



SINOPEC

LOVE FOR CHINA PROSPERITY FOR SINOPEC
TO PROVIDE ENERGY FOR BETTER LIFE



SINOPEC

TO BUILD A WORLD LEADING ENERGY AND CHEMICAL COMPANY

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About Us



China Petrochemical Corporation (Sinopec Group) is a super-large petroleum and petrochemical enterprise group, established by the state in July 1998 on the basis of the former China Petrochemical Corporation, and further incorporated as a limited liability corporation in August 2018. A super large petroleum and petrochemical group, the company has a registered capital of 326.5 billion yuan with the board chairman of Sinopec Group serving as its legal representative. It exercises the investor's rights to the related state assets owned by its full subsidiaries, controlled companies and share-holding companies, including receiving returns on assets, making major decisions and appointing managers. It operates, manages and supervises state assets according to related laws, and shoulders the corresponding responsibility of maintaining and increasing the value of state assets.

Principal businesses of Sinopec Group include industrial investment and investment management; petroleum and natural gas exploration, production, storage and transportation (including pipeline transportation), sales and comprehensive utilization; coal production, sales, storage and transportation; oil refining; storage, transportation, wholesale and retail of oil products; production, sales, storage, transportation of petrochemical products, gas-based chemicals, coal chemical products and other chemical products; production, sales, storage and transportation of energy products such as new energy and geothermal energy; design, consulting, construction and installation of petroleum and petrochemical engineering projects; overhaul and maintenance of petroleum and petrochemical equipment; R&D, manufacturing and sales of electrical and mechanical equipment; production and sale of electricity, steam, water and industrial gas; research, development, application and consulting services of technology, e-commerce, information and alternative energy products; import & export, including import and export agency business of self-support products and commodities and technologies; foreign project contracting, bidding and purchasing, and labor export; international storage and logistics business.

Sinopec Group is the largest oil and petrochemical products suppliers and the second largest oil and gas producer in China, the largest refining company and the third largest chemical company in the world. Its total number of gas stations ranks the second place in the world. Sinopec Group ranked the 2nd on Fortune's Global 500 List in 2019.

Sinopec Group ranked the **2nd** on Fortune's Global 500 List in 2019

Directors of the Board

Zhang Yuzhuo	Ma Yongsheng	Zhao Dong
Zhang Yuqing	Wang Lili	Shi Huan
Chen Yueming	Wu Xiandong	Yu Xizhi

Senior Management

Zhang Yuzhuo	Chairman and Secretary of the Leading Party Member Group
Ma Yongsheng	Director, President and Deputy Secretary of the Leading Party Member Group
Zhao Dong	Director, Deputy Secretary of the Leading Party Member Group
Yu Baocai	Member of the Leading Party Member Group, Vice President
Jiang Liangping	Member of the Leading Party Member Group, Leader of the Discipline Inspection and Supervision Team
Liu Hongbin	Member of the Leading Party Member Group, Vice President
Ling Yiqun	Member of the Leading Party Member Group, Vice President
Li Yong	Member of the Leading Party Member Group, Vice President



Message from the Chairman



Zhang Yuzhuo, Chairman

Thank you for your interest in reading our annual report and continued care and support to our company.

2019 marked the 70th anniversary of the founding of the People's Republic of China, and was also extraordinary for Sinopec. Under the strong leadership of the CPC Central Committee with Xi Jinping as the core, the Company at all levels united and adhered to the Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era in taking on the significantly rising challenges home and abroad. The celebration of the 70th anniversary, the theme campaign of "staying true to our founding mission" and rectification of problems identified by the inspection provided impetus for us to seek progress in stability, take action, and promote new progress. We recorded revenue of 3.0 trillion yuan, an increase of 2.3% year on year, total profit of 100.9 billion yuan, an increase of 4.3%, net profit of 79.1 billion yuan, up by 9.1%, and total taxes and fees of 312.2 billion yuan.

We deepened supply-side structural reform and accelerated industrial transformation. Through conscientiously implementing the new energy security strategy and important instructions by General Secretary Xi Jinping, we increased domestic oil and gas exploration and development efforts, stabilizing oil and gas increase and reducing costs, achieving a number of new breakthroughs, and commissioning a number of key projects, such as Wen 23 gas storage depot. We accelerated the construction of refining and chemical bases, with the Zhongke refining and chemical project's mechanical completion delivered, a number of key projects such as Zhongnan united coal chemical completed and commissioned, and a number of low-sulfur bunker fuel facilities implemented. We paced up the construction of integrated- and smart-service stations, pushed international cooperation towards broader and deeper areas, and nurtured new businesses. Science and technology innovation achievements were fruitful with high-temperature and high-salt reservoirs EOR, para-aramid processes and other key projects made positive progress in research and development, supporting the industrial upgrading.

We further promoted institutional reform and made every effort to consolidate the foundations of stability and prosperity. We deepened study and implementation of the spirit of the Fourth Plenary Session of the 19th CPC Central Committee, actively explored the establishment of a modern enterprise system with Chinese characteristics, promoted the reform of the management system and the adjustment of the head-quarter structure, implemented the reform of supporting mechanisms in an orderly manner, and made new steps in the construction of the corporate governance system. The "three systems" reform, mixed ownership reform, and support for the formation of a national pipeline network company and other key reform were steadily advancing, showing a new pattern of comprehensive approach, multi-point breakthroughs, and profound progress. We further improved internal control and risk management system, strengthened the construction of compliance system, strengthened the governance of enterprises in



accordance with the law, and ensured sound operation.

We strengthened the responsibility of party management and governance, and promoted strict party governance in a comprehensive manner. We had a high-quality theme campaign of "staying true to our founding mission", consciously accepted the CPC Central Commission's inspection of SOEs, proactively rectified the problems, studied and implemented the Xi Jinping's Thought on Socialism with Chinese characteristics for a New Era, and made the "two safeguards" more firm and conscious. The Party's political construction was the guiding force in formulating and implementing key measures to strengthen the Party construction, and the work to reduce the burden on the grassroots continued to deepen, political discipline and political rules became more stringent. We continuously strengthened the construction of the leadership team and human resources, highlighting responsibility, quality and effectiveness, and promoting the integration of party building and business performance. Implementing the reform of discipline inspection and supervision system, maintaining high-pressure posture of punishing corruption, deepening the work of inspection and supervision, comprehensively dissolving liaison offices in Beijing set by affiliates, carrying out special actions to address the practice of formalities for formalities' sake, bureaucratism, hedonism, and extravagance, and intensifying warning and education, we achieved new progress in fighting corruption and improving systems. We actively carried out promotion of the petroleum industry spirit and of the traditional values of the petrochemical industry, vigorously organized campaign to learn from the deeds of academicians of Min Enze and Chen Junwu, and other persons who were considered role models of the times, boosting positive energy among employees.

We actively fulfilled our social responsibility as a responsible central enterprise. We provided premium services to ensure smooth preparation for and the holding of the 70th anniversary of the founding of the People's Republic of China, the China International Import Expo and other major events. We conscientiously implemented the CPC Central Committee's decision for poverty alleviation task, providing 231 million yuan for poverty alleviation funds during the year, and 165 million yuan to support designated parties, helping lift Ban'ge County in Tibet and Yingshang County in Anhui Province out of poverty. As a result, the Company's poverty alleviation cases were listed in the top 50 cases of Chinese enterprises in poverty alleviation. We proactively addressed climate change by implementing the Green Enterprise Campaign and the Energy Efficiency Doubling Plan, and firmly pressing ahead with the battle against pollution. We promoted mechanism for participation in public welfare projects, constantly implementing the Lifeline Express, the Gas Station that Cares and other projects to benefit more people. We emphasized on respecting the cultural traditions and laws and regulations wherever we operated, promoting coordinated economic, environmental and social development of local communities and winning wide recognition both at

home and abroad.

The achievements were not won easily. The strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, the help of all sectors of society, the high trust from our customers and consumers, and the collaborative support of partners at home and abroad made our performances possible. On behalf of the Board of Directors, the management team and all employees of the Company, I would like to express my heartfelt thanks to all friends for your valuable support and help.

2020 will see the accomplishment of building a moderately prosperous society in all respects and fulfilling the "13th Five-Year Plan", and will be a critical year for the Company's reform and development in the new era. Currently, the COVID-19 is raging, market demand has shrunk dramatically, the international oil market has changed drastically, and the financial markets around the world are in turmoil. In the face of the new situation and new tasks, we will unite more closely around the CPC Central Committee with Comrade Xi Jinping as the core, take Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era as the guide, thoroughly implement the decisions of the Central Committee and the State Council, act the new development concept, pursue high-quality development, seek progress in stability, focus on quality improvement and efficiency upgrading, deepen the supply-side structural reform, accelerate innovation-driven development, improve corporate governance system, steadfastly and strictly rule the Party, and strive for even better performances and greater contributions to the building of a moderately prosperous society in all respects.

We are committed to enhancing cooperation with our partners and working together for a better tomorrow.



Message from the President



Ma Yongsheng, President

2019 saw complex and grim production and operation environment, with internal and external challenges rising significantly, global economic growth slowing down, international oil prices fluctuating at a wide range, domestic refining over-capacity worsening, and continued declining of chemicals prices, which altogether led to even fiercer market competition. Facing the difficulties and challenges, we followed the guidance by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, stuck to the strong leadership of the CPC Central Committee and the State Council, conscientiously implemented the decision by the board of directors, pursued progress in stability, and promoted operations, reform, development, innovation and other aspects of work in a coordinated manner. As a result, we achieved better-than-expected business results, and realized good momentum in corporate growth and quality development.

We focused on stabilizing growth and profits, and strived to improve the quality of development. We resolutely implemented the "six stability" work plan, being market-oriented and profit-centered, and well organized production and operations. As a result, annual goals were achieved, business segments and affiliates all recorded profits, and imbalance and inadequate development were effectively improved. In 2019, despite the drop in oil prices by 6.7 USD per barrel as compared to 2018, we recorded an operating revenue 3.0 trillion yuan, an increase of 2.3%, total profit of 100.9 billion yuan, an increase of 4.3%, and net profit of 79.1 billion yuan, an increase of 9.1%. Taxes paid were 312.2 billion yuan. The upstream seven-year action plan was pushed forward, vigorously promoting high-quality exploration and efficient development, producing 35.13 million tonnes of crude oil and 29.6 billion cubic meters of natural gas, and total unit cost continued to decline; the construction of the natural gas production, supply, storage and marketing system was accelerated, and the operating volume maintained a relatively rapid growth. With important discoveries in Canada, Angola and elsewhere, we had one of the most fruitful years for exploration recently and overseas equity production was 42.52 million tonnes of oil equivalent. Synergy between refining and marketing yielded significant results, with 250 million tonnes of crude processed and 184 million tonnes of refined products sold in the home market. Chemical production and sales achieved steady growth, producing 12.49 million tonnes of ethylene, 5.04 million tonnes of paraxylene, the proportion of high value-added products in the three major synthetic materials continuing to increase, and the total business volume of chemical products hitting 89.5 million tonnes. The profit base of oilfield service was consolidated, and refining & chemical engineering market and profit were further increased.

We focused on strengthening the weak link and adjusting the structure to promote industrial transformation and upgrading. We coordinated and promoted industrial layout and structural adjustment, strengthened investment management and optimization, and progressed with of a number of key projects. Shunbei, Jiyang, Chuanxi, Dongsheng, Phase II of Fuling,



Weirong and other oil and gas projects accelerated; the mechanical completion of Zhongke refining and chemical project was accomplished, the second aromatics unit in Hainan, Zhonggan Coal Chemical, Zhenhai refining upgrading were completed and put into production, Fujian Tenglong aromatics repair was concluded, Hainan ethylene project was stepped up, alkylation and bunker fuel and other refining adjustment projects were accelerated. In addition, the first phase of the Wen 23 storage depot, the first phase of the Erdos-Anping-Cangzhou gas pipeline, Tianjin LNG expansion, Jingmen - Xiangyang oil products pipeline, Dongjiakou commercial crude oil storage, Zhanjiang-Beihai oil products pipeline, Nanchuan-Fuling gas pipeline were put into operation. The company made new progress in internationalization, reaching cooperation agreements on the Amur gas chemical project and LNG sales in China, injecting the refining business into Sinopec-SK joint venture in Wuhan, and implementing a host of domestic cooperation projects such as the second unit of neopentyl glycol in BYC. We formulated and implemented major plans for natural gas business and development in the Free Trade Pilot Zones, and initiated the compiling of the "Fourteenth Five-Year Plan".

We focused on technology and innovation to drive development. We formulated medium- and long-term plans for science, technology and innovation, deepened reform to delegate powers to frontline research affiliates, promoted the construction of joint research and development centers, incubators and other innovation platforms, and enhanced the vitality of science, technology and innovation institutional mechanisms. We accelerated key and core technologies research, conducted frontier technologies research and achieved numerous new breakthroughs. The research on the theory of enrichment and exploration technology of large and medium-sized gas fields in the Sichuan Basin made progress, and the self-developed rotary geo-steering drilling was successfully applied; the development of different formulations of low-sulfur bunker fuels passed the engine performance test and endurance test, and high-grade diesel oil reached the latest international specifications; the second generation of high-efficiency environment-friendly aromatics industrial demonstration was successfully started up, the SE water-coal (coke) slurry gasification, slurry bed anthraquinone method to make hydrogen peroxide, para-aramid technology industrial application were commercialized, the development of 48K large-tow carbon fiber was successful; large crude oil tank farm safety and VOCs reduction technologies saw industrial applications; the first domestic hot dry rock fracturing was tested, fuel cell high purity hydrogen production technology was available for scaling-up, the new structure molecular sieve SCM-15 was awarded the structure code by the International Molecular Sieve Association. The company won one second prize for national science and technology invention and six second prizes for national scientific and technological progress, ranking in top tiers among the central enterprises in terms of the number of patent applications and authorizations. The integration of industrialization and informatization achieved remarkable results, with the rapid development of chememall,

and in-house business travel platforms.

We focused on enhancing efficiency and dynamism through strengthening reform. We promoted institutional reform and the management system reform of the headquarters, and built the operating mechanism of the four strategic business units. The marketing company's mixed ownership reform was progressed and the geothermal company for mixed ownership reform was established. Significant results were achieved in improving performance of the loss-running affiliates and streamlining reform. The whole level of subsidiaries making losses continued to decline, and 111 legal entities were reduced, exceeding the annual target. Decisive progress was made in the separation and transfer of the "social functions", and subsidiaries-run collectively owned businesses were further reformed. The "Double Hundred Initiative" and the comprehensive pilot reform were pressed ahead with good progress. The reform of the "three systems" advanced, and the pilot reform of professional managers and equity incentives were being steadily implemented. We supported the reform of the national oil and gas pipeline operation mechanism, continued to deepen the reform of oil companies and actively promoted cooperation with domestic partners. Adhering to the comprehensive rule of enterprises in accordance with the law to strengthen management, we promoted integration of the "three bases" of work with safety management and party building at the grassroots level, and promoted the extension of the "immediate action" to the grassroots level, so that management efficiency was significantly improved. We have comprehensively strengthened budget management, deepened the management of cost targets and cash flow, achieved better results in cost reduction and cost reduction, and maintained a low rate of comprehensive financing costs. The company completed the revision of the HSSE management policies, strengthened the supervision of contractors and direct operations, implemented the green enterprise action plan, vigorously promoted the implementation of pollution prevention and control measures, maintained a good record of overseas public security, successfully completed the safety and environmental protection tasks during major national activities, and generally maintained safe and clean production.

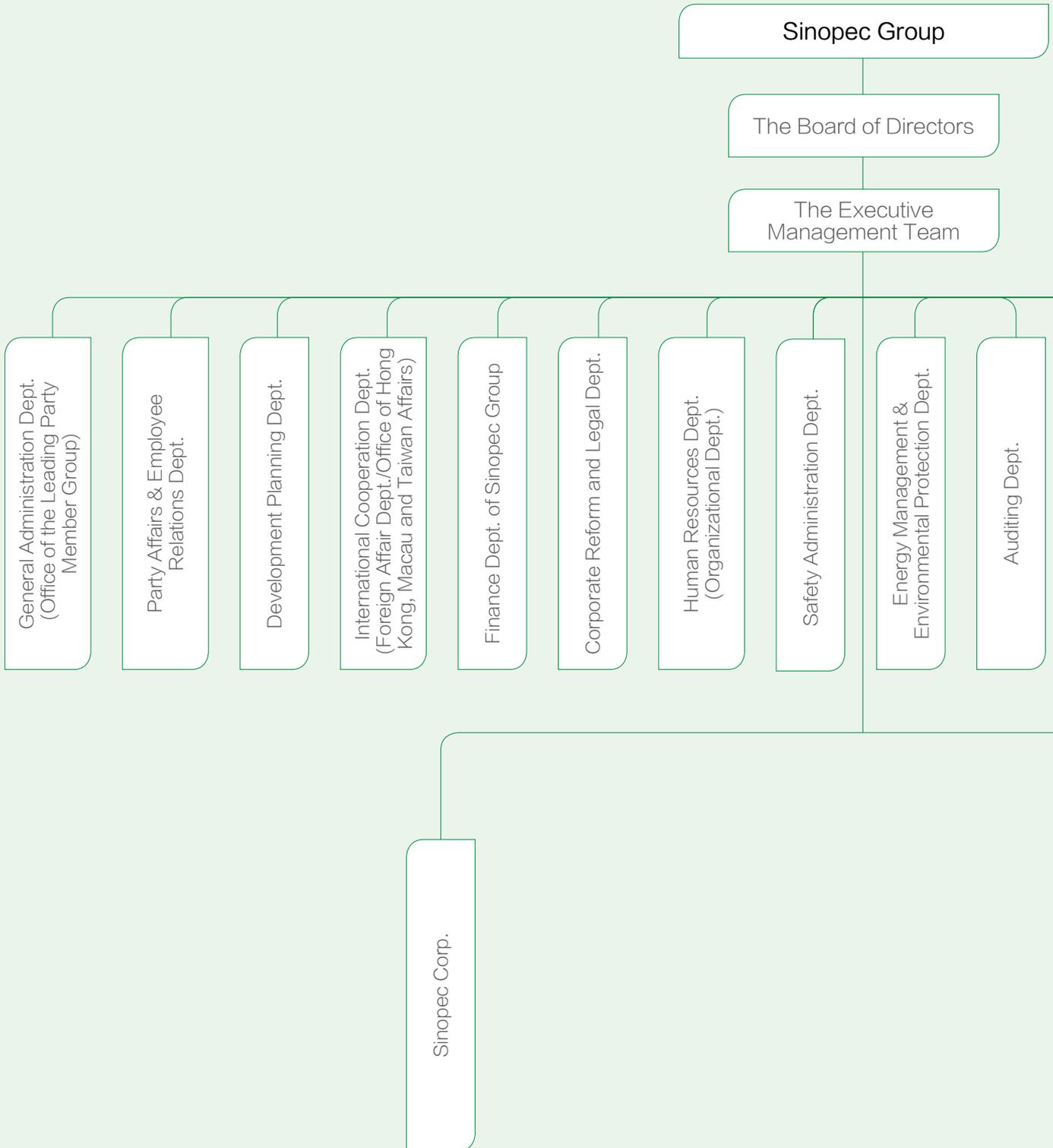
In 2020, we will face more challenging environment and more demanding tasks. We will conscientiously implement the decisions and plans of the CPC Central Committee and the State Council, and strive to achieve progress while securing stability under the leadership of the Company's Leading Party Member Group and the Board of Directors. We will implement the new development concept, implement the requirements for high-quality development, keep a close eye on the goals, tackle difficulties and make vigorous efforts to implement them, ensure the full completion of the goals for the whole year, and make greater contributions to the overall construction of a prosperous society.

