, promote development, and steadily implement our strategies to help our business performance and overall strength. We have strategically extended our industrial chain to foster synergies among all aspects of our business and are intensifying our capacity to serve the needs of the country, the people and our clients. We have transformed our development pattern, and enhanced our green competitiveness through technological innovation. We emphasize the importance of safe production by connecting it with the harmony and stability of the nation and society and have taken efforts to build a long-term and effective mechanism for safe production management. We adhere to the "People First" principle, and are committed to increasing employees' value to help the employees realize their individual development. We abide by the philosophy of "adhering to laws, valuing ethics and working for the greater good" and are actively participating in social welfare activities, helping vulnerable and disadvantaged groups, and contributing to the construction of a harmonious society.

Looking to the future, we will continue to be guided by the scientific development concept and grab development opportunities that equip us for future challenges. We will focus on our core businesses, accelerate our strategic transformation, enhance our lean management, and achieve steady, healthy and sustainable development. In this process, we will meet our obligations and commitments as a central State-owned Enterprise (SOE), devote ourselves to creating greater value for the economy, society and the environment, and make even more contributions to the economic development and social progress of China.

Liu Deshu
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 the 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.

Sinochem's core businesses span over energy, agriculture, chemical, real estate and financial service. It is one of China's four largest state oil companies, China's biggest agricultural input company (fertilizer, seed and pesticide), China's leading chemical service company. It also exerts strong influence in real estate and non-banking financial service sector. As a global conglomerate with market orientation, Sinochem's quality product and service is relevant to many aspects of mass economy and people's well being. Its brand enjoys high reputation and acknowledgement around the world.

Sinochem currently owns more than 200 subsidiaries inside and outside China. It controls several listed companies including Sinochem International (SH, 600500), Sinofer (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 is China's earliest entrant in Fortune Global 500 and has entered the list for 21 times, ranking 168th in 2011. Through years of strategic transformation and management overhaul, Sinochem has maintained a sustainable, healthy and rapid development. Sinochem has been rated by SASAC as "top A corporate performance" for 7 years in a row.

Sinochem's vision is to become a respectable company with global influence, making fortune to all the stake holders and the society. Our 40,000 employees will follow the doctrine of "Creating Value, Pursuing Excellence", shoulder social responsibility as a corporate citizen, and adopt scientific development approach to realize sustainable business potency.

Sinochem Basics

| | |
|-----------------------|--|
| Company Name | Sinochem Group |
| Registered Capital | 10.17 billion Chinese Yuan (RMB) |
| Time of Establishment | March, 1950 |
| Asset Scale | RMB 258.19 billion |
| Headquarters | Central Tower, Chemsunny World Trade Center, 28 Fuxingmennei Street, Beijing |

| | Industrial position | Business overview |
|-----------------------|--|---|
| Energy business | Sinochem Group is the fourth largest national petroleum company in China with over 60 years of oil business operations. Sinochem has become a large energy company that has strong international operation, complete industrial chain, and outstanding marketing service capacity, which make us an important emerging power in the energy market of China and worldwide. | <ul style="list-style-type: none"> Sinochem Group's energy business consists of several segments including oil and gas exploration, petroleum refining, crude oil and product oil trading, warehousing and logistics, which are respectively involved in oil and gas exploration and production, development and operation of refining projects, international fuel oil and light oil trading, transportation and domestic sales and distribution, and the construction and operation of warehousing and logistic facilities. |
| Agricultural business | <p>Sinochem Group is the only central-government-owned company that operates the three major agro-inputs, including fertilizer, seed and pesticide.</p> <ul style="list-style-type: none"> Sinofer Holdings Limited (Sinofer for short), the fertilizer flagship of Sinochem, is the largest fertilizer supplier and distributor in China. Sinofer plays an important role in stabilizing the domestic fertilizer supply and facilitating China's agricultural development. China National Seeds Group Corporation (SINOSEEDS for short) owned by Sinochem is a national class seed company in China. With its overall strength taking the lead in China, it is devoted to becoming a company that integrates seed breeding, production and popularization, with number one position in China and top ranking worldwide, promoting the seed industrial upgrading of China. Pesticide business integrates R&D, production and sale, with its overall competitiveness ranking among the top players in China. It is the important force that drives China's pesticide industrial upgrading. | <ul style="list-style-type: none"> Fertilizer business covers a complete industrial chain including upstream resource, R&D, production, distribution and agronomic services. Sinochem Group has a strong foothold in China and obtains high-quality fertilizer resources from the global market, serving domestic agricultural production and contributing to grain security. SINOSEEDS keeps intensifying the core competitiveness throughout the industrial chain by implementing a development strategy integrating R&D, production, and sales. As a result, SINOSEEDS integrates R&D, production, refining, sales and technology service and has become a large seed group with a complete industrial chain and various corps operations. Its business covers the breeding production and refining of seeds of major corps including rice, corn, wheat, vegetables and oil plants. The crop protection business scope covers R&D, Active Ingredient production, pesticide formulating and repackaging, product registration, and brand marketing, among which we are taking the lead in the proprietary pesticide development in China. We own two national crop protection R&D platforms, namely the Shenyang Research Institute of Chemical Industry (SYRICI for short) and Zhengjiang Research Institute of Chemical Industry (ZCIRI for short). Our crop-protection product lines include pesticides, fungicides, herbicides, and plant growth regulators, covering over 40 active ingredients. We have many products registered overseas, enjoying good market in South America, North America, EU and the Asia-Pacific region. |
| Chemical business | Sinochem Group's chemical business is developed on the basis of the international trade and circulation service for chemical products, and has built relative strong competitiveness on fluorine chemical, natural rubber, chemical logistics, petrochemical feedstock and pharmaceutical business. We have become the leading comprehensive service provider for chemical products in China, and is playing a constructive role in promoting the technological upgrading and the safe, green, harmonious development of chemical industry. | <ul style="list-style-type: none"> In the fluorine chemical business, Sinochem has formed a complete industrial chain comprising of resources 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 have also enjoyed the leading market share for more than 10 products including HFC-134a. Sinochem enjoys 60 years of history engaging in natural rubber business, involved in plantation, processing, distribution and other value-added services in a global consolidated basis. The natural rubber processing capacity enjoys the largest market share in China and the second largest share around the world. Sinochem International keeps its position as China's leading petrochemical logistic service provider. Our business covers such areas as shipping, tank container multimodal transport, freight forwarding and warehousing, terminal and depot service etc. We also own the largest hazardous chemical fleet and ISO tank lorries in China with the strictest safety standard, providing multiform, highly efficient and low-cost aggregate logistics services for our clients. In the meantime, our environment, health and safety (EHS) standard, becomes one of the world leading companies with respect to EHS management. Sinochem is specialized in petrochemical feedstocks trading. We take the lead in commodity chemical trade, and provide an all-round professional marketing service for our clients through international trade, professional marketing and lean management. Sinochem has maintained its leading position for China's export of pharmaceutical intermediate and API. Meanwhile, Sinochem has continued its effort on strengthening its capability on the sector's R&D, production and circulation. |
| Real estate business | Sinochem Group is one of the central government-owned enterprises that have been ratified by SASAC to take hotels and real estate development as their main business. It is the leading developer and operator of high-end commercial real estates in China. | <ul style="list-style-type: none"> Our Hongkong-listed subsidiary Franshion Properties sticks to its business strategy of "delivering upscale products", and focuses on the first-tier cities, the central second-tier cities and well-known tourist resorts. Its core business includes the development and operation of urban complex, first-rate office space, and upscale hotels. It is the scale of the upscale office buildings and hotels it holds and its operation efficiency all rank among the top players in China. |
| Financial business | Sinochem Group is a leading non-bank financial services provider in China. | <ul style="list-style-type: none"> Sinochem's financial service business spans across financial leasing, trust, securities investment fund, life insurance, corporate finance, futures etc. We have basically formed a business magnitude with almost all the financial business licenses except banking. Sinochem enjoys a good reputation with highly recognized brands such as Far Eastern Horizon, FOTIC, Lion Fund, Manulife-Sinochem etc. We have been keeping on improving our profitability and risk management. |

Corporate Strategy and Governance

Our Vision

- To become a great company with world-wide status and respect

Our Mission

- To become a role model of technological advancement, resource conservation and environment protection
- To become a strong force propping up the national energy security, agriculture security and chemical industry's upgrading
- To become a responsible corporate citizen with world-wide status and respect

Corporate Philosophy

- Creating value, pursuing excellence

Corporate Governance Structure

We regularly upgrade our operational mechanisms, rules, and regulations according to modern requirements to improve our corporate governance and facilitate the company's sound and steady development.

We adhere to the principles of collective decision-making and democratic centralism to improve our decision-making mechanisms and to promote scientific and democratic decision-making within the organization. Our top executives at the group level are responsible for different segments of our business and different functional departments. We leverage and continuously improve the Party Committee Meeting system and President's Meeting system. The Party Committee Meeting is responsible for deciding major company issues concerning political requirements and key changes to our business scope and key management. The President's Meeting decide and supervise the implementation of the company's strategy and management of our operations. We also have specialized committees that are responsible for specific work and make proposals and suggestions for big events or projects.

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."

- "One Ability"—the ability to develop in a sustainable way
- "Two Fundamentals"—internal management, external expansion
- "Three Links"—resources, technology and market
- "Four Pathways"—innovation, integration, M&A, collaboration
- "Five Key Areas"—energy, agriculture, chemical, real estate, financial service

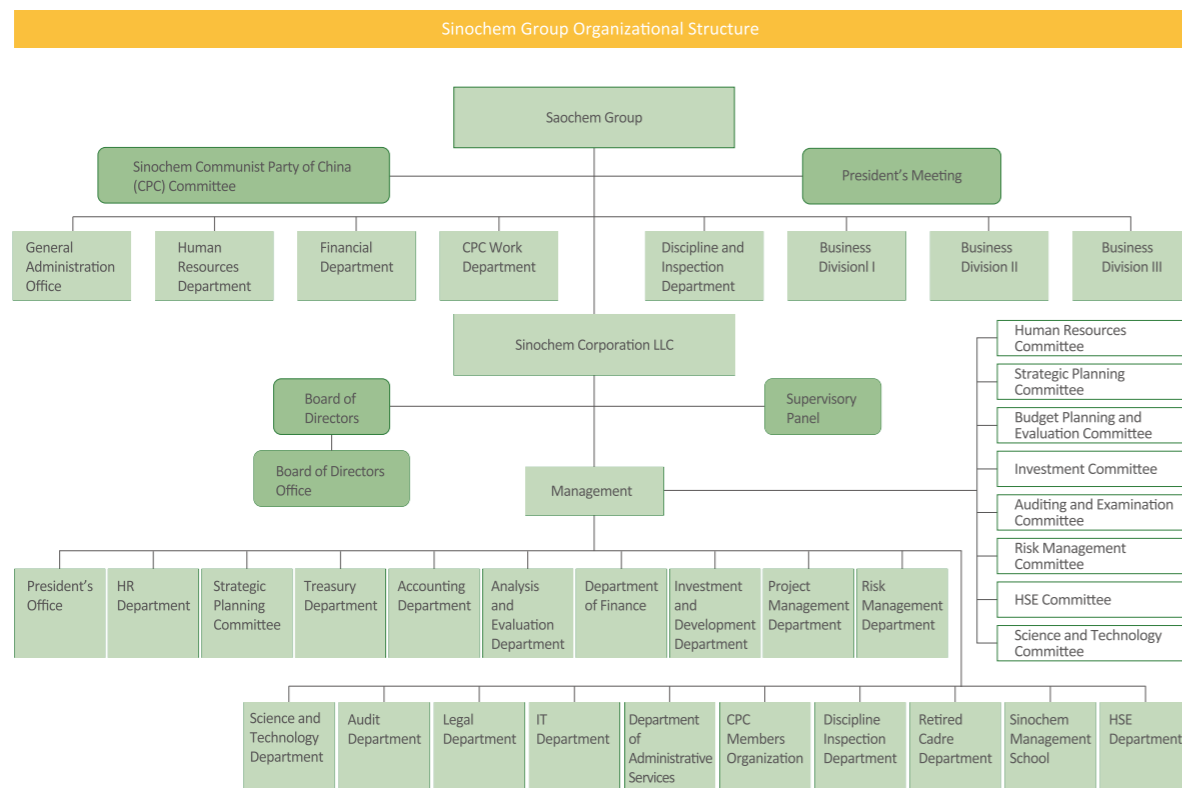


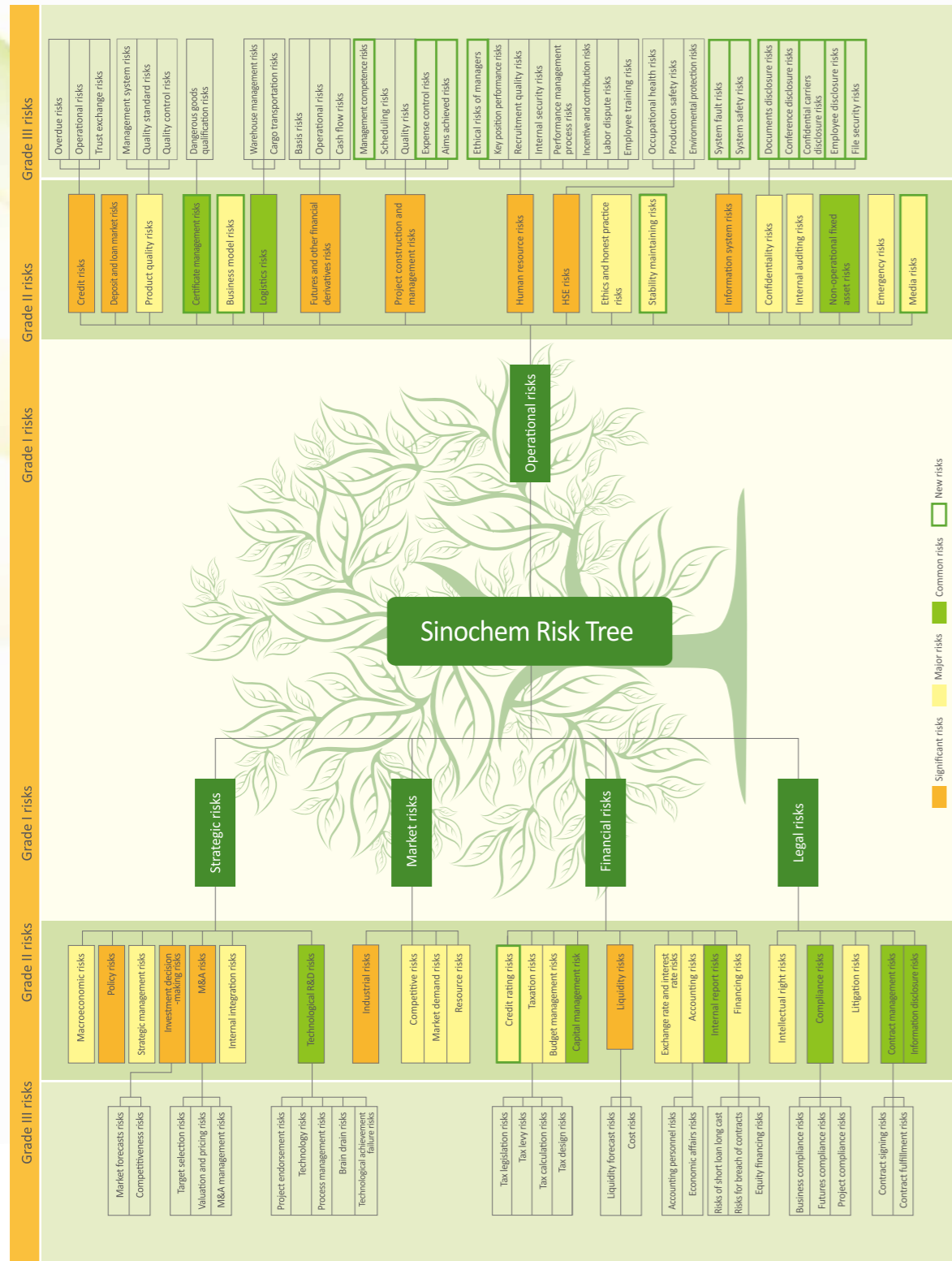
Promoting Comprehensive Risk Management

Facing severe market competition and pressure from the implementation of our market transformation strategy, we views risk management as extremely important and are building a comprehensive risk management system to improve our risk management organizational systems, reporting, and information systems. We are also cultivating a culture of risk awareness. We have embedded our risk management philosophy into our accident prevention, accident control, and post-accident evaluations and processes.

In 2011, when faced with a more severe and riskier environment than the 2008 financial crisis, we remained committed to our "third entrepreneurship" business goal, and continued to be guided by the *Guidance on Overall Risk Management of Central Enterprises* issued by SASAC of the State Council. We did this to fully carry out our group-wide risk identification. In the process we categorized nine types of risks including policy risks, investment decision-making risks and market risks, and defined those responsible for risk management.

- We will follow the principles of exceptional management, implement a regular monitoring mechanism for major risks, release timely risk warnings, develop classified management and dynamic risk monitoring, and improve security by using our information security tools.
- We will implement a tighter risk management strategy, strengthen the supervision and management of key units and major risks, and inspect and supervise the implementation of our major risk management solution. We will promote the integration of our internal control system with our comprehensive risk management system, and strive to establish a risk-oriented internal control system.
- By means of information, we have developed and improved a risk management information system, further expanding its coverage of risk monitoring and improving the accuracy of data acquisition, strengthening the timeliness of our report, establishing a smooth information collection process between headquarters and other business units, and improving our risk monitoring and the speed of our risk-related solutions.
- We are focused on cultivating a risk management culture, establishing and improving our internal risk evaluation mechanism, and effectively connecting our comprehensive risk management system with our punishment and prevention system.
- We will continue to improve our organizational risk management structures by examining other established systems and procedures and regularly supervising and inspecting our own processes, as well as actively promoting the establishment of a risk management system that strengthens risk management in a systematic, targeted and effective way in order to improve our management competence and ensure our business quality and the safety of our capital.





Enhance Anti-Corruption Education and Tighten Anti-corruption Measures

We combine our prevention and punishment system with our internal control system and will continue to strengthen the construction of our discipline inspection network. We will also finalize discipline inspection departments and team building activities in our second-tier subsidiaries. We are enhancing our anti-corruption education and supervision system, and are committed to leveraging onsite inspections to improve all aspects of our anti-corruption.

- Sinochem Group complies with the CPC Anti-corruption Responsibility Regulations, and works hard building an accountability system across all levels of the company. We classify accountability at different levels and for different people, and evaluate specific responsibilities at all levels. By doing so, we have established a uniform anti-corruption system that operates smoothly and ensures all business areas are covered and improved.
- We focus our attention on onsite inspections and the supervise compliance issues and chief leaders in key units. The company is working hard to improve its discipline inspector supervision system. In our Quanzhou Petrochemical Refining Project, we have stationed an inspector and have dispatched a circuit inspection team from headquarters. The system aims at tightening our inspection and supervision process, eliminates loopholes, and regulates unit leads' power by enhancing their awareness of anti-corruption issues.
- We have established anti-corruption monitoring at all levels of management. Each unit or subsidiary has its own education and publicity system. In addition to organizing education activities for key projects and core managers, the Discipline Inspection Department of the Headquarters instructs units on anti-corruption in order to reach all employees and increase their anti-corruption awareness on day-to-day work matters.
- We continue to uphold our approach to comprehensive management, combat corruption at the source, improve long-term and effective mechanisms that ensure that we can effectively recognize and prevent corruption in its early stages. We have established prevention and punishment systems by decomposing, implementing, inspecting, communicating, improving and intensifying the implementation of target tasks as well as the construction of our operational mechanism.

