



# 2019

## Social Responsibility Report

China National Machinery Industry Corporation





- ▶ 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, prudent 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.

## About this Report

### Reporting Period

January 1, 2019-December 31, 2019. The Report also includes additional contents and data that predates the stated reporting period.

### Reporting Cycle

This Report is annually published and it is the tenth 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 Sustainability Standards Board(GRI Standards)

*ISO 26000 - Guidance on Social Responsibility (2010)* by International Organization for Standardization (ISO)

*GB/T 36001 Guidance on Social Responsibility Reporting* by Standardization Administration of the People’s Republic 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.

China National Machinery Industry Corporation  
Address: No.3 Danling Street, Haidian District, Beijing  
P.C: 100080  
Contact Person: He Yuan  
Tel.: 86 - 10 - 82606741  
Fax: 86 - 10 - 82688724  
E-mail: heyuan@sinomach.com.cn  
Website: <http://www.sinomach.com.cn>



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# Mind Drives The World



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## Message from the Chairman



Zhang Xiaolun  
Chairman of SINOMACH

张晓论

2019 marked the 70th anniversary of the founding of the People's Republic of China; it was also a year for SINOMACH to break through and thrive. As domestic and international risks and challenges significantly increased and the growth of the machinery industry declined, SINOMACH adhering to the general principle of "pursuing progress while ensuring stability", SINOMACH promoted innovative, coordinated, green, open, and shared development, striving to usher in a new period of high-quality development.

**We remain true to the original aspiration and achieve stable operation.** Focusing on national strategies and our main responsibilities, we fulfill all tasks, use advantages, and serve the needs of the country. We actively make breakthroughs in key technologies project launched

by the SASAC, and further improve the plan of establishing major national technological equipment innovation institutes. By leveraging our scientific research institutes, we promote the commercialization of core technological achievements and consolidate the industrial foundation, and enhance the modernization of industrial chains, with a focus on industrial capabilities and technologies. We thoroughly implement the Belt and Road Initiative and expand overseas markets. The Great Stone industrial park has been approved as the first regional special economic zone in Belarus, and a total of 60 enterprises have settled in the industrial park. To advance the modernization of the corporate governance system and governance capabilities, we have laid a solid foundation

for corporate development, which guarantees that the Group realizes progress while ensuring stability, makes achievements in spite of difficulties, and improves production and operation steadily. In 2019, we generated operating revenue of RMB 297.91 billion and operating profits of RMB 10.26 billion, ranking 250th in the Fortune Global 500 list.

**We enhance reforms and innovation to gather momentum for development.** SINOMACH promotes reforms of enterprises and the pilot project for state-owned capital investment companies. By integrating resources of core enterprises or listed companies, we have established a core business platform of scientific research institutes, incorporated SINOMACH Engineering Group, adjusted the business structures, and enhanced corporate governance. We have deepened brand integration, worked for the "Great SINOMACH" corporate image, and constantly enhanced our brand influence. We have steadily progressed the "double-hundred action" and the mixed-ownership reform, and China National Electric Apparatus Research Institute Co., Ltd. has been listed on the STAR Market, which has contributed to constant improvements of technological innovation capabilities and achievements, better technological management, and sound incentive mechanisms for technological personnel. In 2019, SINOMACH invested RMB 7.17 billion in scientific research, authorized 1,506 patents, hired a new academician from the Chinese Academy of Engineering, and won a second prize of the National Science and Technology Award.

**We promote green development and contribute to ecological security.** SINOMACH thoroughly implements the concept of "lucid waters and lush mountains are invaluable assets" and contributes to a beautiful China. We have optimized the green management model and toughened investigation of environmental risks, which lays a solid foundation for green development. Insisting on green operation, we have built a green industrial system, worked hard on green design, green manufacturing, green engineering, etc., realizing the integration of environmental protection and corporate development. Being an advocate of environmental

protection, we promote green office and public welfare practices. In 2019, we invested RMB 47.361 million in environmental protection. Our comprehensive energy consumption was 568,000 tons of standard coal (tce), the comprehensive energy consumption per RMB 10,000 of output value was 0.1180 tce and the comprehensive energy consumption per RMB 10,000 of revenue was 0.0034 tce.

**We uphold win-win strategy to share the achievements of development.** To achieve friendly and mutually beneficial development, SINOMACH has integrated social responsibility into daily operation and management, optimized the procurement system, focused on high-quality products, improved services, and launched strategic partnerships with government authorities, enterprises, universities, and other stakeholders. In 2019, insisting on putting safety first, attaching great importance to the prevention of accidents, and carrying out comprehensive management, we invested RMB 840 million in work safety to enhance employees' awareness and ability and earnestly promote work safety management system and the modernization of governance capabilities. In the 2019 poverty alleviation appraisal, carried out by the State Council Leading Group Office of Poverty Alleviation and Development, we were rated "Good". We also actively engaged in public welfare in line with the poverty alleviation model of "taking root in education, developing industry, supporting agricultural machinery, and facilitating people's livelihood". We invested RMB 30.497 million in poverty alleviation, benefiting 319,000 poor people from 97,000 households. All the 4 counties included in the partner assistance program were all lifted out of poverty, providing strong support for the fight against poverty.

**We pool the strengths and wisdom of employees to bring out their potential.** Adhering to the concept of "people-oriented development", SINOMACH insists on equal employment, improves the remuneration and benefits system, and enhances employees' sense of gain. We make every effort to meet employees' needs, promote democratic management, and protect employees' rights to know, to participate, to ex-

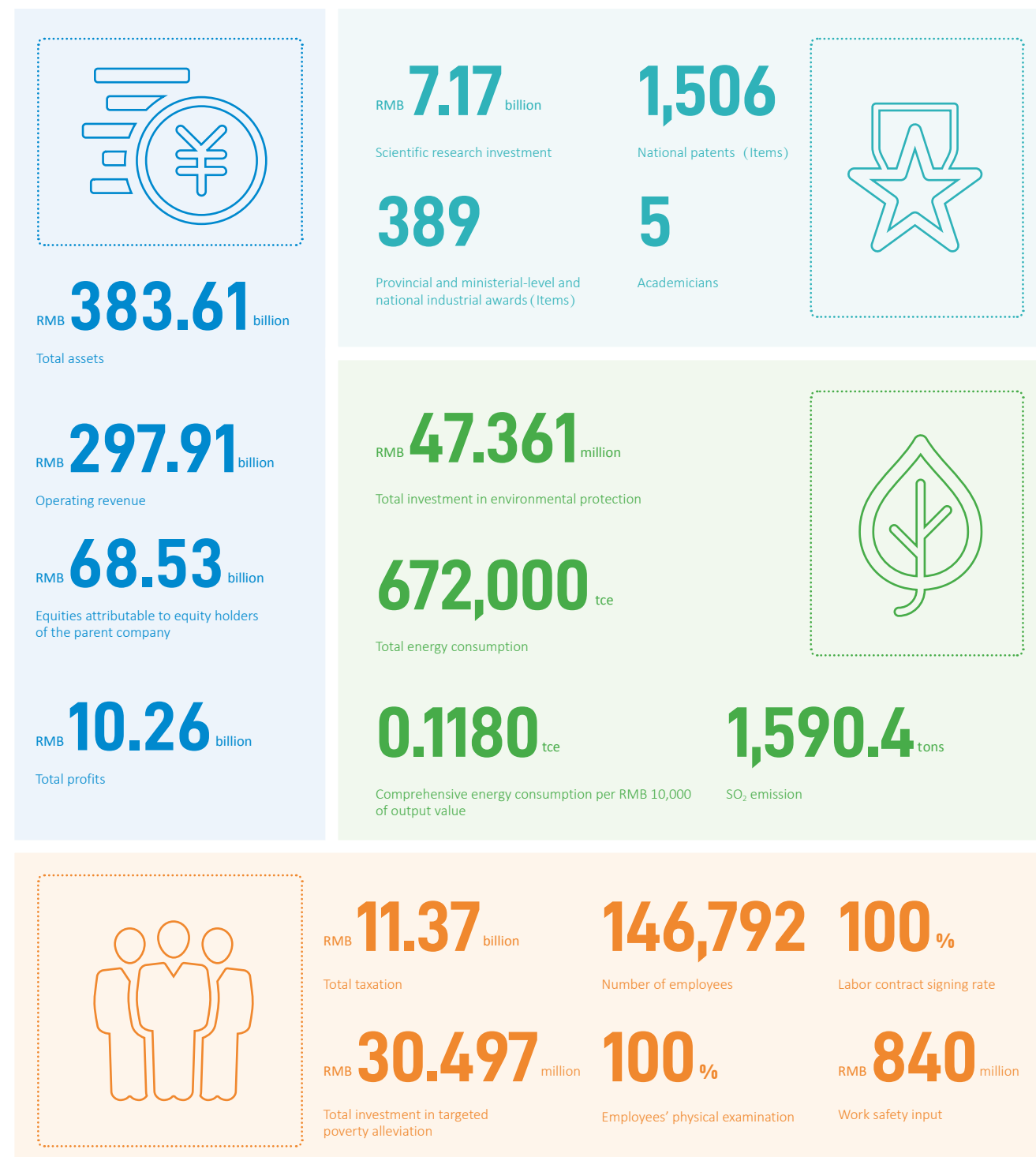
press, and to supervise. To empower the Group with talents, we unblock channels for employees' career development and help employees be more competent. Paying much attention to employees' work and life as well as physical and mental health, we strive to create a safe and sound working environment. In 2019, we invested RMB 92.015 million in education and training of employees, and raised RMB 5.947 million through the "SINOMACH Love Fund". We held the 5th "Harmonious SINOMACH Cup" employee table tennis and badminton competition, and contributed to a "Happy SINOMACH."

**We keep forging ahead and shape a bright future in the strong tide of competition.** 2020 is a year for securing a decisive victory in building a moderately prosperous society in all respects, a year for the completion of the 13th Five-year Plan, and also a critical year for SINOMACH to reform and develop. We will coordinate pandemic prevention and control economic and social development, seek progress while maintaining stability, and press on with untiring efforts. We will vigorously promote high-quality reforms and forge ahead to become a world-class enterprise. We will make greater contributions to the Chinese dream of building a moderately prosperous society in all aspects and bringing about a great rejuvenation of the Chinese nation.

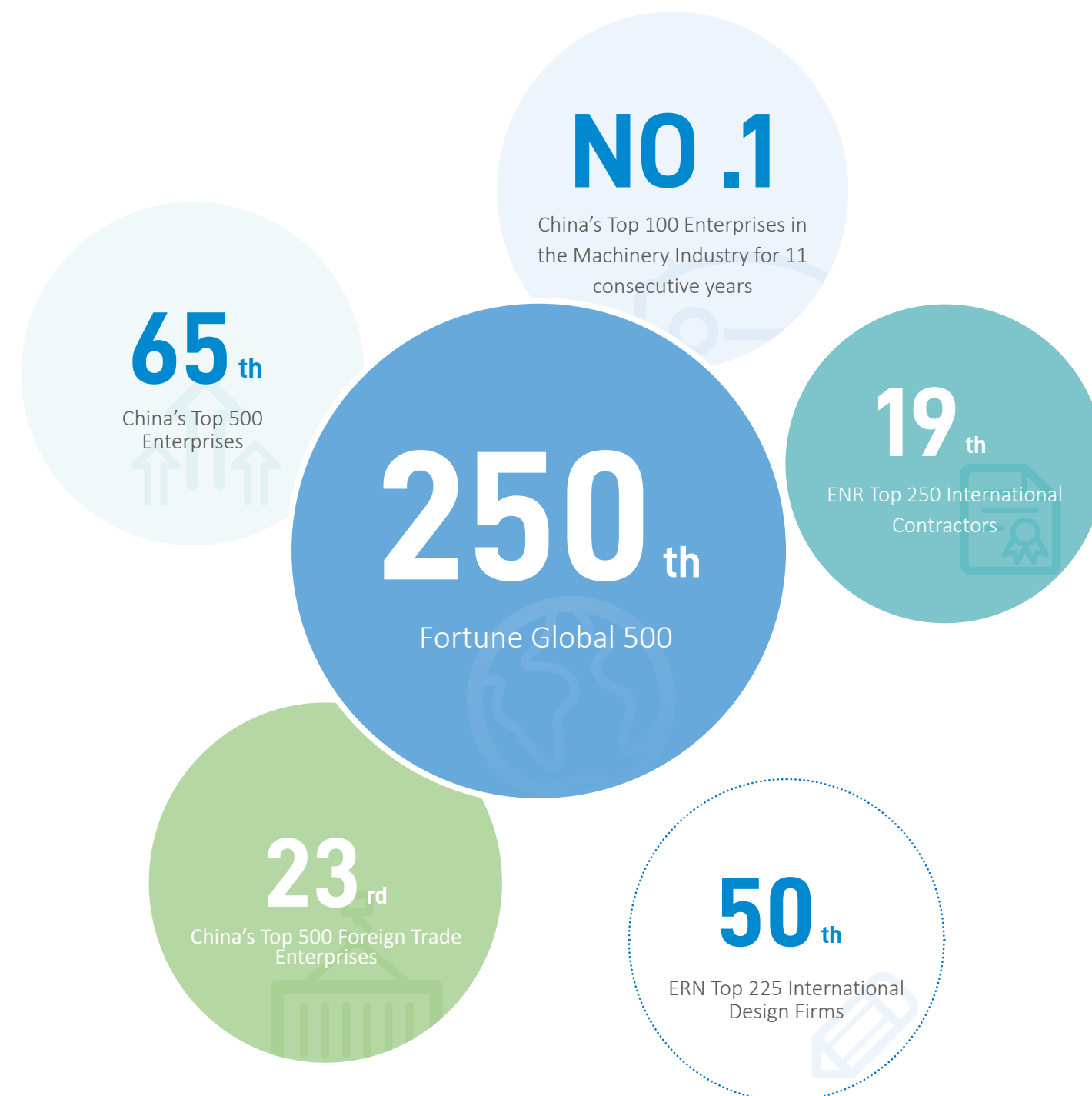


# CSR Data 2019

## Social Responsibility Performance



## Honors and Awards



# About Us

## Company Profile

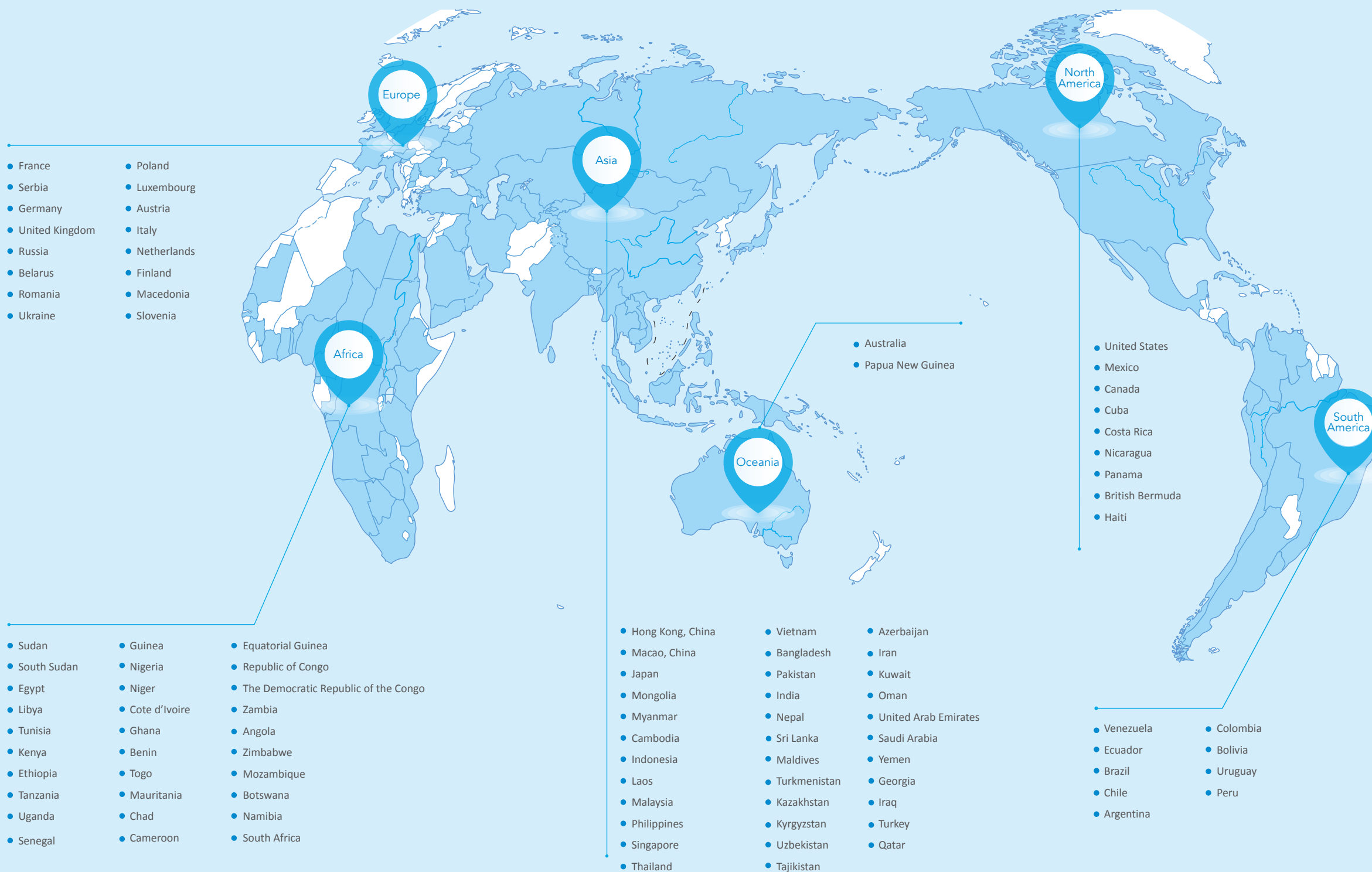
China National Machinery Industry Corporation (SINOMACH), formerly known as the First Ministry of Machinery Industry established on Aug 7, 1952, is an important state-owned enterprise directly managed by the central government. The Group inherited over 70 research and design institutes, equipment manufacturing and industrial and trade enterprises from the predecessor and realized further development. SINOMACH has over 140,000 employees, over 27 wholly-owned or majority-owned subsidiaries, and 13 listed companies. The Group is a Fortune Global 500 company and has ranked first among the top 100 enterprises in China's machinery industry for many consecutive years.

