



China National Machinery Industry Corporation  
**2018 Social Responsibility Report**

# About this Report

## Reporting Period

January 1, 2018-December 31, 2018. The Report also includes additional contents and data that predate the stated reporting period.

## Reporting Cycle

This Report is annually published and it is the ninth social responsibility report released by China National Machinery Industry Corporation (hereinafter referred to as "SINOMACH").

## Reporting Scope

China National Machinery Industry Corporation headquarters and its subsidiaries (see "About Us" for organizational structure).

## Reporting Data Sources

All data in this Report comes from SINOMACH's statistical reports, financial reports and other official documents, and has been audited by relevant departments.

## Compilation Conformance

*Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities* by Stateowned Assets Supervision and Administration Commission of the State Council (the SASAC)

*GRI Sustainability Reporting Standards* by Global Reporting Initiative (GRI Standards)  
*ISO 26000 - Guidance on Social Responsibility (2010)* by International Organization for Standardization (ISO)

*GB/T 36001 Guidance on Social Responsibility Reporting* by General Administration of Quality Supervision, Inspection, and Quarantine of China (AQSIQ) and Standardization Administration of China

*Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS -CSR4.0)* by Chinese Academy of Social Sciences (CASS)

*Guidelines on Social Responsibility of Chinese Industrial Enterprises and Industrial Associations* by China Industrial Economic Federation.

## References

In this Report, "SINOMACH", "the Group", "the Company", or "We" refer to China National Machinery Industry Corporation.

## Access to this Report

This Report is prepared and released in both Chinese and English versions, and is available in paper and electronic formats. If you need the paper version, please contact us. You may visit our website or scan the QR code below to download the electronic version.

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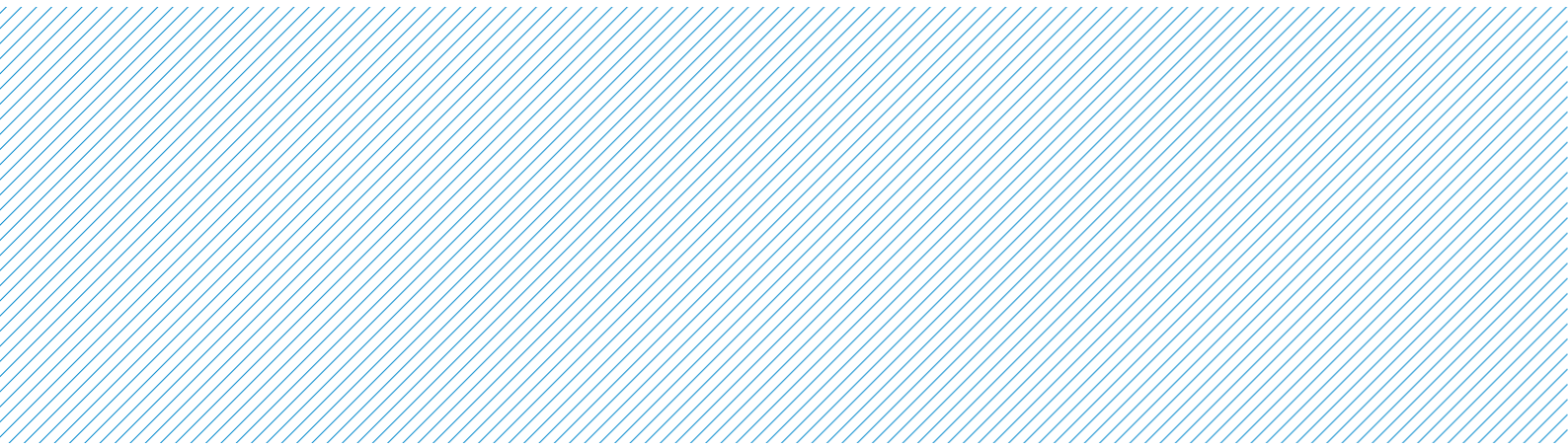
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- ▶ The "M" element represents the leading role of SINOMACH in the machinery industry. The "M" image also indicates the Group's ambition to revitalize China's machinery industry and become a major player in the world.
- ▶ Based on the stable triangle, the logo, with the block structure as design element, fully shows SINOMACH's feature as a machinery enterprise, and the sincere, prudential and practical corporate image of SINOMACH.
- ▶ In the logo, the Chinese character "人" ("human being" in English) highlights SINOMACH's people-oriented philosophy. With talented people gathering together, it contributes to the future development of the machinery industry.
- ▶ The triangular shape symbolizes a majestic mountain. The "M" element looks like an eagle spreading its wings and soaring at the peak, which implies that SINOMACH challenges itself unceasingly and seeks for new development.

# Contents

04 Message from the Chairman  
 06 Social Responsibility Performance  
 08 About Us  
 16 Social Responsibility Management  
 20 CSR Focus

68 Outlook  
 69 Reporting Index  
 70 Comparison Table with the Ten Principles of UN Global Compact  
 71 Feedback Form



**Value-creating SINOMACH**  
 Making Contributions to the Real Economy

30 High-quality Development  
 32 Basic Management  
 34 Business Development



**Innovative SINOMACH**  
 Driving Reform and Transformation

38 Technological Innovation  
 42 Management Innovation  
 43 Deepening Corporate Reform



**Green SINOMACH**  
 Building a Beautiful China

46 Environmental Management  
 47 Green Operation  
 49 Environmental Protection Actions



**Responsible SINOMACH**  
 Sharing the Fruits of Development

52 Developing Together with Partners  
 54 Work Safety  
 56 Contributing to Community Development



**Happy SINOMACH**  
 Bringing Our Dream to Fruition

60 Employment Management  
 62 Employee Development  
 64 Employee Care

## Message from the Chairman



Zhang Xiaolun  
Chairman of SINOMACH

张曉倫

2018 was the first year for putting the guiding principles of the 19th CPC National Congress fully into effect and the 40th anniversary of China's reform and opening-up, and a crucial year for securing a decisive victory in building a moderately prosperous society in all respects, implementing the 13th Five-Year Plan and securing the quality development of SINOMACH. Following the general direction, major principles, and strategies of the Party and the nation, SINOMACH made progress while keeping performance stable, pressed ahead with a pioneering spirit and worked hard to overcome obstacles. During the process of building SINOMACH as a value-creating, innovative, green, responsible and happy company, we have fulfilled our political, economic and social responsibilities, and promoted high-quality development of SINOMACH.

**Adhering to stable operations for greater values.** Pursuing "high-quality development", SINOMACH has advanced all businesses, comprehensively improved modernized management of the Company, and continuously deepened the supply-side structural reform to guarantee stable production and operations. Besides, we have earnestly served major national strategies and thoroughly implemented the Belt and Road Initiative to display the image of SINOMACH on the international stage and grow the influence of SINOMACH brand among the international community. In 2018, SINOMACH's operating revenue reached RMB 300.47 billion, total profit reached RMB 10.19 billion, and total import and export volume reached USD 14.98 billion. Ranking 256th in Fortune Global 500 list, the Company was also evaluated as a Grade-A state-owned enterprise by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC)

and ranked top among the list of China's Top 100 Enterprises in the Machinery Industry for the tenth consecutive year.

**Continuing to reform and promoting development with innovation.** SINOMACH fully supports the building of an innovation-driven country. By comprehensively deepening the corporate reform, streamlining the organizational structure and implementing the "SOE and Central SOE Reform Action" Work Program to select top 100 central SOE subsidiaries and top 100 local mainstay SOEs under the leadership of the SASAC, we aim to build SINOMACH into a pioneer of the SOE reform. We have been selected to implement reforms of state-owned asset investment companies and made major breakthroughs in deepening reform. We also have built an industry-university-research-application collaborative innovation system to enhance our R&D and communication on industrial technologies and empower our staff. Through continuous innovation and improvement of corporate governance, we try to explore efficient and scientific business models. In 2018, SINOMACH invested RMB 6.66 billion in technological research, accounting for 2.2% of the total operating revenue. We led to prepare for the construction of national major technical equipment innovation and research institute, and made great achievements in technological innovation. In addition, we launched 71 new national scientific research projects, and submitted 1,968 patent applications.

**Adhering to green development to contribute to a beautiful China.** SINOMACH actively promotes the integration of the green development with the development strategy and business operations. By consolidating the foundation for environmental management, and improving the energy saving and emission reduction system, we integrate the environmental concept featuring energy saving, emission reduction, eco-friendly and low-carbon development in engineering, construction, product design and manufacturing, with an aim to establish an eco-friendly production and operation model, and contribute to the green development of China's machinery industry and a beautiful China. In 2018, SINOMACH invested RMB

37.32 million in environmental protection, and the comprehensive energy consumption per RMB 10,000 of output value was 0.2 TCE, and comprehensive energy consumption of per RMB 10,000 of operating value was 0.0030 TCE, down by 3.7% and 6.3% respectively.

**Joining hands with partners for shared development and continuing to enhance the sense of social responsibility.** Adhering to the concept of win-win cooperation, we have strengthened the transparent procurement system, kept compliance and integrity in operation, and pursued harmonious and inclusive development. Our efforts to control product quality and improve service quality has facilitated industry progress and shared development with customers, partners and society. In line with the principle that "we must not pursue development at the expense of human life", we have stuck to the bottom line of curbing serious and major accidents, deepened safety management while disseminating safety culture. We try to minimize the impact of our production and operation on surrounding communities, and promote the development of local communities with a focus on the livelihood of locals, striving to build a harmonious homeland for them. The poverty alleviation practices with SINOMACH characteristics featuring "assisting the development of talents, boosting enthusiasm, supporting industries and improving livelihood", we aim to fight against poverty successfully. In 2018, SINOMACH invested RMB 27.531 million in four fixed-point poverty alleviation counties (districts), appointed 8 outstanding officials on secondment as general secretaries of poverty-stricken villages, trained 1,605 grassroots officials and 2,140 technical personnel, and was thus evaluated as "excellent" in the assessment of the performance in fixed-point poverty alleviation work conducted by the State Council.

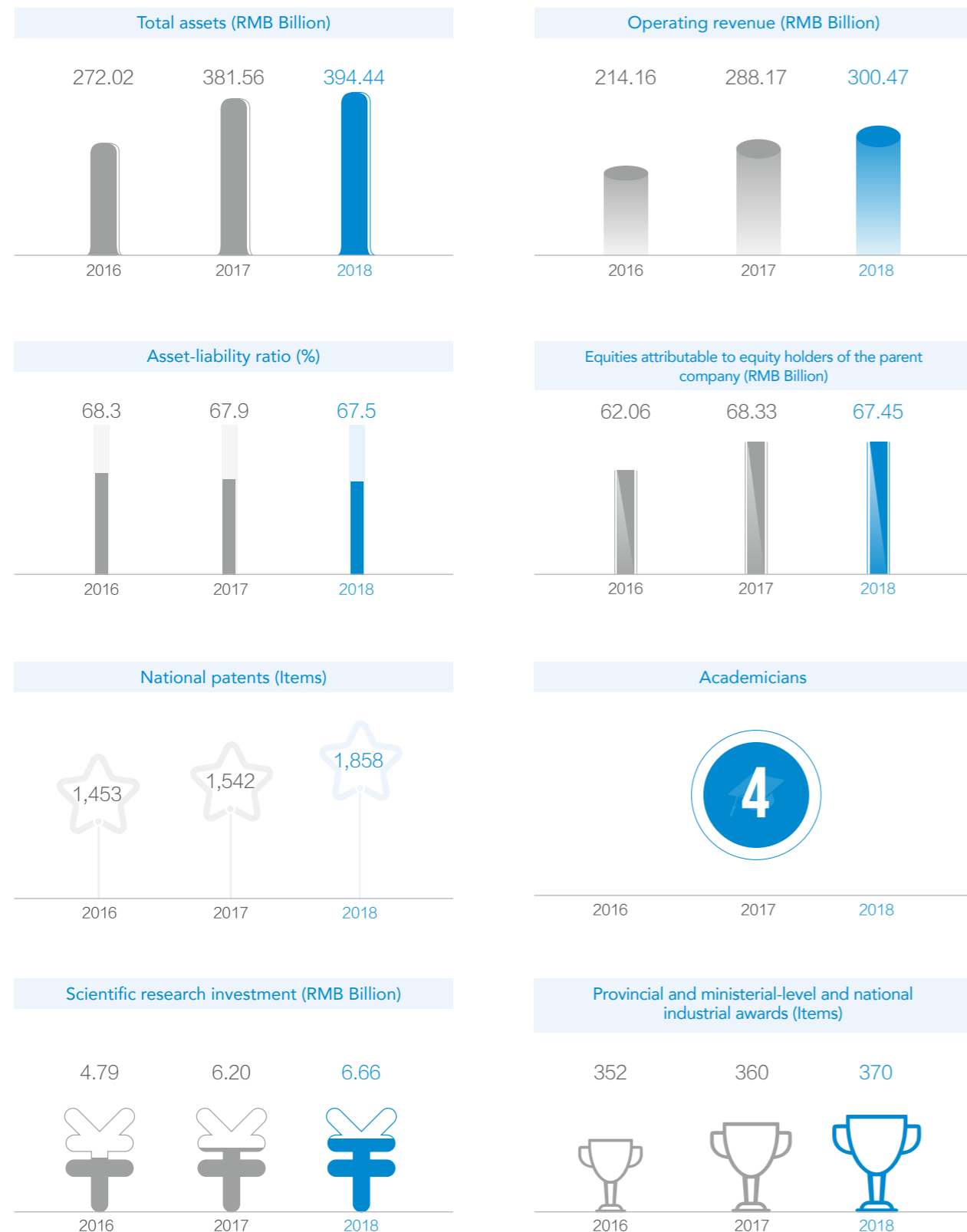
**Sharing achievement and creating a happy SINOMACH.** SINOMACH keeps putting people first during its development. We earnestly protect employees' rights and interests, strengthen communication with them, and care for their physical and mental health. Focusing on the career growth, we have improved the vocational training and

development system to provide a broad platform for employees. To offer employees with good living and working conditions, we have optimized working environment with a happy and harmonious atmosphere for employees and enhance their sense of fulfillment, happiness and security. In 2018, SINOMACH invested RMB 97.05 million in employee training. Three employees were awarded the title of National Technical Experts, and a subsidiary of SINOMACH was honored National Outstanding Unit for Skilled-talent Training.

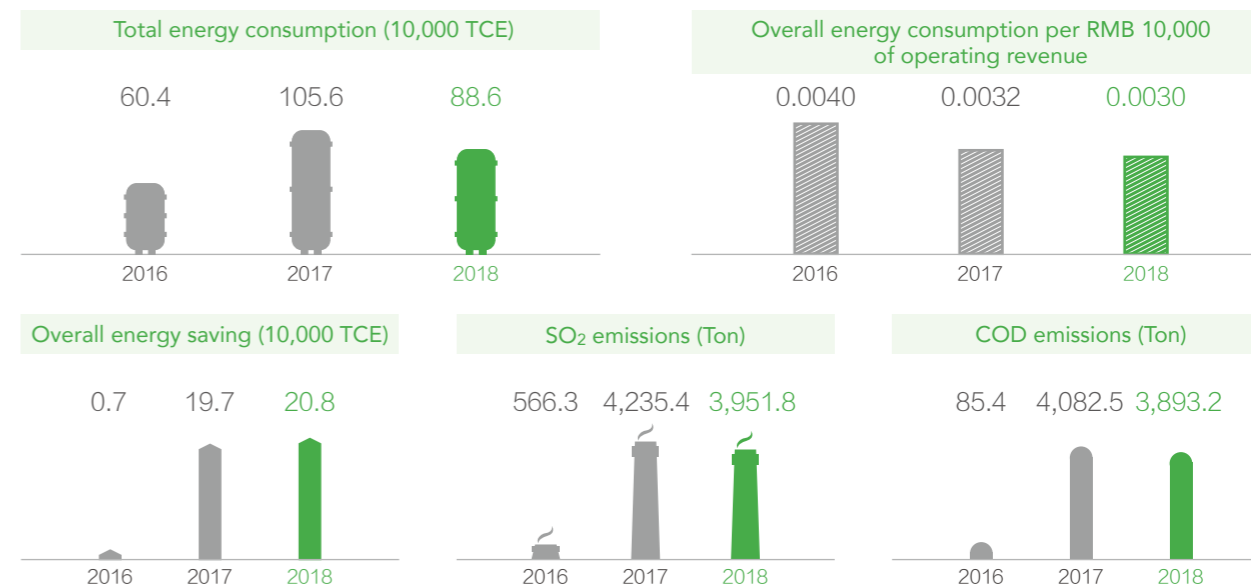
The new era ushers in a new journey and calls for new actions. Following the guide of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, SINOMACH will fully implement the guiding principles of the 19th CPC National Congress, the second and third plenary sessions of the 19th Communist Party of China Central Committee, and the Central Economic Work Conference. We will uphold the underlying principle of pursuing progress while ensuring stability with new development concepts, continue to promote high-quality development, and pursue supply-side structural reform as our main task. We will coordinate and promote steady growth, structural adjustment, innovation, reform and risk prevention, and strive to promote the upgrade of quality, efficiency and momentum, contributing to build a world-class enterprise with international competitiveness, achieve the two centenary goals, and realize the great rejuvenation of the Chinese nation.

# Social Responsibility Performance

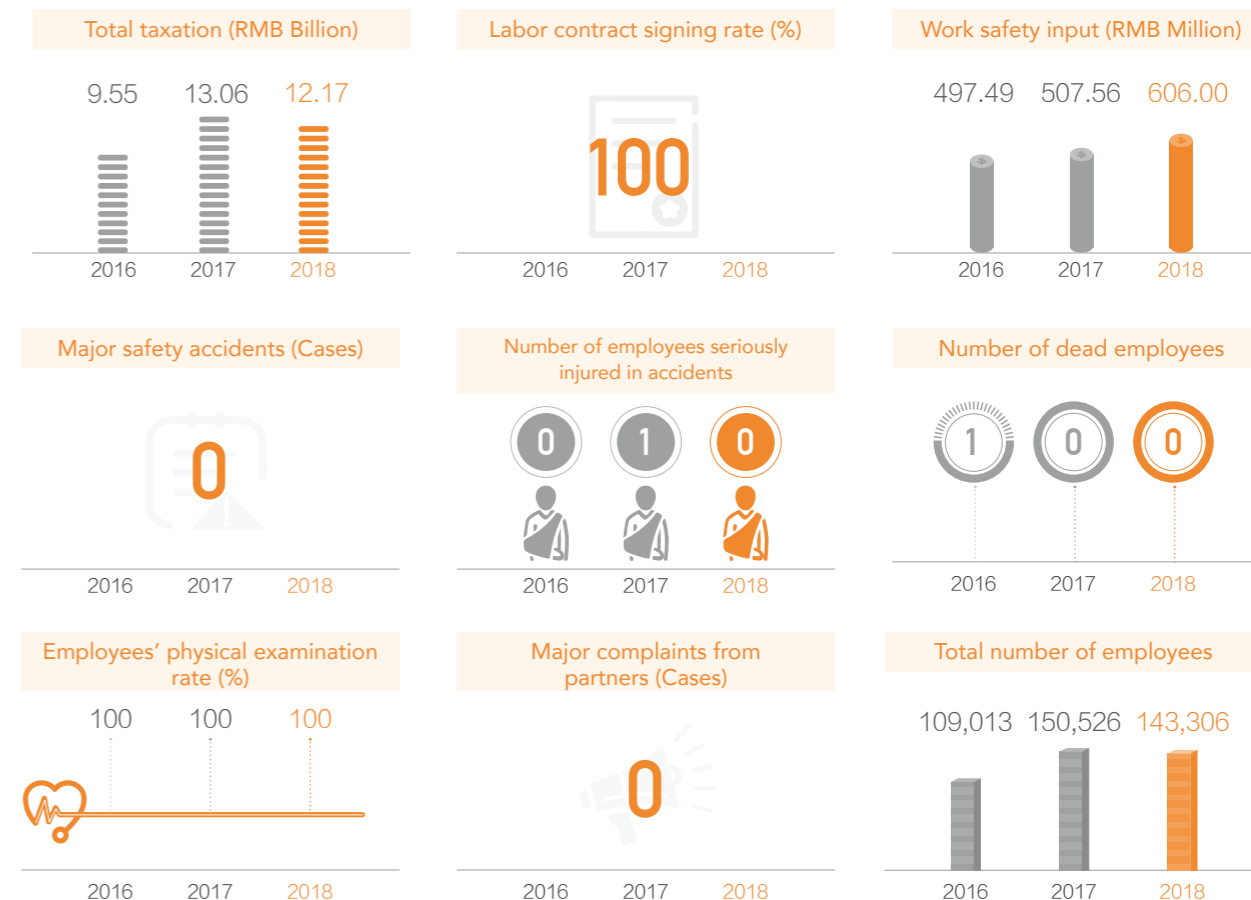
## Economic Performance



## Environmental Performance



## Social Performance



# About Us

## Company Profile

Established in January 1997, China National Machinery Industry Corporation (SINOMACH) is a key state-owned enterprise directly under the central government and one of the Fortune Global 500 companies. Based in Zhongguancun, Beijing, China's Silicon Valley, SINOMACH has about 140,000 employees, nearly 35 secondary wholly-owned and holding subsidiaries, 12 listed companies and more than 300 overseas service organizations.