Sinochem group's major anti-corruption measures and results in 2011

| | |
|---|-------------------------|
| Developed efficacy supervision programs | 131 activities |
| Group-level executives signed 2011 CPC Anti-corruption Letter of Responsibilities | 13 signatures |
| General managers of Sinochem subsidiaries signed 2011 CPC Anti-Corruption Letter of Responsibilities | 44 signatures |
| Key managers signed 2011 CPC Anti-Corruption and Self-Discipline Commitment Letter | 237 copies |
| Discipline Inspection Department of Sinochem Group gave opinions on the appointment and removal of key managers | 66 times |
| Conducted anti-corruption training for new employees | 9,162 employees trained |
| Conducted anti-corruption and self-discipline training and education across the Group | 144 times |

CSR Management

CSR STRATEGY

We believe that CSR is in our genes. Our managers understand that CSR is an important competitive advantage and must be integrated into the company's mission, culture, and values. Corporate citizenship is embedded in the operations and management of our various business segments, and we practice CSR when communicating and cooperating with all stakeholders. We also facilitated an organic combination of CSR that is in line with the operations and management of the company.



- Sinochem's CSR Genes
- Three Thorough Integrations
 - Integration with our values, mission, and vision
 - Integration with our various segments of business operations
 - Integration with our cooperation between Sinochem and its stakeholders
- Five CSR Goals
 - To provide good returns and generate capital for its shareholders and the State
 - To win the trust of clients by conducting mutually-beneficial cooperation
 - To become a company that people love to work for by caring its employees and growing with them
 - To achieve sustainable development by protecting environment and conserving energy
 - To command respect from society by adhering to laws, valuing ethics and working for the greater good

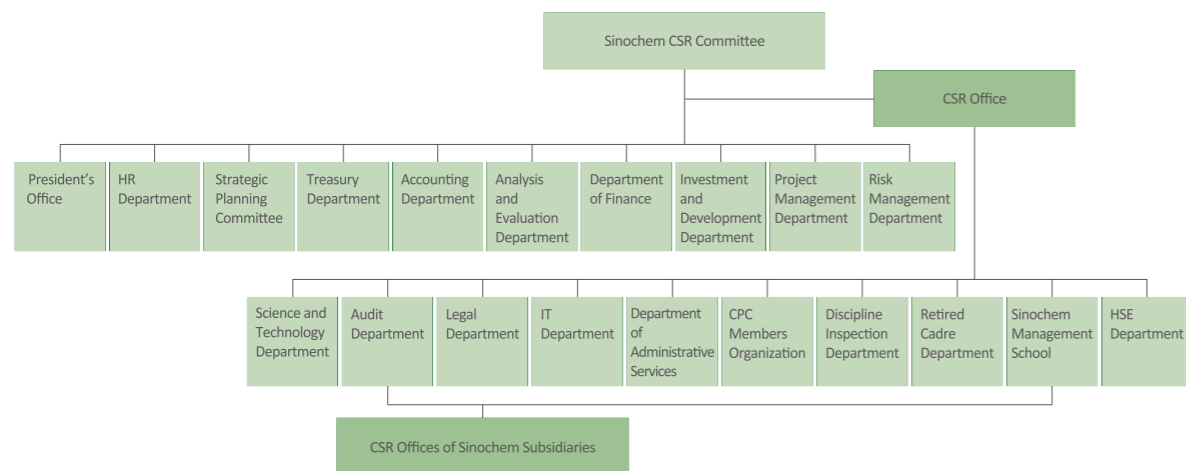
CSR MANAGEMENT SYSTEM

Sinochem Group values CSR and has established a CSR management system in its headquarters and subsidiaries in order to embed CSR management into our day-to-day operation.

We have established a CSR Committee to administer the CSR work of the entire Group. The Committee is responsible for reviewing CSR plans and management mechanisms and discussing major CSR items. It consists of senior executives and heads of functional departments. Under the Committee, a CSR Office is in charge of management systems, CSR planning, organizing CSR activities and our external CSR exchanges and communication, as well as compiling and publishing the Sinochem Sustainable Development Report.

We continue to strengthen our communication with our stakeholders. We have established a CSR column on our website and release an annual sustainable development report. We have enhanced our disclosure of CSR work, and are committed to building a positive and interactive relationship with our stakeholders. By analyzing those concerns that are of value to our company and our stakeholders, we can better identify future key issues and more effectively meet stakeholder expectations.

We are also actively promoting our subsidiaries' CSR work. Sinochem International and Sinofert have published CSR reports for many years, and will continue to do so in the future. Other subsidiaries are also preparing to compile CSR reports.



Key CSR Items Related to Our Stakeholders

Sinochem Group is incrementally improving its communication mechanisms with its stakeholders, establishing new methods of communication, identifying key CSR topics, and actively responding to the expectations and demands of all stakeholders.

| Key CSR Items Related to Our Stakeholders | | | |
|--|-------------------------------|--|---|
| CSR goals | Stakeholders | Expectations and demands | Communication and action |
| To provide good returns and generate capital for its shareholders and the State | Government | <ul style="list-style-type: none"> Comply with all laws; Serve the development of China's economy and people's livelihoods. | <ul style="list-style-type: none"> Tax compliance; Report our work regularly; Participate in policy research and government planning. |
| | Shareholders | <ul style="list-style-type: none"> Increase profitability; Optimize our corporate governance structure; Fulfill information disclosure obligations; Ensure value preservation and increase state-owned assets. | <ul style="list-style-type: none"> Hold general meetings with shareholders; Report our work regularly; Publish annual reports. |
| To win the trust of clients by conducting mutually-beneficial cooperation | Clients | <ul style="list-style-type: none"> Abide by business ethics; Improve service quality; Provide marketing support services; Meet diverse demands. | <ul style="list-style-type: none"> Collect clients' advice and suggestions; Address clients' complaints; Conduct client satisfaction surveys. |
| | Partners/ suppliers/ industry | <ul style="list-style-type: none"> Promote fair competitions; Promote upgrades to industry technology; Improve industry management levels; Extend the industrial chain and explore new service areas. | <ul style="list-style-type: none"> Enhance R&D capacity; Conduct supply chain management and collaboration activities; Participate in industrial development forums. |
| To become a company that people love to work for by caring its employees and growing with them | Employees | <ul style="list-style-type: none"> Offer fair remuneration and employee benefits; Highlight career development and training; Create a good working environment. | <ul style="list-style-type: none"> Hold Staff Congress meetings; Organize employee training and collect feedback; Collect and study employees' advice and suggestions. |
| To achieve sustainable development by protecting environment and conserving energy | Environment | <ul style="list-style-type: none"> Make the best use of resources; Conserve energy and reduce emissions; Develop a low-carbon economy; Optimize HSE management. | <ul style="list-style-type: none"> Keep in touch with environmental protection authorities and NGOs; Study and exchange good practices inside and outside China; Improve production process. |
| To command respect from society by adhering to laws, valuing ethics and working for the greater good | Public/Community | <ul style="list-style-type: none"> Participate in socially-beneficially activities; Serve community development. | <ul style="list-style-type: none"> Keep in touch with related government departments and important NGOs. |

CSR Honors

- As one of the four model SOEs, Sinochem gave a speech at the 2011 CSR work meeting convened by SASAC. The report submitted by Sinochem, themed, "building an integrated agro-inputs service system, protecting the national agricultural security" received the "2011 Excellent Practice Award of Central Government-Owned Enterprises".
- Sinochem was named a Leading Enterprise in the "2010 GoldenBee CSR China Honor Roll".
- The 2010 Sinochem Sustainable Development Report was granted the "Excellent Central SOEs in CSR Delivery" as well as the "GoldenBee 2011 Excellent CSR Report—Leading Enterprise" award.



Sinochem's CSR Matrix

| Responsibility Characteristics Field | 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 social progress |
|--------------------------------------|---|--|---|--|---|
| The Group | <ul style="list-style-type: none"> Bearing in mind the goal of "becoming a satisfactory company to the country", Sinochem is protecting the national energy and agricultural security, promoting technological progress, and improving people's livelihoods. | <ul style="list-style-type: none"> Expand our service content; Improve our service system; Enhance our ability to serve customers. | <ul style="list-style-type: none"> Improve HSE management; Build a long-term mechanism for safe production; Conduct green competitiveness strategy. | <ul style="list-style-type: none"> Protect employees' rights; Encourage employees' participation in the democratic management; Enhance employees' sense of belonging. | <ul style="list-style-type: none"> Organize poverty alleviation activities; Make donations to improve medical care and education systems; Pursue cooperation and win-win results; Be active in social welfare activities. |
| Energy | <ul style="list-style-type: none"> Shoulder our responsibility to build the national strategic oil reserve; Supply oil and gas resources to support national economic and social development; Construct energy industrial chain; Provide stable diesel and gasoline. | <ul style="list-style-type: none"> Enhance oil trade service at home and abroad; Improve petrochemical Storage & Logistic service; Complete sales service network for end customers. | <ul style="list-style-type: none"> Conduct life cycle HSE management to exploration projects; Integrate clean production philosophy into the entire project management process, and provide clean energy; Enhance our HSE management capacity of our gas station contractors. | <ul style="list-style-type: none"> Organize parent-child activities. | <ul style="list-style-type: none"> Facilitate the local economy; Support local community development at the location of our oil fields; Provide training for managing teams of Arabian oil fields. |
| Agriculture | <ul style="list-style-type: none"> Guarantee the fertilizer market supply; Enhance R&D in the seeds sector; Develop and promote green pesticides. | <ul style="list-style-type: none"> Optimize the service system for agriculture, rural areas and farmers: Establish scientific fertilization service system; Provide satisfactory seed sales services; Extend pesticide service system. | <ul style="list-style-type: none"> Provide soil testing technology to reduce fertilizer pollution; Develop green fertilizers; Create green pesticides; Fertilizer producers conduct energy saving and emission reduction. | <ul style="list-style-type: none"> Implement workers' congress system; Provide integrated training; Hold speech contests. | <ul style="list-style-type: none"> Carry out caring student welfare activities; Improve medical care conditions in rural areas; Donate to build health care stations in villages. |
| Chemical | <ul style="list-style-type: none"> Provide fuel commodities and clothing raw materials for textile and garment manufacturing industry; Food additives production; Provide energy-efficient building materials; Provide raw materials including rubber and plastics for auto industry; Establish a global anti-infective drugs joint venture. | <ul style="list-style-type: none"> Enrich fluorine chemical product varieties; Provide overall rubber services; Provide liquid chemical logistics with supreme safety standard; Provide plastic service adhere to customer's needs. | <ul style="list-style-type: none"> Establish system for security fee extracting; Adopt advanced enzymatic method technology; Promote high efficiency exploration and utilization of mineral resources; Conduct R&D for ODS substitute: HFC-134a; HFC-245fa foaming agent production. | <ul style="list-style-type: none"> Organize an employee representative congress. | <ul style="list-style-type: none"> Promote the development of the fluorine chemical industry; Support chemical products to go global. |
| Real estate | <ul style="list-style-type: none"> Forge high quality real estates. | <ul style="list-style-type: none"> Provide considerate property services. | <ul style="list-style-type: none"> Advocate green building concept; Promote energy efficiency in buildings; Conduct energy performance contracting; Carry out carbon neutralization project. | <ul style="list-style-type: none"> Organize training. | <ul style="list-style-type: none"> Make donations to schools. |
| Finance | <ul style="list-style-type: none"> Provide financial leasing for medical equipments; Provide financial leasing for educational equipments. | <ul style="list-style-type: none"> Provide financial leasing services for industrial development; Provide trust services with strict adherence to trustee's intention; Provide overall high-quality tendering service. | <ul style="list-style-type: none"> Provide financial leasing services for hydropower projects, wastewater treatment enterprises and water supply enterprises. | <ul style="list-style-type: none"> Optimize our remuneration scheme; Launch the "nursing bottle scheme". | <ul style="list-style-type: none"> Set up the Far Eastern Horizon Medical Care Management Institute; Initiate "Far East Horizon Charity Fund"; Donate for school established for blind children; Organize the "CSR Promise Day" activity. |

Safeguarding National Energy Security

As China's fourth largest national oil company, Sinochem Group contributes meaningfully to the creation a diversified national oil supply system. The company leverages its resource advantages and its specialized operational experience to supply oil and gas products that are needed in China's economic and social progress, playing an increasingly important role in both the domestic and overseas markets.



Serving the National Economy and People's Livelihoods for Mutual Prosperity

As a central SOE, Sinochem Group is dedicated to creating value for the country and society. We focus on the energy, agriculture, chemical, real estate, and financial sectors as these are closely related to the prosperity of the national economy and people's livelihoods. Through our approaches to the internal management works including lean management, technological innovation, and IT development, we ensure that we grow better and stronger, protect national energy and agricultural security, promote the chemical industry, and improve people's livelihood.

Major Indicators for Sinochem Group's Energy Business

| Year | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-------|-------|-------|-------|-------|
| Crude oil trading volume (million MT) | 36.84 | 37.46 | 48.02 | 52.53 | 55.61 |
| Equity oil and gas production (million barrels of oil equivalent) | 7.27 | 9.77 | 13.74 | 17.74 | 22.01 |
| Light oil sales (million MT) | 3.82 | 3.08 | 4.61 | 4.12 | 4.28 |
| Oil storage capacity(million cubic meters) | 1.93 | 2.50 | 2.91 | 4.34 | 6.35 |
| Oil refining capacity (million MT) | - | - | - | 5.00 | 8.34 |

By focusing on both domestic and overseas markets, and protecting national energy security while enhancing the company's approach to sustainability, we are rapidly transforming our industrial layout, pushing forward with key projects, continuing our specialized operations, promoting the coordinated development of all aspects of our oil sector operations and enhancing their scale and capacity, and contributing to people's livelihoods.

In 2011, we extended our upstream and downstream operations in the oil sector, further developed key aspects of our oil industrial chain (from exploration, production, storage and refining, to oil and gas distribution and retail), enhancing our strength and ability to safeguard national energy security.

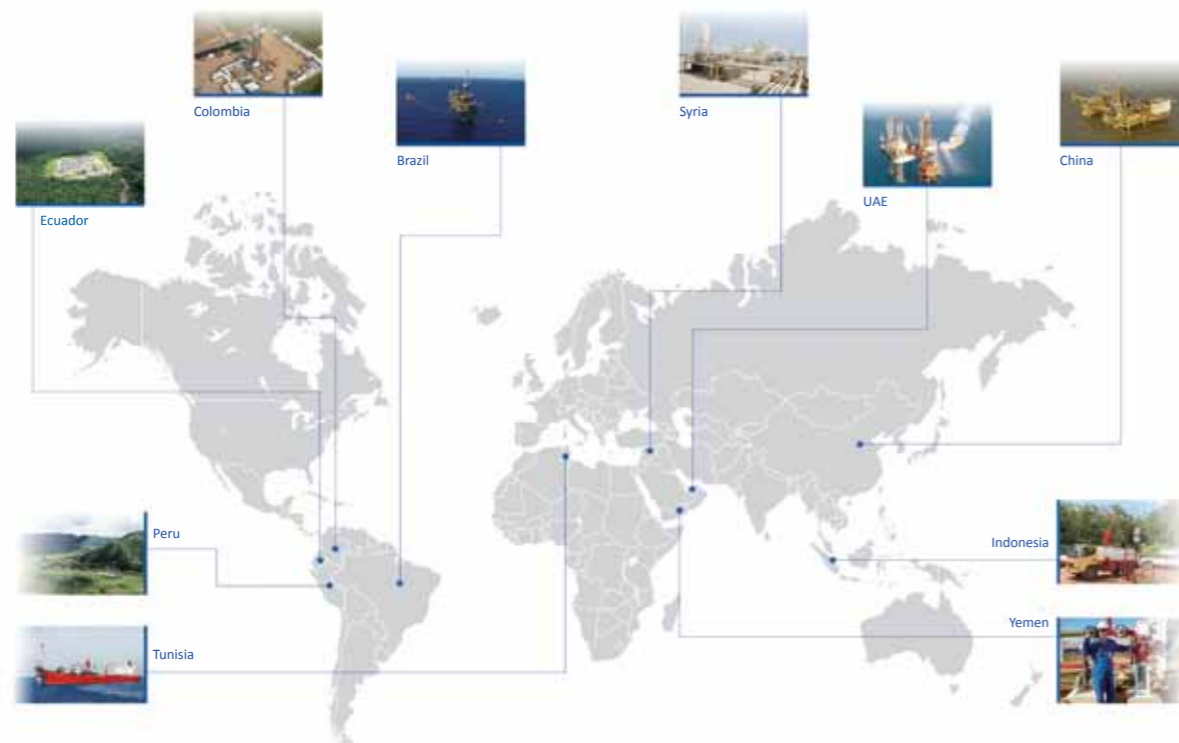
In oil and gas E&P, Sinochem is following the nation's "Going Global" strategy, enhancing support ability of scarce resources and is actively exploring project opportunities in addition to intensifying its management capacity. We are accelerating the pace of our oil and gas exploration, increasing our reserves and production, and enhancing our oil and gas asset base and sustainability.

- Sinochem delivered the Peregrino Project in Brazil, ensuring that daily peak production surpasses 77,000 barrels;
- Sinochem acquired 10% equity interest in five deep-water blocks in the Espirito Santo Basin, offshore of Brazil;
- In the Ombu Block of the Colombia project, Sinochem discovered bedrock oil-bearing layers, and is now further identifying the reserves;

- In Syria 26 Block, a major exploration breakthrough increased Sinochem's recoverable crude oil reserves by 7.9 million barrels and its national gas reserves by 31 billion cubic feet;
- A material discovery was made in the southern part of the Peregrino offshore oil field in Brazil, which is estimated to increase Sinochem's equity in recoverable oil reserves by 60 to 120 million barrels.

Sinochem continues to optimize its crude oil trade structure and is enhancing its core competitiveness. As a result, the company's total volume of crude oil and refined oil products has reached 60 million MT, and has a 1:1.2 ration of import and entrepot trade.

- Sinochem used its integrated operation inside and outside of China to play a constructive role in importing diesel to ease the 2011 diesel supply contraction in China;
- Sinochem enhanced the conditions for transporting crude oil by acquiring Tepma B.V. in Holland, a fully-owned subsidiary of TOTAL, and obtained its equity in the Cusiana field in Colombia and its interests in the OAM and ODC pipelines.

