

2009

Sustainable Development Report



# Content

1	COMPANY PROFILE	1	7	CUSTOMER SERVICE	23
1.1	ABOUT US	1	7.1	POWERFUL MARKETING NETWORK	23
1.2	FINANCIAL SUMMARY	2	7.2	SERVICE QUALITY IMPROVEMENT	23
1.3	DEVELOPMENT STRATEGIES AND OBJECTIVES	3	7.2.1	Customer service center	23
1.4	CORE VALUE CONCEPTS	4	7.2.2	Management platform backed up by IT technology	24
2	ADDRESS FROM CHAIRMAN	5	7.2.3	Sales of oil products—Gas stations	24
3	STAKEHOLDERS	7	7.2.4	Lubricant products—from serving aerospace industry to civil use.	25
4	CORPORATE GOVERNANCE	9	8	EMPLOYEES	26
4.1	CORPORATE GOVERNANCE VALUES	9	8.1	EMPLOYMENT AND DEVELOPMENT OF EMPLOYEES	26
4.2	MANAGEMENT STRUCTURE OF THE COMPANY	9	8.1.1	Maintaining good labor relations	26
4.3	INTERNAL CONTROL	10	8.1.2	Talents recruitment	26
4.4	OUR PERFORMANCE	11	8.1.3	Staff education and training	26
4.4.1	Corporate Governance	11	8.1.4	The Employee's Code of Conduct	27
4.4.2	Anti-corruption	11	8.2	WORKING ENVIRONMENT	27
4.4.3	Auditing	12	8.2.1	System of Staff Congress and openness of corporate affairs	27
4.4.4	Antitrust	12	8.2.2	Social security and welfare system	27
5	HEALTH, SAFETY AND ENVIRONMENT (HSE)	13	8.2.3	Occupational health	28
5.1	HSE MANAGEMENT SYSTEM	13	8.3	RESPECT FOR HUMAN RIGHTS	28
5.2	ENVIRONMENTAL PROTECTION	14	8.3.1	Protection of women employees	28
5.2.1	Carrying out clean production	14	8.3.2	Aid and relief	29
5.2.2	Producing clean products	15	8.3.3	Rich cultural and sports activities	29
5.2.3	Reinforcing the treatment of “three wastes”	15	8.3.4	Care for retirees	29
5.2.4	Developing circular economy	15	9	SOCIETY AND COMMUNITIES	30
5.2.5	Reinforcing ecological restoration, and protecting ecological environment	16	9.1	PAYMENT OF TAX AND FEES	30
5.3	SAFETY PRODUCTION	17	9.2	COMMUNITY CONSTRUCTION	30
5.3.1	Improving system, reinforcing supervision and guaranteeing fulfillment of responsibilities	17	9.3	CHARITY	31
5.3.2	Firmly carrying out “I Safe” activities	17	9.3.1	Poverty alleviation and aid to Tibet	31
5.3.3	Emphasizing potential hazard treatment	18	9.3.2	Education aid	32
5.4	EMERGENCY MANAGEMENT	19	9.3.3	Lifeline Express project	34
5.4.1	Reinforcing the construction of emergency management system and mechanism	19	10	COMMENTS FROM THIRD PARTY	35
5.4.2	Optimizing emergency resource, and enhancing emergency response capability	19	11	ABOUT THE REPORT	37
6	DEAL WITH CLIMATE CHANGE	20	11.1	THE GLOBAL COMPACT AND OUR REPORT	37
6.1	REINFORCE THE STRENGTH OF RESEARCH, AND IMPROVE THE CAPABILITY TO DEAL WITH CLIMATE CHANGE	20	11.2	SHANGHAI STOCK EXCHANGE BASIC PRINCIPLES	38
6.1.1	Reduce emission from the start of production, and conduct R&D on low energy consumption and low discharge production technology	20	11.3	DISCLAIMER	39
6.1.2	Develop energy saving technology	20	11.4	COMPANY INFORMATION	39
6.1.3	Implement CO <sub>2</sub> catching and utilization technologies	20			
6.1.4	Renewable energy resources and new energy technology	21			
6.2	ENERGY SAVING AND EMISSION REDUCTION	21			

# 1 COMPANY PROFILE

## 1.1 About us

China Petroleum & Chemical Corporation (hereinafter called "Sinopec Corp." or "the Company") is an integrated energy and chemical Company with principal businesses of exploration, production and trading of petroleum and natural gas, refining and sales of petroleum products as well as production and sales of chemical products.

**Exploration and development of petroleum and natural gas:** Sinopec Corp. is the second largest producer of petroleum and natural gas in China. The Company produced 301.2 million barrels of crude oil and 299 billion cubic feet of natural gas in 2009. And by the end of 2009, its proved reserve of oil and gas were about 3,943 million barrels of oil equivalent.

**Oil refining:** Sinopec Corp. is the largest oil refining enterprise in China, producing gasoline, diesel, jet fuel, lubricant, fuel oil, as well as, various chemical feedstock and other petroleum products. And by the end of 2009, its primary refining capacity was 227 million tons per year, ranking the third largest in the world.

**Marketing & distribution of refined oil products:** Sinopec Corp. has a well established sales network of refined oil products in China. By the end of 2009, there were 29,698 service stations marked with "Sinopec" logo, of which 29,055 stations were owned and operated by Sinopec Corp., ranking the third in the world.

**Chemicals:** Sinopec Corp. is the largest producer and distributor of chemical products in China. The Company's major chemical products include ethylene, synthetic resins, monomers and polymers for synthetic fiber, synthetic fiber and synthetic rubbers. By the end of 2009, its ethylene capacity was 7.135 million tons per year, ranking the sixth in the world.

**International trade:** Sinopec Corp. deals with the import and export trades of crude oil, petrochemical products and equipment & materials. In 2009, the Company imported crude oil of 138 million tons, of which the trade volumes of crude and refined oil products from the third party respectively accounted for 38.4 million tons and 5.5 million tons. The import and export volumes of refining and chemical products as well as equipment & materials reached USD1.14 billion in the year.

**Scientific and technical development:** Sinopec Corp. pursued technical breakthrough in the field of new businesses by taking the advantage of integration, combination of manufacturing, distribution and research, and focusing on development of core and specialized technologies on the basis of supporting traditional business. At present, the Company has input RMB23.471 billion in the area of science and technology from 2005 to 2009. By the end of 2009, it had owned 23,000 full-time staff engaged in research and development and had been granted the highest award for science and technology of the country for one time, the national award for technical invention for 44 times and the national award for scientific and technical progress for 278 times.



#### Exploration & Production

- The 2nd largest oil & gas producer
- Proved reserve of oil & gas about 3,943 million barrels of oil equivalent by the end of 2009



#### Refining

- The largest oil refining manufacturer in Asia and the third ranked in the world
- Refining capacity about 227 million tons/per year by the end of 2009



#### Marketing & Distribution of refined oil products

- Own the largest refined oil products distribution network in China and the total number of service stations ranked the third in the world
- The domestic market share about 60%



#### Chemicals

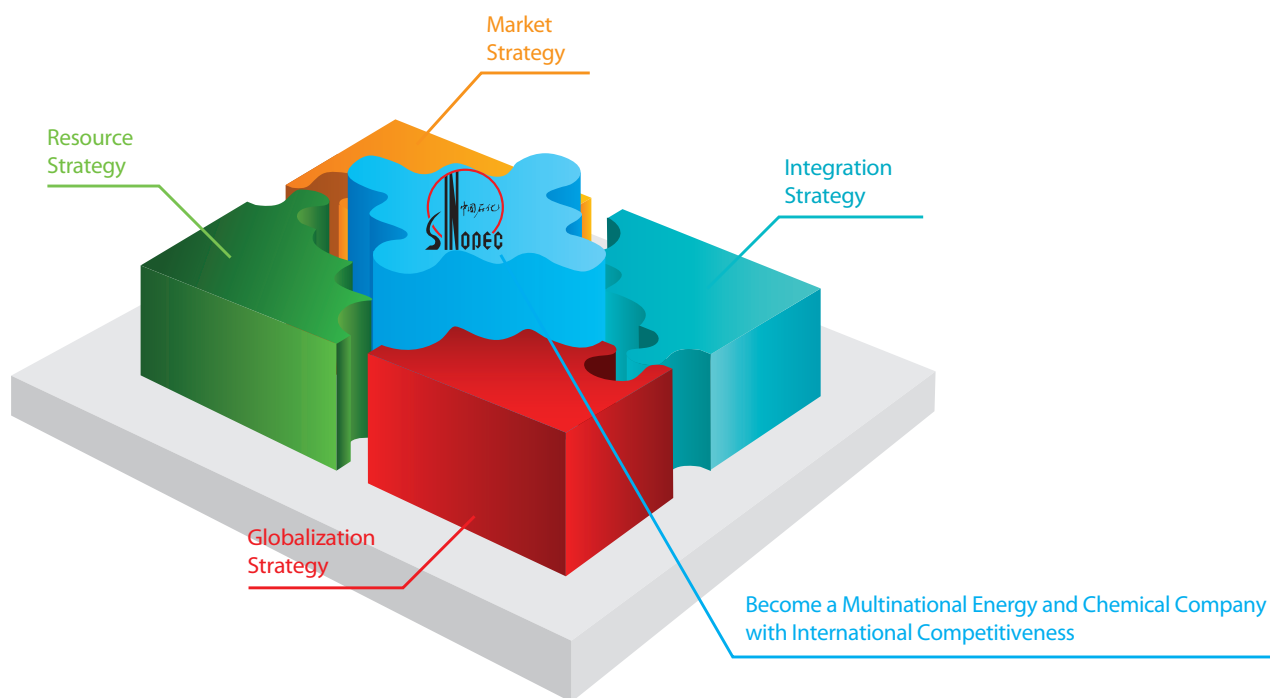
- The largest ethylene producer in China and ranked the sixth in the world
- Ethylene capacity about 7.135 million tons/per year by the end of 2009

China Petrochemical Corporation with Sinopec Corp. as its core asset, ranked the 9th in the 2009 Fortune 500 companies.

## 1.2 Financial summary

	Year 2009	Year 2008	Year 2007	Year 2006	Year 2005
	RMB million	RMB million	RMB million	RMB million	RMB million
Turnover and other operating revenues	1 345 052	1 444 291	1 200 997	1 056 363	814 093
Other incomes	-	50 857	4 863	5 225	9 912
Operating expenses	1 260 621	1 468 812	1 120 364	980 338	752 488
Of which:					
Personnel expenses	28 836	23 381	22 829	21 033	19 751
Profit attributable to equity shareholders of the Company	61 760	28 525	55 914	53 773	43 743
Earnings per share (RMB/share)	0.71	0.33	0.65	0.62	0.51
Cash dividend for the year (RMB/share)	0.18	0.12	0.165	0.15	0.13
Share capital (million shares)	86 702	86 702	86 702	86 702	86 702
Total assets	877 842	779 172	743 371	619 486	550 800
Taxes and fees paid to the central and local governments	179 852	108 386	104 111	78 823	66 477
Donations	174	104	158	98	203

### 1.3 Development strategies and objectives



In accordance with the features of the sector and our businesses, the Company would implement a growth strategy focusing on resource, market, integration and globalization.

Our resource strategy continues to be based on a diversified supply program with crude oil, natural gas, and refined oil products as the major resources, supplemented by alternative and unconventional energy resources. We will give respective play to domestic supply and overseas sourcing, balancing production with trading activities, so as to ensure a solid, secure, economical and steady access to resources.

Our market strategy is to develop our markets home and abroad and seeks to improve the distribution network of petroleum and petrochemical products, develop modern logistic systems, and enhance service standards and quality. Sinopec Corp.'s product differentiation will enable us to create market demand. Meanwhile, we will continue to improve the Sinopec Corp. brand image, increase market competitiveness, strengthen our leading position in the domestic market, and proactively expand overseas markets.

Our integration strategy is to optimise our value chain across upstream, midstream and downstream businesses. The Company will further consolidate corporate resources by segments, regions, and enterprises; push forward the integration of the refinery and petrochemicals businesses, and maximise the value in resource utilisation by developing integrated, large-scale refining and petrochemical clusters and strengthening industrial concentration.

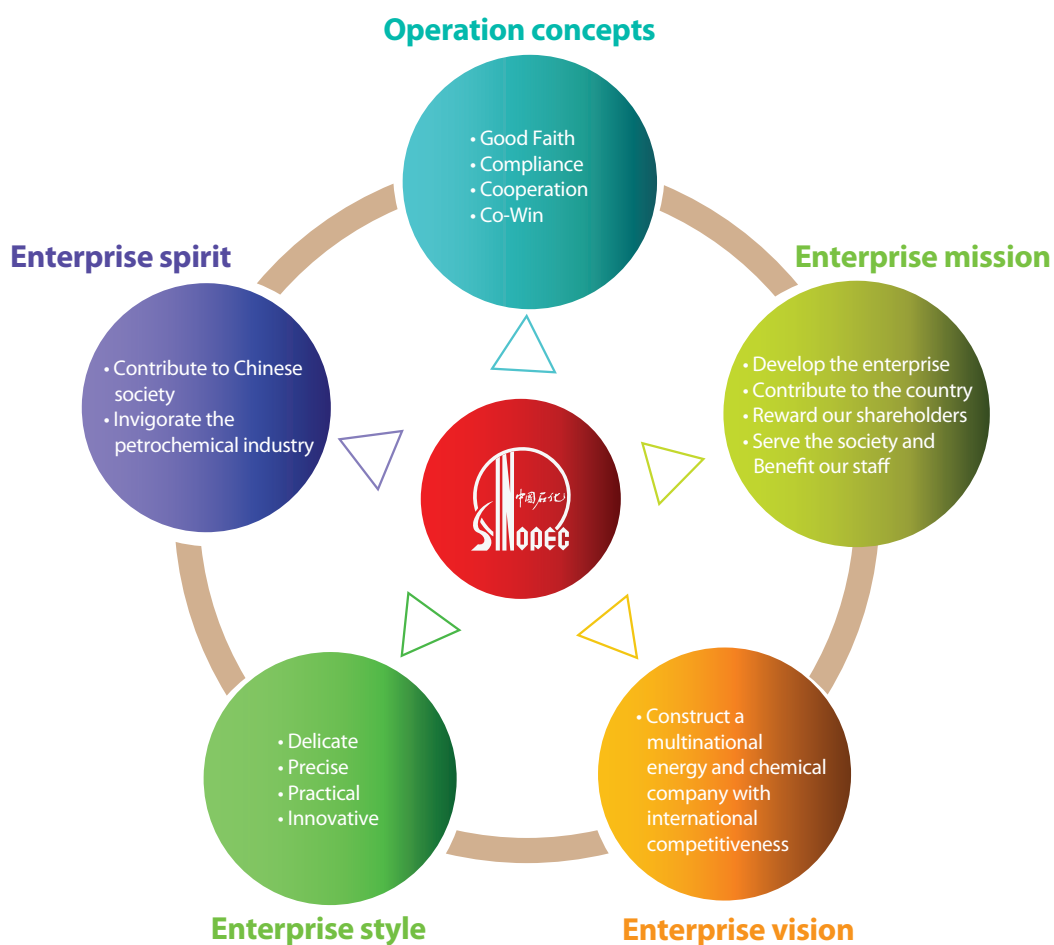
Our globalisation strategy is built on speeding up the strategy of "Going Global", which requires the establishment of a positively interactive system among overseas oil and gas investment, domestic and overseas refining and petrochemical partnership and international trade. We will facilitate the rapid development of overseas businesses to scale up the Company's global operations.