SINOMACH is an international, diversified, comprehensive industrial equipment company committed to providing quality services globally. Our primary businesses cover five main areas in equipment manufacturing and modern manufacturing services, namely equipment manufacturing, technological R&D, project contracting, trade and services, and finance and investment. Our service scope covers critical national economic fields such as machinery, energy, transportation, automobiles, shipbuilding, metallurgy, construction, electronics, environmental engineering, aeronautics and astronautics, and light industry. The Group has a market presence in five continents, with more than 300 overseas service agencies in over 100 countries and regions.

SINOMACH serves national strategies and people's livelihood, takes revitalizing the machinery sector as our own responsibility, and aims at building a world-class enterprise. For years, we have accelerated reforms and development, continued with technological innovations, innovated in management and business models, promoted further resource optimization, rebuilt core competencies, and accelerated the pace of "going global". We have developed into a super-large conglomerate with the most diverse lines of businesses, strongest R&D capabilities, the most international operations, and an excellent supply chain in China's machinery industry.

Adhering to the business philosophy of "work together, win together", we are devoted to developing the corporate culture of "harmony" and focus on building a value-creating, innovative, green, responsible and happy SINOMACH by high-quality development. We strive to build four platforms of strategic resource integration, technological innovation, industry investment and international development to facilitate the five major businesses and build SINOMACH as world-class comprehensive equipment industry group with global competitiveness.

## Overseas markets of SINOMACH

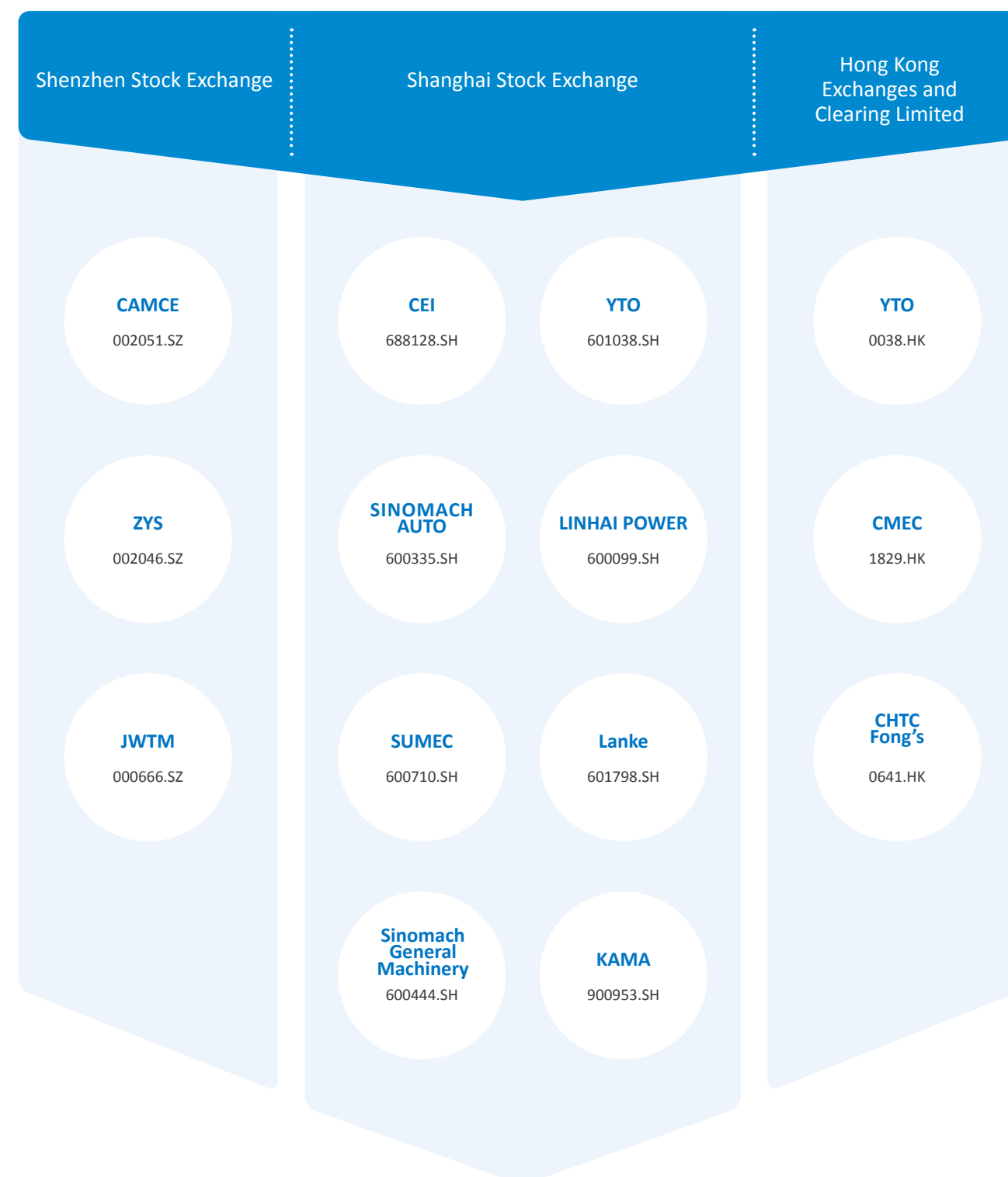




## Secondary Subsidiaries

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.	COAG
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	SINOMACH Finance Co., Ltd.	SINOMF
11	SINOMACH Automobile Co., Ltd.	SINOMACH AUTO
12	China Machinery international Corporation	SINOMACHINT
13	SINOMACH Capital Management Corporation	SINOMACH CAPITAL
14	SINOMACH Capital Holding Co., Ltd.	SCHC
15	China Academy of Agricultural Mechanization Sciences	CAAMS
16	SINOMACH Science and Technology Research Institute Co., Ltd.	SINOMACH STRI
17	SINOMACH Heavy Equipment Group Co., Ltd.	SINOMACH HE
18	YTO Group Corporation	YTO
19	SUMEC Group Corporation	SUMEC
20	China Perfect Machinery Industry Corp.,Ltd.	CPF
21	China United Engineering Corporation	CUC
22	SIPPR Engineering Group Co., Ltd.	SIPPR
23	Hefei General Machinery Research Institute Co., Ltd	GMRI
24	Luoyang Bearing Science and Technology Co., Ltd.	ZYS
25	China National Electric Apparatus Research Institute Co., Ltd.	CEI
26	SINOMACH Intelligence Technology Co.,Ltd.	SINOMACH INTELTECH
27	Guilin Electrical Equipment Scientific Research Institute Co., Ltd.	GLESI

## Listed Companies

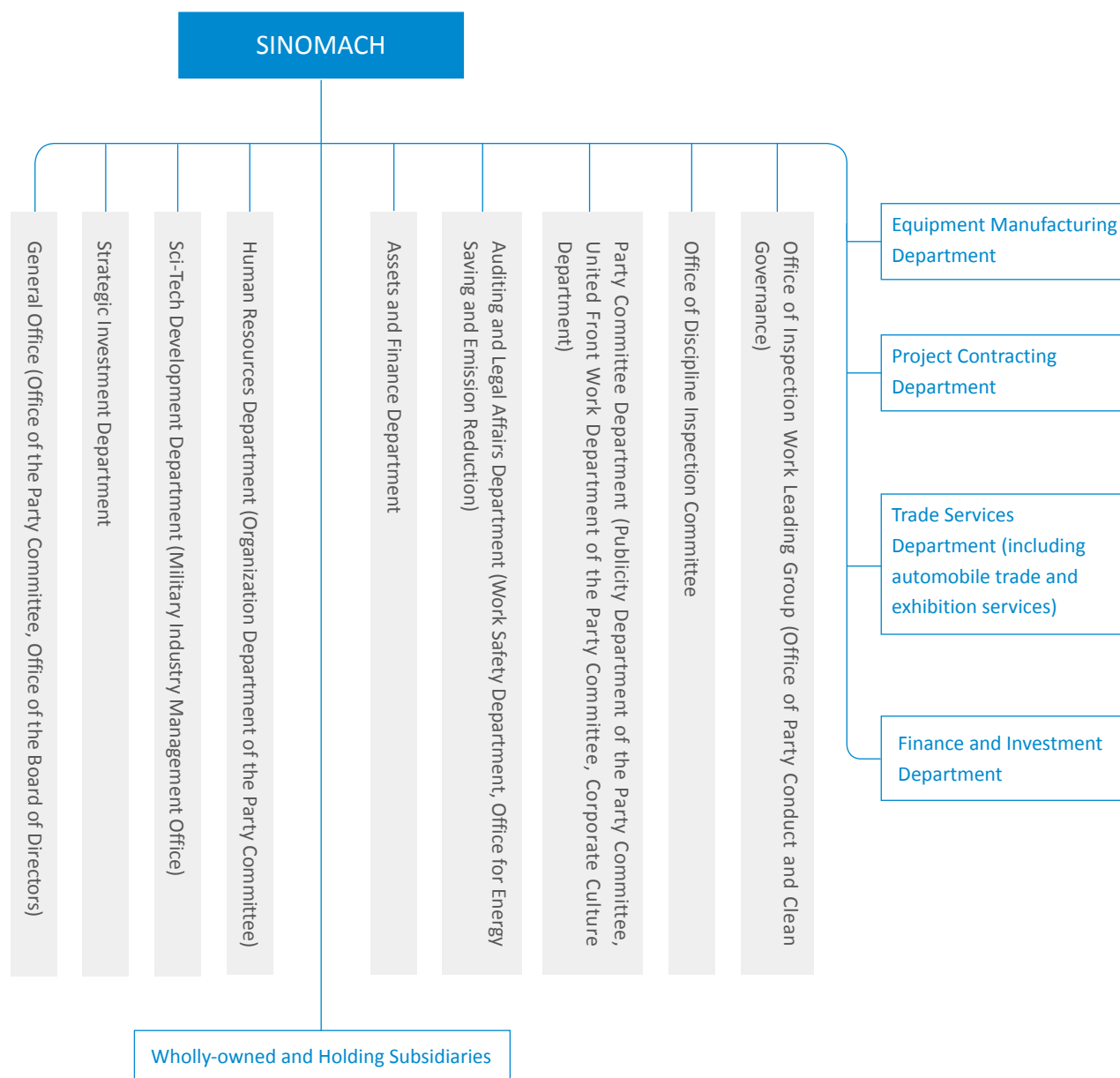


## Corporate Governance

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 reg-

ulations. The SASAC performs duties as the contributor of SINOMACH according to law upon the authorization of the State Council. The Group sets the Board of Directors as the Group's decision-making body and the core

of corporate governance to be responsible for studying and making decisions on major issues related to the reform and development.



## Corporate Strategy

### Development Goals



SINOMACH continues to top the list of China's Top 100 Enterprises in Machinery Industry, and rank middle among the Fortune Global 500.

### Overall Orientation



To better serve national strategies and undertake missions of industry development with stronger corporate competitiveness, SINOMACH has made trial reforms in accordance with the requirements on state capital investment and management companies. Centering on the two sectors of equipment manufacturing and modern manufacturing services, the Group is devoted to building four platforms of strategic resource integration, technological innovation, industry investment and international development. The five major sectors, namely equipment manufacturing, technological R&D, project contracting, trade and services, and finance and investment, will also enjoy coordinated development accordingly. All these will contribute to building SINOMACH as a world-class comprehensive equipment industry group with global competitiveness.

### Business Orientation



**Targets two main areas**

- Equipment machinery
- Modern manufacturing service

**Five major business sectors**

- Equipment manufacturing
- Technological R&D
- Project contracting
- Trade and services
- Finance and investment

### Key Tasks



- Building up SINOMACH strengths to serve national strategies
- Carrying out trial reforms to promote high-quality development
- Enhancing internal synergies to give play to overall advantages
- Strengthening the driving force of innovation to enhance technological strengths
- Expanding open cooperation to boost international operations
- Optimizing talent pipeline to build a stronger team
- Strengthening brand building to expand SINOMACH's influence

### Safeguards



- Strengthen Party building
- Enhance capital operations
- Promote information construction
- Focus on risk management and control
- Do a good job of organizational implementation



## Corporate Culture



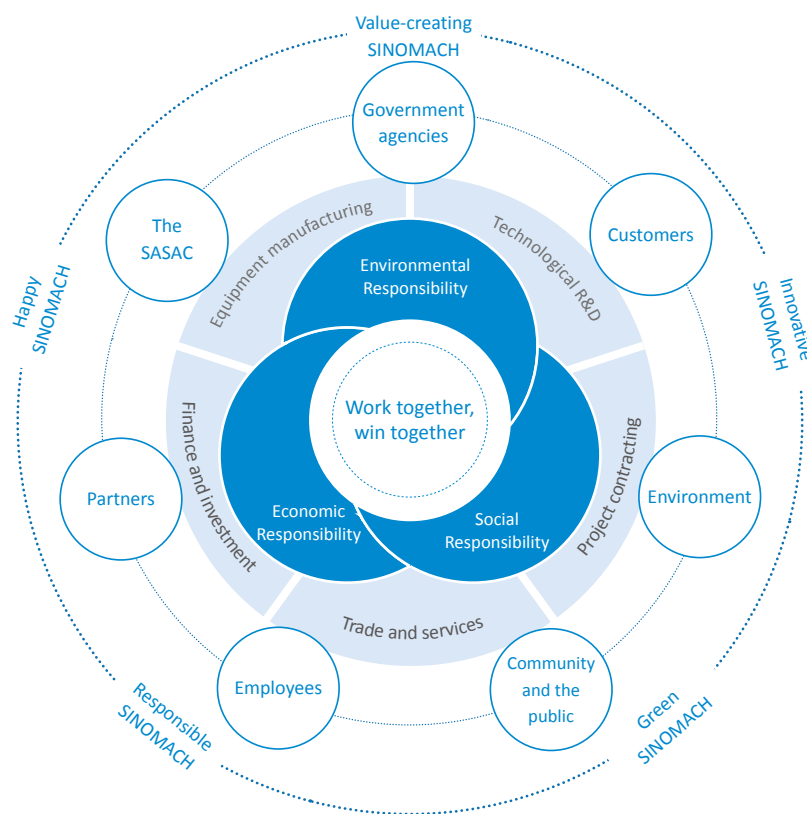
## Roles in Social Organizations

Organization	Role
China-France Business Council	Leading Unit of the Chinese Working Group
World Economic Forum	Associate Partner
Boao Forum for Asia	Diamond member
B20	Member
China-Ukraine Bilateral Entrepreneur Council	Chairman of the Chinese side
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
Commerce for Import and Export of Machinery and Electronic Products	Vice Chairman Member
China Mechanical Engineering Society (CMES)	Deputy Director-General Member
Association for Relations Across the Taiwan Straits	Council Member
Society of Automotive Engineers of China (SAE-China)	Deputy Director-General Member
China Association of Automotive Manufactures (CAAM)	Vice Chairman Member
China Machinery Enterprise Management Association (CMMA)	Deputy Director-General Member
China Association of International Engineering Consultants (CAIEC)	Vice Chairman Member
China National Association of Engineering Consultants (CNAEC)	Executive Council 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 Work Safety (CAWS)	Executive Council Member
China Association of Agricultural Machinery Manufactures (CAAMM)	Chairman Member
China Education Association of Machinery Industry (CEAMI)	Deputy Director-General Member
China Auto Talents Society (CATS)	Deputy Director-General Member
China Association of Machinery Industry Culture (CAMIC)	Vice Chairman Member
China Machinery Industry Auditing Society (CMIAS)	Vice Chairman Member
China Foundry Association (CFA)	Vice Chairman Member
China Textile Commerce Association	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 Water Transportation Construction Association	Vice President
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

# Social Responsibility Management

## Social Responsibility Model

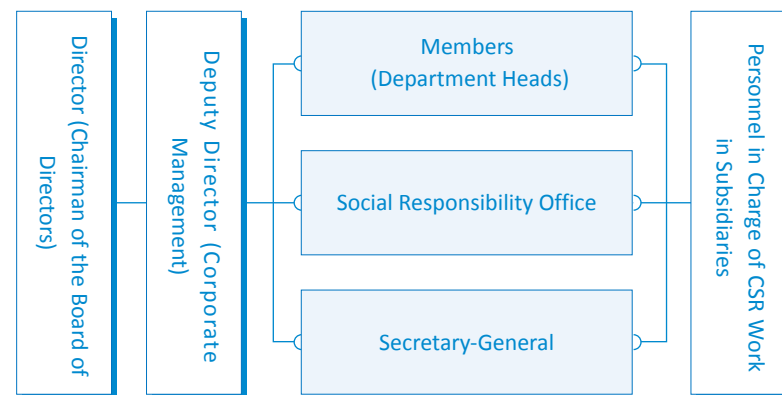
Adhering to the business philosophy of “work together, win-win together”, SINOMACH continues to build a value-creating, innovative, green, responsible and happy SINOMACH by focusing on the main business sectors of equipment manufacturing, technological R&D, project contracting, trade and services, and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



SINOMACH Social Responsibility Management Model

## Social Responsibility Management System

SINOMACH continues to improve the top-level design of social responsibility work and integrate the concept of social responsibility into corporate development strategies and business operations. We endeavor to improve CSR management by optimizing the organizational structure, functional responsibilities, and operating mechanisms, and promote the fulfillment of social responsibility at all levels.