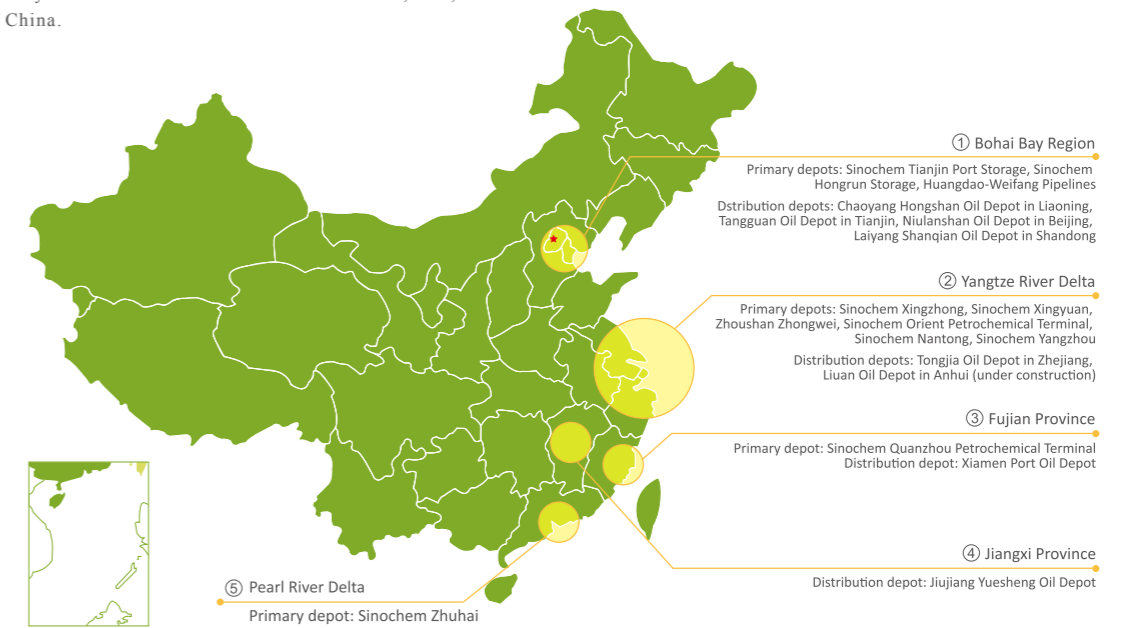
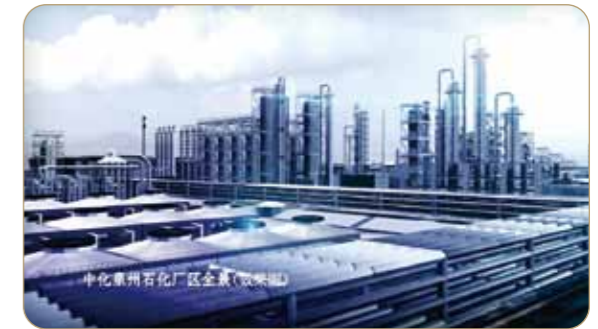


In terms of the oil refining sector, we are focused on developing our own refining capacity. Our Quanzhou Petrochemical project has 12 million MT capacity per annum and is located in Fujian province. The project has been included as a key national refining project and will be finished and put into production during the "12th Five-Year Plan". We plan to build the project into a "world-class" refinery. In 2011, the project achieved a major breakthrough when the Ministry of Environment Protection officially approved the Environment Assessment Report.

We have built several bases for crude oil and refined oil storage and transit along coastal and riverside areas. Our storage capacity, including operational and under construction bases as well as those under our management, is now 25 million cubic meters, while our petrochemical storage and logistics network covers the Yangtze River Delta, the Pearl River Delta, and Bohai Bay area. In 2011, the Phase II project of Tianjin Port Storage Base went into production, while construction the Phase II of the Sinochem Nantong, Phase IV of the Sinochem Orient Petrochemical Terminal, and Phase III of the Sinochem Zhuhai all contributed to the strategic landscape of Sinochem's oil storage business.

- A feasibility report for the expansion of the Zhoushan National Oil Reserve Base was approved by National Development and Reform Commission (NDRC) and is expected to support the national commercial oil reserves and to enhance the role Sinochem plays in protecting national energy security.

In terms of oil and gas distribution and retail, we are developing distribution depots for refined oil and our gas station network to provide hardware facilities and acquire operational licenses for our distribution business. We are also exploring markets in Shandong, Shanxi, Anhui, and Jiangxi provinces, and have already created a network that covers the north, east, and south of China.



Location of Sinochem's Oil Storage Bases

Protecting National Agricultural Security

Agricultural inputs are the material base for agricultural production and are key factors for ensuring growth in agricultural production. As the only central government-owned SOE engaged in input fertilizer, seed, and pesticide, Sinochem Group has responsibility to facilitate China's agricultural development and safeguard national grain security. We are therefore committed to becoming the largest company in China in this field, and a leading service provider for global agricultural inputs. We will achieve this so that we can meaningfully contribute to the agricultural development and grain security of China and the planet.



Stabilizing the Supply of Fertilizer Products

Sinochem is the largest fertilizer supplier and distributor in mainland China. While we are based in China we acquire quality fertilizer resources globally to provide services for our domestic agricultural production. We implement a business model that stresses the "integration of mineral fertilizer, the integration of fertilizer and chemicals, the integration of production and distribution, and the integration of product and service". Our business stretches the entire industrial chain from resource development, R&D, production, import and export, and distribution and retail, to agronomic services.

| Fertilizer industrial chain | Specific steps |
|-----------------------------|---|
| R&D | <ul style="list-style-type: none"> Drafted the R&D Development Plan for Sinofert during "12th Five-year Plan" period, completing our R&D management system; Launched 9 R&D projects with earmarked capital of RMB 7.82 million. |
| Production | <ul style="list-style-type: none"> We control or participate in 13 fertilizer companies, and our total production capacity exceeds 10 million MT per annum; We reserve urea, DAP, potash, and composite fertilizer in slack seasons for the country. |
| Distribution | <ul style="list-style-type: none"> We have strengthened our capacity to acquire potash, phosphate, and composite fertilizer resources to guarantee the supply of fertilizers that are in shortage in China; We have 17 subsidiaries, 2,100 distribution outlets, and more than 140 joint-venture stores, which contribute to a distribution network that covers 95% of the arable land in China; We have established a safe, convenient and cost-effective agricultural material circulation system; We are building an agronomic service system that includes an agrochemical knowledge dissemination system, an onsite fertilization instruction system, and a soil testing and formula fertilization system in order to offer a wide-spectrum of services for farmers. |

Major Indicators for Sinochem's Fertilizer Business Operation

| Year | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------------------------|-------|-------|-------|-------|-------|
| Total capacity (million MT) | 7.85 | 10.16 | 10.34 | 10.34 | 10.34 |
| Total sales volume (million MT) | 15.16 | 16.22 | 15.23 | 15.51 | 16.46 |
| Total distribution outlets | 1,672 | 2,010 | 2,036 | 2,106 | 2,110 |

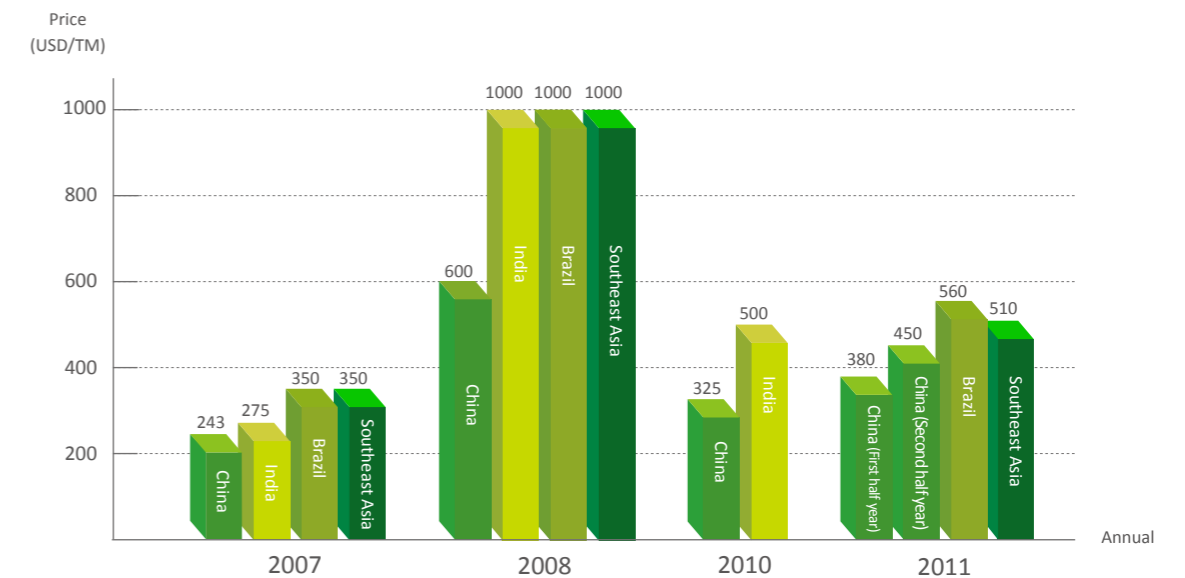
According to tests in China, the fertilizer contribution ratio for grain production is 1:7.5 (that is every kilogram of pure fertilizer can increase grain production by 7.5 kilograms). Based on our 2011 sales volume of 16 million MT (including pure fertilizer about 0.74 million MT), we calculate that we have increased national grain production by more than 110 billion kilograms.

Case: Maintaining a Relatively Low Price for Potash Import
Sinochem Group is actively developing and consolidating its strategic alliance with international suppliers. In order to protect the interests of Chinese farmers, we have, together with other state-owned fertilizer companies, set up a potash import negotiation mechanism that is guided by the government and coordinated by industrial associations". We have taken a leading position in this mechanism. Our efforts have maintained a relatively low price for potash CIF compared with other countries or regions of the world despite the fact that global potash price has been surging since 2006. This has helped reduce the cost of fertilizer for companies and lessened the burden on Chinese farmers.

Case: Ensuring Efficient Fertilizer Transportation and Delivery
Sinofert has been working on increasing its fertilizer transportation efficiency to guarantee its market supply:

- In terms of imported fertilizers, Sinofert uses trucks and ships to transport products directly from the ports, increasing the efficiency of its port operations and the turnover ratio of railway transport, and ensuring that imported fertilizers are smoothly transported.
- As for the cross-region transportation of nitrogen and phosphate, Sinofert is enhancing its resources acquisition, storing product reserves during slack season in order to release its supply during the peak season, and making full use of railway transportation capacity in order to guarantee the timely delivery of its supply.
- In the area of potash outflow from Qinghai and Xinjiang, Sinofert avoids using the railway during peak hours to ensure that smooth transportation is maintained.

CIF of the potash imported from some countries or regions to China



Note: In 2009, Sinochem did not sign import contracts with suppliers due to price inconsistencies.

Protecting National Seed Security

The seed industry is an important, foundational and strategically vital industry for China. Its security is related to national grain and agricultural security and it is connected to the vital interests of the Chinese people, especially Chinese farmers. Sinochem Group is the only central government-owned SOE that focuses on crop seed operations as part of its core business. SINOSEEDS, the seed flagship of Sinochem, is striving to build a national-grade seed company to enhance its seed breeding R&D and promote the interaction between companies, research institutes and universities, and it is actively participating in M&A. We are also enhancing the construction of our seed production bases, increasing our competitive advantages throughout our industrial chain, offering advice and suggestions to enhance industrial development, and promoting the stable development of China's agricultural sector while safeguarding national grain security.

| Seed industrial chain | Specific steps |
|-----------------------|--|
| R&D | <ul style="list-style-type: none"> The construction of the China Seed Life Science and Technology Center is progressing well and the center continues to conduct R&D; SINOSEEDS has acquired certification for 28 proprietary developed corn lines and 31 rice lines, and a PVP for 12 varieties. It has also filed PVP applications for nine hybrids and parent lines, and has built eight breeding stations and 87 selection and testing networks; SINOSEEDS has worked with specialized universities to create the first rice genome array chip in the world; SINOSEEDS took the lead setting up the Strategic Alliance for Seed Technology Innovation of China, and launched a technological supporting scheme for the national "12th Five-Year Plan". |
| Production | <ul style="list-style-type: none"> SINOSEEDS has established five production base belts, covering an area of 40,000 hectares; SINOSEEDS has also set up 12 modern seed processing and storage centers, with a production and processing capacity of 190 million kilograms per annum. |
| Distribution | <ul style="list-style-type: none"> SINOSEEDS has deepened a strategic cooperation agreement with Monsanto by establishing a strategic partnership with Saminus, a subsidiary under Monsanto and the world's largest vegetable seed company; SINOSEEDS has set up 22 provincial-level distribution branches across China, covering all major agricultural counties in key grain and oil production provinces; SINOSEEDS rolled out schemes like the "One Technology Lead on One Village" and the "Coupon for Quality Seeds" in more than 1,000 villages in major agricultural counties, meeting farmers' demand for agronomic service in the process. |

Case: Strategic Alliance for Crop Seed Technology Innovation of China
SINOSEEDS has partnered with 51 first-rate research institutes, agricultural universities, central companies, and industrial associations to establish the Strategic Alliance for Crop Seed Technology Innovation of China. The Alliance cooperates with stakeholders and makes the best of its strengths in the industrial chain. It also conducts projects on a range of new breeding and bio-tech research, and participates in major government R&D projects. It is intensifying its capacity in the commercialization of research results. It strengthens technological communication and industrial cooperation with domestic seed companies, promotes the upgrading of China's seed industry, and is providing product quality guarantees and technological support for the sustainable development of the Chinese seed sector.

Case: SINOSEEDS Rated as AAAC Grade Company by Dagong Global Credit Rating Company

SINOSEEDS took the initiative to accept the evaluation and monitoring of creditable third-party rating agencies, aiming at increasing its capacity for seed supply and risk resistance. In 2011, it received the first AAAC grade rating in seed industry, fully demonstrating its capacity and strength for promoting seed industry upgrading, and becoming a role model for the healthy and organic development of Chinese seed industry. As stated in the *Rating Report of China National Seed Group Corporation*, SINOSEEDS is the champion enterprise in China's industrialization process of the agricultural sector. SINOSEEDS has set up relatively complete and strong R&D system. The company adopts a seed production model of "company-base-farmer household". It has large breeding bases, automatic seed processing facilities, and extensive distribution and service network.



Developing and Popularizing Environmentally-Friendly Pesticides

As a leading domestic and international pesticide company that integrates R&D and production and distribution, Sinochem Group is intensifying its strength in trade and enhancing the development of its industrial chain. We have established an industrial chain that includes "new product development—AI production—preparation processing—distribution network and channel construction—technology promotion and service". This provides safe, highly efficient, green pesticides and thoughtful service, and will facilitate China's agricultural development. In 2011, Sinochem International formed a strategic cooperation agreement with the Jiangsu Yangnong Chemical Group to enhance its overall competitiveness of the pesticide business.

| Pesticide industrial chain | Specific steps |
|----------------------------|---|
| R&D | <ul style="list-style-type: none"> Sinochem has two national-grade pesticide development platforms, namely SYRICI and ZCIRI and is taking the lead in pesticide development; Sinochem has the only R&D system in China that has design and synthesis of new compounds, biological activity screening, safety assessments, preparation processing, and production processing development; We have developed flumorph, SYP-1620, enestroburin, Pyridine bacteria oxazole, pyraclostrobin, pyrametostrobin, and pyriminostrobin, all of which have proprietary IP and are green pesticides; Our bisamide pesticide development has made Major progress over the years. |
| Production | <ul style="list-style-type: none"> Sinochem has three pesticide production bases in Shenyang, Nantong, and Lianyungang, with production capacity exceeding 100,000 tons; Our plant protections include insecticide, fungicide, herbicide, and a plant growth regulator, containing around 40 active ingredients; Parts of our variety scale and technique are world-class. |
| Distribution | <ul style="list-style-type: none"> Sinochem has consolidated its distribution channels in China to build a complete organizational distribution structure; Sinochem has a series of pesticide products in its "Sinochem Agrochemicals", "Sinochem Crops", "Jiangshan", "Shuanggong", "Frog", "Hetian" brands; Sinochem has finalized a bar code system for 3,928 standardized outlets and logistical chains, and standardized its distributors' service. |



Serving to Improve Chinese People's Livelihoods and Happiness

Our core businesses are closely related to people's livelihoods. We draw on our business segments and make a sincere effort to provide quality products and thoughtful services that enrich and improve every aspect of people's livelihoods and happiness.

Clothing

Chemical: The dyestuff products produced and operated by Sinochem are extensively used in the textile and apparel industry and are helping to diversify clothing.

Food

Agriculture: We are breeding new grain and vegetable varieties to enrich people's diets. Our green pesticides and fertilizers are increasing crop production.

Chemical: We are producing food additives that improve food quality.

Housing

Chemical: We use polyurethane products to improve the energy saving effects of building materials; we use PP and PVC plastic materials for pipeline, doors and window to improve people's lives.

Real estate: We adhere to the strategy of "delivering upscale products" to create high-quality real estate and to meet people's needs.

Transportation

Chemical: We are supplying rubber products for the manufacture of automobile tires, and producing plastics material for car manufacturing to meet the demands of automobile industry.

Energy: We have built nearly 400 gas stations, and provide a stable supply of diesel and gasoline to the market in order to meet people's transportation needs.

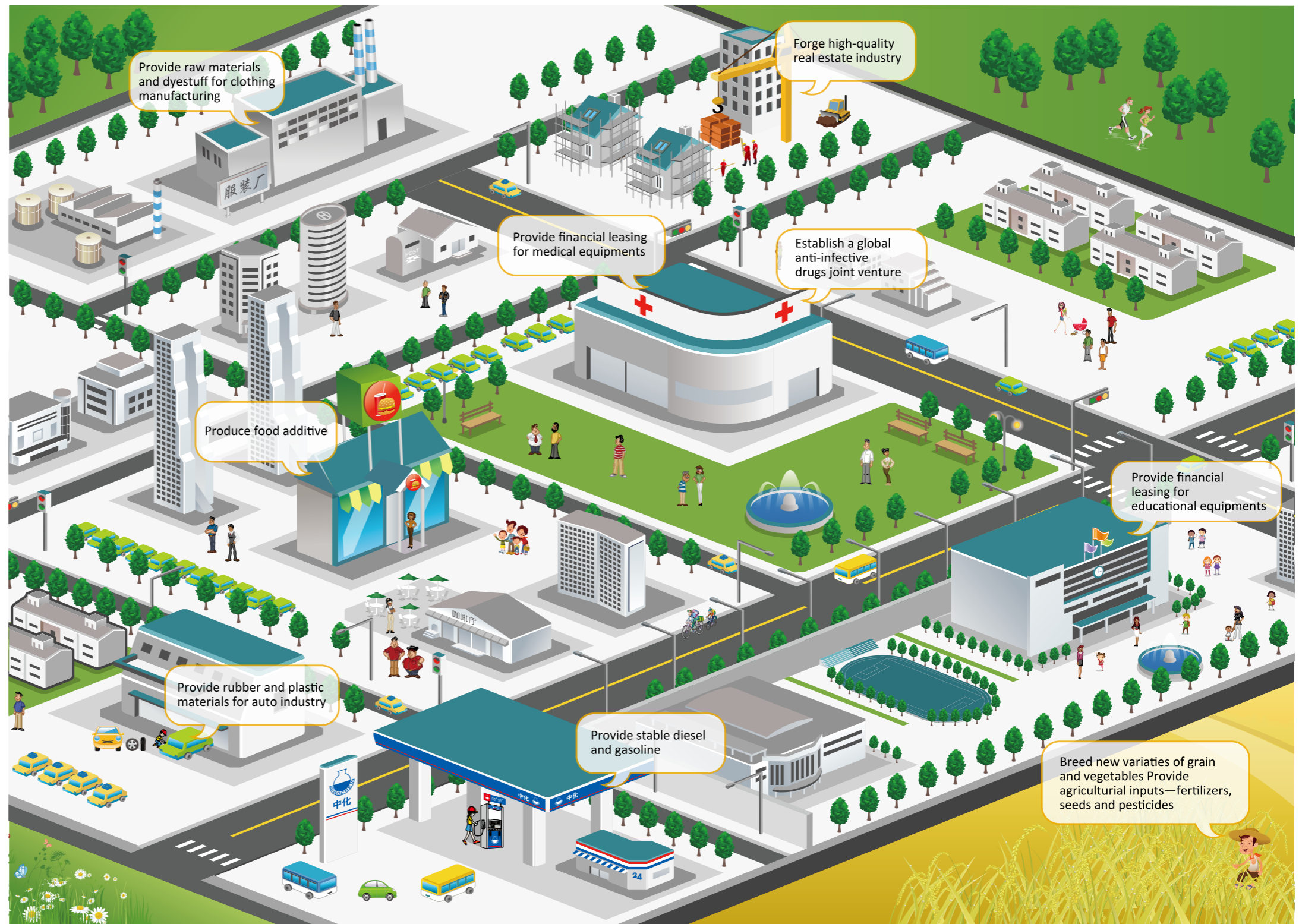
Medical Care

Chemical: We have established DSM Sinochem Pharmaceutical Corporation with Royal DSM N.V., promoting technological upgrades of China's anti-infective industry.