Meanwhile, our growth is built on improvement of scientific and technical innovation, management innovation and staff quality. Paid attention to health, safety, environmental protection and energy saving and emission reduction, and converted development method by boosting production of clean energy and research and development of new energies through scientific and technical innovation to enhance the quality and efficiency of the development and consequently improve the core competitiveness and sustainable development of the Company.

## 1.4 Core value concepts

The core value concept of the Company is that all of the staffs actively constructs and develops Sinopec Corp.. The Company always cultivates and forms the culture foundation and atmosphere for building a modern and internationalized corporation.

- Enterprise mission:** “Develop the enterprise, Contribute to the country, Reward our shareholders, Serve the society and Benefit our staff”  
—to respect and protect the interests of stakeholders.
- Enterprise vision:** “Construct a multinational energy and chemical company with international competitiveness”  
—aiming at constructing a top-ranking enterprise in the world.
- Enterprise spirit:** “Contribute to Chinese society and Invigorate the petrochemical industry”  
—We love our nation and respect every nation in the world. We love petrochemical industry and would wholeheartedly devote into it.
- Enterprise style:** “Delicate, Precise, Practical and Innovative”  
—Always maintain a scientific attitude with accuracy, efficiency and creativeness
- Operation concept:** “Good Faith, Compliance, Cooperation, Co-Win”  
—Make a concerted effort with all parties for mutual progress.





## 2 ADDRESS FROM CHAIRMAN



Su Shulin, The Board Chairman

Sinopec Corp. has always been following the corporate mission of “Developing the enterprise, Contributing to the country, Rewarding our shareholders, Serving the society and Benefiting our staff”. Following the principle of integration of its economic goals with social and environmental responsibilities, the Company attaches great importance to the sustainable development of the society and the environment along side the Company’s corporate success.

The Company faced with multiple severe operational challenges in 2009, in a market place of strong competition that was intensified by the global financial crisis. In particular, the beginning of the year witnessed plummeting demand for and declining prices of petroleum and petrochemical products, and a harsh contraction in exploration and production (E&P) profits, while the refining, petrochemical and marketing businesses were faced with high inventories. Despite the challenges, the Company achieved impressive results by taking a series of proactive measures including vigorous efforts to develop new markets, targeted management for refinement on details, as well as structural adjustments. Leveraging our advantages in international trade and from our integrated business model across upstream, midstream and downstream, the four business segments achieved sound performance with steady increase in oil and gas output and refinery throughput, as well as volume growth in sales of oil products and petrochemical products. In 2009, the Company’s total revenue, including other operating income, was RMB1,345 billion, net profits attributable to the equity holders of the Company reached RMB 61.76 billion, representing a year-on-year increase of 116.5%, interim dividends was approximately RMB13.872 billion and taxes incurred to the central and local governments was RMB179.052 billion.

In 2009, in accordance with the strategy focusing on “Resources, Markets, Integration and Internationalization”, the new session of the Board announced a three-year development plan for the Company from 2009 to 2011 and established future development direction and corporate goals. In accordance with the plan, the Company increased its capital expenditure to RMB110 billion in 2009, which was primarily allocated to reserve, output and markets expansion. A number of key projects, including Sichuan-to-the-East Gas project, Fujian Refining and Chemical Project, Tianjin one-million-ton-per-year ethylene project and Zhenhai one-million-ton-per-year ethylene project, etc., achieved smooth progress. The building of storage and transportation facilities for refined oil and chemical products progressed smoothly. These achievements have facilitated structural adjustments and product quality upgrading in major refineries. Sinopec International Petroleum Exploration & Production Co., Ltd. was established, a concrete step made in the Company’s overseas expansion in the oil and gas business. In addition to enhancing our business position as a supplier of premium clean fuels and petrochemical products, the Company also played an important role in domestic industry restructuring and regional economic development by contracting major equipment from and entering into joint development programs with domestic manufacturers.



In 2009, the Company further improved its corporate governance, and also thoroughly revised the Articles of Associations of the Company, which incorporated the recommendations from the Supervisory Board based on the Company's existing conditions, providing a process framework for standardised operations. In addition, continued efforts were also made in strengthening corporate management, internal controls and anti-corruption in order to shape a unique management model and took management standard to a higher level. In line with the Company's strategic targets, the Outline of Corporate Culture Development was crafted to establish harmonious corporate values to support the continued sustainable development of the Company.

In 2009, We have fully implemented the HSE management system. To protect the employees' safety at workplace and their general health, the Company continued to implement the Prohibitions for Safe Production, allocated resources in prevention initiatives, and also launched a campaign called "I Safe", thus there was no major casualty throughout the year. The Company is committed to become an environmental-friendly enterprise by ensuring a complete clean process from production to consumption, producing and promoting clean products such as higher specification fuels, and participating in recycling economy for ecological restoration. The Company also advocates for low-carbon economy through energy saving and emission reduction to cope with the climate change. While progressively reducing CO<sub>2</sub> emission through multiple approaches, the Company's overall energy consumption per RMB10,000 turnover came down to 0.722 tonnes of standard coal, realizing the energy saving target in its 11th Five-Year Plan one year ahead of schedule.

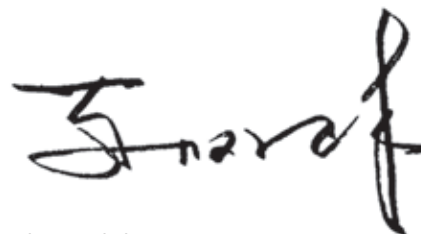
In 2009, the Company continued to adopt measures that benefit and provide convenience to the rural population via guaranteed services through out the summer harvesting season. In order to cope with the domestic shortage in natural gas supply toward the end of this year, the enterprise reduced its own gas consumption to a large extent so as to ensure gas supplies for residential usage, and public facilities within the areas covered by our network. The Company further strengthened the relationship with its customers through strategic alliances which offers strong support to their business development. The Company is also determined to provide high-quality products through a stable and responsive service system for the convenience of consumers, therefore continued efforts were made in optimising service network, upgrading service level and approaches.

The Company has been actively engaged in public welfare undertakings. In 2009, we continued with a series of programs including poverty relief and Tibet aid programs, sponsorship of "Health Express" and national sports programs, and donations to Hope schools and disaster relief programs to help local communities recover from recent events and raise the living standards in disaster- and poverty-stricken areas.

The Company carried out a series of employee-focused programs, protecting individual rights and advocating a internal culture of team work. In order to further improve the capabilities of employees, we completed training for 583 thousand people in 2009, providing extended routes for career progression. To delight the employee with the best and healthy food available, the general quality of staff canteen were significantly improved. The Company also provided practical help to the retirees and the front line workers, the employees receiving such aid and assistance amounted to a total of 242,632 in over the year.

The achievements in sustainable development made by Sinopec Corp. was recognized and appreciated by the government, the communities and its employees. The Company was shortlisted to the Best CSR Practice Award in the category of state-owned enterprises organised by the State Council and State Assets Supervisions and Administration Commission (SASAC), for the rural service program, which contributed hugely to summer harvests across the country, and the 'health express' sponsorship which help cataract sufferers in poverty regions restore eyesight. Sinopec Group, taking Sinopec as its core asset, received the award of "Outstanding Enterprise" by Xinhua Net for its impressive performance in corporate social responsibilities.

The Company is determined to become a multinational energy and chemical corporation with strong competitive edge globally. To achieve this goal, the Company must build a sound foundation for sustainable development. It is my pleasure to release this report communicating with all stakeholders. I would also like to hear your views and suggestions. Following the corporate mission, we will work diligently to achieve good performance for the country, our shareholders, the society and our employees, with continued attention on sustainability and harmony in our future growth.



The Board Chairman  
Beijing, China March, 2010





### 3 STAKEHOLDER

Sinopec Corp. attaches great importance to communicate and talk with stakeholders, and obtain stakeholders' advice, focus of attention and suggestions regarding the sustainable development of the Company, and integrates their proposal and requirements into the formulation and practice of corporate policy, strategy and plan through setting up a public and transparent communication mechanism in order to build up a relationship featured by mutual benefit and trust.

Table 3.1 Stakeholder Communications

Stakeholders	Communication methods	Concerns	Main performance indicators	Goals
shareholders and creditors	<ul style="list-style-type: none"> <li>Regular reports</li> <li>Company announcements</li> <li>Road shows</li> <li>Shareholders' communication and feedback</li> </ul>	<ul style="list-style-type: none"> <li>Protection of shareholders' and creditors' interests</li> <li>Trueness, accuracy, timeliness and completeness of information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Profit attributable to shareholders</li> <li>Return on capital employed</li> <li>Owners' interests</li> <li>Declaration of dividends, interests of bonds</li> </ul>	<ul style="list-style-type: none"> <li>Complete information disclosure mechanism</li> <li>Realize fair enterprise value of the Company</li> <li>Improve investor relations</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Meetings and consultation</li> <li>Routine communication</li> <li>feedback mechanism</li> <li>Hot-line service</li> <li>Online service</li> </ul>	<ul style="list-style-type: none"> <li>Response speed</li> <li>Service quality</li> <li>Special requirements</li> <li>Complaint processing</li> </ul>	<ul style="list-style-type: none"> <li>Customer's satisfaction</li> <li>Customer's complaints processing rates</li> </ul>	<ul style="list-style-type: none"> <li>Confirmation of customers' needs</li> <li>Market analysis</li> <li>Sales plan</li> <li>Improve products and processing activities</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Suggestion and complaint mailbox</li> <li>Conversation</li> <li>Office automation system</li> </ul>	<ul style="list-style-type: none"> <li>Professional development planning</li> <li>Employee's welfare</li> <li>Complaint processing</li> </ul>	<ul style="list-style-type: none"> <li>Employee training</li> <li>Employee's feedback</li> <li>Rate of employee retention</li> <li>Rate of complaints closed</li> </ul>	<ul style="list-style-type: none"> <li>Confirm employees' needs</li> <li>Establish effective communications</li> <li>Strengthen employee training</li> <li>Improve employee's welfare</li> <li>Improve human resource management</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Contract negotiation</li> <li>Real-time communications</li> <li>Tender conferences</li> </ul>	<ul style="list-style-type: none"> <li>Product and price</li> <li>Distribution and service</li> <li>Timely payments</li> <li>Long-term partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Cost and payment contract</li> </ul>	<ul style="list-style-type: none"> <li>Confirm service requests</li> <li>Confirm evaluation and supplier selection criteria</li> </ul>
Financial and insurance companies	<ul style="list-style-type: none"> <li>Contract negotiation</li> <li>Routine business communications</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of financing costs</li> <li>Risk reduction</li> <li>Timely payments</li> </ul>	<ul style="list-style-type: none"> <li>Payment on schedule</li> <li>Claim rates</li> </ul>	<ul style="list-style-type: none"> <li>Study financial and insurance policies</li> <li>Adjust strategies of the Company to reduce financing risks</li> </ul>
Labour union	<ul style="list-style-type: none"> <li>Collective bargaining</li> <li>Routine communications</li> <li>Employee representatives' meetings</li> </ul>	<ul style="list-style-type: none"> <li>Employees' rights and interests</li> <li>Democratic management</li> <li>Transparency of business operations</li> </ul>	<ul style="list-style-type: none"> <li>Employee representative's meetings</li> <li>Local union organizations</li> <li>Execution rate of collective contracts</li> <li>Rate of disclosure of business operations</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen communications</li> <li>Improve democratic management</li> </ul>
Business partners	<ul style="list-style-type: none"> <li>Contract negotiations</li> <li>Routine conferences</li> <li>Senior management meetings</li> <li>Documents and correspondence</li> <li>Routine business communications</li> </ul>	<ul style="list-style-type: none"> <li>Profit distribution</li> <li>Information resources sharing</li> <li>Good faith and mutual benefit</li> </ul>	<ul style="list-style-type: none"> <li>Sales revenues</li> <li>Return of capital</li> <li>Market share</li> </ul>	<ul style="list-style-type: none"> <li>Acquaint with the industry and peers</li> <li>Establish effective business partnerships</li> </ul>
Government	<ul style="list-style-type: none"> <li>Issuance of laws, regulations and policies</li> <li>Reports on special subjects and visits</li> </ul>	<ul style="list-style-type: none"> <li>Safety, environment and compliance requirements</li> <li>Supplies security</li> <li>Provide employment opportunities</li> <li>Drive local economic development</li> </ul>	<ul style="list-style-type: none"> <li>Total tax revenues</li> <li>Create job opportunities</li> <li>Casualty rate of industrial accidents</li> <li>Rate of contribution to the society</li> </ul>	<ul style="list-style-type: none"> <li>Confirm regulatory requirements</li> <li>Study and adjust development strategies</li> <li>Improve internal management</li> </ul>
Media	<ul style="list-style-type: none"> <li>Release of reports</li> <li>News conferences</li> <li>Multi-channel communication</li> <li>Media monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Target audience</li> <li>Approach of communication</li> <li>Crisis media communication</li> </ul>	<ul style="list-style-type: none"> <li>Recognition and reputation of the Company in media coverage</li> </ul>	<ul style="list-style-type: none"> <li>Improve public opinion environment</li> <li>Enhance reputation of the Company</li> </ul>
Community	<ul style="list-style-type: none"> <li>Conclude public welfare agreements</li> <li>Participate volunteer activities</li> <li>Irregular activities</li> </ul>	<ul style="list-style-type: none"> <li>Environmental protection</li> <li>Jointly establish harmonious communities</li> </ul>	<ul style="list-style-type: none"> <li>Pollution complain cases</li> <li>Contribution to public welfare of the community</li> </ul>	<ul style="list-style-type: none"> <li>Set up communication and exchange mechanism</li> <li>Improve contribution to the public welfare</li> </ul>
Non-government organizations (NGOs)	<ul style="list-style-type: none"> <li>Participation into meetings or activities</li> <li>Routine liaison</li> </ul>	<ul style="list-style-type: none"> <li>Jointly initiate sustainable development</li> <li>Invest resources into establishing of industrial standards/rules</li> </ul>	<ul style="list-style-type: none"> <li>Promote business development of the Company</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen information communication</li> <li>Build effective partnerships</li> </ul>



### Investors and media

In 2009, the Company strengthened the communications with investors on the issues, such as operating performance, rotation of the Board of Directors, three-year development plan, on-going connected transactions, reform on oil product price and tax mechanism, and organized the following:

- Elaborately organized domestic and overseas road shows. Within this period, the Chairman, president and senior management participated the road shows twice and convened two news conferences on quarterly performance, and the Chairman presided over the general meetings of shareholders twice.
- Actively took part in capital market conference. In 2009, we participated 20 capital market conferences organized by the domestic and overseas investment banks, and had over 200 one-to-one and group meetings.
- Actively organized meetings with investors. Besides answering questions from the investors through telephone, facsimile and email, we received approximately 120 visits from domestic and overseas investors and analysts in 2009.
- Organized two reverse road shows.