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</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>Disseminating social responsibility practices of 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 the Chinese Academy of Social Sciences and <i>China Sustainability Tribune</i></li> <li>Carrying out social responsibility communication with peer companies</li> <li>Participating in the social responsibility assessment and research projects of the SASAC</li> <li>Participating in exchange activities held by UN Global Compact</li> </ul>

## Social Responsibility Honors of SINOMACH

<p>The Evergreen Award of Golden-Bee Excellent CSR Report 2019</p> <p>Social Responsibility Report 2018 of China National Machinery Industry Corporation</p>	<p>Top 3 enterprises in the mechanical equipment manufacturing industry</p> <p>2019 China CSR Development Index</p>	<p>Excellent Enterprise</p> <p>Sustainable Brand Communication</p>
<p>The 2019 Best Practices for Enterprise Poverty Alleviation and Prosperity Promotion Award</p> <p>The case of "conducting targeted poverty alleviation through educational support and creating a poverty alleviation model of SINOMACH"</p>	<p>The second prize of the story-telling contest of central SOEs held by the SASAC</p> <p>SINOMACH's story, <i>Space Dream, Love for the Nation</i></p>	<p>The 22 typical stories of central SOEs</p> <p><i>The Championship Belt In My Heart, SINOMACH's story</i></p>



## Materiality Management

The procedure for identifying social responsibility material topics of SINOMACH



Major social responsibility material topics of SINOMACH in 2019

Note: The above figure shows the 17 sustainable development goals (SDGs) of the 2030 Agenda for Sustainable Development proposed by the United Nations.

## Stakeholder Management

We pursue shared development with stakeholders. By strengthening stakeholder communication, paying attention to and responding to stakeholders’ expectations and demands, we enhance stakeholders’ understanding of their own capabilities and strive to build a responsible brand image among stakeholders.

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 A »

# Implementing the Belt and Road Initiative to Deepen International Communication and Cooperation

As an explorer and leader of international businesses, SINOMACH vigorously pushes ahead with the Belt and Road Initiative. The Group has been expanding markets in the Belt and Road countries, and pushes forward projects in fields of interconnectivity of infrastructure, energy and resource cooperation, industrial investments and overseas industrial park, continuously deepening international cooperation.

More than **700** projects

Along the Belt of Road signed, completed or being implemented by SINOMACH

Approximately USD **90** billion

Total contract amount reached

## Building “a city” based on “a blueprint”

Jointly developed and constructed by SINOMACH and other parties at home and abroad, the Great Stone is by far the overseas industrial park with the largest floor area, and represents China’s highest level of foreign cooperation. It is an exemplary project for the implementation of the Belt and Road Initiative.

- 2019** 60 enterprises had settled in the Great Stone, signing a total investment of USD 1.16 billion in contracts. Among them, there are 33 Chinese projects, with a total investment of USD 710 million, accounting for 65% of the total investment from resident enterprises.
- 2018** The Great Stone became the first regional special economic zone in Belarus.
- 2015** The leaders of China and Belarus visited the Great Stone, and proposed to build the park as a pearl on the Silk Road Economic Belt and a model for the mutually beneficial cooperation between the two countries.
- 2010** Leaders of China and Belarus reached a consensus on building a development zone in Belarus.

## Overseas Project Construction

While implementing the Belt and Road Initiative, SINOMACH actively implements the Group’s international business strategy to make Chinese solutions, technologies, standards, and manufacturing go global. As of the end of 2019, more than 700 projects along the Belt of Road were signed, completed or being implemented with total contract amount reaching approximately USD 90 billion.

**SINOMACH steadily promotes the construction of key projects.** The Group has established a Belt and Road leading group to boost infrastructure construction and attract more investments. The Group has built models of international cooperation by promoting the construction and operation of a number of overseas projects, such as the Argentina Belgrano Freight Railway Reconstruction Project and power plant construction projects in Sri Lanka and Serbia. In 2019, the Great Stone (China-Belarus industrial park) welcomed 21 new resident enterprises. At present, there are 60 resident enterprises, with a total investment of USD 1.16 billion.

**SINOMACH strives to enhance competitiveness in overseas markets.** The Group vigorously expands overseas markets, and has signed several major projects in countries such as Bahrain, Kazakhstan, Ukraine and Myanmar. At the same time, we keep expanding the network of overseas institutions, and has established 342 overseas subsidiaries and branches in more than 100 countries or regions. Moreover, we attach great importance to engineering quality, and our overseas engineering projects have won the China Construction Engineering Luban Prize, which symbolizes the highest honor of engineering quality.

**SINOMACH endeavor to enhance our international business operations.** We have been improving our overseas regional center network as planned, and continue to support localized management. A number of overseas regional centers, including the Regional Center of Belarus and Surrounding Area, the Central and Eastern European Regional Center, the Southern and Western African Agricultural Regional Center, etc., have been established, which enable the Group to further enhance overseas management and business collaboration, as well as the overall capacity for international businesses.

## A model project on the Belt and Road

### An exemplary project for overseas construction engineering

Built at a Chinese speed and up to the Chinese quality standard, the office buildings and the first 8,000m<sup>2</sup> standard factory in the Great Stone were awarded the Belarusian Outstanding Engineering Award. In addition, the office buildings also won the China Construction Engineering Luban Prize (Overseas Projects).

### An exemplary project for sustainable development

Nature reserves, water systems, villages and plantations in the park are well preserved, and nearly 50% of the land in the park is covered in vegetation.

### An exemplary project for implementation of policies on overseas economic and trade cooperation zone

The Decree of the Belarusian President on the China-Belarus Industrial Park has established a special legal status of this territory, giving preferential policies to the park in the form of highest legislation. It includes a tax exemption for resident enterprises during the first ten years since they begin to reap a profit, and then the tax rate will be halved until to June 5, 2062.



Honors and awards

Best Belt and Road Initiative Project in Central, Eastern Europe

New Silk Road Finance Award 2019 from Asiamoney Magazine

fDi Global Free Zones of the Year 2019

fDi Magazine, a service from the Financial Times

Award for “Fastest Growing Industrial Park”

World Free and Special Economic Zones Federation (FEMOZA)



## International Communication and Cooperation

SINOMACH vigorously responds to the call for a community with a shared future for mankind, and strives to be a pioneer in international exchange and cooperation. The Group advocates mutual benefit, openness and inclusiveness, and actively participates in international exchanges and cooperation. In 2019, SINOMACH attended the World Economic Forum, the Second Belt and Road Forum for International Cooperation, the First China-Africa Economic and Trade Expo, the business event held by the China-France Entrepreneurs Council in Paris, the St. Petersburg International Economic Forum, the BRICS Business Forum, etc.



• The Great Stone in the 2nd China International Import Expo



• SINOMACH attends the China-France Economic Forum.



• SINOMACH attends the US-China CEO Roundtable.



• SINOMACH attends the Belt and Road Forum for Regional Cooperation and Development.

Ushering in a bright future for China-Belarus economic and trade cooperation with joint efforts

In July 2019, the Belt and Road Forum for Regional Cooperation and Development was held in the Great Stone. The forum was co-sponsored by the Ministry of Commerce of China (MOFCOM) and the Ministry of Economy of the Republic of Belarus, and co-organized by the Foreign Trade Development Bureau of MOFCOM, the Belarusian Chamber of Commerce and Industry, SINOMACH, and Great Stone, Industrial Park Development Company. It aimed to make greater use of the Great Stone's advantageous position for carrying out the Belt and Road Initiative, make use of production factors from a number of parties, and promote the coordinated development of regional industries. Around 800 officials, experts, and business personnel from more than 30 countries, including China, Belarus, Germany, Kazakhstan, and Poland, and from a number of international and regional organizations, participated in the forum.



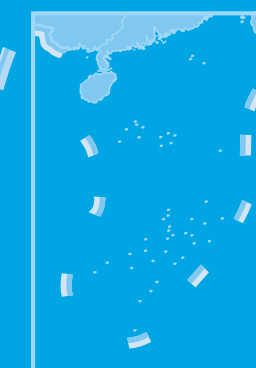
CSR Focus **B** »

# Innovating in Targeted Poverty Alleviation to End Poverty

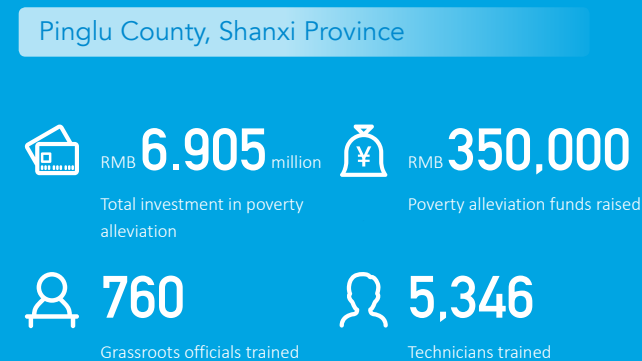
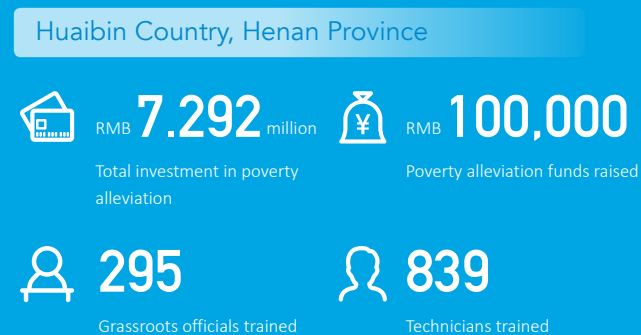
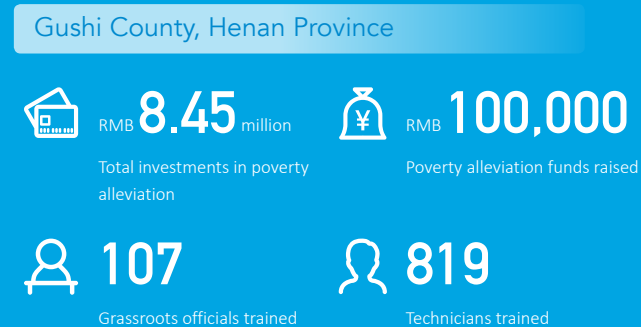
SINOMACH deeply implements the guiding principles of the 19th CPC National Congress and the important instructions from General Secretary Xi Jinping on poverty alleviation. We earnestly undertake due responsibilities and adopt targeted measures to deliver solid outcomes based on the actual conditions of targeted poor counties and districts. Supported by the innovative targeted poverty alleviation model of “taking root in education, developing industry, supporting agricultural machinery, and facilitating people’s livelihood”, we strive to make sure that our poverty alleviation efforts can reach those who truly need it with targeted project arrangement, capital, and measures, as well as support of officials (first Party secretaries) in poor villages.

In 2019, SINOMACH invested RMB 30.497 million in targeted poverty alleviation, and raised another RMB 650,000 through poverty alleviation funds. We purchased RMB 4.317 million of agricultural products from poverty-stricken areas, and helped with the sale of agricultural products worth RMB 7.445 million. In addition, SINOMACH dispatched 4 officials to serve temporary positions and 4 first secretaries to poor villages, and completed training for 7,416 technicians. These efforts have benefited 319,000 poor people from 97,000 households, and enabled the Group to help lift all of the 4 targeted poverty alleviation counties out of poverty. In the evaluation of poverty alleviation performance in 2019 carried out by the State Council Leading Group Office of Poverty Alleviation and Development, SINOMACH was rated as “good”.

In 2019, 18 subsidiaries of the Group provided assistance for 2 counties, 2 townships and 21 villages with a total investment of over RMB 7.61 million in 52 poverty alleviation projects. Moreover, 23 poverty alleviation officials were dispatched to help 2,448 registered poor people with their fight against poverty.



## Targeted poverty alleviation data of SINOMACH



## Gushi County, Henan Province

We improve public service facilities and transform agricultural infrastructure in Gushi County to support the poverty-stricken villages get rid of poverty with targeted measures, and help the locals increase their incomes. In May 2019, the Henan Provincial Government officially announced that Gushi County was removed from the national poverty list.



A delegation from SINOMACH led by chairman Zhang Xiaolun visits an elderly care center project in Gushi County, Henan province.

### Building a new irrigation canal to secure grain production

The old irrigation canal in Sungang Village, Jiangji Town, Gushi County was built in the 1970s, and has been the only canal in the village. However, it has been worn down over the years without repair. In 2019, SINOMACH started investing in the construction of a new trapezoidal canal for the locals. After the project is completed, it will be able to provide water for 173 hectares of cultivated land in Sungang Village. It is estimated that 100,000 kilograms of grain yield could be increased annually, and the total incomes of 4,779 local residents, including 309 people in poverty, could be increased by RMB 280,000 per year.

## Pinglu County, Shanxi Province

In the key stage of poverty alleviation in Pinglu County, SINOMACH firmly adheres to the same policy on poverty alleviation, offers undiminished assistance, and maintains the poverty alleviation teams for all-out efforts. The Group focuses on facilitating the local education infrastructure and projects that improve people's livelihood. By taking advantage of the "e-commerce + industry" model, the Group has broadened the sales channels for local agricultural products, and built an "expressway" that connects supply and demand. In April 2019, Pinglu County successfully achieved its poverty alleviation goals.



A delegation led by Song Xin, deputy Party secretary of SINOMACH, pays a visit to a poverty alleviation workshop in Pinglu County, Shanxi Province.

### Promoting the development of e-commerce industry in Pinglu County

The Pinglu SINOMACH E-Commerce Public Service Center was established in 2017. In order to promote the development of the local e-commerce industry, the center and Shenyang Agricultural Cooperative jointly established a platform covering all stages of agricultural production, to regulate the management of six major aspects of the production process, which has ensured the high quality and stable sales of local farm produce. As of the end of 2019, with the support of SINOMACH, the center has established more than 140 village-level service outlets, directly driving more than 8,000 rural households to increase their incomes, and helping more than 1,200 poor households get out of poverty.

## Huaibin County, Henan Province

### Promoting local employment to increase people's incomes

SINOMACH believes that "if you give a hungry man a fish, you feed him for a day, but if you teach him how to fish, you feed him for a lifetime." Therefore, the Group is committed to addressing the root causes of poverty by offering targeted industrial support based on the actual condition of Huaibin County. After fully considering people's willingness, their vocational skills and the needs of employers, the Group actively carried out skills training and offered employment services in agricultural skills, garment processing, etc., to help the local poor people acquire practical skills, and create jobs and increase income. In 2019, SINOMACH employed 68 people from poor households in Huaibin County, Henan Province.



Poverty alleviation workshop in Huaibin County, Henan Province

Guided by the poverty alleviation concept of supporting housing construction, employment, mass entrepreneurship and elderly care in poverty-stricken areas, the Group focuses on supporting local basic education. Specifically, we developed nine education programs through targeted measures to help solve the difficulties faced by local primary and secondary schools. In addition, we leveraged the existing four poverty alleviation workshops and one garment factory to promote the establishment of an industrial cluster centering on SUMEC's main factory and the poverty alleviation workshops that facilitate the development of surrounding townships. In December 2019, Huaibin County was lifted out of poverty.

### Supporting industrial development by developing a collective economy

Yulin Village is located in the north of Yudong Township, Chaotian District, Guangyuan City, Sichuan Province. In the past, there was no collective economy in the village, and a large number of villagers had to seek jobs in other places. In order to help Yulin Village gain development, SINOMACH has supported the locals in constructing cold-water fish breeding bases and demonstration walnut plantations, cultivating pepper vines and cherries, and developing the bee breeding industry, which has laid a solid foundation for the development of the village's collective economy.

## Chaotian District, Guangyuan City, Sichuan Province

SINOMACH has worked closely with the Party Committee and Government of Chaotian District with a focus on implementing a series of assistance programs in education, infrastructure construction, industry development with local characteristics as well as skill training to help the local area completely eradicate poverty. In April 2019, with the approval of the Sichuan Provincial Government, Chaotian District was officially removed from the poverty list, and was commended by the Provincial Party Committee and Government for the remarkable progress it had achieved in the fight against poverty.



Medical equipment donated by SINOMACH to Chaotian District, Guangyuan City, Sichuan Province



# 01

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

RMB **383.61** billion  
Total assets

RMB **68.53** billion  
Equities attributable to equity holders of the parent company

RMB **3.18** billion  
Economic value added

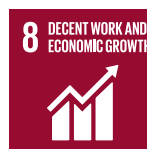
Over **90** %  
Completion rate of brand integration actions



### CSR practices

- Stabilizing operation and development
- Deepening reforms
- Enhancing basic management
- Diversifying businesses

### Contributions to SDGs



The rack of the ship lift at the Three Gorges



## High-quality Development

“Building up SINOMACH strengths to serve the needs of the country” is our mission. We adhere to the general principle of pursuing progress while ensuring stability, promotes innovative, coordinated, green, open, and shared development, and implements requirement on high-quality development. Focusing on main businesses, we advance the modernization of the corporate governance system, enhance governance capabilities, and launch stable production and operation, aiming to strengthen the Group’s status as a world-class comprehensive equipment industry group with global competitiveness.

In 2019, our operating revenue reached RMB 297.91 billion, total profits reached RMB 10.26 billion, and net profits was RMB 7.67 billion, completing 103.5% of the performance target set by SASAC and ranking 250th in Fortune Global 500 list.



◆ On November 5, 2019, China National Electric Apparatus Research Institute Co., Ltd. was listed on the STAR Market, becoming the 13th listed company under SINOMACH. It is also the first among the ten pilot central SOEs for employee stock ownership plan to be listed on the capital market.



