

# 2009

## Corporate Social Responsibility Report



SINOCHEN GROUP

# ABOUT THE REPORT



## 2009

CORPORATE SOCIAL RESPONSIBILITY REPORT

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This Report is the fourth corporate social responsibility report released by Sinochem Group (“Sinochem”, “the Group” or “We”). The previous ones were released in April 2007, June 2008, and June 2009.

This Report is an English summary version of the Chinese version and is available online at our corporate website ([www.sinochem.com](http://www.sinochem.com)). The Chinese version of this Report is release in both hardcopy and in electronic copy.

### REPORT SCOPE

This Report covers Sinochem's activities between January 1, 2009 and December 31, 2009. Unless otherwise stated, all data and cases presented in this Report are derived from Sinochem and its subsidiaries and affiliated enterprises except for non-controlling shareholding enterprises.

### REPORT GUIDELINES

This Report adopts the reporting guidelines set forth in the Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities issued by the State Assets Supervision and Administration Commission (SASAC) of the State Council in January 2008. This Report is also in compliance with the ten principles of the United Nations Global Compact (UNGC) and the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines.

### CONTENT SELECTION

The content of this Report was selected based on the GRI Reporting principles for defining report content - materiality, stakeholder inclusiveness, sustainability context and completeness, and was prioritized according to the corporate strategy of Sinochem, key sustainability issues identified, and the results from interviewing stakeholders.

### DATA COLLECTION

All data and cases presented in this Report are collected from documents and statistics of Sinochem and its subsidiaries.

All monetary figures in this Report are denominated in Renminbi (RMB) unless otherwise noted.



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## PRESIDENT'S MESSAGE

The ending of 2009 brought the first decade of the new millennium to its conclusion. During this decade, the world has changed significantly: On the one hand, globalization has flattened the world, and technology progress spearheaded by Internet technology presented the world a promising future; on the other hand, incidents such as September 11th, the SARS epidemic, the global financial crisis, extreme weathers and climate disasters, etc. had caused us great concerns about the future. Confronting both these hopes and concerns, we had developed a profound understanding of the corporate citizen responsibilities upon our shoulders.

As a multinational company, Sinochem maintains the core philosophy of “Creating Value and Pursuing Excellence” and is committed to creating values for both our shareholders and the entire society. We understand that as an enterprise that consumes natural and social resources, Sinochem has the duty and mission to create not only rich economic values but also social and environmental values.

Following this principle, Sinochem overcame a number of challenges in the last decade, such as the Asian financial crisis, the restructuring of China's petroleum industry, and the deregulation of the Chinese fertilizer industry, etc. Meanwhile, we accelerated the strategic restructuring of our businesses and improved management so as to better create values for our stakeholders including shareholders, customers, employees, etc., to better serve the country, and to better contribute to society. In 2009, we still firmly stood by our corporate values during the severe adversities and kept pursuing good performance, resource security, technological progress, environmental improvement, and philanthropic contributions. We also took the opportunity of becoming a signatory of the United Nations Global Compact (UNGC) to further explore how to develop an effective corporate social responsibility management system. In 2009, we also launched the specified strategic appeal for “the Third Long March” to set course for our development in the next decade, as well as put forward more specific requirements for the responsibilities upon our shoulders.

2010 marks the 60th anniversary for Sinochem. Looking back to our journey the responsibilities upon our shoulders have been evolving as the country and society moved forward and market conditions changed. However, what remains unchanged is our strong commitment to our responsibilities and our efforts to fulfill them. Faced with the challenges and opportunities in the time of the new economy, we will stick to our core philosophy and our missions and commit to further improving our responsibility management and practice, so as to achieve our goal of becoming a company that “commands respect and influence worldwide” and contribute to a better future for all.



President & CEO

## CORPORATE PROFILE

As one of the key state-owned enterprises under the supervision of the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC), Sinochem Group has been named to "Fortune Global 500" for 19 times, ranking the 170th in 2009.

During the 60 years since its incorporation, Sinochem is committed to creating value for the nation and greater society. By actively exploring corporate development models, Sinochem has transformed itself from a traditional state-owned trading company into an innovative enterprise with scientific management, strong core competence, and significant influence in related industries.

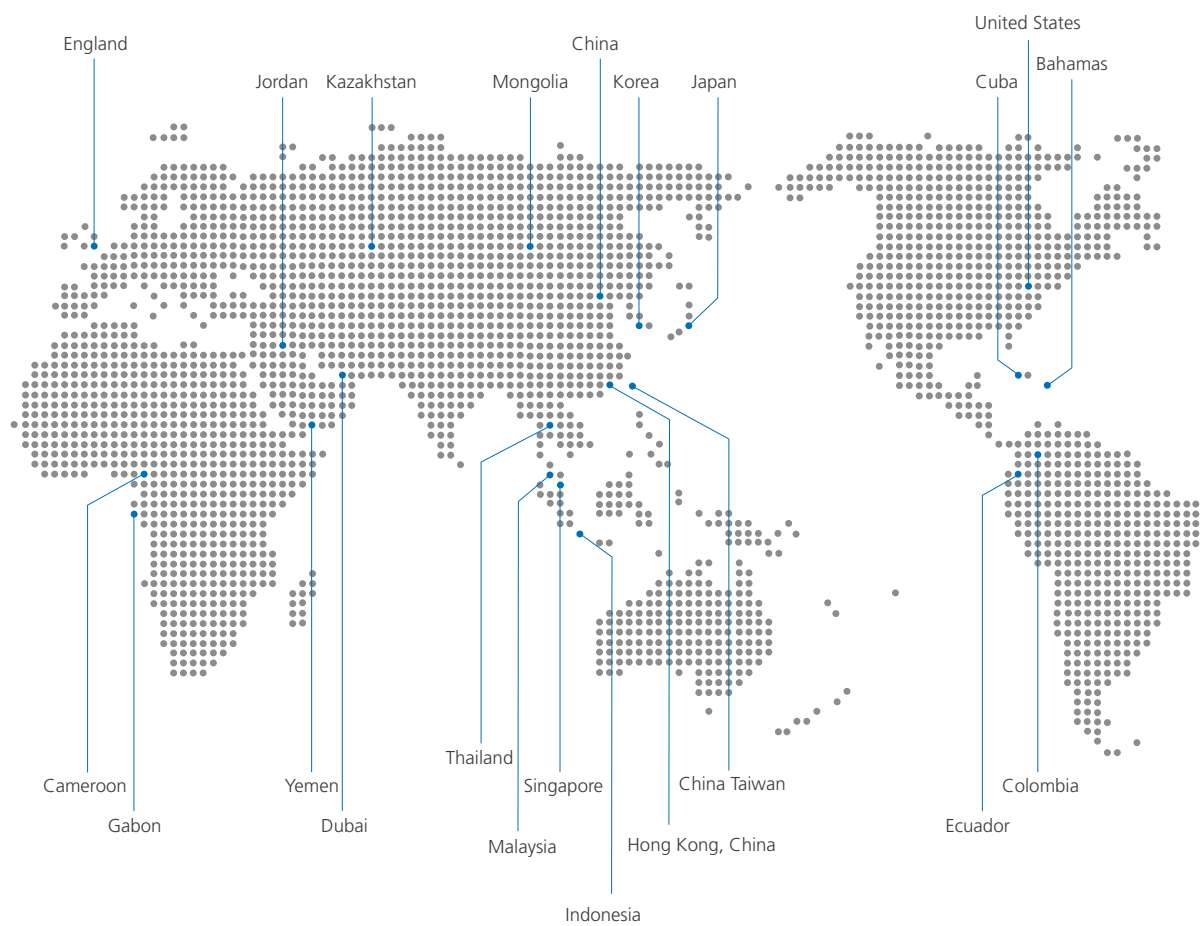
Sinochem has five business segments including energy, agricultural, chemical, finance and real estate. It is China's fourth largest national petroleum company, China's largest integrated operator of agricultural inputs (fertilizers, pesticides, and seeds), and a leading comprehensive service provider of chemical products. It also commands strong influence in China's non-banking finance industry and high-end commercial real estate industry.

Sinochem has more than 200 branches and subsidiaries both in China and abroad, among which, there are three listed companies, namely Sinochem International Corporation (SSE, 600500) ("Sinochem International"), Sinofert Holdings Limited (HK, 00297) ("Sinofert"), and Franshion Properties (China) Limited (HK, 00817) ("Franshion Properties"). In June 1st, 2009, Sinochem made a major move to inject most of its assets into a shareholding entity "Sinochem Corporation". More than 40,000 employees emulate Sinochem's spirit of exploration and innovation, follow its core philosophy of "Creating Value and Pursuing Excellence", and try their utmost to make Sinochem a great company that commands respect and influence worldwide.

### Basic Information about Sinochem

Company Name	China Sinochem Group Corporation
Registered Capital	RMB 10.17 billion
Company Founded on	March, 1950
Assets	RMB 171.60 billion
Headquarters Address	F6-12 Central Tower, Chemsunny World Trade Center, 28 Fuxingmennei, Beijing, China

## Global Offices of Sinochem







## Energy Business

### Profiles

Sinochem has built a complete energy industrial chain globally with outstanding marketing capabilities. In the future, Sinochem will keep developing specialized services, optimizing resource allocation, and promoting consorted development of the petroleum industrial chain.

- Oil and gas resources owned keep increasing
- Strong ability to secure overseas oil supply
- Stable and extensive global sales network
- Growing domestic product oil retail network
- Leader of commercial petrochemical storage in China
- Modern refining capacity continues to grow

### Key Social Responsibilities

- To ensure national energy security
- To participate in national energy strategic reserve program
- To manage HSE issues in production and transportation
- To develop a responsible supply chain



## Agricultural Business

### Profiles

Sinochem's agricultural business covers three areas - fertilizers, pesticides and seeds. It is committed to becoming China's largest and the world's leading comprehensive service provider of agricultural inputs, contributing to China and the world's agricultural development and food supplies.

- China's largest fertilizer distributor and largest supplier of imported fertilizer, one of China's largest fertilizer producers
- Based in China, allocating resources globally to ensure China's food security and agricultural development
- China's leading pesticide company with global existence and a complete industrial chain
- The only national leading enterprise in the seed industry, twice named by the Ministry of Agriculture as the No.1 of the Top 50 Chinese Seed Companies

### Key Social Responsibilities

- To serve agricultural development and ensure food security with secure supply of agricultural inputs
- To improve quality of products and services
- To improve distribution and service system and enhance the content and quality of services it offers
- To research, develop and promote advanced technology and products
- To disseminate agricultural technology in order to reduce agricultural production cost and protect agricultural ecology



## Chemical Business

### Profiles

While Sinochem retains the leading position in the domestic chemical distribution area, it has actively expanded into the upstream sectors of R&D and manufacturing, and made significant progress in the segments of fluorine chemicals, natural rubber, chemical logistics, etc.

- Fluorine chemical business has a strong industry influence with a relatively complete industrial chain and an extensive product line
- As China's largest natural rubber marketer and distributor, Sinochem's natural rubber business covers a full global industry chain ranging from planting, processing, marketing to distribution. Its global processing capacity ranks No.1 in China
- As China's largest owner of hazardous chemical parcel tanker fleet and ISO tanks, Sinochem retains its leading position with the highest safety standards of the industry and advanced HSE management

### Key Social Responsibilities

- To expand service content and provide customers with satisfactory services
- To promote safety and environmental protection in production and transportation
- To care for climate change and conserve energy
- To promote economic development by provide comprehensive services to related industries
- To speed up industrial progress by developing and promoting the use of new materials and new technologies



## Financial Business

### Profiles

Sinochem's non-banking financial business comprises financial leasing, trust, securities investment and fund management, life insurance, and financial futures, etc. With strong efforts made in business development and risk control, its profitability, competitiveness and influence keep improving.

### Key Social Responsibilities

- To strictly control risk to protect and increase the values of investors' assets
- To comply with regulations and improve the ethics and professional competence of employees
- To provide customers with satisfactory financial services
- To promote economic development by proving financing for small and medium-sized enterprises
- To develop and provide responsible insurance services



## Real Estate Business

### Profiles

Sinochem's real estate business comprises high-end commercial properties development, property leasing and hotels. As one of China's largest high-end commercial real estate company, its asset size and operating efficiency are both in leading position in China.

### Key Social Responsibilities

- To construct convenient and high quality environment for urban life and business
- To provide satisfactory property management and hotel services
- To develop and promote environmental friendly building technology

# 01 CORPORATE GOVERNANCE AND RISK CONTROL

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Sinochem sped up the development of the modern enterprise system and improved management performance by restructuring the overall business group. Meanwhile, it actively enhanced its corporate governance at all levels with strengthened risk control and internal control and improved corruption prevention system so as to pave the way for its restructuring.



## COMPLETING CORPORATE RESTRUCTURING

Sinochem Group is one of the key state-owned enterprises under the supervision of SASAC. In 2008, Sinochem Group initiated the restructuring process approved by SASAC, which resulted in the founding of Sinochem Corporation on June 1, 2009.