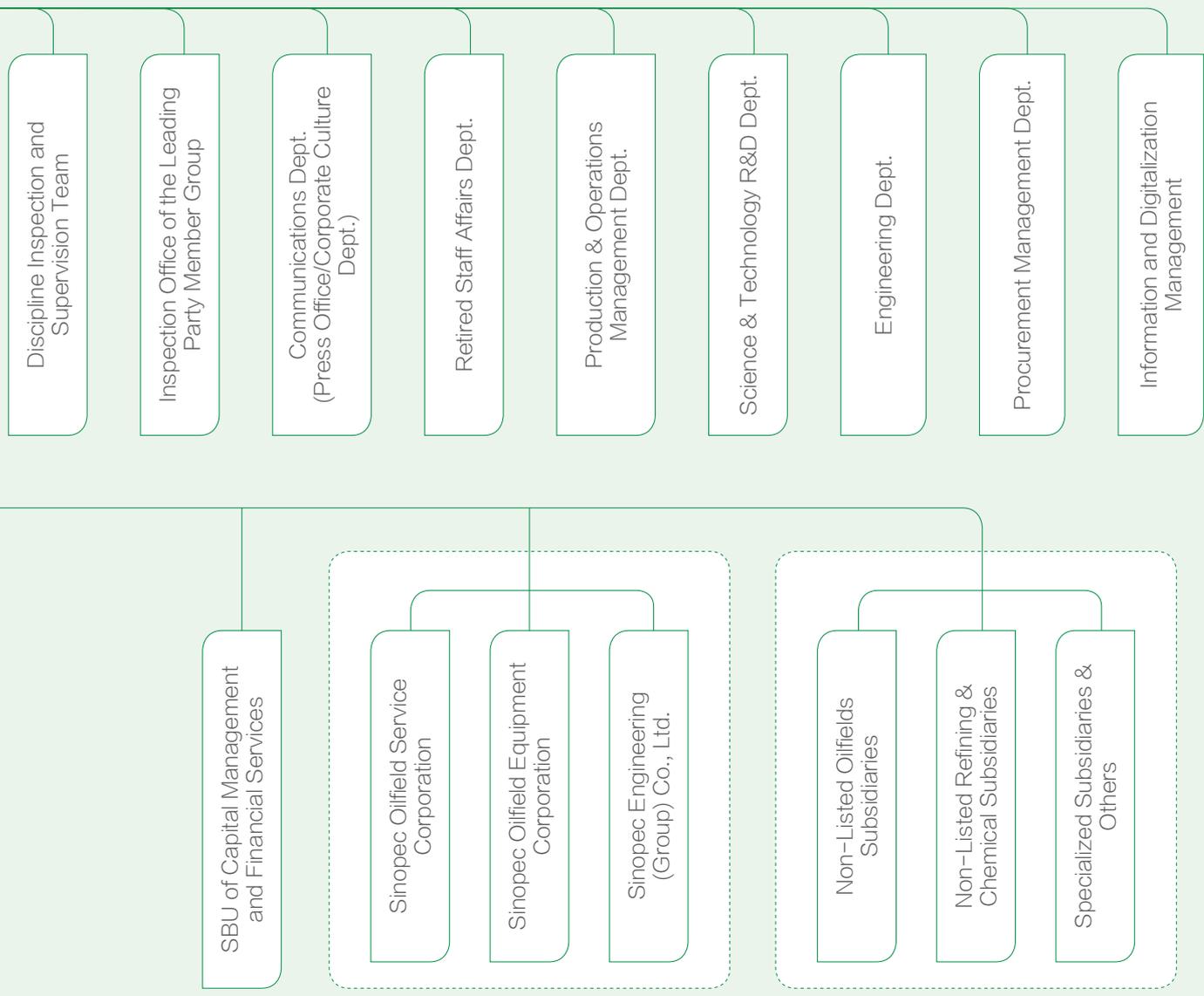
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Organizational Structure

(As of 31 December 2019)







Financial Overview

Balance Sheet

Item	2019	2018 (adjusted)	2018 (unadjusted)	2017
Current Assets				
Cash at bank and in hand	151,408.96	200,150.24	200,150.24	169,209.22
Financial assets held for trading	21,672.66	41,559.55	41,559.55	67,650.57
Bills receivable	2,192.53	12,017.32	12,017.32	20,186.08
Accounts receivable	66,578.64	73,996.23	73,996.23	73,956.49
Advance payments	21,086.68	18,606.61	19,374.99	12,996.71
Other receivables	33,754.41	30,288.67	30,288.67	28,434.88
Inventories	250,573.61	241,515.19	241,515.19	248,782.83
Contract assets	17,878.54	14,299.71	14,299.71	14,466.76
Current portion of non-current assets	2,703.97	7,350.05	92,567.01	79,452.22
Other current assets	125,592.92	161,086.41	75,869.46	85,884.29
Total current assets	693,442.91	800,869.99	801,638.37	801,020.04
Non-current assets				
Other debt investment	3,192.84	4,192.47	4,192.47	5,015.70
Long-term receivables	16,098.54	39,411.30	39,411.30	37,031.72
Long-term equity investment	145,422.12	137,959.30	137,959.30	128,166.34
Other equity instruments investment	9,727.18	12,318.67	12,318.67	7,806.84
Fixed Assets	576,329.97	570,522.45	570,594.05	590,388.77
Oil and gas assets	140,426.41	145,507.89	145,507.89	171,898.03
Construction in progress	191,973.29	154,489.32	154,489.32	134,646.58
Right-of-use assets	33,882.83	31,941.58	—	—
Intangible assets	134,632.50	130,426.32	130,430.87	124,385.50
Goodwill	10,881.75	10,861.15	10,861.15	10,818.77
Long-term deferred expenses	14,965.79	11,913.43	20,038.86	18,514.19
Deferred tax assets	19,486.49	23,586.76	23,586.76	16,740.38
Other non-current assets	221,256.77	209,065.33	209,065.33	209,906.06
Total non-current assets	1,518,276.49	1,482,195.97	1,458,455.97	1,455,318.87
Total assets	2,211,719.40	2,283,065.96	2,260,094.34	2,256,338.91

Note: The Group's overseas listed companies adopted new lease standards issued by the Ministry of Finance since 1 January 2019 and adjusted related items according to the requirements for financial reporting forms issued by the Ministry of Finance in 2019.



RMB: Millions

Item	2019	2018 (adjusted)	2018 (unadjusted)	2017
Current liabilities				
Short-term loans	71,448.75	93,371.52	93,371.52	145,496.76
Bills payable	20,391.54	13,726.15	13,726.15	11,905.81
Accounts payable	240,175.75	255,534.75	255,534.75	247,030.48
Contract liabilities	148,226.19	143,068.44	143,068.44	149,743.17
Employees compensation payable	16,766.79	14,852.64	14,852.64	10,200.19
Taxes and fees payable	74,773.69	93,369.12	93,369.12	77,417.95
Other payables	79,075.55	80,590.30	80,586.76	85,387.86
Current portion of non-current liabilities	56,254.64	50,641.64	38,424.90	76,838.07
Other current liabilities	22,624.89	50,398.97	50,867.03	38,855.93
Total current liabilities	729,737.80	795,553.52	783,801.31	842,876.22
Non-current liabilities				
Long-term loans	60,920.70	62,850.03	62,850.03	37,676.58
Debentures payable	193,506.23	227,833.56	227,833.56	218,537.45
Long-term accounts payable	19,917.96	31,196.18	31,208.50	17,653.79
Lease liabilities	20,383.35	10,767.20	—	—
Long-term employee compensation payable	2,287.20	2,428.47	2,428.47	2,348.52
Contingent liabilities	43,993.03	43,764.96	43,764.96	40,309.96
Deferred tax liabilities	7,030.29	6,696.25	6,696.25	6,704.71
Other non-current liabilities	15,176.82	13,372.08	12,907.56	12,054.10
Total non-current liabilities	363,215.58	398,908.74	387,689.33	335,285.12
Total liabilities	1,092,953.38	1,194,462.26	1,171,490.64	1,178,161.34
Shareholders' equity				
Paid-in capital	325,547.22	326,547.22	326,547.22	326,374.05
Capital reserve	51,946.56	54,722.61	54,722.61	96,983.53
Other comprehensive income	-23,800.19	-27,999.04	-27,999.04	-25,320.24
Special reserve	2,193.17	2,069.04	2,069.04	1,260.23
Surplus reserve	223,498.74	217,355.85	217,355.85	209,418.03
Provision for general risks	1,765.55	1,765.24	1,765.24	1,459.93
Retained profits	169,350.11	147,683.67	147,683.67	129,917.95
Shareholders' equity attributed to equity shareholders of the Group	750,501.16	722,144.60	722,144.60	740,093.49
Minority interests	368,264.87	366,459.10	366,459.10	338,084.08
Total shareholders' equity	1,118,766.03	1,088,603.70	1,088,603.70	1,078,177.57
Total liabilities and shareholders' equity	2,211,719.40	2,283,065.96	2,260,094.34	2,256,338.91

Income Statement

RMB: Millions

Item	2019	2018	2017
Operating Income	3,003,416.84	2,936,840.85	2,400,281.00
Total operating expenses	2,915,046.78	2,841,575.40	2,314,917.93
Operating expenses	2,497,874.87	2,425,746.15	1,920,377.43
Taxes and surcharges	247,173.54	251,392.65	239,627.09
Selling expenses	63,553.43	61,166.33	57,832.63
Administrative expenses	79,575.67	81,144.46	73,530.30
R&D expenses	13,690.49	11,339.89	8,247.51
Exploration expenses	10,519.67	10,753.27	11,120.18
Financial expenses	2,659.10	32.65	4,182.80
Add: Other income	7,111.66	8,178.58	5,372.15
Investment gains	13,634.84	13,282.33	13,093.45
Change of fair value	-2,736.85	2,028.11	-8.73
Credit impairment loss	-1,991.62	-329.31	—
Assets impairment loss	-2,338.01	-16,172.02	-43,089.23
Assest disposal gains	-870.63	-846.81	-2,221.77
Operating profit	101,179.45	101,406.33	58,508.95
Add: Non-operating income	5,498.48	8,049.71	3,546.35
Less: Non-operating expenses	5,803.81	12,717.94	3,850.29
Total profit	100,874.12	96,738.09	58,205.01
Less: Income tax	21,773.05	24,253.45	19,245.04
Net profit	79,101.07	72,484.64	38,959.97
Less: Minority interests	32,170.88	33,821.92	28,566.84
Net profit attributable to equity shareholders of the Group	46,930.19	38,662.72	10,393.13

Note: Related items were adjusted according to the requirements for financial reporting forms issued by the Ministry of Finance in 2019.



Investment Overview



In 2019, we closely followed the target of building Sinopec into a world-leading company and proceeded according to our action plans, practiced new development concepts, gave full play to the advantages of integration, continued to promote the transformation of old development momentum, continued to optimize supply-side reform, and accelerated the realization of sustainable and high-quality development. We adhered to the investment policy of "keeping within the budget, highlighting key points, caring for returns and preventing risks", further strengthened the overall planning of the group, and maximized overall investment efficiency. Capex in the whole year was 18.86 billion yuan (including 10.9 billion yuan of exploration expenditure booked in the profit and loss form).

The oil, gas and new energy segment increased domestic exploration and production, accelerated the production capacity construction of Shengli offshore crude oil, northwest Shunbei crude oil, Jiangnan Fuling shale gas, Southwest Weirong shale gas, North China Hangjinqi conventional natural gas and other blocks, ensured the physically stable production of crude oil, the rapid growth of natural gas production, and the large growth of SEC reserve replacement ratio for oil and gas. The company also strengthened the construction of natural gas production, supply, storage and marketing system. Wen 23 gas storage was completed for gas injection, and Qingdao-Nanjing pipeline, Xinjiang-Guangdong-Zhejiang gas pipeline and a number of gas supply lines were accelerated. For overseas oil and gas exploration and development, we focused on meticulous operation of existing asset projects, strictly controlled investments for projects to be disposed or with uncertain prospects, and accelerated capacity construction of potential projects such as APLNG and Daylight.

The refining and marketing segment laid emphasis on heavy crude conversion, product structure adjustment and product quality upgrading, with the guideline to produce more gasoline and aviation fuel, reduce the production of diesel and coke, sustain the profit for chemicals and expand the marine fuel market. We centered on market share to further consolidate network advantages

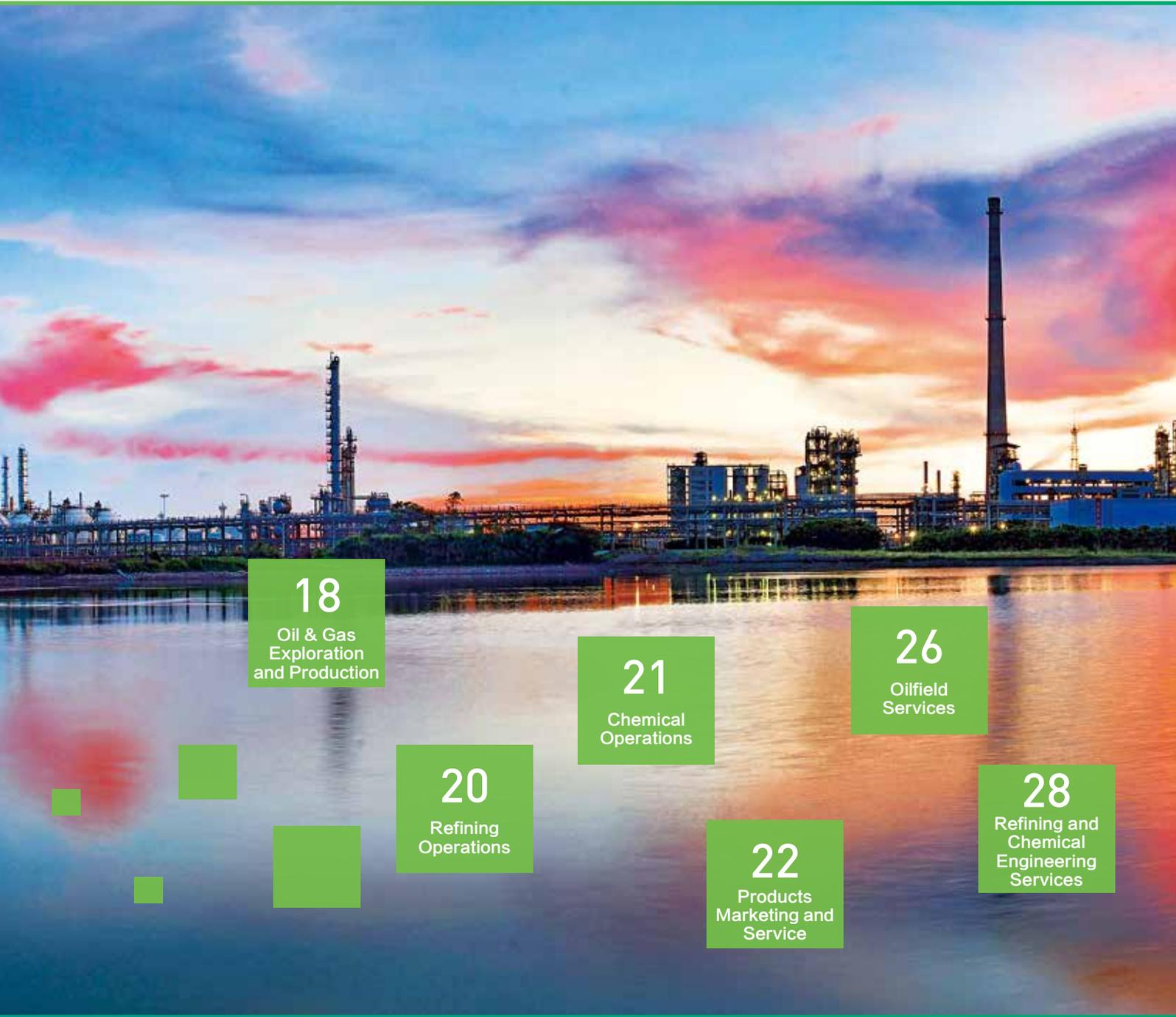
and newly added 1,128 service stations and 4 hydrogen stations. The layout of storage and transportation facilities has been optimized. Jingmen-Xiangyang, Hefei-Liuan and other product oil pipelines were completed and put into operation.