SINOMACH is a diversified, international and comprehensive group in equipment industry dedicated to providing quality global services. The four main businesses are mechanical equipment R&D and manufacturing, project contracting, trade and services, and finance and investment. These businesses cover key industries of the national economy, including mechanics, energy, transportation, automobiles, light industry, ship building, metallurgy, construction, electronics, environmental protection and aerospace. Our markets cover more than 170 countries and regions.

For years, SINOMACH has been promoting further improvement and reconstruction of its core competence through technology and management innovation. By accelerating the pace of "Going Global" and deepening strategic transformation, SINOMACH has changed from a traditional management-oriented state-owned enterprise (SOE) to a modern enterprise with relatively strong competitiveness, and it has become a large-scale centrally-administered SOE with a wide coverage, a complete business chain and strong capacity for comprehensive research and development.

SINOMACH adheres to the corporate philosophy of "work together, win together", and is devoted to developing the corporate culture of "harmony". Centering on the two core business sectors of equipment manufacturing and modern manufacturing services, the Group strives to build a world-class enterprise with international competitiveness, and become a pacemaker in China's machinery industry as well as the driving force for the progress of human civilization.

**Mind Drives The World**

256 <sup>th</sup> Fortune Global 500	61 <sup>st</sup> China's Top 500 Enterprises	Grade A Performance Assessment for Central SOEs under SASAC for 10 consecutive years	NO.1 China's Top 100 Enterprises in the Machinery Industry for 10 consecutive years
25 <sup>th</sup> ENR Top 250 International Contractors	64 <sup>th</sup> ENR Top 225 International Design Firms	20 <sup>th</sup> China's Top 500 Foreign Trade Enterprises	

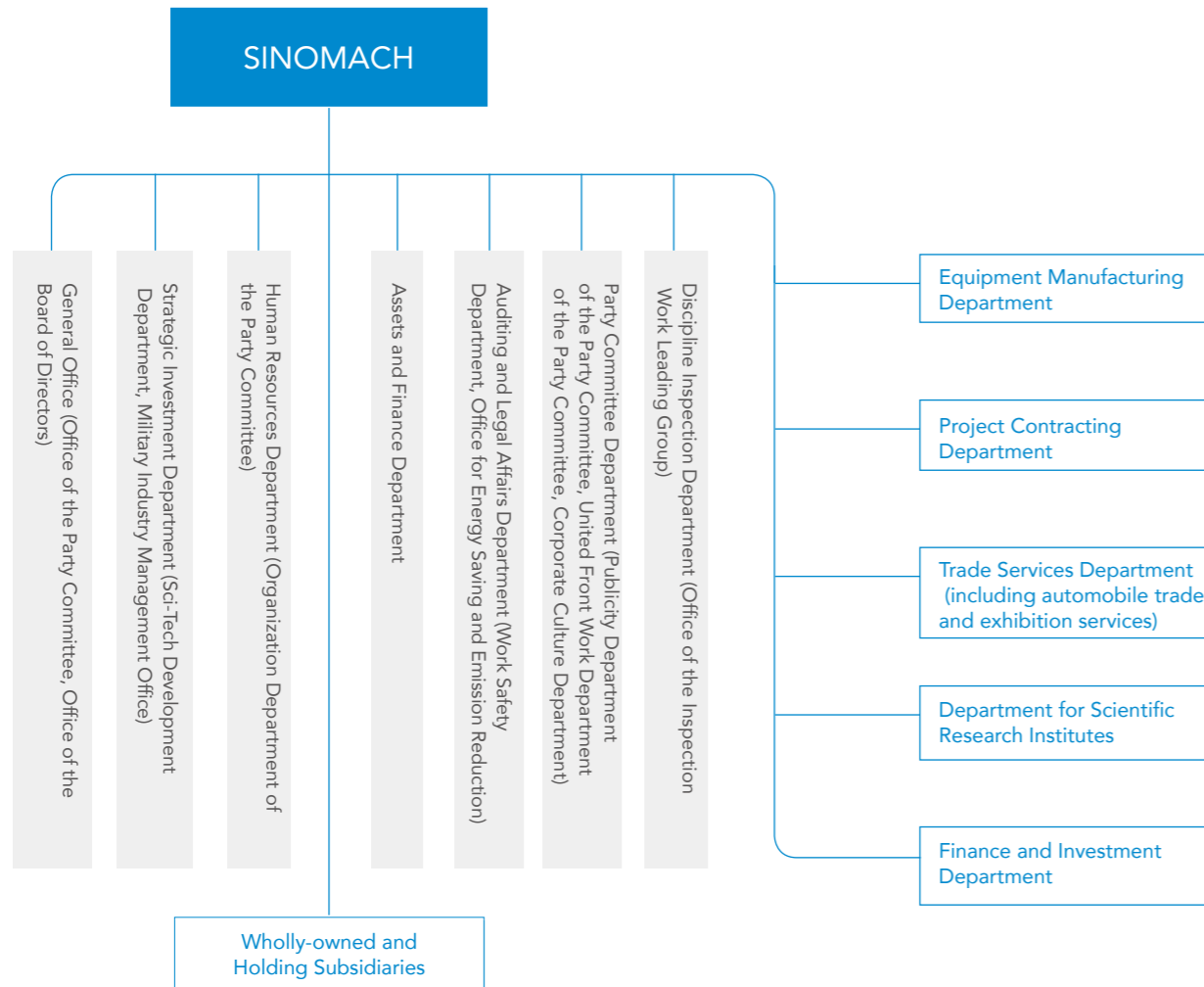
## Corporate Governance

SINOMACH is a solely SOE registered in accordance with the *Company Law of the People's Republic of China, the Law of the People's Republic of China on State-owned Assets in Enterprises* and other laws and regulations. The SASAC performs duties as the contributor of SINOMACH according to law upon the authorization of the State Council. According to *Interim Regulations on the Board of Supervisors in State-owned Enterprises*, the State Council dispatches a Board of Supervisors to the

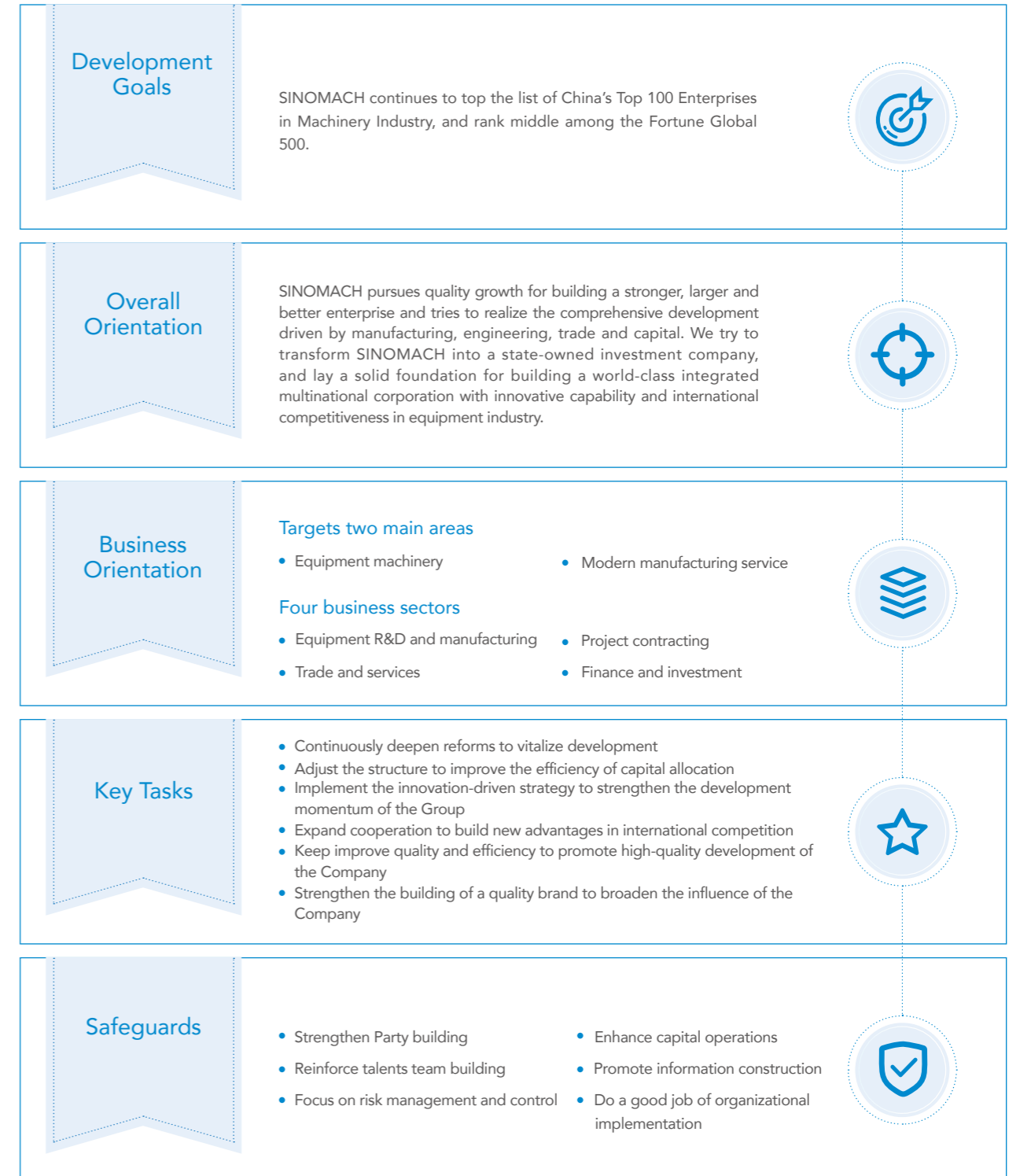
Group to supervise the maintenance and increase of the value of state-owned assets in the Group. SINOMACH has established the Board of Directors as the decision-making body, which plays a crucial role in corporate governance and determines key issues of the reform and development of SINOMACH.

SINOMACH strictly follows the spirit of the 19th CPC National Congress and Work Conference on Party Building in State-owned Enterprises, and continuously

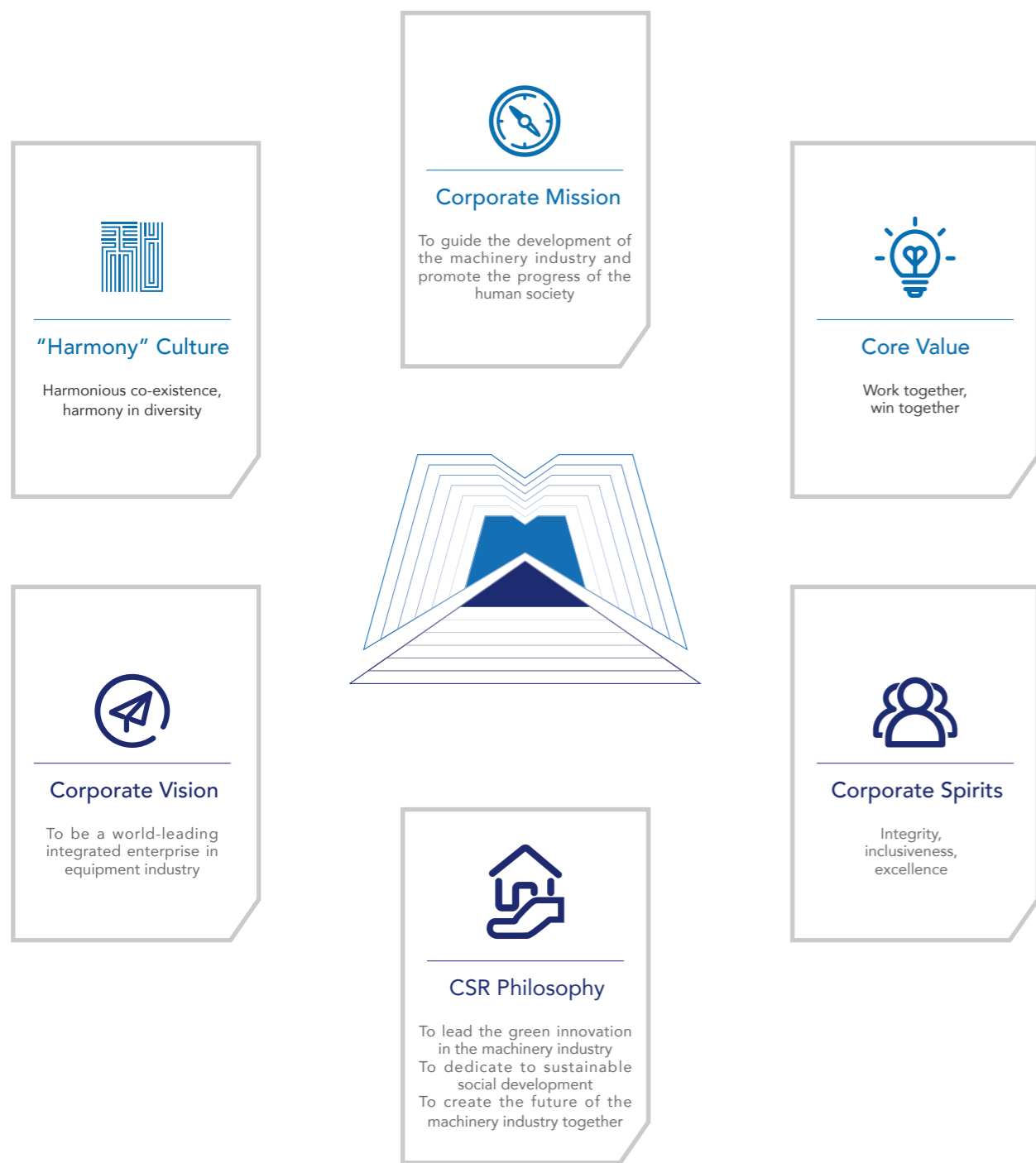
strengthens the unification of Party leadership and corporate governance. It has made clear and strengthened the statutory position of the Party organization in SINOMACH's corporate governance structure, and ensured that the Party organization can have a more systematized, institutionalized and materialized impact on corporate governance.



## Corporate Strategy



## Corporate Culture



## Subsidiaries

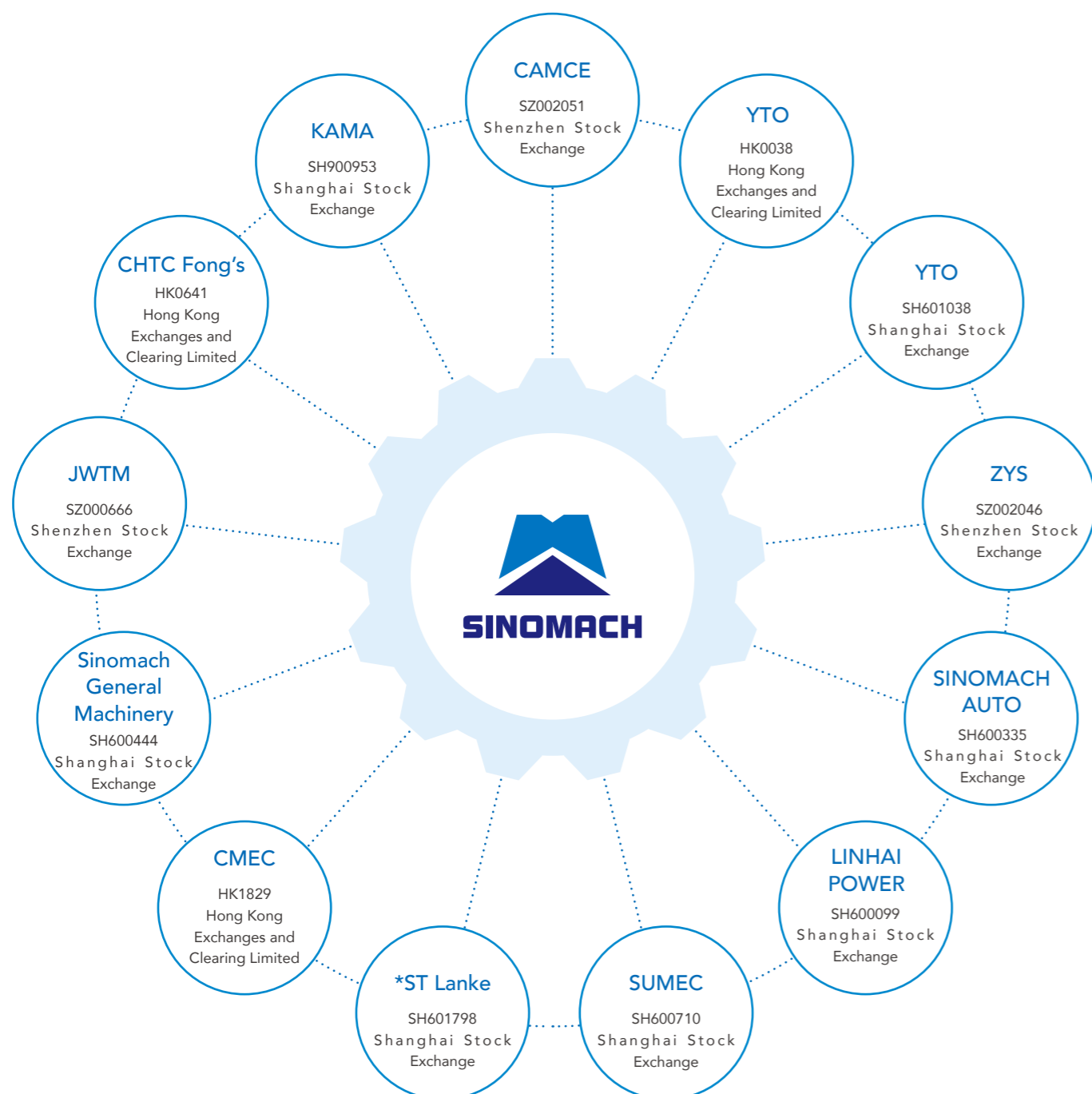
By the end of 2018, SINOMACH had 35 secondary wholly-owned and holding subsidiaries, more than 1,000 tertiary or lower-level subsidiaries, among which 12 are listed companies. The company also established more than 300 overseas service organizations.