Sinochem Corporation was co-founded by Sinochem Group and China Ocean Shipping (Group) Company ("COSCO"). The total outstanding share of the company is 39.8 billion among which Sinochem Group holds 98% of the equity while COSCO holding the remaining 2%. Sinochem Corporation took over the management of Sinochem Group's business operations on September 15, 2009.

Sinochem Group's Party Committee make decisions on personnel



## IMPROVING CORPORATE GOVERNANCE

Sinochem Group's Party Committee make decisions on personnel arrangement for key positions and the development strategy of the Group and its implementation. Sinochem Group was under the supervision of the Board of Supervisors dispatched by SASAC. Meanwhile, employee representatives participate in supervising management decisions of the Group to protect the rights and interests of Sinochem employees.

As the operational entity of Sinochem Group, Sinochem Corporation inherited from the Group its sound corporate governance principles of clearly defined responsibilities, scientific decision-making, and comprehensive management and control. Sinochem Corporation, as well as its three subsidiaries that were listed – Sinochem International, Sinofert, and Franshion Real Estate, had established a complete set of governance systems according to the requirements of the Company Law of China that consists of general meeting of shareholders, board of directors, the supervisory board and related regulations and procedures.

Sinochem Corporation assigns board members and senior management personnel to its subsidiaries and affiliated enterprises to ensure a sound governance structure that is capable of implementing Sinochem's strategy, vision, philosophy and management systems.

## IMPLEMENTING TOTAL RISK MANAGEMENT

Sinochem has established and perfected a unique comprehensive internal control system that focuses on risk control and covers the entire operation process including prevention, supervision and evaluation. Through implementing the Separation of Operation Processes program and the Check and Balance System for Authorization, Sinochem effectively separated its business operation, risk management and financial transactions apart and reduced its overall risk level accordingly.

As the market condition deteriorated because of the financial crisis in 2009, Sinochem made great efforts to implement total risk management required by SASAC by scrutinizing, monitoring and managing major operational risks and making adjustment to its risk strategy accordingly. As the result, Sinochem maintained stable operation and was immune from big losses from risks throughout 2009.

In 2009, Sinochem intensified its management of investment risks, liquidity risks, project risks, HSE risks, and market risks by clarifying the responsible entity, perfecting its total risk management system, and establishing regular control mechanism for major risks and effectively developed the capabilities of predicting, controlling, withstanding and managing major risks.

2009 Sinochem's Implementation of Total Risk Management



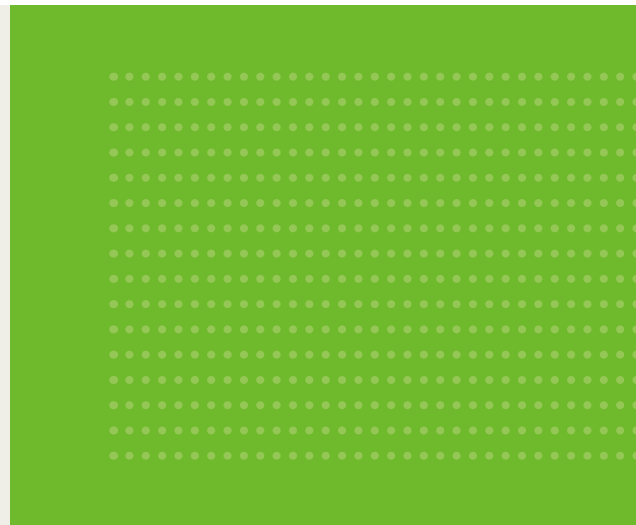
- Researched on trends of major risks
- Applied early warning and control measures according to contingency plan
- Adjusted risk strategy according to changes in market situation and risk environment
- Identified major risks and develop the risk tree
- Evaluated probabilities and potential impacts of major risks
- Specified risk management strategy and solutions
- Established a Total Risk Management Working Group that consists of 367 people from six functional departments and 20 operational entities;
- Intensified training and commutations and established the Total Risk Management Communication Platform.

## PERFECTING CORRUPTION PREVENTION

Sinochem made constant improvement of its corruption prevention system by integrating corruption prevention with internal control. In order to prevent corruption from the source, Sinochem focused its efforts on training, system development and supervision by intensifying supervision with performance checks, onsite reviews and dispatching onsite supervisors, as well as organizing trainings on professional integrity and corruption prevention.

### Sinochem's Major Anti-Corruption Activities in 2009

performance checks were conducted	24
remedy measures were implemented	28
senior executives signed corruption prevention responsibility commitment	57
people on key positions signed corruption prevention commitment	209
corruption prevention events were organized for management staff	436
face-to-face talks on corruption prevention were conducted	255
management staff filed Personal Interest Disclosure	227
trainings on corruption prevention were organized	22
employees participated in trainings on corruption prevention	1157



## 02 CSR MANAGEMENT AND STAKEHOLDER ENGAGEMENT

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We would rather be an eagle soaring above instead of a sparrow resting in bushes. We are committed to making Sinochem a first-class organization guided by forward-looking visions that constantly strives for perfection, and an industry role model that commands respects and influence worldwide.

孙 祖 林

## FOSTERING A GENE OF RESPONSIBILITY

Corporate social responsibility (CSR) has been instilled into the corporate gene of Sinochem and embodied in its missions, its vision, as well as its operations. Sinochem's goal is to become a company that commands respect and influence worldwide, which is also a journey of fulfilling its social responsibility.

### Our Core Philosophy:

Creating Value and Pursuing Excellence

### Our Missions:

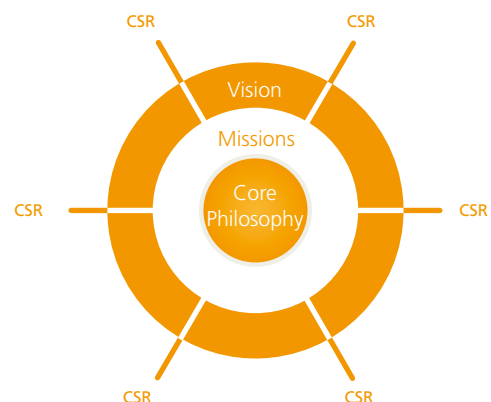
To become an industry role model in terms of innovative technology, efficient use of resources and environmental protection;

To become a force that can be relied on for national agricultural and energy security as well as the advancement of chemical technologies in China;

To become a company with a strong sense of social responsibility that commands respect and influence worldwide.

### Our Vision:

To become a company that commands respect and influence worldwide.





## CSR STRATEGY

Sinochem has made CSR part of its corporate gene that is integrated in its core philosophy, its missions, its vision, its business operations, and its engagement with stakeholders. Sinochem works to achieve its responsibility goals by integrating its CSR strategy with its business strategy.

Sinochem's CSR Strategy



### ● Sinochem's CSR Gene

### ● Three Integrations

The integration of CSR and core value, missions and vision

The integration of CSR and major business segments

The integration of CSR and stakeholders engagement

### ● Five Responsibility Goals

- By providing good returns and generating capital value, being a company that fully satisfies its shareholders (the state);
- By sharing win-win situation with our clients and customers, being a company that businesses and individuals can trust;
- By treasuring its staff and growing together with them, being a company that people love to work for;
- By protecting the environment and conserving resources, being a company that exists in harmony with nature; and,
- By adhering to law, valuing ethics and giving back to society, being a company that is respected by everyone.

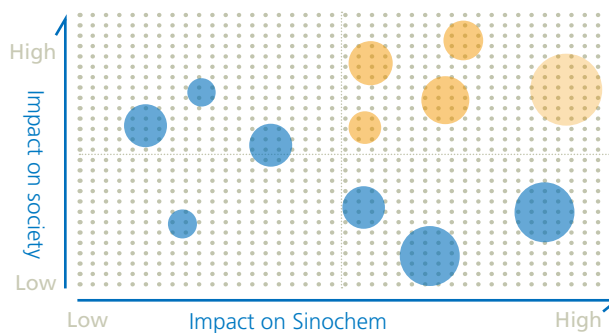
## CSR MANAGEMENT AND DEVELOPMENT

Sinochem attached great importance to CSR management. It established a CSR management system and integrated CSR management with corporate governance and the day-to-day management of business operations. Sinochem identified its key CSR issues by comparing the impacts of relevant issues on the Group and on society.

Sinochem established its CSR Committee in 2007 and invited stakeholder representatives to join the Committee to monitor its CSR performance and give their feedback and advice. The Group also started releasing annual CSR report in 2007, using report preparation as an opportunity to education employees and communicates with external stakeholders, to identify CSR issues and evaluate CSR performance of the Group, to obtain feedback to improving its CSR performance, and to better integrate CSR with business operations.

Some Sinochem subsidiaries also made significant efforts to strengthening their CSR performance: Sinochem International and Sinofert published annual CSR reports; Sinochem-Gree Harbor Service Company Limited (Sinochem-Gree) published Health, Safety and Environment (HSE) report. Sinochem Lantian Company Limited (Sinochem Lantian) added environmental and safety requirements in its supplier review in 2009.

Identifying Key CSR Issues



### ● Other issues

- Resource security / industry services / Talent development / HSE / Philanthropy

Sinochem was accepted as an official signatory of the United Nations Global Compact (UNGC) in October 2009. The Global Compact is one of the most important and influential international organizations and communication platforms for social responsibility. Becoming a UNGC signatory will

help Sinochem further improve its CSR management and performance. Sinochem will start publish a Communication on Progress (COP) in 2010 about its efforts and progress in implementing the Ten Principles of the UNGC

#### Sinochem's Implementation of the UNGC Principles

Issue	Principle	Sinochem's Activities
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.	<ul style="list-style-type: none"> <li>• To comply with by international conventions and custom that recognized by the Chinese government;</li> <li>• To respect the "the Universal Declaration of Human Rights", "United Nations Civil and Political Rights" and other conventions and declarations;</li> <li>• To strictly comply with state and local labor laws and regulations to protect the interests and rights of employees;</li> </ul>
Labor Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labor; Principle 5: the effective abolition of child labor; and the elimination of discrimination Principle 6: in respect of employment and occupation.	<ul style="list-style-type: none"> <li>• To standardized management of labor and there was no incident of violation of labor laws and regulations occurred in 2009;</li> <li>• To maintain workforce equality and diversity, and prohibit discrimination and the use of child labor and forced labor;</li> <li>• To provide employees with social security and other benefits in compliance with laws and regulations;</li> <li>• Improved hiring procedures in 2009;</li> </ul>
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and encourage the development and Principle 9: diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> <li>• To implement strong safety and environmental management;</li> <li>• To conserve energy; 2009 energy efficiency much better than the target number required by government;</li> <li>• To actively engage in R&amp;D of ozone-depleting substances (ODS) ;</li> <li>• To develop new cooling media for wind turbines together with China Academy of Science;</li> </ul>
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> <li>• To perfect corruption prevention system relying on internal control system;</li> <li>• To modify discipline and inspection system and incorporate integrity performance into KPIs;</li> <li>• To implement to on-site inspection system;</li> <li>• To incorporate anti-corruption and integrity training into employee training system.</li> </ul>

## STAKEHOLDER COMMUNICATIONS

The key stakeholders of Sinochem include the government, shareholders, customers, business partners, suppliers, employees, environment and community.

Responsibility Goal	Stakeholder	Key Issues	Communication Approach
By providing good returns and generating capital value, being a company that fully satisfies its shareholders (the state).	Government	To increase value of state-owned asset To ensure national energy security, agricultural security and chemical industrial development To comply with laws and regulations	Regular reporting Participation in policy making Participation in government project
	Shareholder	To enhance competitiveness and profitability To improve governance To improve internal control and risk management Information disclosure	Shareholder meeting Investor communication Information disclosure
By sharing win-win situation with our clients and customers, being a company that businesses and individuals can trust.	Customer	To meet customers' needs Product and service quality	Collect feedback Handle complaints Clients reward event
	Partner, supplier and industry peer	Technological development To Improve sector-wide management Develop strategic alliance with partners up and down stream	Join business association Supply chain management and partnership Engage in sector wide policymaking
By treasuring its staff and growing together with them, being a company that people love to work for.	Employee	Reasonable salary Career development and training Create a good working place	Employee meeting Collect feedback Training
By protecting the environment and conserving resources, being a company that exists in harmony with nature.	Environment	Use resource in a reasonable way Improve energy efficiency Promote low carbon economy Improve HSE management	Regularly communicate with MEPS and environmental group
By adhering to law, valuing ethics and giving back to society, being a company that is respected by everyone.	Community	Care people's life Charity program Serve community	Communicate with government and other NGOs

Sinochem values and maintains smooth communications with external stakeholders to understand and respond to their expectations regarding fulfilling its social responsibilities. In June 2009, Sinochem's 2008 CSR Report was awarded the "2009 Outstanding Customer Special Award" in the event co-hosted by China Business Council for Sustainable Development (CBCSD) and other organizations.







## 03 A JOURNEY OF SHOULDERING RESPONSIBILITY

The development of Sinochem in the last 60 years is a chronicle of how a state-owned foreign trade enterprise evolved as well as a journey of the Group's shouldering its responsibilities to society.