The chemical and materials segment optimized and adjusted the production capacity layout of ethylene and aromatics. The mechanical completion was realized in Zhongke project, and the second set of PX unit in Hainan was put into production. We coordinated the coal chemical projects, putting Zhongan project into production, and expediting other projects including Dalu Industrial Park. We continued to increase the proportion of high value-added products, and actively built a number of high-end product projects such as Yizheng polyester staple fiber and Shanghai poly-acrylonitrile based carbon fiber. We accelerated the promotion and application of new catalyst products and new technologies, and started a batch of industrial production units such as Changling 2,000 tpa high-purity aluminum hydroxide.

The capital and financial services segment focused on and invested directly in businesses of new energy, new materials, and energy-conservative, environmental-friendly, high-end and intelligent manufacturing. We made forward-looking layout for projects with Shanghai Re-fire Energy Group Co., Ltd., SUPCON and Richful Lube Additive Co., Ltd. We deepened synergy between industry and finance to expand futures business. We repurchased equity from Zheshi Futures Co., Ltd. and completed capital increase, established and improved financial investment channels, and invested to establish fund management companies.

We ensured investment for safety and environmental protection projects, with a total annual investment of 26.2 billion yuan. We relocated and reconstructed oil depots from the ecologically-fragile areas, fully implemented the special action plan for the reconstruction of double-layer tanks in our service stations, vigorously enhanced the troubleshooting and rectification of potential safety hazards of our facilities, and accelerated the cleaning and relocation of certain pipelines.





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China Operations

Oil & Gas Exploration and Production

In 2019, we added 103 million tonnes of proven oil reserve, 172 million tonnes of probable oil reserve and 200 million tonnes of possible oil reserve. For natural gas, the newly added proven reserve was 281.9 billion cubic meters, probable reserve was 157.6 billion cubic meters, and possible reserve was 344.2 billion cubic meters. The annual crude production was 35.13 million tonnes. We produced 29.6 billion cubic meters of natural gas, up by 2 billion cubic meters year on year. Our newly added crude oil production capacity was 2.615 million tonnes, increased by 212,000 tonnes year on year. Newly added natural gas production capacity was 3.97 billion cubic meters, up by 1.97 billion cubic meters.



added proven oil reserve

103 million tonnes

crude production

35.13 million tonnes

added crude production capacity

2.615 million tonnes

added proven reserve

281.9 billion m³

natural gas production

29.6 billion m³

added natural gas production capacity

3.97 billion m³

Oil & Gas Exploration

We achieved 1 great breakthrough, 4 important breakthroughs, 10 new breakthroughs, 15 commercial discoveries and 5 potentials, which exceeded the annual tasks.

For oil exploration, significant breakthrough was made in Shunbei Block 3 area in Tarim Basin, which opened up the second production capacity in Shunbei oil and gas field. Such breakthrough was also made in the deep exploration of Jiyang depression in Bohai Bay Basin. Important commercial discoveries were made in the exploration of Yongjin oilfield in the middle of Junggar basin. New discoveries were made in the risk exploration of Liulushe area in Subei Basin.

For conventional gas exploration, an important breakthrough was made in the exploration of Paleozoic in Fuxian County in the south of Ordos Basin, with a proven reserves of exceeding 100 billion cubic meters in Dongsheng gas field to the north. The exploration results of tight gas in the deep layers of Sichuan Basin and Songliao Basin continue to expand; new breakthroughs were also made in the exploration of Wuyuanting lithological gas reservoir in the sea area.

For shale gas, a major breakthrough was made in the deep structural exploration in Dongxi, Qijiang of Sichuan Basin, and the exploration of atmospheric shale gas in Nanchuan realized discovery, exploration and construction in the same year.



Oilfield Development

We improved our construction scale for oil production capacity and reduced the decline rate of existing oil fields. We produced 6,000 tonnes of crude oil more than our annual plan.

For the new capacity, we added 50.51 million tonnes of reserve available for development. The one million-tonne production and construction project (phase I) in Shunbei oil and gas field was solidly pushed ahead. The construction and production scale of challenging reserves in Jiyang continued to expand. The integration of rolling assessment and construction in the west slope of Qintong depression was rapidly launched, and a breakthrough was made in the integrated test of geological engineering in Yongjin oilfield. The annual added production capacity reached 2.615 million tonnes, increased by 212,000 tonnes, and the new well oil production increased by 154,000 tonnes.

For the existing capacity, we strengthened the delicate description, fine water recovery and tapped potential meticulously, and made more efforts to stabilize production. The annual natural decline rate was stabilized at 10.3%, the natural decline rate of water-flooding reservoir was reduced by 0.5 percentage point, and the thermal recovery heavy oil and gas ratio was stabilized at 0.53. The gas-flooding method applied in Tahe carbonate fractured reservoir increased its new oil production by 800,000 tonnes, an increase of 90,000 tonnes year on year. We popularized application of large-scale EOR technology, implemented the demonstration project of heterogeneous composite flooding EOR, continued to promote the six pilot tests, focused on the optimization of existing recovery projects, and increased oil production through chemical flooding by 1.07 million tonnes in the whole year.

Natural Gas Development

For conventional gas, we actively promoted the production capacity construction in Western Sichuan and other places, accelerated the rolling production construction in Heba, Zhongjiang, Longfengshan and other places, and continued to focus on the stable production of major gas fields such as Puguang, Yuanba, Daniudi, etc. We added 1.73 billion cubic meters production capacity annually, produced 21.88 billion cubic meters of gas, increased by 1.3 billion cubic meters year on year.

For shale gas, we actively promoted the production capacity construction of Fuling and Weirong shale gas fields,

accelerated the rolling construction and production of shale gas in Nanchuan, and took the lead in promoting the three-dimensional development and adjustment of the existing area of Fuling shale gas field in China. We achieved a new annual shale gas production capacity of 2.2 billion cubic meters, produced 7.35 billion cubic meters of gas, up by 720 million cubic meters compared with last year.

For coal-bed methane, we steadily arranged our intricate development in Yanchuan South gas field, and achieved an annual gas output of 360 million cubic meters.

Refining Operations



Total processing volume grew continuously. The company seized the favorable opportunity to create efficiency, actively overcame the structural contradiction between centralized maintenance and quarterly supply & demand of the refined oil products, optimized the allocation of domestic and foreign markets, gave full play to the advantage of the integrated refining and marketing industry chain, actively supported sales to expand the market, fully guaranteed the supply of chemical raw materials, and achieved a substantial increase in the total refining and processing volume. The annual crude processing volume was 250 million tonnes, increased by 4.44 million tonnes year on year, up by 1.8%. The output of refined oil products was 160 million tonnes, up by 3.4%. The export volume of refined oil products reached 26.5 million tonnes, up by 18%.

The product slate was optimized and efficiency was increased. We strengthened the linkage between production and marketing, paid close attention to the trend of domestic consumption for refined oil products, timely seized the opportunity in markets, optimized and adjusted the production ratio between diesel and gasoline, increased the supply of gasoline and jet fuel, promoted the production of light chemical fuels, and ensured the demand for chemical raw

materials. The output of light chemical yield increased by 3.1%, and the self-supply rate of chemical feedstock reached 94.3%. In 2019, our gasoline production increased by 2.6% and jet fuel production was up by 7.8%. In 2019, the optimization of product structure realized a revenue increase of 1.63 billion yuan.

Quality and efficiency steadily improved. We made solid progress in structural adjustment and enhanced the overall competitiveness of the industrial chain. Mid-term turnover was realized in the Zhongke Refining and Chemical Integration Refining Project. Zhenhai boiling-bed hydrogenation and Luoyang catalytic capacity expansion projects were put into operation, and a batch of alkylation units such as Jiujiang were completed and put into operation. Jingmen 550,000 tpa lubricant hydrogenation unit was put into operation, and the production of special products got prepared. We sped up the construction of export-supporting facilities for refined oil products and completed the construction for export capacity in advance. The company seized the market opportunity and completed the construction for production capacity of low sulfur heavy bunker fuel.

crude processing volume **250** million tonnes

refined oil products **160** million tonnes

light chemical yield **3.1%** ↑

gasoline production **2.6%** ↑

jet fuel production **7.8%** ↑

export volume of refined oil production **26.5** million tonnes



Chemical Operations

An outstanding performance was achieved. We produced 12.49 million tonnes of ethylene, increased by 8.5%, hitting a new record. PX production was 5.04 million tonnes, up by 5.8%, synthetic resin 17.55 million tonnes, increased by 8.0%, synthetic rubber 1.36 million tonnes, up by 15.6%, feedstock for synthetic fiber 7.02 million tonnes, increased by 9.7%, synthetic fiber and polymer, 4.57 million tonnes, up by 3.2%, fine chemicals 620,000 tonnes, up by 5.7%. We increased 254,000 tonnes of production for three major synthetic materials to substitute imported volume.

Production and marketing were drawn even closer. We established a working mechanism of "one enterprise, one system" to promote the linkage among production, marketing, research and application. We set up 128 MPRC teams to integrate production, marketing, research and customers application throughout the year. For the three high value-added major synthetic materials and new products, we increased our revenue by 3.6 billion yuan. Special efforts were made to promote synthetic resin packaging materials and factory facilities, 17 FFS film packaging lines were transformed, and product image were improved. We added 2 tonne-packaging lines and 2 container bulk lines, making products leave factories in a more flexible way. Our 5 subsidiaries completed the upgrading of intelligent factory system. We applied 289,000 shared pallets in our subsidiaries, of which 31,000 were replaced by wooden pallets. We applied packaging QR code for

our products innovatively, which improved customer experience and brand image.

Continuous promotion of structural adjustment. We dynamically optimized the raw material structure and timely tracked the market changes. The annual yield of "ethylene" products reached 66.45%, increased by 0.46 percentage point, a new record. The company optimized the product structure, with the production proportion of new synthetic resin products and specialty materials of 65.3%, up by 1 percentage point in the whole year. For synthetic rubber, the proportion of high value-added products was 29.1%, increased 2.8 percentage points. We increased the proportion of high value-added synthetic fiber products to 31.65%, up by 1.7 percentage points year on year. For fine chemicals, the proportion of high-end products reached 28%, an annual increase of 1.3 percentage points. The company optimized the unit structure, reasonably arranged the start-up and shutdown of MTO and ethylene glycol units, increasing an annual profit of 340 million yuan. We also optimized the operation of the unit, effectively reduced the benzene output, and stabilized the price of benzene products. We optimized the regional resources, sending Zhongyuan C₈ materials to Yanshan for processing, transferring Tianjin's roughly-cracked gasoline to SSTPC for further treatment, improving the utilization rate of styrene extraction unit. The company opened up the outsourcing transportation process of Fujian mixed xylene, and expanded the source of aromatics raw materials. We optimized the asset structure, formulated plans for asset activation and efficiency creation, implemented targeted measures, and improved the asset quality. SVW exited some backward vinylon production capacity as planned, and cleaned and sealed 14 old production lines. The incremental volume was optimized, and a number of projects were completed and put into operation, such as Zhongan United, Hainan Aromatics II, BASF-YPC propionic acid capacity expansion, Sinopec-SK styrene extraction, Yizheng 60,000 tpa PBT, and Baling slurry-bed anthraquinone-processing hydrogen peroxide industrial demonstration.

Investment for coal chemical witnessed an orderly promotion. The production and operation of Sinopec Ningxia Energy Chemical Co., Ltd. continued to improve, with a production volume of 1.738 million tonnes, up by 23.95%. Zhongtianhechuang Energy Co., Ltd. maintained high utilization and stable operation, producing 18.563 million tonnes of coal, 4.234 million tonnes of methanol and 1.375 million tonnes of polyolefin, up by 47.9%, 6.22% and 8.24% respectively. Zhongan United Coal Gasification Co., Ltd. achieved a safe one-shot start-up success, activated the whole process, and successfully marched into trial production. Preliminary work was accelerated for Guizhou Energy Chemical Co., Ltd.'s coal to olefin project, and the supporting thermal power project was approved, and the overall commencement conditions were gradually implemented. The planning and layout of coal chemical industry base in Erdos Dalu Industrial Park were steadily promoted.

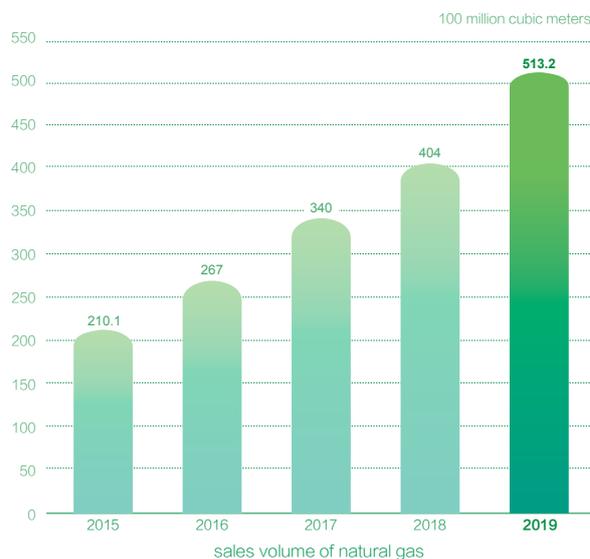


Products Marketing and Service

Natural Gas

In the whole year, 51.32 billion cubic meters of natural gas were operated, an increase of 26.7%, of which 48.36 billion cubic meters of natural gas were sold, an increase of 19.5%, about 10.8 percentage points higher than the national average, and the domestic market share rose from 14.3% to 15.7%.

The company expanded market shares and made remarkable achievements in market development. We coordinated domestic and foreign resources, expanded resource scale, coordinated gas fields, and stabilized domestic onshore gas resources. We well arranged long-term LNG delivery plan, increased spot purchase, and met market demand. We strengthened cooperation with CNPC, increased supply of 670 million cubic meters for Jiangsu market through North Sea LNG resource swap. We supplied re-gasified imported LNG to Zhejiang market by leveraging Shanghai Shenneng LNG terminal and its pipeline network. We developed 215 new pipeline gas users and 91 LNG liquids users. We expanded the sales scope and the sales volume of liquids. The annual average daily sales volume of the three LNG terminals of the company exceeded 12.5 thousand tonnes, with a growth rate of 62.6%. The maximum daily loading volume reached 951 vehicles, covering 15 provinces, cities and autonomous regions.

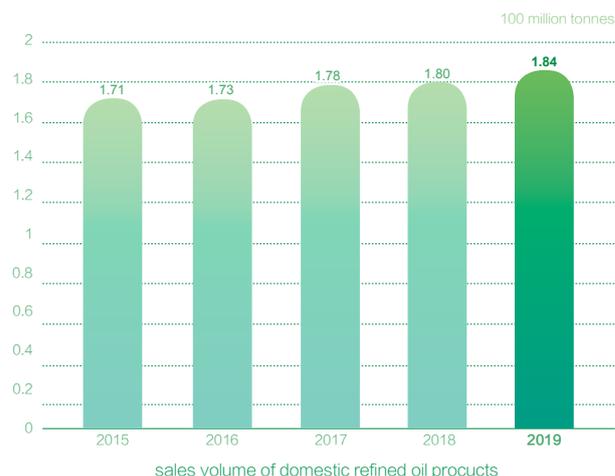


Oil Products and Non-oil Products

In 2019, domestic refined oil business volume reached 184 million tonnes, an increase of 2.3%, of which retail sales reached 123 million tonnes, an increase of 0.7%, and direct distribution reached 61.91 million tonnes, an increase of 5.6%. The operating revenues of non-oil business increased 2.2%.

Oil products marketing and service. We adopted precision marketing, adhered to the principle of "precision and flexibility", and implemented "one policy for one domain, one policy for one road, one policy for one station, one policy for one customer, one policy for one time". We carried out campaigns for "fighting against crimes and non-compliance practices", and improved the market competition environment. We stabilized the strategic cooperation relationship with domestic and foreign suppliers, expanded overseas markets, took multiple measures simultaneously, and successfully achieved both volume and price. We adhered to the maximization of the value of the industrial chain, optimized the supply of domestic resources, promoted internal marketization, and created a favorable environment for expanding sales and creating efficiency. We expanded the price gap between resources purchased globally, adhered to the separation of gasoline production and sales, pushed forward the price stabilization of diesel oil, and flexibly grasped the pace and volume price of external procurement. We adhered to the operation of low inventory, coordinated logistics, expanded the scale of pipeline transportation, strictly controlled the flow of high freight rates, further optimized logistics, and greatly saved freight and miscellaneous charges.

Non-fuel marketing and service. We leveraged the brand



effect of EasyJoy and improved brand quality. We organized national theme marketing activities such as "Yixiang Festival" and "Spring Festival goods market", introduced channels to carry out poverty alleviation through consumption, and improved the reputation and influence of the brand in a large scale. We accelerated the expansion of new business such as car washing, advertising, fast food and insurance, piloted EasyJoy coffee, and improved the quality of non-fuel business. We selected best products for better promoting fuel and non-fuel business at the same time.