### Secondary Wholly-owned and Holding Enterprises

No.	Company Name	English Abbreviation
1	China Machinery Engineering Corporation	CMEC
2	China CAMC Engineering Co., Ltd.	CAMCE
3	China HiTech Group Corporation	CHTC
4	China Foma (Group) Co., Ltd.	CFMC
5	China Ocean Aviation Group Inc.	COAGI
6	China Geo-Equipment Corporation	CGEG
7	China Machinery Industry Corporation	SINOCONST
8	China National Machine Tool Sales and Technical Service Corporation	CNMTC
9	China CACS Engineering Corporation	CACS
10	China SINOMACH Heavy Industry Corporation	SINOMACH HEAVY INDUSTRY
11	SINOMACH Finance Co., Ltd.	SINOMF
12	SINOMACH Automobile Co., Ltd.	SINOMACH AUTO
13	China Machinery international Corporation	SINOMACHINT
14	SINOMACH Capital Management Corporation	SINOMACH CAPITAL
15	SINOMACH Capital Holding Co., Ltd.	SCHC
16	China Academy of Agricultural Mechanization Sciences	CAAMS
17	China IPPR International Engineering Co., Ltd.	IPPR
18	SINOMACH Science and Technology Research Institute Co., Ltd.	SINOMACH STRI
19	SINOMACH Heavy Equipment Group Co., Ltd.	SINOMACH HE
20	China National Erzhong Group Co.	CNEG
21	YTO Group Corporation	YTO
22	SUMEC Group Corporation	SUMEC
23	China Perfect Machinery Industry Corp.,Ltd.	CPF
24	China United Engineering Corporation	CUC
25	China Automobile Industry Engineering Corporation	AE
26	SIPPR Engineering Group Co., Ltd.	SIPPR
27	Shenyang Academy of Instrumentation Science Co., Ltd.	SAIS
28	Hefei General Machinery Research Institute Co., Ltd.	HGMRI
29	Lanpec Technologies Limited	LANPEC
30	Luoyang Bearing Science and Technology Co., Ltd.	ZYS
31	China National Electric Apparatus Research Institute Co., Ltd.	CEI
32	SINOMACH Intelligence Technology Co., Ltd.	SINOMACH INTELTECH
33	Jinan Foundry and Metalforming Machinery Research Institute Co., Ltd.	JFMMRI
34	Chongqing Materials Research Institute Co., Ltd.	CIMRI
35	Guilin Electrical Equipment Scientific Research Institute Co., Ltd.	GLESI



### Listed Companies



Note: YTO was listed on Hong Kong Exchanges and Clearing Limited, and Shanghai Stock Exchange

### Roles in Social Organizations

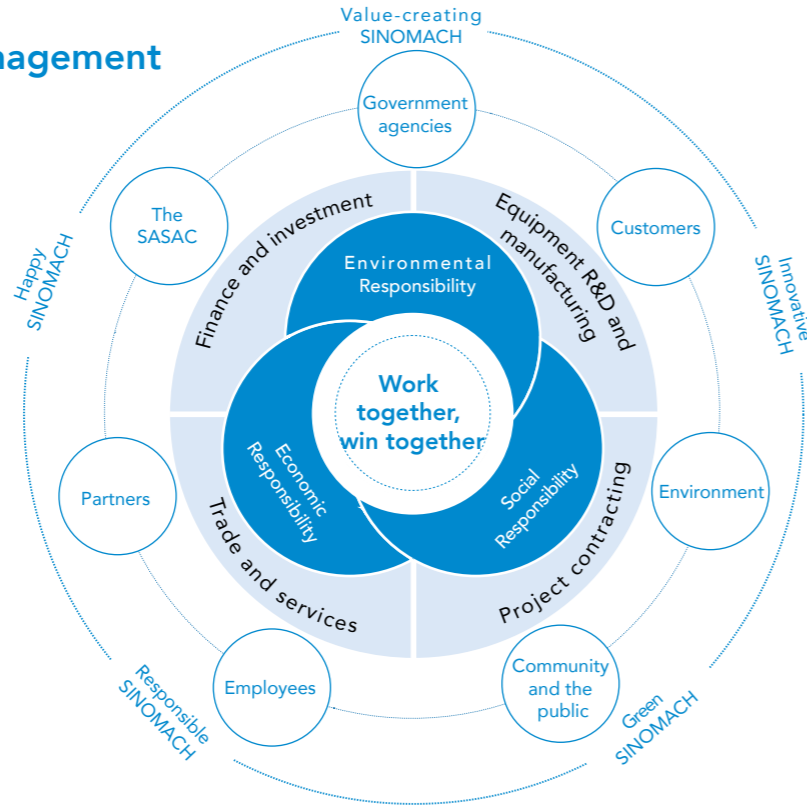
Organization	Role
United Nations Global Compact	Council Member
China-France Business Council	Council Member
World Economic Forum	Associate Partner
Boao Forum for Asia	Diamond Member
Chinese Council of China-Arab Joint Chamber of Commerce	Chairman
B20	Member
The Shanghai Cooperation Organization (SCO) China Business Council	Vice Chairman
China Machinery Industry Federation (CMIF)	Vice Chairman Member
China Enterprise Confederation (CEC) China Enterprise Directors Association (CEDA)	Vice Chairman Member
China Chamber of International Commerce (CCOIC)	Vice Chairman Member
China International Contractors Association (CICA)	Vice Chairman Member
China Chamber of Commerce for Import and Export of Machinery and Electronic Products	Vice Chairman Member
China Mechanical Engineering Society (CMES)	Deputy Director-General Member
Society of Automotive Engineers of China (SAE-China)	Deputy Director-General Member
China Association of Automotive Manufactures (CAAM)	Vice Chairman Member
China Automobile Dealers Association	Vice Chairman Member
China Machinery Enterprise Management	Deputy Director-General Member
China Association of International Engineering Consultants (CAIEC)	Vice Chairman Member
China National Association of Engineering Consultants (CNAEC)	Vice Chairman Member
China Exploration & Design Association (CEDA)	Deputy Director-General Member
China Association for Engineering Construction Standardization (CECS)	Deputy Director-General Member
China Association of Plant Engineering Consultants (CAPEC)	Deputy Director-General Member
China Association of Agricultural Machinery Manufactures (CAAMM)	Chairman Member
China Education Association of Machinery Industry (CEAMI)	Deputy Director-General Member
Machinery Industry Branch of the Accounting Society of China (ASC)	Chairman Member
China Auto Talents Society	Deputy Director-General Member
China Association of Machinery Industry Culture (CAMIC)	Vice Chairman Member
Machinery Branch of the China Supervision Society	Vice Chairman Member
China Machinery Industry Auditing Society (CMIAS)	Vice Chairman Member
Electric Power Equipment Branch of the China Chamber of Commerce for Import and Export of Machinery and Electronic Products	Vice Chairman Member
Machine Tool Branch of China Chamber of Commerce for Import and Export of Machinery and Electric Products	Director-General Member
China Foundry Association (CFA)	Vice Chairman Member
China Chamber of Commerce for Import and Export of Textile and Apparel	Vice Chairman Member
The Foundry Institution of Chinese Mechanical Engineering Society (FICMES)	Vice Chairman Member
China Association of Machinery Industry Survey and Design	Council Member
China Petroleum & Petrochemical Equipment Industry Association (CPEIA)	Council Member
Engineering Intelligent Design Branch of China Exploration and Design Association (CEDAIB)	Vice Chairman Member
Structural Design Branch of China Exploration and Design Association	Council Member
National Tractor Standardization Technical Committee	Director
Tractor Branch of Chinese Society for Agricultural Machinery	Director-General Member
China Agricultural Machinery Distribution Association (CAMDA)	Vice Chairman Member
Chinese Society for Agricultural Machinery (CSAM)	Vice Chairman Member
China Internal Combustion Engine Industry Association (CICEIA)	Vice Chairman Member
China Association of Machinery Manufacturing Technology (CAMMT)	Deputy Director-General Member
China Construction Machinery Association (CCMA)	Vice Chairman Member

Note: Items in the table are listed in no particular order

# Social Responsibility Management

## Social Responsibility Management Model

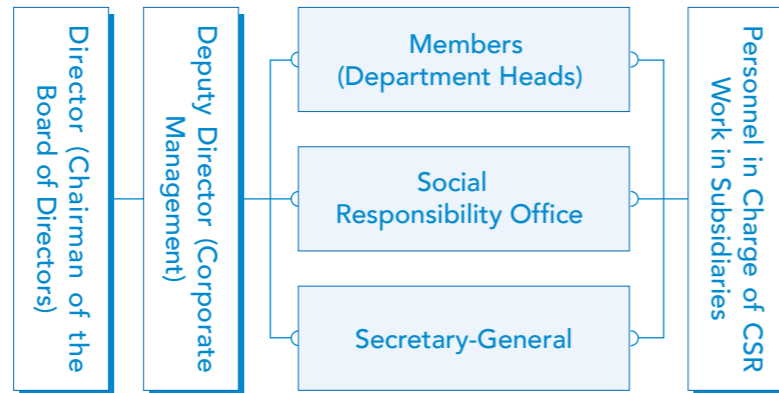
Based on a comprehensive understanding of the social responsibility of the Company, we adhere to the core value of “work together, win together” to build a value-creating, innovative, green, responsible and happy SINOMACH by focusing on the main business sectors of “equipment R&D and manufacturing, project contracting, trade and services, and finance & investment”, striving to create comprehensive economic, social and environmental values for all stakeholders.



SINOMACH Social Responsibility Management Model

## Organizational Structure of Social Responsibility Management

SINOMACH continues to improve its organizational structure of social responsibility management among the headquarters and subsidiaries of the Group, promotes social responsibility management step by step according to the plan, and integrates social responsibility concepts and requirements into the corporate culture, development strategy and business operations through optimizing the organizational structure, functions, operation mechanism, so as to comprehensively advance social responsibility work.



SINOMACH Organizational System for Social Responsibility Management

## Social Responsibility Management Promotion

Strengthening social responsibility capability building	Conducting research on social responsibility	Building a social responsibility brand	Expanding social responsibility communication
<ul style="list-style-type: none"> <li>▶ Regularly organizing the promotion, communication and training on social responsibility to improve employees' understanding and awareness of social responsibility and their ability of social responsibility management.</li> <li>▶ Inviting external social responsibility consulting agencies and experts at home and abroad to provide professional support for the social responsibility work of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Finding our disadvantages in social responsibility practices timely by benchmarking against advanced enterprises in social responsibility management to make corresponding improvements.</li> <li>▶ Conducting researches on social responsibility to explore new management approaches and models.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Building a responsible brand inside the Group through media channels such as corporate journals, official WeChat account and CSR column of the official website.</li> <li>▶ Demonstrating the responsible image of the Company to the society through mainstream media, application for excellent social responsibility cases, donations and so on.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Participating in the forums and seminars organized by professional organizations, such as Chinese Academy of Social Sciences and <i>China Sustainability Tribune</i> (formerly known as <i>China WTO Tribune</i>).</li> <li>▶ Carrying out social responsibility communication with peer companies.</li> <li>▶ Participating in specific survey on social responsibility of the SASAC.</li> <li>▶ Participating in activities held by UN Global Compact.</li> </ul>

## Social Responsibility Honors of SINOMACH

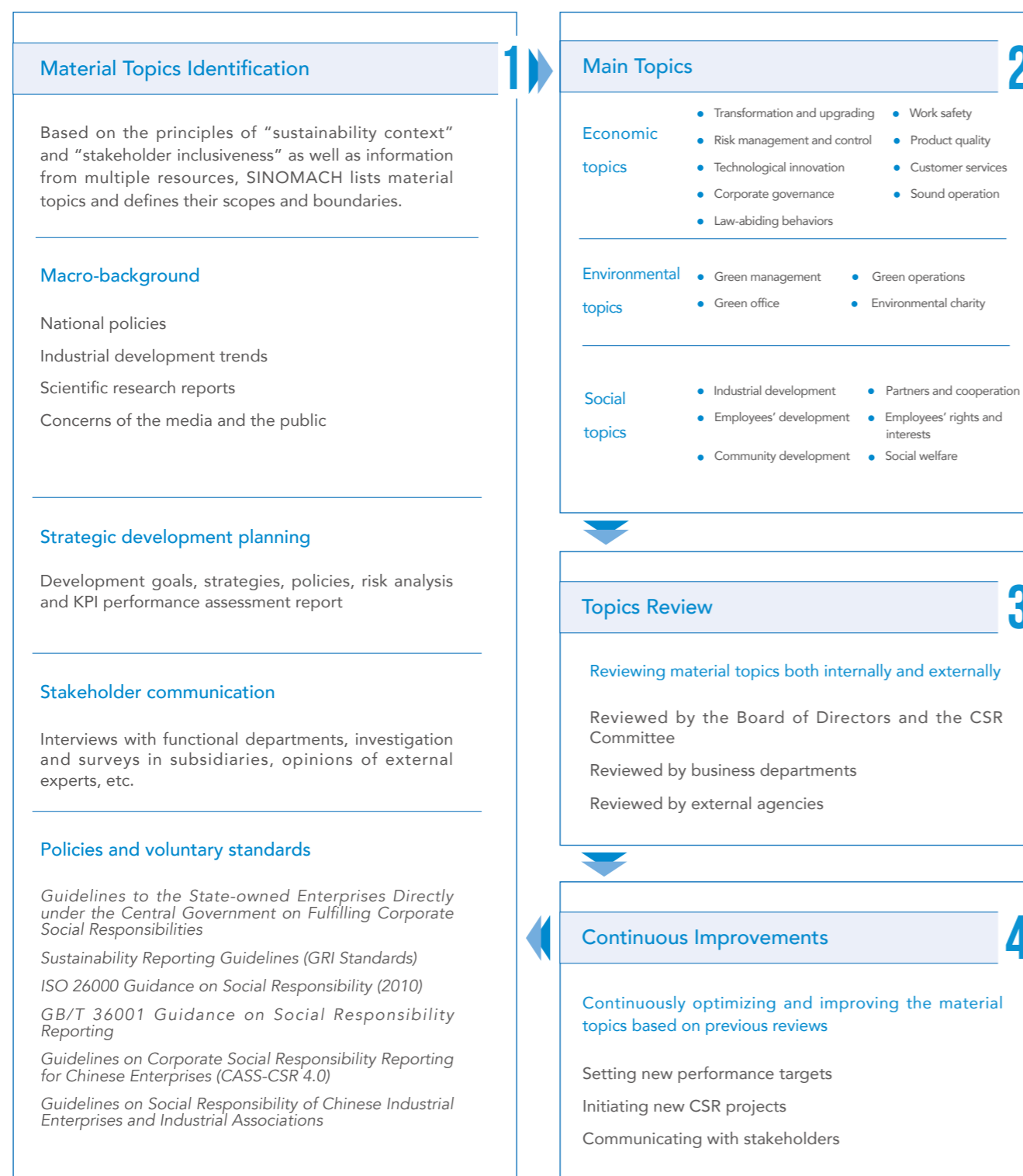
- The only Council Member of UN Global Compact in China
- Winner of the GoldenBee CSR China Honor Roll-GoldenBee Enterprise Award (One Star)
- Evaluated as Leading Enterprise in 2018 CSR Performance Evaluation of Chinese International Contractors
- Story-field-Philosophy for Rural Kids program of SINOMACH was evaluated as SDGs 2018 Best Corporate Practice by UN Global Compact
- CMEC, a subsidiary of SINOMACH, won the Duty of Care Award - Remote Healthcare issued by International SOS Foundation



SINOMACH participates in UN Global Compact Leaders Summit

## Social Responsibility Material Topics

SINOMACH identifies material topics that are of importance to the company's sustainable development in accordance with national policies, industrial characteristics, international and Chinese social responsibility standards and the Group's practical conditions. Moreover, SINOMACH keeps improving and upgrading to provide decision-making reference to the social responsibility management and practice of the Company.



## Stakeholder Management

SINOMACH actively pays attention to and responds to the expectations and demands of stakeholders. We make great efforts to develop new forms, and strengthen communication with stakeholders, endeavoring to improve stakeholder satisfaction and achieve common development.