Media is the main approach for the Company transmitting the information, the primary channel for the public acquiring the information, and also the link and bridge between the Company and the public. We fully respect the right to learn the truth and the right of supervision of the public and the media, and carry out information release strictly in line with the information disclosure system. In 2009, we timely released information about the Company through news conference, the website of the Company, appearing in media coverage and inviting the media to visit our company with the focus on headline stories.

### Specific cases:

- In September, 2009, the Company actively took part in the interview program named "Song of SOEs – Celebrating the 60th Anniversary of the People's Republic of China • SOEs with People's Daily Online". Mr. Wang Tianpu, the president, accepted online video interview by the People's Daily Online and took part in its online "Great Power Forum". Over 1.2 million participant-times joined the online forum.
- In December, 2009, we organized the activity called "Entering Sinopec – Zhejiang Visit of Investors and Media Reporters". The investors and reporters visited the 1,000,000 tons/per year ethylene project under construction, Zhenhai Refining and chemical department, and two service stations of Sinopec Zhejiang Oil Products Company.

For further information on communications with stakeholders, please refer to the following chapters.

# 4 CORPORATE GOVERNANCE

## 4.1 CORPORATE GOVERNANCE VALUES

Good corporate governance is essential to the sustainable development of Sinopec Corp. We commit to balance the obligations between shareholders, customers, employees and stakeholders, and improve the capacity of decision-making and risk prevention to ensure the Company to operate more efficiently.

## 4.2 MANAGEMENT STRUCTURE OF THE COMPANY

### The Board of Directors

The Board of Directors performs legally decision-making power of the Company.

Under the Board level are three committees: Strategic Committee, Auditing Committee, and Remuneration and Performance Examination Committee.

- 1. Strategic Committee:** The Committee is chaired by Director Wang Tianpu and consists of Directors Ye Qing, Zhang Yaocang, Zhang Jianhua, Wang Zhigang, Dai Houliang, Li Deshui and Xie Zhongyu. The committee is responsible for conducting research on long-term development strategies, including sustainable development, major investment decisions, and providing proposals.
- 2. Auditing Committee:** The Committee is chaired by Director Liu Zhongli and consists of Director Li Deshui and Xie Zhongyu, who are independent non-executive directors. The committee is responsible for recommending external auditors, reviewing the Company's financial statements in annual reports, interim reports, quarterly reports as well as internal control systems.
- 3. Remuneration and Performance Examination Committee:** The Committee is chaired by Director Ye Qing and consists of Li Deshui, Chen Xiaojin and Li Chunguang. The committee is responsible for suggesting the remuneration scheme of directors and senior management.

### Senior management

The President reports to the Board of Directors, takes charge of the Company's operations and is responsible for implementing the resolution approved by the Board of Directors. The other senior management assists the President handling with daily work.



Members of the fourth session of the Board of Directors and senior management

From left of the first row: executive director & senior vice president Cai Xiyou, Zhang Jianhua; independent non-executive director Xie Zhongyu; vice chairman Zhang Yaocang; independent non-executive director Ye Qing; chairman Su Shulin; independent non-executive director Liu Zhongli; vice chairman & president Wang Tianpu; independent non-executive director Li Deshui, Chen Xiaojin; executive director & senior vice president Wang Zhigang.

From left of the second row: chief financial officer Wang Xinhua; vice president Jiao Fangzheng, Zhang Kehua; executive director & senior vice president Dai Houliang; non-executive director Cao Yaofeng, Li Chunguang, Liu Yun; vice president Zhang Haichao, Lei Dianwu; Secretary to the Board Chen Ge.

### The Board of Supervisors

The Board of Supervisors is to supervise the Company's finances and performance of directors and senior management and to protect the interests of the Company and its shareholders.



Members of the fourth session of the Board of Supervisors

From left: employee-representative supervisor Chen Mingzheng, Liu Xiaohong; supervisor Geng Limin; vice chairman & independent supervisor Zhang Youcai; chairman Wang Zuoran; independent supervisor Li Yonggui; supervisor Zou Huiping; employee-representative supervisor Zhou Shiliang, Su Wensheng.

## 4.3 INTERNAL CONTROL

Sinopec Corp. attached great importance to risk management. Since 2003, the Company has established the leading team of internal control and the leading team of risk management and set up specialized units in charge of establishing internal control mechanism and completing the risk management system. Every year, the Company dynamically revises and updates the internal control mechanism, organizes comprehensive examination, recognizes and evaluates risks and takes detailed measures to ensure the risks effectively under control. As a whole, all kinds of risks faced by the Company have been controlled. KPMG audited the internal control of the Company relevant to the financial reports, confirming that the Company remained effective internal control in all material aspects.

- An internal control mechanism has been formed and is continuously to be completed. By the end of 2009, the internal control manual of the Company included 59 business flows and 1331 controlling points;
- Collective decision-making mechanism was comprehensively implemented in the fields of strategic planning, development trend, development objective, major operational principle, major production and operation strategies, disposal of material assets, appointment and dismissal of important employees, arrangement of significant programs, utilization of large-amount fund and so on, which was incorporated into the internal control mechanism to prevent effectively various major risks in the process of decision-making and operation and management activities;
- The Company strengthened routine monitoring, regularly tested the internal control flows and organized self-examination of the internal control in order to rectify the problems found in the examination and included the implementation of the internal control into the examination and performance indicator system;
- It paid great attention to management of abnormal matters of all kinds and duly carried out case analysis on various problems and cases occurred in the process of operation and management to find out insufficiency in mechanism and in implementation;
- Sinopec Corp. were actively involved various researches on risk management. It studied on special subjects on risks relevant to financial derivative business such as inflation proof of petroleum, adjustment of interest and exchange rates and set up risk event database to strengthen risk control on routine financial derivative business; it also researched on financial risks and established financial risk warning model to offer effective instructions on the routine management.



## 4.4 OUR PERFORMANCE

### 4.4.1 Corporate Governance

During this reporting period, Sinopec Corp. committed itself to improve its corporate governance. The members of the fourth session of the Board of Directors and Supervisors were elected respectively and the senior management were appointed. All of the directors, supervisors and senior management attended the training programmes through which their sense of responsibility and ability of duty-performing were further increased. In accordance with the Company's situation as well as the domestic and overseas laws and regulations, many internal regulations such as the Articles of Association were revised. The Company comprehensively implemented the internal control mechanism and incorporated it into management. The work concerning information disclosure and investor relationships were enhanced.



Major Business Information Transparent System

### 4.4.2 Anti-corruption

In 2009, the Company advanced anti-corruption steadily by controlling the source and key links. We firmly pushed the integrity culture movement by diversifying its forms and contents. Integrity has been an important part of the Company's culture by strengthening education, establishing regulations and advocating anti-corruption consciousness. The corporate culture of integrity has made contribution to the effective and harmonious development of the Company by helping the company gain extensive trust and support of the employees.

#### Specific case:

Integrity culture "introduced into contracts (programs)"

The Company introduced integrity culture into contracts (programs) and required relative parties to sign anti-corruption agreements. At the beginning of 2007, the Company stipulated and released the Provisions on Signing Integrity Documents, requiring relative departments to sign Integrity Documents with the foreign parties in transactions including engineering construction, procurement, sales, property right etc (foreign enterprises are required to sign Integrity Agreement). By the end of September, 2009, four departments of the headquarters and eighty-eight affiliates of the Company have totally signed 198,612 Integrity Documents (Agreements). The Company also paid attention to supervision of international suppliers. The Company's subsidy, the China Petrochemical International Company Limited, has signed 103 Integrity Agreements with foreign suppliers and agents.

Online disclosure of business

Since large-amount of fund was involved in procurement, sales and engineering construction and the process of decision-making was hard to be supervised, Sinopec Corp. tried out the online disclosure mechanism for major business in order to prevent corruption. Through taking measures including real-time online disclosure, patrol in different cities by specialized supervision teams and limited authorities at different levels, the online supervision mechanism prevented from duty crimes effectively.

By the end of December 2009, all of the affiliates of the Company and relevant departments, totalling 109 units, have operated online, with 3,270 thousand messages in ten major categories disclosed, including procurement of crude oil, purchasing of general materials, sales of natural gas and scientific cooperation etc., which involving USD42.682 billion and RMB771.5 billion of contract amount.



#### 4.4.3 Auditing

The Company comprehensively promoted the auditing by establishing internal working rules, standardizing the daily work and improving the information network, which helped strengthen the supervision.

- We attached importance to rectify the problems found during internal and external examination with the aim of standardizing and improving management. We made great efforts in promoting the auditing to perform its function of immunity.
- We carried out auditing and supervision focusing on foreign-related business and cost-relative matters.
  - Carried out deep specialized auditing in management and economic returns so as to promote the constant improvement of the company's management;
  - Advocated the economic responsibility auditing to maintain assets value and value appreciation of state-owned capital and human capital;
  - Implemented the independent auditing on internal control to facilitate improvement of control and exclusion capability of the Company;
  - Strengthened the auditing on investment programs to promote further regulation on investment activities and reduce investment costs;
  - Carried out the stricter auditing on financial revenues and expenditures to ensure quality of accounting information;
  - Carried out active foreign related auditing on enterprises (programs) to further prevent investment risks and protect the assets.
- We innovated the auditing management to continuously strengthen the basic work of auditing.
  - Advocated team leader responsibility system to exert the team leader's leading role in auditing;
  - Established and implemented the supervision mechanism of "double management" to strengthen the internal auditing of the enterprise;
  - Strengthened regulation establishment and documentation management, modified several important auditing rules such as the "Provisions on Internal Auditing" and set up the general template for pre-auditing examination;
  - Achieved AIS application in all of the enterprises to steadily promote development of collective management system of auditing information;
  - Enhanced training on auditing as well as research and discussion about auditing theories and practices to improve the comprehensive quality of the auditing team.



#### 4.4.4 Antitrust

The Company advocates fair competition, opposes market monopoly practice, observes China's anti-monopoly and anti-unfair competition legislation, and participates in the establishment of China's anti-monopoly laws.

The Company abides by the principle of "Integral Management, Fair competition". We never maliciously slander the competitors, nor adopt the illegal means to obtain any business secrets, nor harm consumer interests by taking advantage of its market position. The Company complies with the anti-monopoly legislation in all of the countries where it conducts business, and works on a win-win co-operative basis to protect stakeholders' rights.

# 5 HEALTH, SAFETY AND ENVIRONMENT (HSE)

Sinopec Corp.'s HSE policy is: safety first, prevention foremost, participation of all employees, comprehensive treatment, environmental improvement, health protection, scientific management and sustainable development. By virtue of promoting and implementing HSE management system and making constant improvement, we effectively controlled the accident incidence rate and casualty rate of severe disasters and accidents, reduced enterprise cost, saved energy and resource, improved the relationship between enterprise, local government and residents, so that the coordinated increase of social, environmental and economic benefits were achieved.



## 5.1 HSE MANAGEMENT SYSTEM

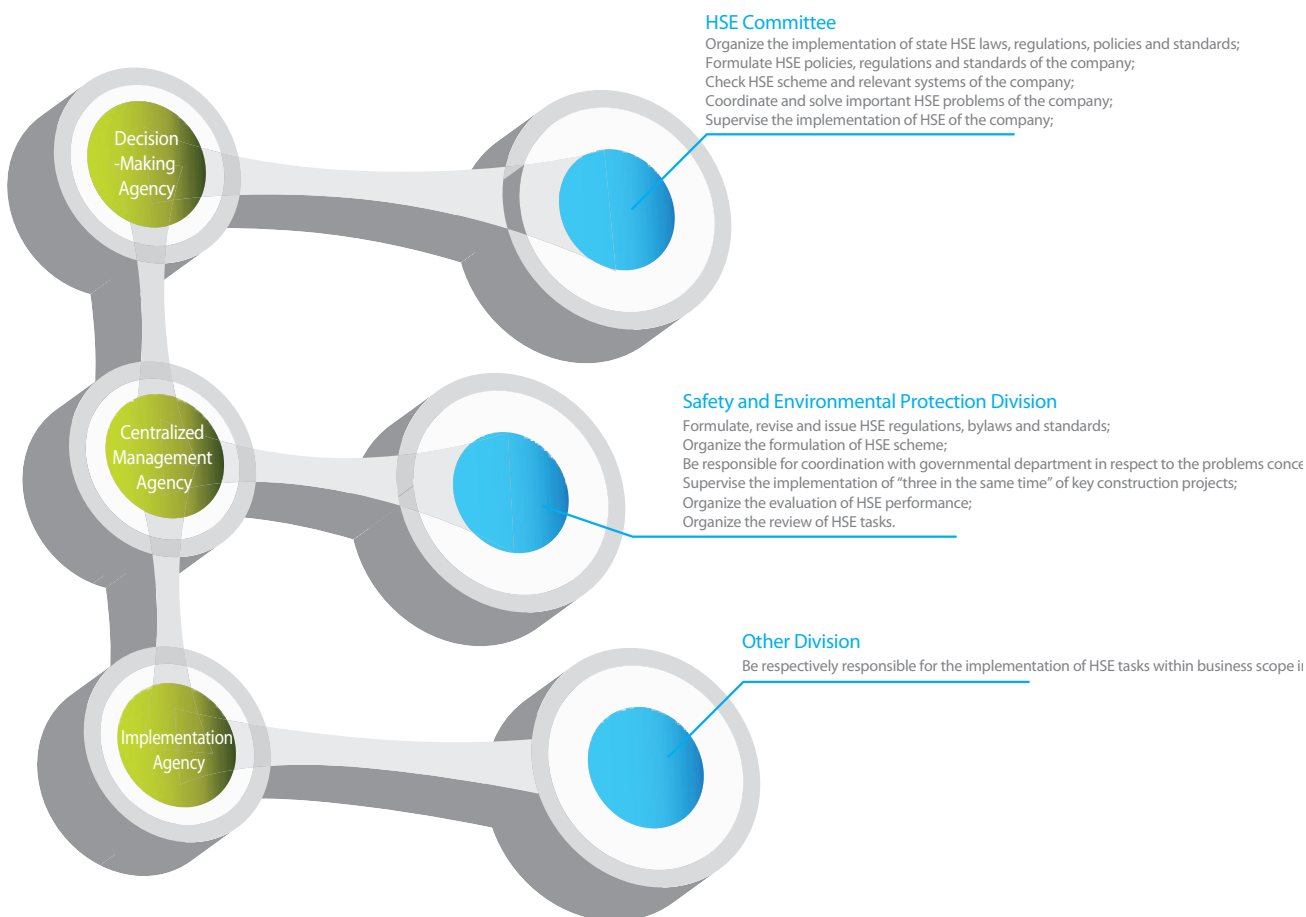


Figure 5.1 Sinopec Corp.'s HSE management system

## 5.2 ENVIRONMENTAL PROTECTION

Sinopec Corp. has always been highly emphasizing the environmental protection by pushing forward clean production, producing clean products, strengthening the treatment of “three wastes”, actively developing circular economy and striving to build environment-friendly enterprises. In 2009, the company fulfilled its environmental protection responsibility at various levels in accordance with the principle of “who is in charge, he is responsible.” and actively carried out pollution treatment by intensified evaluation inspection and supervision and evaluating current environmental protection conditions of key enterprises. The company continued to carry out the activities of establishing clean production enterprises, stress environmental management of construction projects, actively carry our research concerning environmental protection, promote the comprehensive utilization of “three wastes”, implement measures concerning water saving and emission reduction, and do well in water risk prevention etc.