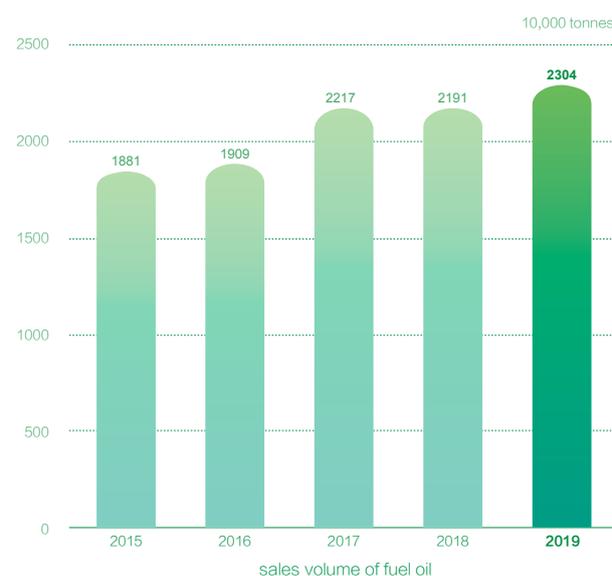
Fuel Oil

In the whole year, the total operating volume of fuel oil reached 23.04 million tonnes, the reported profit reached 350 million yuan, and volume and profitability reached record highs.

The volume and efficiency of domestic trade increased significantly. We developed flexible business strategy, effectively controlled sales rhythm, continuously improved business quality, and made full efforts to do a good job in petrochemical resource management. "Visit enterprises, send services, expand business, create benefits" activities achieved remarkable results. We gave full play to the advantages of one game operation, strengthened the organization of marine resources in the northeast and Shandong resource distribution centers, strengthened the development of terminal customers along the coastal river, realized the cross regional connection between resources and market, and increased the operation volume of domestic trade ship oil supply terminal by more than 30%. We carefully operated the marine retail market, increased the publicity and promotion of marine light fuel oil, "I want to refuel" platform had nearly 12,000 orders, with a 15% increase in volume and a transaction amount of 127 million yuan. The annual domestic trade volume reached 3.33 million tonnes.

The volume effect of bonded business reached a record high. We optimized the low sulfur storage and transportation facilities, planned the low sulfur resource reserve, and seized the market opportunity in the low sulfur resource switching period. We promoted the production of low sulfur ship fuel in petrochemical industry and realized the large-scale production of resources in Shanghai, Jinling and other enterprises. We explored the direct channels in Mexico and Peru, vigorously carried out coordination, and effectively reduced the procurement cost of low sulfur ship fuel. The proportion of terminal operation continued to increase,

signing long-term contracts with more than 20 ship owners with low sulfur, and the proportion of terminal and long-term contracts exceeded 50%. We actively coordinated with local governments to promote model innovation and further improved the efficiency of distribution services. The annual sales volume of bonded business was 5.42 million tonnes, with a market share of nearly 40% and a low sulfur switching period of 50%.



Other Refined Products

For the first time, the total sales volume of oil refining products exceeded 41 million tonnes, an increase of 2.9%, and the market share continued to maintain the leading position in China. We strengthened market analysis and policy research on product sales, closely integrated production, marketing and research, and served end users. Asphalt segment won the bid for Vietnam F1 track construction project, and Donghai asphalt has become the designated product for domestic key projects.

The operating volume of lubricating grease reached 1.206 million tonnes, an increase of 6%. We accelerated the

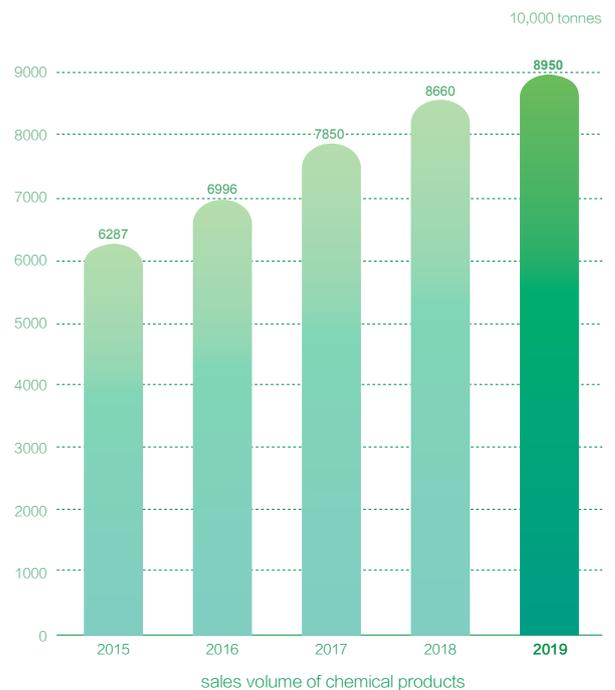
technology access and localization of key equipment, obtained 27 patents and 68 technical certifications, completed localization of 139 projects, completed the technical reserve of engine oil for GBVI emission standard. Synthetic aviation engine oil successfully passed the bench test of CFM, and high-speed rail gear oil obtained the technology access of all 13 motor car models of Qingdao Sifang. We continued to increase the promotion of "green lubrication and green packaging", and the replacement rate of environmental protection packaging of Great Wall lubricating oil is over 85%.



Chemical Products

In 2019, the total operating volume was 89.50 million tonnes, an increase of 3.3%, a new record, of which the growth rate of both the company-conducted marketing and self-operation both up by more than 10 percentage points. We signed framework agreements with private enterprises such as Hengli Refining and Chemical Co., Ltd. to realize resource coordination and complementary advantages. We deepened the "one product, one policy" precision marketing, and refined differentiated marketing policies of products, prices and channels. We also deepened the "one customer, one solution" precision service, and developed differentiated service plans for customers. Guided by customer and market demand, we gave full play to the advantages of integration of production, marketing, research and use, cooperated with production, scientific research and end-users to develop new products, and achieved new breakthroughs in new product (specialty materials) sales and replacing imports with self-produced major synthetic materials. We accelerated the transformation from traditional marketing to e-commerce marketing mode, continuously improved core functions such as "petrochemical e-commerce" process design, online payment, e-commerce logistics, and mobile application, and initially created "contract + spot", "service + product", "online + offline" and "platform + support" e-commerce mode for chemical products. By the end of 2019, all chemical products were sold online. We improved the distribution network, and established new domestic branches in Tahe and Xinjiang. The Russian office opened successfully. The Indian office is in preparation.

The total sales volume of catalyst products kept increasing, and new breakthroughs were made in key markets. Domestic catalyst sales increased by 7.24%, and customer satisfaction continued to improve.



Oilfield Services

Remarkable achievements in research and development of independent geophysical instruments. The self-developed node acquisition system was jointly constructed in Shanghe block with 508XT to realize the first industrial application of cabled and cableless mixed mining technology. The single point high-density seismic technology was industrialized in the eastern region, and the accuracy of geological data obtained in Shengli Luojia, Subei Yongan and other blocks increased by 50%. The low-density 3D seismic technology of atmospheric shale gas in Wulong was helpful in reducing the acquisition cost by 54%.

Mature deep well drilling technology. In the whole year, 130 ultra-deep wells were completed, with an average well depth of 6866.18 meter, an average mechanical penetration rate of 6.24 meters per hour and an average drilling cycle of 133.81 days. In the northwest work area, a series of technologies, such as drilling speed increase, ultra-deep orientation, ultra-deep and small clearance cementing, were developed. In Southwest China, integrated technologies such as air foam drilling, pre-bending dynamic drilling assembly and single-channel cementing were developed. Shunbei 11 well set a record of 5578 meters in depth with 365.1 mm diameter casings in China.

New progress in shale gas well drilling technology. 216 shale gas wells were drilled, with drilling footage of 1,229,500 meters, average well depth of 5050.70 meters, mechanical drilling rate of 6.86 meters per hour and drilling cycle of 84.92 days. We developed shale gas horizontal well profile optimization technology, ultra-long horizontal section drilling speed-up technology, deep shale gas horizontal well cementing technology, Fuling work area radical parameter drilling, Fuling work area "four times drilling" and other technologies. By optimizing and popularizing the construction scheme of "four times drilling", the drilling speed increased, and the success rate reached 72.3%.

New breakthroughs in drilling fluid technology. Breakthroughs in ZYQD enhanced plugging technology of oil-based drilling fluid provided effective solutions to the technical problems of bridge plug plugging, easy leakage recovery, incompatibility of cement slurry and oil-based drilling fluid, difficult solidification of mixed slurry etc., with a success rate of 90%. Micro-bubble drilling fluid system was a low-density drilling fluid system developed for low-pressure and easy to leak formations. It has low density and can seal micron level pores and be recycled. It was applied in 66 wells. The leakage rate was greatly reduced, and the reservoir protection effect was obvious.

Notable improvement in speed and efficiency of new drilling tools. Hydraulic pulse supercharging tool, two-way torsion automatic control system of the drill string, electromagnetic wave resistivity SINOMACS AMR tool while drilling and the near bit geological guidance system were developed and popularized to reduce the complex downhole faults and improved the drilling ef-

iciency. Among them, Chengbeigu-16 well adopted the hydraulic pulse supercharging tool, and the ROP increased from 3.86 meters per hour (temporary well) to 7.65 meters per hour.

New progress in logging and mud-logging technology. SINO-LOG900 network imaging logging system reached the advanced level in China as a whole. The tractor perforating technology made up for the problems caused by the self-locking of coiled tubing in ultra-long horizontal well and upwarped horizontal well, and constantly improved reliability, safety, seismic resistance, functional compatibility, etc. The porosity logging interpretation model based on variable skeleton parameters effectively improved the accuracy of logging interpretation and the coincidence rate of logging interpretation. Geological guidance while drilling continued to be popularized and applied, providing technical support for shale gas and tight gas development in Sichuan Chongqing and North China work areas, effectively improving the drilling rate of the target layer, achieving trajectory refinement control, and promoting speed and efficiency.

Continuous improvement in development of special operation technology. We continued to promote the support capacity of





coiled tubing and high-pressure operation, and made remarkable achievements in large-scale fracturing of deep and atmospheric shale gas, completion test of ultra-high temperature, ultra-high pressure and ultra-deep oil and gas reservoir, etc. The formation of a set of new technologies suitable for the exploration and development of dry hot rock marked a breakthrough in the field of exploration of dry hot rock resources. The 240-degree fracturing fluid system and 5.5-inch non-standard thin-wall casing mechanical packer (WJ-MR) were successfully developed, which further enhanced the technical advantages in ultra-deep wells. In the shale oil risk exploration of Shengli Oilfield, yiyeping-1 well created the largest scale fracturing construction record of 45,200 cubic meters of liquid injection, 2,838 cubic meters of sand and 3,270 tonnes of carbon dioxide for a single well. In the shale gas wells of Sichuan Basin, the deepest fracturing is 6,240 meters, the largest fracturing section was 5 sections per day, and the deepest pumping bridge plug was 6108 meters. In the acid fracturing section of Tarim Basin, the deepest fracturing section was 8,411 meters, and the deepest coiled tubing operation well was 7,091 meters

Innovation achievements in ground engineering technol-

ogy. We won 1 second prize of Sinopec technology invention and 60 national patents. 17 construction methods were awarded provincial and ministerial-level construction methods. 3 proprietary technologies were recognized by the company, and 25 achievements were listed in *the catalogue of transformation and promotion technology of Sinopec key scientific and technological achievements*.

High quality and high efficiency development of oil and gas equipment and service. The 5000 type full electric fracturing equipment was recommended as a major national science and technology landmark achievement in the 13th five-year plan. The first electric drive marine cementing equipment in China broke the technological monopoly of foreign countries. The 62-tonne ultra-deep well coiled tubing operation equipment and carbon dioxide pressurization device showed good effect. The series of bit drilling tools set 303 technical index records in the domestic and foreign markets, helping shunbeiyong 1 well to set the deepest well record of Sinopec with a depth of 8588 meters and the longest footage record of a single bit entering the well at one time.



Refining and Chemical Engineering Services

In 2019, 1,052 engineering, consulting, EPC and construction projects were implemented in China, and 546 projects achieved mechanical completion. Based on the national and company key project construction and technology research projects, we successfully completed engineering design, general contracting, construction, overhaul and revamping of Zhongan Coal Chemical, Hainan second aromatics project, Zhenhai residue hydrogenation, Dongjiakou commercial and storage base, Zhongke Refining & Chemical, Dalian Hengli, Zhejiang Petrochemical phase I and other projects, with project safety and quality under control.

Continuous improvement of engineering service. We carried out "design optimization" and other special activities in an all-round way, strengthened the consulting service business, increased the integration application of key project codes, increased the input of automatic welding machine, increased the proportion of pipeline prefabrication, and constantly improved the project management level. The construction of intelligent engineering achieved initial results. The digital twin breakthroughs of Zhenhai refining and chemical project were made. The construction of digital factories such as Zhongke, SSTPC and Gulei were carried out simultaneously. *The detailed rules for the implementation of digital delivery of petrochemical engineering* passed the review of the company, so as to improve the digital delivery capacity through

the construction of digital engineering. While continuously providing customers with high-quality services in the traditional petrochemical industry, it also provided customers with overall solutions in the fields of new coal chemical industry, LNG, bio-energy, soil treatment, etc., and gradually realized transformation from a single engineering contractor to an engineering service provider of integrated solutions.

Key technological innovation projects completed. 22 key R&D projects were under control. 4 projects such as SE coal water (coke) slurry gasification technology, comprehensive treatment of coal chemical sewage and near-zero discharge technology were completed. 6 projects, including the third generation high-efficiency environmental protection aromatics, completed technology and hydrogen purification and supply technology for fuel cell vehicles, were added to the research. The development and industrial application of the second generation of high-efficiency and environmental friendly aromatics successfully started at one time. The projects of 2000-tonne SE coal gasification technology industrial demonstration, high slag and low emission heavy oil catalytic cracking technology, and solid super acid C₅ and C₆ isomerization technology industrial test were completed on schedule and entered the production preparation stage.



Key Engineering and Construction Projects

In 2019 we launched 36 key engineering and construction projects (including project clusters) covering oilfield service, refining & chemical and pipeline, storage and transportation. 2 oil and gas field surface engineering projects, 21 refining and chemical units, 4 sets of oil and gas storage and transmission facilities and pipelines as well as 7 national emergency rescue bases were completed and put into use. 136 major production units in 6 subsidiaries were shut down for overhaul.

Key oil and gas field surface engineering projects. The field surface engineering project in the North Pingqiao and South Pingqiao Blocks for the phase II capacity building of Sinopec Fuling shale gas field was completed and put into use. 94% of the overall schedule has been completed for the surface engineering of Weirong shale gas capacity building project with the gas gathering station mechanically completed. The civil construction for the connecting project of the Dibaliang Tunnel in Sinopec Puguang Gas Field Line 1[#]—4[#] was also completed as a phased goal.

Key refining and chemical engineering projects. The revamping and recovery project in Fujian Tenglong Aromatics Company was completed on schedule, all facilities going into operation and stable production. The facilities in Zhongan coal chemical project, the second aromatic unit of Sinopec Hainan Petrochemical Company, ZRCC refining structural adjustment and quality upgrading project as well as the alkylation projects in Sinopec Jiujiang, Qilu, Yangzi, Jingmen, Luoyang were put into operation. The alkylation installations in Sinopec Anqing and Wuhan were ready for operation. The Sinopec Zhongke integrated refining and chemical project was mechanically completed with production preparation well underway. Half of the overall project schedule in Sinopec Fujian Gulei integrated refining and chemical project was completed as 5 super large equipments were hoisted in position, installation work was in full swing, and 220 KV substation went

into operation. Sinopec-Sabic (Tianjin) polycarbonate project, Sinopec Maoming product mix optimization project, Sinopec Tianjin and Luoyang refining product structural adjustment projects, Sinopec-SK ethylene debottlenecking project, Sinopec Baling SEBS project were proceeded as planned. Sinopec Hainan 1 million tpa ethylene project, Jiujiang aromatics and Sinopec YPC refining structural adjustment project were under construction preparation.

Key pipeline storage and transportation engineering projects. Erdos-Anping-Cangzhou gas transmission pipeline phase I, Wen 23 gas storage and the gasification outbound transmission expansion of Tianjin LNG terminal were put into use as part of the integrated natural gas production-supply-distribution system, meeting the targets set by the national development and reform commission on schedule. Yizheng crude oil commercial reserve base (three tank farms), natural gas pipeline connecting Shuijiang Town in Nanchuan District to Baitao Town in Fuling District in Chongqing, and Jinmen-Xiangyang oil products pipeline were put into service as planned. Dongjiakou crude oil commercial reserve base, Zhanjiang-Beihai oil product pipeline, and the Qianjiang-Chenzhou section of Qianjiang-Shaoguan gas transmission pipeline were completed and ready to be put into use. Luoyang crude oil commercial reserve base and gas pipeline for the Zhongke integrated refining and chemical project were in the final construction stage. Rizhao-Puyang-Luoyang crude oil pipeline project, Qingdao-Nanjing gas transmission pipeline, the 2nd phase of Shandong LNG terminal, the gasification outbound transmission expansion project of Guangxi LNG terminal were fastened.

Supporting Facilities for R&D. The construction of Sinopec Shahe R&D base was progressing steadily and that of Shanghai Pudong R&D office complex was ready to kick-off.





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International Oil and Gas E&P

By the end of 2019, we had 51 overseas oil and gas exploration and production projects in 25 countries. Efforts were made to develop the potential resources and good results were yielded through highly efficient exploration. In 2019, we accomplished test on 61 exploration and evaluation wells, among which, 35 wells harvested commercial oil and gas flow with 66% success rate. We had 9 oil and gas discoveries in the Wapiti area in Canada, Angola 15/06 project, Powder River Basin of the US SDA project, IMA Block in Cameroon and Egypt deep oil and gas exploration project. Newly-added 2P reserve and 2C resource reached

16.04 million tonnes of oil equivalent, hitting a record high in nearly four years. We progressed with development and production steadily and exceeded production targets successfully with a dramatic increase in the proportion of profitable production. We stepped up efforts in new project development and existing asset management. Major projects in Qatar, Russia and the US were making stable progress at the early stage. We vigorously reduced cost, increased efficiency and strengthen risk prevention and control. Our international upstream business was showing steady progress, quality improvement and good momentum.