Stakeholders	Expectations and Demands	Communication Approaches	Practices
Governments	<ul style="list-style-type: none"> <li>Supporting macro-regulation</li> <li>Employment promotion</li> <li>Tax payment according to law</li> <li>Local economic development promotion</li> </ul>	<ul style="list-style-type: none"> <li>Top management meetings</li> <li>Communications and exchanges</li> <li>Information reporting</li> <li>Conferences participation</li> </ul>	<ul style="list-style-type: none"> <li>Job creation</li> <li>Tax payment</li> <li>Social wealth creation</li> <li>Local infrastructure improvement</li> <li>Local industries development</li> </ul>
SASAC	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Value maintenance and appreciation of assets</li> <li>Work safety</li> <li>Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Featured report</li> <li>Information reporting</li> <li>Conferences participation</li> <li>Company announcement</li> </ul>	<ul style="list-style-type: none"> <li>Lawful and trust-worthy operation</li> <li>Sound development</li> <li>Enhanced work safety management</li> <li>Ecological environment protection</li> </ul>
Community, the Public and NGOs	<ul style="list-style-type: none"> <li>Improving community environment</li> <li>Respecting community culture</li> <li>Supporting public welfare</li> </ul>	<ul style="list-style-type: none"> <li>Community publicity</li> <li>Community communication meeting</li> <li>Community seminar</li> </ul>	<ul style="list-style-type: none"> <li>Participating in community building</li> <li>Social welfare actions</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Honoring commitments</li> <li>Providing premium and quality products</li> <li>Open communication and service channels</li> </ul>	<ul style="list-style-type: none"> <li>Business meeting</li> <li>Service hotline</li> <li>Business visits</li> </ul>	<ul style="list-style-type: none"> <li>Honoring contracts</li> <li>Providing quality products and services</li> <li>Improving service system</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Occupational health and safety protection</li> <li>Shared growth</li> <li>Salary and welfare security</li> <li>Humanistic care</li> <li>Employee localization</li> </ul>	<ul style="list-style-type: none"> <li>Employees' Representative Congress</li> <li>Petition</li> <li>Making company affairs public</li> <li>SINOMACH News</li> <li>Social responsibility report</li> <li>Chairman mailbox</li> </ul>	<ul style="list-style-type: none"> <li>Providing labor protection equipment and facilities</li> <li>Smooth employee career development channels</li> <li>Education and training</li> <li>Competitive remuneration</li> <li>Employee care</li> <li>Enhanced overseas staff management</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Energy conservation and emissions reduction</li> <li>Economical use of resources</li> <li>Ecological protection</li> <li>Environmental charity</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening information disclosure</li> <li>Regular reporting information of energy saving and emissions reduction</li> </ul>	<ul style="list-style-type: none"> <li>Green environmental management</li> <li>Green design</li> <li>Green product</li> <li>Green project</li> <li>Environmental actions</li> </ul>
Suppliers/Contractors	<ul style="list-style-type: none"> <li>Fair competition</li> <li>Integrity and honesty</li> <li>Information confidentiality</li> </ul>	<ul style="list-style-type: none"> <li>Supplier conference</li> <li>Bidding information disclosure</li> <li>Strategic cooperation</li> <li>Cooperation agreement</li> </ul>	<ul style="list-style-type: none"> <li>Equal consultations</li> <li>Honoring contracts</li> <li>Responsible sourcing</li> </ul>
Partners	<ul style="list-style-type: none"> <li>Regular communication</li> <li>Long-term stable relationship</li> </ul>	<ul style="list-style-type: none"> <li>Top management visiting</li> <li>Strategic cooperation</li> </ul>	<ul style="list-style-type: none"> <li>Integrity and law abiding</li> <li>Mutual benefit and win-win cooperation</li> </ul>
Peers	<ul style="list-style-type: none"> <li>Fair competition</li> <li>Promoting industrial development</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening communication within the industry</li> <li>Attending industrial forums and meetings</li> <li>Paying exchange visit</li> </ul>	<ul style="list-style-type: none"> <li>Safeguarding healthy industrial development</li> <li>Participating in industrial standards development</li> <li>Promoting industry exchanges and cooperation</li> </ul>
Media	<ul style="list-style-type: none"> <li>Information disclosure and transparency</li> </ul>	<ul style="list-style-type: none"> <li>Official website</li> <li>Social responsibility report</li> <li>Company announcement</li> <li>Interview</li> <li>Press conference</li> </ul>	<ul style="list-style-type: none"> <li>Setting up news spokesman system</li> <li>Disclosing information timely</li> </ul>

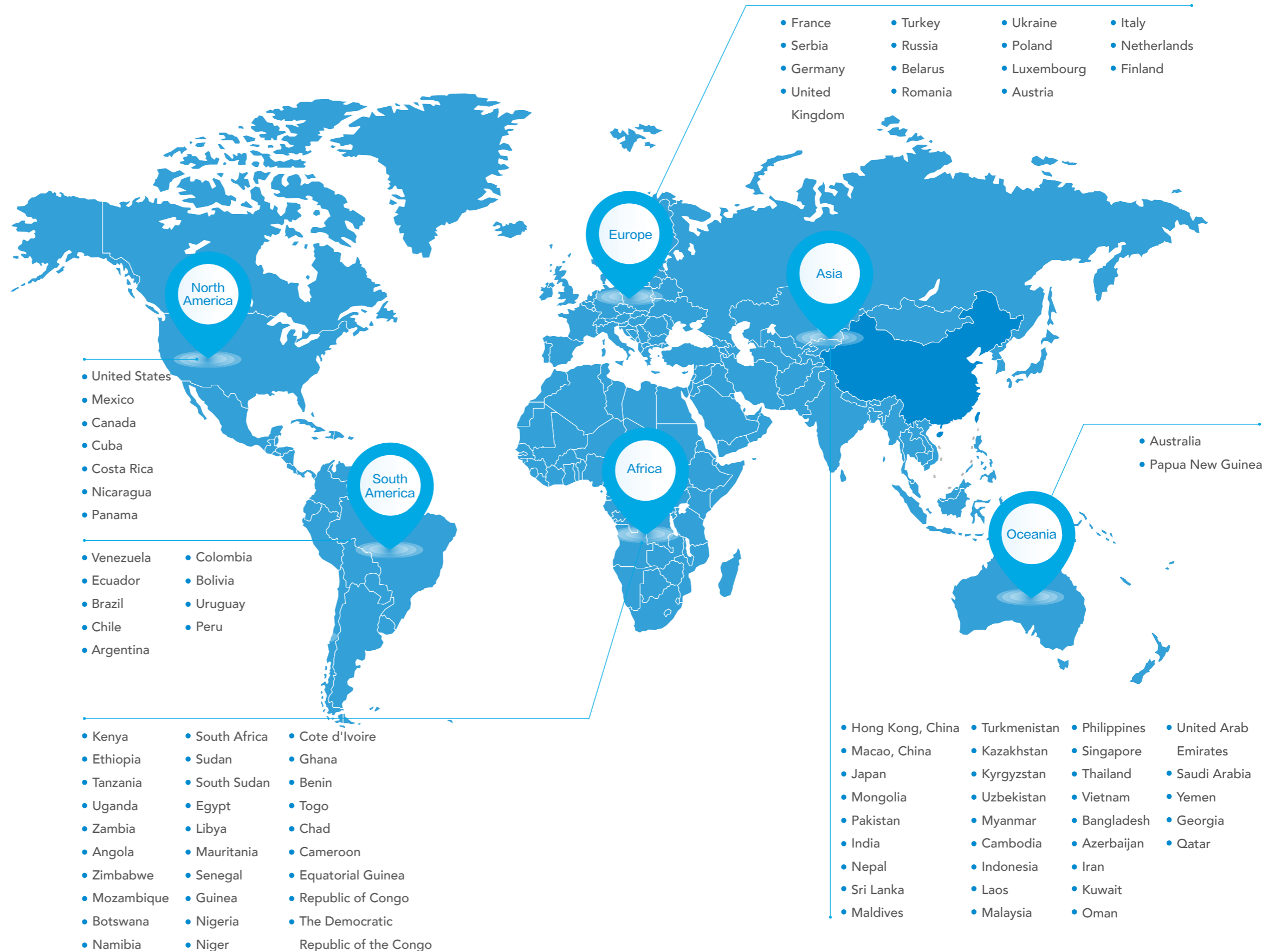
# CSR Focus 1

## International Operations

SINOMACH actively implements the Belt and Road Initiative, and continues to build a new platform for deepened cooperation in international capacity and equipment manufacturing. We overcome obstacles to "rebuild an international SINOMACH" by launching more international operations, and benefit the local area and the country with technologies, equipment and services.

## More Overseas Organizations

SINOMACH has opened overseas organizations step by step, and launched the pilot operation of the first overseas regional center in Belarus and its surrounding areas. In 2018, the Group established 35 new overseas organizations. At present, 23 subsidiaries of SINOMACH have established a total of 335 overseas organizations in 92 countries and 2 regions, including 151 subsidiaries and 184 branches.



335

Overseas organizations

151

Subsidiaries

184

Branches

## Deepening the Implementation of the Belt and Road Initiative

We vigorously promote the construction of overseas projects covering major regions along the Belt and Road. With the Silk Road spirit, we take initiative to explore the international market, striving to establish Chinese brands with demonstration projects. SINOMACH continued to its overseas expansion. By the end of 2018, more than 700 projects along the Belt of Road were completed or being implemented with total contract amount reaching approximately USD 80 billion.

USD **80** billion

Total contract amount

more than **700** projects

Along the Belt of Road completed or

being implemented

### China-Belarus Industrial Park - the pearl of the Silk Road Economic Belt

As the largest overseas industrial park project and the economic and trade cooperation zone that offers the most preferential policies of China, China-Belarus Industrial Park has aroused the great concerns of top leaders of China and Belarus. As the main developer of the industrial park, CAMCE, a subsidiary of SINOMACH, fully demonstrated its strength in project management and EPC contracting, thus establishing the reputation of Chinese brands with outstanding projects. Municipal Infrastructure Construction Project of Starting Area of Phase One, M2 Office Building and Standard Plant Construction Project of China-Belarus Industrial Park, constructed by CAMCE, received Belarusian Outstanding Engineering Award on August 7, 2018. CAMCE has built the industrial park into the pearl on the Silk Road Economic Belt and a model for mutually beneficial cooperation between China and Belarus. On December 22, the Industrial Park was approved to be the first Special Economic Zone in Belarus, which, with preferential business policies, further increased the attraction of the industrial park for Belarus and other members of Eurasian Economic Union. By the end of 2018, 42 enterprises had settled in the industrial park whose amount of contracted investment totaled USD 1.1 billion.

*"Upholding the concept of "scientific management and high-quality", CAMCE has always put quality first and completed the target of each phase of the project on schedule. I hope that CAMCE will forge ahead and participate in more projects of Belarus."*

— Kruchanov Aleksandr Vladimirovich  
First Deputy Minister of Architecture and Construction of the Republic of Belarus



Scan to know more about China-Belarus Industrial Park



Chinese Premier Li Keqiang witnesses the signing ceremony of a 500kV power transmission project in Cambodia



China-Belarus Great Stone Industrial Park

## International Communication and Cooperation

SINOMACH has taken an active part in more than 20 events for international communication and cooperation, including China International Import Expo, UN Global Compact, the World Economic Forum, Chinese-Russian Business Council, the BRICS Business Council, the Boao Forum for Asia, and the Forum on China-Africa Cooperation. This has provided us with more channels for development and chances to give our voice in the international market, promoted technological innovation and corporate transformation, maximized the comprehensive value of corporate development and international social effects, and established a responsible corporate image.



Participating in World Economic Forum



Participating in BRICS Business Forum



Participating in the first China International Import Expo

SINOMACH creates "the smartest exhibition area" with fruitful results on the first CIIE

On November 10, 2018, the first China International Import Expo (CIIE) closed in Shanghai. As the only central SOE responsible for inviting exhibitors, SINOMACH successfully invited 51 exhibitors with a total exhibition area of 17,000 square meters for contract, achieving fruitful results. All exhibitors and exhibits came from 14 countries including Germany and Switzerland. Among the exhibits, more than 10 sets were newly launched, for which the exhibition was reputed as "the smartest exhibition area" with most and strongest technologies. During the expo, 6 subsidiaries of SINOMACH, namely CMEC, CAMCE, CHTC, SUMEC, SINOMACH AUTO and CNMTC signed a total of 21 cooperation agreements with enterprises from 16 countries, amounting to USD 8.4 billion.

# CSR Focus 2

## Supporting Poverty Alleviation

SINOMACH actively fulfills tasks assigned by the CPC Central Committee and the State Council, and strives to fight poverty with all-out efforts. Based on our own resources and local characteristics, we pay attention to strengthen the local area's self-sufficient capability to lift itself out of poverty by "assisting the development of talents, boosting enthusiasm, supporting industries and improving livelihood". Supported by the innovative targeted poverty alleviation model of "take root in education, develop industry, support agricultural machinery, and facilitate people's livelihood", we try to gain new progress level in poverty alleviation work. In 2018, the Group was assigned the poverty alleviation tasks of 4 national fixed-point poverty alleviation counties (districts) with a total investment of RMB 27.531 million, appointed 8 outstanding officials on secondment as general secretaries of poverty-stricken villages, and trained 1,605 grassroots officials and 2,140 technical personnel. The subsidiaries of the Group were assigned the local governmental or other poverty alleviation tasks of 4 fixed-pointed poverty alleviation townships, and 25 poverty alleviation villages with a total investment of RMB 5.998 million for 50 projects. We established 4 companies and thus helped poverty alleviation and supported 1,512 registered poor people get rid of poverty.

**RMB 27.531 million**  
Total investment in poverty alleviation

**4**  
Fixed-point poverty alleviation counties (districts)

**29**  
Fixed-pointed poverty alleviation townships (villages)

**1,512**  
Registered poor people lifted out of poverty by subsidiaries of SINOMACH

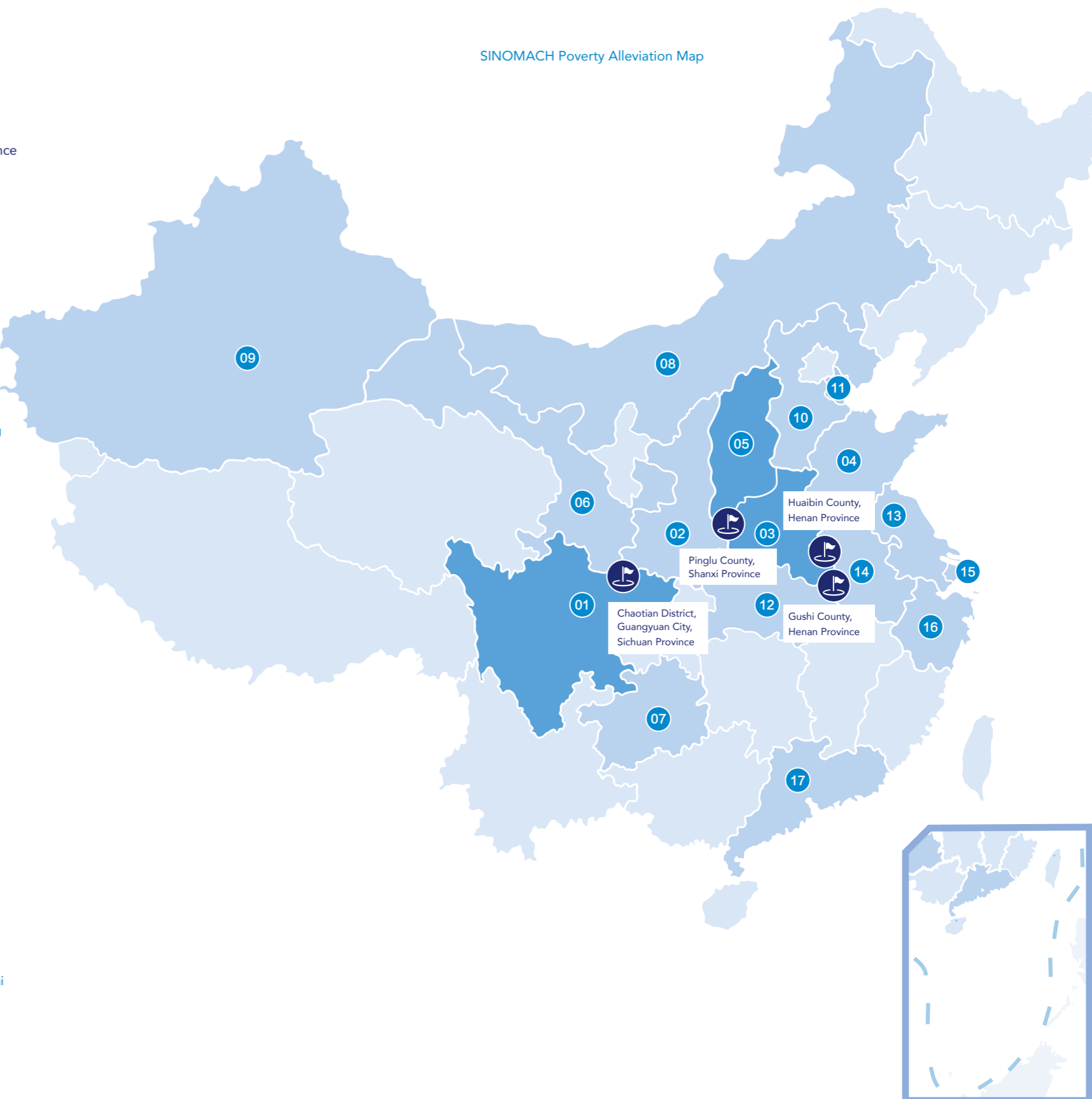
### Fixed-point poverty alleviation counties (districts)

- Gushi County, Henan Province
- Huaibin County, Henan Province
- Chaotian District, Guangyuan City, Sichuan Province
- Pinglu County, Shanxi Province

### Fixed-point poverty alleviation townships (villages)

- 01 Liuhe Village, Jiqing Town, Zhongjiang County, Deyang City, Sichuan Province  
Baiyang Village, Yongfeng Township, Zhongjiang County, Deyang City, Sichuan Province  
Xinkai Village, Yongfeng Township, Zhongjiang County, Deyang City, Sichuan Province  
Yulin Village, Yudong Town, Chaotian District, Guangyuan City, Sichuan Province
- 02 Daya Village, Daya Town, Pengshui County, Chongqing Shuanglong Town, Wushan County, Chongqing
- 03 Baima Village, Shuang'an Town, Ziyang County, Ankang City, Shaanxi Province  
Yuantan Village, Danfeng County, Shaanxi Province
- 04 Zhifang Village, Tantou Town, Luanchuan County, Luoyang City, Henan Province  
Majuling Village, Zhifang Town, Song County, Luoyang City, Henan Province
- 05 Sanwang Village, Jiuhou Town, Yichuan County, Luoyang City, Henan Province
- 06 Dongfengting Village, Daotian Town, Shouguang County-level City, Weifang City, Shandong Province
- 07 Xiangli Village, Changning Town, Yuci District, Jinzhong City, Shanxi Province
- 08 Wangchangsi Village, Gucheng Town, Heshui County, Qingyang City, Gansu Province  
Lintao County, Dingxi City, Gansu Province
- 09 Houchang Town, Ziyun Miao and Buyi Autonomous County, Guizhou Province
- 10 Chahar Right Back Banner, Ulaan Chab League, Inner Mongolia Autonomous Region
- 11 Makit County, Kashgar Prefecture, Xinjiang Uyghur Autonomous Region
- 12 Sanhao Village, Sanhao Town, Zhangbei County, Zhangjiakou City, Hebei Province
- 13 Guoxin Zhuang Village, Fangjiazhuang Town, Baodi District, Tianjin
- 14 Xindong Village, Wandian Town, Zengdu District, Suizhou City, Hubei Province
- 15 Zhendong Village, Luji Town, Siyang County, Suqian City, Jiangsu Province  
Meijiazhuang Village, Xinjie Town, Taixing City, Jiangsu Province
- 16 Yangzhuang Village, Renzhai Town, Jiesshou City, Anhui Province  
Dalu Village, Shuzhuang Town, Jiesshou City, Anhui Province
- 17 Heping Village, Lvxiang Town, Jinshan District, Shanghai
- 18 Jixia Village, Huangtan Town, Wencheng County, Wenzhou City, Zhejiang Province
- 19 Honghua Village, Dacheng Town, Raoping County, Chaozhou City, Guangdong Province  
Yanitang Village, Shiling Town, Lianjiang City, Zhanjiang City, Guangdong Province

SINOMACH Poverty Alleviation Map



## Supporting Education Development

SINOMACH has established Happiness SINOMACH Primary Schools and SINOMACH Motivational Schools to help improve students' learning environment, and also organized young backbone teachers and principals from poverty-stricken areas to receive related training in Beijing with an aim to support the improvement of local education. For students from poor households of fixed-point poverty alleviation areas, the technical and technician colleges of SINOMACH exempt their tuition fees, provide them with internships and full-time jobs, and cultivate their vocational skills. In 2018, the "SINOMACH Model" for poverty alleviation through the supporting education won the award of Best Practice Award on Education Promotion at the 2018 China Business Summit on Achieving SDGs.



SINOMACH leaders conduct a poverty alleviation survey at a SINOMACH Motivational School in Gushi County, Henan Province



Happiness SINOMACH Primary School

### Launching the Elderly Care Talent Training Program to develop innovative poverty alleviation work modes

CMEC integrates upstream and downstream resources and takes the lead to launch the Elderly Care Talent Training Program by providing "targeted poverty alleviation-training class for junior elderly care caregivers". The program hired 6 experts to teach professional elderly care theories and skills among trainees in fixed-point poverty alleviation counties (districts). By learning from experts' lectures during the day and self-study at night, with theories and practice, students have gained a better understanding of the elderly care cause, mastered professional elderly care skills better, and created conditions for poverty alleviation.

### An initiative, a different Children's Day

The Children's Day should be one of the happiest days for children throughout the year. On this holiday, children can have their parents around to play with them and get the gifts they have been dreamed of. For the 52 orphans at the SINOMACH Motivational School in Gushi County, this scenario can hardly be true. So Lulu, the child of a SINOMACH employee, launched an initiative, which is supported and followed by other SINOMACH children, to send a small gift to each kid of the school and bring a different Children's Day filled with warm feelings.