These 60 years witnessed a difficult but spectacular journey of Sinochem's development, during which Sinochem has evolved from a specialized import and export company with the initial mission of breaking the “blockade” and “embargo” that were imposed upon China at that time, to the first Chinese enterprise that qualified for the Global 500 after experimenting with new development models after China's reform, to a company that was confronted with tremendous difficulties and crisis in 1998, and to a new state-owned enterprise with strong competitiveness and industry influence at present.

Even though the responsibilities upon our shoulders varied in the different stages of our development, there is one thing that has never changed — as a key state-owned enterprise, Sinochem is committed to fulfilling its missions and corporate citizen responsibilities along its pursuit of sustainable development, including contributing to national stability, economic development and social progress of China, developing in harmony with the society and environment, and becoming a respected role model in terms of industry contribution as well as ethics.

**1952**

signed trade agreement between China and Sri Lanka



**1956**

Rubbers imported from Singapore arrived in Shanghai



**1966**

Signed fertilizer trade agreement with Japan



**1973**

In charge of the export of crude oil produced in Daqing to Japan



## THE DEVELOPMENT OF SINOCEM

After the founding of the New China, China Import Company, the predecessor of Sinochem, was established on March 10, 1950 with the mission to develop foreign trade in order to break the “blockade” and “embargo” that the Western countries imposed upon China. During that time, Sinochem broke the blockade and developed trade channels with Western countries, importing rubber, fertilizers, plastic sheeting for farming use, etc. that were urgently needed in China in large quantities.

In the 60s and 70s of last century, Sinochem actively expand its trade arrangement globally. As one of China's specialized importers of petroleum and chemicals, Sinofert made great contribution to China's development.

After China started the reform and opening up, Sinochem made efforts to experiment with new development approaches and accelerated its expansion efforts. Recognized as the leading foreign trade company in China, Sinochem had played a significant role in the reform and development of China's foreign trade system.

In 1998, Sinochem was challenged with a severe payment crisis that was triggered by the deteriorating Asian financial crisis, the reform of China's petroleum and fertilizer industries, and the conflicts accumulated in the Group's

previous expansions. After the crisis was solved, Sinochem analyzed the causes of the crisis and initiated management improvement and strategic transformation. Since then, the Group experienced ten years of rapid growth and transformed itself from a traditional foreign trade company that relied heavily on government policy niches to a new state-enterprise with advanced concepts, standardized management, and global existence and strong influences in related industries.

In 2009, faced with the opportunities and challenges triggered by the global financial crisis, Sinochem launched the strategic appeal for “the Third Long March” at the time of its overall restructuring.” The Third Long March” spelled out that in the next decade, Sinochem was going to quadruple total profit, to greatly enhance the position and competitiveness of its major businesses, and to build management advantage by adopting the mindset of Lean Management. Eventually, Sinochem will become a national leading and world influential global conglomerate and lay a solid foundation for realizing its vision of being “a great company that commands respect and influence worldwide”.

**1989**

Acquired the assets of the U.S. Agrochemical Company, a subsidiary of U.S. Steel



**1999**

Initiated the “Management Improvement Project”



**2008**

The Group's UAQ offshore gas field started production



**2009**

Sinochem Corporation was established



## A JOURNEY OF SHOULDERING RESPONSIBILITY

Over the last decade, Sinochem has overcome the market difficulty caused by the deregulation of the import and export sector in China and the payment crisis triggered by the Asian financial crisis and transformed itself from a crisis-ridden traditional foreign trade enterprise into a new state-owned enterprise with strong competitiveness and industry influence. During the process, Sinochem's CSR vision also evolved with a more comprehensive system of social responsibilities.

However, the further development of Sinochem still faces many challenges. Internally, Sinochem still faces the challenges of weak industrial base, weak industry position, and unstable competitive advantages because of the fact that it started as a trade company, detrimental to Sinochem's endeavor to achieve its mission of becoming a force that can be relied on for national agricultural and energy security as well as the advancement of chemical technologies in China. The Group needs to further explore new development approaches from the perspective of CSR during the transformation.

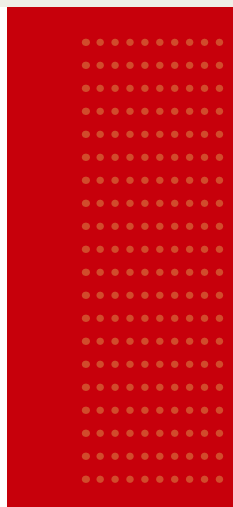
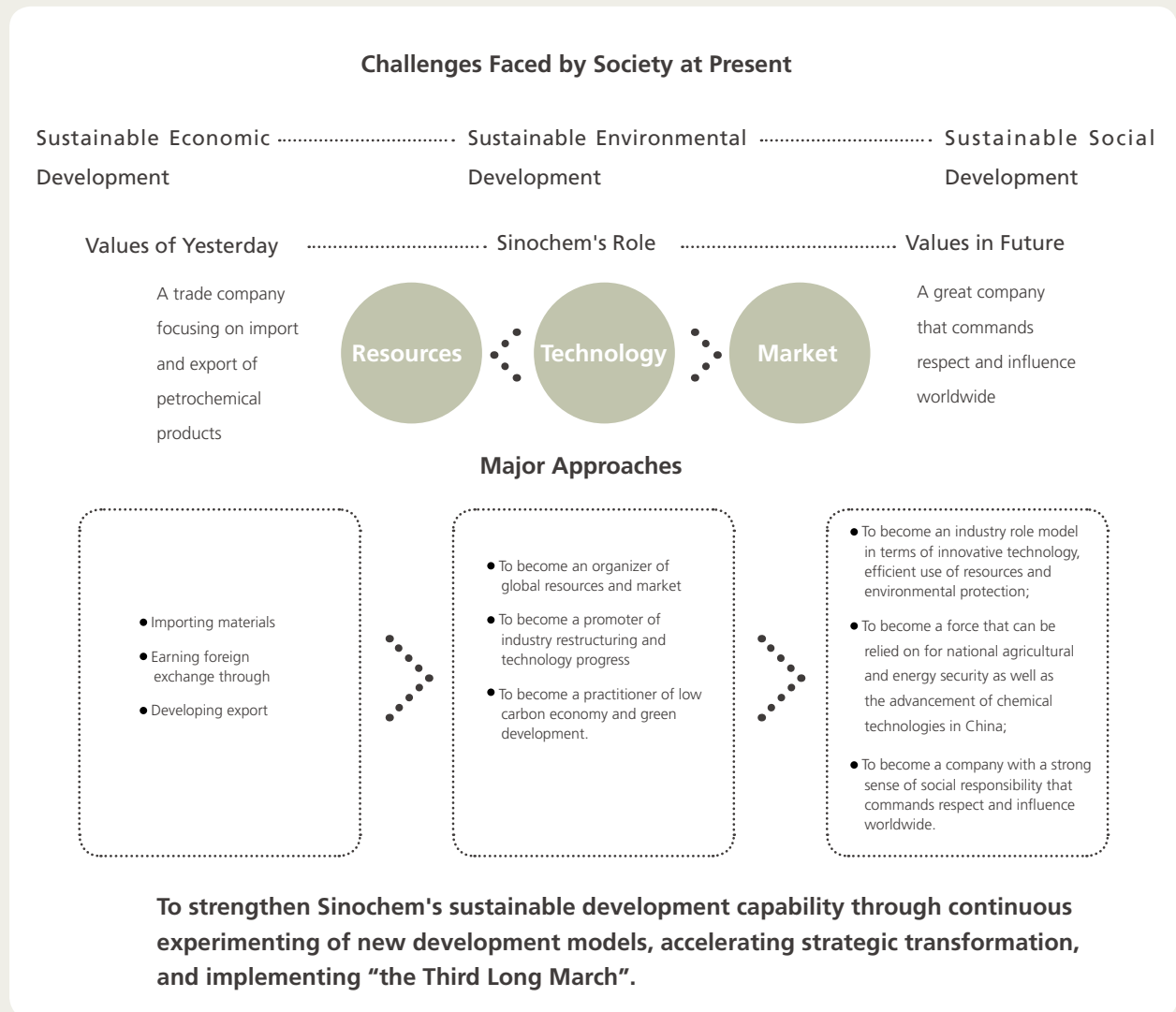
Externally, Sinochem's vision of becoming "a great company that commands respect and influence worldwide" faces a number long-term challenges such as diminishing resource and energy supplies, climate change, environmental degradation, and cultural conflicts, etc. caused by globalization. All these challenges also need new solutions from the perspective of CSR.

Therefore, "The Third Long March" is both the internal need of Sinochem's achieving sustainable development, as the realistic need of its efforts to meet its external challenges. In order to achieve its vision of becoming "a great company that commands respect and influence worldwide" by strengthening industrial base, improving market positions, and follow a unique industry development, Sinochem needs the recognition from its stakeholders. Accordingly, Sinochem's "The Third Long March" is also the process of achieving the total integration of the CSR management with its business operations.

The responsibility and missions of both a key state-owned enterprises and an independent market entity encourages Sinochem to meet its stakeholders' expectations through increased efforts in fulfilling its responsibilities to promote economic development, environmental protection and social progress on top of fulfilling its political responsibility of ensuring China's energy and agricultural security. Sinochem will always march in the forefront of industry development with outstanding performance in industry security and development, taxation, employment and talent development, and production safety, etc.



## Evolution of Sinochem's Responsibilities





## 04 2009 SOCIAL RESPONSIBILITY PERFORMANCE

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Sinochem is both a company that operates globally and a key state-owned enterprise that operates in key sectors such as energy and agricultural products. Sticking to the principle of focusing on market trend and the opportunities generated by the globalization of the world economy, the development of the Chinese economy, and the integration of China's growing market economy with the global economy. To be specific, Sinochem will focus on key businesses of energy, agricultural and chemical businesses and strengthen its core competence and influence in these business segments, so as to play the role of “the main force” and “national team” in China's economic development and social progress as a key state-owned enterprise.



## ENSURING RESOURCE SUPPLIES AND SERVING THE NATIONAL ECONOMY

As one of the first national import and export companies in China, Sinochem had the opportunity of ensuring resource supply for China's economic development since its founding. Since then, Sinochem sticks to its responsibility goal of becoming a company that fully satisfies its shareholder – the state, focusing on ensuring China's energy and agricultural security and the advancement of the Chinese chemical industry as its core businesses, implementing its strategic transformation guided by the industry service strategy, enhancing core competence and performance, creating value for shareholders, and contributing to the sustainable development of the national economy.

### ● Ensuring Energy Supplies

As China's fourth largest state petroleum company, Sinochem has been committed to safeguarding the national energy security by drawing upon the resources, channels and operation advantages at home and abroad to provide oil and gas supply for the economic and social development of China. Sinochem also actively participates in China's development of the strategic oil reserve network and the research for the nation's planning for the energy sector, playing an increasingly important role in China's energy security strategy.

### Developing a Complete Energy Industrial Chain

Sinochem keeps on enhancing its capability to allocate oil and gas resources globally with diversified resource acquisition channel. It maintains long-term cooperation with major oil producing countries and oil companies in the world and has constructed a combination of long-term contracts and spot market trading for imports.

In 2009, Sinochem continued to expand into the upstream sector, and actively strengthened its capability to allocate oil and gas resources and to serve its customers globally. Sinochem further strengthen its long-term cooperation with major global oil companies and expanded into product oil business. In the domestic market, Sinochem made great efforts to extend its product oil distribution network that covering North, South and East China.



#### Acquisition of Emerald Energy Plc.

In October 2009, Sinochem successfully acquired Emerald Energy Plc., a London-listed energy company, which was the first time that a Chinese enterprise acquired a London-main-board-listed company.

### Participating in National Energy Planning

Sinochem also actively participates in the research for the China's planning for the energy sector. In 2009, Sinochem successfully completed the 15 oil and gas related geological study projects and two block selection projects organized by the Ministry of Land and Natural Resources, as well as the Study on Oil Procurement Strategy for National Oil Reserve organized by the General Administration on Energy of the National Development and Reform Commission, contributing to lowering the procurement cost of China's national oil reserves.

### Fulfilling Strategic Oil Reserve Tasks

In 2009, Sinochem continued to facilitate the development of the petrochemical storage and logistics facilities, with 13 million cubic meters of storage capacity ready or under construction, covering the Yangtze River Delta, Pearl River Delta, and the Bohai Bay area, further increased its industrial

position and influence in the petrochemical storage and logistics market.

Participating in the national strategic energy reserve program is an important responsibility of the Group. In 2009, Sinochem's Zhoushan National Strategic Petroleum Reserve Project started receiving national reserve crude oil after the first phase construction was completed in the previous year. Sinochem also started receiving national reserve product oil in 2009.

In the future, Sinochem will speed up the development of the energy business through specialized operation, optimization of resource allocation, and the coordinated development of the oil industrial chain, so as to achieve a synchronized growth of oil and gas production and the benefits it brings to the economy and society.