### 5.2.1 Carrying out clean production

Sinopec Corp. attaches great importance to the sanitation of production process and strived to control the generation of pollutants from the source.

- Increase environmental protection investment, and reinforce the treatment of hidden environmental protection problems. In 2009, the expenditure in environmental protection of Sinopec Corp. was RMB 3.196 billion.
- Reinforce the environmental protection management of the construction projects, and guarantee the good implementation of “three simultaneously” (i.e. pollution controlling facilities attached to new building, renovation or expansion projects, technology restructuring projects and regional development and construction projects must be simultaneously designed, constructed and put into production together with the main projects).
- Organize the implementation of online environment supervision plan. A real-time supervision system was established in a part of the subsidiaries to supervise the pollutants discharged our of their factories, so that the real time supervision of the pollutants discharged our of the factories were realized.
- Carry out the campaign of establishing clean production subsidiaries. Many subsidiaries were pre-evaluated, evaluated and reviewed in 2009. Through the establishment of clean production subsidiaries, the enterprises’ environmental protection awareness was obviously enhanced, the management was substantially improved, main pollutants discharging was lowered obviously, and the effect of energy and water saving was constantly improved.

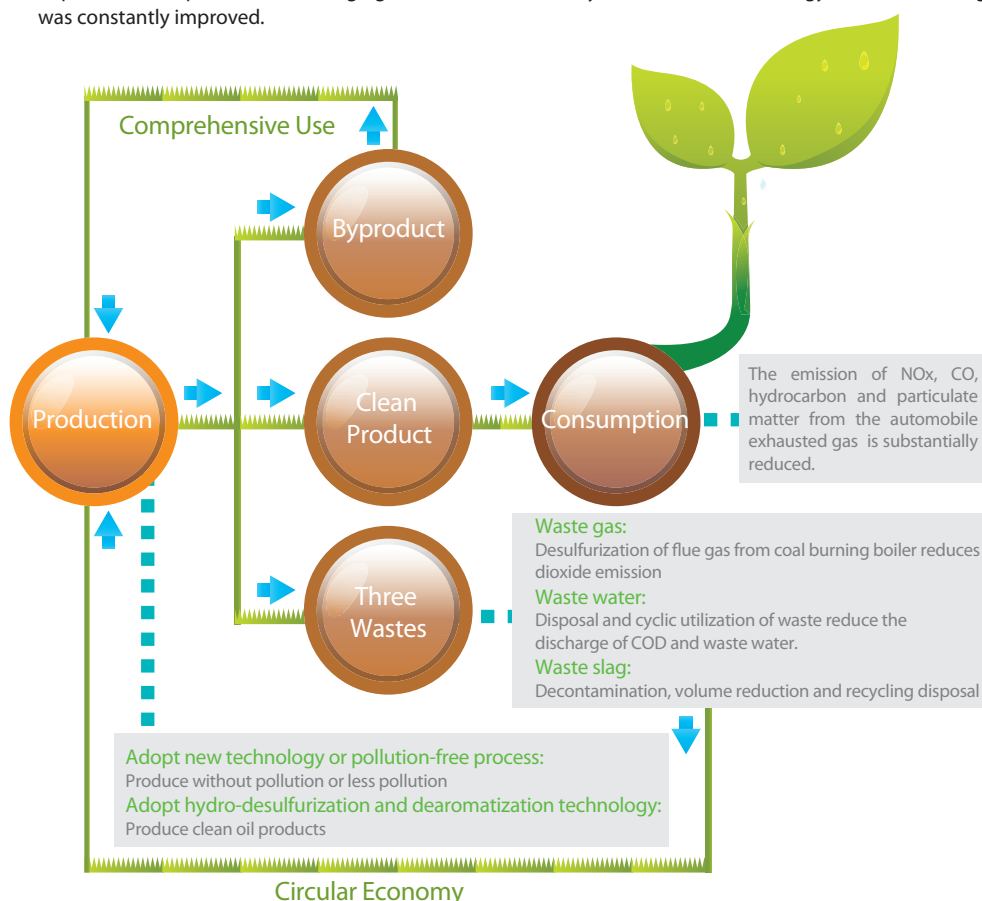


Figure 5.2 Clean management of production – consumption process of Sinopec Corp.

### 5.2.2 Producing clean products

Sinopec Corp. has always been committed in oil product quality upgrading in China. The company has invested RMB20.1 billion in oil product quality upgrading. The company took the lead in production of new standard oil products including gasoline and diesel in China, and started to supply Beijing market with gasoline meeting EU III emission standard from July 1, 2005. And, it started to offer Beijing market gasoline meeting EU IV discharging standard from 2008. In October 2009, the company began to supply Shanghai market with gasoline meeting state IV emission standard, and started to supply gasoline meeting state III emission standard to 12 provinces and municipalities including Zhejiang, Jiangsu, Guangdong and Tianjin, etc from December 13, 2009.

In June 2009, the government promulgated state III standard of vehicle diesel (the content of sulphur should not exceed 350 ppm), for which transition period for implementation will be ended on June 30, 2011, and the standard will be officially implemented from July 1, 2011. Meanwhile, the government is revising the standard for light diesel. For the purpose of guaranteeing the upgrading of diesel oil quality, Sinopec Corp. is striving to construct the facilities for hydrorefining, hydrocracking and hydro-modification etc. with total investment of RMB 6.7 billion.

### 5.2.3 Reinforcing the treatment of “three wastes”

Waste water, waste gas and waste slags (“three wastes”) are inevitable in the petroleum and petrochemical industry. Sinopec Corp. always attaches great importance to the treatment of three wastes, and strives to reduce emission and meet discharging standard.

- Increase the investment in desulphurization of flue gas from coal and coke burning boiler. The desulphurization projects of flue gas from coal and coke burning boilers of enterprises affiliated to Sinopec Corp. have been well invested by the end of 2009. It is predicted that sulphur emission could be reduced by over 0.2 million tons upon the completion of all the projects.
- Reinforce waste water treatment. The projects concerning sewage deodorization of large sewage treatment plant and waste water disposal of facilities started in 2009.

Sinopec Corp. realized effluent wastewater standard-meeting rate of over 96%, and year-on-year emission reduction of 3.6% and 14% in COD and sulfur dioxide respectively on the strength of various measures under the condition that both crude oil output and throughput increased while the crude oil quality went poorer (average sulphur content in crude oil increased from 0.9% in 2005 to 1.03% in 2009).

#### Provide a better environment for Chinese National Game

Sinopec Jinan Refining Company adhered to “three wastes” treatment, water saving & emission reduction, clean production, and comprehensive environment protection under the guidance of “green development” concept. Prior to the opening ceremony of the 11th Chinese National Game, Environmental protection departments of both Shandong province and Jinan city publicized the environment supervision results. Sinopec Jinan Company, adjacent to the main stadium of Chinese National Game, was the key supervision subject. As to the company, ratio of waste gas and water meeting discharge standards was 100%. All environmental protection indicator met defined values, which exerted a favourable contribution to the quality of air of Jinan, and especially the area around the main stadium.

### 5.2.4 Developing circular economy

Sinopec Corp. actively developed circular economy, improved effective and recycling utilization of resources, promoted comprehensive usage of by-products, and thereby realized low consumption, low discharge and high efficiency.

- Use refinery dry gas to construct concentration unit and dilute ethylene-to-phenylethane plants. The 5 completed projects and newly approved projects in 2009 utilized over 0.1 million ton ethylene from dry gas.
- Use ethylene cracking to produce by-products of C4 and C5 resources. Cracking C5 fractions were realized in Shanghai in 2009, and the application for project of investment in Cracking C5 fractions in Tianjin and Yanshan were approved. Self developed olefin disproportionation technology was used in Yanshan to set up C4 utilization industrial plants.
- Lighter hydrocarbons recovery and utilization. 50 lighter hydrocarbon utilization projects were implemented in 2009, with lighter hydrocarbons of 3.51 million tons available for recovery and utilization every year.
- Optimization and utilization of hydrogen resources. On the strength of the aerification of hydrogen feedstock and recovery & usage of hydrogen-rich gas, 297,000 tons naphtha, which was used to produce hydrogens was saved, and 137,000 Nm<sup>3</sup>/h hydrogen was recovered.
- Recovery of LPG component of coking unit. The absorption and stabilization revamping of 10 sets of coking units were completed in succession, with LPG of some 0.2 million tons recovered every year.



Green fueling channel for National Game Vehicles



### 5.2.5 Reinforcing ecological restoration, and protecting ecological environment

The production and operation activities including oil & gas exploration and development and oil & gas transportation pipeline construction will inevitably cause certain damage to existing ecological environment. Sinopec Corp. attaches great importance to the ecological restoration of area around abandoned wells and oil & gas transmission pipelines, and tries its best to reduce the negative influence of production and operation on environment.



While developing Puguang gas field of "Sichuan-to-East China gas project", Sinopec Corp. paid special attention to ecological restoration and environmental treatment, strived to establish favourable enterprise-local place relationship characterized by mutual benefiting and supporting, and harmony, and tried to realize the target of "developing local resources, developing local economy, protecting local ecology, and enriching local residents".

Southwest product oil pipeline of "East-to-west oil transmission project" highlighted the measures concerning pollution prevention, conservation of soil and water and ecological restoration. According to the field inspection and acceptance by the Ministry of Environmental Protection of the State, as the measures concerning conservation of soil and water and ecological restoration were well implemented, the project's influence on local ecological environment was slight, and the public opinion was generally satisfactory.



Sinopec Corp. actively funds relevant research of ecological restoration. Ecological restoration research on oil shale spoil area's degraded ecosystem, which was funded by Sinopec Corp. and Guangdong Environmental Protection Bureau, and undertaken by South China Botanical Garden, Chinese Academy of Sciences was successfully completed. By virtue of the 10 years research, 20 kinds of xylophyta and 3 kinds of herbaceous plants were found suitable for living in oil shale spoil area after screening, and suitable tree species of 45 hectares were promoted, with the ecological environment there substantially improved.

For many years, Sinopec Corp. have attached great importance to voluntary tree-planting, improving the working and living circumstance of the staff, constructing ecological garden-styled petroleum & petrochemical enterprise, and thus contributing to the creation of ecological environment of "green hill, beautiful water, green land, and blue sky". The staff of Sinopec Corp. planted about 1.79 million trees in 2009.



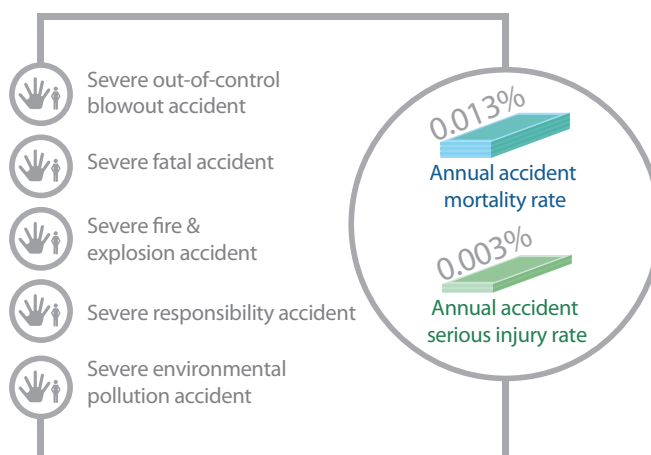
Table 5.1 The list of the subsidiaries that are awarded state level honours in connection with environmental protection in 2009

Name	Honours
Sinopec Zhenhai Refining & Chemical Company	Be awarded the title of "2008 leading enterprise of energy saving and emission reduction in China" in March 2009
	Be awarded the title of "environmental friendly enterprise of China" in July 2009
Sinopec Tianjin Company	2009 excellent environmental protection enterprise by Environmental Protection magazine
	Second prize of state modern management achievement in terms of Environmental Protection Management with the Aim of Establishing Environmental Friendly Enterprises
SINOPEC Beijing Yanshan Company	2009 environmental friendly enterprise of China
	2009 Top ten contribution award for energy saving and emission reduction



## 5.3 SAFETY PRODUCTION

The company steadily implemented the thematic activities of "I Safe", carefully carried out safety production responsibility system at various levels, and did well in various works in 2009. Safety production is generally well maintained, which creates a favourable environment for the production, operation, reform and development of the enterprise.



### 5.3.1 Improving system, reinforcing supervision and guaranteeing fulfilment of responsibilities

The company revised and improved the 13 HSE management regulations, covering accident management and potential danger treatment in light of the actual condition in 2009. The company implemented annual safety and environmental protection inspection and specific supervision, and conducted HSE review on key enterprises. Every quarter, video conferencing, accident reporting, and task deployment were arranged to help implement safety and environmental protection responsibility system.

### 5.3.2 Firmly carrying out "I Safe" activities



"I Safe" competition live on TV held by Sinopec Qilu Company

The company carried out a series of "I Safe" activities in the whole company system in 2009.

- Set up leading group for the activities, and formulated & promulgated implementation scheme of activities. The affiliated enterprises held over 1200 "I Safe" lectures, emergency response practices of 48000 times, and safety knowledge competitions of over 1800, with participants exceeding 440,000 person-times.
- Organized the competition of "I Safe" DV short videos and stories, and collected excellent DV short videos and stories into volumes and sent them to grass-roots units for learning.
- Organized publicity activities of "safety production month", and "world environment day", "safety production without any accident in 100 days in winter" competition, and activities in other forms.

By virtue of the "I Safe" activities, the company created favourable atmosphere of "I Safe", reinforced the safety consciousness of the staff, integrated safety management into routine jobs, and reflected the safety concept in the concrete actions of the staff.

### 5.3.3 Emphasizing potential hazard treatment

Sinopec Corp. always adheres to potential hazard inspection and treatment, strictly implements measures concerning safety, environmental protection, occupational sanitation and "three simultaneously" principle in fire fighting, so as to eliminate potential problems at the sources. The company invested RMB8.202 billion in potential problem treatment from 2005 to 2009, with the safety level of plants and facilities further enhanced. The key treatment projects are as follows:

#### Oil fields

Upgrading of well control facilities; potential hazard treatment of maritime and aquatic oil & gas production facilities; upgrading and restructuring of electric installation; establishment of low pressure safety illumination and safe escape appliance in field operation site; standard fire fighting construction of oil & gas production, storage and transportation devices (facilities); arrangement of large emergency vehicles and equipment for fire fighting, gas accident prevention and engineering emergency repair; upgrading of storage and transportation facilities of fire engineering products and radiation system for trouble-shooting of key devices; potential hazard treatment of fire and explosion prevention and lightning proof in oil and gas gathering and transferring fields; and upgrading of specific safety detecting device.