Finance: We provide financial leasing services for the purchasing of medical equipment in hospitals, and promote the development of healthcare in underdeveloped areas. At the end of 2011, Far Eastern Horizon had provided services to 1,507 hospitals.

Education

Finance: We provide financial leasing for the purchasing of educational equipment in schools. We also dedicate ourselves to improving conditions in schools, and contribute to the progress of regional education. At the end of 2011, Far Eastern Horizon had provided services to 70 universities, 220 vocational training schools, and 120 high schools.



Creating the Highest Value for Shareholders

Sinochem Group is a key SOE, and shoulders the task of preserving and increasing state-owned assets. The company is pressing forward with its strategy to enhance the lean management, increase profitability, and create more value for shareholders. At the end of 2011, the company was given a Grade A Enterprise rating by SASAC.

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

| Year | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------|--------|--------|--------|--------|--------|
| Operating revenue | 229.73 | 308.98 | 243.03 | 335.33 | 458.95 |
| Net profit | 5.75 | 6.45 | 5.22 | 7.35 | 10.70 |
| Total assets | 108.74 | 135.50 | 171.60 | 211.46 | 258.19 |
| Shareholders' equity | 40.76 | 47.86 | 66.72 | 76.38 | 87.33 |

Implementing Lean Management

Sinochem Group is implementing lean management techniques and cultivating a lean mindset and habits in all its employees. We ensure that our employees look at their work-related weaknesses, continuously reduce costs, increase efficiency, and enhance the company's competitiveness.

- The company continues to pursue excellence to improve its operations and release its potential. We have made a marked improvement in reducing costs and expenditures in procurement, production, logistics, and project construction, as well as in energy conservation and consumption reduction. In 2011, we completed 211 lean projects at the group level and more than 1,900 projects at the branch level, saving RMB 306 million in expenditures in the process.

Case: Optimize the Dehumidification and Cooling Process for Slow-release Fertilizer

Sinochem Shandong Fertilizer is the leading company in Sinochem's fertilizer operations. It is guided by a lean management philosophy and regularly upgrades its technology to reduce production costs. In order to "optimize the dehumidification and cooling process for slow-release fertilizer", it has modified its heat-transfer agent process to increase the efficiency and increase the air volume cycle in the system. The company has also reduced water containments in fluidizing air and standardized its solvents and enforcement of solvents. It has also standardized its operational processes and improvements have been to its checks and assessment procedures. As a result, electricity consumption per ton of fertilizer has decreased by 53.55%, saving RMB 1.06 million in power.

Case: Optimizing the Procurement System for Shipping Service and Reducing Shipping Costs

Sinochem International had implemented a program called "Optimizing the Procurement System for Shipping Service and Reducing Shipping Cost", and reduced shipping costs in its sales revenue by 4.7 percent, and cutting costs and expenditures by RMB 1.67 million per annum.

- Established the Procurement Committee and Procurement Department and rules and regulations, and adopted a specialized management approach;
- Improved and standardized operational processes, established a new price review mechanism, separated price inquiry and price quotation processes, enhanced price response and price accuracy mechanisms, and provides support to the sales business;
- Signed long-term service contract with shipping companies, and developed a new price system;
- Increased self-booking capacity and scale.



211

Completed 211 lean projects at the group level

1900

Completed more than 1,900 projects at the branch level

306

Saved RMB 306 million in expenditures

Promoting Technological Innovation

Sinochem Group has established an approach to technological development that "encourages independent innovation, focuses on key projects, and supports business growth". The company is doing this to enhance its capacity in technological innovation and to strengthen its hardware and software. We continue to rely on technological innovation to support and guide our strategic transformation and we focus on strategically important industries. We strive to implement new technology, increase capital for technological upgrades, and employ higher caliber experts and personnel to speed up technological breakthroughs that contribute to our industrial development needs and support Sinochem's "Third Long March".

- Sinochem was included in the innovation enterprises list released by Ministry of Science and Technology, SASAC, and the All China Federation of Trade Unions. We were also selected as one of a third batch innovation bases for overseas high-caliber talents by the Organizing Department of the CCCPC.



- Sinochem developed 154 new products (new process). Sales for the new products was RMB 3.5 billion, up by 118% compared to 2010. In particular, three new products and two new processes facilitated sales revenue of more than RMB 100 million.
- Sinochem continued to promote the commercialization of our key technological achievements. Our project to synthesize the process for pymetrozine pesticide was conducted by SYRICI. The institute found a substitute for the toxic raw material of the pesticide and in the process resolved problems associated with waste air, water, and solid treatment. At the conclusion of the project all indicators reached international standards. The final product was the first pesticide to have a production value of more than RMB 100 million for the Shenyang Kechuang Company. Sinochem Lantian also developed R134a, a fourth generation fluoride catalyst. The product's catalytic efficiency is 12% greater than the third generation and its production capacity is up 10%. R134a is now applied to 5,000 tons per annum production unit, and has increased production volume by 600 tons and profit by RMB 30 million.
- In addition to enhancing the development of SYRICI and ZCIRI, Sinochem is contributing to national seed security and the development of China's modern agriculture. We are constructing the China Seed Life Science and Technology Center, and promoting research on regular seed breeding, molecular breeding, and transgenic breeding. We are committed to investing more than RMB 5 billion into the center.

- Sinochem took charge of 89 provincial-level or higher projects, and received 24 provincial-level or higher technological awards. We developed or amended 32 national-level standards and 30 industrial standards, and applied for 178 patents. Sixty-nine of our applications were granted and ten were granted overseas.
- Sinochem has deepened the technological exchange and cooperation activities with leading institutes, universities, and worldwide companies in the areas of biomaterial, bioprocess, organic fertilizer, food additives, chemical engineering, transgenic breeding, new material, new energy, environmental protection, and counterfeiting technology.

Enhancing IT Development

Sinochem Group's IT development aims at "serving business and creating value". We do this by increasing our operational efficiency, reducing operational risks, and adding value to our business segments. We focus on supporting business and enhancing internal controls and are committed to carrying out our strategic plan on IT development and promoting systemic IT improvements.

- Sinochem is building a project management mechanism that is based on its IT system. We are enhancing our control over all aspects of our project construction by strengthening the project approval process, our proposal review and evaluation processes prior to production.
- We are building a uniform project management system and an HSE information system.
- More than 150 branches under Sinochem have now adopted the e-HR system to manage their personnel and compensation information.
- 33 branches under Sinochem use the TC system to manage their funds and to enhance their control over funds and settlements.
- Sinochem has built an e-system and data sharing system to improve its financial analysis and evaluations and risk management, ensuring that the data is shared in a timely fashion and more accurately.





Providing Satisfactory Services to Develop with Clients

Sinochem Group, through the concept of “Services create value” and the responsible goal of “being an enterprise trusted by customers”, strives to create value for our customers by extending our service content, innovating our service model, deepening our service portfolio, improving our service capacity, providing satisfactory services, and creating value for our customers.

Expanding Our Oil Business Service Portfolio

By leveraging various advantages in our petrochemical industrial chain, we continue to expand our oil business scope and enrich our oil business service portfolio. We are also optimizing our oil trade structure and providing premium oil reserve services as well as services for end consumption of our refined oil products.

Enhancing Oil Trade Services at Home and Abroad

By relying on our reputation, established business channels and advanced technology, we continue to provide premium oil and professional services to customers at home and abroad and have formed stable and broad sales channels on a global scale, becoming the principal oil supplier of refinery plants in China, Southeast Asia, Europe and America in the process. In 2011, our transit volume of crude oil and profits hit a record high. The total operating value of crude oil and refined oil now exceeds 60 million tons per year.

Case: Providing Customers with Comprehensive Services
Sinochem gas stations uphold the service goal of “Providing customers with all-round quality services”, and constantly enrich their services portfolio. The stations offer customers various value-added services in addition to providing oil. These include self-service car cleaning facilities, tire pressure testing and inflation, glass cleaning, mobile phone charging devices, self-service shoe polishing, free newspapers, umbrella rentals and other services.

Improving Petrochemical Storage & Logistics Services

Our core business focuses on the development of our long-term customers and bonded goods. As a result, we have strengthened our integrated management and improved our level of customer service. In 2011, warehousing turnover exceeded 35 million tons. By the end of 2011, our storage capacity was approximately 25 million m³, inclusive of warehouses that we are currently operating, building and managing.



Complete Sales Service Network for End Consumption

In 2011, we focused our attention on our refinery plants, stepping up the pace of construction and supporting capacity and improving our service network for end consumption of oil products. By the end of 2011, we had 17 light oil distribution outlets and nearly 400 gas stations. We also formed a sales network that covers markets in the north, east and south of China, and improved all aspects of our customer services.

- **Increasing the Development of Gas Stations:** focusing on a petrochemical project in Quanzhou, we implemented a series of measures that included stronger guidance from headquarters, greater efforts in developing packaged projects, and the construction of a supporting network. Our actions resulted in a record surge in the number of signed and opened gas stations, and increased the pace of construction in our gas station network.
- **Increasing the Development of Oil Depot for Distribution:** by adopting a development strategy that focused on the acquiring of existing oil warehouses and building new ones, we targeted specific markets and developed a number of new oil warehouses in Liaoning, Shandong, Jiangxi and other strategically important provinces. This has resulted in a robust distribution pattern and further improved our services capacity for end markets.
- **Construction of Refined Oil Pipeline:** we have completed a feasibility study report on the central-south refined oil pipeline, the results of which were included in The 12th Five-Year Plan on National Oil and Gas Pipe Network.

Improving the Service System for "Agriculture, the Countryside and Farmers"

As a member of the "national team" in the agricultural industry, Sinochem Group persists in its mission to "build a harmonious China, ensuring safe agriculture and serving Chinese farmers with heart and soul". We also regularly improve our service system for "agriculture, the countryside and farmers" to increase agricultural output and farmers' income.

Establishing Scientific Fertilization Service System

Sinochem actively promotes the concept of "scientific and balanced fertilization" and work to popularize agricultural knowledge to meet the goal of "Developing agriculture and enriching farmers by science and technology". Relying on our China-wide distribution network, we have created an integrated service system that at its core includes an "Agrochemical knowledge dissemination system, and an on-field guidance system and soil testing formula fertilization service system" to increase agricultural benefits and farmers' income. In 2011, SinoFert was recognized as a "Top 10 Farmer Assured Brand" and a "Farm Assured Company", and received numerous other awards.

- Agrochemical knowledge dissemination system: we have established and are improving our agrochemical knowledge dissemination system via telephone, broadcast systems and other promotional materials and channels. In 2011, we upgraded our free telephone hotline services, and took the lead in setting up the 400 telephone customer service system. By the end of 2011, we had received a total of 200,000 phone calls. In cooperation with the Central People's Broadcasting Station, we sponsored an agrochemical knowledge program to promote scientific fertilization and diseases and pest prevention knowledge. An audience of more than 1.4 billion people watched the program.
- On-field guidance system: we have established an on-field guidance service system that comprises scientific fertilization model villages and agricultural experts. The system aims to provide farmers with on-field guidance on the use of fertilizers. By the end of 2011, we had built more than 3,000 scientific fertilization model villages. Each village also promotes a further ten villages. This approach has benefited millions of farmers.
- Soil testing formula fertilization service system: we have established a sound system for soil testing fertilization services that provides farmer with professional support in the scientific fertilization and rational use of fertilizer. In association with the Chinese Academy of Agricultural Sciences, we established a three-level service system that consists of a "technical center — laboratory — service station".



Case: A New Promotion Model of Agricultural Technology—Farmer Field School

The Ministry of Agriculture and SinoFert jointly launched an innovative model of agricultural technology promotion—the "Farmer Field School"—which essentially give lessons in the field. Farmers are encouraged to actively participate in the training sessions while learning about the new agricultural technology model. The participatory training is based on active learning rather than the passive listening that characterizes the traditional approach. The new model also makes the farmer the subject of the training and is guided by scientific and technological elements. This approach accelerates learning and is cultivating a new group of farmers with basic education and knowledge of farming and business in order to enhance the quality of the farmers and improve their competence for independent development. SinoFert and the Science Education Department of the Ministry of Agriculture plans to run 60 demonstration "Farmer Field School" projects so that farmers benefit and learn from practical agricultural technology. The construction of the demonstration schools is allowing us to explore the experience of starting farmer field schools in different industries and in different regions. We are also promoting a group of grassroots technicians to be instructors, innovating our thinking and our promotional activities, and developing agricultural training according to real needs in order to improve farmers' scientific and cultural quality and promote local industrial development.

Case: Sending International Agrochemical Experts into the Field

In 2011, SinoFert invited international agrochemical experts to demonstration meetings in Laibin city, Guangxi, and Zhongshan City, Guangdong, to demonstrate the balanced use of fertilizer to sugarcane and bananas, and highlighting the popularization of agrochemical knowledge. The experts then went into the field, offered one-to-one training to farmers, explained how to fertilize sugarcane and bananas in balanced way, and provided the farmers with new technologies and approaches.



Providing Satisfactory Seed Sales Services

Sinochem is building a national seed company and is focused on the construction of science and technology, production, and sales in the industry chain. Sinochem Group will continue to extend the service scope of its seed business by establishing 22 provincial marketing service centers in the country, and carrying out guidance and demonstration activities like the "10,000 mu Demonstration Field and the 100 mu Demonstration Plot". In 2011, we created 25 high-yield demonstration fields and conducted more than 600 on-field meetings. In cooperation with the agricultural technology service department, we conducted a range of experiments and demonstrations, and provided agricultural technology services that have enhanced our core competitiveness in various markets. We will continue to strive to provide farmers with the best quality seeds and more thoughtful services.

- Enhancing services through independent innovation. We built the China Seed Life Science and Technology Center in Wuhan, which represents the highest-level of R&D in the seed industry. We also established a commercial seed breeding system that combines conventional seed breeding with biotechnology seed breeding, and actively promotes independent innovation to support and enhance our seed service capacity.
- Ensuring services by increasing seed production capacity. We continue to research and improve our coordination capability and polymerization efficiency, production and marketing. In 2011, SINOSEEDS promoted the expansion of the Zhangye Company, the reconstruction of Mianyang Company following an earthquake, and the construction of Fujian Nongjia Project to improve seed production, processing capacity and seed quality.
- Extending services through Chinese-foreign cooperation. In order to significantly enhance our service capacity in the wheat seed business, we have undertaken a series of measures that include, among other things, establishing the China Seed Hybrid Wheat Seed Industry (Beijing) Co., Ltd., and acquiring the Henan Lianfeng Seed Industry Co., Ltd. We have also deepened our international cooperation in the field of vegetable and corn business to help improve our service capacity for related products.

Extending Pesticide Service System

Sinochem is constantly perfecting its R&D system in the field of pesticide business, improving production management, and establishing a sound marketing system that provides farmers with cost-effective and environmentally friendly pesticides.

- Domestically, the Agrochemical Center has completed the integration of its domestic marketing systems, established a marketing team consisting of 143 employees, and formed a more comprehensive domestic organizational marketing structure that includes a sales department, a technical department, a marketing department, and an operations department. We have done this to lay a solid foundation that will enable us to strengthen our services in domestic markets.
- Internationally, Sinochem International adheres to its strategic principles of "Taking root in China and mapping our distribution in Asia-pacific regions" to increase investment in our own brand and products. We currently have more than 80 independently registered products overseas and have achieved stable business growth in the markets of the Philippines, Thailand, Vietnam and other countries.



Providing Comprehensive Chemical Business Services

Sinochem Group strongly emphasizes quality management, maintains a customer-oriented approach to its tailored R&D and production, and strives to provide global customers with high-quality chemical products and professional services.

Enriching Fluorine Chemical Product Varieties

Sinochem has established a complete industrial chain that is integrated into one body of our resources (fluorite and hydrofluoric acid) development, R&D, production, and sales. We have also become the leading fluorine chemical manufacturer and supply the most complete variety of ODS alternatives. Our products cover ODS alternatives, fluorine polymer and fluorine-containing fine chemicals, among which more than ten kinds of our products, such as HFC-134a, have the largest share in domestic and international markets.

- Established a joint venture with Belgium Solvay Holdings Ltd, cooperating in the field of high-purity wet chemicals, and producing high-end fluorine chemicals including electronic-grade hydrofluoric acid to meet the rapid development needs of China in the high-tech industry.

Provide overall rubber services

Sinochem's subsidiary Sinochem International is the largest rubber marketing service provider in China. Our upstream extension strategy focuses on resource, while our marketing strategy emphasizes high-end customers. The company acquired plant resources and has expanded its processing capacity. We have also improved our marketing plans and established an integrated industrial chain business model to improve our service capacity, quality and efficiency. By the end of 2011, our natural rubber processing capacity was 530,000 tons at home and abroad, and we sold 800,000 tons of natural rubber, ranking first in the Chinese market and second in the world.

- In 2011, we reserved 100,000 hectares of land for natural rubber cultivation in Africa, Indonesia and other regions, improving the global layout of our processing capacity and upgrading our quality to meet individual needs.
- We established a new customer management system to analyze customers' demands and provide specialized services for key targeted customers. We increased our sales to domestic the top 35 tire manufacturer by 34% and by 131% to global the top ten tire manufacturer over the previous year.



Liquid Chemicals Logistics Services with the Highest Safety Standards

Sinochem's subsidiary Sinochem International has the largest liquid chemicals shipping fleet in China and its ISO tank fleet meets the highest safety standards. We have a proven ability to provide comprehensive chemical logistics solution for domestic and foreign customers. In addition, we have chemicals depots with business certificates in Tianjin, Dalian, Shanghai, Guangzhou and other major port cities. The depots ensure that our services are closer to our customers and that we can reduce logistical costs.

Case: Providing High-end Liquid Chemicals Shipping Services
Sinochem International offers domestic coastal and international long-range and short-range ocean transportation of liquid chemicals and ship management. Our main ships are in accord with the certification of International Chemical Industry Distributors Association and meet all annual safety inspections of major international oil companies such as SHELL and BP, and meet the qualification standards for high-end customer service. By the end of 2011, we managed 47 ships and had the shipping capacity to accommodate more than 450,000 tons, accounting for 16% of domestic markets and 61% of high-end markets.