Layout of Sinochem's Oil Storage and Logistics Network

- ① Bohai Bay Area: Sinochem Tianjin Petrochemical Terminal, Beijing Petrochemicals Development and Supply Co., Ltd.
- ② Yangtze River Delta: Sinochem Xingzhong, Sinochem Xingyuan, Zhoushan Zhongwei Oilstore, Sinochem Orient Petrochemical Terminal, Sinochem Nantong, Sinochem Yangzhou, Zhoushan National Strategic Petroleum Reserve.
- ③ Fujian Province: Sinochem Quanzhou Petrochemical Terminal
- ④ Pearl River Delta: Sinochem-Gree



## Overview of Sinochem's Energy Business



## Sinochem's Major Efforts to Ensure Energy Security in 2009

## Optimization of Resource allocation

- Completed comprehensive geological study on oil bearing areas in the north part of South America and North Africa.
- Completed the acquisition of Emerald Energy Plc.
- Owned 25 oil and gas blocks and recoverable oil and gas reserve of 234 million barrels at the end of 2009
- Oil and gas equity output reached 13.74 million barrels (oil equivalent) at the end of 2009, up by 40% compared with last year.
- Imported over 50 million metric tons of crude and product oil from over 20 countries such as Oman, Iraq, Saudi Arabia, Qatar, UAE, Angola, Brazil, etc.

## Enhancing Distribution Service Capability

- **Crude oil:** Sinochem tapped upon market and customer resources with innovated business models; enhanced core competence in crude oil business; annual trading volume of crude oil reached 48 million metric tons.
- **Product oil:** Sinochem intensified operation with global producers; actively developed domestic end user market; achieved a significant increase in sales of light oil
- **Storage & logistics:** Sinochem strengthen its integrated operation; total storage capacity reached three million cubic meters approximately; completed tasks under the national strategic reserve crude and product oil programs; and Sinochem Yangzhou project started operation.
- **Gas stations:** Developed a network with a total of 115 gas stations.

## Key Indicators of Sinochem's Energy Business

	2007	2008	2009
Crude Oil Trade Volume (million metric tons)	36.84	37.46	48.02
Crude Oil Production (million barrels [oil equivalent])	7.27	9.77	13.74
Light Oil Sales Volume (million metric tons)	3.82	3.08	4.61
Petroleum Storage Capacity (million cubic meters)	1.93	2.50	2.91

## ● Safeguarding Agriculture Security

Agricultural security ensures the stable development of China's national economy and society. Sinochem continues to enhance its capability in organizing resources and serving the market to contribute to the sustainable development of the Chinese agriculture with secure supplies of agricultural inputs and extensive services.

### Safeguarding Supplies and Serving Agricultural Production

In the fertilizer business, Sinochem actively formed strategic alliances with global suppliers and improved the core supplier system, so as to enhance its capability to meet market demand by importing and developing strategic stockpile of high-quality potash, phosphate and sulfur resources from overseas. Sinochem also actively tapped the potash and phosphate resources in Qinghai, Yunnan and Guizhou provinces and increased production capacity by building up 13 production enterprises and implementing lean management. Sinochem participated in China's annual off-season fertilizer reserve program and stored up 2.15 million tons of fertilizers in 2009, playing an important role in maintaining the stability of the Chinese fertilizer market.

In the pesticide business, Sinochem further consolidated its control of the industrial chain and sped up the development of environmentally friendly pesticide products, making progress in achieving its strategic transformation of becoming an organizer of global pesticide resources that focused on brand building.

In the seed business, Sinochem made great efforts and formed four seeds breeding, production and processing powerhouses in Northwest China, Southwest China, South China, and the lower Yangtze River area and incorporated corn seeds, rice seeds, vegetable seeds and oil seeds into its product portfolio.

Sinochem has build up a syndicated fertilizer distribution and service network to serve farmers, reaching major agricultural counties in China and 90% of China's arable land. In 2009, Sinochem also developed 4,100 pesticide distribution centers while adding pesticide to the product mix of its fertilizer distribution network, and six strategic regional centers and 22 provincial-level distribution and service centers for its seed business.

Sinochem applies strict quality control measures to ensure the quality of agricultural inputs it produces and deals.

Key Indicators of Sinochem's Fertilizer Business

	2007	2008	2009
Total Annual Sales Volume (million tons)	15.02	16.22	15.23
Total Production Capacity (million tons)	7.45	10.16	10.34
Number of Distribution Centers	1672	2010	2036

Industrial Layout of Sinochem's Agricultural Business

- Fertilizer producer
- Pesticide production base
- ⊗ Seed production area





### Increasing R&D Input and Supporting Industry Progress

Sinochem actively increase R&D inputs and expand its cooperation with research institutions to develop more efficient and more environmentally friendly agricultural input products.

In fertilizer business: Sinochem and its subsidiaries invested RMB 180 million in R&D and technological innovation of fertilizer products. The Group also completed the technological transformation of its affiliated production enterprises of nitrogen fertilizers. Sinochem Shandong and Sinochem Oriental, both subsidiaries of Sinofert, were granted the High-Tech Enterprises status.

In pesticide business: Sinochem owns Shenyang Research Institute for Chemical Industry ("Shenyang Institute") and Zhejiang Chemical Research Institute ("Zhejiang Institute"), known as China's two national pesticide R&D centers, which represents the best R&D capability of China in this fields and lead many important national R&D projects.

In seed business: Sinochem had shaped a commercial breeding model and specialized research. The Group plans to build

"China Seeds Life Science Technology Research Center" as the world-class and China's leading powerhouse for China seeds technology's research, application and industrialization. It is the largest investment to date by a Chinese seeds enterprise trying to develop home-grown technology. Sinochem also worked with 53 domestic research institutes, universities, industrial peers and seeds industry societies to launch "China Seeds Science and Technology Innovation Alliance" to push forward the synergy between research institutes and industrial players. In 2009, Sinochem submitted close to 100 crop varieties to state and provincial authorities for review.

Looking into the future, Sinochem will continue to take China's agricultural production and food security as its responsibility. Focusing on fertilizer, pesticide and seeds business, Sinochem will further increase investment, and accelerate development to becoming China's biggest and world's leading agricultural service provider.



## Overview of Sinochem's Agricultural Business

**Fertilizer business**

- Largest fertilizer importer, supplier and distributor and service provider in China
- Most complete product mix and highest sales value of fertilizers in China
- The only Chinese producer with capacity of four major fertilizer categories

**Pesticide Business**

- A leading Chinese pesticide company with integrated industrial chain with global operation
- Competitiveness among the best of the domestic pesticide industry
- Market leader of high-end herbicide

**Seed business**

- China's only national seed company
- Research, breeding and testing centers in major agricultural areas
- Industry leader in terms of seed production and processing volume

## Sinochem's major efforts to ensure supply of agricultural inputs in 2009

Fertilizer Business	Pesticide Business	Seed Business
<ul style="list-style-type: none"> <li>• Maintained strategic alliances with major global suppliers</li> <li>• Increased capacity through implementing lean management</li> <li>• Annual capacity reached 10.34 million tons</li> <li>• 2,036 fertilizer distribution centers covers over 90% of China's arable land and sold 11.31 million tons of fertilizers in 2009; 85% of customers were at village and township level</li> <li>• Maintained position as China's largest fertilizer distributor and service provider in sluggish market with annual sales of 15.23 million tons, among which 75% were domestically made fertilizers</li> <li>• Successfully co-sponsored the 77th annual meeting of IFA in Shanghai</li> </ul>	<ul style="list-style-type: none"> <li>• Pesticide import and export ranked first in China</li> <li>• Pesticide production bases in Shenyang, Nantong and Lianyungang; total annual capacity over 100,000 tons</li> <li>• Developed and produced pesticide products with high-efficiency, low toxicity and low residual</li> <li>• Increase capacity through investing in Jiangshan Co., Ltd. and introduced technology from Monsanto</li> <li>• Started production in Southeast Asia</li> <li>• Shenyang Institute inaugurated the "National Key Lab for Pesticide R&amp;D" and continued the construction of "GLP Lab for Safety Evaluation"</li> </ul>	<ul style="list-style-type: none"> <li>• Four seed producing areas with over 300,000 mu of land</li> <li>• Built a 10,000 ton capacity corn seed processing center in Yunnan, and a 5,000 ton capacity rice seed processing center in Fujian</li> <li>• Upgraded seed processing center in Zhangye, Gansu province</li> <li>• Successfully completion its tasks for the national seed reserve program with higher quantity and more varieties; in 2008-2009, a total of two million tons of seeds were stored</li> <li>• Six strategic regional center and 22 provincial-level distribution and service centers cover major agricultural areas in China</li> </ul>



## ● Serving China's Economic Development

The main mission for “the Third Long March” is to explore an industrialization roadmap with Sinochem's own characteristics. Sinochem made great efforts to implement lean management and its strategic transformation, enhance its resource allocation capability, expand the scope and depth of the services it offers, and effectively support the stable development of China's national economy while achieving satisfactory performance results.

## Promoting the Upgrading of Traditional Chemical Industry

Sinochem has maintained its position as China's largest comprehensive provider of chemical products and related services. The Group continues to enhance its market position, competitiveness and industrial influence by strengthening its resource allocation and distribution capability that focuses on resources, technology and market, and by integrating business units to form specialized platforms. To date, Sinochem has established competitive advantage in several specific businesses, such as fluorine chemicals, natural rubbers, and medicine and chemicals logistics, and become an important force behind the advancement of chemical technologies in China.

As the leading fluorine chemicals provider with the most complete range of products in China, Sinochem's fluorine chemical business has formed a complete industrial chain covering resource development (fluorspar and hydrofluoric acid), R&D, production and marketing, with a product mix that includes ODS substitutes, fluoropolymers, fluorinated fine chemicals etc., and the only national R&D center for ODS substitutes in China that had developed many patents and participated in industry policy-making. In 2009, through strengthening innovation and increasing R&D input, completing the industrial value chain, and conducting lean management, Sinochem created an internal synergy in the fluorine chemical business.

# 3,000,000

Sinochem's storage tanks have a capacity of three million cubic meters.

# 570,000

Sinochem's hazardous materials warehouse has a capacity of over 570,000 cubic meters.

Sinochem entered into the natural rubber business over 50 years ago as an import agent, and has grown into an industrialized player with integrated international operation covering rubber planting, processing, marketing and logistics. Now Sinochem is China's largest natural rubber marketer and distributor and the third largest processor. In 2009, Sinochem completed the integration of the newly acquired Malaysia based EUROMA RUBBER and Singapore listed GMG Global Ltd. As on December 31, 2009, Sinochem's trading volume of natural rubber accounted for 4% of the global market.

Sinochem is China's leading third-party provider of petrochemical storage and logistics services, with a “T-shaped” logistics network spans across China from Dalian in the north to Zhuhai in the south, and from Shanghai in the east to Chongqing in the west. With the largest hazardous chemical fleet and ISO tank vehicles and the highest Health, Safety, and Environmental(HSE) standards in China, Sinochem provides comprehensive chemical logistic solutions for domestic and overseas clients. Sinochem was also invited by related authorities to draft industrial standards for the water transport industry for liquid chemicals in China, contributing to raising the safety level of China's hazardous chemicals logistics industry. And Sinochem International became the first company that obtained the liquid chemical shipping license for direct shipping routes across the Taiwan Strait.



## Serving Society with Financial and Real Estate Businesses

Sinochem's financial business and real estate business have good growth potential and are conducive to the overall development of China's national economy.

### Financial leasing business

International Far Eastern Leasing Co., Ltd. (Far Eastern Leasing), a subsidiary of Sinochem, provides financial leasing and related services and training to address clients' financing need, playing an important role in the introduction of advanced technology and equipment into China. Its six key areas include medical appliances, printing machinery, shipping, construction equipment, industrial equipment and education appliance.

### Trust business

China Foreign Economy & Trade Trust Co., Ltd. (FOTIC) is the Sinochem subsidiary that specialized in trust management. In 2009, FOTIC focused on product innovation and achieving the economy of scale, and divided its main business into financial cooperation, real estates trust, equity investment trust, and securities investment trust. In 2009, FOTIC's average monthly trust assets volume amounted to RMB 39.7 billion, greatly contributing to the healthy development of the financial sector during the crisis.

### Life insurance

Manulife-Sinochem Life Insurance Co., Ltd. (Manulife-Sinochem) is a joint venture co-founded by Sinochem and Canada based Manulife Financial Corporation. Sinochem-Manulife is committed to providing quality and professional services and diversified products to its clients, as well as developing insurance products that benefit society. In 2009, Manulife-Sinochem organized special trainings on the newly implemented China Insurance Law to better serve its clients.

### Real Estate Business

In 2009, Franshion Properties applied its experience in high-end commercial property development to developed Shanghai Port International Cruise Terminal and Shanghai International Shipping Service Center, so as to support Shanghai's development into a financial center and a shipping center. It also developed other projects in Qingdao, Sanya and Lijiang, working with local authorities to stimulate regional economic growth. Besides these, Franshion Properties took the responsibility to build 15,000 square meters of low cost housing in its No.15 Guangqu Road project.

### Increasing Value of State Assets

Sinochem leverages its strength in global resource allocation and market operations to further extends its energy, agricultural and chemical businesses to both upstream and downstream sectors and form unique competitive advantages in key stages of the industrial chain, so as to achieve sustainable growth.

Sinochem managed to keep increasing its profit by an average growth rate of 25% per year from 1999 to 2009 as a global 500 business. As a fully market-oriented enterprise, Sinochem's scale, profit and other indicators are among the highest among state-owned enterprises as well as other trading companies directly under SASAC supervision, not only increased the value of state assets, but also making significant contribution to of China's economic development.