## Deepening Reforms

SINOMACH promotes reforms of enterprises in an orderly manner to adapt to changes in market competition and internal development. We have steadily progressed the “double-hundred action” and the mixed-ownership reform, continued to strengthen corporate governance, and implemented the brand integration strategy, effectively enhancing our corporate competitiveness and creating momentum for the sustainable development of the Group.

### Corporate Reform

To comprehensively deepen reform, the Group organized the compilation of *Key Points of Comprehensively Deepening Reform 2019* and *Work Record on Comprehensively Deepening Reform 2019* to guide orderly reform-related work in

the past year. Highlighting the “double-hundred action” and the mixed-ownership reform, SINOMACH has further promoted the comprehensive reform of subsidiaries.



Advancing the “double-hundred action” and the mixed-ownership reform

Complying with the requirements of the SASAC, SINOMACH has determined the overall plan for the “double-hundred action” and the mixed-ownership reform, and further deepened the reform of four subsidiaries. In 2019, China National Electric Apparatus Research Institute Co., Ltd. became the first company among the ten pilot central SOEs for the employee stock ownership plan to be listed on the capital market.



Steady Restructuring

Focusing on strategic structuring in such fields as major technical equipment, basic equipment and R&D, SINOMACH further optimizes the distribution of industries.

By deeply integrating resources of core subsidiaries or listed companies in the main business sectors and optimizing the allocation of business resources, we aim to enhance our core competitiveness. The restructuring of CAMCE and IPPR, SINOMACH Auto and AE, as well as LAN-PEC and Energy China has been completed. We also incorporated the SINOMACH Engineering Group by integrating the Group’s engineering resources. A core business platform formed by scientific research institutes is established and the restructuring of SINOMACH STRI, SAIS, and CIMRI, as well as the restructuring of HGMRI and Zhongtong Company, have been completed, thus effectively cutting inefficient businesses.



Addressing longstanding issues more efficiently

We have strengthened supervision and inspection of key subsidiaries and key areas, fully guaranteed stable operation, and wrapped up all work related to the separation and handover of “water supply, power supply, heat supply and property management.” In 2019, 96% of contracted subsidiaries completed the handover of “water supply, power supply, heat supply and property management” businesses, which meant that the reform of educational and medical organized had been basically completed, and over 86% of collective-owned subsidiaries completed reforms.

96%

Proportion of contracted subsidiaries completing the handover of “water supply, power supply, heat supply and property management” businesses

86%

Proportion of collective-owned subsidiaries completing reforms

## Management and Control by the Group

SINOMACH effectively regulates corporate governance with capital as the carrier and property rights as the basis. Highlighting the positioning of the headquarters, we accelerate the transformation of functions and moderately delegate more powers to subsidiaries, striving to hit a balance between governance and delegation, and thus promote the high-quality development of the Group.




### Optimizing the corporate governance system

After studying and sorting out the Group's management and control systems, we develop a list of rights and responsibilities of the headquarters of SINOMACH and delegated power to further clarify the boundary between the headquarters and the subsidiaries.

Improving the functions of the headquarters	Deepening the decentralization
We strengthen the headquarters' strategic research, industry analysis, capital operation, investment decision-making, and risk management and control capabilities. We also transfer investment and operation rights to superior departments, and shift production and operation functions to subordinate departments to ensure that the headquarters have more authorities over assets.	We strengthen incentive and constraint mechanisms and improve fault tolerance and correction mechanisms; the overall supervision is enhanced with a large supervision system built in line with the principle of equal rights for equal responsibilities and combination of governance and delegation. Besides, we improve the performance appraisal system and strengthen category-specific appraisals and targeted appraisals.

### Enhancing the management by the Group

To adapt to changes in market competition, SINOMACH continuously strengthens management to improve quality and efficiency. In 2019, SINOMACH successfully completed the three-year streamlining task assigned by the SASAC. We reduced the number of subsidiaries by 23.5%, made staged achievements in clearing up "zombie" companies and enterprises in extreme difficulties, included 90 subsidiaries in our streamlining plan, among which 87 had completed key tasks.

 <p><b>Management of "zombie" companies and enterprises in extreme difficulties</b></p> <p>Overcoming difficulties, such as lack of funds and long-lasting problems, applying for special subsidy funds as much as possible according to related policies, and ensuring that problems are solved once and for all.</p>	 <p><b>Management of loss-making enterprises</b></p> <p>Conducting in-depth research on loss-making enterprises, providing targeted guidance for key loss-making enterprises, and adopting various methods to promote loss-making subsidiaries to reduce losses or turn losses into gains.</p>	 <p><b>Clearing up receivables and inventories</b></p> <p>Thoroughly implementing the SASAC's requirements on cleaning up renewables and inventories, and compiling the 2019 Annual Plan for Appraising the Control of Receivables and Inventories to help classify and eliminate inefficient and invalid receivables and inventories and propose integrated solutions.</p>
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23.5%

Decrease rate in the number of subsidiaries

## Brand integration

All members of SINOMACH were under the same banner. Brand integration is an important strategy of SINOMACH to strengthen the Group's status of a world-class enterprise with global competitiveness, and it is also a significant measure for the Group to improve the pilot project for state-owned capital investment companies. Brand integration is conducive to consolidating the foundation of brand development, creating synergies among brands, as well as enhancing our overall competitiveness. It will strengthen the internal identification of the Group and enhance employees' sense of belonging and honor.

According to the requirements of the SINOMACH's Implementation Plan for Promoting Brand Integration, we have launched brand integration

actions in 768 subsidiaries at all levels. In various visual applications, including administrative offices, conferences, media publicity materials, environmental signage, exhibitions, project sites, etc., we strictly follow requirements on brand integration. As of the end of 2019, we completed 90% of the 60 brand integration projects of ten categories. By earnestly carrying out brand integration, we have realized the unification of internal and external brand images, and solved the disorganization of different brands. We have made significant staged achievements in brand integration, which lays a solid foundation for the Group to gradually strengthen and improve SINOMACH brands.

768

Subsidiaries launched brand integration actions

over 90%

Completion rate of brand integration actions

### Making concerted efforts for a bright future

The flag indicates the direction and provides power. On June 28, 2019, at the launching and flag-giving ceremony of the Brand Integration Implementation Strategy of SINOMACH, Chairman Zhang Xiaolun awarded flags with the logo of SINOMACH, which symbolizes the image

and responsibility of SINOMACH, to its subsidiaries. Mr. Zhang also waved the flag together with over 800 employees, starting the journey to "promote improvement of quality, efficiency and momentum of SINOMACH through brand building achievements."



The launching and flag-giving ceremony of the Brand Integration Implementation Strategy of SINOMACH

### What is the brand integration strategy?

The brand integration strategy targets large comprehensive enterprises with a complex organizational structure and diverse businesses. The core is to integrate scattered brand resources, unify external and internal corporate images, and boost the overall competitiveness of SINOMACH.

SINOMACH aims to promote the integrated use of the SINOMACH brand image in subsidiaries at all levels and build a unified brand image by launching the brand integration strategy. At present, SINOMACH is conducting in-depth integration of internal brand resources to build the main brand of SINOMACH. Externally, the Group works to expand the visibility and influence of SINOMACH brand image, and internally, it optimizes the organizational structure and brand resources, striving to realize internal synergies.





# Basic Management

SINOMACH has continuously pushed forwards the modernization of governance systems and capabilities, and enhanced basic management. The Group keeps improving the management of strategic planning, risk management, financial management, information management, anti-corruption, etc., in an effort to help build a stronger and better SINOMACH.

## ⚙️ Strategic Planning

The Group keeps updating the *SINOMACH Development Plan 2019-2021*, and has carried out analyses on key targets and key issues encountered during the 13th Five-year Plan period. According to the *SINOMACH Development Strategy and Planning Management Measures* and the *SINOMACH Development Strategy and Planning Evaluation Rules*, we have compiled the development planning evaluation report, which lays a foundation for a comprehensive, scientific revision of the three-year plan. At the same time, we have leveraged the strategies, and integrated new spirits and new requirements into our strategic planning to put forward new overall positioning and business classifications as well as new goals and key tasks for development according to the opportunities and challenges we face.

We have initiated the compilation of SINOMACH 14th Five-year Plan, and advanced the formulation of work plans and the establishment of relevant organizations. Seminars on strategic planning, and training on strategic management are held to have concentrated discussions and exchanges with subsidiaries. In addition, we have established the Planning Research Office of the Strategic Research Institute to provide technical support for its strategic research.

## ⚙️ Risk Management

The Group has realized the synchronized planning, implementation, inspection and assessment of risk management with business operation and management in accordance with the working concept of “adhering to the bottom-line thinking, comprehensively eliminating hidden dangers, taking proactive measures, and effectively handling risks.” Moreover, we attach great importance to risk investigations and special risk inspections of high-risk businesses, and have supervised and inspected all secondary subsidiaries. In 2019, there was no systemic risk incident within the Group, and all risks were under firm control.

### Strict control of risk management failures

Effectively implementing the internal control system and promoting the full coverage of auditing

### Strict control of debt risks

Reducing interest-bearing liabilities

### Strict control of risks in international businesses

Establishing a long-term mechanism for compliance management in key overseas operations, and carrying out overseas risk investigation, auditing and supervision

### Strict control of major safety and environmental risks

Implementing the work safety responsibility system for all employees, strengthening the publicity and training on work safety and environmental protection, and enhancing the self-inspection, mutual inspection as well as supervision and inspection of work safety

### Strict control of high-risk business operations

Facilitating the establishment of the major risk prevention system and the major risk monitoring system, identifying key issues in risk management and control, and carrying out special inspections

## ⚙️ Financial Management

Focusing on “securing development, consolidating the foundation and controlling risks”, SINOMACH actively creates financial value by optimizing capital management and the application of information technology in financial management.

SINOMACH has conducted a comprehensive analysis of the Group’s financial conditions, refined management ideas, and built the overseas capital management platform. Meanwhile, we have strengthened inspection and supervision to enhance our capability to prevent capital risks, revised the guarantee system, and established the guarantee business management accounts and regular tracking mechanism to prevent and control risks. SINOMACH has innovated in financial management methods and drawn on cutting-edge technologies and practical experiences. By establishing the Group’s extensive information system for financial management and control, we realize the consistency in the source of financial data, unified standards, information sharing and centralized management. In addition, we have integrated tax management resources to reduce tax costs and prevent risks in tax management. We monitor the property rights of subsidiaries in real time, effectively promoting the optimization of the Group’s property rights allocation and the rational flow of resources. In 2019, our asset-liability ratio was 65.2%.

**65.2%**

Asset-liability ratio of SINOMACH

## ⚙️ Application of Information Technology

In order to improve the top-level design for the Group’s information technology application, we have drafted the *Research Report on the Status of and Support for SINOMACH’s IT Application in Digital Transformation (for Discussion)*. Meanwhile, we have built an online monitoring platform, and promoted the integrated management of the SINOMACH brand in cyberspace by formulating the *Standards for the Establishment of a Uniform Domain Name System*. We have further developed the integrated information management platform, the collaborative office system and the integrated information display platform, in an effort to enhance our capability of IT application. In addition, we have expanded our video conferencing system to enable it to connect all secondary subsidiaries. In 2019, the Group convened 75 video conferences, saving RMB 4.38 million in costs.

In 2019, we took solid action in strengthening network security. For instance, we carried out the first cybersecurity skills training program and competition of SINOMACH, and participated in cybersecurity competitions organized by the Ministry of Public Security. We also conducted on-site cybersecurity inspections to enhance security assurance for the celebration of the 70th anniversary of the founding of the People’s Republic of China. Furthermore, we completed the evaluation of important systems, and advanced the standardization and systematization of our network security management. We tackled 221 cybersecurity emergencies, and was commended by the Ministry of Public Security in its law enforcement inspection on cybersecurity.



# Business Development

SINOMACH aspires to emerge as a world-class company, and regards revitalizing China's machinery manufacturing as its own mission. The Group vigorously serves national strategies, and strives to promote high-quality development with a focus on the major areas of equipment manufacturing and modern manufacturing ser-

vices as well as the five main business sectors, including equipment manufacturing, technological R&D, project contracting, trade and services, finance and investment. In 2019, the total amount of the Group's newly signed contracts reached USD 48.98 billion.

## Equipment Manufacturing

As a major player of R&D and equipment manufacturing in China's mechanical industry, as well as a base for the domestic manufacturing of national key equipment, SINOMACH has firmly grasped opportunities brought by the new sci-tech revolution and industrial transformation, and embarked on the compilation of the SINOMACH 14th Five-year strategic plan for equipment manufacturing sector, and the *SINOMACH Manufacturing High-quality Development Plan*. Meanwhile, we have enhanced the internal and external coordination of business operations for the equipment manufacturing sector, and continued to lead the industry's progress to make high-end equipment manufacturing a new engine that propels China's development.

## Technological R&D

SINOMACH adheres to the technical characteristics and positioning of being "professional, sophisticated, special, and excellent," and has developed a number of distinctive technologies in the field of agricultural machinery and intelligent manufacturing as well as nearly a thousand innovations in technology and equipment R&D, providing key basic technical support and services for China's machinery and aerospace industry.



### CGEG creates China's first pickup truck-mounted drilling rig for geological engineering exploration

Currently, investment in traditional geological explorations continues to decline, while urban geological engineering and ecological engineering explorations keep expanding, and the proportion of surveys and investments are also on the rise. Against this background, China Geological Equipment Group Co., Ltd. (CGEG), a wholly-owned subsidiary of SINOMACH, has successfully developed China's first pickup truck-mounted geological engineering exploration drilling rig, which only requires three to five minutes to complete preparations, and can enter areas without roads. At the same time, the drilling rig is equipped with five multi-purpose drilling systems, enabling its standard penetration to meet both international and domestic standards, and effectively improving the utilization of the equipment. The rig also shows innovations in fully automatic penetration, multi-functional powerheads, etc., and has ushered in a "pickup era" to China's engineering exploration which features full hydraulic transmission, multi-functional survey and rapid mobilization.

## 19.06 billion RMB

Revenue from sci-tech results

### Launching the first state-level intelligent manufacturing comprehensive standard setting project

The intelligent manufacturing comprehensive standard setting project initiated by SINOMACH INTELTECH and participated by SIPPR and YTO - the *Standard Setting and Test Verification Regarding the Operation and Management System for the Platform-Based Manufacturing of Agricultural Machinery Equipment at Intelligent Factories* - successfully passed the acceptance test. The project, which has enabled the manufacturing and operation process model as well as the intelligent factory platform-based operation and management standards, now plays an active role in the design, development, application and implementation of the manufacturing and operation management system of the digital workshop of agricultural machinery and equipment.



◆ R&D staff from the Momentum Wheel Technical Department of ZYS, a subsidiary of SINOMACH, tests aerospace bearings in the ultra-clean assembly room.



◆ The big-sized silicon wafer back-grinding wheel developed by ZYS.



## Project Contracting

SINOMACH offers engineering and construction services to the global market with the provision of complete equipment and through the main models of EPC, BOT, BOO, etc. The services cover a complete industrial chain, involving project development, investment and financing, project planning, investigation, design, construction, provision of complete equipment, operation and maintenance, etc. The Group provides project contracting services in the fields of power, transportation, energy, and infrastructure construction in dozens of countries on five continents.



◆ Opening ceremony of China National Machinery Industry Engineering Group

### San Buenaventura sugar factory project promotes economic development in northern Bolivia

The San Buenaventura sugar factory in Bolivia built by CAMCE is a large modern sugar factory. Since the beginning of its construction, CAMCE has adhered to the concept of energy conservation and environmental protection, as its technical scope covers sugar and alcohol production, agriculture, chemistry, machinery, thermoelectricity and environmental protection.

The completed project has greatly promoted the development of the local sugar industry, and has had a profound impact on the economic development of northern Bolivia. In December, 2019, the project won the "2018-2019 China Construction Engineering Luban Prize" (Overseas Projects).



◆ The San Buenaventura sugar factory project in Bolivia constructed by CAMCE

19<sup>th</sup>

ENR Top 250 International Contractors

50<sup>th</sup>

ENR Top 225 International Design Firms

## Trade and services

SINOMACH continuously strengthens strategic research and conducts analyses of industry development. Based on internal and external economic situations, we have optimized our business model, and formed a business pattern of diversified trade products, methods, and markets led by electromechanical equipment.

### Import and export of vehicles and related services

SINOMACH provides multi-port services in Tianjin, Shanghai and Guangzhou. Our logistics, warehousing and distribution centers have a total storage area of 800,000 square meters and an annual throughput capacity of over 200,000 vehicles with the support of an independently developed comprehensive service information system. In the past two decades, SINOMACH imported, sold, and provided services for more than 2 million vehicles.

### Trade of electromechanical products and other products

SINOMACH involves in many sectors, such as machinery, electronics, shipping, light industry, textiles, etc., keeping an important position in the trade of electromechanical products in China. The Group exports the most textile and apparel products among Chinese enterprises, and ranks second among all exporters to the EU. We also own the leading brand of school uniforms.

### Exhibition

With the support of a professional team of more than sixty years of experience in organizing exhibitions, SINOMACH holds the most large-scale exhibitions every year among all central SOEs engaged in the convention and exhibition sector, and is the largest organizer of overseas exhibitions. Each year, SINOMACH organizes more than 80 high-quality exhibitions in China with a total exhibition area of more than 3.6 million square meters, and organizes or provides agency services for over 180 exhibitions of 100 countries or so, which are participated by 500,000 professional buyers.

## Finance and investment

Adhering to the development philosophy of "serving the industries, developing forward-looking layout, and pursuing innovative development", we take serving the real economy as the starting point and goal of financial and investment businesses, so as to comprehensively improve service efficiency and quality.