Scan to see the blessing video

## Developing Industries

Combining its own advantages with local reality, SINOMACH builds factories in poverty-stricken areas, optimizes the production model for farming, forestry, animal husbandry and fishery, and promotes poverty alleviation through developing the photovoltaic industry, devoting great efforts to create employment for the local people and boost regional economy. Meanwhile, through Group procurement and internal publicity, SINOMACH encourages its employees of the Group and subsidiaries to purchase or support the sale of agricultural products and byproducts from the 4 fix-point poverty alleviation counties and districts. The move aims to broaden the sales channels for local agricultural products, and promote the integration of local products and services into the national market. In 2018, the Group purchased RMB 5.86 million of agricultural products produced in poverty-stricken areas, and helped those areas with the sale of RMB 7.38 million of agricultural products.



SINOMACH donates an X-ray machine to the central hospital of the town of Zhongzi in Chaotian District



SUMEC builds a garment factory in Huaibin County

## Improving People's Livelihood

SINOMACH focuses on the priorities in poverty-stricken areas to provide targeted support by charitable donations and infrastructure construction projects. The Group has drilled wells, built power facilities, repaired roads, and carried out dilapidated house renovation in poverty-stricken areas in order to satisfy the basic needs of the local people, improve their living conditions, and facilitate the construction of beautiful villages.

### Developing e-commerce to bring distinctive agricultural products to every corner of China

With the online shopping trend and the "Internet Plus" development concept, SINOMACH has given priority to development of the e-commerce industry to win the fight against poverty. The Group has been building e-commerce public service centers according to plans and established the three-level e-commerce operation system covering counties, towns and villages, in an effort to take advantage of the Internet to sell locally produced agricultural products, and to support poverty-stricken areas in eliminating poverty and help the people lift out of poverty.

### Striving to contribute to the fight against poverty in Pinglu County, Shanxi Province

The poverty alleviation officials from China HiTech Group Corporation, a subsidiary of SINOMACH, have been active in the first-line of poverty alleviation in Pinglu County, Shanxi Province since August, 2015. They trained more than 1,600 local officials and more than 600 technicians, and built the e-commerce operation system and poverty alleviation workshop in Pinglu County. Having helped poor households, fostered tourism to old revolutionary base areas, and constructed water, electricity and road projects for 7 villages, they successfully completed the targeted poverty alleviation tasks of SINOMACH, and made outstanding contributions to the fight against poverty in Pinglu County.



# 01

## Value-creating SINOMACH Making Contributions to the Real Economy



### Our Commitment

Always doing solid work and being proactive, scientifically planning development strategies, comprehensively improving the modern management of the Group, actively expanding business at home and abroad, and implementing the strategy of "reshaping a new SINOMACH overseas".

### Our Practice

Formulating the *SINOMACH Development Plan 2018-2020* to lay a foundation for the Group's scientific development; promoting diversified business development, and achieving fruitful results in various business areas; actively implementing the Belt and Road Initiative to foster new advantages in international competition and cooperation.

### Values

Pursuing "high-quality development", creating values for stakeholders and contributing to the economic and social development.



# High-quality Development

The high-quality development of the equipment manufacturing industry is the top priority of China in pursuing high-quality economic development. In the face of new situations, new tasks and new challenges, SINOMACH pursues progress while ensuring stability through solid work, continuously promoting steady growth of its business, and improving the management of the Group. Meanwhile, the Group drives quantity by quality, and by coordinating the overall development of all operations, it has ushered in a new era of high-quality development. In 2018, the Group's operating revenue reached RMB 300.47 billion, surpassing RMB 300 billion for the first time, with the total profits reaching RMB 10.19 billion, and retaining profits of over RMB 10 billion for a single year.



Leaders from the SASAC pay a visit to SINOMACH INTELTECH



Leaders from the SASAC pay a visit to SINOMACH HE

Witnessing the growth of SINOMACH at the "Transforming China: 40 Years of Reform and Opening-up" exhibition in Beijing

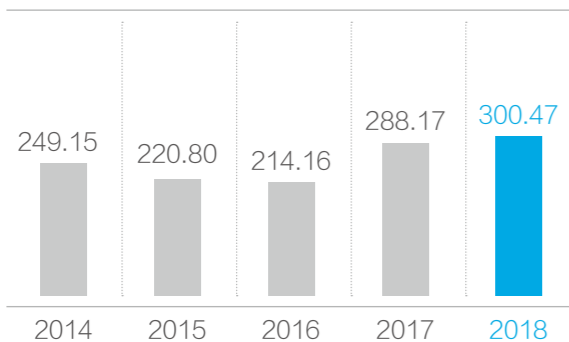
An exhibition marking the 40th anniversary of China's reform and opening-up was held at the National Museum of China in Beijing. With the theme of "Transforming China: 40 Years of Reform and Opening-up", the exhibition perfectly presents the splendid history of China over the past 40 years of reform and opening-up. Undoubtedly, SINOMACH was part of the history. The SINOMACH China-Belarus Industrial Park, key components of the ship lift at the Three Gorges, and the 400 horse power heavy-duty tractor with continuously variable transmission displayed at the National Museum all demonstrated SINOMACH's great achievements and progress over the past 40 years.

Operating revenue exceeding RMB 300 billion for the first time

Retaining profits of over RMB 10 billion



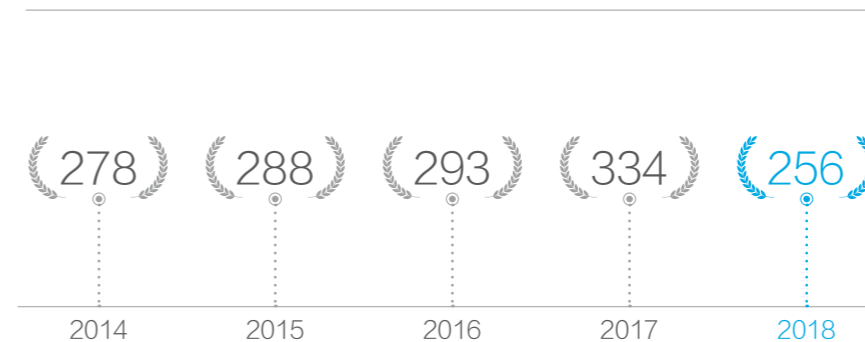
Operating revenue (RMB Billion)



Total assets (RMB Billion)



Ranking of SINOMACH in the Fortune Global 500 List



RMB **140.21** billion  
Trade Services

RMB **72.93** billion  
Equipment Manufacturing

RMB **63.73** billion  
Project Contracting

RMB **26.90** billion  
Scientific Research Institutes

RMB **1.12** billion  
Financial Investment

# Basic Management

SINOMACH continues to improve its management system and optimize its management process by upgrading the basic management in strategic guidance, capital operation, risk control and compliance, and audit supervision, in an effort to consolidate the foundation for the Group's high-quality development.

## 123

Asset valuation projects reviewed

## 100%

Overall property registration data

## RMB 332.7 billion

Assets audited

## Strategic Management

We actively play the leading role of strategies, comprehensively analyze the strengths and weaknesses of the Group based on international and domestic opportunities and challenges, and scientifically develop strategic plans. Meanwhile, we improve the strategic management system continuously to promote the effective implementation of the plans.

### Enhancing the strategic planning system

Scientifically developing the three-year rolling plan with the *SINOMACH Development Plan 2018-2020* formulated; completing the formulation of strategies for international business and developing plans for financial and investment operations.

### Improving the system for strategic control

Formulating the rules for evaluation of strategies, completing revision to relevant systems of strategic management, and focusing on the connections between Group's overall strategies and sector strategies as well as the strategies of subsidiaries.

### Enhancing implementation and evaluation of strategies

Strengthening the annual performance appraisal of the Group's senior management, and conducting in-depth analysis of and adjustment to the implementation of the Group's development strategies by centering on the mid-term evaluation of the strategies of SINOMACH during the 13th Five-Year Plan period.

### Actively establishing strategic partnerships

Capitalizing on the Group's advantages in technology and resources, and establishing strategic partnerships with governments, enterprises, and colleges and universities to share the value we create.

## Risk Management

In order to keep a tight rein on various risks, SINOMACH strengthens the establishment of the risk management system in accordance with the working concept of "adhering to the bottom-line thinking, comprehensively eliminating hidden dangers, taking proactive measures, and effectively handling risks". In 2018, there was no systemic risk incident within the Group. The Group's efforts in risk management and control were praised by the SASAC and the National Audit Office of the PRC.

### Strengthening organizational leadership

The Standing Committee of the Party Committee of SINOMACH is the highest decision-making body for risk management; the Audit and Risk Management Committee has been set up under the Board of Directors to review comprehensive risk management and assess major risks.

### Strengthening collaborative risk prevention and control

To consolidate the establishment of the risk management system, we plan, implement, inspect and assess risk management and business management simultaneously and carry out special inspections to strengthen management and control.

### Enhancing system construction

We construct a risk control system with SINOMACH's characteristics and create a risk management culture within the Group. The risk system at the headquarters has been set up to promote the improvement of the risk management system for subsidiaries.

### Strengthening management of key risks

We comprehensively analyze, supervise and rectify high-risk investment projects, and conduct on-site special risk inspections to subsidiaries and overseas projects.

## Anti-corruption and Clean Governance

We strictly follow the guiding principles of the 19th CPC National Congress and the Work Conference on SOEs' Party Building and Anti-corruption, and resolutely shoulder the responsibility of comprehensively strengthening Party discipline. Meanwhile, we enhance the main responsibility of Party committee and the supervision responsibility of discipline inspection committee for anti-corruption, firmly fight against formalism, bureaucratism, hedonism, and extravagance, advocate new trends of the times, and consolidate and implement the central Party leadership's eight-point decision on improving Party and government conduct.

We have strengthened political inspection with a focus on the implementation of rectification. In 2018, the Group organized 3 rounds of inspections, including regular inspections to Party organizations of 18 secondary subsidiaries, and researched into the overseas Party building as well as the prevention and control of corruption risks in 8 subsidiaries and 17 overseas branches and projects.

We have intensified supervision and discipline enforcement, accurately and effectively applied the "four forms" and conscientiously implemented the "three separates" requirements to maintain the "high-handed posture" in combating corruption. In 2018, the Group's discipline inspection departments at all levels received 347 letters reporting on illegal acts, and handled 543 clues to various problems concerning anti-corruption.

We have strengthened discipline education and innovated in the education platforms. We learn the guiding principles of the CPC Central Committee and conduct supervision and education through platforms including "Xin Feng SINOMACH", the Group's official WeChat account, and the "Xin Feng Lecture Hall". Meanwhile, we guide the Party members and officials to strictly abide by discipline by carrying out the "Publicity and Education Month on Integrity" campaign and organizing talks with the staff of the Group on integrity and ethics.

We have strengthened the construction of officials responsible for disciplinary inspection and supervision, and made improvements to various disciplinary inspection and supervision departments. We continue to improve the ability of disciplinary inspectors by organizing training classes focusing on the guiding principle of the 19th CPC National Congress and the *Supervision Law*, and providing business training courses, so as to realize centralized training for all personnel from the Group's disciplinary inspection departments and all disciplinary inspectors.

## Financial Management

We have deepened comprehensive budget management to improve the Group's ability to control capital and costs, and standardized property right management by efficiently completing data conversion between the new and the old property right management systems. Furthermore, we continue to promote financial informatization to improve the Group's financial management and service. We also improve the asset assessment management system to lay a solid foundation for the Group's reform and restructuring as well as adjustment of the industrial layout. In 2018, the accurateness of the Group's overall property right registration data reached 100%.

## Informatization Management

We improve the inclusive sharing capabilities with information technology, promote the construction of our intranet portals, global websites, and collaborative office platforms; moreover, we enhance the management and control capabilities based on information technology to promote the construction of the management system for overseas institutions, projects and risks. By strengthening network security information reporting, carrying out emergency drills, supporting major activities, and launching network security publicity campaigns, we have improved our network security assurance, monitoring and early warning capabilities. In 2018, the Group was commended by National Cyber and Information Security Reporting Center.



# Business Development

SINOMACH develops new business models while expanding its R&D and manufacturing of heavy equipment, agricultural and forestry machinery, construction machinery, key infrastructure components, as well as project general contracting and regional development and operation, design consulting, automotive business, and electromechanical products trading and services. At the same time, the Group has been exploring the new industries and new business formats, such as developing the manufacturing of high-end intelligent equipment, equipment for green and emerging industries, financial and investment business, etc. In 2018, the total amount of the Group's newly signed contracts reached USD 51.34 billion.

## Equipment R&D and Manufacturing

We strengthen design and R&D, improve high-end manufacturing capabilities and product quality, and promote the transformation and upgrading of production-oriented manufacturing to "digital, internet-based and intelligent" manufacturing, thus developing value-added services and creating new products, new industries and new models that lead the market.

## Project Contracting

We integrate resources in all processes of the engineering contracting chain, enhance system integration capabilities, and actively carry out PPP and "EPC+" operations (EPC+ planning, EPC+ investment, EPC+ operating, EPC+ park development, EPC+ resource products, etc.), in an effort to provide customers with comprehensive solution packages.

25<sup>th</sup>

In ENR 2018 Top 250 International Contractors

64<sup>th</sup>

In ENR 2018 Top 225 International Design Firms



The Morodok Techo National Sports Complex designed by IPPR, a subsidiary of SINOMACH

## The world's largest equipment for petrochemical technology completed

A fluidized bed hydrogenation reactor for residuum forge welding which can improve the quality of 2.6 million tons of petrol annually was successfully completed by SINOMACH HE, a subsidiary of SINOMACH. With a diameter of nearly five meters, the 2,400-ton reactor is the largest piece of equipment in the petrochemical industry in the world. Meanwhile, the reactor was built with the world's most advanced and sophisticated manufacturing processes. As China's core equipment for improving petrol quality, the completion of the reactor is a milestone in China's experience in developing and manufacturing a super-large forge welding hydrogenation reactor, and it is also a sign that China has gained world-leading technology to manufacture fluidized bed hydrogenation reactor for residuum forge welding.

## A dream realized with the construction of the Pokhara International Airport

Building a new international airport in Pokhara had been the dream of the Nepalese government and the people in Pokhara for more than 40 years. The Pokhara International Airport project, a 4D international airport that meets the standard of the ICAO and is being built by CAMCE, a subsidiary of SINOMACH, has received high attention from all sectors of the Nepalese community. The airport, which will become Nepal's second international airport, has been awarded the "National Honorary Project" by the Nepalese government.

## Trade and Services

We continue to optimize the trade structure, innovate in the business model for foreign trade, and improve the quality of the import and export trade. At the same time, we optimize resource allocation and adjust the layout structure, striving to become a comprehensive service provider with large scale, strong value-added service capability, professional brand image and strong influence.

20<sup>th</sup>

In China's Top 500 Foreign Trade Enterprises

USD 14.98 billion

Total imports and exports

No. 1

In overseas exhibition for seven consecutive years

## Finance and Investment

We adhere to the development philosophy of "serving the industries, developing forward-looking layout, and pursuing innovative development", and promote the deep integration of industry and finance while meeting the needs of existing industries. At the same time, the Group has strengthened its top-level design by planning the development layout of financial and investment businesses to expand financial services. Being market-oriented, the Group always protects the returns of shareholders, and develops new business models to create new profit growth points.

**Resource Integration.** SINOMACH promotes resource integration based on its listed companies. The Group has developed corporate restructuring schemes for three pairs of the Group's subsidiaries, including SINOMACH AUTO and AE, CAMCE and IPPR, CPF and LANPEC, in an effort to support superior subsidiaries in entering the capital market. Furthermore, we completed the increase of capital and share for SINOMACH HE in 2018, when Sinotest Equipment Co., Ltd., a subsidiary of CAAMS, also obtained an official quotation for its shares on the New Third Board.

**External Restructuring.** SINOMACH promotes strategic restructuring and equity cooperation with central SOEs and competitive local enterprises active in the fields of major technical equipment and machine tools, etc. In addition, subsidiaries, including SINOMACH HEAVY INDUSTRY and SUMEC, have partnered with CHTC to share resources in areas such as market development and financial leasing.

## Emerging Business

We pay attention to new business areas such as general health care and cultural innovation, focus on new energy, new materials, smart equipment manufacturing, water affairs and environmental engineering, etc., and support the development of a range of key industries, including high-end CNC machine tools, robotics, aerospace equipment, and power equipment.

## 2018 Beijing International Automotive Exhibition unveiled

Under the theme of "Defining the New Life of Cars", the 15th Beijing International Automotive Exhibition co-hosted by SINOMACHINT, opened on April 25, 2018. With a total exhibition area of 220,000 square meters, the exhibition attracted more than 1,200 exhibitors from 14 countries and regions all over the world. A total of 1,022 vehicles and 105 world premiere models, 64 concept vehicles and 174 new energy vehicles were exhibited. The exhibition was applauded by the auto industry, and was ranked 44th in the "Top 100 World Trade Shows 2018" released by the Imp-Exp Executive magazine, becoming the vane of world automobile industry.

## SINOMACH INTELTECH attends the 2nd World Intelligence Congress

As the first large-scale high-end exchange platform in the field of intelligent science and technology globally, the 2nd World Intelligence Congress, co-hosted by the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the State Internet Information Office, the Chinese Academy of Sciences, the Chinese Academy of Engineering, the China Association for Science and Technology, and the Tianjin Municipal People's Government, was successfully held in Tianjin Meijiang Convention & Exhibition Center. SINOMACH INTELTECH was invited to participate in the event.



# 02

## Innovative SINOMACH Driving Reform and Transformation



### Our Commitment

Driving high-quality development with innovation, and working with partners to promote industrial transformation and upgrading with technological progress.

### Our Practice

Continuously enhancing the system and capability of technological innovation, focusing on the research and development of core technologies, promoting the innovation of key technologies with the development of key scientific and technological projects, comprehensively deepening reform and respect intellectual property rights of both partners and competitors.

### Values

Creating a fair and just environment for development, and injecting vitality and motivation into the sustainable development of enterprises and industries with technological innovation and management innovation.

# Technological Innovation

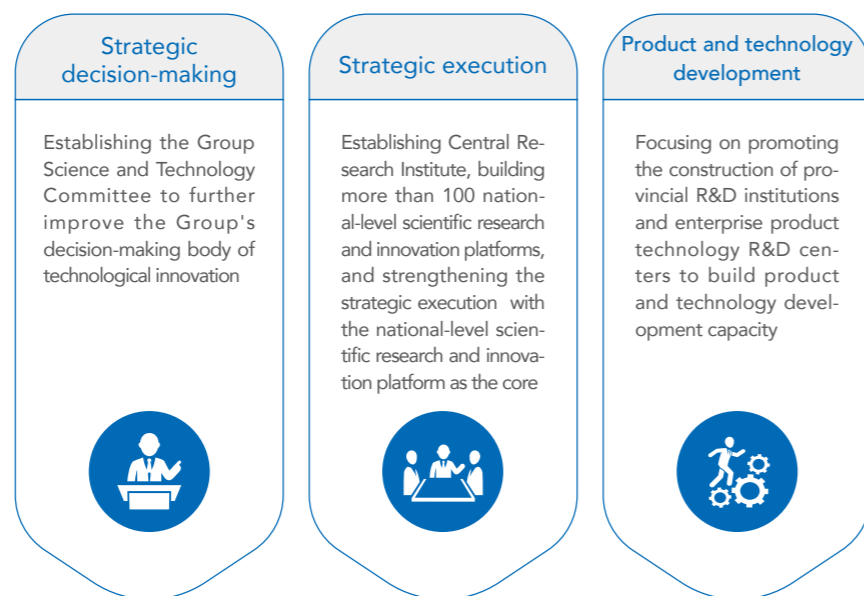
SINOMACH continuously strengthens the strategic determination and courage for making technological innovations, further promotes technological synergy and open innovation, and accelerates the construction of the platform for technological innovation. Meanwhile, the Group strives to cultivate high-level innovative talents and continuously promotes the application of achievement in science and technology, so as to promote high-quality development of SINOMACH and lead the development and progress of the whole industry.