#### Refining and chemicals

Treatment of potential hazard in electrical system and instrument system, and lightning and static electricity prevention of large oil tank; safety of device and tank area; controlling of potential problems in fire fighting system (water and road); quake-proof reinforcement, and upgrading of domestically made and imported fire engine; and controlling of potential problems in professional sanitation, inclusive of noise, dust, chlorine gas, and ventilation of analysis room.

#### Sales

Controlling of potential hazard of oil supplying platform (inclusive of the arrangement of anti oil spill and static electricity inter-locking protection system); restructuring of semi-underground oil discharging pump room of the oil depot and vacuum oil discharging system; treatment of potential hazard of railway unloading area (inclusive of railway trestle and fire fighting road); potential hazard treatment of oil depot and dock (inclusive of pontoon and fire fighting system); and the standardized treatment of fire fighting road, fire fighting water (foam) system, fire pump room, fire fighting water pool, fire dike and other devices and facilities.

Figure 5.3 Solving key potential safety problems from 2005 to 2009

## 5.4 EMERGENCY MANAGEMENT

### 5.4.1 Reinforcing the construction of emergency management system and mechanism

Sinopec Corp. attaches great attention to emergency management. It establishes complete and unified emergency management and guidance system upward from grassroots in light of the management principle of “the whole staff, whole process, full dimensions and all weather”.

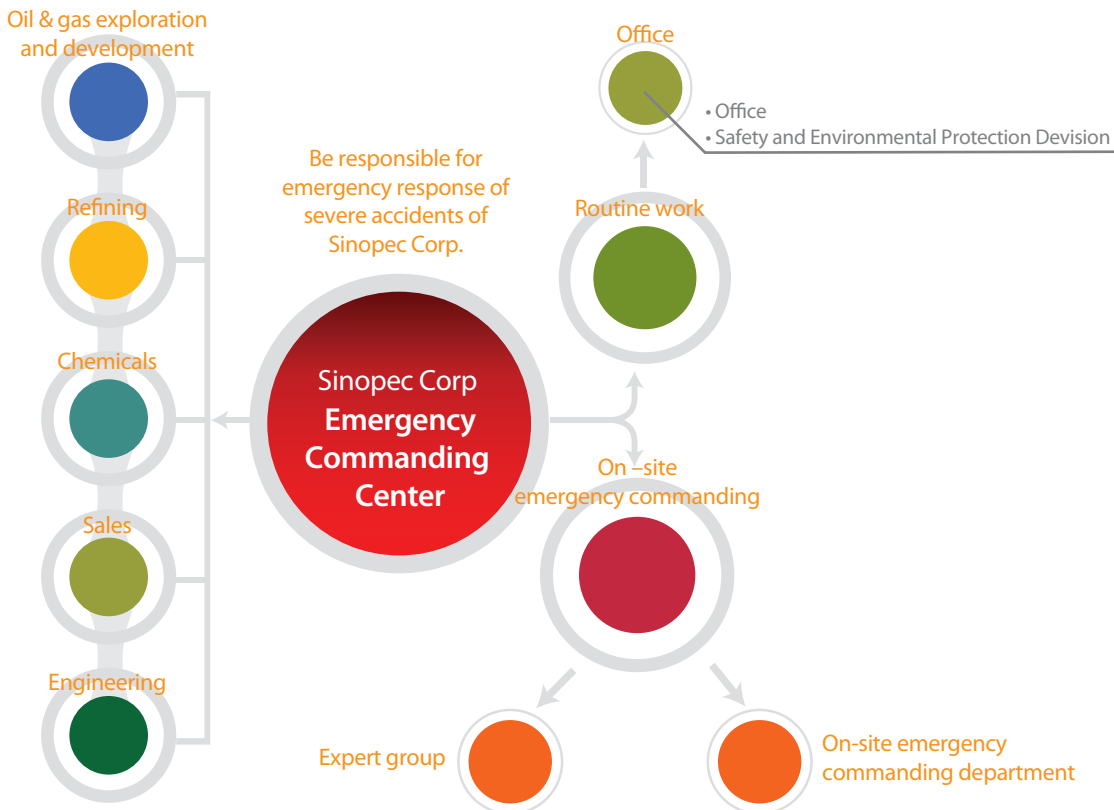


Figure 5.4 Emergency management and commanding system of Sinopec Corp.

### 5.4.2 Optimizing emergency resource allocation, and enhancing emergency response capability

As the oil fields and refineries of Sinopec Corp. are far away from cities, and petroleum and petrochemical production is of special industry with less social emergency resource being available. Hence, the company paid high attention to the allocation of emergency resources. In these years, the company input a lot of manpower, capital and materials, and approached from fire fighting team set-up, fire fighting facility restructuring and improvement of fire fighting scheme, etc to comprehensively improve fire fighting. Now, the Sinopec system is equipped with various fire fighting vehicles and gas prevention vehicles of more than 1100 units.



First-aid helicopter in Shengli Oilfield

- Strictly following relevant standards and criteria, upgraded and restructured device, tank area and fire fighting pipeline network. Now, stable high pressure fire fighting water system has been established for large petrochemical device and tank area which laid basis for fire suppression in case of accident;
- Prepared “one specific emergency plan for each key device and key part” based on the actual situation, and prudently organized fire fighting practice.
- For the purpose of enhancing professional fire fighting capability, formulated and implemented joint fire fighting system in fire fighting region, organized 7 regional joint fire fighting teams covering north China, east China, south China and Shandong, and regularly implemented joint fire fighting practice, thereby strengthening mutual assistance in fire fighting and cooperative fire fighting capability with enterprises nearby.

## 6 DEAL WITH CLIMATE CHANGE



In recent years, global climate change has given rise to wide attention in the international society, and low carbon economy has gradually become the mainstream for the development of world economy in the future. Sinopec Corp. attaches great importance to climate, and reduces energy and material consumption level through energy saving and emission reduction, and CDM projects, thereby lowering energy and material consumption level. Comprehensive energy consumption of every RMB10,000 production value of the company was 0.72ton coal equivalent in 2009, decreased by 15.29% compared with that of in 2005.

### 6.1 REINFORCE THE STRENGTH OF RESEARCH, AND IMPROVE THE CAPABILITY TO DEAL WITH CLIMATE CHANGE

#### 6.1.1 Reduce emission from the start of the production, and conduct R&D on low energy consumption and low discharge production technology

- Develop and use clean coal technology. Utilize refinery petroleum coke and other low value products to develop CFB and IGCC technologies, supply power, steam and hydrogen to petrochemical production units, reduce CO<sub>2</sub> emission, enhance boiler thermal efficiency, and save coal consumption.
- Optimize the material of catalytic cracking unit, and reduce green coke volume. Integrate hydrogen resource, optimize hydrogen usage, reduce hydrogen cost, and reduce CO<sub>2</sub> discharge.

#### 6.1.2 Develop energy saving technology

Energy saving and enhancement of energy transferring efficiency is the effective measure to reduce CO<sub>2</sub> emission. Provided the consumption for output of every unit is reduced, CO<sub>2</sub> discharge will be decreased accordingly. Sinopec Corp. investigates and develops a series of energy saving technology and energy efficiency enhancement technology to reduce CO<sub>2</sub> emission. The measures consist of:

- Adopt advanced technology to restructure Ethylene Cracking Furnace, improve energy efficiency, and reduce emission.
- Promote combined production of heat and power, operation system optimization and power generation based on differential steam pressure, hydraulic turbine, and other technology and equipment; and develop application technology of gas turbine
- Develop and apply energy saving technology of oil product storage and transportation, and technologies of recovering vented air and reducing loss in processing and storage, so as to reduce CO<sub>2</sub> emission.

#### 6.1.3 Implement CO<sub>2</sub> catching and utilization technologies

Sinopec Corp. has engaged in R&D of CO<sub>2</sub> catching and utilization technology for more than 10 years, and possessed domestic leading CO<sub>2</sub> catching technologies, including new technologies of recovering carbon dioxide with low partial pressure, new process for pressure swing regeneration with low heat supply, improved MDEA decarburization technology, and NHD purification technology, etc. The technology could be widely used in the catching of CO<sub>2</sub> in natural gas, syngas, refinery gas and flue gas, etc. And CO<sub>2</sub> caught is mainly used in producing urea, methanol, syngas and food-grade CO<sub>2</sub> and EOR, etc. Nowadays, CO<sub>2</sub> catching technology developed by Sinopec Corp. has occupied 90% domestic market share, and shown good performance in over 30 sets of industrial operation examples, greatly contributing to the progress in domestic gas purification technology.



Natural gas is playing a major role in Low-Carbon energy



### 6.1.4 Renewable energy resources and new energy technology

The substitution of fossil energy with biomass fuel could not only gain necessary energy products, including power, but also eliminate CO<sub>2</sub> emission in natural circumstance. Sinopec Corp. has engaged in R&D of cellulose ethanol technology and microalgae biodiesel technology since 2007.

- In terms of cellulose ethanol technology, the technology is used to produce ethanol from cellulose (Crops straw, forestry processing waste and biogases, etc), so as to get rid of the long term embarrassment of using foodstuff. It is the true second generation of bio-fuel technology.
- In terms of microalgae biodiesel technology, microalgae is a kind of lower grade plant living in the water. It could absorb CO<sub>2</sub> through cell photosynthesis, transfer light energy into fat, starch and other carbohydrate, and release O<sub>2</sub>. Nowadays, Sinopec Corp. is cooperating with Chinese Academy of Sciences in new energy area, to jointly develop complete set of microalgae biodiesel technology.



Zhenhai Refining & Chemical revamping construction site

## 6.2 ENERGY SAVING AND EMISSION REDUCTION

The company prudently implemented the measures of energy saving and emission reduction, with various indexes stably enhanced in 2009.

- Set strict requirement on the management of energy saving objective, and establish fuel-to-power model. Sinopec Corp. set and examined energy saving targets to the affiliated enterprises, established fuel-to-power model in 34 refineries, and optimized utilities.
- Smoothly promote energy saving project and new technologies. In 2009, the company focused on promoting network power drilling rig, sample furnace technology, process simulation technique, technology of air preheating & energy saving in cracking furnace, and twisted-tape-tube heat transfer enhancement technology in cracking furnace.
- Actively implement efficiency benchmarking activities. Establish efficiency calculation module and efficiency benchmarking analysis system of four business segments, organize the enterprises to establish implement benchmarking activities by grade.
- Implement post-evaluation for energy-saving projects.
- Carry out efficiency testing. After the implementation of testing of oilfield pumping system efficiency, crude oil gathering and transportation loss and performance of water injecting system, energy saving and supervision center of the company implemented power energy balance test in refineries, which substantially helped the energy saving and emission reduction of the enterprise in 2009.
- Implement specific rectification measures for flare gas recovery and high efficiency electric motors. The company started to replace high consumption and low efficiency electric motors from 2009. It invested RMB 150 million in using high efficiency motor in refineries, with motor efficiency enhanced by over 2% and ROI over 20%. In addition, the company controlled the problems concerning flare gas recovery system, solved the insufficient capacity of recovery compressor, instability of automatic of torch, and mismatching of flow meter, etc. As a result, a large quantity of fuel was recovered, and emission was brought down.
- Organize the energy saving technology training and technology communication.



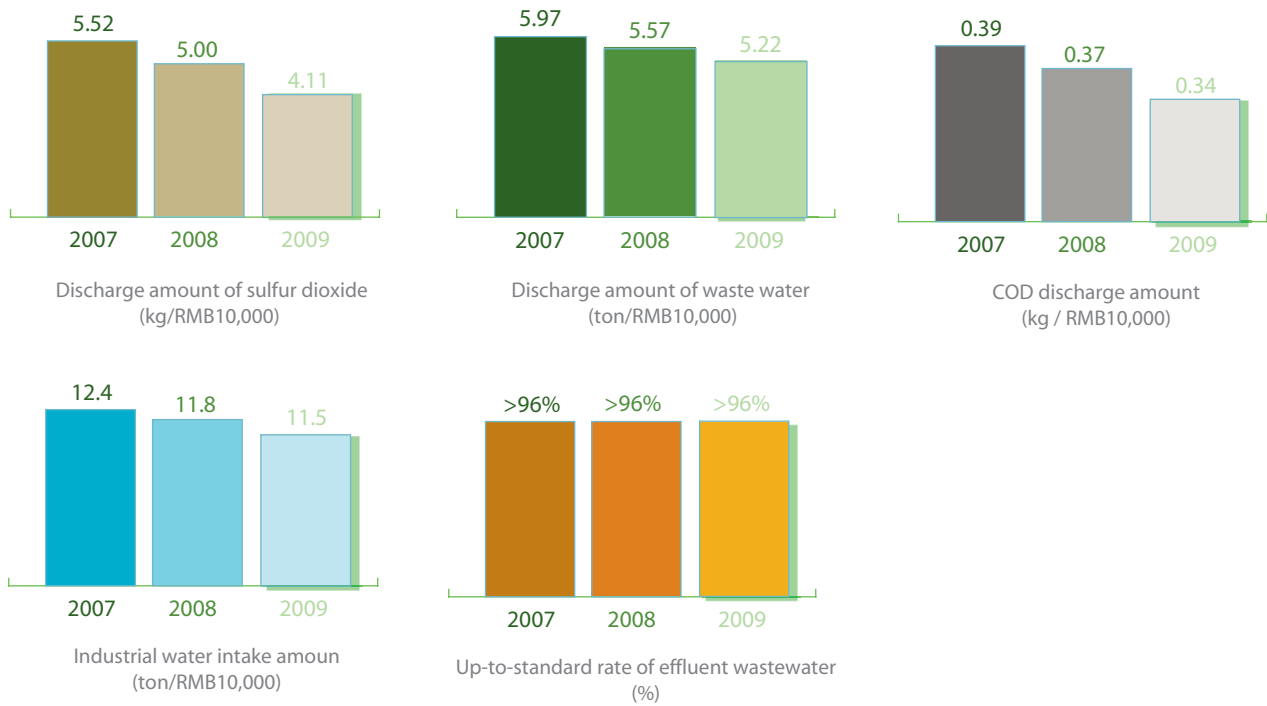
On-Line monitoring system for discharged pollutants

### Plan to extinguish “torch”

In order to protect environment and save energy, the company actively carries out specific treatment of torch gas, and reduces CO<sub>2</sub> emission. The refineries of Sinopec Corp. has extinguished 95% torches as of the end of 2009. Through carrying out torch extinguishing plan, the company recovered and utilized this kind of precious oil and gas resources that otherwise may be burnt. Consequently, Sinopec Corp. could reduce CO<sub>2</sub> emission by over 4 million tons, and recover fuel gas of over 0.8 million tons every year.