	2019	2018	2017	2016	2015
Overseas equity crude oil (in 10000 tonnes)	3379.41	3339.32	3431.56	3448.64	3693.11
Overseas equity natural gas (in 100 million m ³)	106.75	111.20	114.54	103.20	90.33

International Oilfield Services

Remarkable results were achieved in optimizing the layout of overseas markets. We have strengthened and expanded our market presence in key markets such as Saudi Arabia, Kuwait, Ecuador and Algeria. By the end of 2019, we had executed 507 up-

stream service projects in 43 countries, with a total contract value of USD 19.946 billion. In 2019, the contract value of new orders was USD 3.43 billion and the completed contract value was USD 2.353 billion.



International Refining & Chemical Joint Ventures

In 2019, operation was steady and smooth for Sinopec's overseas refining and chemical business as well as storage and logistics investment projects in 5 countries, namely YASREF in Saudi Arabia, the equity participation project in Sibur in Russia, Krasnoyarskiy NBR JV project in Russia, the lubricants plant and supporting jetty project in Singapore, the Fujairah storage project in UAE, and VESTA storage project in the Netherlands. By the end

of 2019, our cumulative initial investment had reached USD 4.7 billion and possessed overseas refining capacity of 7.5 million tonnes/year, storage capacity of 1.36 million cubic meters, lubricant grease production capacity of 80 thousand tonnes/year, and NBR production capacity of 10.5 thousand tonnes/year. Key projects like Amur natural gas chemical project and SEBS project both in Russia were advanced as planned.

International Refining & Chemical Engineering Services

In 2019, we accomplished newly-signed overseas contracts with a total value of USD 965 million. We made breakthrough and signed new contracts in countries and regions like Oman and Uzbekistan. Our projects progressed on schedule smoothly and yielded good results through proper contract management. 9 subsidiaries executed

63 projects (87 contracts) in 15 countries, with a total contractual amount of USD 6.947 billion. Throughout the year, the value for completed contracts was USD 1.277 billion, representing 128% of the USD 1 billion annual target. Project execution has become an important contributor to the profit growth for the Company.

International Trade



We imported 221 million tonnes of crude oil in 2019, up by 1.85 million tonnes. While ensuring the supply safety of domestic oil products, we made reasonable arrangement of the export volume and grade of oil products. Total oil product export increased by 4.08 million tonnes to 26.50 million tonnes. We seized the favorable opportunity in the international LNG market and vigorously expanded spot and short-term trades in LNG imports. The LNG import in 2019 stood at 15.241 million tonnes, equaling to 21.62 billion cubic meters of natural gas which rose by 8.34 billion cubic meters or 62.8%.

In general trade, the realized annual international trade volume for petrochemical products, equipment and materials reached USD 5.88 billion, up by 106.56%. Transaction value on the EPEC international business platform reached USD 17.9 billion, up by 122%. We

established cooperation with 125 suppliers and 154 purchasers in 59 countries along the Belt and Road and realized industrial trade worth of USD 11.2 billion, up by 124%. Our trade value with the BRICS countries was USD 1.43 billion, up by 170%. The chemical sales business accelerated expansion in overseas markets and cooperated with world's renowned chemical companies to step up efforts in developing overseas branches. Our catalyst products entered new markets like Canada, South Africa, Korea and Thailand for the first time, featuring more reasonable product export structure. The fuel oil business released its production and supply plan to the world, aiming to promote the green growth of the global low-sulfur bunker fuels. The lubricant business promoted global strategic cooperation with international top-tier manufacturers and further uplifted its brand recognition around the world.



International Joint Venture Cooperation in China

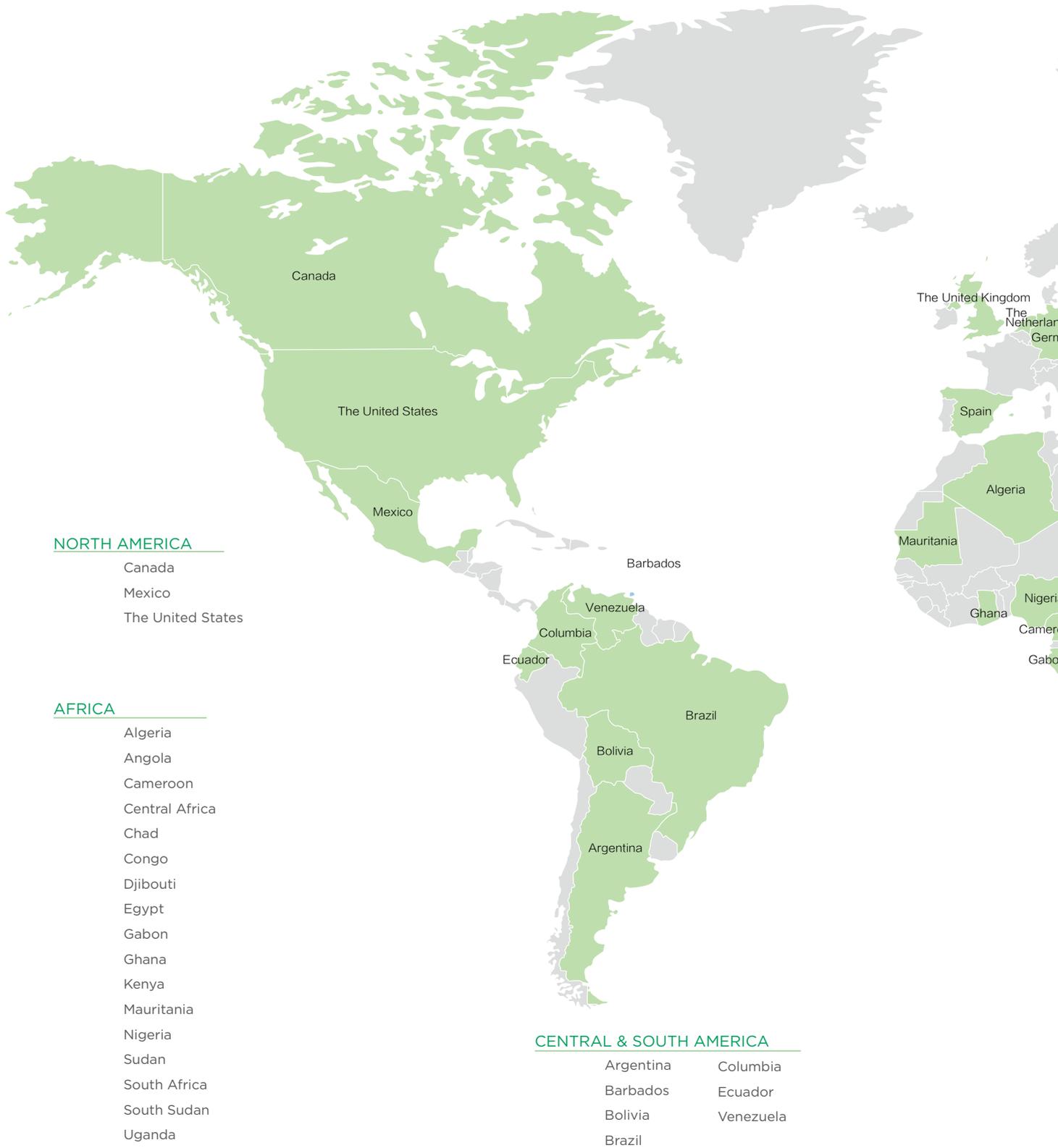
In refining and chemicals We signed refining and chemical integrated complex joint venture agreement with SK Group from Korea and successfully injected the refining business of Sinopec Wuhan Company into SINOPEC-SK (Wuhan) Petrochemical Company Ltd. Witnessed by the Chinese premier and the Russian prime minister, we signed the MoU on NBR cooperation in China with the Russian company Sibur. A batch of new projects were implemented such as the neopentyl glycol project in BASF-YPC, air separation project between Sinopec Yanshan Petrochemical Company and the French company Air Liquid, the second PO/SM joint venture project between ZRCC and LyondellBasell, and the phase

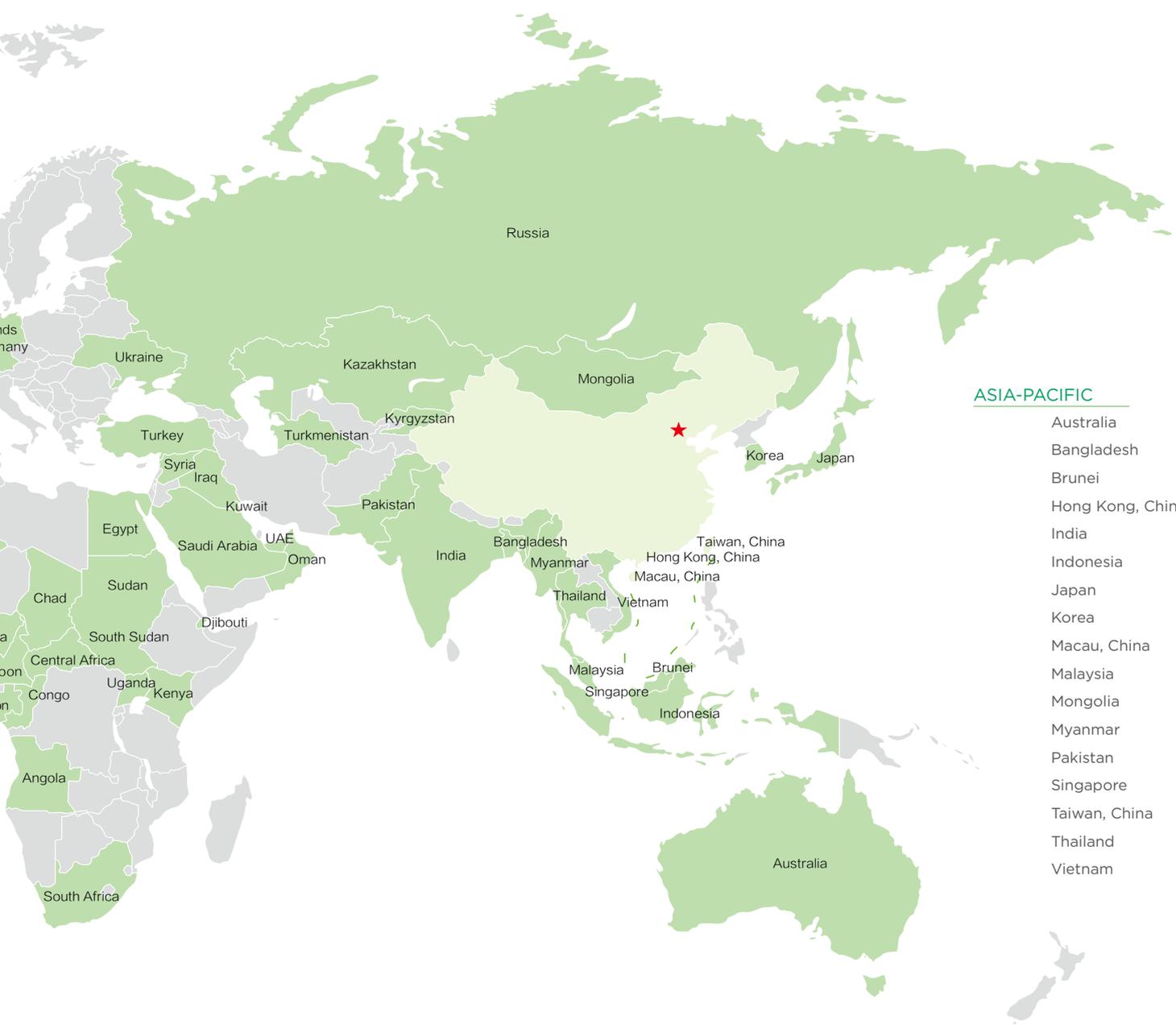
2 air separation project between ZRCC and Linde. The technical joint venture with INEOS was also established.

In energy Witness by heads of states of China and Russia, we signed the key term agreement on establishing natural gas and LNG trading joint venture in China with the Russian company NOVATEK. We also signed a framework agreement on joint development of hydrogen business with Air Liquid. Positive progress was achieved in the shale oil joint study project in Dongying Depression with Shell and the shale gas joint study in Fuling with ConocoPhillips.



Our Operations outside China





ASIA-PACIFIC

- Australia
- Bangladesh
- Brunei
- Hong Kong, China
- India
- Indonesia
- Japan
- Korea
- Macau, China
- Malaysia
- Mongolia
- Myanmar
- Pakistan
- Singapore
- Taiwan, China
- Thailand
- Vietnam

EUROPE AND EURASIA

- Germany
- Kazakhstan
- Kyrgyzstan
- Russia
- Spain
- The Netherlands
- The United Kingdom
- Turkmenistan
- Ukraine

WEST ASIA

- Iraq
- Kuwait
- Oman
- Saudi Arabia
- Syria
- Turkey
- UAE



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Major
Technology
Development

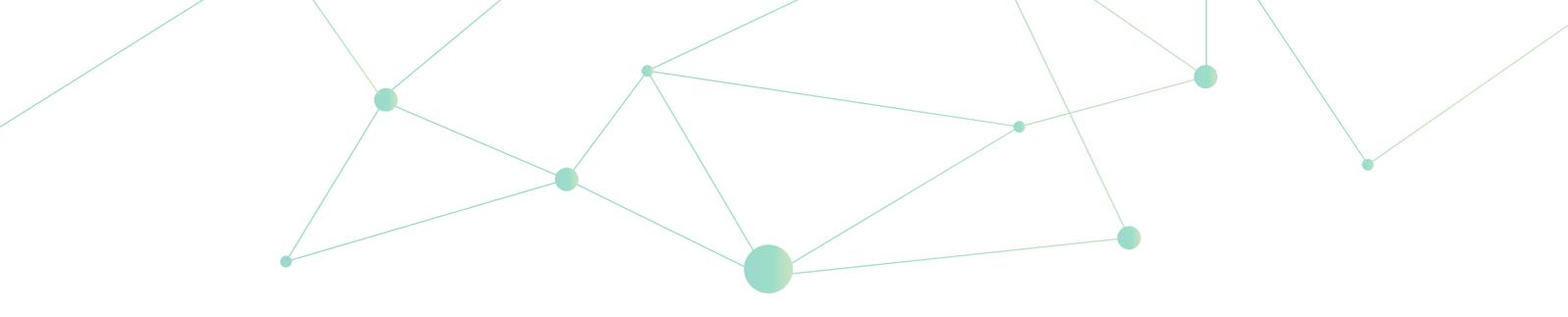
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Development

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Science and
Technology
Achievements





Science and Technology Innovation



In 2019, the Company further carried out the innovation-driven strategy, deepened R&D reform and stepped up efforts in making progress in key and cutting-edge technologies as well as increasing effective supply driven by innovation in science and technology. We successfully provided new strength and driving force to achieve comprehensive and sustainable development and boost the high quality growth for the Company.

Major Technology Development



We adhered to problem-solving orientation and accelerated making breakthrough in key and frontier technologies. **In E&P technology**, we further developed enrichment theory and exploration technology for marine phase large and medium-sized gas fields in Sichuan Basin. The stable production technology for shale gas field supported the increasing production in Fuling gas field. The ultra-deep drilling and well completion technology facilitated the construction work in Shunbei ultra-deep well. **In**

refining technology, we developed products such as low-sulfur bunker fuel, high-grade gasoline engine oil and diesel engine oil. **In petrochemical technology**, the industrial demonstration unit of the second generation highly-efficient environmental-friendly aromatics was successfully commissioned. The hydrogen peroxide production technology using anthraquinone method in slurry bed and the complete set technology of para-aramid were industrialized.

New Products Development



We continued to work on key technologies for functional polymer membrane and successfully developed products such as TPVA and EVOH. Efforts were also made to strive for breakthroughs in key technologies for green and environmen-

tal-friendly lightweight automotive materials. We developed, produced and marketed long glass fiber reinforced polypropylene and its composite material as well as developed high-value-added products such as SEBS for medical use.



Science and Technology Achievements

In 2019, the Company applied for 7,439 patents, among which, 4,843 were granted, ranking No.1 among SOEs in terms of patent comprehensive advantage evaluation. The Company won 1 second-prize of National Technology Invention Award, 6 second-prizes of National Science & Technology Progress Award, 1 Gold Award, 3 Silver Awards and 6 Honorable Mentions of Chinese Patent Award.