In 2009, Sinochem had been granted the Class A status for 5 years consecutively since SASAC started its performance review of state-owned enterprises under its supervision.

Key Performance Indicators of Sinochem (RMB 100 million)

	2007	2008	2009
Operation Income	2,297.31	3,089.75	2,430.29
Net Profit	57.49	64.51	52.16
Total Assets	1,087.36	1,354.98	1,716.03
Shareholders' Equity	407.55	478.59	667.24
Total Tax Paid	39.4	66.2	65.7

## MEETING INDUSTRY NEEDS AND PROMOTING TECHNOLOGICAL PROGRESS

In order to achieve its responsibility goal of “being a company that businesses and individuals can trust”, Sinochem continued to implement its Industry Service Strategy (“One-Two-Three-Four-Five Strategy”), enhance its distribution operation based on market demand, improve its marketing and industry services, and promote technological progress through continuously investing in R&D, so as to play an active role in the progress of related industries and lay a solid foundation for the long-term sustainable development of the Group.

### Sinochem's Industry Service Strategy (“One-Two-Three-Four-Five Strategy”)

Sinochem's Industry Service Strategy (“One-Two-Three-Four-Five Strategy”) is the continuation and development of its previous market strategic based on changes in external and internal situations, and Sinochem takes this strategy as its basic guidelines to carry forward its strategic transformation.



### ● Strengthening Marketing and Distribution Services

It is a unique characteristic of the development of Sinochem's core businesses that the Group transformed itself from distribution services to industry services in a market-oriented, customer-oriented way with extended service chains and enriched service contents. Sinochem supplies its customers with only not products, but also a variety of value-added services such as procurement, sales, logistics, occupational health, safe production and environmental protection (HSE), consulting, etc., generating specific values for customers and improving the service quality of the industries.

### Expanding Business Scope of Sinochem's Oil Business

In 2009, Sinochem enhanced its capability to serve the market by leveraging its strength in international petroleum trade, capturing market opportunities and improving technological implementation. As a result, the weighted average price of crude oil Sinochem imported for its clients were lower than the spot market price on the international market. In the storage business, Sinochem focused on long-term clients and clients with

bonded goods business, providing them with efficient and convenient services with integrated operation. In the gas station retail business, Sinochem made continuous efforts to lower operation cost with the implementation of lean management and passed the cost savings to its end customers.

### Disseminating Agrichemical Technology

Sinochem has developed an extensive agrichemical service system to teach farmers with agricultural knowledge such as crop nutrition, scientific fertilization, pesticides application, seeds selection and breeding, etc., which has helped the farmers to increase the work and cost efficiency, protect the agricultural ecological system, and promote the sustainable development of China's agricultural industry.

Sinofert's Agrichemical Service System consists of the Agrichemical Knowledge Dissemination System, the Field Service and Support System and the Soil Testing and Formulated Fertilization Service System. In 2009, Sinofert participated in the “Agricultural Technology Pilot County” program of the Ministry of Agriculture and took over the task of developing 1,000 pilot villages and 1,000 pilot bases in 280 counties across China, provided fertilizers and agrichemical services during its “Sinochem Service Tour” program, and supported the reconstruction of regions affected by earthquakes in Sichuan and Shaanxi provinces. In February 2009, Sinofert co-launched the “Soil Testing and Formulated Fertilization Expert System” together with the Chinese Academy of Agricultural Science. Sinochem also implemented many other projects to provide local dealers and farmers with high-quality technological services.

#### Providing Comprehensive Fuel Oil Storage Services

In 2009, Sinochem-Gree developed Chimbusco Pan Nation Petrochemical Co., Ltd. as a new fuel oil storage client. The outstanding service persuaded the client to renew the initial short-term contract with long-term contract. Sinochem-Gree also helped the clients obtain new business through its contacts.

### Providing Comprehensive Specialized Chemical Services

Sinochem began its chemicals business with international trading, and has maintained its position as China's largest chemicals import and export service provider in recent years. It is dedicated to improving service quality and providing more innovative services.

In 2009, Sinochem consolidated its generic petrochemical commodities business, and identified Sinochem Plastics Company ("Sinochem Plastics") as the only platform for this business. In order to become the main supply channels in the petrochemical feedstock market, Sinochem Plastics focused on providing distribution service to both upstream and downstream clients, building a complete service network, cooperating with international petrochemicals suppliers through signing long-term contracts, and as well as forming strategic partnership with large and medium-sized clients in China. In 2009, Sinochem Plastics sold over 2.5 million tons of plastics as the largest supplier of plastic products such as ABS, PS, MEG, etc. for many multinational companies in China.

Sinochem has long enjoyed a competitive advantage in the trade of dyes and pigments and over 50% of the varieties on market were developed by Shenyang Institute. Many products such as the CF-351 fluorescent brightener developed and produced by Shenyang Institute enjoy a leading position in the global dyestuff market. In 2009, Sinochem completed the internal consolidation of its dyes and pigments business, and made strategic investment in the sub-sectors of pigments business.

In terms of the international trade of pesticide, Sinochem achieve great efficiency gains as well as bring convenience to clients by adopting the shipping model of "container to the door".

### Enhancing Financial Service Content

Sinochem also operates in several non-banking financial sectors. It made great efforts to create value for its clients with rich product mixes, professional services, strict risk control, etc.

Far Eastern Leasing leveraged its strength in the financial leasing market to target hospitals with need and provide them with not only the financing solution they need but also the financial management skills they often lacked. In 2009, over 400 hospitals had benefited from the free financial management consulting services it offered.

Sinochem International Tendering Co., Ltd. ("Sinochem Tendering") worked to provide tendering services to a number of important development projects, such as the China Large Plane Project, management of the Puxi section of the Shanghai World Expo Park, etc.



#### Supplying China's Low Carbon Sectors with High Safety Standards

Polyurethane is an isolation material widely used in construction, automotive, appliance, pipe insulation, solar energy and other industries. Sinochem Plastics is a major supplier of polyurethane in China and provides delivery service with strong HSE management, creating convenience for clients while controlling for risks in the transportation process.

#### Serving the Demand for Plastics of China's Automobile Industry

The Automobile industry needs a large variety of plastic materials in relatively small quantities. Sinochem Plastics signed comprehensive supply agreement with automobile makers such as GM, Shanghai Volkswagen, Shanghai Automotive, etc. to provide them with the right combination of materials they need according to their production plan, helping them improve production efficiency and bring down cost.

## ● Promoting Technological Progress

Technology is a key part in the industrial chain and it used to be “the weakest link” in Sinochem's operation given its history as a trading company. From 2008, Sinochem intensified its efforts to support development with technological innovation. It continued to enhance technological innovation capability in pesticides, seeds and fluorine chemicals, so as to provide a firm support for the technological progress of these areas.

### Strengthening Technology Management

In recently years, Sinochem strengthened the construction of technological innovation platform by creating the Technology Management Department, developing a two-tier technology management and implementation system, and increase talent reserve. In 2009, Sinochem further enhanced its technology management with improved technology management system, a R&D budget system, greater R&D input, and the establishing of a technology database:

- Passed seven regulations that specifically manage the operation of the Science and Technology Committee, project management, and IPR management, etc.;
- Increased the Group's technology input; Encouraged subsidiaries to increase technology input; and actively applied for government support;
- Developed a technology planning and budgeting system as part of the overall planning and budgeting system of the Group; and,
- Established a technology information sharing platform and databases for research results, patents, CA network resources, etc.

### Forming Technology Development Platforms

In 2009, Sinochem took focused efforts to form several technology development platforms, including:

- 2 National Pesticide Development Centers (Shenyang and Zhejiang)
- 1 National Safety Assessment Center (pesticide and medicine)
- 1 Key State Laboratory (new pesticide development)
- 3 Postdoctoral stations (Shenyang, Hangzhou, Taicang)
- 1 Fellow workstation (Taicang)
- 2 National Standardization Centers (pesticide, dye)
- 2 National Quality Inspection Centers (pesticide, dye)
- 2 National Information Centers (pesticide, dye)

### Strengthening Intellectual Property Management

Sinochem highly values intellectual property rights (IPR). In 2009, Sinochem developed a sound management system for IPRs and intangible assets under which the headquarters of Sinochem manages all IPRs developed and owned by Sinochem and its subsidiaries. It also drafted a Three-year Plan for IPR Development in 2009 to speed up its innovation.





### Sinochem's efforts to form the technology development platform in 2009

Joining Innovative Enterprises pilot program	Passed the state-level Innovative Enterprises accreditation and became a member of the third Innovative Enterprises pilot program.
Forming industrial technological innovation strategic alliance	Led the process to develop technological innovation strategic alliances in dye and seed business; participated in the development of pesticide industrial innovation strategic alliance; and prepared for the forming of technological innovation strategic alliances in food additive, bio-energy and fertilizer businesses.
Enhancing key laboratories and innovation platforms	Shenyang Institute completed the construction of the "State Key Laboratory of New Pesticide Products" and the research platform for catalytic technology platform, and started the construction of a biotech laboratory, and its pesticide and dye testing laboratories passed state accreditation. Sinochem Lantian started the construction of the Fluorosilicone Innovation Platform and the New Chemical Materials Laboratory.
Implementing GLP and obtaining international certification	Improved both hardware and software facilities for the GLP program, and achieved significant progress in obtaining relevant international certifications.

### Increasing R&D Input

In 2009, Sinochem invested a total of RMB 487 million into R&D projects, including 60 projects initiated by state and provincial governments. It submitted 87 patent applications, won 14 awards at the provincial level or above, and participated in the making of 102 national and industry standards.

#### Sinochem's R&D efforts in 2009

- RMB 487 million was invested into R&D projects;
- 87 patent applications were submitted;
- 241 of patents awarded accumulatively by year end;
- 2,107 R&D personnel;
- Participated in the establishment of 102 state and industry standards (31 state standards and 71 industry standards);
- 14 awards of the provincial/ministerial level or above were granted;
- 36 state research projects were undertaken by Sinochem.



## TREASURING TALENTS AND GROWING TOGETHER WITH EMPLOYEES

Sinochem regards its employees the most important resource of the Group. To achieve its responsibility goal of “being a company that people love to work for”, Sinochem made efforts to provide talent support for its “Third Long March” by enhancing the capability of people on key positions and professionals, improving staff structure, attracting medium- and senior-level talents and industry professionals, and improving human resource management, so as to enable its employees to grow with the Group.

### ● Protecting Employee Rights

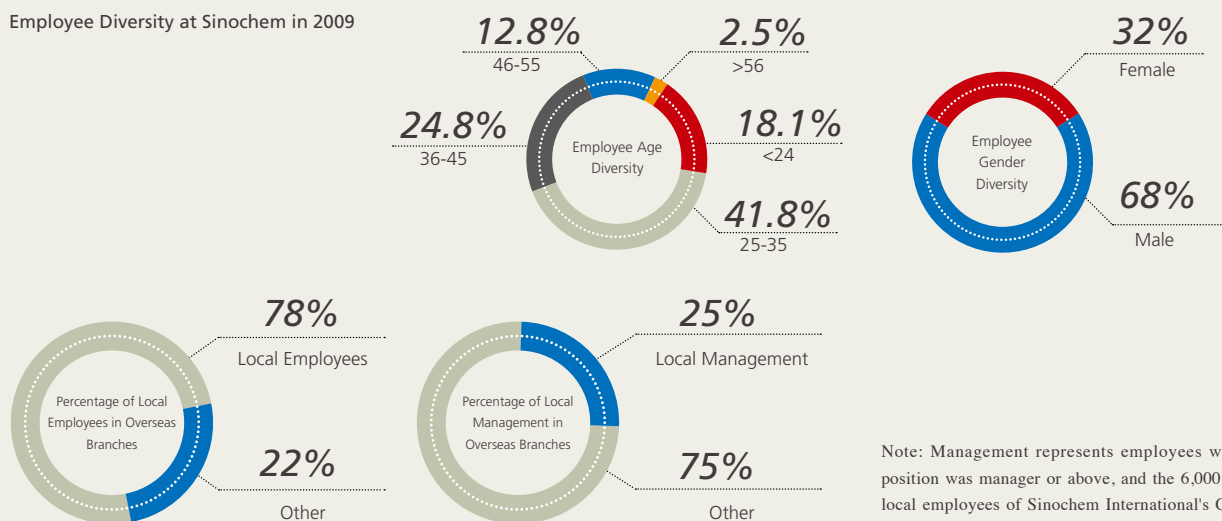
#### Employment Equality and Compliance

Sinochem abides by the laws and regulations of where it operates, upholds a non-discriminatory human resource policy that treats every employee equally and justly, implements a “people-oriented” human resource management policy, protects the rights and interests of its diverse workforce in 44 subsidiaries in 19 countries and regions, encourages the hiring of local employees, operates a market-oriented compensation and benefits system, and provides employees with a comprehensive welfare and security package that includes pension, medical insurance, health examination, accident and property insurance, paid vacations, etc.