SINOMACH has developed and published the 2019-2021 Development Plan for Financial and Investment Businesses, putting forward the strategic positioning of the "main business of financial services." The plan points out that the Group should develop businesses featuring high-degree industry-finance integration, including financial leasing, commercial factoring, insurance brokerage, and self-insurance, and build a SINOMACH "4+N" system of financial and investment businesses centering on internal financial services of the Group's entire lifecycle. In this way, SINOMACH aims to gradually form a comprehensive industrial chain financial service platform featuring all-around internal control systems, high-quality assets, distinctive business characteristics, high-degree industry-finance integration, and strong collaboration among enterprises.

more than **2** million vehicles

Imported, sold, and provided services by SINOMACH

Over **180**

Exhibitions independently hosted or provided agency services by overseas organizations

**500,000**

Professional buyers attracted



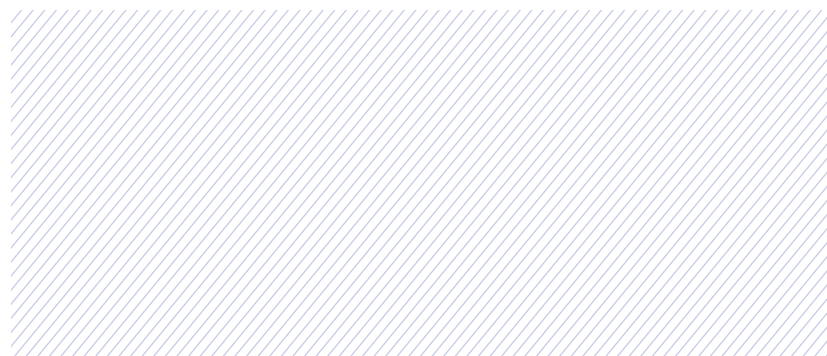
◆ China International Machine Tool & Tools Exhibition





# 02

## Innovative SINOMACH Driving Reform and Transformation



### CSR practices

- Strengthening technological innovation management
- Enhancing technological innovation capabilities
- Promoting the commercialization of scientific and technological innovation achievements
- Carrying out exchanges on scientific and technological innovation

### Contributions to SDGs



RMB **7.17** billion

Scientific research investment

**354**

International, national and industry standards compiled and revised by SINOMACH

**389**

Provincial and ministerial-level and national industrial awards (Items)

**1,506**

National patents (Items)



Dongfanghong LF2204 powershifting tractor

## Technological Innovation Management

Strictly following President Xi Jin Ping's important instruction of "giving play to SOEs' positive role in technological innovation," SINOMACH adheres to innovation-driven development and continuously improves technological innovation management, thus further facilitating industry progress and serving national strategies.

### Improving the technological innovation system

We have perfected the industry-university-institute integrated innovation system that is oriented toward the market and with the "enterprises + institutes" as the core. By making enterprises the main body of technological innovation demands, R&D investments, technological innovation activities, and innovation achievements, we fully stimulate enterprises' enthusiasm for innovation.

### Enhancing the management of scientific research institutes

In order to promote the management of losses of scientific research institutes, SINOMACH has set up special working groups and formulated targeted plans for the treatment of losses, and solidly promoted the implementation of various related measures. Based on in-depth studies of the industrialization of scientific research institutes, we explore new models for their development and propose improvement measures and suggestions for the high-quality development of institutes. In 2019, the Group promoted the reform of systems and mechanisms of 30 scientific research institutes that have completed the enterprise-oriented reform, and further improved services of scientific research institutes.

### Strengthening technology management capabilities

In accordance with the new situations and requirements faced by scientific and technological innovation, we have deepened the reform of systems and mechanisms, constantly improved management systems, consolidated the management foundation, and enhanced technology management capabilities.



SINOMACH strengthens technology management capabilities

Top-level design

SINOMACH formulated the *Key Tasks and Measures of Scientific and Technological Innovation Reform and Implementation Plan for the Reform of the Science and Technology Development System*, aiming to promote the coordination of scientific and technological resources, breakthroughs in key technologies, cultivation of high-caliber scientific and technological personnel, and promotion and application of technological results. With such efforts, we strive to bring out the best of SINOMACH as a platform, improve SINOMACH's competence to service the industry, and enhance quality management.

Improvement of systems

We have created incentives for excellent standards, patents, and sci-tech journals, and revised management measures for major scientific and technological projects and incentives for sci-tech personnel, thus further improving our systems, strengthening management, and providing strong support for scientific and technological management.

30

Institutions that completed the enterprise-oriented reform with the help of SINOMACH

## Technological Innovation Capabilities

SINOMACH has increased investments in scientific and technological innovations, and advanced the construction of a high-caliber scientific research platform. By improving systems and mechanisms related to the development of scientific and technological personnel and building a high-quality team of scientific and technological personnel, we strive to build a powerful engine for technological innovation and continue to enhance the Group's technological innovation capabilities.

### Increasing investments in technological innovation

Guided by the targets of the Group's technology development special funds, we have established a multi-channel and long-term investment mechanism for technological innovation and increases R&D investments.

In 2019, the Group's annual technical input ratio was 2.4% and got RMB 300 million of funds approved for state-funded research projects.

#### State-level scientific research and service platforms of SINOMACH



2.4%

Technical input ratio

RMB 300 million

Funds newly approved for state-funded research projects

27

Newly established scientific research platforms above the provincial level



## Building a technological innovation center

In response to national strategies, SINOMACH has thoroughly promoted the construction of high-level scientific research platforms and made significant breakthroughs in the establishment of a new batch of national innovation platforms. Undertaking due tasks assigned by the state, pooling all resources of society, and fully drawing on the mechanisms and experiences of excellent platforms at home and abroad in operation, collaborative R&D, and application of technological achievements, we have earnestly advanced the establishment of national institutes of major technical equipment innovations. In 2019, the Group newly established 27 scientific research platforms at or above the provincial level.



◆ The State Key Laboratory of Soil, Plant, and Machine System Technology



◆ Static wind blowing experiment device at the State Key Laboratory of Compressor Technology



◆ National Agricultural Machinery and Equipment Innovation Center

### Implementing national strategies and promoting the revitalization of the agricultural machinery and equipment sector

Agricultural mechanization provides strong support for agricultural and rural modernization and rural revitalization. SINOMACH has actively responded to the *Guiding Opinions on Accelerating the Promotion of Agricultural Mechanization and the Transformation and Upgrading of Agricultural Machinery Equipment Industry* issued by the State Council, and established the National Agricultural Machinery and Equipment Innovation Center to further integrate innovation resources in the agricultural machinery and equipment sector. Focusing on the development of key materials and techniques and intelligent agricultural machinery and equipment, we have built R&D and design platforms as well as platforms for popularizing and incubating technological achievements, and promoted the development of the agricultural machinery and equipment industry chain. The National Agricultural Machinery and Equipment Innovation Center creates a platform for innovation-driven development of China's agricultural machinery industry, and provides strong support for the implementation of the "food crop production strategy" and stabilizing food security, further deepening SINOMACH's influence in the agricultural machinery and equipment sector of China.

## Promoting the building of the technical team

We have established and improved technical personnel development systems and mechanisms, and actively promoted the implementation of equity incentives for listed companies and dividend incentives for technology enterprises. By improving *Measures for the Introduction of Talents and Selection of High-level Science and Technology Experts*, we unblock the career development paths for high-caliber science and technology experts and strive to build a team featuring excellent competences, team spirit, strict compliance with disciplines, and enthusiasm for innovation and learning. In 2019, the Group newly hired 1 academican of the Chinese Academy of Engineering, 2 high-end talents of the state, 1 national-level candidate of the national "Baiqianwan (hundred-thousand-ten thousand) Talents" program, and 42 experts enjoying special government allowance from the State Council.



◆ Experts from SINOMACH were selected as Outstanding Figures in the 60th Anniversary of the Development of China's Agricultural Mechanization

### Experts from SINOMACH selected as Outstanding Figures in the 60th Anniversary of the Development of China's Agricultural Mechanization

On April 29, 2019, the *Report on the Implementation of President Xi Jinping's Remarks on "Vigorously Promoting Mechanized and Intelligent Agriculture" and the 60th Anniversary of Chairman Mao Zedong's Proposal of the Famous Conclusion that "the Fundamental Way for the Development of Agriculture Lies in Mechanization"* was held at Jiangsu University. The report commended Outstanding Figures in the 60th Anniversary of the Development of China's Agricultural Mechanization, including Hua Guozhu, Zhu Shenyou, Jin Hongzhi, Fang Xianfa, and so forth, affirming their contributions to agricultural mechanization in the past 60 years.

### S&T talents at SINOMACH





# Technological Innovation Achievements

SINOMACH actively undertakes research projects related to breakthrough technologies, serves national strategies and industrial needs, solidly progresses the implementation of major scientific and technological projects, and accelerates the commercialization of scientific and technological innovation achievements. Relying on our R&D advantages in intelligent manufacturing and key basic components, we continue to strengthen our core competitiveness and contribute to the transformation and upgrading of the industry.

## Advancing key research projects

Focusing on the needs of major national projects, we have organized the application for 22 projects, which covers the implementation of "two machines" (aero-engines and gas turbines) special projects, high-tech ships, projects for making the foundation of industry development more solid, integrated development of manufacturing and internet, pilot demonstration projects of Industrial Internet, etc. At the same time, SINOMACH has solidly promoted the implementation of major scientific and technolog-

ical special projects of the Group, clarified key research directions in the two major fields of agricultural machinery & equipment and basic technology, strengthened project management, conducted in-depth research on the implementation of special projects in previous years, and ensured orderly implementation of project plans. In 2019, the Group newly launched 46 national scientific research projects and identified 5 Group-level major scientific and technological projects.



## Enhancing the R&D of core technologies

SINOMACH earnestly strengthens the research and development of key common technologies in the industry, and promotes innovative and integrated development of the machinery industry. To tackle significant difficulties, such as China's gap in major technologies of technical equipment and bottleneck problems, we have thoroughly sorted out 103 strategic needs in the field of major technical equipment in consideration of actual conditions and development needs of the industry. In 2019, the Group won 389 provincial and ministerial-level and national industrial awards (Items) for various outstanding achievements and 3 State Science and Technology Awards, and realized the commercialization over 95% of the innovation achievements.



◆ The 15-ton viscose fiber dryer developed by China HiTech Group Corporation (CHTC), SINOMACH

### Key S&T projects of SINOMACH in 2019

46

National scientific research projects newly launched

389

Provincial and ministerial-level and national industrial awards (Items)

95%

Commercialization rate of innovation achievements



◆ High-power subsurface pipe drainage equipment for saline soil reclamation developed by China Academy of Agricultural Mechanization Sciences (CAAMS), SINOMACH

### Developing the high-power subsurface pipe drainage equipment for saline soil reclamation to facilitate the sustainable development of the agriculture industry in Xinjiang

Xinjiang has the largest area of alkali soil in China, which has become a major constraint and obstacle to agricultural development and sustainable development in the province. CAAMS participated in the R&D of the high-power subsurface pipe drainage equipment for saline soil reclamation, which was officially put into use in Xinjiang in 2019. The equipment belongs to the "R&D of farmland quality improvement engineering technology and equipment", a key national R&D project in the 13th Five-year Plan period, and supports the dual models (water collection and drainage) of the high-power subsurface pipe drainage equipment for saline soil reclamation to meet the needs of laying underground pipes in most alkali soil types in China. The use of equipment can effectively reduce soil salinity in Xinjiang, improve agricultural production conditions, and improve land use efficiency and agricultural production efficiency.





◆ The plant for manufacturing China IV standard engines in YTO Group Corporation, SINOMACH

**Promoting production automation and leading industry transformation and upgrading**

Through the introduction of intelligent equipment, China YTO has further improved production efficiency, enhanced product quality, and comprehensively upgraded processes for manufacturing China IV standard engines. The entire manufacturing plant has 39 sets of various types of automatic and semi-automatic equipment, and is equipped with 53 electric single-axis tightening machines. The plant realizes automatic assembly and online inspection of key processes, thus providing a solid guarantee for achieving consistency in manufacturing processes and promoting the intelligent transformation and upgrading of the industry.

**Undertaking the development of key castings and contributing to the construction of major national projects**

Wudongde Hydropower Station and Baihetan Hydropower Station were constructed during the 13th Five-year Plan period, for which Erzhong (Deyang) Heavy Equipment Co., LTD. (EHEC) developed the core component – the key casting of the runner. As the products feature complex structures and difficult manufacturing processes and require high-quality manufacturing, EHEC equipment technology, quality, operation, production and other departments tackled all bottleneck problems and weaknesses in processing and manufacturing through careful planning and organization, thus realizing stable, standardized, and mass production and contributing positively to major projects of the country.



◆ Forging piece of the outer cylinder of the landing gear for Boeing 787 Dreamliner developed by CNEG, SINOMACH

**Exchanges on Technological Innovation**

To give full play to the R&D strengths and characteristics of scientific research institutes, SINOMACH has deepened cooperation with partners in scientific research, actively participated in the formulation of industry standards, and organized technical exchanges, aiming to promote industry progress together with partners.

**Conducting exchanges and cooperation on technological innovation**

By continuously strengthening collaborated scientific and technological innovation, deepening scientific and technological exchanges and cooperation, and giving full play to the role of research institutes of SINOMACH, we strive to promote technical cooperation with internal and external partners and strengthen joint research on key common technologies. We organized scientific research institutes to carry out technical cooperation with Aero Engine Corporation of China in key areas related to the development of new-type engines, promoted the commercialization of scientific and technological innovation achievements related to large thick-walled high-manganese steel track pads and agricultural drones jointly with China Machinery Engineering Corporation (CMEC), and deepened the cooperation between Luoyang Bearing Science and Technology Co., Ltd. (ZYS) and Dongfang Electric Corporation Limited (DEC) in research projects on shaft bearing holders.

**Leading the Compilation of International Standards**

SINOMACH actively leads the compilation of international, national, and industry standards. Subsidiary companies of SINOMACH, China National Electric Apparatus Research Institute Co., Ltd. and Guilin Electrical Equipment Scientific Research Institute Co., Ltd. (GLESI), respectively led the formulation and publication of IEC 60879 *Specification for performance and construction of electric circulating fans and regulators* and ISO 21223 *Tools for pressing*, contributing to the development of international standardization. In 2019, the Group formulated, revised and issued 354 international, national and industry standards, and the formulation of 2 international standards was led by SINOMACH subsidiaries.

**Official release of the wind power standard of the energy industry**

In 2019, the NB/T 10111-2018 *Wind turbine generator operation test procedure* compiled by SINOMACH Intelligence Technology Co., Ltd. (SINOMACH INTELTECH) was approved by the National Energy Administration and officially released. The standard, with a rational structure, comprehensive technical content and high-degree operability, stipulates the technical requirements for sampling and testing of gear oil, hydraulic oil and grease for wind turbines. It fills the gap of China in operation and testing standards for wind turbine generator lubricant, and is of great significance to the sustainable development of the wind power industry and safe operation and maintenance of equipment.

**354**

International, national and industry standards issued and revised by SINOMACH



◆ SINOMACH held the 2019 China (Guangzhou) International Robot & Intelligent Exhibition & South China International Industry Fair (RoboIMEX 2019).