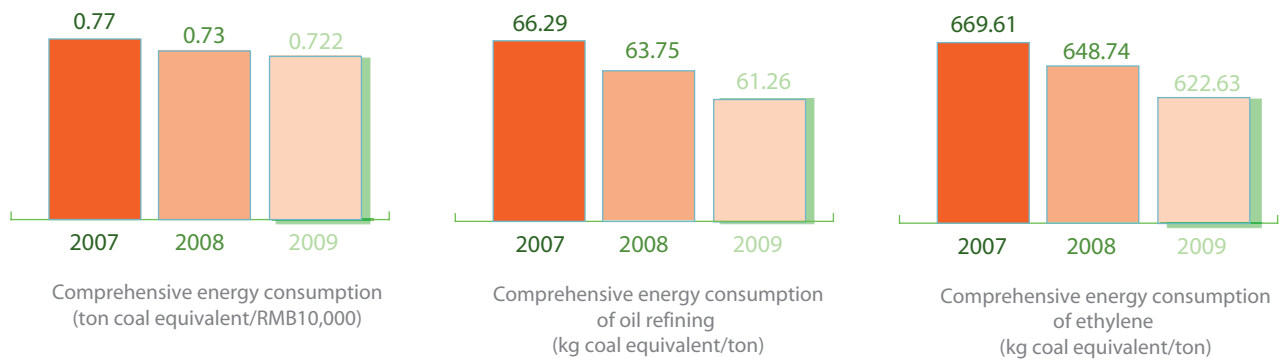


Table 5.2 Discharge amount and industrial water intake amount (note)



Note: Gross industrial output value should be based on the constant price in 2005.

Table 5.3 Energy consumption



# 7 CUSTOMER SERVICE

Sinopec Corp. has a long production chain, which provides customers with various products ranging from resource products such as crude oil and natural gas, and refined oil products like gasoline, diesel and kerosene to thousands of petrochemical products. It serves customers from all walks of life, including downstream manufacturers in automobile, textile, electronic apparatus, building materials and packing sectors and larger-sized users in transportation and agriculture sectors. Sinopec gas stations serve over ten million customers every day.

Sinopec Corp. adheres to the business philosophy of “integrity and professionalism, cooperation and win-win”. Under the principle of “customer-focused and market-oriented”, the Company constantly improves its marketing network and builds the brand image of Sinopec Corp. Sinopec Corp. is dedicated to providing customers with high-quality products and services, by which it can create values for customers and strive for growth and development together with customers.

## 7.1 POWERFUL MARKETING NETWORK

As China’s largest oil products distributor, Sinopec Corp. has the largest service station network and the longest oil products pipelines in China. By 2009, the Company owned approximately 30,000 gas stations, and sold 129.3 million tons of oil products including 5.3 million tons of oil products sold to Hong Kong. More than 36.6 million IC cards have been issued. In addition, gas stations of Sinopec Corp. offer high quality services to over ten million customers every day.

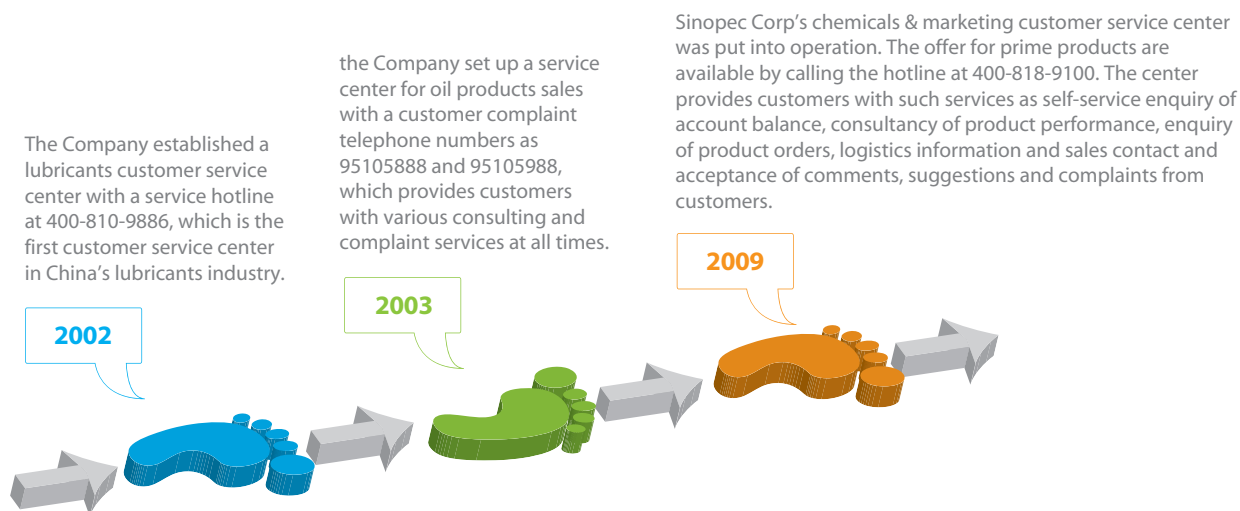
Sinopec Corp. established a Chemicals & Marketing Branch Company which is responsible for the resource arrangement, marketing, sales, logistics and customer service of petrochemical products manufactured by enterprises subordinate to Sinopec Corp., as well as the procurement and supply of chemical materials necessary for the production of such enterprises. The Chemicals & Marketing Branch Company has set up branches in north China, east China, south China and central China respectively based in Beijing, Shanghai, Guangzhou and Wuhan, which are responsible for the integration of production and marketing, product sales, market exploration and customer services with enterprises within their respective regions. Each branch established several representative offices in main domestic target markets and transit warehouses in the sales-centralized areas, so as to be close to market and serve customers rapidly and conveniently.

Sinopec Corp’s lubricant sale network covers the whole country and consists of marketing channels in over 40 foreign countries and regions. Sinopec Corp. has established lubricate sale cooperative relationship with 90% of mainstream automobile enterprises, covering 65% shares of OEM in China’s lubricate market.

## 7.2 SERVICE QUALITY IMPROVEMENT

Sinopec Corp, based on the marketing demand, makes great efforts to pursue the satisfaction and loyalty of customers and provides customers with stable, rapid, flexible and better services, from a standpoint of high-quality service, standardized service, value added service, multi-functional service and guaranteed service.

### 7.2.1 Customer service center



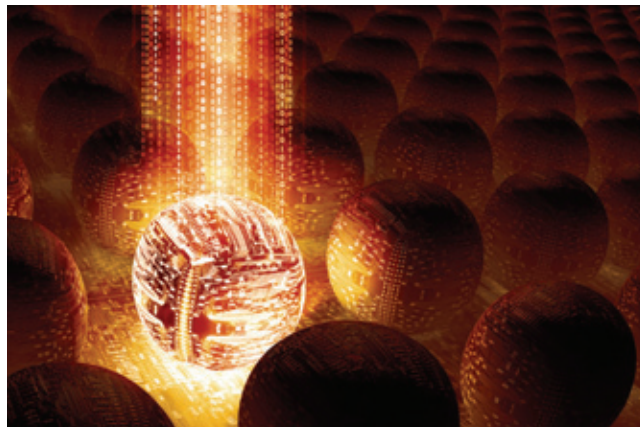
## 7.2.2 Management platform backed up by IT technology

### Management platform backed up by IT technology for chemicals marketing

Sinopec Corp. has established a chemicals marketing information-oriented management platform at a domestic advanced level. This has formed a three major business support system which is an ERP system-based, and Customer Relation Management (CRM), Logistics Information System (LIS), Data Warehouse System (BW) and IC Electronic Delivery Card-integrated system. In addition, it also built business, logistics and operating management platforms to provide all-round supports to its service operation and operating management. To provide customers with better services, the Company took full advantage of the function of CRM system (website: <http://www.chemicals.sinopec.com>) to develop an information platform, in which the company can exchange real-time information with customers. With the platform, customers can not only fill what they need, give feedback and propose suggestions over the Internet, but also work on real-time enquiry of such key information as sales orders, capital transaction and loan balance. Accordingly, information sharing and communication/interaction with customers have been accomplished.

### Marine lubricant system service platform

In 2009, Sinopec Corp. Lubricant Branch set up a marine lubricating service website to exchange information on lubricant use with ship owners, create a file of marine lubricant, analyze test reports, which are available to customers for the enquiry and reference at any time. To unify service specifications, the lubricant branch prepared standards for ship visiting, and made standard sampling bottles to deliver samples for the analysis without any cost. Lubricant (Shanghai) R&D center has had a technical service team which is responsible for providing better service of visiting ships based on sail schedule and lubricant use cycle and responding to the demands for on-board technical services from time to time. The branch constantly improved the marine lubricant detection system, and enhanced the serviceability in the provision of oil product options to ship users, detection of use, development of special oil products and after-sale tracking in an all-round way.



## 7.2.3 Sales of oil products—Gas stations

### Quality services for green development

“Excellent quality and sufficient quantities” is a hallmark of Sinopec Corp. to set a foothold on the market and a commitment of Sinopec Corp. to the society. The Company has always adhered to the philosophy of green development and focused on the quantity and quality management of oil products as a foundational work. It strictly controlled the quantity and quality in procurement, transportation, storage and sales of oil products and established a full-process quantity and quality control service system. Besides, the Company also set up quality service outlets at oil depots and gas stations to provide counselling service of oil quality solicit opinions on oil quality from users and strengthened the after-sale quality management of oil products. Through several quality detections made by relevant state departments, Sinopec Corp’s oil products quality has been proved 100% up-to-standard.

### Standardized on-site service

Sinopec Corp. has always considered standardized service as its core of fundamental management and brand construction and dedicated to offer customers with convenient and efficient services. Specifications of Sinopec Corp. for the Management of Gas Station has been prepared to rigidly specify service attitude, attire and manners, service language and figure and behaviors.

### Gas IC card

To provide customers with better services, Sinopec Corp. improves its service with IT technology. "Fuelling with card" has been well received by customers. At present, Sinopec Corp. has established about 20,000 chain gas stations in cities, expressways and state and provincial highways. Users can access to any chain gas station with gas service cards.



- Quick and convenient fuelling
- Management of fuelling oil products
- Fuelling with card
- Reward Program
- Repair and rescue

Meanwhile, Sinopec Corp. has established 1,300 self-service and semi-self-service gas stations. Self-service fuelling is quicker and more convenient than manual fuelling and provide preferential prices to customers, accordingly making customers be able to save costs when enjoying the fun of fuelling.

### Multi-functional non-fuel service

To offer more comfortable, convenient and diversified services to customers, Sinopec Corp. has constantly improved the function of gas stations, and made great efforts to develop non-oil service in recent years by establishing "easy joy" convenient stores at gas stations, launching automobile and catering service and setting up ATMs and gas service card marketing centers. With these efforts, gas stations provide more diversified and full-functional services. At present, Sinopec Corp. has set up more than 8,000 convenient stores at gas stations to provide customers with low price and high quality daily necessities. In addition, it has established scores of fast food restaurants and automobile service stores in cooperation with McDonald's, KFC, SK and other renowned brands.



Self-service gas station

Since August, 2008, Sinopec Corp. launched a free local rescue service to users holding registered gas service card. For water, power and oil shortage and tyre change of vehicles registered rescue service, vehicle owners can call 24-hour rescue hotline to seek help and rescue workers will rush to the scene to give free assistance.

### 7.2.4 Lubricant products—from serving aerospace industry to civil use.

With long-term work on the R&D and production of various lubricants, Sinopec Corp. provides lube guarantee for China aerospace industry. In 2009, China launched the second Compass 2nd generation Navigation Satellite, J-11 Satellite and Hope-1 Science Satellite successively and Sinopec Corp. succeeded in completing the task of guaranteeing the supply of lubricate. It also conducted an aerospace experience camp activity to give teenagers from Sichuan, Chongqing, Guangdong, Shenyang, Xi'an and other areas an opportunity to approach and understand aerospace industry.

Sinopec Corp. actively promotes the civilian use of aerospace lubrication technology with its sole technical advantages. Currently, Great Wall Lubricate Co. Ltd has achieved the sharing of core technologies, scientific research teams, manufacturing process and production equipment between aerospace and civil lubricants. It widely applies cutting-edge technologies derived from aerospace lubricants to all civil sectors.



"Easy Joy" convenient store in gas station



Aerospace experience camp activity organized by Sinopec Great Wall Lubricants Co. Ltd



# 8 EMPLOYEES

Sinopec Corp. always sticks to the principle of “People Foremost” and conscientiously fulfills its responsibility for employee development. It has established the working atmosphere of solidarity and coordination, guaranteed the employees’ various rights, designed career development plans, promoted all-round development of the employees, cared for retirees and workers at production forefront, given necessary assistance to employees in need, and preserved the occupational health and safety.

## 8.1 EMPLOYMENT AND DEVELOPMENT OF EMPLOYEES

### 8.1.1 Maintaining good labour relations

The Company adopted the labour contract system to regulate the management of labour employment according to relevant requirements stated in the Labour Law of the People’s Republic of China, the Trade Union Law of the People’s Republic of China and other laws and regulations.

Sinopec Corp. branches and subsidiaries, under the principle of “equality, free will and consultation”, signed written labour contracts with all employees. Labour contracts signed between the Company and employees are formulated strictly in accordance with the Labour Law, the Labour Contract Law, other applicable laws and regulations, as well as other relevant international rules and conventions to specify the rights and obligations of the employees. In addition, each entity prepared supporting rules for the management of labour contracts to regulate the employment, safeguard legal rights and interests of the employees and ensure the execution of the labour contracts.

In 2009, the Company strictly followed the Labour Contract Law and the Regulation on the Implementation of the Labour Contract Law and formulated the Several Opinions concerning the Enhancement of Employment Management, which further consolidated the harmonious and steady labour relationship by improving the management of labour contracts, regulating labour employment, and proper settlement of labour dispute.

### 8.1.2 Talents recruitment

The Company, in line with its development strategy and need for talents, makes great efforts to select talented people from around the world, in order to enhance its competitiveness. In this regard, the following work has been done in 2009:

- With the plan of recruiting overseas high-level talented people, three R&D talents with overseas background were employed.
- In 2009, the Company recruited 6,093 university graduates in accordance with the principle of “emphasis on the major, choosing the best, open recruitment and enhanced supervision”.

### 8.1.3 Staff education and training

The Company pays high attention to staff education and training. Based on the needs for reform and development, team building and development of employees, the Company enriches training contents, innovates training methods, deeply promotes training across the Company, strengthens post practices and constantly improves business skills and comprehensive quality of the employees. The Company also focuses on three major training projects and training of key personnel. In addition, the Company continuously improves a training management system with Sinopec Corp. characteristics, and increases the input in training by providing support to training organization, system, teaching materials, teachers, course design and basic facilities. Each entity conducted such activities as post training and quality improvement. And 583,000 employees took part in various off-job training programs organized by the Company this year, resulting in further improvement of their professional abilities and operating skills.



Training of grassroots employees

#### Key talent training project

A total of 3,471 talents were trained.

#### Key post talent ability enhancement project

123 key post talent training projects have been formed, with 6000 employees taking part.

#### Enterprise-wide employee quality improvement project

Short-term orientation training programs have been organized. The Company’s direct affiliates conducted activities such as company-wide post practices so as to effectively improve basic skills of grassroots employees.