Plastics Business Services that Get Closer to Customer Demands

Sinochem engages in plastics business such as plastics in bulk, engineering plastics, and general plastics. We have established a client-centered marketing service model and provide professional marketing services for upstream and downstream customers. Our principal purpose is to enhance accessibility to plastics to our upstream resources; the second purpose is to accelerate the layout of our marketing network in order to get close to end customer services; and the third purpose is to strengthen our services for end customers and provide them with a one-package solution.

- In 2011, Sinochem Plastics, one of our subsidiaries, strengthened the construction of its marketing network, setting up 16 branches and sales departments in Shanghai, Shenzhen, Chongqing, Changsha and other cities. The network covers all main markets in China. The company also extended the scope of its services to provide quality products and professional services to a broader group of customers.
- We have built a logistics distribution center that is closer to the enterprise's markets, providing a one-package logistics solution, optimizing the configuration of logistics, and reducing overall logistics cost.
- We have implemented a "big client strategy" and provide targeted and differentiated services to those clients.



Providing Considerate Property Services

Through our one-stop management service, unified property services, professional service team, and a range of other measures, Sinochem Group provides customers with considerate property services and is constantly improving its service quality and standards to achieve recognition from its customers and society. In 2011, Franshion Property was awarded the “2011(8th) Excellence achievement Award”. Its two buildings, the Chemsunny World Trade Center and the Sinochem Building, were granted the “2011(8th) most trade value office Award” and the “2011(8th) regional classic landmark Office Building Award”, respectively. In addition, it received the “2011 Office Building Style Landmark” property honor for the Jin Mao Tower.

- Implementing one-stop service management. We have merged our rental service window with the property service window in the Chemsunny World Trade Center and the Sinochem Building and strengthened all coordination mechanisms between their various departments to improve the speed of our service and increase customers' satisfaction with our services.
- Unifying property services. We are unifying the Jin Mao property service brand, upgrading our property service certificates, offering competitive employment for leadership positions, and learning from the service standards and systems used in five-star hotels so as to incrementally enhance our service standards.
- Cultivating our professional service team. Through our decoration engineering measures in the Jin Mao Palace and the Jin Mao Noble Manor Demonstration Area, we have modified our decoration teams, and are engaging in project design, type, and construction management to support the improvement of our commercial real estate quality.

Case: Providing Special Security Services for the Enterprises in Chemsunny World Trade Center

Major customers of the Beijing Chemsunny World Trade Center include the China Import and Export Bank, the Agricultural Bank, the CITIC Bank, the Bohai Bank and other financial institutions. Prior to December 31st, the day for the settlement between the banking industry and the People's Bank of China, the Chemsunny Property Management Center conducts an electricity check and conducts an emergency plan to support the work of financial customers. It provides security services such as uninterrupted air-conditioning for 48 hours, the use of a function room (toilets and a tea room) and others valued facilities to ensure that customers can complete their settlement work on time.



Developing Reliable and Efficient Financial and Bidding Services

Sinochem Group has a complete non-bank financial business scope including lease financing, trust, securities investment, funds, life insurance and other businesses. Through our diversified products, strong risk controls mechanism and professional market operations, we offer customers considerable services.

The Financial Leasing Business Promotes Industrial Development

Far East Horizon, Sinochem's listed enterprise in Hong Kong, combines its industrial and financial capital and focuses on traditional business such as medical care, printing, shipping, construction, industrial equipments, and education, and tailors one-stop financial solutions for its customers. It has developed from a single financial service agency into an integrated industrial operations service agency that is located in China but thinks and acts globally, and is committed to promoting national economic and social sustainable development.

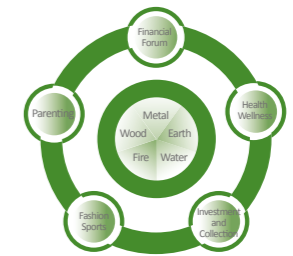
- Far East Horizon conducts benchmarking with leading industry counterparts, regularly upgrades its operating mechanism, refines the classification of its product business, optimizes its leasing service processes, and works to build a comprehensive customer service network in China.
- The company has increased its foreign professional platform to support and upgrade Chinese medical care, printing and other industries.
- It actively explores innovative financial services, makes greater efforts in the promotion of complex business activities, and has enhanced its integrated services.



Providing Trust Services with Strict Adherence to Trustee's Intention

Sinochem's subsidiary China Foreign Economy and Trade Trust Co., Ltd. (FOTIC) has responded to changes in the market and new policies, and actively adjusts its business structure accordingly. Through our professional and differentiated business strategy, we are constantly developing our marketing capabilities and expanding our direct marketing channels. We rely on our outstanding performance in financial markets and have received wide recognition in the marketplace, receiving a number of awards such as the “2011 Best Wealth Management Award”, the “Annual Award for Best Wealth Management Trust Company”, the “Annual Award for Best Wealth Management Brand”, and the “2011 Best Trust Wealth Management Award”.

- In 2011, FOTIC established a wealth management center and introduced the special “Five Elements Wealth” management services to high net worth customers. The move pioneered the wealth management brand in the trust industry. Throughout the year, the company held 27 “Wealth Private Lecture” activities, invited 2,300 customers get to know the company through organized visits, and popularized financial knowledge via forums, lectures and others.



High-quality Tendering Services

Sinochem's subsidiary Sinochem International Tendering Co., Ltd. (Sinochem Tendering) is committed to providing customers with high-quality tendering services, helping them procure quality products and services at a reasonable price, and offering customers value-added services such as auditing and archiving. We possess a “Class-A Certificate for International Tendering Agency”, a “Class-A Certificate for Engineering Tendering Agency”, a “Class-A Certificate for Central Investment Project Tendering Agency”, a “Class-A Certificate for Governmental Procurement Agency of PRC”, and a “Class-C Certificate for Engineering Consultation”.

We primarily offer services in the fields of aerospace, railway transportation, petrochemicals, municipal utilities, marine, and nonferrous metallurgy. We have undertaken tendering on related technology consultations, the importing of equipment, procurement management, and international business consultation for many key State-owned Enterprises (SOEs) including Commercial Aircraft Corporation of China Ltd (COMAC), China Aerospace Science & Industry Corporation (CASIC), China Aerospace Science Corporation (CASC), China South Railway Group (CSR), China CRH Corporation Limited (CRH), China State Shipbuilding Corporation (CSSC), China Shipbuilding Industry Corporation (CSIC), Aluminum Corporation of China (CHINALCO), and Dongbei Special Steel Corporation Limited. Sinochem Tendering has received several honors including the “China Top 10 Tendering Agent”, the “Outstanding Enterprise for the 30th Anniversary of China Tendering Industry Development”, the “Top 10 Most Competitive Tendering Agency”, the “Most Respectable Tendering Agency”, and the “Most Competitive Tendering Agency for Railway and Machinery Industry”.

- The bidding for the Phase-I Project of the CSIC Shanghai Changxing Shipbuilding Base—which was made by Sinochem Tendering—was incorporated into the “China 30-Year Classic Bidding Projects”.

Practicing HSE Management to Achieve Safe, Green and Harmonious Development

Sinochem Group has always taken the occupational health, production safety, and environmental protection (HSE) as an important part of its CSR, and an integral constituent of its sustainable development strategy. Our systematic, professional and lean HSE management is contributing to the building of an intrinsically safe, environmentally and resource friendly enterprise, and is helping us achieve harmonious development among people and the environment.

Improving Our HSE Management Mechanism

We took national laws and regulations as the basis of our activities and drew on internationally advanced HSE concepts, systems and standards to blend aspects of our management and corporate culture. We also intensified our classified management, established a five-level HSE management framework, and established a HSE management mechanism that is in accord with our position as a Global Top 500 company.

Optimizing the HSE Management Model

We rearranged the members on our HSE committee, appointing the members of the Group's leading group and the leaders of our tier-two subsidiaries as members of HSE committee to strengthen the supervision of our HSE management and provide a strong organizational guarantee to our research and decision-making. We defined the HSE responsibility of the management and employees at all levels to clarify the HSE management's responsibility and provided a solid foundation for our HSE implementation. In addition, we improved our HSE evaluation mechanism by adjusting the weighting of the evaluation and turning it into a single process and modifying it so that it is both a qualitative and quantitative process. We also improved our HSE management performance by installing an incentive mechanism.

The Company Defines Ten Principles for HSE Operation:

1. Work safety is a prerequisite for us to develop our business;
2. All operations should be provided with a safe operational method;
3. Production tasks should be done safely, no matter how urgent they are;
4. Risk assessments should be conducted before any operation;
5. All high risk operations must be approved before implementation;
6. All operations should cease without safe working conditions or the possibility of risk;
7. All operations should be done in accordance with the established management and technical standards;
8. Ensure all safety protection devices and systems are in good condition;
9. Never exceed the design limits of equipment, tools or technical processes at any time;
10. Make timely reports on abnormal conditions, hidden dangers, near accidents and accidents.

Improving Our HSE Management System

We are improving our HSE system and are striving to develop management systems that match the HSE management system and mechanism. In 2011, based on the top-level design, we prepared and released the Sinochem HSE Management Regulations and Sinochem HSE Management Handbook, which further defines our HSE management framework, management concepts, operational standards, management goals, management processes, management elements and HSE responsibility, and puts forward the general requirements of the HSE management to the Group. Presently, they have become programmatic documents for the promotion of our well-recognized and advanced HSE concepts and methods at home and abroad, and for standardizing employees' behavior and our HSE management activities.

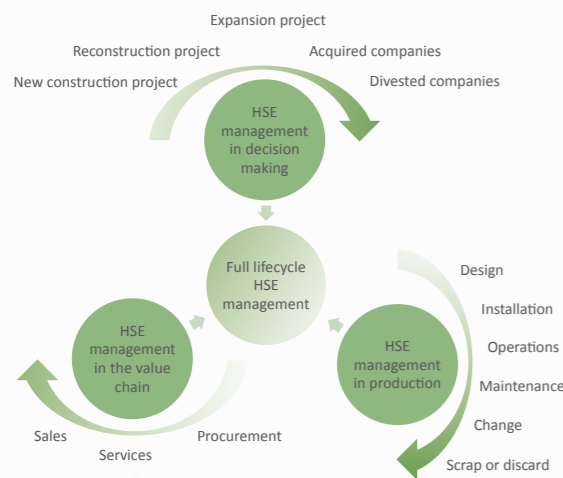
The Company provides Ten Concepts on HSE Management:

1. HSE is our social responsibility, and not merely an economic and legal responsibility;
2. HSE is the basis of survival for the enterprise and a guarantee of its development;
3. HSE needs systematic and scientific management;
4. The leadership and commitment of management is key to achieving outstanding HSE performance;
5. Risk management is central to the management of HSE;
6. Continuous training, tracking and intensification of employees are effective ways to develop safety habits;
7. Any defects must be corrected in a timely manner;
8. Emergency and crisis management is an important part of HSE management;
9. The performance of HSE management can and must be measured and evaluated;
10. HSE management is a process of continual improvement.

With the Leadership of HSE as Its Core, Sinochem has Established 13 HSE Management Elements:



Sinochem Group has incorporated its HSE management system into the full cycle of its production and operations, and established HSE management systems and an operations mechanism that integrates decision-making management, production and operations, technical support, incentives and constraints into one body to ensure the practice of a full life cycle HSE management approach.



- Sinochem Lantian has developed effective systems for the allocation of safety funds, allocating safety investment by ratio, controlling HSE risks in the production process and reducing emissions. In 2011, the company allocated RMB 67.21 million to safety funds and retrofitted 32 dangerous devices and equipment.
- The Petroleum Center has attached great importance to the HSE management of gas station contractors, conducting HSE management trainings, enhancing awareness on HSE, and improving the overall competence of HSE management. In 2011, 43 staff, supervisors and safety officers on construction sites sat the annual qualification examination for on-site supervisors at construction site.

Enhancing the Awareness and Competence of HSE

Sinochem continued to improve our awareness on responsibility, leadership and laws and regulations at all levels of management by participating in overseas exchanges, carrying out special trainings via our HSE internal trainers, clean production auditors, and occupational health management training. We also arranged for core employees to study HSE engineering through our on-the-job graduate course. In addition, we organized a "Production Safety Month", the "119 Fire Day", the "Essay for 6.5 World Environment Day", a "HSE Contest", and other activities, and sent "safety precautions" to all employees regularly. Our regular publicity and education measures have established an atmosphere that encourages staff participation and has established an internal cooperation mechanism for HSE as well as enhanced HSE awareness among our employees.

In 2011, we achieved a 100% training rate for responsible persons and leaders in charge of HSE, an 80% rate for management personnel, and a 100% rate for all recruits.



Du Keping, Vice President of Sinochem Group, attended the 2011 China Responsible Care Conference in Beijing and delivered a speech themed as "building HSE core competitiveness". The speech emphasized the importance of taking a green path to harmonious development on behalf of representatives of central enterprises.

Production safety is a hot topic in the practice of corporate governance and topic that Chinese enterprises pay great attention to in their management. Sinochem Group has set up a production safety model that cooperates with stakeholders in its overseas operations, jointly establishing a HSE management system that covers the full life cycle of its business and successfully reduces hidden safety dangers associated with its offshore gas fields project in the United Arab Emirates (UAE).

— Abstract from *Best Practice in the Internationalization of Chinese Enterprise — the Challenge of Global Corporate Citizens*

Occupational Health and Production Safety

Sinochem Group has raised its production safety to national stability and social harmony levels, and established a long-term and effective mechanism for production safety by developing safety standards that reduce occupational risks and improve intrinsic safety. In 2011, we had no major accidents that were attributable to production safety issues or occupational disease.

Occupational Health

By using national laws and regulations and our own planning system as a guide, Sinochem Group has fostered the creation of a highly professional management team. We conduct special inspections and investigations, work hard to intensify our efforts in occupational health supervision, control and prevention, and protect the legitimate rights and interests of employees in all aspects of occupation health. In 2011, we improved our special management system, established occupational health regulators, increased the number of occupational health supervisors, and conducted employee medical examinations and offered health care to ensure the health and well-being of our employees.

Production Safety

According to practical, financial and wide-reaching aspects of our various asset projects, Sinochem Group stresses the promotion of compliance in safety standards and the importance of renovation in its technical risk processes. We have recently made modifications to ensure that we meet all safety standards and have revamped 15 dangerous technical processes in accordance with national requirements. We have also established an accident statistics management book to collect statistical information related to accidents. The information covers the nature of accidents, and contributes to the strengthening of our scientific management approach. In addition, we have established a management database for major hazard sources in order to dynamically monitor them. We continuously inspect and rectify hidden dangers so as to eliminate and reduce them and put an end to production safety accidents. Strengthening HSE management in our construction projects is extremely important to us as is investment and acquisition that ensures the safety of our construction and investment activities. We are strengthening our supervision over contractors to stop all accidents caused by contractors, and are carrying out safety education campaigns, publicity activities and on-site standardized operations to strengthen and further develop our safety culture. We also conduct external on-field HSE audits to intensify professional HSE management. In 2011, Sinochem Group carried out HSE audits, inspecting 17 tier-two subsidiaries and 76 tier-three enterprises. We discovered 1,449 problems and hidden dangers, rectifying and controlling all of them in a timely manner.

Case: Safe Production for 1,200 Days

Zhonghua Taicang used JHA, HAZOP and other risk analysis tools to identify risk sources and conduct risk assessments, and prevent the risk of HSE. The company made on-site improvements using stop safety observations and other methods to inspect and eliminate hidden dangers. In 2011, the company invested RMB 9.42 million in 16 intrinsic safety modification projects, further improving the safety conditions of the enterprise. By the end of 2011, Sinochem Taicang had achieved safe production for 1,200 consecutive days.

Case: "Petroleum Cup" Fire Skills Competition

In 2011, six storage enterprises including Sinochem Xingzhong, Sinochem East, Sinochem Nantong, Sinochem Yangzhou, Sinochem Tianjin Terminal, and Sinochem Zhuhai, participated in the "Petroleum Cup" fire skills competition, competing for five items such as safety knowledge contest and cardiopulmonary resuscitation. The competition replicates real situations. As a result, the fire skills competition improved the fire safety awareness and competence of employees.



Emergency Management

Sinochem Group has integrated the "full life cycle" concept into its approach to emergency and crisis management, and has established the emergency management principles of "Giving priority to prevention, combining prevention with rescue; making inspection and preparation at earlier stages; conducting routine management and war-time emergency". After establishing the evaluation system for emergency management in 2011, we actively conducted an emergency management evaluation at our headquarters, tier-two subsidiaries and tier-three enterprises to investigate any problems with our approach to emergency management and to make corresponding rectification plans. The evaluation effectively and comprehensively enhanced our level of emergency management.

Sinochem Group participated in a planning preparation pilot project organized by the national emergency command center. The on-site plans of Sinochem Xingzhou and Sinochem Taicang were used as examples of successful on-site disposal planning for enterprises in the national hazardous chemical industry by the National Emergency Command Center, and were recognized as contributing to the emergency standardized management of the industry.

Ecological Environmental Protection

We have positively transformed our development model and are striving to achieve green development, using environment protection equipment and advanced technology to minimize the impact of our business operations on the environment.

Energy Conservation and Emissions Reduction

Sinochem Group regularly improves its guarantee mechanism for energy conservation and emissions reduction, and has established and perfected three major systems for organizational management, statistics and monitoring, evaluation and incentives. In 2011, we decomposed our energy conservation targets at all levels, and set targets to reduce our consumption of energy in production through strong scientific management. Throughout the year, we saved 39,000 tons of standard coal and 2.17 million tons of water, reduced our emissions of COD by 187.87 tons, ammonia by 29.5 tons, SO₂ by 174.45 tons and dust by 177.33 tons. We also comprehensively utilized 822,400 tons of general solid waste. In all aspects of energy conservation and emissions reduction, Sinochem Group met the required targets set by the SASAC of the State Council.

39000

Annually saved 39000 tons of standard coal

2.17

Annually saved 2.17 million tons of water

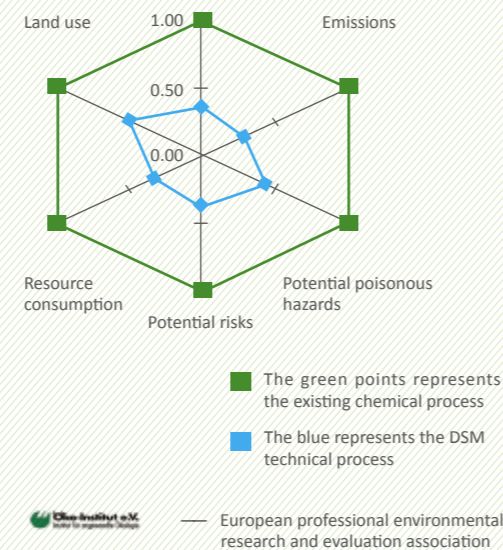
- Sinochem Fuling introduced an internationally advanced, large-scale sulfur-burning sulfuric acid low-grade heat recovery system, which transfers low-grade heat energy into high-grade energy and increases heat recovery efficiency. Since being put into operation, the system has saved more than 40,000 tons of standard coal annually, and reduced greenhouse gas emissions by more than 200,000 tons.
- In 2011, Sinochem Group established the Sinochem Energy Conservation and Environmental Protection Shareholding (Beijing) Co., Ltd. The company offers energy conservation consultation to industrial and architectural enterprises, and was invited to participate in the national industrial motor energy efficiency inspection project.
- The self-developed, high-active-long-acting fluorating catalyst has allowed Sinochem Group to break the technical monopoly of developed countries in the refrigerant market, which occupied more than 40% of the domestic market share for environmentally friendly refrigerants for automobile air conditioners. This new development is expected to reduce emissions of tens of ODS substances.
- Drawing on the "Jin Mao Tower" project, Franshion Properties organized the "Panda Standard" carbon exchange, which was praised by the government and the local community.