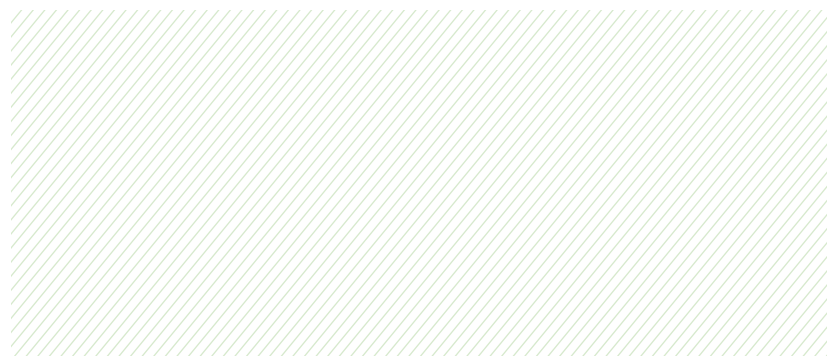


◆ China National Electric Apparatus Research Institute Co., Ltd. was selected the first Chinese chairman member of OCF (Open Connectivity Foundation) China Forum



# 03

## Green SINOMACH Building a Beautiful China



**672,000** tce  
Total energy consumption

**568,000** tce  
Comprehensive energy consumption

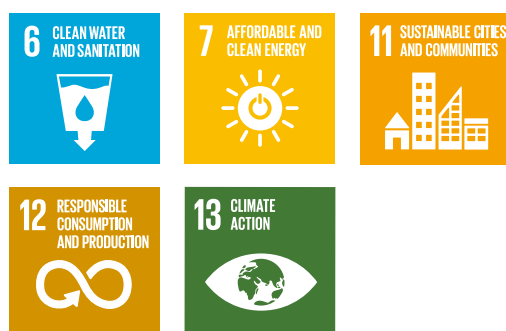
**1,590.4** tons  
SO<sub>2</sub> emission

**471.6** tons  
COD emission

### CSR practices

- Strengthening environmental management
- Promoting green operations
- Promoting green office practices
- Advocating environmental protection-oriented public welfare

### Contributions to SDGs

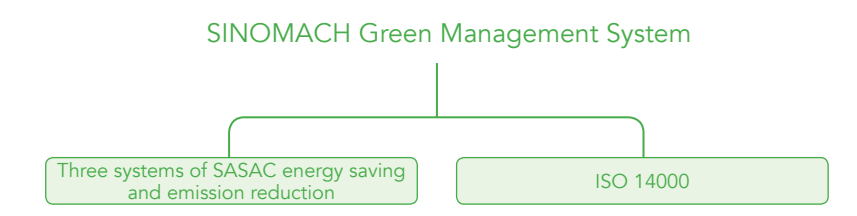
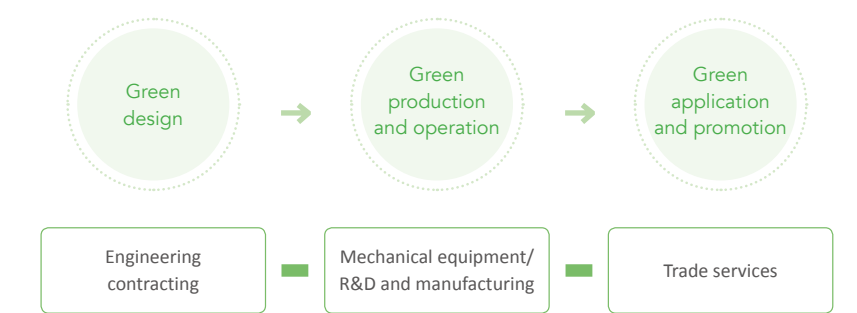
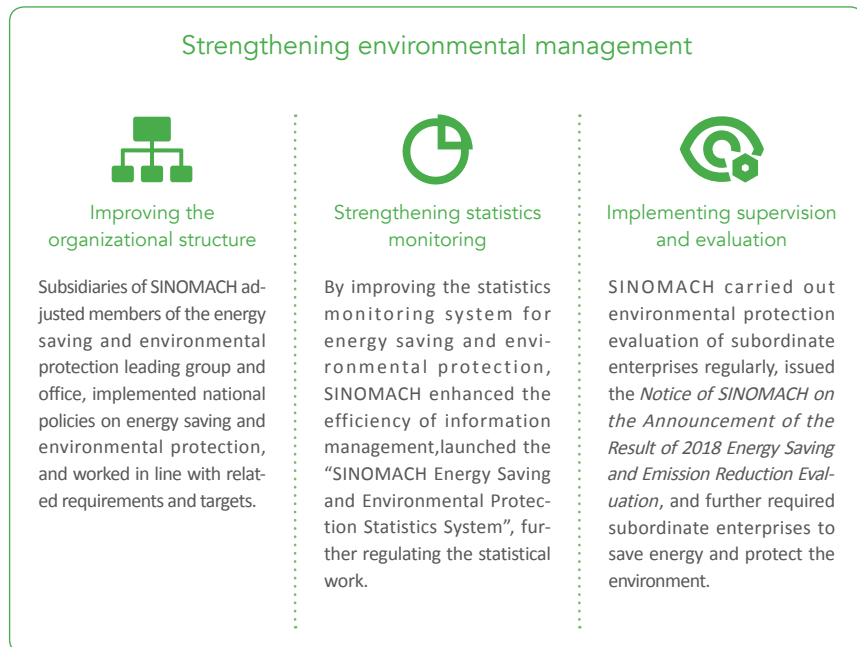


Phase-II project of the comprehensive treatment of downstream river channels of Wuxi River

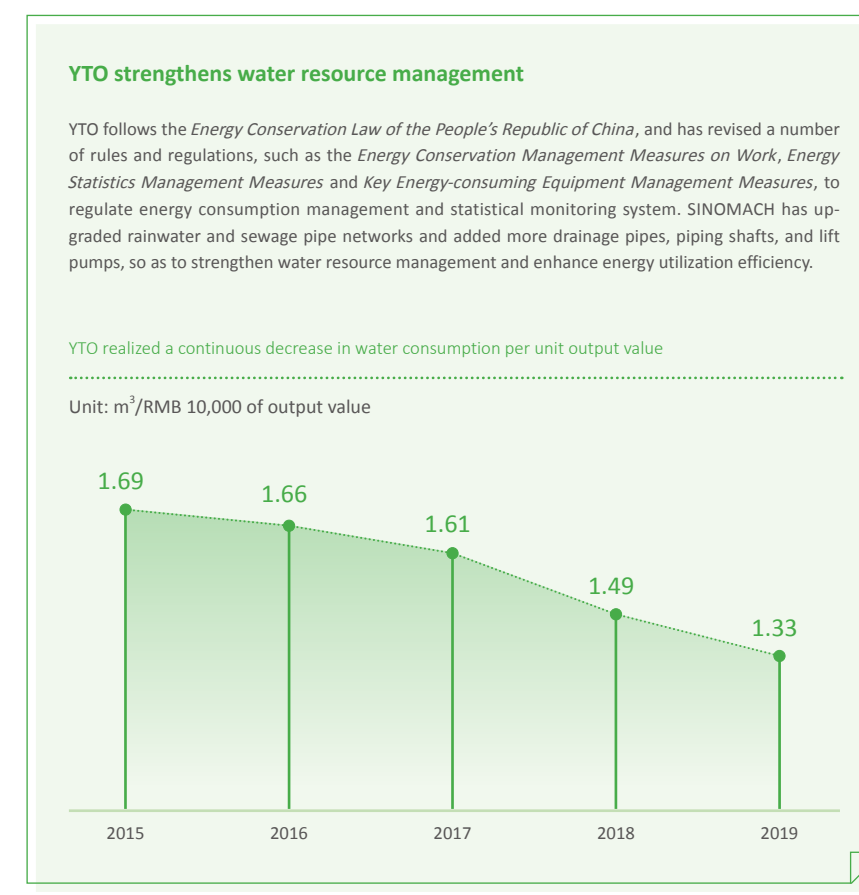


# Environmental Management

Earnestly implementing the concept of green development, SINOMACH strictly follows energy-saving and low-carbon laws, regulations, policies and standards in various fields, and assigns energy conservation and environmental protection tasks, aiming to promote green management models and lay a solid foundation for green development. In 2019, the Group established a long-term mechanism for the prevention and control of ecological and environmental risks, improved the organizational structure, strengthened the statistics monitoring mechanism, carried out supervision and evaluation, and further strengthened the investigation and management of ecological and environmental risks. The Group also organized its subsidiaries to carry out self-inspection and self-examination in energy-saving and emission reduction, supervised 23 ecological and environmental issues, and rectified 17 in total.



◆ SINOMACH's special training on the energy saving and emission reduction information system



23

Ecological and environmental issues supervised by SINOMACH

17

Ecological and environmental issues rectified



# Green Operation

Adhering to green, low-carbon and sustainable development, SINOMACH actively transforms and upgrades for green development, vigorously saves energy and reduces emission, continuously upgrades technology, and accelerates the green industry system. By conducting businesses in the fields of green design, green manufacturing, and green engineering, SINOMACH has expanded the green development model, realized the integration of corporate development and environmental protection, and made contributions to global ecological security.

## Green Design

SINOMACH integrates environmental protection into engineering design, improves engineering design and consulting techniques, and actively applies digital tools, aiming to promote green building standards and contribute to modernized, green and intelligent development of the construction industry.

In 2019, multiple projects of the Group obtained the Certificate of Green Building Label and the International LEED Gold certification, setting good examples for promoting green design and sustainable development.



◆ Beijing Petroleum Machinery Factory Relocation and Renovation Project in the Beijing Petroleum Technology Innovation Base (A-45 land parcel) undertaken by SIPPR



◆ Changchun New Area Government Affairs Comprehensive Service Center undertaken by IPPR, SINOMACH, obtained the Three-star Certificate of Green Building Design Label.

### SIPPR supports engineering design of the middle route of the South-to-North Water Diversion Project

SIPPR's unique and novel design won the bid for the production, technology and education infrastructure project, the middle route of the South-to-North Water Diversion Project. Based on the shape of the land parcel and the concept of "water conservation and protection", the architectural plane is composed of three water drop shapes, which respectively represent the three major routes (eastern, middle, and western) of the South-to-North Water Diversion Project. The roof of the architecture introduces the design concept of "sponge city", and green roofing materials reflect the concept of environmental protection. The facade features curves made of metal materials, resembling the bends and twists of the Yellow River. The azure glass at the entrance implies the clear water of the Yangtze River, magnificent and overwhelming.

## Green Manufacturing

SINOMACH actively develops green technologies in the equipment manufacturing industry. Focusing on ecological and environmental protection, the Group has strengthened R&D and innovation, continued to eliminate backward production capacities, and promoted green transformation and upgrading of the industrial structure.

### Development of Green Equipment

Self-loading garbage trucks developed and manufactured by SINOMACH HEAVY INDUSTRY adopts advanced, mature, reliable and economical new technologies, reaches international advanced level in disposing waste.

The Linhai wet-dry farm dual-purposed self-propelled sprayer, an environmental protection product developed by Linhai Group affiliated to SINOMACH, adopts the advanced electrostatic spray technology, saving 40% to 50% pesticide use and leading the environmental protection equipment in China.

The low ambient temperature air source heat pumps developed by HGMRI are aimed at individual and commercial & industrial users in cold and severe cold regions, greatly contributing to smog control and the promotion of renewable energy consumption in northern China.



◆ The high-efficient energy-saving yellowing machine of CHTC



◆ Smoke treatment device improved by YTO



### Development of Green Technologies

HGMRI carried out research on internal flows of centrifugal fans and the vibration and noise mechanism, which effectively reduced energy consumption and pollutants during the production. It greatly boosted the development of green manufacturing technologies for centrifugal fans in China.

China National Erzhong Group Deyang Wanhang Die Forging Co., Ltd led the implementation of the *Innovation and Application of Green Manufacturing Processes of Large-scale Complex Aviation Die Forgings* research project, effectively solving problems restricting the environmental friendliness caused by traditional manufacturing processes of large-scale aviation die forgings in China, and creating momentum for the green development of aviation equipment in China.

China National Electric Apparatus Research Institute Co., Ltd. has established the Green Manufacturing Technological Innovation Center to specialize in developing breakthrough technologies in the overall disassembly of waste electrical appliances and reuse of resources, providing professional solutions to the recycling of resources.



◆ The new-energy bus developed by CHTC

### Making manufacturing processes more environmentally friendly and leading technological advances of the industry

The solid waste recycling and reuse project of Weichai Holding Group Co., Ltd., SIPPR, SINOMACH adopts advanced solid waste treatment techniques in automatic casting processes. It achieves the recycling of waste resources by applying light-weight expanded clay aggregate (LECA) made from waste sand in construction, soilless cultivation, and other fields, which guarantees both economic and social benefits and plays an exemplary role in the industry.



◆ Solid waste recycling and reuse plant of Weichai Holding Group Co., Ltd., SIPPR

### Green Projects

Focusing closely on new energy and renewable energy, as well as energy saving and environmentally friendly projects, SINOMACH develops efficient, energy-saving and low-polluting industries in line with national and industry policies. By vigorously promoting green and new environmentally friendly materials and energy saving equipment, applying advanced and

mature construction technologies, continuously improving technical processes and workflows, and reducing pollution and other negative environmental impacts from construction projects, we strive to create the greatest economic, social and environmental benefits.



◆ The SOYO I Combined Cycle Power Station in Angola undertaken by CMEC



◆ The Bolivia Uyuni 350KTPA potash plant project undertaken by CAMCE

### Safeguarding our beautiful homeland and creating model towns

The comprehensive environment improvement project of Shouchang Town, Jiande City, an EPC project undertaken by China United Engineering Corporation (CUC), SINOMACH, is a key project of Zhejiang Provincial Party Committee and Zhejiang Provincial Government. In addition to improving the urban ecology and environment, CUC responds to the people's expectations for a better life. As a comprehensive engineering company and with rich experience in engineering projects, CUC has adopted a series of measures, such as facade renovation, road reconstruction and expansion, landscape greening and improvement, and lighting improvement, to comprehensively build a better environment in small towns, thereby making them more livable, distinctive and dynamic. It became the first project in Zhejiang Province being accepted with assessment exemption, and set a model for other urban renovation projects.

### Practicing the spirit of craftsman and setting a model for overseas green projects

The Bolivia Uyuni 350KTPA potash plant project undertaken by CAMCE, SINOMACH is located in the southwest of Potosí Province, Bolivia. As the region holds Uyuni Salt Flat, the hinterland of the "Mirror of the Sky," owners of local projects set very high environmental requirements for project construction and management. In compliance with the Environmental Protection Law of Bolivia, environmental protection policies of Uyuni, as well as project owners' specific requirements for environmental protection, CAMCE has implemented strict measures in energy conservation and consumption reduction, low carbon, and environmental protection, and has been honored with "environmentally friendly emissions and zero pollution". The company has set a good example of green engineering and ecological protection for China's overseas EPC projects, and won the "2018-2019 China Construction Engineering Luban Prize (Overseas Project)".



# Green Life

By integrating green development into production and life, SINOMACH carries out various publicity and promotion activities to strengthen employees' awareness of green and low-carbon practices, encourage employees to participate in environmental protection and public welfare activities, and guide employees to follow green working methods and lifestyles, which also facilitates sustainable lifestyles.

## Green Office

Advocating green office concepts, SINOMACH has improved the green office system. We attach great importance to energy conservation and environmental protection in office areas, and have optimized the e-government system, enhanced the management of water, electricity, oil and office consumables, and made great efforts in transforming the water-using equipment, green transportation and paperless office.



◆ Posters for the SINOMACH 2019 Energy Saving Promotion Week and National Low Carbon Day campaign



◆ Guoji Zhijun Automotive CO., Ltd. (Zedriv) contributes to green and low-carbon lives with new-energy vehicles.

### SINOCONST promotes green office practices in an all-around way

By promoting green office practices, including saving electricity, water and energy, SINOCONST strives to call on employees to make greater contributions to a green, energy-saving and low-carbon society.

#### Saving electricity



During the peak power consumption periods in winter and summer, SINOCONST strengthened the management of electricity consumption and eliminated wasting behaviors at the source. The company designated specific members to inspect office areas after work, shut down all electric devices in public places, and avoided the waste of electricity caused by unnecessary use of lights.

#### Saving water



SINOCONST set up "Save Water" signs in multiple places and required employees to turn off the tap. The company also strengthened daily management and maintenance of water-using equipment to prevent water from leaking and running all the time.

#### Saving energy



Adhering to strict management of office cars, SINOCONST implemented the single-car fuel consumption recording system, assigned special members to keep records of fuel consumption, maintenance and repairs of each car, and kept detailed records of office supplies and consumables in various departments.

## Environmental Protection-oriented Public Welfare

SINOMACH consciously practices environmental protection and organizes various types of environmental public welfare activities, such as voluntary tree planting, garbage collection, etc., so as to pass on the concept of ecological protection and resource conservation to the public, promote the building of a green homeland and boost ecological progress. In 2019, the Group launched the SINOMACH Energy Saving Promotion Week and National Low Carbon Day 2019 campaign centering on the themes of "green development, energy saving first" and "low-carbon actions, safeguard the blue sky", carried out publicity activities on resource conservation and environmental protection, and continuously enhanced employees' energy saving awareness and environmental protection capabilities.



◆ CAMCE holds a voluntary tree planting activity.



◆ SUMEC participates in an environmental public welfare activity to advocate environmental protection concepts in environmental protection actions.

### Protecting lush mountains and lucid waters to build a beautiful China

To celebrate the 70th founding anniversary of the PRC, SINOMACH Auto earnestly implemented the Group's green development concepts. With the theme of "protecting lush mountains and lucid waters to build a beautiful China", SINOMACH Auto held a brisk walk activity in Purple Bamboo Park, Beijing, to call on participants collect garbage during running, which effectively contributed to environmental protection, promoted healthy lifestyles, and motivated the public to protect the blue sky and white clouds, as well as lush mountains and lucid waters.



# 04

## Responsible SINOMACH Sharing the Fruits of Development

### CSR practices

- Providing quality products and services
- Strengthening supply chain management
- Promoting strategic cooperation
- Enhancing work safety management
- Organizing education and training activities on work safety
- Engaging in the public welfare programs

### Contributions to SDGs



31

Strategic cooperation agreements signed in the past three years

RMB 840 million

Work safety input

3,621

Work safety training sessions

1,638

Emergency drills



The KR/HD-340 continuous viscose filament spinning machine



# Win-win Partnerships

Bearing in mind that the development of SINOMACH is inseparable from the support of various stakeholders, the Group strives to establish amicable cooperative ties with stakeholders, and it is committed to achieving mutual benefit and common development with all stakeholders.

## Products and Services

The quality of products and services is the lifeline of enterprises. Adhering to the concept of "quality and efficiency first", the Group has further improved the quality management system. By strictly guarding against major quality accidents, bringing down quality risks and costs,

consolidating the quality foundation, and innovating in technologies and quality management, the Group has solidly improved its quality management, delivering better products, projects and services, and rendering customers with superior products and services.