Figure 8.1 Three major training projects organized by the Company in 2009

### 8.1.4 The Employee's Code of Conduct

In 2009, the Company has revised and improved the Employee's Code of Conduct with a view of further regulating the conduct of the employees both domestic and overseas, enhancing international exchange and cooperation, enabling all employees to abide by the laws and disciplines, promoting honesty and integrity, and creating a safe, harmonious and orderly working atmosphere. It built a united, promising and ambitious working team, enhanced sense of honour, loyalty and executive force and promoted the construction of corporate culture.

#### Sinopec Corp.'s Employee's Code of Conduct

**Moral education:** loyalty, honesty and integrity, devotion and compliance;

**Performance:** discipline, employee relationships, education and training, company resources, business activities, interest coordination and self-discipline;

**Protocol:** office behavior, dress and language;

**HSE:** HSE principles, goals and responsibilities of the Company; and

**Confidentiality:** requirements regarding intellectual property rights, information disclosure and information safety security.

## 8.2 WORKING ENVIRONMENT

### 8.2.1 System of Staff Congress and openness of corporate affairs

Each of the Company's branches and subsidiaries enables employees to fully understand the development of the company, and take part in business administration by convening the Staff Congress, revealing corporate affairs and setting up days to receive complaint letters and visits, accordingly safeguarding the employees' right to know and to supervise. The communication with the employees was strengthened, and the democracy was implemented throughout the company in management, operation, human resources, and remuneration, especially in the key issues in operation and the popular issues and concerns among the employees. Thus, rights and interests of the employees were guaranteed in the development of the enterprise.

### 8.2.2 Social security and welfare system

Fully considering the interests of employees, the Company prepared several social security and welfare measures such as paid vacation, regular rest and recuperation, special medical allowance and retirement placement to motivate the enthusiasm of employees, and created a more harmonious and stable working environment. In 2009, systems related to staff canteen, health examination, recuperation and vacation have been improved and implemented.



Opinion poll among staff representatives



Staff canteen of the subsidiary in Changzhou, Jiangsu Province

### 8.2.3 Occupational health

The Company always focuses on the occupational health management to protect the employees. Currently, detection of toxic and hazardous positions covers over 98% of the Company, and the rate of incidence of occupational diseases has been controlled under 0.1%.

- The Company has established a complete occupational health management system and technical system. It regulated management behavior by improving the system, and standardized technical behaviour by adapting itself to changed national standards. The management system and the technical system are complementary to each other.
- The Company reinforces the management and supervision, and strictly observes occupational health regulations. In addition, the Company controls the sources of occupational hazards and ensures that 100% of reporting of occupational hazards. The Company also detects occupational hazardous factors in working sites, deals with potential hazards in occupational health, reinforces individual protection, regulates equipment standards, strengthens occupational health education and improves the protective awareness of employees. Furthermore, the Company intensifies the supervision and assessment by combining comprehensive inspection and special inspections.
- The Company is dedicated to provide a healthy working environment. From 2005 to 2009, both the detection rate of occupational hazards in working places and the conformity rate of the detection of such hazardous factors as dusts, toxic substances and noises, meet the state and local requirements.
- The Company enhances health surveillance and safeguards health rights of employees by providing occupational health examinations. From 2005 to 2009, the examination rate of workers involved in occupational hazardous industries satisfied the requirements of state and local government.
- The Company improves the treatment of workers suffering from occupational diseases and makes proper arrangements of diagnosis and medical treatment for them. For employees who have suffered or are likely to suffer acute occupational diseases, the Company provides medical treatment, health checkup and medical observation. In addition, it also arranges diagnosis for occupational disease suspects, arranges treatment, recuperation, regular health examination and proper placement for patients with occupational disease to guarantee their rights and interests.

## 8.3 RESPECT FOR HUMAN RIGHTS

The Company supports and respects human rights. In addition to the commitments made by the Company to employees, customers and communities stated in this report, the Company hereby makes the following commitments:

- In accordance with international and national conventions and laws, the Company strictly prohibits the employment of child labour. Meanwhile, it encourages its business partners and suppliers to abide by relevant regulations.
- The Company respects the privacy right of employees and never discloses personal information. It also never shares customer information with others, or discloses or sells customer or potential customer information. There has been no litigations against the Company on infringement of customer privacy right.
- The Company respects human rights and opposes discrimination of any kind in the process of the operation. In dealing with the matters related to employment, remuneration, promotion, dismissal and retirement, there are no discriminatory provisions on the ground of race, social class, nationality, religion, physical disability, gender, sexual orientation, union membership, political attachment or age. And there is no discriminatory behavior in daily work.

### 8.3.1 Protection of women employees

Women employees of Sinopec Corp. are employed at various posts at different levels in the Company. Sinopec Corp. protects rights and interests and special interests of women employees, in accordance with the Law of the People's Republic of China on the Protection of Rights and Interests of Women and relevant state regulations on the protection of women. The Company's labour union at each level established the Committee of Women Workers to give special protection to women employees. The Company also earnestly carries out the Regulations on the Working Scope Banned for Women Employees, pays attention to and strengthens labour protection of women employees in the production. In addition, the Company supervises and inspects labour safety and health of women employees depending on actual situation to continuously improve labour environment and conditions for women employees. We substantively follow the regulations on pregnancy, maternity and breast-feeding leave of female employees and the regular health examination system and focuses on physical and mental health of women employees.



### 8.3.2 Aid and relief

The aid and supporting system was constructed by insisting the combination of live aid and supportive policies, and the temporary aid and long-term aid. The company tries to render substantive help to employees in difficulty. The Company carries out activities to help and support employees' families in difficulty, gives a multi-channel aid to employees in difficulty, expresses sympathy and greetings to special-care recipients and model workers and tries hard to help them out within its capacity. In 2009, the Company provided aid and relief to 242,632 person-times.



### 8.3.3 Rich cultural and sports activities

The Company organized rich cultural and entertainment activities of various forms. In 2009, the Company held a photography show to celebrate the 60th anniversary of the founding of the People's Republic of China, and carried out a series of activities such as Worker Theatrical Performance, Worker Basketball, Croquet, Bridge and Swimming Contest, Youth English Speech Contest, and "Singing for the Country" Chorus Competition.

### 8.3.4 Care for retirees

In 2009, the Company adjusted the policies and measures to improve the treatment of retirees, by which material and medical treatment of retirees have been improved. On the occasion of celebrating the 60th anniversary of the founding of the People's Republic of China, the Company paid visits to retired veteran cadres and employees working for the Company before the foundation of PRC, showing care to those who witnessed the growth of the country. At the same time, current employees also learned from them the spirit of diligence, selflessness and devotion.



## 9 SOCIETY AND COMMUNITIES

In 2009, the Company kept supporting and participating in public welfare initiatives. The Company also made great contributions to the construction of harmonious communities, poverty alleviation and aid to Tibet, Lifeline Express project, donation to education, disaster relief, national sports and “sport for all” program.

### 9.1 PAYMENT OF TAX AND FEES

Sinopec Corp. paid totally RMB 179.052 billion taxes and fees to central and local governments in 2009.

### 9.2 COMMUNITY CONSTRUCTION

Sinopec Corp. intensified the environmental construction of the communities adjacent to mining sites and enterprises, comprehensively managed the community environment, and exerted efforts to create a safe, convenient, clean and pleasant living environment. In 2009, the Company removed potential safety hazards, and solved the long outstanding problems in the communities. The energy saving facilities and the supporting facilities like water, electricity and heating equipment were improved.

With completion of the projects, in the mining areas and associates of Sinopec Corp., the supporting facilities are gradually improved. Heating fuels are further optimized. Heating capacity, and sewage and garbage disposal capacities were substantially enhanced. Roads, power and water supply facilities are gradually improved. Community service and working and living conditions have become increasingly better.



## 9.3 CHARITY

### 9.3.1 Poverty alleviation and aid to Tibet

Sinopec Corp.'s poverty alleviation and aid to Tibet, starting from local production and living condition enhancement, focused on local construction and improvement of basic and public welfare facilities closely related to the living of farmers and herdsmen, which substantially improved local production and living conditions. State Council Leading Group Office on Poverty Alleviation and Development awarded Sinopec Corp. the title of "Leading Entity for Poverty Alleviation". For the past years, Sinopec Corp. has input more than RMB 1.3 billion to designated poverty-stricken counties and Tibet, which was used to build infrastructure, boost local economy and conduct various disaster relief activities.

**Aid poverty-stricken counties** Sinopec Corp. undertook the poverty alleviation task for 4 state-level poverty-stricken counties including Yingshang and Yuexi of Anhui Province and Luxi and Fenghuang of Hunan province. In 2009, Sinopec Corp. input over RMB 12 million in these four counties, focusing on local infrastructure construction, industrial development, labour service export training, and education development.

#### Construction of infrastructure

The Company input RMB 6.54 million to build 12 cement roads with total length of 68 km connecting villages in four impoverished counties. Qianma Road of Fenghuang County, a 27-km long road constructed in 2003 by Sinopec Corp., connects 11 Miao villages and benefits almost 20,000 villagers. This road pushes local industry development, promotes tourism in Miao villages and effectively drives the poor villagers along the road to increase their income and improve their livelihood. Hundreds of acres of Atago pears have been planted along Qianma Road. Since the completion of the road, the income of local farmers has increased rapidly and villagers older than 60 have received pension. In 2008 and 2009, Sinopec Corp. input another RMB 3 million to harden the road to enhance transportation efficiency and drive agricultural economy of villages along the road.

#### Industry Development

The Company invested RMB 1.35 million in industry development, including thousands of acres of orange farm in Luxi County, which is expected to increase farmers income by RMB 50 million in harvest season and help more than 2,000 families out of poverty. In Yuexi County, a snakegourd farm was developed with annual gross product value of RMB 1.86 million. Not only 400 local families gained an increase of net annual income about RMB 6,000, but also a long-term problem that the villagers illegally produced fireworks in past years was resolved, which helped to avoid reoccurrence of accidents and achieve significant social benefits.

#### Training and export of labour service

The Company input RMB 1.2 million for training of 1,800 people including CNC machine tool operators, electronics operator and electricians, machinery manufacturing technicians, drivers, computer operators and garment manufacturing technicians. The export rate of trainees reached 85%. We also sponsored 9 sessions of training courses on practical skills in countryside for nearly 900 trainees.



Road sponsored by Sinopec Corp. in poverty-stricken countries



**Aid to Tibet** Sinopec Corp. has been aiding Tibet since 2002. Till the end of 2009, Sinopec Corp. input up to RMB 130 million to Tibet aid plan and established totally 55 grassroot projects. Implementation of these projects was warmly welcomed by Tibetan people. In 2009, Sinopec Corp. input totally RMB 25.67 million to aid Tibet and constructed 10 grassroot projects.

**Herdsmen housing project**

The Company helped 1,745 households of herdsmen from 10 villages and towns to settle down in Bangor County.

**School construction project**

RMB 9 million was input in building Bangor County Sinopec Primary School, which is to be completed in October 2010.

Sinopec Corp. constructed 10 facilities for rural culture development procured 810 sets of solar lighting units



The Company sponsored education and training, poverty alleviation, education aid, specialty product processing and supporting project of county-level veterinary station.

**9.3.2 Education aid**

All employees of the Company harbor the hope to poor children in old revolutionary area and dropouts forced to leave school due to poverty or gender to return to school.

**Aid Spring Bud Program girls**

Since the Spring Bud Program was launched in 2004, the Company has assisted more than 30,00 girls of 26 state-level poverty-stricken counties from Sichuan, Gansu, Guizhou and Hunan Provinces (including 9,960 senior high school girls) to finish their primary or high school education.

In 2009, Sinopec Corp. contributed RMB 11.95 million to continue the aid to 9,960 senior high school girls from poverty-stricken regions in Sichuan Province to finish their courses. In June 2009, 3,320 senior high school girls, the first wave of aid from Sinopec Corp., have finished their high school education and took part in the college entrance exam. 1,614 girls got enrolled in colleges or universities. Among the aided girls, 405 are ethnic minorities. These Spring Bud Program beneficiaries are now studying in colleges and universities across the country.

Fu Haijuan, a girl in Zhangchuan County, Gansu Province entered into China University of Petroleum, ranking the 2nd in liberal arts during college entrance exam. She said, "I choose China University of Petroleum with the hope to contribute to national petroleum and petrochemical industries!" Meng Gen Subude, a Mongolian girl of Subei County, Gansu, entered into the Department of Chinese Language and Literature in Minzu University of China. "I am so lucky to have the chance to change my life with the help of Sinopec Corp. However, there are still many poor children like me. I must work hard, then go back to my home town and try my best to change its situation", she said.

The Spring Bud Program sponsored by Sinopec Corp. has greatly promoted the development of education in poverty-stricken regions, converted the old customs of treating girls as inferior to boys, intensified local people's awareness of the value of education and make parents more willing to allow their girls high school education. Ninety-six percent of aided girls' parents showed their determination to get the kids educated no matter how poor they are.



Sinopec Qilu Company donated RMB 41,000 in total to pay for tuitions of 11 disadvantaged students

## Donation to "Hope School"

Sinopec Corp. is dedicated to the construction of "Hope School" project in poverty-stricken regions and carries children's hope of tomorrow. Each New campus, every smiling face and each piece of learning photo reflect the love of Sinopec Corp.

In 2009, Sinopec Corp. continued constructing "Hope Schools", donating in total RMB 22 million to construct nearly 40 "Hope Schools" with total building area of 24,000 sq.m. In Yuexi County, Anhui Province, Sinopec Corp. built two primary schools -- Yangsheng and Shuikou and provided education opportunities for 236 pupils. The Yanghu Central Primary School and Huangba Jiagang Primary School in Yingshang county will be completed in 2010 which will provide education opportunities for more than 700 pupils.

Since 2008, the Company has allocated RMB 2 million of special education aid funds each year for supporting the senior high school students and newly enrolled college students coming from the poverty counties that Sinopec volunteers to support. Within two years, the Company has donated RMB 4 million to 4 designated poverty counties in Anhui and Hunan provinces and sponsored 2434 students including 2009 senior high school students and 425 newly enrolled college students. This not only helps many students from poverty-stricken families finish their school courses, but also encourages their enthusiasm on learning and conveys Sinopec's love the society. The aided students mailed the Thank-You-Letters back, expressing their gratitude and determination of working hard.

Long Xiaoyan, a Miao race-village student from remote mountain region, was born in a family with poverty, but had outstanding academic performance in school. She used to think of quitting school for not able to afford tuition fees and living expense. It is the subsidy of Sinopec Corp. that gave her hope. She wrote that "I can never forget the ceremony for donation to poverty-stricken students by Sinopec Corp. You are like the day star rising on the horizon of life. You not only gave me timely assistance, but also taught me a lesson about life. I will work hard and achieve excellent record to thank you and return more love to the society."