National Technology Awards in 2019

Item	Project Name	Prize
1	Key technology for efficient and clean use of diesel with active phase directional construction and enhanced complex reaction classification	Second prize of National Technological Invention Award
2	Key technology and application for the efficient development of ultra-thick oil in thin reservoirs	Second prize of National Science & Technological Progress Award
3	Development and application of complete set of technologies for ultra-low sulfur emission of refined sulfur exhaust gas and its utilization of resources	Second prize of National Science & Technological Progress Award
4	Pre-seismic direct inversion technology and basic software industrialization for multi-type complex oil and gas reservoirs	Second prize of National Science & Technological Progress Award
5	Tectonic-sedimentary differentiation and large-scale oil and gas accumulation in the marine carbonate formation in western China	Second prize of National Science & Technological Progress Award
6	Optimized control technology to maximize the profits of ethylene devices	Second prize of National Science & Technological Progress Award
7	Key technology for the design, construction and safety of new structures in coastal and shallow sea areas	Second prize of National Science & Technological Progress Award

Chinese Patent Awards in 2019

Item	Name of Patent	Prize
1	Method to reduce the content of asphalt and carbon residue in heavy oil	Gold Award of Chinese Patent Award
2	Catalyst component and catalyst for ethylene polymerization	Silver Award of Chinese Patent Award
3	Method of pure ethylene or alkylation of dry gas and benzene to make ethylbenzene	Silver Award of Chinese Patent Award
4	A homo-polypropylene with high melt strength and its preparation method	Silver Award of Chinese Patent Award
5	A selective hydrogenation method for styrene block polymer with conjugated diene prepared by coupling method	Honorable Mention of Chinese Patent Award
6	A gel inhibition method for conjugated diene homopolymerization and copolymerization process	Honorable Mention of Chinese Patent Award
7	Method of catalytic conversion of hydrocarbons for the production of propylene and light aromatic	Honorable Mention of Chinese Patent Award
8	Method of oil and gas recovery	Honorable Mention of Chinese Patent Award
9	A measure device that compensates for electromagnetic wave resistivity while drilling	Honorable Mention of Chinese Patent Award
10	Solvent and process for separating carbon dioxide from gas mixture	Honorable Mention of Chinese Patent Award



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& HR
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Brand Building



Corporate Management

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CPC Building

Reform and Management

Acting on the working principles of reform, management, innovation and development, Sinopec has deepened the reform in its management system and consolidated management foundation, so as to forestall and defuse major risks as well as ensure strong institutional support for sustainable development.

Exploring modern corporate system with Chinese characteristics and advancing institutional reforms. We formulated and issued the *Opinions on Deepening the Reform in Group Management System* and *Approaches on Group HQ Institutional Reforms*. We readjusted the structure of the group headquarters and strengthened the Party leadership overriding significant work. We established the four Business Segments with Party Working Committee in place within each segment. We made active progress in supportive institutional reforms and corporate governance system. We earnestly implemented discipline inspection and supervision system. The Discipline Inspection Group was renamed as Discipline Inspection and Supervision Group and authorized by State Supervision Committee with supervision right. The former Supervision Department was abolished. We reformed the collectively owned factories operated by Sinopec Group and its subsidiaries and completed the treatment of subsidiaries in difficulties. We achieved good progress in “Double-100” Campaign and pilot comprehensive reforms, with market-oriented system further deepened. We made decisive progress in transferring functions of supplying heat, water, electricity and steam and property management to regional governments. We supported the institutional reform for the establishment of National Petroleum and Natural Gas Pipe Network Group Co., Ltd and cleaned up the redundant offices

of subsidiaries in Beijing.

Focusing on corporate management towards strictness, precision and excellence. We promoted integration of safety management, grassroots party building and “Three Basics” management. We compiled and applied the operational and management handbooks for grassroots job posts, and formulated *Development Guidance on Quality Management System (QMS)*, *Environment Management System (EMS)* and *Occupational Health and Safety Management System (OHSAS)*, promoting the standardization at grassroots level. We eliminated 91 ineffective systems to facilitate the power authorization and delegation. We followed the top-down decision-making procedure for major matters and promoted the campaign “Take Quick Action and Meet the Mission” across the whole group. As a result the work efficiency has been improved significantly at the Headquarters.

Forestalling and defusing risks to prevent systemic financial risks from the root. We formulated the approaches to forestall and defuse major risks with 33 measures in 8 aspects effectively implemented. We set up operational mechanisms on risk precaution, risk reporting, risk supervision and risk accountability. We held regular risk meetings on quarterly basis with emphasis on risk control in priority areas, critical junctures and key positions. We had management accountability system in place and measures implemented in high-risk and significant areas. We strengthened education and engagement in risk control through trainings and skill contests. We implemented solutions to outstanding issues identified from internal control inspection.

Organization & HR Management

Leadership and management team building. Giving first priority to political development, and through the campaign on the theme of “staying true to our founding mission”, the Company has been motivating its senior executives and cadres to continuously improve their ideological and political capacity and work harder to uphold the authority and centralized, unified leadership of the Central Party Committee. Focusing on the feedback issues identified during the campaign and through joint solutions as well as rectification measures, we have improved our work in selection and recruitment of people. We amended and adopted *Measures on the Selection and Recruitment of Sinopec Leaders*, earnestly implementing the five systems for management team building, including the systems of training, identification, recruitment, management

and incentive measures. We improved the whole lifecycle mechanism for senior management people in terms of selection, training and management. We made active progress to engage Chairman of the company (or executive director, the representative from subsidiary) and Party Secretary serve as both the Party leader and governing leader of the respective organization. We opened channels for cadre exchange and select the excellent people to join the management team. For a sustainable growth of the company in long-term future, we made survey among young employees and cultivated future young leaders through selection and training. We improved the mechanism for comprehensive review and performance assessment for senior management people, setting up performance assessment system, developing their proficiency so

that they will be able to work at both higher and lower posts, and incentivizing them to have stronger sense of responsibility. We strengthened supervision on leadership and management team, ensuring them to keep honesty and integrity. We formulated the Instructions on the Establishment of Middle Level Organization and Management on the Number of Posts for Middle Level Management. We innovated the reporting and reviewing approaches and gained over 87.56% of “good” votes on people selection and recruitment.

Talent team building, training and development. Guided by the “Talent Empowering Corporate Growth” campaign, we made further progress in developing high-level talent team. We implemented back-up talent plan for new academicians and training plan for leading experts. 2 people were elected the members of Chinese Academy of Engineering or Chinese Academy of Sciences, 2 people were selected “Ten Thousand Leading Sci-Tech Talents Program”, 2 were selected “Hundred, Thousand and Ten Thousand National Talents Program”, 1 was awarded Sun Yueqi Energy Prize, 2 were awarded Sun Yueqi Youth Science and Technology Prize, 1 was granted the “Friendship Prize” by the Chinese government. We advanced the talent team building for young people, signing strategic agreement with Imperial College London to jointly train 40 young sci-tech talents in 5 years, and hosting the First Youth Sci-Tech Talents Contest. We explored the new ways of evaluating the technical and skilled talents and conducted national and company-wide vocational skill contests, with 6 people awarded the National Technical Expert. We continued to develop talent management system and formulated 7 key systems, including the system of talent job rotation and expert management. We optimized the recruitment of undergraduate and graduate students based on strict standard and attractive incentives. 10 Sinopec subsidiaries have recruited the students from global top 30 universities and top 10 universities on China’s mainland. We compiled *Sinopec 2019-2023 Employee Training Plan* to support the company’s training system and vocational skill upgrading program. We laid strong emphasis on key talent training, setting up the training programs for innovation-driven and petrochemical experts. We innovated the training work by tapping more resources and putting online Sinopec E-Learning Center. For the first time, we carried out across the whole Group the voting campaign for excellent courses designated for shift leader and new employees.

Compensation and performance management. We revised the total payroll management system and supportive measures while improving the incentive-constraint mechanism. Total domestic employees on payroll were down by 41,700 people. We strengthened intra-group human resource allocation to fully unleash the potential of the existing employees. We developed labor contract information system and formulated the

management regulation on competitive restriction. We optimized labor cost control mechanism, with emphasis on implementation and labor cost efficiency. We reformed the payroll decision mechanism, advancing classified payroll management and trying new management models such as practice of record-keeping and separate staffing of affiliated institutions. We innovated incentive mechanism to promote equity-based incentive scheme in some listed subsidiaries. We readjusted the remuneration structure of the leadership team and linked their compensation with operating performance. We strengthened welfare system and set up 1+3 annuity system. We had in place the performance management system focusing on value creation, value assessment and value distribution. We optimized KPI performance assessment system for the management and the subsidiaries, with emphasis on target delivery, differentiation and detailed performance assessment for all employees. Sinopec was graded A among all SOEs by SASAC in terms of the operating performance while being awarded the advanced company in terms of distribution.

Reform on three HR systems. We focused on the performance assessment on key institutions, key work units and key projects and strengthened research and supervision. We carried out the selection and employment of professional managers, engaged grass-root leaders to compete for their posts through public recruitment, and explored the new measures such as tenure system, contract management, separation of job post and grade, project responsibility system and de-administration. We made substantial progress in improving withdrawal mechanism for senior management people and engaged them to be able to work at high and low ranks. We implemented advanced employment model and diversified employment forms, allowing higher flexibility and considering market benchmarking. We guided the SBUs and subsidiaries in capital management, financial service and E-Commerce to pilot on professional employee system and we made great breakthrough in market-oriented mechanism. We emphasized labor market pricing and benchmarked the compensation with the market price, explored the welfare differentiation reforms and made an overall control in existing human resources. We guided the subsidiaries’ growth with higher economic results and flexible adjustment in compensation. We innovated the indicator system to assess Three HR systems after a study among SOEs and promoted the indicator system among SOEs and companies under SASAC.

HR Shared Service. We put online HR Shared Service system in Sinopec Service Corporation, Sinopec Engineering Group and Sinopec Marketing Company. The HR shared service and employment self-service have covered all domestic subsidiaries, serving 600,000 employees and 460,000 retirees. We completed the standardization of 14 business processes and initially established HR business standardization process.



Digital Transformation

In 2019, we focused on smart manufacturing and Internet plus new business model to pursue high-quality growth. We promoted digitalization and deeper integration of information technology with petroleum and chemical industry, fostering new drivers for quality growth and industrial upgrading of a world-class company.

Digital Operation, Engine-shifting and Upgrading

Smart factory. We completed technological upgrading in the pilot Smart Factories at Sinopec Zhenhai Refining and Chemical Company and Sinopec Maoming Company. We promoted the Smart Factories operational in Sinopec Shanghai Petrochemical Company, Sinopec Jinling Company, Sinopec Qilu Petrochemical Company, Sinopec Tianjin Petrochemical Company, Sinopec Hainan Refining and Chemical Company, and Sinopec Qingdao Refining and Chemical Company. We have built smart factories in 10 refining and chemical subsidiaries. The fruitful results have been selected by SASAC as the Typical IT Application Case of SOEs in 2019. Sinopec Jiujiang Company was selected the benchmark company for smart manufacturing. We continued to maintain our leading position in process industry and smart manufacturing.

Smart oil and gas fields. We carried out pilot demonstration projects of smart oil and gas fields in No. 3 plant of Sinopec Northwest oil field and Sinopec Zhongyuan Puguang Gas field. We im-

plemented Digital Lake pilot program, put on Cloud 61 business service components in 5 categories for oil and gas development production, and put online 7 applications including dynamic reservoir management, single-well management and pipeline network management.

Smart gas stations. We built 70 smart gas stations in Guangdong, Zhejiang, Hunan, Jiangsu, Chongqing and Tianjin and made exploratory efforts in applying AI and Internet of Things to the gas stations, where car plate number identification, smart pay and digital marketing services are available for better customer experience.

Smart research institutes. We piloted Smart Research Institute in Sinopec Dalian Petroleum and Chemical Research Institute. We have put online the main application and provided new technology service models including pipe corrosion prediction and remote diagnosis on hydrogenation units operation.



Digital Customer Service, Service Innovation and New Business Model

EPEC and integrated procurement service system. We upgraded the online functions of EPEC, the Industrial Product E-Commerce Platform in Sinopec, achieved IT integration with 582 key stakeholder companies, and had 15,000 subscribed members and 1,500 suppliers worldwide. We extended new customer services including credit authentication, quality evaluation and supply chain finance. As a result, EPEC recorded annual online transaction volume over 480 billion yuan, up by 67%.

Chememall—an integrated marketing and service system. Based on Chememall.com, the online chemical trading platform, we facilitated online trading of refined products and chemicals, providing one-stop services including contracted procurement, bidding transaction, spot trading, logistics and payment services. Based on the E-commerce platform, we made big-data analysis on opportunity management, customer development and customer behavior analysis. In 2019 the online transaction volume broke 30 million tonnes.

Digital Operation and Management, Business Synergy and Management Upgrading

Online management of high-risk business. We applied ERP to UNIPEC, the trading arm of Sinopec, at its domestic and overseas branches. We improved the management process and regulations to monitor market risk and credit risk, and strengthened online control on high-risk businesses including crude and gas trading as well as futures trading.

Efficient and unified financial reporting system. We developed unified financial reporting system so as to allow the company subsidiaries at all levels to submit financial report quickly and through the same system. As a result, the quality and data efficiency of the financial information have been improved.

Integrated Investment Management Platform. We built integrated investment management and control platform to ensure whole-process and integrated management on investment, including strategic planning, project early stage, investment planning,

implementation supervision, portfolios optimization and project economics evaluation.

Synergetic Business Operation. We achieved system integration and process optimization across different systems, enabling data sharing on materials procurement, improved operational synergy and efficiency. We consolidated information and shared resources on internal control inspection, audit management, public business and corruption risk control, so as to support the total supervision across the group.

Multi-disciplinary shared service. We set up unified technology platform to support shared services of finance, contracting, HR and IT. The time length of invoice verification was shortened from 1.5 hours to 6 minutes. And the work efficiency was increased by 10 folds through robotic processing automation (RPA).

New Technology Application and New Growth Engine

Smart cloud platform. We launched the cloud platform to support the key projects of digital oil field, smart factory and refueling card system upgrading as well as over 600 applications.

Big data. We built analytic models for customer behavior analysis in terms of quantity and price as well as their online behaviors. These models were piloted on EPEC and Chememall platforms.

AI application. We piloted AI application in oil and gas exploration and production, including reservoir prediction, production and operation prediction and pre-warning. As a result, the pressure pre-warning accuracy for 400 gas wells in Fuling gas field reached 95%. In refining and chemical facilities we piloted AI to

identify plant disorder, give production pre-warning and equipment failure diagnosis, and make intelligent video analysis, so as to make online evaluation and pre-warning.

Block-chain technology. We launched block-chain technology research in archive management. The authenticity of the electronic archives across different subsidiaries can be verified.

In-house software and technology solutions. Sinopec Knowledge Management System was granted Global Most Innovative Knowledge Enterprise (MIKE) Award, representing the first of its kind in energy sector. And the company's Digital Twin Innovative Application Solution for Petrochemical Industry was awarded the 2nd prize on the first China Industrial Internet Contest.

Corporate Governance

Law-based Governance

The company held a promotion conference for compliance management and fully initiated compliance management. For the first time, the company released *Sinopec Handbook of Integrity and Compliance Management*. The company also set up and improved the risk prevention and control mechanism for compliance, laid down *Notice for Enhancing Contract Compliance Management*, which set unified requirements and standards for compliance investigation and evaluation. Moreover, the company carried out the screening for compliance risks, handled investigation of compliance incidents in a proper manner, improved the responding capacity at all levels, and achieved zero major overseas compliance incident for the whole year.

The company published *Handbook of Laws, Regulations and Administrative Licenses for Pipeline-type Fixed Assets Investment Projects* and *Guidance for Administrative Licenses Application of Large Petrochemical Projects Construction*, which enhanced the two-level legal assessment of fixed assets investment projects and held well the legal pass of project decision making.

The company focused on fending off and defusing major risks, organized subsidiaries to screen overseas legal risks on a monthly basis, pushed forward the settlement of major cases, reinforced the accountability of the subsidiaries with exposed cases and the work mechanism of the person in charge to participate the settlement of such cases, implemented the work requirement of “one case, one policy”, set *Reward Mechanism of Legal Rights Safeguard on Major Legal Dispute*, and realized 10% reduction both on the number of existing major legal dispute cases in 2018 and the amount of money involved in those cases. In addition, the company carried out a special legal campaign of collecting account receivable and inventory-occupied capital, and received 2.2 billion yuan in total from account receivables using legal means.

The company carried out industrial and commercial business, authorization and brand management in a normative manner, continued to improve contract management capacity, accomplished integration of CMIS system between HQ and 127 subsidiaries, and

kept 100% legal assessment for on-line contracts. The company promoted “Talent-oriented Strategy” in legal sector, completed the recruit of Chief Expert and Senior Experts of Sinopec Group in legal sector, added more positions for senior legal experts and legal experts in subsidiaries. In 2019, there were 240 certified lawyers in the company, increased by 21.

The company advocated the rule of law culture through various media vehicles, such as newspapers, internet, cell phone, wechat and weibo, outdoor screens, brought construction of rule of law and compliance management into the Party group (Party Committee) central group learning and required training courses for leading cadres, requested leading cadres (above vice section chief) to make compliance commitment. The company also participated in the policy research and legislation work of national authorities, such as Commission of legislative affairs of the NPC standing committee, Ministry of Justice, etc. Sinopec Group and its subsidiaries Zhongyuan Oilfield, Zhenhai Refining and Petrochemical Company, Guangdong Company were awarded as Advanced Units of “Seventh Five-year Plan” of Law Dissemination by Ministry of Justice. The company also received a letter of thanks from the Ministry of Justice at the 10th anniversary of “1+1” Legal Aid Volunteer Activity of China and was elected as “the Outstanding Unit for Promoting the Legal Aid”.



Audit Supervision

In 2019, the company carried out 992 auditing projects of various types, which effectively provided supervision and promotion for businesses and operations. The company focused on compliance auditing, including 234 economic responsibility auditing, 46 internal control independent auditing, 417 engineering

and investment auditing, 44 financial auditing. The company also implemented 251 in-depth special audits or surveys for domestic equity investment, financial derivatives, settlement of delinquency account to private companies, etc.

Corporate Culture

Promoting corporate culture construction in depth. The company enhanced specific culture construction in safety, environment protection and health, issued *Notice of Constructing Safe, Green and Healthy Culture, Promoting the Implementation of HSSE System in 2019*, and created a good atmosphere for such culture construction. The company also followed up the implementation of “Ten Measures” and “Regulation of Safety Rating for all Staff” for direct cooperation areas through media coverage, knowledge contest, etc, so as to push forward the implementation of the two measures.