In 2009, Sinochem further improved its labor management system with modified regulations and specific monitoring and reviewing, and trained human resources management staff at the Group and its subsidiaries on labor related laws and regulations. There were no incident of violation of labor laws and regulations occurred in 2009.

Sinochem actively encourage its subsidiaries and affiliated enterprises that operate overseas to hire local employees and localize their management, to abide by local laws and regulations, and to actively engage the local communicates.

Employee Diversity at Sinochem in 2009



### Encouraging Employee Participation

Sinochem attaches great importance to protect its employees' democratic rights and access to information and participation in decision-making and has established an effective participation mechanism around the employee assembly system and trade union. Sinochem has also established a transparent information disclosure system consists of meetings, internal publications, intranet and bulletin boards. The Group has been granted the "National Model Unit for Information Disclosure" title by six government agencies for three consecutive years.

Sinochem encourages the smooth communication with its employees and has established proper complaint handling mechanism and related procedures. It conducts annual employee satisfaction survey to obtain suggestions from employees.

### Protecting Employees' Safety and Health

Sinochem attaches great importance to employees' safety and health. In 2009, Sinochem and its subsidiaries kept its record of zero incident of occupational disease and production safety accident. The Group also developed prevention plan regarding to the H1N1 swine flu epidemic in early 2009.

#### Sinochem's Measures to Protecting Employees' Health and Safety

- Enhancing employees' understanding of relevant regulations and knowledge through training and assessment;
- Including safety education into employee induction training;
- Establishing occupational safety and health accountability system;
- Improving relevant rules and regulations, and requiring affiliated enterprises to improve their HSE management system;
- Deploying protective equipment and monitoring their use;
- Setting up employee occupational safety and health records and providing employees with medical examination and health care;

Carrying out regular monitoring and rectification of occupational hazards in workplace.





## ● Supporting Employees' Career Development

Sinochem values the training and career development of its employees.

### Attracting and Recruiting Talents

Sinochem opened its door to attract and select talents even in the sluggish economy in 2009 and recruited a total of 6,062 employees from outside the Group, including both new graduates and experienced talents from other famous companies at home and abroad.

In 2009, Sinochem actively adjusted its recruiting principle to focus on the long-term growth of employees and streamlined its personnel management and recruiting procedures in order to attract outstanding talents. By implementing the "1,000 People Plan", Sinochem gained access to and successfully hired a number of high-level talents in the seed, pesticide, financial and other sectors from both overseas and in China.

### Employee Training

Sinochem encourages lifetime learning and incorporates it into its corporate culture. In 2009, Sinochem intensified its training efforts with special attention given to lean management and other strategic focuses of the Group. It expanded the 4-tier training system for managers to a 6-tier system, created the "Three Year Training Plan for Young Talents" for young professionals with potentials, prepared new training materials and case studies, and developed a core in-house trainer team that conducted 40% of employee training in 2009.

### Encouraging Career Development

Sinochem continued to implement its "Y" shaped employee career development model, which allows its employees to choose their career path in management, business and technology. Meanwhile, Sinochem improved its Sinochem Senior Expert program and selected and approved 24 senior experts in 2009. The number of key employees continued to increase accordingly, reaching 1,575 as on December 31, 2009.

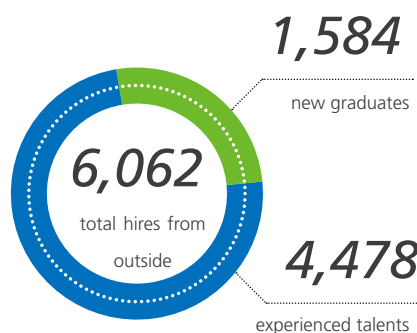
"Sinochem attached great importance to attracting high-level talent, and what attracted me was a management principles and good career development potentials within the Group."



Dr. Dong Jiawen

a senior manager recruited through the "1,000 People Plan" from overseas in 2009

2009, Sinochem Group and affiliated companies' recruits



### Employee Training at Sinochem

	2009
Total Number of Employees Participated in Training(person time)	24,000
Management Staff Participated in Training(person time)	1,247
Average Training Time per Employee (hour)	15.66
Average Training Time per Management Staff (hour)	20

Note: Mid-level managers and above.

# 91%

Increase in number of key engineering employees over 2008

# 69%

Increase in number of key production management employees over 2008

# 7%

Increase in number of technology management employees over 2008

## ● Creating a Harmonious Working Environment

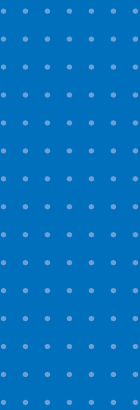
Sinochem is committed to creating a harmonious working environment through the development of corporate culture as well as employee care activities that is aimed at helping employees balance life and work and address their needs, including emotional needs

Adhering to the its core philosophy of“ Honest, Cooperative, and Open to Learn; Diligent, Innovative, and Pursuing Excellence”, Sinochem focuses its construction of corporate culture on the studying and implementing of the Scientific Concept of Development, so as to build consensus on“ the Third Long March”.

In 2009, Sinochem had conducted a variety of employee care programs, such as reading, speech contests, cultural and sports events, and birthday celebrations. The Group visits retired employees regularly and helps employees with needs. A number of its subsidiaries, such as Sinochem Shanghai and Sinochem Lantian, initiated Employee Assistance Plan (EAP) to care for employees' psychological health. And employee satisfaction survey results kept improving.

### Establishing Employee Club to Enrich Their Life

In order to better communicate with its employees and improve teamwork, Sinochem's Petroleum Center organized a number of activities to enhance team work, including festival celebration, billiard contest, employee photo development, mountain climbing, monthly contest for fun,“ Take a Seat” seminar series, and Christmas dinners, etc.



## COMMITTED TO SAFETY AND DEVELOPING A LOW CARBON ECONOMY

In order to achieve its responsibility goal of “being a company that exists in harmony with nature”, Sinochem adheres to the principles of safety, environmental protection and green development and makes efforts to develop products for a low carbon economy, reduce energy consumption and emissions, prevent pollution, conserve resource, protect the environment, so as to follow the path of green development. In 2009, Sinochem improved its occupational health, safe production and environmental protection (HSE) management, implemented technological and management innovations to conserve energy, and effectively alleviated its impact on climate change.

### ● Implementing Safe Production

The HSE risks Sinochem faces have been increasing as the Group implements its strategic transformation and increases capacity. In 2009, Sinochem developed a long-term HSE management mechanism that was constructed with risk control at its core, guided by a safety culture, and implemented through systematic management. The Group also kept its record of zero production accident, occupational disease, and environment pollution accident in 2009.



#### Sinochem's HSE Policy

To keep safe and healthy, give priority to prevention;

To Protect environment, conserve energy and shoulder responsibilities;

To remain trustworthy and law-abiding, and open for participation; and,

To conduct lean management and improve continuously.

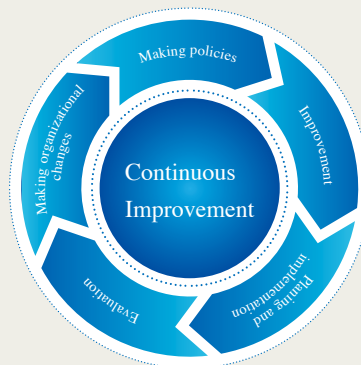
#### Sinochem's Production Safety Performance

	2007	2008	2009
Production Accident Caused Death	0	2	0
Input in Production Safety ( RMB million)	2.2	2.18	1.2
Mortality Rate from Production Safety Accident per 1000 People(%)	0	0.089	0

#### Sinochem's HSE Management Guidelines

Maintaining Clear Focuses	Focusing on implementing differentiated HSE management by classification, and transforming HSE supervision model;
Focusing on Difficult Tasks	Focusing on the most difficult tasks of improving the HSE leadership and implementation;
Focusing on Workplace Management	Focusing on the weakness in onsite HSE management and shifting the focus to production enterprises;
Focusing on Prevention	Intensify training and monitoring, implementing strict safety supervision at newly acquired facilities, implementing HSE responsibility system at all levels, and intensifying basic safety management and the monitoring and rectification of safety hazards.

#### Sinochem's HSE Management Workflow



### Continuously Improving HSE Management System

By the end of 2009, Sinochem had developed a number of regulations regarding safe production, HSE management, production safety accident handling procedure, etc. The Group also developed “the HSE Accountability System” for key management staff and other systems related to safety management, such as training system, emergency rescue system, performance evaluation system, and the project environmental and safety evaluation program.

### Applying Differentiated Management and Monitoring

Sinochem has a large number of subsidiaries and affiliated enterprises in various industries that are difficult to manage. The Group assigned them into different categories according to their industry, risk magnitude and current status of safety management and gave more attention to those with high risk level and weak management. Sinochem also carried out regular checks to find and eliminate safety hazards. In 2009, Sinochem carried out 116 on-site inspections, covering 100% of the enterprises that need special attention. A total of 12,699 safety hazards were identified by its subsidiaries and affiliated enterprises, with 99% of them already been eliminated.

### Strengthening Emergency Management

In 2009, Sinochem further strengthened its emergency management capability by establishing a contingency emergency plan management system, developing case studies of typical accidents, reviewing emergency plans of key enterprises. It also organized regular training and accident rescue drills.

### Establishing Risk Identification and Control System

In 2009, Sinochem adopted the overall HSE management philosophy that focused on risk management, including risk identification, evaluation, review, and specific counter measures. In practice, Sinochem developed a safety control standards, applying the HAZOP analysis about the feasibility of major projects it singled out. Sinochem also established a database of production safety standards, improved the inspection process, and actively implemented the standardization of safe production processes.

### Standardizing Safety Management

In 2009, Sinochem provided guidance for its subsidiaries and affiliated enterprises to standardize safety management through establishing a safety standard database and improving safety inspection criteria. Meanwhile, the Group actively organized its affiliated enterprises to standardize their safety management in accordance with industry protocols, in order to improve their safety performance from the core by achieving full standardization of safety management and auto control of dangerous working processes.



# 1.2

In 2009, Sinochem invested RMB 120 million in HSE management improvement

# 1,098

In 2009, Sinochem organized 1,098 emergency response trainings

# 1,818

In 2009, Sinochem organized 1,818 accident rescue exercises

### Strengthening HSE Training and Communications

Sinochem strengthens all staff members' HSE and risk-control awareness by education and training. In 2009, Sinochem organized eleven trainings on HSE related topics and 42 executives and 212 HSE management staff participated in these trainings. Its subsidiaries organized 2,161 HES trainings, covering 98% of the workforce. During the "Safe Production Month", Sinochem and its affiliated enterprises organized 128 speeches on HSE related topics and distributed over 10,000 HSE manuals. Meanwhile, Sinochem also established a communication platform to exchange ideas and best practice with other state-owned enterprises and global peers.

### Intensifying Contractor HSE Management

Sinochem developed regulations to supervise and manage its contractors' safe operation, strictly controlling their operation process. Once key risks are exposed without appropriate management, Sinochem will resort to the "Pulling Plug" policy by putting the project to a halt until the risks are under control.

### Establishing HSE Budget System

Sinochem established an HES and energy conservation planning and budget system. Every year, Sinochem develops a three-year HSE plan and an HSE budget accordingly to allocate funding for the implementation of HSE management improvement.

### Developing the HSE Expert Database

Sinochem developed the HSE Expert Database to make better use of experts in specific technological fields both in-house and outside the Group. The database shares its expert resources with the National Safe Production Expert Database, further increasing its expertise in rendering help regarding safe production related issues.

"The establishment of the HSE Expert Database is an effective way to improve HSE performance and help with the development of Sinochem. The Database further completes the HSE management and technological support system with consolidated resources from both within and outside. The support of these experts will further enhance the HSE performance of Sinochem."



Zhu Genmin  
Internal HSE Expert

#### Sinochem Plastics's HSE Supervision and Management of Contractors

Sinochem Plastics worked with third-party contractors to make sure their HSE management for hazardous chemicals meet the requirement of the Group. A joint team from its HSE, logistics and business departments evaluated its third-party logistics contractors on HSE related aspects, such as their safety eligibilities, management and hardware readiness, etc. Proper rectification was required once a problem had been found during evaluation. The team carried out joint site inspection of the transportation routes with contractors, send special HSE risk warnings to contractors for heightened risk

level, such as holiday traffic, severe weather conditions and special traffic control measures, etc. the Team also carried out random inspection on the road conditions of the transportation routes, such as toll station, number of lanes, conditions of maintenance, traffic bottlenecks, bridges, weather conditions, roadside farmers' market, and population distribution, etc.

#### Sinochem-Gree Carried Regular HSE Inspections

In order to increase HSE performance with joint efforts, Sinochem-Gree carries regular HSE inspections on suppliers' quality control system and HSE management system. In 2009, Sinochem-Gree staff travelled the total distance of 480,000 kilometers and inspected 78 suppliers in 17 provinces.



# 631

In 2009, Sinochem's COD discharge was 631 tons.

# 47%

In 2009, Sinochem's COD discharge achieved a 47% decrease than 2008.

## ● Promoting a Green Development Model

Sinochem is committed to optimizing resource use, continuously exploring mode of circular economy, and promoting a low carbon, green development model.