**RMB 6.66 billion**  
Investment in technological innovation

**71**  
National-level research projects launched in 2018

## Technological Innovation System

Guided by the 13th Five-Year Plan on National Scientific and Technological Innovation, we gather the strengths of all parties and learn from the experience of excellent platforms and institutions at home and abroad in terms of organization and operation, collaborative research and development, and application of scientific research achievements to accelerate the establishment of a well-structured, dynamic and efficient innovation system for the collaboration between industry, university, research and application. At the same time, we create an active research atmosphere and an innovative environment to enable technological innovation to play a leading role in promoting the deep integration of technology and development.



SINOMACH Technological Innovation System

### CNEG awarded the "China's Most Innovative Enterprise in 2018"

China National Erzhong Group Co. (CNEG), a subsidiary of SINOMACH, was awarded the honorary title of "China's Most Innovative Enterprise in 2018" at the Annual Meeting of 2018 China Enterprise Innovation Forum and the Innovative Enterprise Symposium. CNEG has earnestly implemented the innovation-driven development strategy. With the world's largest 80,000-ton die-forging press, CNEG has successively produced all key forgings of the landing gear of jumbo jet C919; meanwhile, the company completed trial production of the outer cylinder of the landing gear of CRJ-21, a wide-body passenger aircraft, and the titanium alloy forgings for new regional aircraft, ARJ-21. These breakthroughs represent a major step towards China's independent production of large die forgings for aircraft and aircraft engines.

## Technological Innovation Capability

We continue to increase investment in science and technology, build scientific and technological R&D platforms and cultivated high-caliber innovative talents. We actively support major national science and technology projects, and strive to make breakthroughs in key common technologies to continuously strengthen technological innovation capabilities and achieve high-quality development.

### Increasing Technological Investment

We have effectively played the guiding role of the Group's special funds for technology development, established a continuous multi-channel investment mechanism for technological innovation, and increased investment in research and development. In 2018, SINOMACH invested RMB 6.66 billion in technological innovation, accounting for 2.2% of the Group's operating revenue. Moreover, SINOMACH obtained RMB 240 million as the national technological fund and saved more than RMB 200 million through tax exemption in key technological equipment import.

### Building Platforms of Technological Innovation

We actively build high-level technological innovation platforms while giving full play to the role of various existing national-level research and development platforms. We conduct overall planning and make arrangements in advance in order to obtain a favorable position in the integration and optimization of national innovation bases, consolidate the advantages of platforms and resources, and support the Group's comprehensive innovative development. In 2018, the Group acquired official approval for the construction of 25 provincial and ministerial-level scientific research platforms.



Exercising the responsibility as a central SOE to enhance the country's research capabilities on key technology and equipment

The establishment of the National Institute of Major Technology and Equipment Innovation is a serious attempt of China to apply the "new state-run system", and it is also a measure of great significance for the country to improve its research capabilities in major technical equipment. SINOMACH actively takes the leading role and responsibility as a central SOE. Being acutely aware of its political mission of safeguarding national interests, meeting national needs, supporting national strategies, and accomplishing national tasks, SINOMACH shoulders the responsibility of taking the lead in setting up the National Institute of Major Technology and Equipment Innovation with the power of the whole Group. The Group will do its utmost to make preparations and complete follow-up tasks.

SINOMACH INTELTECH builds an innovation system with regional characteristics and advantages

SINOMACH INTELTECH's Guangzhou Mechanical Engineering Research Institute Co., Ltd. was approved to build the "National-Local Joint Engineering Research Center for Industrial Friction Lubrication Technology", which was the second state-level innovation platform following the National Rubber and Plastic Sealing Engineering Technology Research Center. The national-local joint engineering research centers are an important part of the China's innovation system. It is conducive to promoting the organic integration of national and local industrial innovation platforms, and plays an important role in building regional innovation systems with distinctive characteristics and advantages as well as improving China's innovation-driven development capabilities.

### Cultivating Talents in Technological Innovation

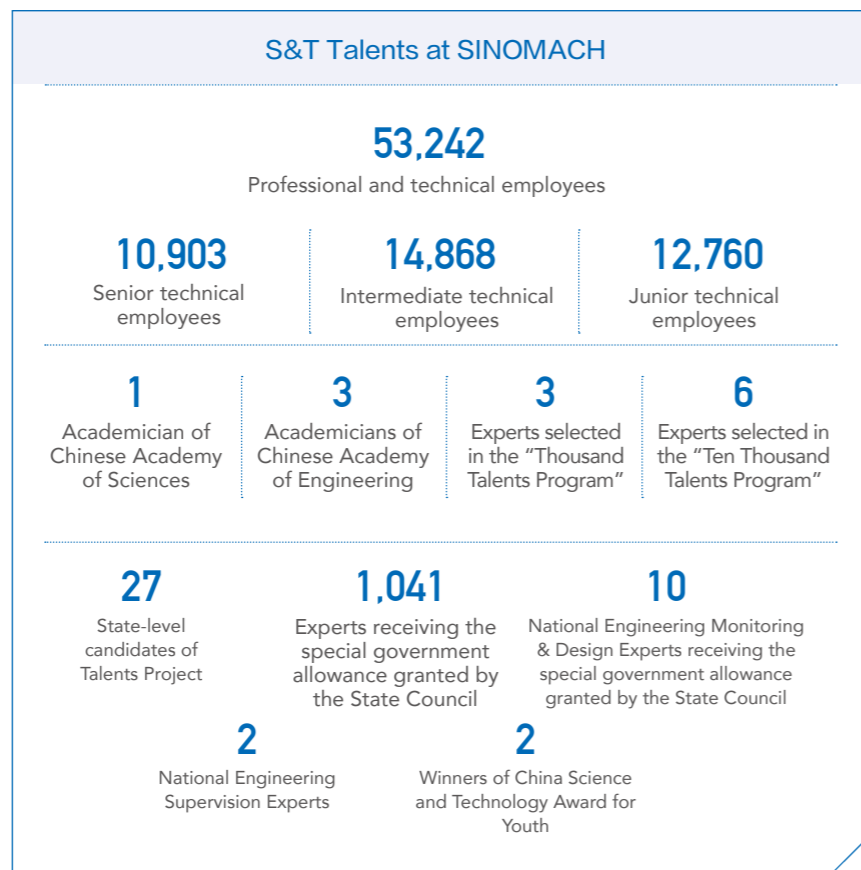
We continue to accelerate the cultivation and gathering of the Group's leading talents in science and technology. By establishing a medium and long-term incentive mechanism for technological talents, and establishing the chief expert system for competitive areas of the Group, we create a good development environment for those talents, build top industrial talent teams, and continue to promote technological innovation for these industries.

### Strengthening IPR Protection

We comprehensively implement the strategy for intellectual property right (IPR) and continue to strengthen IPR protection. In 2018, SINOMACH applied for 1,968 patents, including 806 invention patents, and was authorized over 1,800 patents, including over 470 invention patents.

### Carrying out Research on Key Projects

Focusing on the strategic needs of the country and the technical shortcomings that constrain the development of the industry, we endeavor to make breakthroughs in key common technologies, cutting-edge technologies, modern engineering technologies and unprecedented technologies, and vigorously develop major projects to comprehensively promote industrial technology upgrading. In 2018, SINOMACH newly developed 71 national technological projects, identified 7 key S&T projects, and developed 10 R&D projects.



SUMEC becomes the first robotic lawn mower manufacturer to receive TÜV SÜD's RED certification

### Leading Industrial Technological Progress

With the leading technical advantages and strong scientific research capabilities in the machinery industry, we continue to strengthen our leading role in the industry, boost the research and development of core technologies, and actively participate in the formulation of industry standards. Furthermore, we continuously deepen cooperation and exchanges between industries, having vigorously promoted the development of China's machinery industry.

### Strengthening the R&D of Core Technologies

We actively strengthen the research and development of key, cutting-edge, and strategic technologies to promote technological progress of the machinery industry. In 2018, SINOMACH won 370 outstanding industrial achievement awards at provincial/ ministerial level or national level, among which 118 were scientific and technological awards. Moreover, 3 subsidiaries and projects owned by SINOMACH won the honorary award of the China Grand Awards for Industry, which is China's top award in industry.

### Participating in the Formulation of Industry Standards

In 2018, we presided over or participated in the formulation and revision of 668 standards, including 322 national standards and 8 international standards being formulated or revised. The *Smart Factory Planning and Technical Standards* and the *Vibration Isolation Design Standards* passed the acceptance review.

**668**

Standards that SINOMACH presided over or participated in the formulation and revision

### Technological Innovations

We focus on opening up the channels through which scientific researches can be transformed into real productivity, and by building platforms for the application of achievements in science and technology, we speed up the process.

#### YTO promotes the new stage of development of domestic agricultural machinery and equipment

YTO, a subsidiary of SINOMACH, participated in research and development of the first EV driverless tractor in China, Super tractor I. It marks the development of domestic agricultural equipment into a new stage of the deep integration of information technology and advanced manufacturing. "Super Tractor I" is a medium-horsepower tractor with advanced design concept. It consists of five core systems: unmanned system, power battery system, intelligent control system, central motor and drive system, and intelligent network connection system. It can realize 360-degree obstacle detection, obstacle avoidance, path tracking, farm tool operation and other functions.



YTO is involved in the development and manufacturing of China's first unmanned full-electric tractor

#### Spending 8 years to push China's proposals entering the IEC standard

Since 2010, some standard-compliant products in Chinese market have been equipped with one more self-resetting thermal circuit breakers. The new structure has improved product reliability and reduced customer complaints caused by fuse melting due to overheating. But China's new standard was not accepted by the international community. Therefore, the research team of CEI and its subsidiary Vkan Certification & Testing Co., Ltd actively carried out research into the basic situation of the industry, collected customer complaints, and conducted statistical analysis and tests with Chinese home appliances manufacturers and components makers. Thanks to their efforts, the new standard was approved in the 2018 IEC/TC 61 conference held in New Zealand.

#### SUMEC breaks technical barriers and leads development of the industry

For security and market protection, the European Union released new Radio Equipment Directive (RED) for wireless devices, setting a high "standard" barrier for exports from China. In response to the incident, SUMEC mobilized R&D teams at home and abroad to overcome difficulties. The company's robotic lawn mower received the new RED certification in July 2018, SUMEC became the first robotic lawn mower manufacturer whose products comply with the European standards, successfully breaking the EU's technical barriers and remaining at the forefront of the industry.

# Management Innovation

SINOMACH actively presses ahead with management innovation. In response to changes in market competition, the Group has continuously improved its management and control, and continued to innovate in business models and further promoted management innovation.

## Management and Control by the Group

We have accelerated the disposal of non-productive, ineffective and non-performing assets, and through mergers and acquisitions, debt restructuring and even bankruptcy liquidation, we have cleared the "zombie enterprises" that are insolvent and unpromising. We made new progress with the controlling of receivables and inventories by curbing risks to them from the source and prudently controlling advance funding for projects. Moreover, we cautiously carry out research into foreign customers' capability to make payments and fulfill contractual obligations, and capitalize on risk transfer mechanisms such as the purchase of insurance to prevent the loss of receivables and inventories beyond the borders. In 2018, SINOMACH removed 258 legal entities, accounting for 19.5% of the total, and all subsidiaries owned by the Group with great difficulty were rectified.

258

Legal entities removed

100 %

Enterprises with great difficulty rectified

20

Mixed-ownership reform projects

## Innovation in Business Model

We explore the innovation paths and modes in the "Internet Plus" era, and make full use of the advantage of possessing the entire industry chain to explore business models that are more efficient. At the same time, we actively promote the EPC+ models by exploring the development of EPC+ investment, EPC+ operating, EPC+ park development, EPC+ planning, EPC+ resource.

### COAGI aims to open a new chapter in a new area

In December 2018, COAGI, Digital Anywhere (Beijing) Technology Co., Ltd. and Beijing Microcontrol Times Information Technology Co., Ltd. jointly funded COAGI (Beijing) Information Technology Co., Ltd. The company will provide a series of exclusive information technology application and follow-up services including smart Party building and smart government affairs with the full coverage of "consulting services + customized products + full-process operation and maintenance" for domestic customers from the "Party, government, military and business sector". The company is committed to opening a new chapter for the industry.

### YTO offers farms agricultural equipment packages

YTO continuously explores agricultural equipment packages and new agricultural service models with its superior agricultural machinery manufacturing capability. Focusing on the needs of the entire industrial chain of agricultural production, the company provides users with agricultural equipment packages that cover agricultural machinery, agricultural materials, agronomy and finance to maximize the value of products and services sold to users.

# Deepening Corporate Reform

SINOMACH has comprehensively deepened corporate reform, and continuously strengthened top-level design and reform planning. The Group compiled the *SINOMACH Implementation Plan for Comprehensively Deepening Reform in 2018*, and the *SINOMACH Accounts of Comprehensively Deepening Reform in 2018* to systematically guide the orderly progress of corporate reform.



In 2018, 4 subsidiaries of SINOMACH, namely CAMCE, CUC, CHTC, and IPPR, were selected to join the "SOE and Central SOE Reform Action", making the Group a central SOE with the most subsidiaries participating in the campaign.

## Industrial Upgrading

We attach importance to optimizing and upgrading traditional industries. Based on the characteristics of machinery industry and the Group's actual condition, we reform and improve traditional pillar industries to promote the expansion of industrial chains into key links and high value-added links and also promote the deep integration of the internet, big data, artificial intelligence and traditional industries to enhance digital, informatized and smart features of traditional industries.

## Corporate Restructuring

**Deepening mixed-ownership reform.** In 2018, the Group carried out about 20 mixed-ownership reform projects and introduced RMB 1.4 billion of external non-public capital funds. CAMCE and CUC, two subsidiaries of SINOMACH, applied to join the fourth batch of pilot enterprises in the mixed-ownership reform of SOEs.

**Solving problems left over from history.** We made solid progress in spinning off and transferring the Group's obligations of "supplying water, electricity, heat (gas) and real estate property management" as all employees and their families signed relevant agreements. Three subsidiaries completed the transfer of their obligations to residential communities and municipal functions, which has promoted the reform of health care and educational institutions in an orderly manner.

**Participating in the "SOE and Central SOE Reform Action".** We set up a special working group to promote the "SOE and Central SOE Reform Action", established the information reporting mechanism, and formulated a comprehensive reform implementation plan to enable the listed subsidiaries to make breakthroughs in key areas of the SOE reform, and built the Group into a pioneer in the reform.

**Carrying out the reform of three mechanisms smoothly.** We promoted the establishment of a medium and long-term incentive mechanism, refined the coordination mechanism between gross payroll and performance, and improved the dual regulation of the internal gross payroll and employees' remuneration.

### Facilitating the transformation from "traditional manufacturing" to "manufacturing + service" with the ROSS platform

After three years of research and development, Qingdao Hongda Textile Machinery Co., Ltd., a company owned by SINOMACH, built a new intelligent platform - "Qingdao Hongda Remote Operation and Maintenance Platform" (or the ROSS platform). The platform, which adopts advanced big data system structure and possesses 5 capabilities and 7 centers, can provide users with all-round services, including equipment operation and maintenance, data analysis, etc., thus helping customers quickly resolve equipment failures and improve production efficiency, and promoting the company's upgrade from "traditional manufacturing" to "manufacturing + service".

### SINOMACH selected to implement reforms of state-owned asset investment companies

In 2018, SINOMACH was selected by the SASAC to implement reforms of state-owned asset investment companies among a new batch of central SOEs, which provides strong support for the Group to comprehensively deepen reform and integrate industry resources. SINOMACH will continue to enhance the sense of responsibility as a leading enterprise in the machinery industry, systematically study the reform policy and experience of other central SOEs, actively strengthen its ties with the SASAC, formulate and submit the overall reform plan in a timely manner.



# 03

## Green SINOMACH Building a Beautiful China



### Our Commitment

Actively implementing the national strategy of “building a beautiful China” by integrating environmental protection into the entire production and operation processes.

### Our Practice

Continuously improving green management, reducing the impact of products on the environment through technological innovation, actively carrying out environmental protection activities to enhance stakeholders’ and the public’s awareness of environmental protection.

### Values

Continuously reducing the discharge of pollutants, improving resource utilization efficiency, and driving employees, industries and the whole society to jointly contribute to building a beautiful China.



# Environmental Management

SINOMACH adheres to the green development, conscientiously implements the requirements of the SASAC on energy conservation and environmental protection, and continuously consolidates basic environmental management to promote green transformation and upgrading of the Group. In 2018, the Group focused on strengthening the establishment of the energy conservation and emission reduction system, and conducted the appraisal of the performance of 35 secondary subsidiaries of the Group according to the *SINOMACH Regulations on the Performance Appraisal of Energy Conservation and Emission Reduction*. 17, 15 and 3 subsidiaries were respectively rated as excellent, good and qualified in the appraisal.

RMB <b>37.32</b> million Investment in environmental protection	<b>0.2</b> TCE Comprehensive energy consumption per RMB 10,000 of output value	<b>3,951.8</b> tons SO <sub>2</sub> emissions
<b>886,000</b> TCE Total energy consumption	<b>0.0030</b> TCE Comprehensive energy consumption per RMB 10,000 of operating revenue	<b>2.111</b> million tons CO <sub>2</sub> emissions
<b>208,000</b> TCE Comprehensive energy saving	<b>0.3</b> TCE Comprehensive energy consumption per RMB 10,000 of added value	<b>3,893.2</b> tons COD emissions

**CAAMS overfulfills energy conservation quota**

CAAMS was rated as an excellent energy-saving enterprise in the evaluation of the completion of energy conservation targets for key energy consumption enterprises in Beijing, and was rewarded RMB 150,000 for its outstanding performance. Beijing Municipal Commission of Development and Reform's energy conservation quota for CAAMS in 2018 included 2,428 TCE for total energy consumption, and a drop of 3.2% in terms of energy consumption per RMB 10,000 of output value. In 2018, the actual total energy consumption of CAAMS was 1,822 TCE, down by 24.5% year-on-year, and the company's energy consumption per RMB 10,000 of output value was 0.1 TCE, down by 11.7% year-on-year. Therefore, CAAMS overfulfilled the energy conservation quota, and came out top of all enterprises in the region.



# Green Operation

SINOMACH attaches great importance to environmental protection. By continuously innovating in green design, and engaging in green manufacturing, green projects and green products, the Group continues to reduce energy consumption and develop resource-conserving, environment-friendly production methods and operating models.

## Green Design

We comprehensively incorporate the energy conservation, emission reduction, low-carbon development and other environmental protection concepts into the design process, and actively apply energy-saving and eco-friendly technology.