Case: Enzymatic Technology — A Significant Advantage in Energy Conservation and Emission Reduction

DSM Sinochem Pharmaceutical Corporation's enzymatic technology, when compared with traditional chemical technology, has advantages in energy conservation and emissions reduction, environmental protection and the safety of products, and is supported by the 12th Five-Year Plan and a key part of the development of pharmaceutical industry.

- The efficient conversion rate and relatively short production process has greatly reduced the use of raw materials and energy consumption in production processes. In comparison with the traditional method, the energy consumption for each kilogram of product has decreased 50%, greatly reducing the emissions of CO₂.
- We use acid, alkali and enzyme preparation as our main raw materials for biological transformation and catalysis, putting an end to the use of solvents with potentially carcinogenic effects. Compared with the traditional chemical method, the new process has reduced the consumption of organic solvent by 90%, and significantly reduced the discharge of wastewater containing COD and the emissions of VOC by more than 90%.
- We rarely use any other special chemicals in our production processes, and have improved the overall safety of our production process and products.

In addition, an evaluation by a European professional environmental research organization shows that the new technology achieves better results than the traditional chemical process (results below).



Ecological Protection

Sinochem advocates the concept of "green harmony" and pursue the optimization of economic, resource and environmental benefits. In 2011, we issued the Sinochem Corporation's Regulations on Environmental Protection, clarified our environmental protection requirements, and standardized data statistics and our compliance management approach to all construction and M&A projects.

Throughout the development process of phosphate, potassium, fluorite and other mineral resources, Sinochem Group has focused on environmental protection, has strived to improve the ecological and geological environment in its mines, and has stimulated the healthy and orderly development of the mining industry and its surroundings.

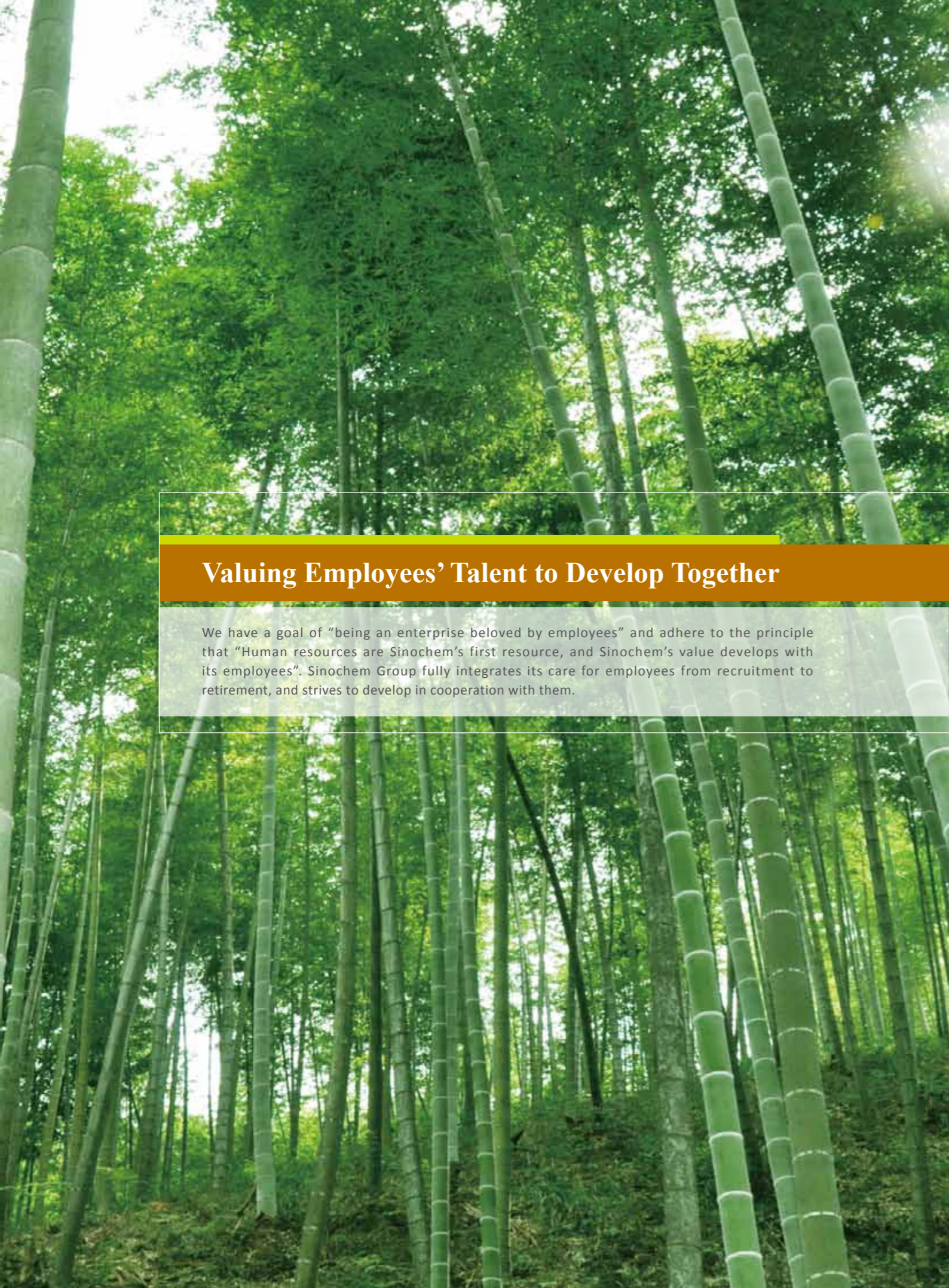
Case: Sinochem Lantian Winning the Title of "Advanced Mine for National Mineral Resources Development and Integration"

In the development of mineral resources, Sinochem Lantian follows a strategy that prioritizes conservation, optimizes the structure of mineral development, improves the scale and centralization of mineral development, and promotes the efficient development and utilization of mineral resources. In 2011, Zhongying Mining Company, affiliated to Sinochem Lantian, achieved the title of "Advanced Mine for National Mineral Resources Development and Integration". It was the only enterprise engaged in fluorite mining to be listed among the prize-winning enterprises.

Advocating a Low-carbon Life

Sinochem advocates the concept of low-carbon life, and have conducted a series of public activities to encourage our employees and stakeholders to take active action and jointly build a low-carbon society.

- We promote the concept of a low-carbon office among our staff via trainings, and uniformly manage electricity, water, paper and other office supplies.
- We carry out environmental protection activities by adhering to the theme of "Jointly constructing ecological civilization and sharing the green future" at our gas stations. We hand out color pamphlets to customers to increase the public's understanding and knowledge of fuel-efficient driving and to advocate the concept of green consumption.



Valuing Employees' Talent to Develop Together

We have a goal of “being an enterprise beloved by employees” and adhere to the principle that “Human resources are Sinochem’s first resource, and Sinochem’s value develops with its employees”. Sinochem Group fully integrates its care for employees from recruitment to retirement, and strives to develop in cooperation with them.

Protecting Employees' Rights

Sinochem Group strictly abides by all state laws and regulations, pursues the principles of equal employment, is transparent in its affairs, promotes democratic management, and protects the legitimate rights and interests of its employees.

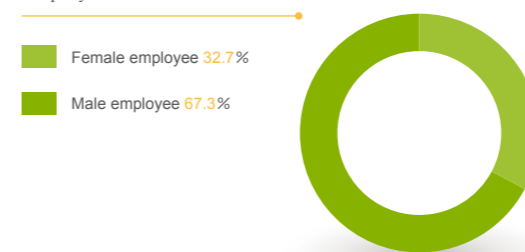
Rights Protection

Sinochem strictly follows the international code of behavior and the laws and regulations of the countries in which we operate, and firmly opposes any form of discrimination. In terms of recruitment, remuneration and promotion, we provide fair and just treatment to all employees regardless of nationality, skin color, race, gender, religious belief and/or cultural background, so that employees can promote the development within the common concept of “Creating value and pursuing excellence”. We also forbid child labor and prohibit forced labor. In 2011, we signed labor contracts with all of our employees.

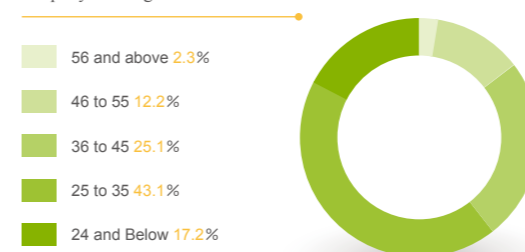
Each year we arrange routine medical examinations for employees and pay attention to protecting the female employees' rights, interests, and health. For female employees who are pregnant or on breast feeding, we provide maternity insurance and maternity leave, and pay wages in accordance with our corporate provisions. We improve the health awareness of female employees through various lectures and promotional activities and work hard to enrich their daily life. In 2011, we provided health tips via email to all female employees so as to provide them with useful suggestions on their physical and mental health.

By the end of 2011, Sinochem had a total of 47,022 employees. The average age is 34, of which 32.7% are female employees, an increase of 1.7% over the previous year. Moreover, 17.7% are from foreign countries, up by 0.7% year on year.

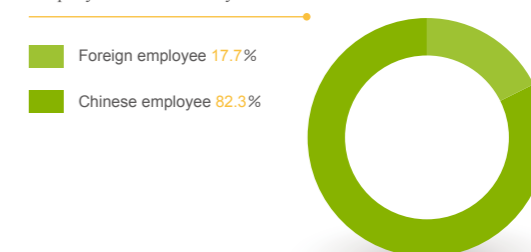
Employees' Gender



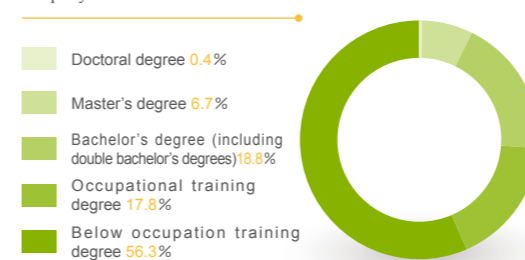
Employees' Age



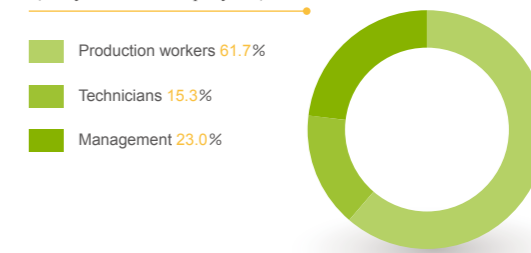
Employees' Nationality



Employees' Education



Employees' Post (Only Chinese employees)



Democratic Management

Through activities that strengthen the work of trade unions, Sinochem Group promotes the construction of a “harmonious Sinochem”, and encourages employees to participate in the democratic management of the enterprise. We constantly improve our Workers’ Congress System and promote it at our headquarters and in the congresses of tier-two subsidiaries to make our affairs transparent. We clearly define the subject, procedures and responsibility of business transparency while also publicly strengthening our transparency through our internal publication, Sinochem Today, and other channels to ensure the most recent information is available to employees.

Case: The “National Model Home for Workers” at Sinochem Ningbo
Sinochem Ningbo implements a workers’ congress system. The employee representatives regularly familiarize themselves with reports on business management trends and the development and planning of the enterprise. In addition, they consult with the company to solve employees’ appeal for benefits. The company carries out a number of occupational training seminars to improve employees’ business skills, organizes various forms of art and sport activities to enrich the cultural life of employees, and provides financial assistance to needy employees to help them overcome difficulties. In 2011, Sinochem Ningbo was awarded the honorary titles of the “National Model Home for Workers” and the “The best employer in Ningbo”.



Employee Remuneration and Benefits

Sinochem Group is constantly improving its remuneration system to ensure that it is in line with the market and to ensure that employees’ income match what they contribute.

Based on artificial cost analysis, we have optimized the structure of employees’ remuneration to ensure fairness in the allocation of income. We will continue to innovate our incentive mechanism to ensure that income allocation is more scientific, and we will improve our mechanism for performance assessment. We will also improve the rationale of the performance assessment.

We have established a welfare system for employees, and provide them with basic benefits such as social insurance, a provident fund, paid annual leave, and commercial insurance, and have established a serious disease insurance system to strengthen medical care, family property and personal accident.

Case: FOTIC’s “Optimization Scheme on Remuneration System”
In 2011, in accordance with features in the financial industry and based on an investigation into remuneration standards in the industry, FOTIC introduced the “Optimization Scheme on Remuneration System”, and established an incentive mechanism that is in line with its development position and business strategy. By providing employees with comprehensive, equal and diverse remuneration system, the company has enhanced its employees’ sense of achievement, fairness and belonging.



Realizing Employees' Value

We are enhancing the training and education programs for our employees, innovating our training models, extending our training scope and enriching the training content to improve the overall quality of our employees. We also offer new career development opportunities and will continue to help them choose an optimal path for their development.

Diverse Training

Sinochem Group strives to improve employees’ professional capacity and quality and has established targeted training courses that relate to our employees’ business position and future development.

We have prepared a corporate culture training program for our new recruits to help them adapt to a new working environment. For grassroots-level workers, we provide professional skills training to enhance their skills, and for grassroots-level managers and employees in key positions we conduct leadership training to enhance their leadership capacity.



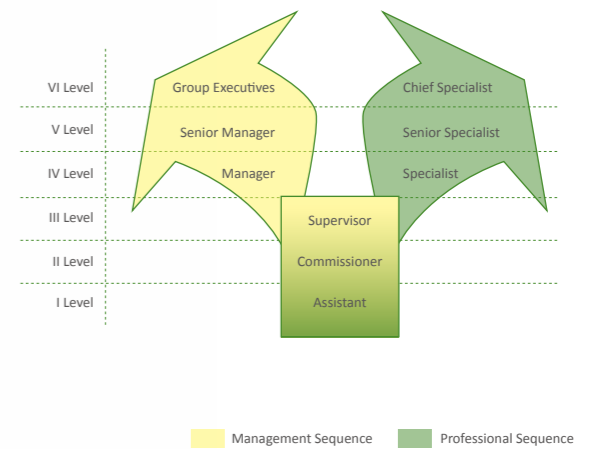
In 2011, Sinochem headquarters conducted 37 trainings and achieved a training satisfaction rate of 9.2 points (maximum 10 points). The training rate for key positions was 92.9%, and the average training time was 25.9 hours per person.

We are strengthening the construction of our training system, developing the *Sinochem Corporation Programme on Construction of Training System*, integrating training resources, and improving our overall training system by setting up courses, arranging lecturers, building a case database, and strengthening our approach to guidance and evaluation. In accordance with the realities of different posts, we create innovative training models, and have introduced action and travel learning approaches to enhance our leadership training for employees in key position. The results have been impressive. We have also combined our corporate strategy and business features to improve the training system for various groups. Our training management system has been optimized and we collect and analyze the demand for training via EMBA and MBA of employees in key positions and core staff to optimize all aspects of training. We also experiment with advanced professional technology training systems and have developed professional certification courses for engineering and HSE management. In addition, we have established a production skills training system which focuses on actual operations and is supplemented through our production knowledge training to provide all production workers with appropriate training.

Case: Strengthening the Integrated Training for Frontline Employees
Sinochem Pingyuan Chemicals, a subsidiary of Sinofer, provides frontline employees with integrated training. The trainees include 1,680 operators and technicians in 55 positions across three key factories. The training covers chemical principles related to their posts, technical indicators, how to use fire equipment and other professional knowledge. Through the training, examinations, evaluations and other measures, we have improved the skills of all frontline employees.

Optimizing Development Channel

We are constantly improving our dual career development channels for employees to help them to make decisions about their career. We do this for personnel in management positions and professional positions and base our input on their personal development, willingness, and capability after they have accumulated work experience and skills. By improving and refining our employee career development mechanism, clearly defining the requirements for post value contribution, and establishing hierarchical and classified training systems, we can encourage our employees to better understand their own advantages and disadvantages. We have also strengthened our management of production skills to ensure the effectiveness of skills appraisals through internal investigations. In addition, we have implemented the *Sinochem Group Management Regulations on Qualification of Professional Technical Positions* to standardize our management system for professional or technical titles, optimize the evaluation system, and ensure the fairness and rationality of employee promotion channels.



Increasing the Employees' Sense of Belonging

We focus on enhancing our corporate culture, and carry out recreational activities in diverse forms with rich content to enrich the culture life of employees in their leisure time. We also help employees mitigate difficulties and anxiety, and provide financial assistance to needy employees to increase their sense of belonging.

Building Corporate Culture

Sinochem Group focuses on building a corporate culture that is "Honest, Cooperative, and Good at Learning, as well as Diligent, Innovative, and Constantly Pursuing Excellence". In 2011, to encourage our employees to realize their dreams we put forward the three principles of: "the soul, the rules and the atmosphere for our success".

- Revising the *Sinochem Group Corporate Culture Handbook* to enrich the content of corporate culture.
- Carrying out A-Good Campaign to enhance the occupational quality of employees and enrich the meaning of our corporate spirit.
- Spreading our corporate culture and best practice through *Sinochem Today*, *Sinochem Political Work*, our website and other media channels to enhance employees' identification with the enterprise.

Caring for Employees' Daily Life

Sinochem Group attaches importance to assisting employees in need, has developed systems for caring for employees, implements an Employee Assistance Plan (EPA), and offers employees comprehensive and thoughtful care.

- Establishing employee files for those in need and being their "first insider and first helper".
- Institutionalizing congratulation and condolence activities, and creating a harmonious working atmosphere.
- Holding rich and colorful activities to enrich the cultural life of employees. In 2011, we organized badminton competitions, football matches, walking races and other events, and carried out parent-child activities, fun games and other activities to promote communication between employees and between employees and their family.

| Department / Unit | Culture Building Activities |
|----------------------|---|
| Sinochem Labor Union | Extensively carried out labor competitions around A-Good Campaign, and actively conducted activities with the theme of "Doing pioneering work for the third times and striving to be young vanguard". |
| SINOSEEDS | Organized speech contests themed as "Innovative working and happy life" to enrich employees' life in their leisure time and to highlight their mental outlook. |
| Franshion Properties | Organized employees to participate in outdoor development training, renewing the "Long March" road and other activities to increase their communication and awareness on cooperation as well as temper their willpower. |
| Sinochem Plastics | Carried out knowledge contests themed as "You are the talent", which covers career quality, job skills, production safety, business management, and Party building, among others, to show the business quality and skills of our employees. |



Case: "Nursing Bottle" Assistance Plan

We recognize that Shanghai has a high living cost, Far East Horizon, is located in Shanghai and has introduced the humanistic "nursing bottle" assistance plan which provides a RMB 5,000 interest-free loan for new employees who moves to Shanghai for work. The plan helps employees tide over the financial difficulties associated with adjusting to a new life in the city.

Case: Parent-child Activities

Sinochem Petroleum Exploration & Production Co., Ltd.(Sinochem E&P) organized cherry-picking activities for employees and their children on Children's Day. The children picked cherries together with their parents and enjoyed the fruits of hard work. The parent-child activities brought together good friends and enhanced the employees' feelings towards "Working hard and living happily".