Sinochem and its subsidiaries made great efforts to conserve water and control pollutant emissions from the source. In 2009, Sinochem's COD discharge was 631 tons, 47% lower than last year.

Sinochem Fuling had transformed itself from a big energy user to a leader of environmental protection and was granted the title of "Model Unit of Water Conservation of the Petroleum and Chemical Industry" in 2008. In 2009, Sinochem Fuling further strengthened its waste water treatment efforts to recycle and reuse all kinds of waste water and achieved zero waste water discharge.

Sinochem International adhered to the concept of "Green Shipping" and adopted innovative designs in ship building to increase fuel efficiency. In 2009, Sinochem International improved its process of cleaning the cargo holding area, cutting water usage by 47% as well as lowering the possibility of cargo contamination.

Sinochem's Water Use and COD Discharge

	2007	2008	2009
Water Use (million ton)	1062	1047	1094
COD Discharge (ton)	2371	1180	631



### Shenyang Institute's Progress in Ballast Water Testing Research

Ballast water in ships contains various planktonic plants and animals and microorganisms and is a major source for biodiversity problems caused by the invasion of foreign species. The International Maritime Organization made stringent requirements and procedures for the bio-toxicity testing and ecological hazard assessment of ballast water in GLP laboratories.

In 2009, Shenyang Institute made important contribution to protecting the global ocean ecology and the biodiversity by successfully developing an ecological hazard assessment system to test the toxicity and assess the ecological risk of ballast water. The system was recognized by the Chinese maritime authority.

## ● Responding to Climate Change

Sinochem fully understands the impact of its operation on climate change and takes climate change as a strategic consideration. In 2009, Sinochem strengthened the energy conservation accountability system and conducted technological upgrade to reduce its green house gas (GHG) emission.

Sinochem further advanced its clean production projects. After those projects are put into production, every year can yield RMB 330 million of cost saving, generate 200,000 megawatt hours of electricity, save 140,000 megawatt hours of power, 1.57 million tons of water and 275 thousand tons of standard coal, reduce 295 thousand tons of CO<sub>2</sub> emission, and recycle and use 115 thousand tons of waste.

In 2009, Sinochem signed energy conservation accountability statement, assigning energy saving quota for each level and incorporating it into their performance review. Sinochem also encouraged its affiliated enterprises to conduct energy efficiency benchmark research and energy audit. The Group and its subsidiaries and affiliated enterprises also took the opportunity of adopting lean management to implement a number of effective energy saving projects.

Sinochem Fuling, a subsidiary of Sinofert, developed the proprietary "phosphoric acid wet purification technology" and completed the technological upgrade of its low-temperature heat capturing system, which could save over 40,000 tons of standard coal and reduce GHG emission of over 200,000 tons every year.

Sinofert's affiliated production enterprises applied for eleven state energy saving and emission reduction projects in 2009.

Sinochem Bluesky established an energy saving leading group and completed 33 energy saving projects with a total investment of RMB 3.81 million in 2009. Every year these projects can save six million kilowatt hours of electricity, 5,100 tons of steam, four million tons of standard coal, recycle 470 tons of waste, save 3,500 tons of raw materials, and yield an annual saving of RMB 14.48 million.

Sinochem Xingzhong explored and implemented a storage tank isolation project with the annual saving of RMB 500,000 in heating cost for each 50,000 cubic meter storage tank.

Samples of Sinochem's Energy Efficiency Improvement Projects in 2009

Project	Entity	Result	Evaluation
Improving energy efficiency in production	Sinochem Xingzhong	Achieved total annual saving of over RMB 2 million from water, power and steam saved	Focused on reducing power and steam in production; improved workers' awareness through training, evaluation and incentives; developed and implemented regulation on energy conservation and carried out regular supervision and evaluation; developed standardized energy conservation procedures and made continuous improvement.
Boiler ash recovering and reburning	Sinochem Pingyuan	Achieved total annual saving of RMB 300,000.	Made improvement in production management, technology and operation; eliminated a significant source of heat and energy waste and recycled waste.
Lowering unit energy consumption	Sinochem Shandong	Reduced products' unit energy consumption by 5.8%; achieved total annual energy saving of RMB 1.11 million, accounting for 7.34% of annual profit. 7.34%	Invested in low-cost technological improvement to achieve large gains from improved energy efficiency; developed standardized procedures and made continuous improvement.



Sinochem's Energy Saving Performance

	2007	2008	2009
Overall Energy Consumption (10,000 tons of standard coal)	48.4	47.2	<b>48.7</b>
Energy Consumption per RMB 10,000 Output (ton of standard coal)	0.568	0.457	<b>0.381</b>
SO <sub>2</sub> Emission (ton)	3,861.5	3,858.7	<b>2,902.4</b>

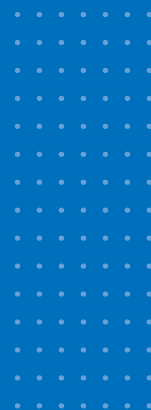
# 0.381

In 2009, Sinochem's overall energy consumption was 0.381 tons per ten thousand RMB

Sinochem also leverages its technological advantage to promote the development of low carbon economy in China.

Sinochem Lantian developed several CFCs substitutes that can significantly reduce the damage to the ozone. Sinochem had the largest production and most variety of ODS substitutes in China. Its ODS production in 2009 can reduce ozone depletion by 45,000 tons. Sinochem Lantian also started the development of a cooling agent for wind turbines.

In 2009, Sinochem's overall energy consumption was 0.381 ton of standard coal per ten thousand RMB, far less than the energy consumption quota of 0.933 ton given by SASAC. Its SO<sub>2</sub> emission and COD discharge decreased by 23.4% and 47.1% respectively. It also had three environmental friendly technologies identified as the key technology of the National "863" Pesticide Waste Water Reduction Program.



## SUPPORTING SOCIAL WELFARE PROGRAMS AND CONTRIBUTING TO SOCIAL HARMONY

While pursuing more economic achievement, Sinochem is also committed to social welfare projects, and making contribution to social harmony through its own sustainable development to achieve its responsibility goal of “adhering to law, valuing ethics and giving back to society, being a company that is respected by everyone”.

### ● Poverty Alleviation Projects

Sinochem is dedicated to alleviating poverty in China. Since 2002, under the leadership of the Poverty Alleviation Office of the State Council, Sinochem provided assistance to Helinggeer and Qingshuihe counties of Inner Mongolia. In the past seven years, Sinochem has invested nearly RMB 24 million to improve local infrastructure, medical facilities, basic education, agriculture, pasturage, and forestry. In 2009, Sinochem injected another RMB 3 million to promote the building of new socialist villages in these two counties.

Meanwhile, Sinochem also provided assistance to Gangba county in Tibet. Since 2002 when the assistance started, Sinochem had made a total contribution of RMB 44 million, provided assistance to and conducted over 50 infrastructure construction and personnel training projects. In 2009, Sinochem continued its assistance to Tibet by combining infrastructure construction with education investment, and promoting economic development with changes of mindset. It contributed RMB 6.5 million in 2009 to improve the living conditions of local people and facilitated the economic and social development of these areas.

#### Examples of Sinochem's Community Development Projects in 2009

Sinochem gave RMB 514,000 to help 245 local farmer households in Helinggeer county of Inner Mongolia and build 107 “small household technology farms” with significant yield increase through the adoption of advanced agricultural technology, benefiting over 1,000 local farmers.

Sinochem International participated in the “Red Cross Angel Program” initiated by China Red Cross Foundation. It invested RMB 500,000 to build ten clinics and train local health care providers in poverty areas in Hunan, Hubei, Jiangxi, Anhui and Guizhou provinces, benefiting over 15,000 local farmers.

Sinochem's Zhoushan National Strategic Petroleum Reserve Company invested RMB 12 million to build a 4,000 meter long submarine water pipeline to Aoshan island, ending the historical shortage of fresh water on the island.

#### Selected Aid Programs in Tibet of Sinochem in 2009

Project	Description	Total Input (RMB10,000)	Outcome
Yaou reservoir project in Changlong township	Built a reservoir with storage capacity of 35,000 cubic meters	92	Increased irrigation coverage of farmland and pastures in three villages, resulting in higher yield, livestock carrying capacity and better ecological environment.
Undercurrent reservoir project in Kongma township	Built a undercurrent reservoir	77	Increased irrigation coverage of farmland and pastures in two villages, resulting in higher yield, livestock carrying capacity and better ecological environment.
Housing renovation project	Renovated housing for farmers and herdsmen	50	Improved living environment and quality of life of local people.
Skill training project	Provided practical skill training according to local needs	30	Enabled comprehends and rapid development of local economy with people with practical skills.
Fire engine project	Helped local firefighters obtain fire engines	22	Enhanced fire prevention capacity of local community, providing better protection of the life and property of local people.

### Sinochem's Overseas Community Development Activities

When Sinochem operates overseas, it is pursuing mutually-beneficial outcome and common development with the local community, aims at achieving harmonious co-existence between resource development and environment protection as well as social progress, and commits itself to establishing longterm stable cooperation with the countries its operates in. While advancing its own business, Sinochem helps the local people to improve their life, and make contribution to the local development.

**36** **7,000**

Sinochem had built 36 schools in Africa

Sinochem had built schools in Africa that can give 7,000 local children access to education

GMG Global Ltd., a subsidiary of Sinochem International, conducts rubber business in Cameroon. It had invested USD 3.74 million into community development projects such as hospitals, schools, kindergartens, etc. since 2008.

After its acquisition of Emerald Energy Plc., Sinochem Petroleum Exploration and Production Co. Ltd. allocated budget annually for supporting local community development in Colombia, where most of Emerald's operations are located. In 2009, a total of USD 516,000 was invested. Among these programs:

- invested USD 33,000 in Casanare to improve the conditions of 90 hectares of pasture, support cultural events in five local elementary schools, and support 300 households to organized holiday celebration events;
- invested USD 83,000 in Yopal to support elementary education, improve pasture conditions, and support social and cultural events, benefiting over 2,000 local residents;
- invested USD 74,000 in Gigante to improve community infrastructure and improve the condition of 22 local roads;
- invested USD 53,000 in Los Pozos to provide education and vocational training to 200 local residents and improve the conditions of seven local roads.

In Yemen, Sinochem Petroleum Exploration and Production Co. Ltd. donated USD 850,000 to the people affected by a severe flood in the Wadi Hadramout region.



## ● Supporting Education

Sinochem cares about the development of education and provides a variety of assistance to schools and students. On the one hand, the Group actively makes donation to build primary schools; on the other, we provides scholarship to outstanding students suffering from poverty to help them realize their dream.

In 2009, Far Eastern Leasing cooperated with China Council of Lions Clubs to help Mianzhu primary school in Wenchuan recover from the earthquake disaster. Far Eastern Leasing donated books and a complete multimedia library including computers, furniture and multimedia materials.

Since 2005, Sinochem Xingzhong provided scholarships to students suffering from poverty. In 2009, it provided assistance to 50 students in need and students with hearing and speech impairment.

Sinochem International established educational fund at Hainan University for scholarship and innovation fund.

Employees of Jinmao Ritz-Carlton Hotel in Sanya of Hainan province made regular trips to a local primary school to do community services and bring happiness to the students.

In 2009, Sinochem also tried new methods to support education and increase the efficiency of our assistance. Far Eastern Leasing launched the "Elite Program" in September 2009 to bring successful entrepreneurs in the printing industry to campus as guest professors and instructors to give student first-hand industry experience. By the end of 2009, a total of 13 entrepreneurs had been invited to become special instructors.





### ● Encouraging Employee Volunteerism

In 2009, Sinochem continued to advance its Volunteer Program and strengthened the sense of responsibility and dedication of its employees. Sinochem also calls on its employees to make contribution to facilitating social justice, and promoting the sustainability and harmony of the society through their day-to-day practice.

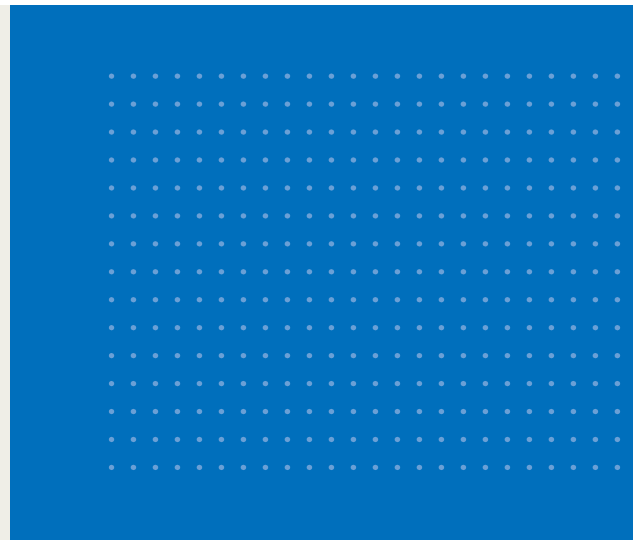
Volunteers of Sinochem Shanghai visited a primary school for children of migrant workers to give lectures on environmental protection, and worked with environmental protection organizations to conduct beach cleaning.