Optimizing and innovating in project design to meet international environmental standards

For the Byelorussian Gomel No.1 Thermal Power Plant Renovation Project, CMEC practiced the conservation of materials, water, energy, and land as well as various environmental protection concepts, and carried out comprehensive innovative design of the general layout of the plant, the configuration of various systems, the layout of the main plant, and the model selection of main and auxiliary equipment. The energy consumption and pollution discharge of the project were far below the limits in the contract, meeting the standards for excellent plants of the same type and reaching international advanced level.

I congratulate CMEC on the successful Byelorussian Gomel No.1 Thermal Power Plant Renovation Project, and I thank CMEC for their great contribution to the development of the energy system in the Gomel Region!

—Elegović  
General Manager of Gomel Energy Company

## Green Manufacturing

We formulate new development plans for the Group's equipment manufacturing sector, and press ahead with the green transformation and upgrading. We target at a world-class enterprise engaging in eco-friendly energy equipment manufacturing to promote the leap-forward development of SINOMACH's development in the field. In the transportation equipment industry, we strive to master the manufacturing capability of key components of new energy vehicles and vehicle integration capacity, and become one of the first-class electric vehicle manufacturers in China. In agriculture, forestry and the engineering equipment industry, we strive to upgrade our geological equipment to be the leader in the field of resources and environment.

**Research and development of energy-saving equipment:** The river dredging and sludge dewatering equipment developed by the Environmental Engineering and Equipment Research Institute of Tianjin Research Institute of Construction Machinery, which is affiliated to SINOMACH HEAVY INDUSTRY, has pioneered leading-edge sludge dewatering technique in China for the utilization of sludge as resources.

**Applying energy-saving technology:** SINO-HEAVYMACH cooperated with Air Liquide Engineering & Construction and Voestalpine, and achieved the successful application of the converter gas dry process (LT) purification recovery system to domestic manufactured equipment for the first time.

**Introducing eco-friendly processes and materials:** Guoji Zhijun Automotive Co., Ltd., a NEV manufacturer affiliated to SINOMACH, applies silane treatment instead of the traditional phosphorization technique in the coating process of automobiles to avoid harmful heavy metal pollution. In an effort to reduce VOC emissions, the company has also replaced traditional paint with water-based paint.

**Strengthening pollution control:** SINOMACH HE introduced three sets of wastewater treatment facilities, and installed an online monitoring system at the main discharge outlets to monitor pollutants in the discharged wastewater.



### Green Projects

Focusing on new energy, renewable energy, energy conservation and environmental protection projects, we actively develop energy-efficient and eco-friendly industries that meet the requirements of national industrial policies, and strive to maximize the comprehensive economic, social and environmental benefits.

#### CMEC builds the largest green energy project in Ukraine

On April 6, 2018, CMEC and DTEK, Ukraine's largest private power producer, agreed a joint project in Kiev, the capital of Ukraine, to build a solar power plant of 246 MW capacity in Nikopol. This is the first solar power plant contracted by CMEC in Europe, and will be the largest single solar power plant in Europe and the largest green energy project in Ukraine. After the construction is completed, it will provide electricity for 100,000 people and reduce carbon dioxide by 300,000 tons per year.

#### "Made in China" on the "Roof of Africa"

Addis Ababa, the capital of Ethiopia, is a large city with a population of more than 4 million. During the process of rapid urbanization, the city is also suffering from serious waste disposal problems. CMEC is building a waste incineration power plant in Addis Ababa, which can treat 1,280 tons of garbage per day, equivalent to all the garbage collected by the city's sanitation system in a day. It is not only an environmental protection project, but also a green development road for Addis Ababa.

### Green Products

We focus on the integration of our own interests, consumer rights and interests, and environmental protection. By vigorously promoting green products in domestic and international markets, we are making our contributions to addressing climate change.

#### CHTC actively promotes green travel

In 2018, Hubei Xinchufeng Automobile Co., Ltd. (CHTC's subsidiary), CITIC Guoan Xuanyu Supply Chain Management Co., Ltd. and Jiangsu Xianghua Vehicle Industry Co., Ltd. signed an agreement on green travel, according to which CITIC Guoan Xuanyu Supply Chain Management Co., Ltd. will purchase 10,000 electric cargo vans produced by Hubei Xinchufeng Automobile with a total purchase amount of about RMB 1 billion. The purchase will promote green travel on a wider scale.



Sewage treatment plants built by SUMEC in Zhuyuan, Shanghai



River dredging and sludge dewatering installation developed by SINOMACH HEAVY INDUSTRY



Sewage treatment vehicle developed by CGEG



Electric cargo van produced by Hubei Xinchufeng Automobile Co., Ltd.

## Environmental Protection Actions

SINOMACH advocates simple, modest, green and low-carbon office work and lifestyles, and actively publicizes the urgency of tackling climate change and promoting low-carbon development. At the same time, the Group actively raises employees' awareness of green and low-carbon development, and encourages them to choose eco-friendly travel modes, participate in public welfare activities on environmental protection, and form green production and living custom.

### Green Office

We attach great importance to energy conservation and environmental protection in our office. We have improved the e-government affairs system, and optimized the management of water, electricity, oil, and other office supplies. Moreover, we encourage all employees to participate in energy conservation and emission reduction. Focusing on the themes of "Saving Energy and Reducing Consumption to Defend the Blue Sky" and "Improving Climate Change Awareness and Strengthening Low Carbon Actions" during the Energy Conservation Publicity Week and the Low Carbon Day, SINOMACH and its subsidiaries actively carried out various campaigns to beef up the publicity of policies, knowledge and cases of energy conservation and environmental protection to enhance employees' awareness as well as their ability to protect the environment.

**Establishing a responsibility system for energy conservation and emission reduction targets:** We incorporate the energy consumption and emission reduction indicators of every subsidiary into the comprehensive evaluation and annual assessment system of each department of them. When resources are wasted, the person in charge will be held accountable.

**Strengthening energy consumption management:** We strengthen the management of office supplies such as water, electricity, paper and gas, and promote paperless office.

**Improving the e-government affairs system:** We continuously improve the office network and strive to promote the information technology application of government affairs.

**Collecting statistics for energy consumption:** We collect statistics for energy conservation and emission reduction at each stage, and arrange special personnel to review the data to ensure that they are timely and accurate.

### Public Welfare Activities on Environmental Protection

We actively organize public welfare activities on environmental protection, and encourage our employees to participate in these activities with an aim to promote the concept of ecological protection and resource conservation to the public, so that we can enhance people's awareness of environmental protection and build a beautiful China together with them.

#### Project department of Puttalam Coal-fired Power Plant cleans up beaches in Sri Lanka

The project department of Puttalam Coal-fired Power Plant which was built by CMEC, participated in a beach clean-up activity organized by the owner of the power plant. After learning the classification signs on the garbage bag, the staff cleaned up more than 60 bags of garbage in an hour. The activity, which was highly praised by the owner of the power plant, helped protect Sri Lanka's marine environment and demonstrated CMEC's positive and responsible image. CMEC will carry out more public welfare activities on environmental protection and contribute to building a green ecology.

Saving Energy and Reducing Consumption to Defend the Blue Sky



Employees from AE propose the initiative on energy conservation and emission reduction



# 04

## Responsible SINOMACH Sharing the Fruits of Development



### Our Commitment

Valuing the demands of stakeholders including customers, suppliers, employees and the public, and sharing the fruits of development with stakeholders.

### Our Practice

Offering customers products and services with high quality, and creating a responsible value chain; improving the management system for work safety to create a safe working environment; responding to the national call for targeted poverty alleviation, participating in community development, and contributing to the public welfare.

### Values

Creating a good competition, production and community environment for the prosperity and development of various parties.

# Developing Together with Partners

Adhering to the corporate philosophy of "work together, win together", SINOMACH attaches great importance to the demands of stakeholders in the production and operation process, and is committed to providing customers with high-quality products and services as well as creating a responsible value chain to promote the development of the industry through win-win cooperation with all partners.

## Responsibility to Customers

We continuously improve the quality of products, projects and services by carrying out quality improvement actions and promoting quality upgrades through management and technological innovation to meet the diverse needs of customers and improve customer satisfaction.

Intensively carrying out quality improvement actions to achieve high-quality development

SINOMACH thoroughly implements the *Guidelines on Quality Improvement Actions* issued by the CPC Central Committee and the State Council with the concept of "quality and efficiency first", and strengthens quality control from the perspective of corporate risk prevention. In order to promote advanced management approaches and quality cost management, assign primary responsibility for quality, build high-quality brands, and lay a solid foundation for quality improvement, we carry out a variety of activities during the "Quality Month" to "achieve high-quality development of SINOMACH through quality improvement actions".

Promoting quality cost management and conducting strict product quality assessment

Committed to providing customers with high-quality products, CHTC, a subsidiary of SINOMACH, actively strengthens quality control by taking the internal quality loss rate (0.1%) as the quality assessment index and strictly carrying out assessment according to the "zero defect" management standard. All subsidiaries of CHTC are required to submit data and analysis reports on time, analyze the causes of fluctuation in quality, and propose plans for improvement. At the same time, CHTC requires all production units and management departments to organize employees to sign the *Letter of Commitment to Quality*, so as to enhance their awareness of quality, their responsibility for their work, and the quality of products they produce.

## Win-win Cooperation

Based on our own needs for business development, we actively establish strategic partnerships with governments, universities and enterprises in various fields, so as to continuously improve each other's competitiveness and achieve common development through win-win cooperation.

### Main Partners of SINOMACH in 2018

<b>Governments</b>
Shandong Province, Hainan Province
<b>Enterprises</b>
Schneider Electric, China Minsheng Bank, Dongfang Electric Corporation, China XD Group, China Southern Power Grid, China National Nuclear Corporation, Shandong Heavy Industry Group
<b>Universities</b>
Peking University, Hunan University, Dalian University of Technology, Chongqing University
<b>Association</b>
China Chamber of International Commerce (CCOIC)

## Value Chain Management

The value chain management is of prime importance to the Group. We handle the relationship with upstream and downstream enterprises in strict accordance with the Group's social responsibility concept. According to the *Interim Measures for Bidding Management of the Headquarters*, we keep improving the filing of bidding projects at the headquarters, persist with responsible procurement following the principle of openness and transparency, and give preference to responsible suppliers. In addition, the Group requires all subsidiaries to establish a coordinated management mechanism for suppliers and product quality control while developing a reasonable supplier evaluation mechanism and a regular assessment mechanism.

Building a supplier management evaluation mechanism to guarantee product quality

YTO actively improves supplier management, and has gradually developed a relatively complete supplier management evaluation mechanism during the procurement process. The mechanism divides the company's cooperative relationships with suppliers into four types: strategic cooperation, key cooperation, regular cooperation, and targeted cooperation. In addition, YTO has formulated differentiated policies for the varied contract periods and supply ratios as well as the selection of new business partners based on the different qualifications of suppliers.

## Healthy Industrial Development

As a key state-owned enterprise under the direct administration of the central government, we actively participate in the formulation and revision of various industry standards based on its leading position in the industry. At the same time, by attending industry conferences and forums, we share our management expertise and advances with our counterparts to promote the professional level and the healthy development of the entire industry.

Successfully holding the 2018 China Intelligent Geological Equipment Technology Development Forum

In order to promote the development of intelligent geological equipment technology and the progress of the green geological equipment manufacturing industry, CGEG and China University of Geosciences (Wuhan) jointly hosted the 2018 China Intelligent Geological Equipment Technology Development Forum, where enterprises and organizations engaging in geological equipment research and development, manufacturing and engineering application gathered together to discuss advances in the research and development of advanced geological equipment and instruments as well as their application in geological engineering, and exchange their insights into the development of the industry.

Hefei General Machinery Research Institute  
Nominated for the "China Quality Award"

Chongqing Materials Research Institute Co., Ltd.  
"Excellent Supplier of Military Products in 2018"

China United Engineering Corporation  
"Enterprises in Hangzhou with Excellent Management of Engineering and Construction Quality"

SINOMACH Automobile Co., Ltd.  
"Jaguar Land Rover's Supplier Excellence Awards 2018 - Silver award"

China Automobile Industry Engineering Corporation  
"Excellent Supplier Award" for 2018 presented by SAIC Motor

SINOMACH HEAVY INDUSTRY  
"China Top 50 Annual Products of Construction Machinery" - Gold Award for Technology Innovation

SIPPR Engineering Group Co., Ltd.  
AAA enterprise with the upgrade version of the national survey and design industry management system

SUMEC  
Top Performer (upon testing by DNV-GL)



SINOMACH attends the 9th Caixin Summit

# Work Safety

SINOMACH adheres to the red line that “we must not pursue development at the expense of human life” and the bottom line for curbing serious accidents. We insist on putting safety first, attach great importance to the prevention of accidents, and carry out comprehensive management. Furthermore, we strictly implement precautionary measures to ensure work safety, and strive to improve the risk prevention management system to realize the all-round safety management targeting all employees and the whole process. In 2018, no major or more serious work safety accident occurred, and general accidents showed a downward trend.

## Work Safety Management

We thoroughly study and implement General Secretary Xi Jinping’s important ideas on work safety, and has formulated and revised various related systems such as the SINOMACH Provisions on the Responsibility System of Party and Government Leading Officials on Work Safety and the SINOMACH Prevention and Control Guidance on Overseas Security Risks, in an effort to strengthen the top-level design, and build a safety prevention and control system at home and abroad. At the same time, the Group actively improves the work safety management information system, issues the annual list of major risk sources, and strengthens supervision of major risks. The Group has also strengthened the supervision and management of construction subcontractors to enhance their safety awareness and ensure the personal safety of on-site staff.



SINOMACH arranges a meeting on work safety

## Work Safety Culture

We issued the Notice on the Establishment of Model Enterprises on National Safety Culture Construction in order to strengthen the red line awareness of safety among all management personnel and employees, establishing a safe development concept and create an atmosphere for work safety. At the same time, we organize education and training activities on work safety, launch the “Work Safety Month” campaign and a series of special safety inspections to comprehensively enhance employees’ awareness of risk prevention and their ability to handle emergencies. In 2018, the Group organized three training and exchange activities on work safety, and held 1,914 work safety training sessions which involved 75,311 participants. Moreover, 4,256 employees of the Group participated in work safety training programs run by external organizations.

## Responsibility for Work Safety

We conscientiously implement the Regulations on the Five Implementations of Enterprise Responsibility for Work Safety, and develop the work safety responsibility system in which the Party and governance organizations bear the same responsibility for work safety, and all posts have functional duty and safety responsibility, and employees will be held accountable for breach of duty on work safety. In order to enhance work safety, we regularly carry out self-inspection, mutual inspection, special inspection and supervision. In 2018, we organized subsidiaries to complete the 2018 work safety responsibility target evaluation and signed the Work Safety Responsibility Statement with them. The Group carried out 3,535 work safety inspections, and identified 45,804 hidden safety hazards, of which 45,467 hidden dangers were eliminated, accounting for 99.3% of all hidden dangers. In addition, 1,920 emergency drills were carried out with a total of 62,838 participants.



SIPPR launches the “Work Safety Publicity and Consulting Day” campaign

3

Documents on work safety system introduced

179

Enterprises reached the work safety standards

126

Companies obtained the OHSAS18000 Occupational Health and Safety Management Certification



CAMCE organizes a “Work Safety Month” campaign for its construction project of a large hospital in Ecuador

RMB 610 million  
Investment in work safety

5

National work safety standardization demonstration teams

536

National registered safety engineers



IPPR holds an evening party to advocate work safety during the “Work Safety Month”

# Contributing to Community Development

SINOMACH always fulfills its responsibilities to the community and attaches importance to the impact of its production activities and operations on surrounding communities. The Group actively promotes the development of local communities to improve the living standards of local residents. At the same time, the Group engages in the public welfare career, devoting itself to the improvement of health care and education as well as social progress in remote areas.

## Participating in Community Development

We take the initiative to fulfill our responsibilities as a corporate citizen by supporting the community where we operate. By building infrastructure and providing jobs for the local community, we support the locals to create wealth, and promote the development of the local community.



A power plant project in Colombia built by CUC provides electricity for 1.5 million local people



CMEC builds the Astana Water Works in Sri Lanka



CAMCE builds the Camacupa agro-industrial farm project in Angola

## Helping the locals in Sri Lanka access to clean drinking water

Sri Lanka, used to be called Ceylon, is an island country in South Asia, located in the Indian Ocean. The climate there is tropical and warm, but the lack of clean drinking water has threatened the health of many local villagers. A lot of people in the country are suffering from chronic kidney diseases, which put a heavy burden on their families. To help the locals access to clean water, CMEC, a subsidiary of SINOMACH, is currently building a water plant in Sri Lanka. The Astana Water Works project is the largest single water plant project in Sri Lanka to date. When completed, it will cover 397 square kilometers of land, and will benefit more than 600,000 people by providing them with clean drinking water. At the same time, CMEC gives preference to employing local residents. As the Astana Water Works project has begun, CMEC has effectively bringing economic opportunities and employment to local populations.

## Helping foreign employees grow rapidly through professional training

CMEC is the general contractor for the Thar Engro Coal Power Project, located in Tharparkar District, Sindh Province, Pakistan. Since the start of the project, CMEC has hired a large number of Pakistani employees. In order to enable the local staff to quickly improve their skills and master the ability to work independently as early as possible, the project has assigned professional trainers to develop training courses as well as implemented the apprenticeship scheme and the 28-day driver training program. These measures have cultivated a large number of outstanding technical talents for the project.

## Social Welfare Actions

We devote ourselves to social welfare undertakings, actively help disadvantaged groups get rid of difficulties with our professional advantages, and contribute our strength to satisfying people's needs for a better life.

### Lighting up the dreams of children from more than 3,000 rural primary schools

SUMEC is committed to cultural education, and has launched the Story-field — Philosophy for Rural Kids program for small schools in rural areas. Through CCTalk online courses, seeded teacher training, summer camps, storytelling contests, etc., the program provides children with sustainable and diversified supporting resources to help them shape their values and worldview.

### Assisting victims in Angola to rebuild their homes

The region where the Cuimba farm project of CAMCE in Angola is located, was hit by violent storms, and the homes of local residents were severely damaged. CAMCE contacted the local government immediately after the disaster, and prepared materials to assist the municipal government with disaster relief. The company donated construction and living materials such as color steel plates, mattresses, mosquito nets, raincoats and rain boots to help the local people overcome difficulties and rebuild their homes.



Volunteers who participate in SINOMACH's community service activities visit the children in a rehabilitation center



CMEC donates relief supplies to disaster victims in Sri Lanka



CAMCE provides free medical diagnostic services for people in Uganda



# 05

## Happy SINOMACH Bringing Our Dream to Fruition



### Our Commitment

Putting people first and protecting employees' rights and interests to enhance employees' happiness and satisfaction.

### Our Practice

Persisting with equal employment, providing employees with a safe working environment and a diversified career development platform to help them grow; valuing employees' demands and caring for employees with difficulties.

### Values

Enhancing employees' sense of belonging and cohesiveness, and helping employees realize their dreams while pursuing the development of the Company.

# Employment Management

Strictly abiding by relevant policies and regulations, SINOMACH regulates employment management, protects employees' rights and interests, and attaches great importance to their demands in an effort to build harmonious labor relations, create an equal and safe working environment where all employees feel valued and respected, and continuously enhance employees' recognition, satisfaction and their sense of belonging.

## Equal Employment

We uphold equal employment. In the recruitment process, we do not regard personal details irrelevant to the targeted posts as the criteria and standards for employment, such as gender, age, nationality, ethnicity, etc. We respect the rights of our employees, and sign labor contracts with each regular employee according to law.