Caring for Retired Employees

Sinochem Group has adopted and implemented political and living treatment for retired employees. We have introduced the *China Sinochem Group's Opinions on Strengthening Services for Retired Employees* to further improve our service management mechanism and to improve the quality and efficiency of service management.

We are honored to visit elderly Party members and veterans. We have set up a veterans' lounge in the Chemsunny World Trade Center to make the old and retired comrades feel at home, and we arrange for retired employees to participate in our Spring Festival get-together and our spring and autumn tour, and to visit industrial and agricultural production and construction facilities. We provide health convalescence and hold chess, photography, calligraphy and paintings contents for them.

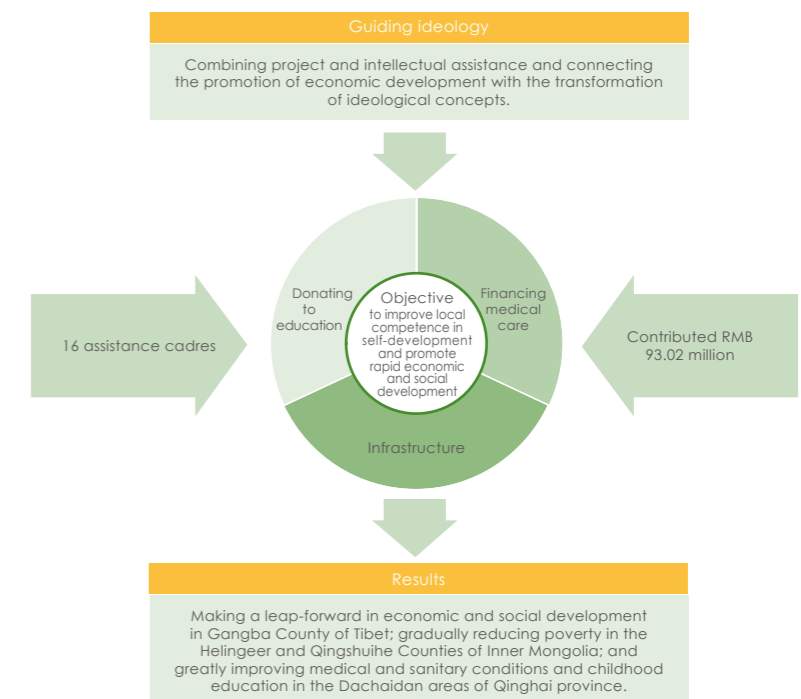


Participating in Socially-beneficial Activities to Facilitate Social Progress

Our goal is to be “the most respectable enterprise”. We give back to society by providing socially-beneficial activities and facilitates that contribute to social harmony and progress while maintaining our approach to sustainable development.

Poverty Alleviation

In response to calls from the Party Central Committee, Sinochem Group has, since 2002, established a poverty alleviation relationship with the areas of Tibet and Inner Mongolia, and one-to-one support for Dachaidan regions in the Haixi prefecture of Qinghai province in 2010. Over the past ten years we have adhered to the principles of “Primarily helping to develop and secondarily providing assistance”, and have upheld the one-to-one assistance principles of “Connecting the ideological change with material assistance, while combining intellectual investment with project investment”. We have carried out infrastructure construction and occupational training that benefits farmers, and by the end of 2011 we had dispatched 16 poverty alleviation leaders to Tibet, Inner Mongolia and Qinghai, as well as contributed a total of RMB 92.03 million to the promotion of local economic, social and cultural development.



Sinochem's poverty alleviation mode

In Tibet, we focus on combining our one-to-one assistance with the advantages of local businesses and provide good vegetable and grains seeds to local agricultural cultivation technology research institutions for trial planting to improve the planting of local agricultural products and to increase the yield per unit and help farmers raise their income. In 2011, we carried out infrastructure construction projects for irrigation and water conservancy, education, health, transportation, and housing in Tibet. We intensified our efforts in scientific training and helped develop local special industries. This resulted in improved production and better living conditions for peasants and herdsmen.



In Inner Mongolia, through designating cadres to stay at a selected area to work all the year round in combination with the assistance to development, we help the impoverished villages improve the village appearance and living conditions. Through our efforts, we have basically solved the local schooling difficulty and the problem of poor medical conditions, and helped the people in Hellingeer and Qingshuihe counties gradually get out of poverty and push them onto the path of well-off life.

In Qinghai, and in accordance with the economic and social development of the Dachaidan area, we put forward the working principles of "Combining project assistance with intellectual assistance, and connecting the promotion of economic development with the change of ideology". We regularly offer suggestions and services to the development of the local people's livelihoods. In 2011, we invested nearly RMB 5 million in kindergartens and the purchasing of medical equipment for hospitals in the Dachaidan areas. The investment greatly improved the local infrastructure for education and medical care and solved challenges associated with sending children to kindergartens and seeing a doctor in the region.

Sinochem's Major Donation Projects in Tibet, Inner Mongolia and Qinghai in 2011

| Project | Category | Capital Input (million RMB) |
|---|-------------------------------------|-----------------------------|
| Tibet | | |
| Gangba County new middle school students canteen | Education | 1.524 |
| Gangba County road surface hardening and road signs project | Infrastructure | 0.604 |
| Gangba County middle school teaching staff turnover housing project | Infrastructure | 0.886 |
| Gangba County staff turnover housing project | Infrastructure | 0.886 |
| Changlong Town Qiongxiu village house renovation project (housing project) | Infrastructure | 0.60 |
| Gangba County Lan and OA system construction for four towns and one county | Infrastructure | 0.20 |
| Zhike Town Muxiong reservoir desilting basin and channel engineering | Irrigation works | 0.38 |
| Gangba County water supply system reconstruction project | Infrastructure | 1.0 |
| Gangba County lighting and employee turnover housing project (phase I) | Infrastructure | 1.1 |
| Expense of quality and skills training | Intellectual assistance | 0.4105 |
| Donations for disaster relief | Disaster relief | 0.58 |
| Other contributions | Donation | 0.02 |
| Inner Mongolia | | |
| Rain collection solar dripping irrigation works in Duijiuye Village, Yaogou Town, Qingshuihe County | Irrigation works | 1.4 |
| Continued project in Migrant New Village Yangqungou Town, Hellingeer County | Infrastructure | 1.0 |
| Agricultural Park and Small Farmer Sci-tech Park in Hellingeer County | Agricultural science and technology | 0.4 |
| Qinghai | | |
| The medical equipment procurement for people's Hospital in the Dachaidan Administrative Areas | Medical care | 1.8 |
| The procurement of earthquake emergency supplies in the Dachaidan Administrative Areas | Earthquake relief | 0.4 |



Donations for Medical Care and Educational Development

Sinochem Group has been paying attention to the health and education in underdeveloped areas for many years and regularly donates money and materials to improve the local medical and sanitary conditions and to help poor students complete their studies.

Case: Helping to Build a Village Medical Care Station

When developing our pesticide business in underdeveloped areas, Sinochem International found that farmers had difficulty receiving medical treatment. The company therefore took the initiative to contact charity organizations and discuss a support plan. Since 2009, Sinochem International has promoted the "Red Cross Angel Plan" in association with China Red Cross Society and has donated funds to the construction of well-equipped Bo'ai Medical Stations in poor villages in Hubei, Hunan, Jiangxi, Anhui, Guizhou, and other provinces. Nearly ten thousand farmers have, to date, been able to receive medical treatment against common illnesses in these villages.

In Tongbaiji village and the neighboring villages of Ercheng Town, Hongan County, Hubei Province, more than 5,000 farmer no longer had to travel tens of kilometers to the county hospital for medical treatment following the opening of the Bo'ai Medical Station, which was donated and built by Sinochem International.

— Morning News (sponsored by the Jiefang Daily Group)



Case: Donations for Deaf-mutes School

Manulife-Sinochem practiced the concept of "sustained public benefit" for a long time and was recognized as "The public benefit messenger of insurance industry". In 2011, Manulife-Sinochem donated to the Shanghai Deaf-mutes School and purchased special visual-aid equipments to improve the study and life of all low-sight students.

Case: Donations for Education

In 2011, poor conditions in the Guojiatun Central Primary School near the corn seed production base in Chende, Hebei province, encouraged the SINOSEEDS to organize the "Seven-color Seed" education aid activity. The company donated 31 new computers and 370 books to the primary school, improving the teaching environment substantially in the process.



Case: "Sending Love in Western Hunan"

The Franshion Properties Changsha Branch Company also conducted the "Sending love in Western Hunan" activity, sending winter clothing and office supplies worth nearly RMB 10,000 to the Luoheping Central Primary School in Eryou Town, Yuanling County, Huaihua city.



Win-win Cooperation

Enhancing Our Contractors' Competence of CSR Implementation

We actively promote our CSR concept of "Enhancing awareness of responsibility and promoting entrepreneurial spirit" to contractors. We adhere to the concepts of putting "human first", caring for the construction personnel of contractors, and enhancing our contractors' competence and awareness of our CSR.

Case: Providing a Good Living Environment for Construction Workers of Contractors

Sinochem Quanzhou Petrochemical Co.,LTD. exerts great effort in coordinating with local government to expropriate 139 acres of land in the immediate vicinity of the project construction site to build camps that can accommodate 8,000 to 10,000 contractor construction workers. The camp site also has a Camp Police Station, a medical station, a property management office, supermarkets and other supporting agencies. The company rented the camp buildings to project contractors at a lower rate than that of surrounding residences. The site shortened the commute to work for construction workers, providing a comfortable and safe living condition, and allowing the contractors to focus on work and fulfill their responsibilities to employees.

Spurring Industrial Progress

Sinochem Group actively participates in the formulation of standards for the fluorine chemical industry and promotes the standardized development of the industry. Through forums, seminars and other high-end communication platforms, we have promoted our development concept and shared our development experience in an effort to spur industrial progress and achieve sustainable development with our partners.

Case: Helping to Develop the Fluorine Chemical Industry

We actively promote scientific and technological innovation in the fluorine chemical industry, particularly as relates to its development in China. In 2011, we generated 13 scientific and technology achievements in the field of fluorine chemicals, and received three prizes for scientific and technological progress. We also applied for 44 patents, chaired or participated in the formulation of three national standards and six industry standards. Moreover, we completed our key laboratory for new energy materials. In addition, a number of our new materials research topics were included in the National 863 program. Commissioned by the Ministry of Industry and Information Technology, we completed our 12th Five-Year Plan report on the fluorine chemical industry.

Case: Supporting China's Chemicals "Going Global"

The Safety Evaluation Center of SYRICI is engaged in the assessment and study of agricultural safety, medical products and other fine chemicals, and aims at providing scientific data for the protection of human health and the ecological environment. Recently, the Center obtained a certificate of Good Laboratory Practice (GLP) from the Netherlands government, a member of OECD. The certification greatly reduces the international registration costs for Chinese medicines, pesticides, cosmetics and other chemical products, and will shorten overseas registration periods. It is also provides a foundation from which Chinese chemical products can enter overseas markets and further the internationalization process.

Case: Participating in the international trainings

In 2011, Sinochem E&P participated in the Oil and Gas Resource Management Workshop organized by the Ministry of Commerce International Officials College. The company welcomed 40 trainees from the Oil and Gas Resource Management Seminar for Arabian Countries and the Iraq Seminar for Economic Development Strategy Senior Officials. The visit combined with multimedia videos, special reports, discussions and exchanges provided the company with the opportunity to explained to the trainees the "going global strategy of Chinese energy enterprises" and the oil and gas resource management conditions of Sinochem Group. It also helped the Arabian officials in the energy industry better understand the development of China's energy industry, enhanced mutual friendship and promoted cooperation.

Case: Promoting the Development of Medical Care and Education

Far East Horizon established the Far East Medical Management College in 2009 to provide training on hospital management for the management of county-level medical institutions. By the end of 2011, the college had trained a total of 500 people, enhancing their capacity for hospital management and promoting the development of basic medical cause.

I benefited a great deal from the training as it was wonderfully enlightening. It will be a great help to the cultural construction and the development strategy of the hospital in the future.

— Wang Ze'en, President of Enshi Central Hospital

The novel content of the training was really a great joy to me.

— Meng Qingchuan, President of Jiyang County Chinese Medicine Hospital

In order to promote public welfare and social philanthropy in China, the company launched the "Far East Horizon Public Fund" in January 2011, which is primarily used for the "Far East Horizon Scholarship", the "Far East Horizon Students' Grant", the "Donation for Post-disaster Reconstruction or Poverty Alleviation in China", and other public donations. The company adheres to transparent management in all aspects of the fund and makes all income and expenses available to the public. In 2011, we raised a total of RMB 8.372 million, of which RMB 1.22 million was used for scholarships that rewarded excellent students at eleven colleges and universities including Shanghai Jiaotong University, Tongji University, Nankai University and Wuhan University.

In order to encourage and guide college students to join the Chinese printing industry, the company established the "China Printing College Student Union" in 2006. To date, we have contributed RMB 1.2 million. Through our scholarships, student grants and other financial means, we have helped more than 230 students major in printing to complete their studies, thus fostering excellent talent for the soaring development of the Chinese printing industry.

Contributing to Community Development

In countries where we operate, Sinochem Group not only creates employment opportunities for local residents, but also boosts local economic and social development. We enthusiastically participate in socially-beneficial activities and improve local infrastructure by contributing money and materials to enhance medical care and education, among others. We encourage and organize employees to participate in volunteer activities and transfer our love.

Case: Boost the Economic and Social Development on Project Site

Sinochem Quanzhou has been constantly improving the employment environment and supporting infrastructure construction in its working environment, and is striving to contribute to the local economic and social development.

During the project construction, we provided a large number of employment opportunities, offering training to local residents to improve their overall employment skills. We also carried out diverse joint construction and cultural exchange activities with the local garrison and schools and offered training resources to four local schools. We also donated more than 800 books to the local garrison.



Case: Carry Out "Social Care Commitment Day"

Since 2004, Manulife-Sinochem has conducted an annual "Social Care Commitment Day". In 2011, the company planned and organized the activity of "37°C Warmth" calling on all employees in Nanjing and Chengdu to hold a charity fair to sell the "Loving Table Lamp". At the event, 26,221 table lamps were sold and RMB 490,000 was raised. The funds were used to support cataract surgery for 520 elderly patients in Sichuan.

Case: Enter Columbia to Build Harmonious Communities

The Columbia Emerald Company views community construction as a key social responsibility practice at its project site and has invested in the development of local education and health care. The company promotes local employment policies and focuses on training local employees. It employed unskilled workers for overseas oilfield operations from local communities and has a local employment rate of 100%. In terms of procurement, the company implements local policies, purchasing related products and services from local suppliers to promote local industry and employment. In addition, the company participates in local socially-beneficial activities and has invested in public infrastructure such as a student canteen and a medical station, among others, to the benefit of more than 5,000 local people.



CSR FEATURE REPORT

CREATING GREEN COMPETITIVENESS PROMOTING SUSTAINABLE DEVELOPMENT

Throughout Sinochem Group's strategic transformation, we have emphasized that we shall not follow the old low-level, redundant development pattern. We are committed to participating and gaining an upper hand in high-level industrial competition. This requires that we pursue technological and independent innovation, and provide society with environmentally friendly and energy saving products and services. It also requires that we create green competitiveness and a unique competitive edge, realizing both economic and social benefits as well as the sustainable development of the company.

Liu Deshu
President & CEO
Sinochem Group

"Green Competitiveness" refers to a company's ability to gain an upper hand in the market by achieving its environmental protection goals, ecological balance, human health, and sustainable development. Green competitiveness is central to the entire operational process of a business from production inputs to output. It not only means providing green products to society, but also ensuring the adoption of clean production processes throughout the company.

We continue to transform from a traditional trading enterprise to an industrial and service-based company. Throughout this process we have remained committed to building our green competitiveness and are relying on technological and independent innovation to achieve sustainable development. We organically combine environmental protection with energy efficiency, and implement this approach throughout the entire industrial chain from R&D and production to sales. Green competitiveness penetrates every aspect of our business operations and is already contributing to building a "Sinochem Green Value Chain". We have embedded "green" elements in our approach to technological innovation to enhance our green credentials and have obtained competitive advantages in the market by developing low-carbon production and providing

In the process of transforming from a traditional trading enterprise to an industrial and service-based company, Sinochem has relied on its major business in energy, chemicals, and agricultural inputs, and has integrated "green elements" into its approach to innovation in order to facilitate green competitiveness that benefits the company.

— Xinhua News Agency

green products and services. While harvesting these economic benefits, we have also improved the environment, conserved valuable energy, and contributed to the sustainable development of society.

In recent years, "the green engine" that drives our company has been operating full time. The sales of our green products have helped our rapid growth. We have taken the lead in China in developing and transferring green technologies related to pesticides, fluorine chemicals, and the treatment of waste gas, water and solid substances. We also sit at the top of domestic R&D lists and lists for production capacity of ODS substitutes, green pesticides development and manufacturing, and the production of clean chemical products. In 2011, the value of comprehensive energy consumption per RMB ten thousand Yuan output was 0.381 MT of standard coal, far below the SASAC indicator of 0.933 MT, and our SO₂ and COD discharge rates have been reduced by 29.82% and 48.17% year-on-year.

Relying on independent innovation and promoting a green transformation, Sinochem Group's sales of new green products has resulted in and contributed to the company's rapid growth. The company takes the lead in the domestic market in the R&D and production of ODS substitutes, green pesticides development and manufacturing, and the production of clean chemical products. "The green engine" of Sinochem is always running.