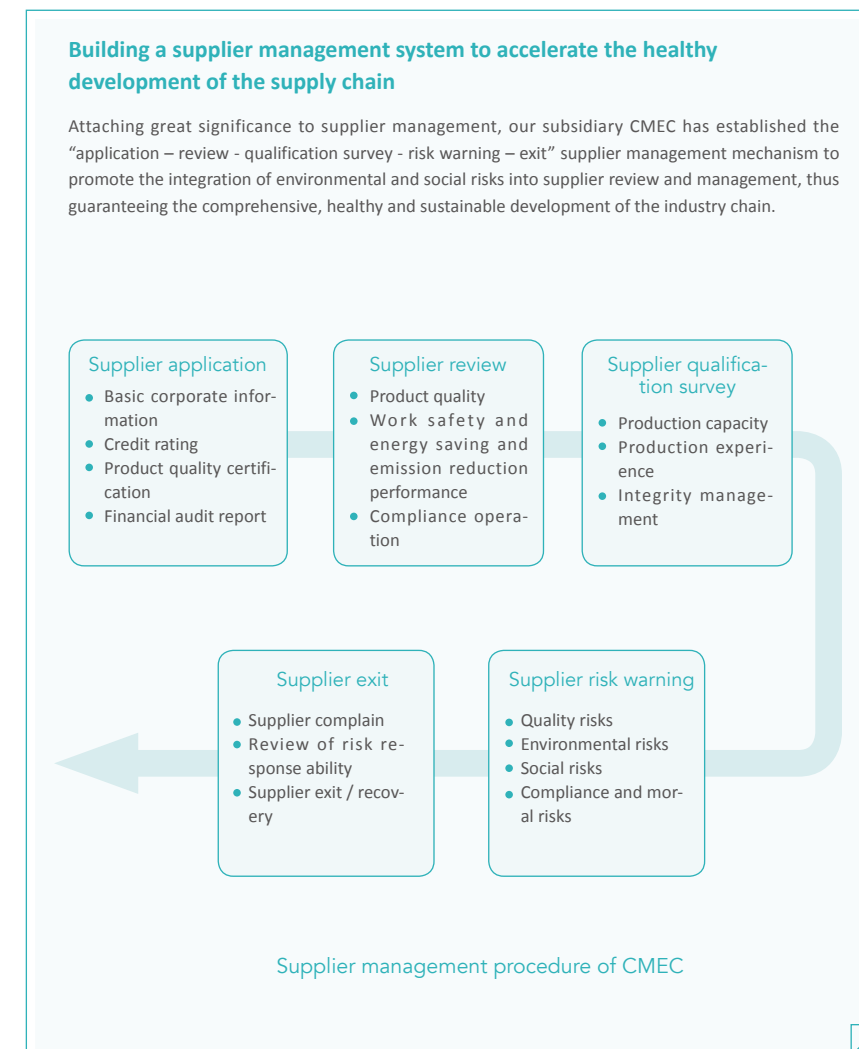
## Quality Management Measures

- Enhancing quality risk management capabilities, improving the quality cost management system, and facilitating the implementation of the *SINOMACH Guiding Opinions on Strengthening Quality Risk Management (Trial)* and the *SINOMACH Guiding Opinions on Strengthening Quality Cost Management (Trial)*
- Enhancing the supervision of the quality of key projects and equipment, raising all employees' awareness of quality risk, and incorporating construction sites of overseas projects into the Group's quality risk management to prevent major quality accidents
- Building the "SINOMACH Quality Award" selection platform to reward model subsidiaries and projects as well as to establish the values of pursuing excellence and upholding quality among all subsidiaries
- Intensively carrying out quality improvement actions, and prioritizing the quality improvement and quality risk management of project contracting and trade services as the Group's special tasks in 2019

## Supply Chain Management

SINOMACH acts in line with the overarching guideline of "control losses, cut costs, reduce accounts receivable & inventory, lower down the asset-liability ratio, and strengthen the centralized management of funds and procurement". It has implemented the SINOMACH Procurement Management Rolling Plan accordingly, and developed its procurement management system and mechanism to highlight "standardized management, openness and transparency, overall planning, and phased implementation". The Group has also put in place a tender management system featuring "centralized supervision of procurement information and centralized procurement of key materials", which has made the

bidding process more transparent, controllable and traceable with records of the whole process available. All these efforts have further standardized SINOMACH's procurement management. At the same time, the Group integrates social responsibility into the entire procurement process, and continuously updates the list of qualified suppliers in an open manner while giving priority to socially responsible suppliers. As of the end of 2019, the Group and its subsidiaries had established their supplier evaluation management mechanisms, and applied the evaluation results to contracted procurement and strategic cooperation with suppliers.



## Rigorous supplier management ensures the quality of supplies

Starting from reducing supply chain risks and building a coordinated supply chain ecology, research institutions of SINOMACH have undertaken the design of quality standards covering the entire industrial chain, and keep a tight rein on the list of qualified suppliers to maintain a reasonable number of them while ensuring normal production and operation. Responsibilities of the three parties concerning quality, procurement and technology have been clearly defined in line with the principle of "high quality and reasonable price", and the evaluation of qualified suppliers is a prerequisite for starting the procurement process. The Group has also intensified supply quality management and performance evaluation of suppliers. It establishes strategic partnerships with large suppliers who can provide quality products. For new suppliers, the Group will conduct rigorous testing and verification of the key technical indicators of products to ensure the stability of quality products and reduce quality risks.

## Strategic Cooperation

Based on the needs of business development, SINOMACH strengthens communication and establishes strategic partnerships with the government, well-known international enterprises, advanced domestic enterprises, universities, etc., so as to build strong synergies, enhance the market competitiveness of both sides, and jointly promote regional economic development.

At the Group level

# 31

Strategic cooperation agreements signed in the past three years



◆ Chairman Zhang Xiaolun visits the headquarters of Schneider Electric SA in Paris, France.



◆ SINOMACH signs a strategic cooperation agreement with Jiangsu Municipal Government.

### SINOMACH establishes strategic partnerships with Jiangsu and Shanghai

In 2019, SINOMACH successively signed strategic cooperation agreements with Jiangsu, Shanghai and other provinces and municipalities, aiming to strengthen partnerships for the development of the Yangtze River Delta. To serve national strategies, such as the integrated development of the Yangtze River Delta, we took the initiative to fulfill our missions and created new momentum for the development of SINOMACH.

**Jiangsu Province:** We strengthen partnerships in advanced manufacturing, new energy sectors, environmental protection, smart manufacturing, exhibition economy and other related fields to achieve mutual benefit and common development.

**Shanghai:** We launch cooperation in the eight sectors, including the construction of SINOMACH headquarters in Shanghai, auto industry, exhibition economy and smart manufacturing, and make all-out efforts to build the four brands of "Shanghai Service", "Shanghai Manufacturing", "Shanghai Shopping" and "Shanghai Culture".

### A fruitful China International Import Expo for SINOMACH

During the second China International Import Expo, SINOMACH made every effort to ensure the provision of services. Focusing on strengthening communication with domestic and foreign companies, the Group signed 17 import procurement contracts with multiple partners. SINOMACH's ten subsidiaries, including CAMCE, SINOMACH Auto, SUMEC, etc. made great gains and signed agreements with partners.



◆ SINOMACH is responsible for the promotion work of the advanced equipment booths at the China International Import Expo.



◆ SINOMACH holds the meeting on deploying SINOMACH's strategy of revitalizing agricultural machinery and equipment.

### Strengthening synergies within the industry for common development

On April 27, SINOMACH held the meeting on deploying SINOMACH's strategy of revitalizing agricultural machinery and equipment in Luoyang. At the meeting, SINOMACH signed strategic agreements with YTO, CMEC, CAAMS, SUMEC, and CUC to jointly promote the development of the agricultural machinery industry chain, new products, and the "going global" of agricultural machinery.



# Work Safety

Following the principle of putting safety and prevention first and carrying out comprehensive management, we firmly hold the bottom line of development without compromising human lives. Thus, we emphasize the prevention of safety risks, strengthen law-based governance, and continuously increase input into work safety, so as to ensure that the Group achieves scientific and harmonious development under the premise of safety. In 2019, SINOMACH invested RMB 840 million in work safety, an increase of RMB 230 million from the year before, and no major or more serious work safety accident occurred, and general accidents showed a downward trend.

## Work Safety Management

To ensure that both CPC committees and governments are held accountable and that officials take responsibility for workplace safety in performing their duties, and to intensify efforts to see that those who fail to uphold safety standards are held accountable, we have formulated a work safety responsibility system that specifies responsibilities of each individual. In addition, we have established a three-tier overseas safety risk prevention management system covering SINOMACH headquarters, subordinate enterprises, overseas enterprises or project departments to strengthen comprehensive

safety management. Focusing on the safety of hazardous chemicals, we pay attention to the management and control of major hazards in key areas, links, operations, and areas, and establish a tiered risk management and control, and investigation system. The system guarantees effective prevention and earlier detection of risks, and risk governance from the source. At the same time, we improve risk management measures and safety management elements in the investigation and management of hazards, striving to build a long-term safety management mechanism.

### Major work safety actions

- Printed and distributed 29 red-headed documents and 60 letters to subsidiaries, implemented relevant national work safety regulations, and organized enterprises to carry out work safety-related work

- Organized investigation and rectification of work safety risks and highlighted the special inspection and supervision of key equipment and facilities and key positions

- Made comprehensive arrangements for risk prevention and safety guarantee work during the celebration on the National Day and worked to create a safe and stable environment that effectively prevented and reduced accidents

- Strengthened emergency management, required each subsidiary to further improve their contingency plans and on-site disposal plans, built up emergency material reserves and emergency teams, and carried out emergency drills, etc.

167

Subsidiaries passed OHSAS 18000 occupational health and safety management system certification

193

Subsidiaries passed the work safety standardization certification

11,349

Work safety inspections carried out



◆ SUMEC carries out an emergency evacuation drill.

## Safety Education and Training

In order to raise employees' awareness of the supreme importance of work safety and guide employees to firmly uphold safe development, SINOMACH disseminates safety culture, popularizes safety knowledge, strengthens employees' work safety capacity and awareness by organizing internal and external work safety training, emergency drills for accidents, the "Work Safety Month" campaign, and a series of special safety inspections and rectification activities. In 2019, the Group held 3,621 work safety training sessions which involved 108,868 participants. Moreover, the work safety training programs run by external organizations attracted 18,106 participants from SINOMACH.



◆ Employees of SIPPR participate in the Work Safety Publicity and Consulting Day campaign.

3,621

Work safety training sessions

108,868

Total trainees

1,638

Emergency drills

52,740

Total participants

### Organizing publicity and education activities on safety risks to create a work safety environment

Our subsidiaries, under the organization of the Group, launched a series of novel and diversified activities around the theme of "preventing risks, eliminating hazards, and curbing accidents." These activities aimed to strengthen employees' work safety awareness, promote safety management at grassroots departments and enterprises, deepen the

implementation of risk prevention and control responsibilities, rectify problems in key industries and fields, and prevent and resolve major safety risks. We strived to promote the concept of life and safety first and effectively enhance employees awareness to ensure work safety.



◆ CAMCE organizes employees of the Pokhara Regional International Airport, Nepal to take a safety oath.



# Contribution to Community Development

Focusing on localized management, SINOMACH actively fulfills responsibilities to local communities, contributes to local people's living standards, and promotes community development. Through public welfare activities, we show sincere care for vulnerable social groups to promote the harmonious development of society.

## Community Building

In the process of production and operation, SINOMACH takes the initiative to participate in the development of the local community,

improve local infrastructure, and create job opportunities for local people, thus promoting local economic and social development.

### Successful handover of the Mongolian Disabled Children Development Center

The Mongolian Disabled Children Development Center was held at the project site in Ulaanbaatar, capital of Mongolia. The center, with a total of 250 beds, a site area of 20,000 square meters, and a construction area of about 15,000 square meters, is the largest, most modern and fully functional rehabilitation and medical project of Mongolia supported by the Chinese government in recent years. People-oriented, IPPR adopted internationally advanced standards in project design to build a modern rehabilitation and medical center for Mongolian children with disabilities.

### Official commencement of the corn flour mill EPC project in Zambia

On April 17, the launching ceremony of the corn flour mill EPC project in Zambia undertaken by SINOCONST was held in Chongwe District, Lusaka, Zambia. The project marks the latest progress of the Chinese and Zambian governments during the implementation of decisions of the 2018 Beijing Summit of the Forum on China-Africa Cooperation (FOCAC). After put into production, the 30,000-m<sup>2</sup> project will be able to produce 150,000 tons of corn flour and by-products. With quality management as the focus, SINOCONST ensured safe, responsible and environmentally friendly construction and carried out construction work in strict accordance with related requirements. At the same time, it cooperated with Zambian companies to create as many jobs as possible for local people.



◆ The 2X25MW coal-fired power plant project in Gorontalo, Indonesia is SUMEC's first coal-fired power plant project in Indonesia. After put into operation, the project will effectively solve the problem of insufficient power supply of the local area, thus creating drives for regional economic and social development.

## Public Welfare Undertakings

By organizing public welfare donations, rescue and relief work as well as other public welfare activities, the Group leverages its professional advantages to help vulnerable groups and improve education and medical standards in poor areas.

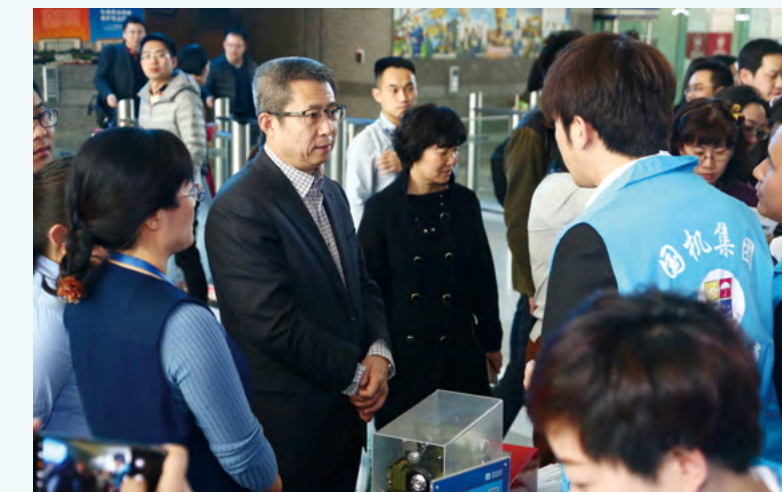
### Beijing Agricultural Machinery Test Station officially approved as the education base of the China National Committee for the Wellbeing of the Youth

Since 2016, Beijing Agricultural Machinery Test Station, CAAMS, by making full use of resources in scientific research and education, has developed the agricultural education courses for elementary and middle schools, and created a curriculum featuring "labor-education integration, tradition-modernity integration, agriculture-life integration, learning-entertainment integration" and covering the five major agricultural sectors of farming, forestry, animal husbandry, side-line production and fishery. The curriculum helps students understand and experience the agriculture industry in an all-around way, cultivates students' interest in physical work and strengthens their will through labor education. All courses will make students more virtuous, wiser, and stronger, cultivate students' sense of beauty, and boost students' innovation capabilities. On November 5, 2019, the education base of the China National Committee for the Wellbeing of the Youth was established at the Beijing Agricultural Machinery Test Station, CAAMS.

### Upholding the Lei Feng spirit – Creating a Better Life Hand in Hand

On the occasion of the 56th Lei Feng Memorial Day, SINOMACH organized the public consulting activity themed with Upholding the Lei Feng spirit – Creating a Better Life Hand in Hand. Youth volunteers from the Group and subsidiaries provided consulting services on

quality identification of silk products, car selection and maintenance, home decoration and design, etc., based on their professional knowledge, showing the positive energy of young employees of SINOMACH.



◆ The public consulting activity



◆ SINOMACH organizes the "Fulfill Your Wishes" public welfare activity to give cups as presents to Liuwei Primary School in Henan Province.



# 05

## Happy SINOMACH

Bringing Our Dream to Fruition



### CSR practices

- Protecting the rights and interests of employees
- Improving compensation and benefits
- Paying attention to employee health
- Supporting employee development
- Caring for employee life

### Contributions to SDGs



146,792

Number of employees

RMB 5.947 million

Donations raised through the Love Fund

100%

Coverage of health examinations

RMB 92.015 million

Investment in staff education and training



The 5th "Harmonious SINOMACH Cup" employee table tennis competition



# Protection of Rights and Interests

Always putting people first, SINOMACH is committed to establishing equal and harmonious labor relations with employees, protecting employees' legitimate rights and interests, and meeting employees' reasonable demands. The Group continuously creates an equal, respectful and safe working environment for employees, and better enhance employees' sense of happiness and gain.

## Employment management

SINOMACH adheres to law-based and equal employment, and respects employees' right to work. The Group signs labor contracts with full-time employees according to law. We never dis-

criminate candidates due to their gender, age, ethnic identity, nationality and other characteristics, and oppose child labor and forced labor.

## Compensation and benefits

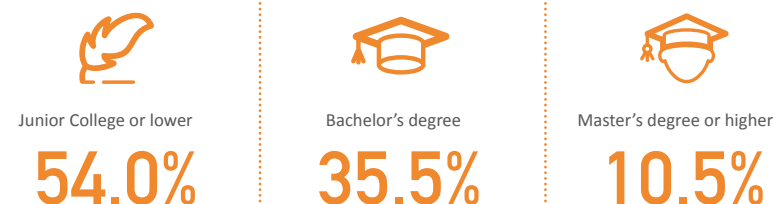
We pay salaries in full and on time, and provide endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund for employees. By enhancing middle- and long-term incentives, applying comprehensive incentive instruments, such as equity incentives of listed state-owned

shareholding enterprises, equity and dividend incentives of state-owned technological enterprises, and employee stock-ownership plans of state-controlled mixed ownership enterprises, we strive to motivate employees' passion for works. Besides, we provide more reasonable income distribution and share the achievements of corporate development with employees.

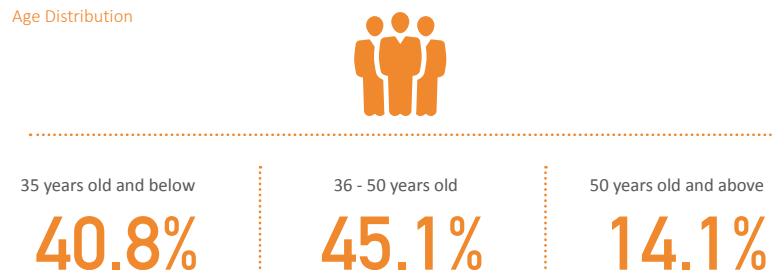
Gender Structure of Employees



Employee Education Background



Age Distribution



146,792

Number of employees

100%

Labor contract signing rate

100%

Payment rate of social insurance and housing fund

## Occupational health and safety

Deeply concerned about the health of employees, we earnestly implement relevant requirements of the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases. By strengthening the implementation of occupational disease prevention responsibilities in enterprises and improving the long-term prevention and control mechanism, we have comprehensively strengthened the prevention of occupational health risks and enhanced our guarantee ability.