## Salary and Welfare

We pay employees the full amount of their salaries on time, and pay for their endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund in accordance with law. We continuously deepen the reform of income distribution by improving the system of distribution according to productive factors. At the same time, the employee stock ownership plan is promoted, which makes the Group's income distribution more reasonable and orderly, and enables our employees to share the fruits of corporate development as their incomes are increasing steadily. In 2018, the Group paid the social insurances and housing provident fund for all employees.

## Occupational Health and Safety

We attach great importance to employees' health, and continue to improve the working environment for employees by developing the occupational health and safety management system and enhancing relevant operational procedures. In addition, we have strengthened the monitoring and supervision of occupational hazards in the workplace, and have taken various measures including replacement, isolation or closure, local ventilation, etc. to reduce occupational hazards based on the characteristics and conditions of those risks.

## Dialogue and Communication

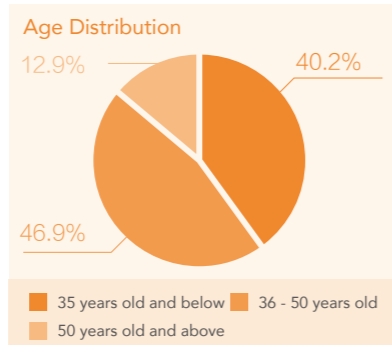
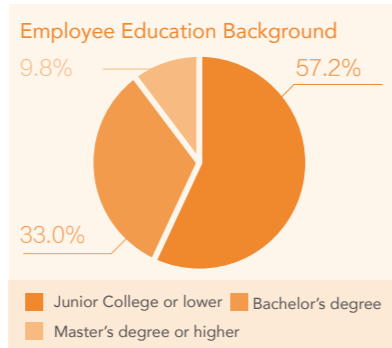
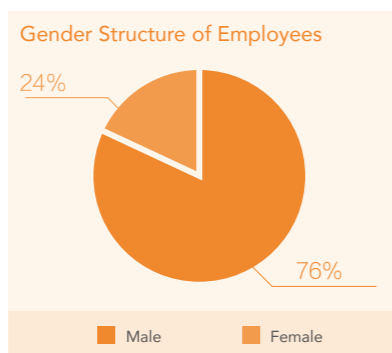
We respect employees' legitimate right to know, right to participate, right to express, and right to supervise. Therefore, we continuously innovate in approaches to communicate with employees, and through the workers' congress system and the labor union system, we actively disclose corporate affairs and expand the channels for employees to participate in company management and express their opinions.

**143,306**

Number of employees

**100 %**

Signing rate of labor contracts



CMEC is presented with the Remote Healthcare Award of the Duty of Care Awards by the International SOS Foundation

Putting people first, we care for the safety of overseas employees

The Soyo I Combined Cycle Power Plant built by CMEC is located in the remote border city of Soyo in north Angola. There is no reliable medical service in the local area, and tropical diseases such as malaria, yellow fever and cholera often occur. Also the dangerous poisonous animals cause a threat to the employees' lives and safety during the construction of the power plant. Adhering to the people-oriented development philosophy, CMEC sets great store upon the health of all expatriate employees and the local personnel. The company has built an integrated employee health protection system, and regularly conducted health inspections and emergency drills to help expatriate employees relieve anxiety and build confidence. These efforts provide a solid guarantee for the safety and health of all stakeholders such as the employees, the owner of the project, and the local community.



# Employee Development

Supporting employee growth, SINOMACH strengthens trainings to enhance employees' professional skills and generate the passion for their careers. At the same time, we value our employees, respect their contributions, and improve systems of incentives and constraints. We encourage entrepreneurship, help employees with their occupational planning, and strive to cultivate a new generation of SINOMACH employees who are aspirational, capable and responsible.

**RMB 97.05 million**

Investment in staff education and training

In the headquarters **28 courses**

New internal online courses developed

**23 times**

Off-line training

**3 sessions**

SINOMACH Lecture

**10 sessions**

Danling Lecture

## Education and Training

In order to meet the needs of the Group's development and continuously improve the vocational training and career development system, we facilitate the construction of various learning and exchange platforms for personnel from the headquarters such as the "Danling Lecture", and have developed education and training programs for the officials according to their levels and categories to systematically improve their politic awareness, theoretically attainment, morality and ethics, and professional competence. We aim to stimulate the potential and vitality of employees and cultivate talents for the development of the Group through various education and training initiatives. In 2018, SINOMACH invested RMB 97.05 million in staff education and training. 28 new internal online courses were developed by the headquarters, and 7,051 employees participated in those courses. The Group also carried out 23 sessions of off-line training which involved a total of 931 employees; meanwhile, 244 employees from the Group participated in external education and training programs. In addition, the Group organized 13 sessions of internal staff education and training with a total of 713 participants, and held 3 sessions of the SINOMACH Lecture which attracted 490 participants.



SINOMACH holds the Action Learning Workshop for Young and Middle-aged Officials

## Strengthening employee education to build the backbone for the development of SINOMACH

On May 22, 2018, the SINOMACH Action Learning Workshop for Young and Middle-aged Officials was held at the Party School of the Central Committee of CPC with 47 young and middle-aged officials from the headquarters, subsidiaries and partners of SINOMACH participated. The workshop highlighted actions in actual work and encouraged participants to grasp theoretical knowledge through practical actions, thereby enabling them to become more mentally mature and enhancing their abilities to solve problems and promote development. The workshop was an important measure of SINOMACH to build the backbone of the Group under the new development situation.

## Career Development

We have integrated the Group's development strategies, talent development programs and talent selection requirements into the personnel work of subsidiaries. With a focus on talent development projects such as the "Ten-Hundred-Thousand Talents Project", the "post-80s and post-90s Talents Project", and the "International Talents Project", we have implemented more proactive, open and effective talent development policies to continuously improve the talent development mechanism and broaden the career development channels for employees. We implement the talent strategy through training competent personnel to empower SINOMACH, which helps the Group to turn outstanding young talents into high-level and highly skilled talents with an international outlook, technology leaders, etc.



SINOMACH holds the 9th training class for excellent team leaders



SUMEC holds training class for employees with outstanding performance

**3**

Employees won the title of National Technical Experts

**1**

Subsidiary was honored National Outstanding Unit for Skilled-talent Training

## Building a growth platform to promote employee development

CAMCE adheres to localized principle and employs local residents to participate in project construction in line with the needs of project management. Dario, an engineer of the Monte Sinai Hospital Construction Project in Ecuador, is one of the local staffs hired by CAMCE. Prior to participating in the project, Dario was a civil engineer with only five years of working experience, and he knew little about hospital construction projects. After joining CAMCE, Dario had never stopped acquiring professional knowledge and working hard to do his job well. Now he has become an experienced on-site engineer supervisor who can provide professional training and guidance to colleagues.

## Establishing an incentive system to cultivate talents

SINOMACH AUTO successfully implemented the first phase of the equity incentive plan, which enabled the company to effectively implement the medium and long-term incentive mechanism for core employees. The company also established the Official and Talent Development Committee, and released the SINOMACH AUTO Talent Team Building Plan (2018-2020), providing direction for building a high-quality leadership and high-caliber talents with continuous innovation capability.

# Employee Care

SINOMACH always cares for its employees and strives to create a warm and harmonious working environment for them. The Group pays attention to every little thing of employees and cares for employees in need. At the same time, we resolutely safeguard the reasonable demands of our employees while helping them overcome difficulties and challenges in their work and life. We also carry out various cultural and sports activities to enrich their daily lives.

## Caring for Employees

While pursuing operating revenue, we strive to benefit the employees and their families, especially overseas, female and retired employees with visits and care projects. With the Group's Love Fund, we support employees in need and improve their happiness with practical actions so that every employee can work and

live contentedly. By the end of 2018, the Love Fund had received the total donation of RMB 41.802 million from employees. It assisted 4,504 employees with financial difficulty, 71 employees with severe illness, and 1,204 employees' children.

By the end of 2018

**RMB 41.802 million**

Donations from employees

**4,504**

Employees with financial difficulty aided by the Group

**71**

Employees with severe illness aided by the Group

**1,204**

Employees' children sponsored by the Group

### SINOMACH Love Fund

The Love Fund as well as its management committee were officially established by SINOMACH in 2006 to aid employees with difficulties, sponsor the children of employees, and help employees who suffer from serious illnesses. In 2012, in order to further fulfill its social responsibilities and to support the proposal made by the Party, the government, the labor union and the Communist Youth League, SINOMACH set January 28, the date when it was established, as the "SINOMACH Love Day". On that day, all regular employees can voluntarily donate "one day's salary" to the Love Fund to help colleagues faced with difficulties.



Poster of the Love Fund



Employees of CAMCE celebrate the Chinese New Year in Canada



Members of SINOMACH's female employee committee enjoy an outdoor activity

### Love Fund helps an employee in need gain new life

In 2017, an employee of SINOMACH INTELTECH was diagnosed with Acute myeloblastic leukemia (AML) - M4. Thanks to the promising treatment plan, the employee gradually had the courage to overcome the disease. With the support of SINOMACH Love Fund, the employee has successfully undergone two early stages of chemotherapy and a bone marrow transplant, and has safely passed the acute rejection. Now, the employee is being rehabilitated, and the disease is under effective control.

*"Thanks for your help, and thanks for letting me and my family feel the selfless care and help of the leaders and colleagues of SINOMACH."*

*— the employee aided by the Love Fund*



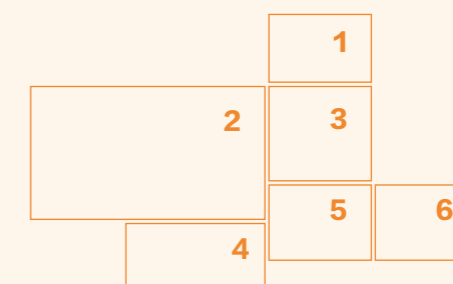
## Work-life Balance

Through organizing various cultural and sports activities such as book clubs, sports games, speeches, etc., we cultivate the taste of employees, encourage employees develop their interests, and strive to create a happy and harmonious SINOMACH family and enhance the loyalty and cohesion among employees.

Over **1,700** Athletes  
 Over **110** Judges  
 Over **60** Volunteers  
**27** Entertainment events  
**38** Track and field events



In September 2018, the 6th SINOMACH Staff Athletics Games was held in Beijing. Thousands of employees gathered in the Olympic Sports Center to show their demeanor and vitality with queues and performances, and to ignite passion and build friendships through sports competitions.



1. An entertainment event at the 6th Staff Athletics Games
2. Opening ceremony of the 6th Staff Athletics Games
3. Employees celebrate the Women's Day
4. A running race at the 6th Staff Athletics Games
5. Young employees share their stories about career development
6. Employees and their children celebrate the Children's Day together



# Outlook

CSR Fields	CSR Commitments	CSR Actions
Value-creating SINOMACH	<ul style="list-style-type: none"> <li>Seeking improvement while keeping stable production and operation</li> <li>Steadily improving basic management</li> <li>Continuously improving the efficiency of resource allocation</li> </ul>	<ul style="list-style-type: none"> <li>Accelerating business transformation and upgrading, and continuing to implement the strategy of "reshaping a new SINOMACH overseas"</li> <li>Optimizing corporate management and strengthening prevention and control in key areas</li> <li>Strengthening capital operations and enhancing asset securitization</li> </ul>
Innovative SINOMACH	<ul style="list-style-type: none"> <li>Promoting advances in science and technology</li> <li>Promoting innovation in management</li> <li>Comprehensively deepening corporate reform</li> </ul>	<ul style="list-style-type: none"> <li>Facilitating the establishment of the National Institute of Major Technology and Equipment Innovation</li> <li>Increasing investment in science and technology to promote the management of quality</li> <li>Increasing efforts to comprehensively deepen reforms and making breakthroughs in key areas and processes</li> </ul>
Green SINOMACH	<ul style="list-style-type: none"> <li>Improving the green management system</li> <li>Optimizing the green operating model</li> <li>Advocating environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Consolidating basic environmental management and improving the green management system</li> <li>Innovating green production and operation models and developing excellent green projects</li> <li>Promoting green office and carrying out environmental protection activities</li> </ul>
Responsible SINOMACH	<ul style="list-style-type: none"> <li>Engaging in win-win cooperation with partners</li> <li>Consolidating the concept of safe development</li> <li>Promoting harmonious development of the community</li> </ul>	<ul style="list-style-type: none"> <li>Deepening strategic cooperation and strengthening partnerships</li> <li>Strictly implementing the responsibility system for work safety, and resolutely preventing the occurrence of serious accidents</li> <li>Continuously promoting targeted poverty alleviation and participating in community development</li> </ul>
Happy SINOMACH	<ul style="list-style-type: none"> <li>Protecting the basic rights and interests of employees</li> <li>Improving the education and training system</li> <li>Earnestly caring for employees</li> </ul>	<ul style="list-style-type: none"> <li>Standardizing employment management and developing a scientific remuneration system</li> <li>Providing professional and diversified training for employees and broadening their career development channels</li> <li>Caring for employees and carrying out various activities</li> </ul>

# Reporting Index

Table of Contents	CASS-CSR 4.0 Indicators	GRI Standards	Page
About this Report	P1.1~1.3\M1.6	102-46\102-50\102-52-53	Title page
Message from the Chairman	P2.1~2.2\P3.1~3.2	102-14	P4~P5
Social Responsibility Performance	M2.5~2.6\S1.3\S2.3\S3.5~3.7\ E2.3~2.5\E2.12\E2.25	201-1\302-4\305-6~7\403-2	P6~P7
Company Profile	P4.1~4.4\M1.1	101-1~101-7	P8~P9
Corporate Governance	P4.2	102-18\102-20	P10
Corporate Strategy	P4.1	102-15	P11
Corporate Culture	P4.1\G1.1~1.2	102-16	P12
Subsidiaries	P4.2	102-7	P13~P14
Roles in Social Organizations	M3.6	102-13	P15
Social Responsibility Management Model	G1.1~1.2\G2.3~2.4	102-2\102-16	P16
Organizational Structure of Social Responsibility Management	G3.1~3.3\G2.3	102-26	P16
Social Responsibility Management Promotion	G2.4\G4.3\G5.1\G6.2~6.3	102-12	P17
Social Responsibility Material Topics	G2.1\G6.1~6.3	102-44\102-47	P18
Stakeholder Management	G6.1~6.2	103-40\102-40~42	P19
International Operations	P4.2\M3.6	203-2	P20~P23
Supporting Poverty Alleviation	S1.5\S4.5\S4.8\S4.12~4.14	201-1\413-1	P24~P27
High-quality Development	M1.7\P4.5	201-1	P30~P31
Basic Management	M1.1\M1.3\M1.8\M3.4	102-30\205-1~2	P32~P33
Business Development	M2.1\M2.4	102-10	P34~P35
Technological Innovation	M2.4~2.7\M3.5~3.6	206-1	P38~P41
Management Innovation	M1.1\M3.6	102-30	P42
Deepening Corporate Reform	S1.4		P43
Environmental Management	E1.1\E1.8\E2.5\E2.12\E2.23~2.25	103-2\302-1\305-6~7	P46
Green Operation	E1.3\E1.7\E2.1~2.3\E2.11\E2.13\ E2.15\E2.17	302-4~5	P47~P48
Environmental Protection Actions	E1.5\E2.8\E3.1\E3.4\E3.6	304-3	P49
Developing Together with Partners	M3.1\M3.3~3.4\M3.6\M3.10	414-1~2\416-1	P52~P53
Work Safety	S3.1~3.7	402-2	P54~P55
Contributing to Community Development	S4.1\S4.5	203-1~2\413-1\415-1	P56~P57
Employment Management	S2.1~2.4\S2.7~2.8\S2.10~2.12	401-2\405-1	P60~P61
Employee Development	S2.14~2.16	404-2	P62~P63
Employee Care	S2.17~2.18	401-2	P64~P67
Outlook	A1		P68
Reporting Index	A5	102-55	P69
Comparison Table with the Ten Principles of UN Global Compact	G6.3		P70
Feedback Form	A6		P71

# Comparison Table with the Ten Principles of UN Global Compact

UN Global Compact's Ten Principles	Progress in 2018
 <b>Human Rights</b>	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights Respecting the individual's rights to live in dignity and to development, creating a safe working environment for employees, and providing them with opportunities and platforms for development.
	Principle 2: Make sure that they are not complicit in human rights abuses Incorporating suppliers' CSR performance into the supplier selection criteria and giving preference to responsible suppliers.
 <b>Labor</b>	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining Establishing and improving the labor union system, innovating in the channels for employees to express their opinions, paying attention to the demands of employees, and integrating their demands into the management process.
	Principle 4: The elimination of all forms of forced and compulsory labor Conducting employment management in strict accordance with laws and regulations, optimizing the employee management system, and resolutely eliminating child labor, forced labor and compulsory labor.
	Principle 5: The effective abolition of child labor Adhering to equal employment and never using personal details irrelevant to the targeted posts as the criteria and standards for recruitment.
	Principle 6: The elimination of discrimination in respect of employment and occupation Integrating low-carbon and environmental protection concepts into the entire production and operation process to enhance the environmental awareness of all employees.
 <b>Environment</b>	Principle 7: Businesses should support a precautionary approach to environmental challenges Strengthening technological innovation, adhering to green operations, and continuously promoting environmental protection to enhance environmental performance and develop resource-conserving, environment-friendly production and operating models.
	Principle 8: Undertake initiatives to promote greater environmental responsibility Encourage the development and diffusion of environmentally friendly technologies
 <b>Anti-Corruption</b>	Principle 9: Encourage the development and diffusion of environmentally friendly technologies Intensifying discipline inspection and supervision, enhancing political inspection, and focusing more on institutional building so that all dare not be corrupt, cannot be corrupt and even do not want to be corrupt.
	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

## Feedback Form

Distinguished readers,

Thank you for reading this report. We expect you to share your opinions and suggestions over this report to help us improve our report compilation and our social responsibility performance. You are welcomed to fill in the following questionnaire and send it to us through the contact at the bottom of this page.

We are grateful for your support of SINOMACH's social responsibility work!

SINOMACH  
June 2019

- 1 Which of the following stakeholder are you?**

Shareholder  Employee  Customer  Supplier/Contractor  Government  Peer  Community/the Public

Industrial association/NGO  Media  Others (Please specify) \_\_\_\_\_
- 2 Generally, how do you think of this report?**

Very Good  Good  Fairly Good  Poor  Very Poor
- 3 Please evaluate the report**

Dimension	Very Good	Good	Fairly Good	Poor	Very Poor
Information Disclosure					
Formant Design					
Readability					
- 4 Which chapter meets your demand most? (You may choose more than one answer)**

Message from the Chairman  Social Responsibility Performance  About Us  Social Responsibility Management

CSR Focus  Value-creating SINOMACH  Innovative SINOMACH  Green SINOMACH

Responsible SINOMACH  Happy SINOMACH  Outlook  Others (Please specify) \_\_\_\_\_
- 5 Which topics do you concern most? (You may choose more than one answer)**

Transformation and upgrading  Law-abiding behaviors  Employees' development  Social welfare

Risk management and control  Corporate governance  Employees' rights and interests  Community development

Technological innovation  Environmental protection  Customer services  Industrial development

Sound operation  Product quality  Work safety  Partners and cooperation
- 6 What other opinions or suggestions do you have on the report or our CSR performance?**

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