The company's 5 projects were selected and included in the Industrial Cultural Heritage List (15 projects in petroleum and petrochemical industry) of State-owned Enterprises by SASAC, namely Sinopec Yongli Ammonium Plant, Tong'an Bell of Zhejiang Sanguantang Oil Depot, Site of Maoming Open-pit Mine, Huaba Well of Shengli Oilfield, the Site of Command Post for the Wuqi Oilfield Campaign of Jiangnan Oilfield. These five listed projects were of great significance and contribution to the history of China's petroleum and petrochemical industry development. These industrial and cultural heritages, which are well preserved so far, own high historical, technological, social and artistic values.

Achieving outstanding results in the construction of mental civilization. The company organized studies upon history of CPC and PRC, carried out education on beliefs and ideals, loving the homeland and the company, inheriting and carrying forward the spirits and traditions of petroleum and petrochemical industry. The company released *Arrangement Opinion of Education on Inheriting and Carrying forward the Spirits and Traditions of Petroleum and Petrochemical Industry and Outline of Education on Inheriting and Carrying forward the Spirits and Traditions of Petroleum and Petrochemical Industry*, which provided guidance and guarantee to subsidiaries for above-mentioned education and learning. Moreover, the company extensively launched “Learning

from Lei Feng” volunteer service activity, and brought a craze of “Learning from Lei Feng” based on job position and in public welfare. Binhe Garden Community was of Zhongyuan Oilfield Base Service Center was awarded as the Best Volunteer Service Community of “Learning from Lei Feng” by the Communications Department of the CPC Central Committee. *Red Song being Widely Sung* and *Biography of Chen Junwu* won the excellence award of “Five one projects” of mental civilization construction. *Running on the Path toward Middle-to-high End of Industrial Chain* and other four articles won the excellence award of story contest of state-owned enterprises. Xu Huichun(Li Ji) from Anqing Petrochemical Company and Shi Zhiguang from Xi'an Petrochemical Company were nominated for the 7th National Moral Models.

The publicity programme of Model Chen Junwu was deeply rooted in everyone's mind through active organization of learning deeds of Chen Junwu —“Model of the times”and 21 report meetings, which urges all employees to learn from Chen Junwu in mind-set and action. The company also opened a special column of “Learning from Chen Junwu” on corporate APP, regularly published learning insights and reflections, collected short stories and epigrams of Chen Junwu, which brought a craze of learning within the company.

The company organized the show of “Singing in the New Era, My homeland and I”. This singing show was sponsored by the Communications Bureau of SASAC, which was the first performance in Beijing presenting traditional patriotic songs of state-owned enterprises so as to celebrate the 70th anniversary of the founding of the PRC. The show took “Original Aspiration is the Most Beautiful” as its theme and consisted of three sessions namely Inherit, Struggle and Mission, which sincerely admired CPC, our homeland, the new era and vividly interpreted the solid resolution of all the staff of state-owned enterprises to listen to and follow the CPC firmly and forever.

Brand Building

The company vigorously promoted brand oriented strategy and accomplished new progress in brand management, with corporate brand value reaching 281.834 billion yuan, up by nearly 40 billion yuan.

Continuously reinforcing VI management. The company released *Report on the Implementation of Brand VI management*, completed the update of outdoor VI signboard in working areas, pushed forward the overseas update of VI in Saudi Arabia, set down and released *Sinopec's Handbook of VI management for the Winter Olympic Games*, and carried out promotion of rights and interests. In addition, the company strengthened brand authorization management, accepted 8 cases of brand and enterprise code authorization, including “Easy-joy BLD Company”. We checked the JVs without actual control which use “Sinopec”, and executed

industrial and commercial registration of changes, applied legal measures to protect the brand asset of Sinopec.

Telling stories behind the brand. The company held the theme conference of “Day of Chinese Brands-Easy-joy ‘Festival of Easy-joy Products’ ”, established cooperation platforms so as to promote the business growth. The company also organized solicitation of brand stories, made three series of brand stories for H5 and print Ads, namely *Invisible Strength*, *Coming Across*, *Movie Chapter*, which achieved sound publicity results. Yizheng Chemical Fiber Company was recommended to participate in the brand story speech contest at the sub-forum of the Brand Day and shared the story of how their product “Lilun” supported the construction of Hong Kong-Zhu-hai-Macao Bridge.

Light the Torch of Life with Dedication



Video of Min Enze

Min Enze (1924-2016), male, Han Chinese, member of the Communist Party, member of the Chinese Academy of Sciences and the Chinese Academy of Engineering, member of the World Academy of Sciences, a renowned expert in petrochemical catalysts, and one of the “moving figures” of the Company.

Min Enze is China’s founder of the applied science of refining and catalyzing, pioneer of innovation in petrochemical technology and green chemistry, and enjoyed a high reputation in the petrochemical industry at home and abroad. He was awarded the top national science and technology award in 2007, the first prize of national technology invention in 2005, and was named the person who touched China in 2007, and the title of role model of dedication in 2019.

At the 2007 person of the year who touched China award, he was introduced as follows: "To answer the call of the nation, he stood up, dedicated himself wholeheartedly and illuminated the energy industry."

Role Model of Eternal Dedication



Video of Chen Junwu

Chen Junwu (1927~), male, Han Chinese, member of the Communist Party, member of the Chinese Academy of Sciences, a renowned expert in oil refining engineering technology, founder of catalytic cracking engineering technology, expert in modern coal chemical engineering technology, and one of the “moving figures” of the Company.

Academician Chen Junwu guided the design of China's first 600 kta fluidized catalytic cracking unit and the first 1.2 million tonne/year catalytic cracking unit, solved the technical problems of large catalyst losses in time and pioneered China's first large-scale industrial testing technology for fluidization. The projects which he chaired the design have won numerous first prizes of the National Science and Technology Progress Award and the National Excellent Design Gold Award. He has been awarded the title of "National Excellent Communist Party Member", "National Model Worker", "National May 1st Labor Medal", "National Excellent Science and Technology Worker", etc. In 2019, he was awarded title of Role Model of the Times.

Looking back at his life, Academician Chen Junwu, who dedicated himself to the country, likes to use mathematical equations to measure its value, "if one's dedication is greater than what one takes from the society, the life is splendid; if the two equal, the life is bland; if dedication is less, the life is faint."

CPC Building

Party and Employee Relation Work

In 2019, the company adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, focused on the political Party building, so as to celebrate the 70th anniversary of the founding of the PRC. Stick to the strategic Two Three-year Plan and Two Ten-year Plan of building a world-class corporation, the company carried out the thematic education activity of “Remain true to our original aspiration and keep our mission firmly in mind”, push forward the strict Party discipline with an all-out efforts, further enhanced the leadership of the Party and clarify the responsibilities of Party governance, and achieved obvious improvement in CPC building, which strongly guaranteed and promoted the steady reform and growth of the company.

Enhancing political Party building. The company took learning and implementing of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the top political task, improved the implementation mechanism of such learning and implementing, guided Party member cadres to further strengthen their “Four Consciousnesses”, to enhance their “Four Confidences”, and to resolutely achieve “Two Maintenances”. The company

organized learning, publicity and implementation of the spirit of the Fourth Plenary Session of the 19th National Congress of the CPC, and kept the thoughts and activities of Party members aligned with the spirit of Xi Jinping’s speech on the meeting and the Fourth Plenary Session. Moreover, the company set and implemented *Sinopec’s Key Measures of Enhancing Political Party Building*, coordinately promoted disciplinary inspection and correction, arranged theme Party activities, and pushed forward in-depth political Party building. The company also organized celebration of the 70th anniversary of the founding of the PRC, and arranged theme publicity and education for the mass.

Successfully carrying out the theme education activity of “Remain true to our original aspiration and keep our mission firmly in mind”. The company’s Party Group took this education activity as an important political task, focused on the big picture, self-discipline and demonstration, and pushed forward the education activity step by step and with over-all coordination. Under the strict supervision and guidance of the Guidance Team for disciplinary inspection, the leading team strengthened over-all planning and coordination, the Party Organizations at all levels refined the scheme and measures and reinforced implementation. The satisfaction rates of the two rounds of theme education organized by Sinopec are 98.9% and 99.5% respectively. The company’s measures were recognized by Xi Jinping on the summary conference for the Party’s theme education.

Clarifying responsibilities of Party governance at all levels. The company set and carried out *Implementation Measures for Party Governance with All-out Efforts of the Party Group* and the list of responsibilities, which improved the responsibility system for CPC building with clear main entity and responsibilities, and effective implementation. The company revised *Evaluation Measures of CPC building*, carried out Party-building evaluations covering the whole system for the sixth consecutive year, and implemented the system that Party secretary is the major responsible person for Party-building report and appraisal for the fourth consecutive year, which concretely promoted the responsibility mechanism of CPC building. In addition, the company set and applied *Evaluation Measures of CPC building at HQ level*, for the first time to include the result of the full coverage CPC building evaluation into the performance assessment of the leading group. Moreover, the company strengthened education



on honesty, supervision, discipline execution and accountability, for the first time to carried out probity risks prevention and control at HQ, widely established discipline inspection work teams, selected supervisors of work style construction at HQ, promoted the building of model organs of “Three Examples”.

Pushing forward the deep integration and mutual-promotion of Party construction and business operation. The company set and implemented *Guidance on Integration and Implementation of “One position, Two responsibilities” of Party Member Cadres*, promoted the integration and implementation of “One position, Two responsibilities” in CPC building, quality and benefits, production safety, environment protection, Party work style and honest conduct, stability of the team, etc. Focusing on major tasks, major activities, major projects and key period of time, the company established the working mechanism centralizing strength for major issues with the leadership of the Party and participation of relevant parties, which can give full play to the guaranteeing effect of CPC building. The company improved the mechanism of Party member cadres contacting the grass-roots and masses, extended the work of “Two Examples”, promoted the systems such as “Responsibility Zone”, “Responsibility Contract Points”, so as to push forward the effective integration and implementation.

Promoting the over-all progress of grass-root Party branches. The company set and applied *Implementation Opinion of Strengthening “Three Basics” Building of Grass-root Party Branches* and

Implementation Details of Grass-root Party Branches Work, carried out the “tour of model Party branch secretary” and the “tour of CPC building experts”, effectively corrected the problem of grass-root Party branches being weak and slack, held promotion conferences for improvement of organization strength by sectors, completed “three-year rotational training of Party branches secretary”, held promotion conference for CPC building of overseas organizations, set and implemented *Several Measures for Improving the Quality of Overseas Organization CPC Building*. Moreover, the company developed online sharing platform of Party affairs, using the idea of sharing and IT measure to provide support for grass-root Party branches and reduce the burden for the grass-roots.

Continuously deepening the United Front and mass work. The company promoted the implementation of *Guidance Opinion of Further Enhancing the United Front work*, summarized and popularized the measure of United Front workshop. Sinopec Yunnan Wenshan Company was awarded as the Model of National Ethnic Union and Progress. The company carried out publicity of model stories and skills contests, organized learning and education activities to commemorate the Centenary of “the May 4th Movement”. In addition, the company organized a series of theme activities of the Communist Youth League, held Youth Technological Elite Contest and Youth Marketing Creation Contest for poverty reduction, so as to guide the member of the Youth League to contribute for the over-all sustainable development.



Anti-Corruption Construction

In 2019, the company's leading Party member group and the discipline inspection and supervision team carried out an all-out effort to enforce the strict Party discipline, successfully completed thematic education, received the central inspection, implemented the three tasks of systematic reform, jointly promoted "Three No" construction, and achieved sound and effective results for Party construction in building good conduct and anti-corruption. The company's political ecosystem was further purified, restored and in good momentum.

Political construction was significantly enhanced. The company adhered to using Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era to arm the mind, organized thematic education activities of "Remain true to our original aspiration and keep our mission firmly in mind" and realized more outstanding guidance for the ideology, with satisfaction rate for two batches of such education reaching 98.9% and 99.5% respectively. The company continued to work hard on the effective implementation of the Party Central Committee's important decisions and planning, such as sticking to and carrying out the concept of new development, executing the energy strategy of "Four Reforms and One Cooperation", fighting the three critical battles well, fulfilling the "Six Stabilization", and conducting "Two Maintenance" in a firmer and more spontaneously manner. The company established long term mechanism to enhance political responsibility through laying down systems such as *System(trial) of the Study and Implementation of the Spirit of Xi Jinping's Instruction, Implementation Measures of the Responsibility for Strict Party Discipline*, etc.

The Central Inspection and Correction achieved periodic effect. The company improved the political positioning, took the Central Inspection as an important chance to have a comprehensive health check, to correct errors and address problems and to promote development, and accept inspection spontaneously and proactively. Centered by the outstanding problems in 4 aspects

and 6 correction opinions as fed back, the leading Party member group held 12 meetings for studying the correction work, and the discipline inspection and supervision team held 4 meetings for promoting the supervision and inspection work. The members of the group visited the site in person to supervise and coordinate the correction for many times. The company established and improved the working mechanisms for routine meetings of correction, reporting, verification and completion, supervision and liability, etc, which enabled the inspection and correction to achieve concrete effect and set stable basis for high quality growth. All the inspection and correction conditions were reported in the Party and also released to the public for supervision.

Supervision becoming more powerful and effective. The company pushed forward the "Big Supervision", adjusted the coordination teams of Party conduct construction and anti-corruption, improved the working mechanism which led by the discipline inspection and supervision team with members departments "shouldering responsibilities respectively, sharing information, coordinating key issues, jointly promoting, taking complementary measures and conducting comprehensive supervision". Therefore, the anti-corruption working system led by the Party has become more scientific and complete in terms of organizational form, function positioning and decision-making procedure. The company was the first among state-owned enterprises to study and lay down *Opinion on the Discipline Inspection and Supervision Organizations to Strengthening Daily Supervision(Trial)*, identified in detail 13 types of supervision issues and 14 types of supervision measures, which enhanced close-range and normalized supervision. The company's inspection and supervision system reinforced the supervision on managerial personnel at all levels,



especially on the persons in charge, study and deal with petitions in a precise manner, build up and use well the “Personal Folders”, pragmatically carried out “Personal Portray” and study upon political ecosystem, seriously participate the discussion and study on the selection and appointment of managerial personnel so as to make full play of its pass guarding role.

Making continuous effort on building good conduct and anti-corruption. The company kept high pressure on fighting corruption, strictly implemented centralized management of corruption clues and collective research mechanism, enhanced the upgrade processing, supervision and coordination, strengthened the cooperation with local inspection and supervision institutes, so as to ensure the in-time and effective investigation and han-

dling. The company concretely addressed the problems of formalism, bureaucracy, hedonism and extravagance, conducted specific inspections for resident offices in Beijing (liaison office) set up by our subsidiaries, investigated and dealt with those problems against the Eight-Point Decision in a strict and fast manner, carried out in-depth inspection on formalism and bureaucracy taking safety and environmental protection work as the breakthrough point. In 2019, the times of inspection, selection and context, documents issued by the leading Party member group and the company, the meetings attended by the group members were reduced by 87.3%, 67.4%, 5.1% and 19.8% respectively, which resulted in a significant improvement of people’s sense of gain.

Inspection Work

In 2019, the Leading Party Member Group carried out inspection work guided by Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the 19th CPC National Congress, focused on problems rectification after the central inspection and achieved remarkable results, hence strengthening Party governance and supporting the company’s sustainable development.

Seizing the opportunity of the central inspection as a check-up, the Leading Party Member Group stuck to deepening consensus, accountability, institutional construction, ad-

ressing prominent issues and root causes. The results were very tangible with 146 items or 91.8% rectified out of the total 159 identified by the Group.

Promoting the inspection work. The Group thoroughly studied and implemented General Secretary Xi Jinping’s important speeches about inspection work, and formulated *inspection work plan for 2018-2020*. In 2019, 8 inspection teams were sent to 26 affiliates to check their implementation and 9 affiliates to check their rectification result, making sure that the inspection work was effective.

中央第二巡视组巡视中国石油化工集团有限公司党组情况反馈会议





58
Safty,
Security and
Occupational
Health

61
Green &
Low-carbon
Development

62
Green &
Low-carbon
Development

60
Green
Enterprise
Action Plan

66
Social
Contribution



Social Responsibility

Safety, Security and Occupational Health

Production Safety

Comprehensively revising HSSE management system and enhancing the foundation of production safety. We revised and improved the HSSE management system of our company, formulated management team responsibility system of the company, and revised and improved the department responsibility system of production safety of the headquarter. We implemented scoring management for safety, and strengthened all staff's awareness of safety responsibility.

Highlighting major risk management and control and thoroughly screening and addressing potential hazards. We established the list of systemic safety production risks and the major production enterprises realized the goal of reducing total risks. Among the 22 company-level significant risks, we eliminated or downgraded 15 risks, and addressed all potential hazards under supervision of the company. We conducted compliance tests on the new version of *Fire Prevention Code in Design for Petrochemical Enterprises*. We organized specific screening campaign on dangerous waste storage, air separation units, and fire safety, accomplished the task of dealing with dangerous chemicals in three years, and eliminated some latent risks.

Strengthening safety management in contractor and direct

operation. We categorized contractor safety management as major risks and made the head of each enterprise responsible for such management. We formulated and implemented the *Ten Safety Management Measures for Strengthening Direct Operations*, and clarified criterion of "actions seriously violating safety management". We utilized safety practice training bases and mobile practice training facilities, and carried out experiential safety practice training. We organized specific inspections on contractor safety management. We held person responsible accountable for any mismanagement, and exerted "entry restrictions" on contractors who failed to pass safety tests.

Intensifying safety supervision and firmly building foundations for safety. We launched key inspections on major risk control and hidden danger treatment in enterprises and leadership and management performances, and eliminated a batch of prominent problems and hidden risks. We carried out specific inspections on well control safety, process discipline, alarm interlock, service station anti-seepage revamping, management and control of dangerous chemicals. We also further regulated safety management of production and construction sites.