### Conducting publicity on occupational health

With the theme of "Building a Healthy China, Guaranteeing Occupational Health," SINOMACH organized rich occupational health publicity activities focusing on key industries, diseases, and links, which helped prevent and control occupational disease risks and enhance employees' related awareness, thus ensuring the health of employees. During this period, we organized 627 themed briefings, held 845 warning education activities, handed out 21,063 publicity materials, deployed 2,742 publicity staff, and reached to 79,912 audiences.

### Major measures for occupational disease prevention



Adapting to the trends in industry development and changes in occupational health protection needs, further improving occupational health protection standards, and improving the occupational safety level at the workplace



Strengthening the prevention and control of occupational disease risks, and tightening the occupational disease reporting system to ensure early identification, reporting and disposal



Strengthening occupational health examinations and implementing policies on work-related injuries, medical insurance, and assistance



Earnestly carrying out publicity and education on occupational health, improving the employment system, and enhancing employees' self-protection awareness

## Dialogue and Communication

Adhering to democratic management, we improve the workers' congress system and the labor union system, actively disclose corporate affairs, and diversify channels for employees to participate in company management while respecting employees' legitimate right to know, to participate, to express, and to supervise.



◆ Employee representatives participate in the opinion poll at the workers' congress.



# Employee Development

To thoroughly implement the strategy of empowering SINOMACH with talents, we further optimize the allocation of human resources, deepen the reform of the talent development system and mechanism, and improve the talent training mechanism. Moreover, we optimize the talent evaluation mechanism, provide more targeted trainings to lift the professional skills of employees, and help employees grow.

## Employee Training

To improve the employee training and development system, we provide targeted training according to the needs of employee development, thus continuously strengthening employees' professional skills and passion for work, and laying a solid foundation for the Group's high-quality development. In 2019, we invested

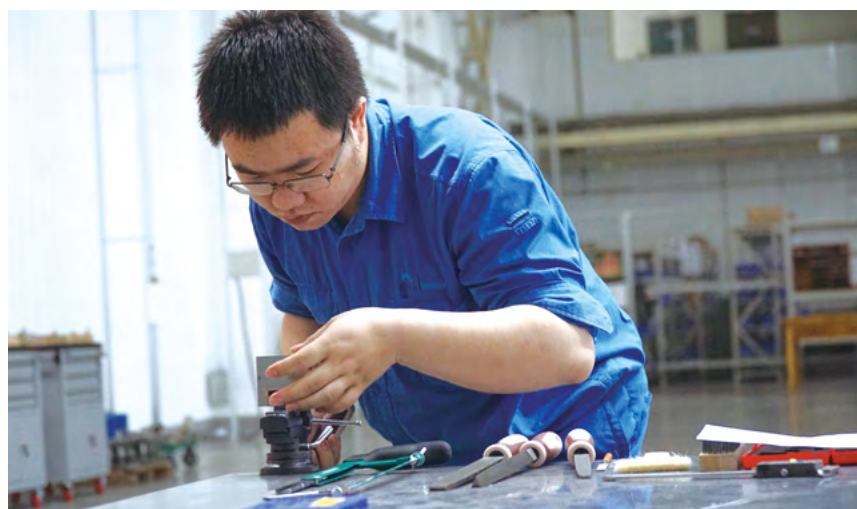
RMB 92.015 million in employee education and training. Our headquarters launched 29 internal online courses, organized 10 offline training programs, 1 SINOMACH Lecture, and 11 Dangling Classrooms, effectively meeting employees' needs in career development.

### Enhancing employee training to tap the potential of talents

To build a team of high-quality and professional officials that meet the requirements of the development of the times, SINOMACH organized three youth talent training programs in May, July, and August, 2019 for youth officials, youth talents with high potential, and excellent youth officials from subsidiaries. The training programs highlighted the theme of "remaining true to the original aspiration, keeping the mission firmly in mind", demand surveys, problem-and practice-oriented principle, and self-management and were committed to improving the comprehensive competences of outstanding young officials.

### SINOMACH INTELTECH launches the 2019 Zhiyuan Training Camp

Based on the "1-2-1" mode (one week before the camp, two weeks during the camp, and one year after the camp), SINOMACH INTELTECH held the 2019 Zhiyuan Training Camp on July 8 - 18, 2019. Integrating online learning, military education and training, face-to-face lecturing, panel discussion, and on-the-job training, the camp helped 41 newly recruited fresh graduates adapt to their positions smoothly.



◆ SINOMACH skill competition for bench workers

RMB **92.015** million

Investment in staff education and training

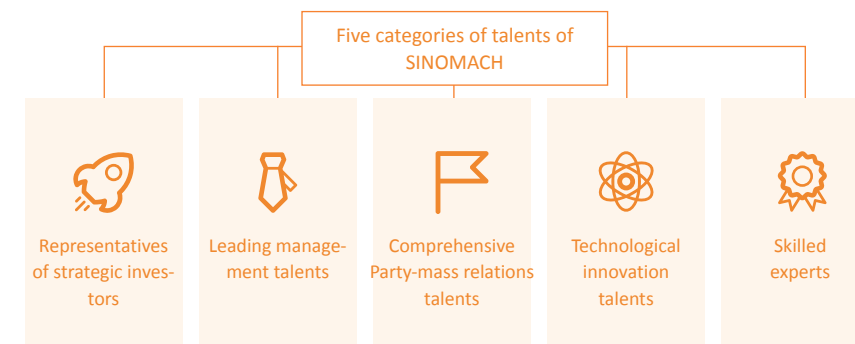
In the headquarters

**29** courses

New internal online courses developed

## Career Development

To unblock career development channels for employees, we have improved the talent selection, evaluation, training and incentive mechanisms oriented towards innovation, quality and contribution. By accelerating the building of talent teams, cultivating, attracting and using excellent talents, we strive to fully stimulate talents' passion for work and provide talent guarantees for building SINOMACH into a world-class enterprise with global competitiveness.



### Creating a highland of talents and boosting corporate development

Talent is the foundation for starting new businesses, strengthening competition, and boosting better development in SINOMACH. We have upgraded the talent training system from the "Eagle Program" to the "Four Societies." By integrating category-based and hierarchical training with regular education and customized training, we aim to gradually build a structured official capability building path.

#### Talent training system

"Eagle Program"  
Talent Training System Version 1.0



"Four Societies"  
Talent Training System Version 2.0



Society of enterprising talents  
(Training class for high-potential talents)

Focusing on the improvement of professional literacy and cultural drives



Society of integrity  
(Training class for high-potential talents)

Focusing on the improvement of management awareness and basic skills



Society of cooperation  
(Intermediate training class)

Focusing on the improvement of management skills and collaboration



Society of excellence  
(Intermediate and senior training class)

Focusing on strategic thinking and leadership enhancement

**26**

Employees who won the title of National Technical Experts

**1**

Subsidiaries honored National Outstanding Unit for Skilled-talent Training



# Employee Care

Caring for the life of employees, SINOMACH works to create a harmonious and positive corporate culture, help employees tackle difficulties and challenges in work and life, and increase their recognition of the Group. At the same time, we advocate work-life balance, and organize rich cultural and sports activities to make employees work and live happily.

## Caring for employees

Attaching great significance to employees' needs and daily life, we strive to show the most care for female and retired employees. Through the revised *Measures for Application for and Distribution of the Love Fund*, we aim to help more employees in need in more effective ways, enhance employees' happiness, and

build a happy family of SINOMACH with love. In 2019, we raised RMB 5.947 million of donations through the Love Fund, assisted 295 employees in need, provided support for 88 students of employees with difficulties and 33 members with critical diseases.

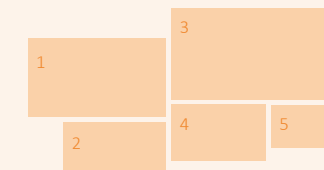
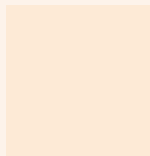


SINOMACH Love Fund  
**RMB 5.947 million**  
 Donations from employees

**295**  
 Employees with financial difficulty aided by the Group

**88**  
 Employees' children sponsored by the Group

**33**  
 Employees with severe illness aided by the Group



- ◆ 1. Zhang Xiaolun, Chairman of SINOMACH, visits Dr. Huang Xiqu, the spirit model of SINOMACH.
- ◆ 2. CAMCE holds a cultural exchange activity.
- ◆ 3. SINOMACH organizes a dumpling making activity for employees.
- ◆ 4. SINOMACH HEAVY INDUSTRY organizes the "March 8" Women's Day activity.
- ◆ 5. SIPPR sends heat-relieving supplies to employees.

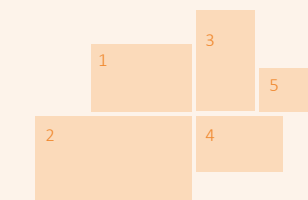


## Employee Activities

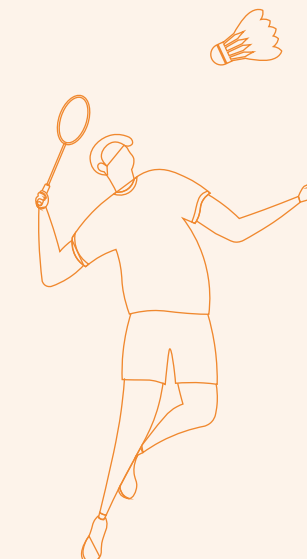
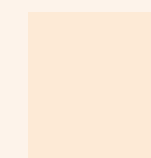
Taking employees as the Group's most valuable asset, we organize visits, exchanges, sports meeting, and table tennis and badminton competitions to enrich employees' lives and continuously improve employees' team spirit.

### The 5th "Harmonious SINOMACH Cup" employee table tennis and badminton competition

To enrich the staff's sports and cultural lives, and to inherit and carry forward the spirit of unity and hard work of the machinery industry, SINOMACH held the 5th "Harmonious SINOMACH Cup" employee table tennis and badminton competition at the China Administration of Sports for Persons with Disabilities on September 6. A total of nearly 600 athletes in 28 teams from SINOMACH headquarters and subsidiaries gathered at the grand event.



- ◆ 1. The 5th "Harmonious SINOMACH Cup" employee table tennis competition
- ◆ 2. A parent-child bonding outward bound event of SUMEC
- ◆ 3. The 5th "Harmonious SINOMACH Cup" employee badminton competition
- ◆ 4. SINOMACH "I Love China - Mysterious Military Equipment" parent-child bonding activity
- ◆ 5. "Responsibility Cup" tug of war of SINOMACH INTELTECH





# Key Performance

## Economic Performance

Indicator	2017	2018	2019
Total assets (RMB Billion)	381.56	394.44	383.61
Operating revenue (RMB Billion)	288.17	300.47	297.91
Asset-liability ratio (%)	67.9	67.5	65.2
Equities attributable to equity holders of the parent company (RMB Billion)	68.33	67.45	68.53
National patents (Items)	1,542	1,858	1,506
Academicians	4	4	5
Scientific research investment (RMB Billion)	6.20	6.66	7.17
Provincial and ministerial-level and national industrial awards (Items)	360	370	389

## Environmental Performance

Indicator	2017	2018	2019
Total energy consumption (10,000 TCE)	105.6	88.6	67.2
Overall energy consumption per RMB 10,000 of operating revenue	0.0032	0.0030	0.0034
Comprehensive energy consumption per RMB 10,000 of output value (in TCE)	0.1908	0.1357	0.1180
Energy saved (in TCE)	197,000	208,000	261,000
SO <sub>2</sub> emissions (Ton)	4,235.4	3,951.8	1,590.4
COD emissions (Ton)	4,082.5	3,893.2	471.6

## Social Performance

Indicator	2017	2018	2019
Total taxation (RMB Billion)	13.06	12.17	11.37
Labor contract signing rate (%)	100	100	100
Work safety input (RMB Million)	510	610	840
Major safety accidents (Cases)	0	0	0
Number of employees seriously injured in accidents	1	0	0
Number of dead employees	0	0	2
Employees' physical examination rate (%)	100	100	100
Major complaints from partners (Cases)	0	0	0
Number of employees	150,980	147,099	146,792

# Outlook





CSR Field	CSR Commitments	CSR Actions
<b>Value-creating SINOMACH</b>	<ul style="list-style-type: none"> <li>Maintaining stable operations</li> <li>Deepening corporate reforms</li> <li>Improving basic management</li> <li>Promoting business development</li> </ul>	<ul style="list-style-type: none"> <li>Exploring emerging markets, innovating in business models, and increasing the depth and the width of the "going global" strategy</li> <li>Paying close attention to the management of loss-making enterprises and completing the target of reducing the losses of loss-making enterprises by 50%</li> <li>Strengthening the centralized management and control of assets, improving the efficiency of capital use, and ensuring the safety of the capital chain</li> <li>Highlighting the development of the main business sectors of mechanical equipment, technical research and development, project contracting, trade and services, and finance and investment</li> </ul>
<b>Innovative SINOMACH</b>	<ul style="list-style-type: none"> <li>Enhancing innovation management</li> <li>Building innovation capabilities</li> <li>Promoting innovation and R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>Improving the technological innovation management system and enhancing technological innovation capabilities</li> <li>Increasing investments in R&amp;D, especially in bottleneck problems and cutting-edge technologies</li> <li>Accelerating the establishment of national major technical equipment innovation research institutes</li> </ul>
<b>Green SINOMACH</b>	<ul style="list-style-type: none"> <li>Enhancing environmental management</li> <li>Conducting green operation</li> <li>Advocating green life</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening environmental management to lay a solid foundation for green development</li> <li>Adhering to green operation to reduce the negative impacts of production and operation on the environment</li> <li>Adhering to green office and raising employees' awareness of environmental protection</li> </ul>
<b>Responsible SINOMACH</b>	<ul style="list-style-type: none"> <li>Growing together with partners</li> <li>Guaranteeing work safety</li> <li>Contributing to social harmony</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening communication with partners, providing customers with quality products and services, and creating a responsible value chain</li> <li>Building a long-term safety management mechanism to ensure safe development level of the Group</li> <li>Implementing corporate citizenship and seeking common development and progress with the community</li> </ul>
<b>Happy SINOMACH</b>	<ul style="list-style-type: none"> <li>Safeguarding employees' rights and interests</li> <li>Supporting employees' growth</li> <li>Caring for employees</li> </ul>	<ul style="list-style-type: none"> <li>Respecting the basic rights of employees in seeking health and development, and enhancing employees' sense of belonging and identification</li> <li>Deepening the reform of the talent development system and mechanism, and earnestly discovering and training outstanding young cadres</li> <li>Caring for employees and creating a happy family of SINOMACH</li> </ul>



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# Comparison Table with the Ten Principles of UN Global Compact

UN Global Compact's Ten Principles		Progress in 2019
 <b>Human Rights</b>	<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights	Respecting the basic human rights of individual survival and development, creating a safe and healthy work environment, and providing employees with opportunities and platforms for growth and development
	<b>Principle 2:</b> 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>	<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Establishing and improving the labor union mechanism, creating innovative channels for employees to express opinions, respecting employees' appeals, and protecting employees' rights and interests
	<b>Principle 4:</b> The elimination of all forms of forced and compulsory labor	Strictly observing laws and regulations, standardizing employment management, and resolutely eliminating child labor and forced labor
	<b>Principle 5:</b> The effective abolition of child labor	
 <b>Environment</b>	<b>Principle 6:</b> The elimination of discrimination in respect of employment and occupation	Adhering to equal employment and never using personal details irrelevant to the targeted posts as the criteria and standards for recruitment
	<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges	Integrating green development into the whole process of production and operation, reducing negative impacts on the environment, and enhancing employees' awareness of environmental protection
	<b>Principle 8:</b> Undertake initiatives to promote greater environmental responsibility	Strengthening innovation in environmental protection technologies, and working to build a resource saving and environmentally friendly production and operation mode
 <b>Anti-Corruption</b>	<b>Principle 9:</b> Encourage the development and diffusion of environmentally friendly technologies	
	<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery	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



# 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 2020

**01 >** Which of the following stakeholder are you?

- Shareholder  Employee  Customer  Supplier/Contractor  Government  Peer  Community/the Public
- Industrial association/NGO  Media  Others (Please specify) \_\_\_\_\_

**02 >** Generally, How do you think of this report?

- Very Good  Good  Fairly Good  Poor  Very Poor

**03 >** Please evaluate the report:

Dimension	Very Good	Good	Fairly Good	Poor	Very Poor
Information Disclosure					
Formant Design					
Readability					

**04 >** Which chapter meets your demand most? (You may choose more than one answer)

- Message from the Chairman  CSR Data 2019  About Us  Social Responsibility Management  CSR Focus
- Value-Creating SINOMACH  Innovative SINOMACH  Green SINOMACH  Responsible SINOMACH  Happy SINOMACH
- Outlook  Others (Please specify) \_\_\_\_\_

**05 >** Which topics do you concern most? (You may choose more than one answer)

- Employment promotion  Tax payment according to law  Compliance management  Environmental protection
- Community development  Public welfare  Occupational health and safety  Compensation and benefits  Career development
- Employee care  Local hiring  Energy saving and emission reduction  Resource saving  Ecological protection
- Environmental protection-oriented public welfare  Fair competition  Integrity and honesty  Information confidentiality
- Communication with the industry  Work safety

**06 >** What other opinions or suggestions do you have on the report or our CSR performance?

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Work Together, Win Together



**China National Machinery Industry Corporation**

Address: No.3 Danling Street, Haidian District, Beijing

P.C: 100080

Tel.: 86 - 10 - 82688888

Fax: 86 - 10 - 82688811

Website: <http://www.sinomach.com.cn>



SINOMACH WeChat



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