— People's Daily

29.82%

SO₂ emissions reduced by 29.82%

48.17%

COD emissions reduced by 48.17%

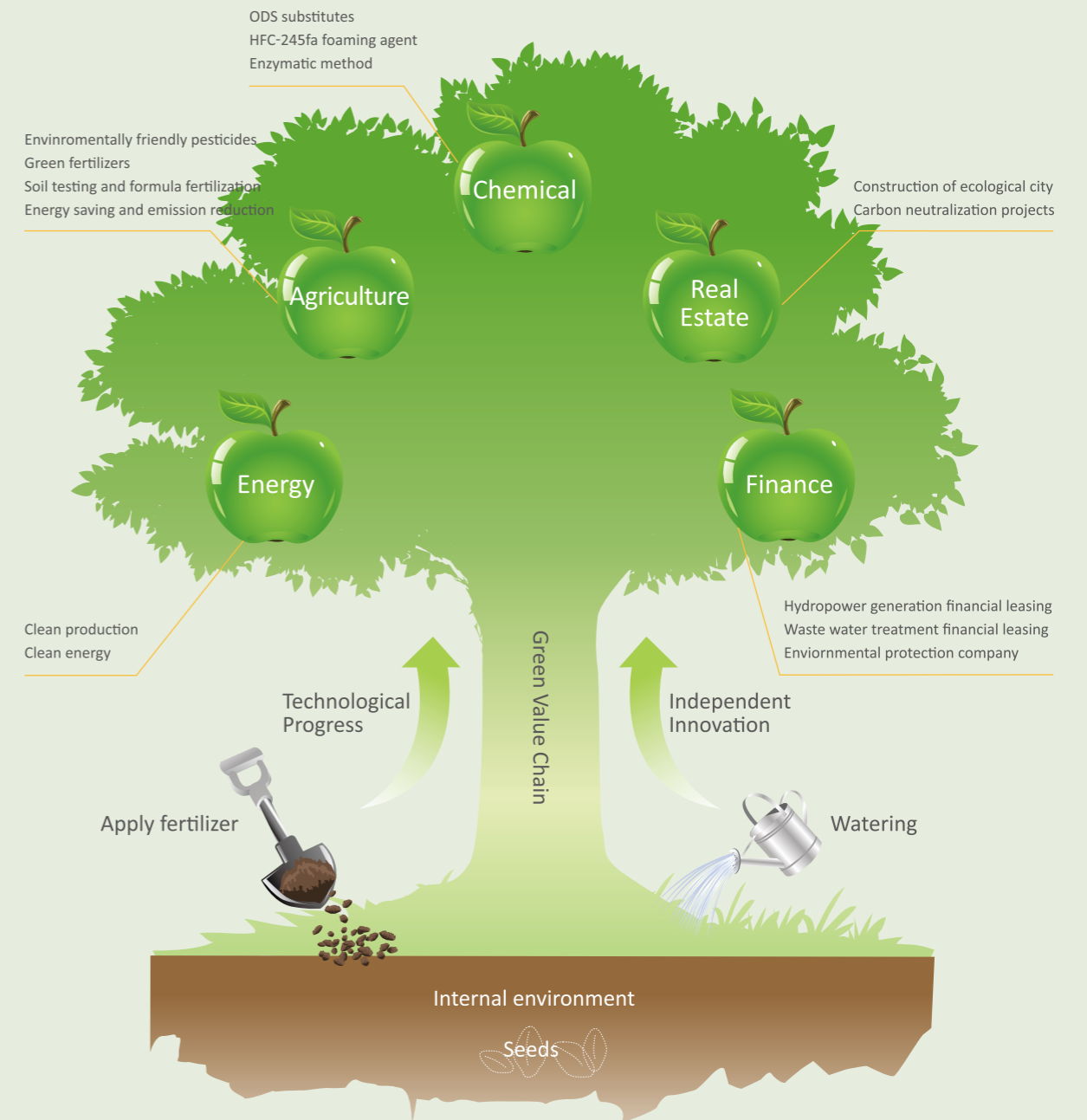


Diagram of Sinochem Group's Green Competitiveness

- Seeds: green competitiveness ideas
- Apply fertilizers: fund injection
- Internal and external environment: company transformation and environmental protection
- Watering: staff placement

The Practice of the Green Competitiveness in Sinochem's Five Major Business Segments

| | |
|-----------------------|--|
| Energy Business | <p>Sinochem has invested in building the Quanzhou Petrochemical Project, which adopts world-class process, integrates a clean production philosophy, and extends its control and management over the production process and through the whole product life cycle. It manages and controls the entire product life cycle by optimizing the design and eliminating all pollution. It also reduces energy consumption and GHG emission in the production process, increases energy efficiency, and reduces or avoids the production and emission of pollutants in the production and service process to mitigate or eliminate its impact on people's health and the environment. When the project goes into production, the gasoline and diesel it produces will meet the Euro IV standard, and a many part of its products will meet the Euro V standard.</p> |
| Agricultural Business | <p>Our homegrown and IP-protected new green pesticides are highly efficiency, low in toxicity, and low in residual. As a result, they reduce our impact on soil and guarantee the quality and safety of our agro-produce.</p> <p>Sinofert Company cooperates with many research institutes, including the Chinese Academy of Agricultural Sciences and the China Agricultural University and has developed a series of green fertilizer products. We have built and continue to improve our soil testing and formula fertilization service system, and we organize agricultural technology fairs and onsite instruction sessions in rural areas to further the dissemination of knowledge on scientific fertilization to farmers. We also help to improve the ecological environment of the Chinese agricultural industry and rural areas by contributing to the sustainable use of the arable land in China. By optimizing our key links in the production process, we have cut down our discharge of waste gas, water, and solid substance to protect the environment.</p> |
| Chemical Business | <p>Sinochem is striving to develop its fluorine chemical business so as to provide environmentally friendly, low-carbon, and green products to society. We have developed an ODS substitute, HFC134a, with proprietary IP rights. This helps to reduce the discharge of tens of thousands of ODS and protects the eco-system of the planet. Along with Honeywell we have set up a joint venture to produce an HFC-245fa foaming agent, which will replace the ozone-depleting 141b foaming agent that is extensively used in the domestic household appliance industry, as well as the thermal installation material used in electrical appliances, architecture, and transportation fields to upgrade the industry and related fields. We adopte advanced enzymatic method which has the advantages of achieving energy saving and emission reduction, environmental protection and products safety.</p> |
| Real Estate Business | <p>Franshion Properties sees "creating green competitiveness" as one of its development strategies and complies with the green philosophy in all aspects of its business operations. In 2011, Franshion Properties presented a speech at the World Climate Conference, the first Chinese real estate company to speak at the event. The title of the speech was "the Green Development and Practice of Chinese Real Estate Industry: Franshion Properties' Green Exploration and Endeavor", and it introduced the achievements of Chinese real estate developers in terms of green, low-carbon strategy implementation and business transformation. The speech also covered the construction of ecological cities, green schools, green hotels, and renovations that target energy conservation, as well as contract energy management, and carbon neutralization. In 2011, Fransion Properties voluntarily bought 16,800 MT "Panda Standard" carbon emission reduction credits through the China Beijing Environmental Exchange, and made the Jin Mao Palace project in Beijing, the first carbon neutral project in China's residential property development sector.</p> |
| Financial Business | <p>Far Eastern Horizon carries out a comprehensive industrial and operational service strategy, providing innovative financial services that include financial leasing for companies, and also help them implementing industrial upgrades, reducing energy consumption, increasing productivity, and reducing emissions. It is scaling up its investment in hydropower generation projects, with annual grid-connection volume now at 1.6 billion KWH, and it provides and improves water treatment facilities leasing services for companies and is strengthening their water treatment capacity. In total, Far Easter Horizon has increased its daily water treatment capacity by 1.07 million MT and helped tap water factories overhaul their plants by supplying them with new advanced facilities, thus increasing their daily water supply capacity by 0.89 million MT.</p> |

FUTURE OUTLOOK

In 2012, Sinochem Group will follow SASAC's requirement of "becoming stronger and better, cultivating a world-class enterprise with international competitiveness". We will also honor the goals of Sinochem's "Third Long March" by pressing ahead with our strategies, enhancing our lean management, inspiring all Sinochem people to pursue excellence, and trying to create comprehensive value for the economy, the, the society and the environment.

We will strengthen our corporate magement and lay a solid foundation for our future growth. We will stick to lean magement, further improving the management system efficiency to comprehensively achieve our operation objectives. At the same time, we focus on our main business accompanied by multiple operations, continuously realizing strategy transformation so as to steadily develop Sinochem in a stable healthy and sustainable way.

We will better support and serve China's economy and people's livelihoods. We will combine company development with social demand, making greater contributions to energy and agricultural security and China's chemical engineering and technological progress as as to improve people's livelihoods.

We will innovate new business models and improve our value creation ability for clients. We will enhance our communication with clients and better understand their specific demands as well as the drive behind their demands. We will also explore new business models to provide more and better value-added services in order to grow with our clients.

We are implementing a green strategy, and building an energy-conservative enviornment. We will continue to enhance our production safety and emissions reduction strategy. We regard production safety as an issue closely related to the harmony and stability of the country and society, and will continue to improve our management approach to production safety to ensure the safety operation of the company. In addition, we will stick to the philosophy of green development, accelerate industrial restructuring and the upgrading of technology, promote clean production, reduction energy consumption, and increase capital for environment protection.

We will help our employees realize their individual growth and focus on value promotion. We aim to become a respected enterprise among employess. By creating an innovative management mechanism and enhancing our professional training and career coaching system, we will create an extensively growing environment for the talents and help them realize their individual value during the "Third Long March", and achieving joint growth with them.

We will draw upon our advantages and actively participate in social welfare. We will combine our business strengths of energy, agriculture, chemical engineering, real estate and financial business with our social welfare work, and encourage our employees to take part in voluntary activities to contribute to social development and social harmony.

EXPERT'S COMMENTS

I have read through the *Sinochem Group 2011 Report on Sustainable Development*, and made the following comments:

Sinochem Group has taken the scientific development concept as its guidance, has implemented a comprehensive approach to risk management, and built up its green competitiveness. By drawing on its business strength in energy, agriculture, chemicals, real estate, and finance, it recognizes and shoulders its corporate citizenship, and continues to enhance its capacity to create composite value for the economy, society, and the environment. The report systematically summarizes Sinochem's CSR work in 2011, and has the following features:

Firstly, it is in line with the disclosure requirements of COP (Communication on Progress) Policy of the United Nation Global Compact (UNGC). The report has fully published Sinochem's 2011 progress on the UNGC's Ten Principles, particularly disclosing progress in the following aspects: the company's compliance with state and local laws, equal pay for equal work, improvements to the democratic participation system, enhancement of labor management, caring for employees, respect on the human rights of employees; HSE management, the development of cycle economy, adoption of environmental protection equipment and technology to reduce the impact of business operation's on the environment; conducting a series of anti-corruption activities, and keeping a transparent business operation. All information in the report demonstrates Sinochem's fruitful achievement in its CSR efforts.

Secondly, the report fully reflects the business operation features of Sinochem Group. The company has further enriched the content of its CSR Matrix, and disclosed the respective CSR practices of Sinochem's five business segments. Based on the reality of the company's operations, the report discloses the company's contribution to every aspect of people's lives, showing the integration of the company's operations with its CSR practices and reflects the company's operational features through a multidimensional perspective.

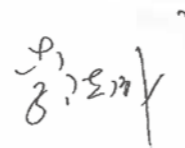
Thirdly, the comments of stakeholders run through the major content of the report. The company has improved its communication mechanism with all stakeholders, actively responded to the expectations and requirements of the stakeholders, and enhanced the company's operation and CSR work, which has received positive responses and extensive recognition from all stakeholders, and enhanced the credibility of the report.

In general, the report is informative, reflecting the facts, and highly readable. It is in accord with the latest requirement of UNGP on annual communication in CSR progress, and is a well-made report.

I have the following advice to give Sinochem in terms of further improving the report:

First, the company should seek to enhance its disclosure on the connection between the content of each chapter and Sinochem's realization of sustainable development, highlighting the practice of sustainable development philosophy in Sinochem's day-to-day operations;

Second, Sinochem should make the best of its international platform and enhance its participation in both domestic and international CSR matters. At the same time, it should intensify its disclosure on its overseas operations, and enhance its international image as a responsible corporate citizen.



Li Decheng
Director of the Board of the United Nations Global Compact
Chairman of China Enterprise Confederation

EXPERT'S COMMENTS

The *Sinochem Group 2011 Report on Sustainable Development* is a platform for Sinochem Group to demonstrate the value it has created for the economy, society, and the environment. It is an important channel for Sinochem to strengthen its communication capacity and operational transparency. It is also represents an important action taken by Sinochem to answer the call of Chinese government on the harmonious development strategy of the "12th Five-Year Plan". While disclosing the issues closely followed by stakeholders, the report has enhanced its disclosure on core indicators and performance data, which is complete and informative. It is concise in language, and well written and designed with many vivid diagrams. It is a highly readable, good quality CSR report.

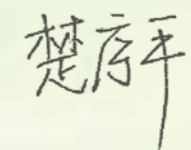
The Report has the following features:

Firstly, the report is very informative. It systematically discloses how Sinochem Group, as a central government-owned multinational conglomerate, follows the scientific development concept and adheres to its goal of "growing better and stronger, creating a world-class company to serve the national economy and people's life, providing satisfactory services for clients, operating safely, healthily, and in an environmentally friendly way in order to help employees achieve individual growth, and promote social progress. The report also discloses Sinochem's CSR practices and achievements in the process of creating value for the society.

Secondly, the report fully demonstrates the features of Sinochem's different business segments. Through the CSR Matrix, it has presented the CSR philosophy and practice of the energy, agricultural, chemical, real estate, and financial segments of Sinochem Group. It clearly shows the features of each segment's CSR work, which is convenient for different stakeholders to understand and analyze the company's CSR practice.

Thirdly, the theme of serving people's lives is at the heart of CSR. "Sinochem Is beside You" disclosed what Sinochem has done to increase people's happiness, enrich people's lives, and improve medical care and education for society. It integrated CSR into the life of all stakeholders, and shortened the distance between Sinochem and its stakeholders, while at the same time vividly demonstrating the features of Sinochem's CSR work.

I look forward to seeing Sinochem make the best of its business strengths, enhance its R&D capacity and sustainability, and make even greater contributions to industrial development and social harmony throughout its "Third Long March" process.



Chu Xuping
Director of Research Bureau of SASAC under State Council

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 2011, Sinochem actively carried out and made positive progress.

| Issues | Principles | Performance in 2011 |
|-----------------|---|---|
| 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"> Fully respect employees' rights to birth, education, and labor; Intensify skills training for employees; Facilitate overseas employees to visit their family or relatives; No contact with human rights abusers. |
| 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"> Strictly abide by all laws and regulations, pursue an equal and non-discrimination employment policy, and execute the equal pay system; No employment of child labor; Constantly improve democratic management systems such as the Workers' Congress system, and ensure employees' right to participate in the management of enterprise; Strictly implement the paid leave system, encourage employees to work by daily schedule, and introduce a policy on the compensation of overtime. |
| 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"> Implement a green competitive strategy; Integrate the concept of cleaner production into the full refinery process and provide clean energy; Develop green fertilizer products, create green pesticide, and help improve the agricultural and ecological environment through the establishment of the soil testing formula fertilization system; Make greater efforts to develop the fluorine chemical industry and provide environmentally friendly, low-carbon and green products for the society; Make voluntary purchase of carbon offsetting credits and create a carbon-offsetting real estate project; Provide financing and leasing services for wastewater treatment equipment. |
| Anti-corruption | <ul style="list-style-type: none"> Work against corruption in all its forms, including extortion and bribery. | <ul style="list-style-type: none"> Implement a responsibility system for the construction of a clean and honest enterprise; Strengthen the construction of the supervision mechanism for special commissioner of Discipline Inspection Committee; Carry out special education and publicity on corruption-free employment; Strengthen the establishment of the internal control system. |

GLOBAL REPORTING INIATIATIVE (GRI) INDEX

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

| NO. | GRI Content Index | Extent of Disclosure | Where Reported (Catalog of Report) |
|--|--|----------------------|------------------------------------|
| Strategy and Analysis | | | |
| 1.1 | Statement from the most senior decision-maker of the organization | ● | P4-5 |
| 1.2 | Description of key impacts, risks, and opportunities | ● | P4-5 |
| 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 | ○ | P6, P8 |
| 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 | ● | P18, P53 |
| 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 | ○ | P18-19, P32 |
| 2.10 | Awards received in the reporting period | ○ | P14 |
| 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, P66 |
| 3.5 | Process for defining report content | ● | P15 |
| 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 | ○ | |
| 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 | ● | P61-65 |
| 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) | ○ | |
| 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 | ● | P8 |
| 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 | ● | P8 |
| 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 | ● | P10 |

| NO. | GRI Content Index | Extent of Disclosure | Where Reported (Catalog of Report) |
|----------------------|---|----------------------|------------------------------------|
| 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 | ● | P37 |
| 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 | ● | P9-10 |
| 4.12 | Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses | ● | P60 |
| 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 | ● | P60 |
| 4.14 | List of stakeholder groups engaged by the organization | ● | P13 |
| 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 | ● | P13 |
| 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 | ● | P13 |
| 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 | ● | P26 |
| 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 | ● | P44 |
| EC4 | Significant financial assistance received from government | ● | P27 |
| EC5 | Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation | ● | P44 |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation | ● | P53 |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation | ○ | |
| EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement | ● | P51 |
| EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts | ⓘ | P9 |
| Environmental | | | |
| EN1 | Materials used by weight or volume | ● | P40-41 |
| EN2 | Percentage of materials used that are recycled input materials | ● | P40-41 |
| EN3 | Direct energy consumption by primary energy source | ● | P40, P54 |
| EN4 | Indirect energy consumption by primary source | ● | P40, P54 |
| EN5 | Energy saved due to conservation and efficiency improvements | ● | P40 |
| EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives | ⓘ | P41 |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved | ● | P40 |
| EN8 | Total water withdrawal by source | ⓘ | P40 |
| EN9 | Water sources significantly affected by withdrawal of water | ○ | |
| EN10 | Percentage and total volume of water recycled and reused | ⓘ | P40 |
| 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 | ● | P41, P56 |
| EN13 | Habitats protected or restored | ● | P41 |

| NO. | GRI Content Index | Extent of Disclosure | Where Reported (Catalog of Report) |
|--|--|----------------------|------------------------------------|
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity | ● | P41 |
| 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 | ● | P40, P54 |
| EN17 | Other relevant indirect greenhouse gas emissions by weight | ● | P40, P54 |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved | ● | P40 |
| EN19 | Emissions of ozone-depleting substances by weight | ● | P40 |
| EN20 | NOx, SOx, and other significant air emissions by type and weight | ● | P40 |
| EN21 | Total water discharge by quality and destination | ⓘ | P40 |
| EN22 | Total weight of waste by type and disposal method | ● | P40 |
| 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 | ⓘ | P40 |
| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation | ● | P40 |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category | ○ | |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | ● | P40 |
| EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce | ● | P56 |
| EN30 | Total environmental protection expenditures and investments by type | ● | P37-38 |
| Labor Practices and Decent Work | | | |
| LA1 | Total workforce by employment type, employment contract, and region, broken down by gender | ● | P43 |
| LA2 | Total number and rate of new employee hires and employee turnover by age group, gender, and region | ○ | |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | ● | P44 |
| LA4 | Percentage of employees covered by collective bargaining agreements | ● | P44 |
| LA5 | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements | ⓘ | P44 |
| 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 | ⓘ | P39 |
| LA7 | Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region | ⓘ | P39 |
| LA8 | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases | ● | P46-47 |
| LA9 | Health and safety topics covered in formal agreements with trade unions | ● | P44 |
| LA10 | Average hours of training per year per employee by gender, and by employee category | ● | P45 |
| LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | ● | P45 |
| LA12 | Percentage of employees receiving regular performance and career development reviews, by gender | ⓘ | P45 |
| 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 | ● | P43 |
| LA14 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation | ○ | |
| LA15 | Return to work and retention rates after parental leave, by gender | ○ | |

| NO. | GRI Content Index | Extent of Disclosure | Where Reported (Catalog of Report) |
|-------------------------------|---|----------------------|------------------------------------|
| 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 | ● | P43 |
| HR5 | Operations and significant 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 | ● | P43 |
| 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 | ● | P43 |
| HR8 | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations | N | |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken | N | |
| HR10 | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments | N | |
| HR11 | Number of grievances related to human rights filed, addressed, and resolved through formal grievance mechanisms | N | |
| Society | | | |
| SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs | ● | P49-50,P53 |
| SO2 | Percentage and total number of business units analyzed for risks related to corruption | ● | P11 |
| SO3 | Percentage of employees trained in organization's anti-corruption policies and procedures | ● | P11 |
| SO4 | Actions taken in response to incidents of corruption | ● | P11 |
| 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 | ● | P40,P54 |
| 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 | ● | P33 |
| 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 | ● | P30 |
| 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 | ● | P22 |
| PR6 | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship | ● | P23 |
| 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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FSC

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



SINOCHEN GROUP

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