Sinochem International organized its employees to participate in the 2009 Earth Hour program initiated by WWF as well as other environmental protection activities such as beach cleaning.

Volunteers of Jinmao Group in Shanghai conducted regular volunteering services in subway stations and elderly homes.

#### Manulife-Sinochem's "Love Fulfills Dreams" Program

Manulife-Sinochem launched the "Love Fulfills Dreams" volunteer program in October 2009. During two months, a total of RMB 469,000 of charity fund was raised through the selling of 15,696 "Love Umbrella" at its over 30 branch offices all over China. The fund was used to order customized hearing aid for students in Sichuan province with hearing impairment. Meanwhile, 20 volunteers from Manulife-Sinochem visited special education schools in Shehong county in Sichuan province, doing paper artwork with and doing dancing performance to the students with hearing and speech impairment.



# 05 2010 OUTLOOK

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Severe situations we are facing now will last for quite a long time beyond 2010. Therefore, we will focus on increasing the values of the Group and promote the fast, healthy and sustainable growth of the Group to realize the goals, tasks and requirement set forth for “the Third Long March”, so as to lay an evergreen foundation for sustainable development.

In order to ensure the successful implementation of “the Third Long March” initiative and promote sustainable development of the Group, it is important to implement the scientific concept of development and to strengthen corporate social responsibility performance.

In the future, we will focus our efforts on the following areas:

First, to improve corporate social responsibility management system by integrating CSR management into normal corporate governance and business operation and management systems;


Second, to enhance in-depth communications with our stakeholders and respond to their concerns; to publish the UNGC COP to disclose our efforts and progress in implementing the 10 Principles of the UNGC;

Third, to improve HSE management by fostering a strong culture about safety and developing a long-term HSE management mechanism with Sinochem characteristics that has “specific goals, high awareness, multilevel management, clear responsibility, and continuous innovation and improvement”.

Fourth, to optimize energy conservation management system by establishing a comprehensive energy efficiency database, developing data-collection, inspection and evaluation systems to improve the overall energy efficiency of the Group with technologic innovation;

Fifth, to give high priority to anti-corruption work and constantly improve the inspection and discipline mechanism.



The background of the page is a traditional Chinese ink wash painting. It depicts a landscape with misty, layered mountains. Several birds are shown in flight, scattered across the upper and middle sections of the image. The style is minimalist and atmospheric, with varying shades of gray and white ink on a light background.

**W**e are going to celebrate our 60th anniversary this year. Our development in the last 60 years has imbued us with a profound understanding of our mission and responsibilities as a large state-owned enterprise under direct supervision of the central government. Looking forward, we will continue our journey of shouldering responsibilities by responding more actively to the expectations of our stakeholders, abiding by our social responsibility, and integrating social responsibility and business operations in a holistic way.

## STAKEHOLDER COMMENTARY

I am glad to see and read the "Sinochem Group 2009 CSR Report", which was the fourth annual CSR report released by Sinochem Group and its first CSR report after Sinochem became a member of the United Nations Global Compact (UNGC).

As a key state-owned enterprise with 60 years of history, Sinochem holds importance position and has significant influence in energy, agriculture, chemicals, finance and real estate fields. Guided by the Scientific Concept of Development and following SASAC's guidelines on fulfilling corporate social responsibility for state-owned enterprises under its direct supervision and the Ten Principles of the UNGC, Sinochem draws upon its core philosophy of "Creating Value and Pursuing Excellence" and actively integrates its CSR vision into business operation and management and has achieved outstanding results. As a channel and media, this report is an effective illustration of the CSR performance of Sinochem Group.

The report specifies that CSR is part of the corporate gene of Sinochem and spells out its CSR strategy and goals well integrated with its corporate philosophy, vision and missions, reflecting a high degree of awareness of CSR of its management and a good prospect of its implementation of CSR.

The report disclosed Sinochem's CSR practice with regards to providing secure resource supplies for the development of national economy, serving customers with customized services, promoting technological progress for certain industries, and serves the comprehensive development of the Chinese economy in detail. The report impressed me the most with Sinochem's role in protecting China's agricultural security through ensuring the supply of agricultural inputs, such as fertilizers and seeds, maintaining market stability and developing an extensive distribution and service network as the largest integrated operator of agricultural inputs.

The report also gives a comprehensive account of Sinochem's efforts in coping with climate change and developing low carbon economy, reflecting its forward-looking vision in fulfilling its corporate social responsibility and achieving sustainable development.

This report disclosed in detail its implementation of the UNGC principles in 2009, demonstrating Sinochem's positive attitude to integrate the UNGC principles into its operations.

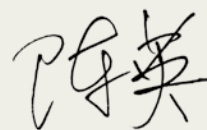
In short, this report gives a comprehensive and logical description of Sinochem's CSR vision and performance, and it meets the COP reporting disclosure requirements of UNGC.

In order to help Sinochem further improve its CSR implementation, I hereby give my suggestions as follow:

To further raise the awareness level and capacity to implement social responsibility;

To disclose more feedback and communication content between Sinochem and its internal and external stakeholder regarding its CSR practice; and,

Finally, to further integrate CSR with operation during "the Third Long March" of the Group and compose a new chapter of its journey!



Board Member, United Nations Global Compact  
Director, United Nations Global Compact China Center,  
Vice Chairman, China Enterprise Management Science Foundation  
May, 2010

The International Business Leaders Forum (IBLF) welcomes Sinochem's latest Corporate Social Responsibility Report and congratulates the company on the progress that it has made since its first report in 2007. By adopting the latest internationally recognized reporting standards of the Global Reporting Initiative and the UN Global Compact, the company has placed itself in the forefront of environmental and social transparency which should be a model for its peers in China and elsewhere.

Business has a vested interest in environmental, social and economic stability and has a responsibility to play its full part in contributing to sustainable development of the communities in which it operates. Sinochem's report shows that it is addressing issues of the environment, building human capital, improving business standards and engaging with its stakeholders. This is vital to the long term sustainability of the business in addition to the contribution it makes to national and international development.

IBLF particularly welcomes the company's commitment to address the challenges of corporate governance and anti-corruption by making integrity and transparency central to its business processes. IBLF also acknowledges the company's commitment to engaging with its stakeholders and embedding corporate social responsibility in its core management processes. This will ensure that its stated policies on social, economic and environment challenges will be put into practice across its business.

This is a most welcome and progressive development that will help to build confidence and trust with the international business community at a time when China's role in the world's economic development is so important. We encourage the company to join with other leading Chinese and international companies and organizations to act collectively to improve business standards, promote the corporate citizenship management system, shoulder its social responsibility in its day-to-day practice, so as to set up a role model for more for more enterprises and facilitate the sustainable development of the global commercial community.



Director, Asia Pacific International Business Leaders Forum

May 2009

## GRI INDEX (G3)

No.	Index	Relevance	Pages
	<b>Strategy and Analysis</b>		
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	High	4-5
1.2	Description of key impacts, risks, and opportunities.	High	4-5,22-23
	<b>Organizational Profile</b>		
2.1	Name of the organization.	High	6
2.2	Primary brands, products, and/or services.	High	8-9
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	High	-
2.4	Location of organization's headquarters.	High	6
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	High	7
2.6	Nature of ownership and legal form.	High	6
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	High	6-9
2.8	Scale of the reporting organization.	High	6,33,38
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	High	6,11
2.10	Awards received in the reporting period.	High	18,33
	<b>Report Parameters</b>		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	High	1
3.2	Date of most recent previous report (if any).	High	1
3.3	Reporting cycle (annual, biennial, etc.)	High	1
3.4	Contact point for questions regarding the report or its contents.	High	back cover
3.5	Process for defining report content.	High	1
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	High	1
3.7	State any specific limitations on the scope or boundary of the report.	High	1
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	High	1
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	High	1
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	High	-
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not Applicable	-
3.12	Table identifying the location of the Standard Disclosures in the report.	High	1,56-59
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	Medium	-
	<b>Governance</b>		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	High	12
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	High	12

No.	Index	Relevance	Pages
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	High	-
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	High	12,18,39
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	High	-
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	High	12-13
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	High	12
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	High	15-16
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	High	16-17
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	High	-
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	High	12-13
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	High	17
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization.	High	30-31,37
4.14	List of stakeholder groups engaged by the organization.	High	16-17
4.15	Basis for identification and selection of stakeholders with whom to engage.	High	18
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	High	18
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	High	18
<b>Economic Performance Indicators</b>			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	High	33
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	High	21-22
EC3	Coverage of the organization's defined benefit plan obligations.	High	38-41
EC4	Significant financial assistance received from government.	Not Applicable	-
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	High	38
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	High	16,18
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	High	38
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	High	48-50
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	High	30,38, 48-51
<b>Society Performance Indicators</b>			
LA1	Total workforce by employment type, employment contract, and region.	High	38
LA2	Total number and rate of employee turnover by age group, gender, and region.	High	-
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	High	38
LA4	Percentage of employees covered by collective bargaining agreements.	High	-
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	High	-

No.	Index	Relevance	Pages
LA6	Percentage of total workforce represented in formal joint management-worker health and safety	High	-
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	High	39,42
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	High	39,42
LA9	Health and safety topics covered in formal agreements with trade unions.	High	39
LA10	Average hours of training per year per employee by employee category.	High	40
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	High	40
LA12	Percentage of employees receiving regular performance and career development reviews.	High	40-41
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	High	38
LA14	Ratio of basic salary of men to women by employee category.	High	38
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Not Applicable	-
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Not Applicable	-
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not Applicable	-
HR4	Total number of incidents of discrimination and actions taken.	High	38
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Not Applicable	-
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	High	38
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and	High	38
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not Applicable	-
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	High	38
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	High	18,48-51
SO2	Percentage and total number of business units analyzed for risks related to corruption.	High	13
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	High	13
SO4	Actions taken in response to incidents of corruption.	High	13
SO5	Public policy positions and participation in public policy development and lobbying.	Medium	18
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not Applicable	-
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	High	-
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	High	-
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	High	31
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	High	-
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	High	-
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	High	-
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	High	34-35



No.	Index	Relevance	Pages
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	High	-
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	High	-
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Low	-
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	High	-
	<b>Environmental Performance Indicators</b>		
EN1	Materials used by weight or volume.	High	45-47
EN2	Percentage of materials used that are recycled input materials.	Medium	45
EN3	Direct energy consumption by primary energy source.	High	46
EN4	Indirect energy consumption by primary source.	High	46
EN5	Energy saved due to conservation and efficiency improvements.	High	46-47
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	High	46-47
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	High	46-47
EN8	Total water withdrawal by source.	High	45
EN9	Water sources significantly affected by withdrawal of water.	High	-
EN10	Percentage and total volume of water recycled and reused.	High	45
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Medium	-
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Medium	45
EN13	Habitats protected or restored.	Medium	-
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Medium	-
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Medium	-
EN16	Total direct and indirect greenhouse gas emissions by weight.	High	46-47
EN17	Other relevant indirect greenhouse gas emissions by weight.	High	46-47
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	High	45-47
EN19	Emissions of ozone-depleting substances by weight.	High	47
EN20	NO, SO, and other significant air emissions by type and weight.	High	46
EN21	Total water discharge by quality and destination.	High	45
EN22	Total weight of waste by type and disposal method.	High	45-47
EN23	Total number and volume of significant spills.	High	-
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Medium	-
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	High	45
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	High	45-47
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Medium	-
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	High	-
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	High	45
EN30	Total environmental protection expenditures and investments by type.	High	45-47

# FEEDBACK FORM



中国中化集团公司  
SINOCHEN GROUP

## Your Information

Name: .....

Telephone: .....

Organization: .....

Email: .....

## Your Comments

1. Your overall evaluation of the 2009 CSR Report of Sinochem:

☐ Excellent      ☐ Good      ☐ Ordinary      ☐ Not good

2. What do you think of Sinochem's performance regarding "Ensuring Resource Supplies and Serving the National Economy"?

☐ Excellent      ☐ Good      ☐ Ordinary      ☐ Not good

3. What do you think of Sinochem's performance regarding "Meeting Industry Needs and Promoting Technological Progress"?

☐ Excellent      ☐ Good      ☐ Ordinary      ☐ Not good

4. What do you think of Sinochem's performance regarding "Treasuring Talents and Growing Together with Employees"?

☐ Excellent      ☐ Good      ☐ Ordinary      ☐ Not good

5. What do you think of Sinochem's performance regarding "Committing to Safety and Developing a Low Carbon Economy"?

☐ Excellent      ☐ Good      ☐ Ordinary      ☐ Not good

6. What do you think of Sinochem's performance regarding "Supporting Social Welfare Programs and Contributing to Social Harmony"?

☐ Excellent      ☐ Good      ☐ Ordinary      ☐ Not good

7. How do you evaluate the accuracy, completeness and clarity of the information and data disclosed in this report?

☐ Excellent      ☐ Good      ☐ Ordinary      ☐ Not good

8. How do you evaluate the designing and layout of this report?

☐ Excellent      ☐ Good      ☐ Ordinary      ☐ Not good

9. Please give us your recommendations on how we can improved our CSR performance, and on how we can improve our CSR reporting practice in the future:

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Note: Please check the corresponding "o".

## Contact Us:

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