Sinopec Corp. sponsored the Construction of a Hope School in Anhui



Opening ceremony of the Hope School



Opening ceremony of the Hope School



Hope School with Sinopec Corp. logo



### 9.3.3 “Lifeline Express” project

The “Lifeline Express” is a running ophthalmology train hospital which specializes in medical charity activities. Currently there are in total 4 trains, and each train consists of 4 carriages with complete medical facilities and outstanding ophthalmology doctors and nurses from Beijing and Hong Kong to undertake the treatment. The “Lifeline Express” travelled along the railway all year round and performed operations of regaining sight like cataract removal or artificial lens transplant for cataract patients from remote and poverty-stricken regions.

Sinopec Corp. is the enterprise that made biggest contributions to “Lifeline Express” undertaking within Mainland China. Since 2004, Sinopec Corp. has donated in total RMB 80 million to the Foundation. The “Lifeline Express” aided by the Company has traveled the remote and poverty-stricken regions of a dozen of Provinces like Tibet, Xinjiang, Qinghai, Gansu, Guangxi, Sichuan, Guizhou, Yunnan, Jilin, Inner Mongolia and provided free medical treatment to about 15,000 cataract patients.

In March 2009, “Sinopec Corp. Brightness Health Express”, the fourth “Health Express” sponsored by the Company with donation of RMB 30 million, was put into operation. This is the first train hospital wholly sponsored by Mainland enterprise. It is equipped with advanced technical facilities and top cataract operation instruments. With the establishment of the fourth train hospital, “Health Express” increases its stops to 12 stations and treated 3000 more cataract patients. In the same year, Sinopec Corp. donated RMB 10.4 million for treating and curing 3565 cataract patients from the remote regions of Sichuan, Jilin and Guangxi provinces.

Sinopec Corp. made prominent contributions to the cataract patients from poverty-stricken areas and was highly valued by governments and the general public and conferred many titles of honour awarded by the Lifeline Express Foundation and the Government. In 2009, Sinopec Corp. “Health Express” Cataract Brightness Project was titled one of top ten practical livelihood matters by Jilin Municipal Government. At the annual meeting of China Lifeline Express Foundation Nov 30, 2009, Sinopec Corp. won the only “2009 Special Award for Meritorious Brightness”.

The “Health Express” sponsored by Sinopec Corp. ran all the way, showing love and warmth to the cataract patients and carried back sincere gratitude and appreciation from patients who regained their sight.



“Health Express” train’s trip to Dazhou

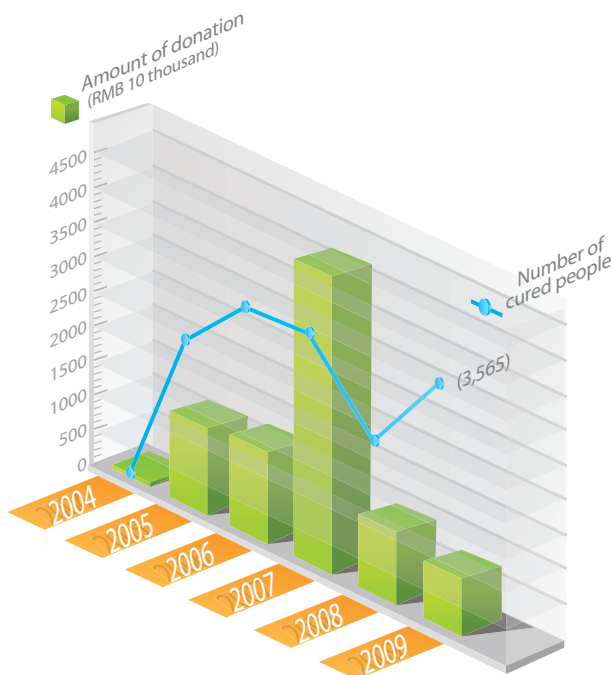


Figure 8.1 “Health Express” Project Donated by Sinopec Corp. from 2004 to 2009

A 13 aged Hui race-village patient from countryside of Hualong County, Qinghai wrote in the Thank-You-Letter that “We are a poor family and my father and mother are both farmers, so we have no enough money to take the operation of regaining sight. In so many years, we suffered from the misery of cataract. It is the “Health Express” sponsored by Sinopec Corp. that changed lives of my older sister and me and brought us happy lives. We will keep your kindness in mind! In the future, my older sister and I will study hard and learn from you to help the people in difficulty when we grow up”.

# 10 COMMENTS FROM THIRD PARTY

## AWARDS AND COMMENTS TO 2008 SUSTAINABLE DEVELOPMENT REPORT OF SINOPEC CORP.

2008 Sustainable Report of Sinopec Corp. was awarded the title of 2009 Best Corporate Social Responsibility Report of A-Share Listed Company in Extractive Industry by the organizing committee of Summit of Best Corporate Social Responsibility Report of A-Share Listed Companies. The comment says, 2008 Social Responsibility Report of Sinopec Corp. focuses on health, safety and environment, reflects the fulfilment features of Sinopec Corp. with elaborate environmental system explanation and fulfilment of performance disclosure, intensifies the efforts and achievement of Sinopec Corp. in safe production and sustainable development in environment and effectively makes prominent the fulfilment features in health, safety and environment of Sinopec Corp.

2008 Sustainable Development Report of Sinopec Corp. was awarded the titled of "Leader-Type Enterprise" at the "Golden Bee 2009 Outstanding Enterprise Social Responsibility Report" news conference sponsored by *WTO Economic Tribune*. The comment says that the report closely links the characteristics of petrochemical industry, highlights "health, safety and environment", discloses corporate social responsibility concept and practice in all directions and describes the activities that the Company develops the enterprise, returns shareholders, contributes to the society and benefits the employees. The report, highlighting the main line with substantial content, clear structure, characteristics of the industry and the cross-sector comparability, is an excellent social responsibility report that fully embodies sustainable development concept.



## Rating Report

Upon the request of Sinopec, CSR Research Center, Economics Division of Chinese Academy of Social Sciences selected experts from Chinese Expert Committee on CSR Report Rating to form Sinopec Sustainability Report 2009 Rating Team. The rating team rated Sinopec Sustainability Report 2009 (“the Report”) based on the relevant criteria specified in Guidelines on Corporate Social Responsibility Reports for Chinese Enterprises (CASS-CSR 1.0).

### 1. Basis of rating

Guidelines on Corporate Social Responsibility Reports for Chinese Enterprises (CASS-CSR 1.0) (“Guidelines”) published jointly by the aforesaid Center, China WTO Tribune and China Committee of Corporate Citizenship.

### 2. Conclusions

#### Completeness (★★★★☆)

The Report provides relatively comprehensive information on the responsibility practices of Sinopec in economic, social and environmental fields, and covers 45% of the indicator system specified in the Guidelines, but lacks effective disclosure on key social responsibility topics of interest to Sinopec.

#### Substantiality (★★★★☆)

The Report systematically discloses information on such social responsibility topics as occupational safety, environmental management, customer services and response to climate change, but fails to systematically reveal the internal relation between Sinopec and greenhouse gas emission.

#### Balance (★★★★☆)

The Report discloses information on year-round accident death rate and accident serious injury rate, but lacks systematic analysis of the negative impacts of the business operations of Sinopec on local communities and environment.

#### Comparability (★★★★★)

The Report discloses key performance data on economic, social and environmental responsibility over the past years.

#### Readability (★★★★★)

The report consists of five parts: HSE, climate change, customer service, employees and society and community. It is characterized by clear logic, attractive pictorial illustrations, concise wording and understandable language and high readability.

#### Creativity (★★★★)

The Report needs to improve in terms of content and form.

#### Overall rating (★★★★☆)

Through evaluation, the rating team agreed to give a three and a half star level to Sinopec Sustainability Report 2009.

### 3. Suggestions

- (1) Disclose the key social responsibility topics relevant to Sinopec.
- (2) Identify the improvements of negative information.
- (3) Systematically and chronologically disclose the key performance data of the industry for greater comparability.

### 4. Rating team

Team leader: Peng Huagang, Vice President of Executive Council of the Center and Director General of Research Bureau, SASAC.

Team members:

Zhang Junfeng, Deputy Director General of International Labor and Information Research Office of the Ministry of Human Resources, Labor and Social Security.

Chen Yuanqiao, Secretary General of China ISO Social Responsibility Task Force.

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Head of the rating team  
Vice President of Executive Council of the Center  
Director General of Research Bureau of SASAC

# 11 ABOUT THE REPORT

Dear reader, this is Sinopec Corp.'s fourth Sustainable Development Report which covers the period from 1 January 2009 to 31 December 2009. The Report objectively and thoroughly describes the Company's concept and practices of sustainable development. Before preparation, we held many meetings to seek advice and opinions from all social sectors on report preparation and fulfilment of sustainable development. We also invited the Company's relevant departments and people outside the Company to join in the preparation of the report. We hope that the Report will serve as a platform of information exchange and enable us to hear the voices of all stakeholders.

This report follows the four reporting principles of Global Reporting Initiative's (GRI) G3 Guidelines, namely materiality, stakeholder inclusiveness, sustainability context and completeness, along with its defining principles of balance, comparability, accuracy, time efficiency, clarity and reliability. However, the Report does not include all relevant indicators. Please refer to [www.globalreporting.org](http://www.globalreporting.org) for details of GRI.

This report follows the notification from Shanghai Stock Exchange on revelation of listed company social responsibility in 2008 and internal control self-assessment report. It covers Shanghai Stock Exchange's basic requirements for social responsibility report of listed company, that is to say, it shows the Company's efforts to facilitate sustainable development of society, environment, ecology and economy.

The business and financial data is extracted from Sinopec Corp.'s 2009 Annual Report and accounts. The financial statements, prepared under International Financial Reporting Standards, have been audited by KPMG.

An electronic version of this Report can be obtained from our website [www.sinopec.com](http://www.sinopec.com).

The Report has been submitted to the United Nation's Global Compact Office and Shanghai Stock Exchange via internet.

## 11.1 THE GLOBAL COMPACT AND OUR REPORT

Global Compact Principles		Related reference to these principles in this report	
<b>Human Rights</b>			
1	Businesses should support and respect the protection of internationally- proclaimed human rights.	8.3	RESPECT FOR HUMAN RIGHTS
		9.3	CHARITY
2	Business should make sure that it is not complicit in human rights abuse.	8.3	RESPECT FOR HUMAN RIGHTS
<b>Labour</b>			
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	8.2	WORKING ENVIRONMENT
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	8.3	RESPECT FOR HUMAN RIGHTS
5	Business should uphold the effective abolition of child labour.	8.3	RESPECT FOR HUMAN RIGHTS
6	Business should uphold the elimination of discrimination in respect of employment and occupation.	8.1	EMPLOYMENT AND DEVELOPMENT OF EMPLOYEES
		8.3	RESPECT FOR HUMAN RIGHTS
<b>Environment</b>			
7	Businesses should support a precautionary approach to environmental challenges.	2	ADDRESS FROM CHAIRMAN
		5	HEALTH, SAFETY AND ENVIRONMENT
8	Business should undertake initiatives to promote greater environmental responsibility.	2	ADDRESS FROM CHAIRMAN
		5	HEALTH, SAFETY AND ENVIRONMENT
		5.2	ENVIRONMENTAL PROTECTION
		6	CLIMATE CHANGE
		6.2	ENERGY CONSERVATION
9	Business should encourage the development and diffusion of environmentally-friendly technologies.	2	ADDRESS FROM CHAIRMAN
		5	HEALTH, SAFETY AND ENVIRONMENT
		6	CLIMATE CHANGE
		6.1	INTENSIFY EFFORTS TO R & D AND ENHANCE ADAPTABILITY TO RESPONSE TO CLIMATE CHANGE
<b>Anti-corruption Issues</b>			
10	Businesses should work against corruption in all its forms, including extortion and bribery.	4	CORPORATE GOVERNANCE
		4.4	ACHIEVEMENTS



## 11.2 SHANGHAI STOCK EXCHANGE BASIC PRINCIPLES

Shanghai Stock Exchange basic principle		Related reference to these principles in this report	
<b>Society</b>			
1	Health and safety protection for employees;	5.4	SAFE PRODUCTION
		8.2	OCCUPATIONAL HEALTH
2	Protection and support for local community;	3	STAKEHOLDERS
		9	SOCIETY AND COMMUNITY
		9.2	COMMUNITY CONSTRUCTION
		9.3	CHARITY
3	Check on production quality.	3	STAKEHOLDERS
		5.2	ENVIRONMENTAL PROTECTION
		7	CUSTOMER SERVICE
<b>Environment and Ecology</b>			
4	How to prevent and reduce environmental pollution;	5	HEALTH, SAFETY AND ENVIRONMENT
5	How to protect water resources and energy;	5	HEALTH, SAFETY AND ENVIRONMENT
6	How to protect inhabitation of local community;	5	HEALTH, SAFETY AND ENVIRONMENT
7	How to protect and improve biodiversity in local community.	5	HEALTH, SAFETY AND ENVIRONMENT
<b>Economy</b>			
8	How to create values for customers through production and service;	2	ADDRESS FROM CHAIRMAN
		3	STAKEHOLDERS
		5.2	ENVIRONMENTAL PROTECTION
		7	CUSTOMER SERVICE
9	How to create better opportunity and future development for employees;	2	ADDRESS FROM CHAIRMAN
		3	STAKEHOLDERS
		8.1	EMPLOYMENT AND DEVELOPMENT OF EMPLOYEES
10	How to bring high returns for stockholders.	1	COMPANY OVERVIEW
		2	ADDRESS FROM CHAIRMAN
		3	STAKEHOLDERS
<b>Environmental protection information</b>			
11	Environmental protection policy, annual objective and effect;	5	HEALTH, SAFETY AND ENVIRONMENT
12	Annual total resources consumption;	6.2	ENERGY CONSERVATION
13	The company's environmental protection investment and technical development status;	5.2	ENVIRONMENTAL PROTECTION
		6	CLIMATE CHANGE
14	Category and quantity of pollutants;	6.2	ENERGY CONSERVATION
15	The construction and operating status of environmental protection installations;	5.2	ENVIRONMENTAL PROTECTION
		6	CLIMATE CHANGE
16	The processing and disposal of waste created in production and the recovery and comprehensive utilization of rejected products.	5	HEALTH, SAFETY AND ENVIRONMENT

### 11.3 DISCLAIMER

This report includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that the Company expects or anticipates will or may occur in the future (including but not limited to projections, targets, and other estimates and business plans) are forward-looking statements. The Company's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. The Company makes the forward-looking statements referred to herein as at March 2010 and undertakes no obligation to update these statements.

### 11.4 COMPANY INFORMATION

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Name	China Petroleum & Chemical Corporation
Company Registration Date	February 25, 2000
Registered and Headquarters Address	22 Chaoyangmen North Street, Chaoyang District, Beijing, China
Postal Code	100728
Telephone	86-10-59960028
Fax	86-10-59960386
Website	<a href="http://www.sinopec.com">http://www.sinopec.com</a>
Places of Listing of Shares	Shanghai, Hong Kong, New York and London
Stock Name	SINOPEC CORP.
Stock Code	Shanghai: 600028, Hong Kong: 0386, New York and London: SNP

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Sustainable Development Report 2009