Enhancing emergency response team building and increasing emergency response capability. We set up voluntary emergency response teams in grass-root organizations, which significantly raised the ability to deal with emergencies for those organizations. We improved management system for unusual production, organized symposium for such production, established risk monitoring and warning system for dangerous chemicals, and pushed the gate of emergency management forward. We developed 8 national emergency relief bases of dangerous chemicals, and organized company-level drill practices for fire accident scenarios of refining facilities. We properly and frequently assisted local governments to handle various emergencies.

Improving public security management. We made holistic arrangement and deployment in ensuring company public security work in times of big national events as the celebration ceremony of the 70th anniversary of the founding of the People's Republic of China, China International Import Expo (CIIE) and Military World Games, and accomplished security tasks. We steadily carried forward the construction of industrial standard reaching set up by the Ministry of Public Security, and completed the grading of 25,000 key goals.



Overseas Public Security

In 2019, the company adhered to the overseas public security management philosophy, constantly strengthening awareness of risks, prevention and responsibility, pushed forward preventative overseas public security, and maintained a record of “zero death” in overseas public security for twelve consecutive years.

Improving risk evaluation standards. We revised and re-released *Risk Evaluation Standards of Overseas Public Security*, improved the function of risk evaluation information system, developed and utilized OA system to submit and review and approve the reports, and realized online operation of risk evaluation, report submission and report review and approval. We carried out 319 risk evaluation projects, of which 146 were new projects by newly established organizations.

Running the third round of overseas public security training programme. Overseas public security training focuses more on publicity and advocacy of the current international security scenario, first aids like CPR, and terrorist attack prevention. In 2019, 5,073 trainees attended the programme in total.

Promoting security benchmarking and stationing. We listed terrorist/armed attack and kidnapping as the highest overseas public security risk, and made comprehensive arrangements in security benchmarking. We continued to dispatch security officers to organizations in Pakistan, Nigeria, South Sudan, etc.

Strengthening physical and psychological health and transportation safety management. We conducted health risk evaluation on expatriates, followed the health condition of our em-

ployees working abroad and made appropriate interventions, and enhanced transportation safety management. In 2019, overseas health related events decreased by 2, death by 1, and nobody died in traffic accidents.

Undertaking emergency response work. Through terminals like Wechat groups and marine satellite equipment, we integrated real-time communications within and outside China. We revised and improved contingency plans for overseas organizations and projects, and carried out safety risk screening, on-the-spot survey of evacuation routes, and personnel evacuation drills.

Promoting country-specific risk tips and safety risk early warning. We improved country-specific risk tipping system, making overseas security management extend to that of non-technical risks. We released *Country-specific Risk Information Report of 2018*, and three editions of *Country-specific Information Tips*. We released 52 editions of overseas public security information reports, and 24 editions of risk tracking records of overseas public security risks. We also released 10 editions of non-scheduled safety prevention tips during special occasion or in special regions and epidemic prevention tips for infectious diseases.

We actively promoted insurance and rescuing work, improving the ability of mobilization and first aid. We continued to carry out overseas public security audit and joint exams on overseas HSSE, making progress in overall supervision and examination.

Occupational Health

Continuously improving working environment and conditions. We stringently controlled major occupational hazards, eliminated toxics, and dealt with excessive dusts. We carried out assessments on typical noise distribution and influence for facilities, strengthened specific control over noise overexposure places, and increased the post compliance rate by 8 percentage points. We pushed forward the specific control on central air-conditioning in densely populated places where air supply quality met standards.

Standardizing personal protective equipment management. We conducted spot checks on safety shoes, and enhanced stock-in tests. Our employees assuming high-risk posts in refineries were

equipped with flame retardant and antistatic protective garments. We made thorough examinations in preparation of SCBA, and further regulated management on SCBA.

Promoting physical and psychological health for our staff. We screened our employees' health, and formulated and implemented intervention measures for those with high health risks. Enterprises set up emergency medical and health rooms on production sites, and prepared emergency medical facilities as AED and sphygmomanometer in densely populated sites. We further intensified EAP, conducted psychological consulting through online platforms, and promoted psychological construction of safety and emergency prevention, producing positive effects.

Green Enterprise Action Plan

Actively building a green company. We assigned “one guideline and two checklists” to 89 manufacturing enterprises throughout the year, and completed specific project promotion and on-site services. We looked into problems based on *Guideline on Green Enterprise Evaluation (2019)*, devised and improved measures, and developed our ability to build green enterprise. 27 organizations including Shengli oilfield were awarded “Green Enterprises of Sinopec”.

Leveraging the demonstration and leading role of green

enterprises. We encouraged the 10 green enterprises awarded in 2018 to carry out green action plan, urged all enterprises to implement ecological civilization and construction, comply with laws and regulations during production and management, and shoulder related responsibilities in fighting the three year pollution prevention battle. We arranged 9 general requirements, 10 major indicators, and 21 key tasks, specified test methods, followed developments regularly, and continuously raised the sustainable development of those enterprises already awarded green enterprises.





Kicking off green action plan for engineering and research & development. We comprehensively straightened out our weakness in green development, putting forward targeted improvement measures, tasks and projects, formulated “one guideline and two checklists”, and pushed all-round green action plan to take root in engineering and R&D affiliates.

Unfolding green grass-roots work. We drew up the appraisal methods for 11 green grass-root organizations including oilfield, refineries, and sales. We fully launched green grass-roots, and further extended green action plan to grass-root organizations. By the end of 2019, the first batch of green grass-roots construction and awarding for enterprises of our company basically completed.





Green & Low-carbon Development

In 2019, the Company thoroughly studied and implemented the thoughts of building ecological civilization proposed by President Xi Jinping, and focused on advancing pollution prevention and treatment and the protection of the Yangtze River. Guided by the concept of green development, the Company redoubled efforts to promote the Green Enterprise Campaign and ecological and environmental protection. With energy conservation prioritized, more focuses were put on improving energy efficiency and bettering resource utilization as well as other key tasks. The Company was awarded the titles of China's Low-Carbon Model, Leader of Ecological Environment, Environmental Social Responsibility Enterprise of the Year 2019 and Outstanding Contributor to Energy Conservation and Emission Reduction.

Energy Management

The energy and water saving targets were fully met. The Company's comprehensive energy consumption per 10,000 yuan of output is 0.521 tonne of standard coal (calculated at the comparable prices in 2010), down by 1.11%, saving 1.056 million tonnes of standard coal of energy; industrial water usage decreased by 1.1%, all hitting annual targets.

The "Energy Efficiency Doubling" plan was steadily promoted. The Company promoted the key energy-saving projects such as injection-production-transmission integrated energy efficiency doubling project and energy system optimization project. 468 projects under the plan were implemented, achieving an annual energy saving of 537,000 tonnes of standard coal.

The energy structure was continuously adjusted. The Company promoted the adjustment of energy structure, advanced the work of replacing oil with electricity in the processes of injection, mesh drilling, and workover. Wider application of electric rigs achieved obvious energy saving effects. The introduction of medium and low pressure steam and hydrogen from surrounding industrial parks and enterprises optimized regional resource utilization. Effective use of geothermal and solar energy enlarged the share of clean energy in the energy consumption. The company built distributed photovoltaic power stations with a total installed capacity of 206.25 MW and a total power output of 220 million kWh/year, replacing traditional energy of 60,000 tonnes of standard coal. Moreover, the Company promoted geothermal heating projects which cover an area of over 50 million m² and replace traditional energy of 1.44 million tonnes of standard coal per year.

Energy efficiency "leaders" campaign was carried out. In the benchmark activity of energy efficiency "leaders" campaign in

the petroleum and chemical industry, Qingdao Refining Corp. and Guangzhou Company were rated as energy efficiency "leaders" of the refining business. Maoming Company and Zhenhai Refining and Chemical Company were rated as energy efficiency "leaders" for ethylene business. Hainan Petrochemical Co. was rated as energy efficiency "leaders" of paraxylene sub-business.

The company continued to promote the construction of the energy management systems for refining and chemical subsidiaries. The construction of the energy management system (Phase II) was completed, and the energy management information systems of nine refining and chemical enterprises were up and running smoothly. The Company expanded the application of energy management systems, promoted the operation and use of the steam power system optimization module, and ensured that it was fully and effectively applied. By the end of 2019, 18 refining and chemical subsidiaries had implemented online optimization of thermal power production through power optimization models, achieving benefits of more than 100 million yuan.

The Company performed well in water management. The Company continued to replace fresh water with unconventional water resources, further adjusted the structure of water use and reduced the amount of fresh water. More efforts were made to promote reuse of sewage (waste) water, and continuously increase the sewage reuse rate. Proprietary water-saving technologies were widely promoted and applied. The Company carried out water balance testing and leak detection and elimination in water supply pipeline networks, promoted the upgrading and reconstruction of old pipelines, tapped water-saving potentials, and reduced the amount of water leaked from pipeline networks.

Environmental Protection

The Company fully advanced the three-year pollution prevention and control plan. A project list for three-year pollution prevention implementation plan was compiled and printed. The Company accelerated the implementation of pollution control projects in 90 subsidiaries, pushed ahead with soil and groundwater surveys, issued technical guidelines and implementation plans, launched the emergency response plan for severely polluted weather, and strictly practiced air quality guarantee measures.

The company continuously intensified standardized solid waste management. Year of Standardized Solid Waste Management event was carried out, which achieved a 5% reduction in production waste and a 5% increase in comprehensive utilization. The Company promoted the construction and implementation of regional hazardous waste disposal centers, and proceeded with the exemption of hazardous wastes for 7 types of resins and catalytic cracking balancers.

Waste gas treatment projects were accelerated. The company continued to promote the upgrading of environmental protection facilities, carried out ultra-low emission transformation of coal-fired furnaces, and completed low-nitrogen combustion transformation projects of process heating furnaces. The Company achieved good results in preventing and controlling air pollution in Beijing, Tianjin, Hebei and their surroundings, the Fenwei plain, and the Yangtze River Delta region in autumn and winter, and successfully completed the air quality assurance during major events such as the 70th founding anniversary of PRC, 2019 Military World Games in Wuhan and the China International Import Expo in Shanghai.

The Company accelerated the implementation of wastewater treatment projects. The Company continued to promote the up-

grading of the sewage fields, improved the treatment results of the sewage fields, added the nitrogen and phosphorus removal facilities, scaled up the sewage treatment capacity, and increased the nitrogen and phosphorus online monitoring facilities as required to ensure the standard discharge of wastewater. Double efforts were made in protecting the ecological systems of the key river basins.

The Company achieved great results in addressing potential risks and emergencies. Dynamic risk updates were carried out continuously and *Sinopec Environmental Emergency Risk Assessment Guide* was revised. The Company strengthened emergency response capacity building, and organized subsidiaries in central China to conduct joint enterprise-local government environmental emergency response drilling. The construction of an environmental emergency management system was accelerated and the environmental emergency response capabilities were continuously improved.



Climate Change Mitigation

The Company continued to strengthen greenhouse gas emissions management. *The Administrative Measures for Sinopec's Carbon Emissions* were revised to further standardize the management and control of greenhouse gas emissions. Carbon accounting and verification were carried out to lay a solid data foundation for emission reduction. The Company strengthened the assessment of greenhouse gas emission reduction, and reinforced the management of greenhouse gas emissions throughout the system. The Company carried out special surveys on methane leakage and venting, sorted out the main sources of methane emissions in oil and gas production, and determined monitoring technologies and methods. Focuses were put on promoting the carbon footprint accounting and evaluation of petrochemical products, so as to build a green enterprise.

The Company took greenhouse gas emission reduction actions. The oilfield subsidiaries promoted the oil displacement by carbon dioxide demonstration projects, injecting 230,000 tonnes

of carbon dioxide, and increasing oil production by 70,000 tonnes. Refining and chemical subsidiaries recycled and reused a total of 1.26 million tonnes of carbon dioxide throughout the year. Methane gas was further recovered and reused. Oilfield subsidiaries recovered about 400 million cubic meters of methane, correspondingly reducing greenhouse gas emissions by about 6 million tonnes of carbon dioxide equivalent. Refining and chemical subsidiaries recycled 11.4 million cubic meters of biogas throughout the year to reduce greenhouse gas emissions.

The Company participated in national carbon market construction and pilot regional carbon trading. The Company organized carbon emission rights registration, trading system account application and trial quota calculation nationwide. Twenty-six pilot carbon trading companies have formulated reasonable compliance plans and trading plans, and met the annual carbon quota on schedule. The annual carbon trading amount was 2.69 million tonnes and the trading value was 64.93 million yuan.



Afforestation Management

The Company enhanced afforestation management system and mechanism. We formulated and issued *Sinopec Afforestation Management Regulations* which clarify work responsibilities, standardize construction processes and use of funds, and strengthen the protection and management of afforestation achievements.

The Company organized voluntary tree planting for all. The Company participated in such actions as the Yangtze River Protection, Desert Greening, and Ant Forest, and planted 1.46 million

trees. The “Internet + Voluntary Tree Planting for All” pilot activity was held, through which more than 10,000 employees participated in online donation for tree planting.

The construction of Sinopec Exhibition Park was further proceeded. The Company completed the landscape design of Sinopec Exhibition Park, which passed the review by the National Afforestation and Greening Committee. The construction of Sinopec Exhibition Park began in September 2019 and it is expected to open in August 2020.

Green Energy

Geothermal energy development and utilization were advanced in an orderly manner. In terms of resource exploration, 22 exploratory wells were drilled, and the success rate of

water testing was 82%. In terms of market development, the Company actively expanded high-quality markets such as “2 + 26” in the north, 11 cities in the Fenwei Plain, and cities in the



south where it is cold in winter and hot in summer. In terms of promoting the construction of the Xiong'an New Area, special research on geothermal utilization planning and geothermal resource evaluation work were carried out. In terms of scientific research on hot dry rocks, the Company carried out scientific research on hot dry rocks in the Qinghai Gonghe Basin. In September, many phased tasks were successfully completed, including the overhaul, high-temperature logging, secondary completion, and experimental fracturing of hot dry rock GR1 in the Qinghai Gonghe Basin. The geothermal heating capacity was increased by nearly 8 million m² throughout the year, with a cumulative heating capacity of 52 million m² and an achieved heating area of 44 million m².

Solar power generation, waste heat utilization and biomass energy business grew steadily. The Company actively expanded distributed photovoltaic power generation projects in Hainan, Shanxi, Shanghai and other places, adding 8 MW of photovoltaic power generation capacity, generating 86.5 million kWh of electricity throughout the year. The Company actively promoted residue heat utilization projects, adding 24 MW of power

generation capacity. Waste heat provided 20 million GJ/year of heat and installed power generation capacity reached 430 GW-per year. The sales volume of ethanol gasoline reached 12.65 million tonnes per year (among which the amount of ethanol was 1.27 million tonnes per year), and the sales volume of biodiesel reached 360,000 tonnes per year.

The Company took active responsive measures to the electric revolution in the automotive industry. A total of 114 charging piles were constructed, and the company steadily promoted the electrification of its own vehicles. R&D and production of lightweight automotive materials and power battery related materials were advanced.

The Company actively involved in the hydrogen energy utilization. A total of 4 oil-hydrogen combined stations were built in Guangdong, Shanghai, and Zhejiang, with a hydrogen refueling capacity of 3.3 tonnes per day. Sinopec signed a memorandum of cooperation with Air Liquide Group and became a shareholder of a domestically well-known hydrogen fuel cell vehicle system supplier, Re-Fire, to boost the development of hydrogen energy industry in China.

Social Contribution

Sinopec Lifeline Express

In 2019, the Sinopec Lifeline Express traveled to Changzhi in Shanxi, Dingxi in Gansu and Yingcheng in Hubei, cured more than 3,000 poor cataract patients free of charge. As of end of 2019, Sinopec had donated more than 180 million yuan and cured more than 45,000 cataract patients in 38 regions in 18 provinces. It had also sponsored the building of 21 lifeline express centers for eye care. Sinopec's "Lifeline Express" programme had been awarded "outstanding contribution prize" for 15 consecutive years by China Lifeline Express

Foundation. It was also awarded the nation's "best volunteer project" title by CPC Publicity Department and "outstanding volunteer project among central enterprises" by SASAC.



The Gas Station that Cares: A Better Road Home

Since 2013, Sinopec has been carrying out the project of providing care and services to peasant workers travelling home during the Spring Festival. Free refuels and hot congee, ginger soup, refresh areas and baby care rooms were provided for motorcyclists and car drivers in our service stations. For eight consecutive years and 247 gas stations were enrolled in providing the services to motorcyclists among which 14 stations provided free gasoline to 11,000 persons and radiation of such services covered around 1 million square kilometers.



Service Stations with Love

In 2016, Sinopec inaugurated the “Service Stations with Love for Environment Workers” programme in Jiangsu Province and expanded to Beijing-Tianjin-Hebei, the Yangtze River Delta, the Pearl River Delta and Sichuan-Chongqing areas in 2018. By the end of 2019, 2,260 stations in 13 provinces, municipalities and autonomous regions had added this service.



Serving Farming Season

In 2019, in order to guarantee the production in busy farming seasons like spring plough, summer and autumn harvests, Sinopec increased resource input, optimized resource allocation, carried out policies supporting agriculture and benefiting farmers and ensured the supply of oil products for agriculture. Through volunteers helping farm work, utilizing oil tank trucks and delivery vehicles, and providing subsidies and free goods to poor farmers, we helped agricultural activities and harvest.



Support for Law Popularization

Sinopec received a letter of appreciation from the Ministry of Justice on the occasion of the 10th Anniversary of the Ministry’s “1+1” China Legal Aid Volunteer Project. We have also sponsored

and organized contests for constitutional knowledge for five consecutive years to increase publicity.

Rescue and Relief

A forest fire started in Daba Liangzi Mountain in Tiantai Township of Chongqing's Fuling District in April 2019. We dispatched 12 firefighters, 3 fire trucks and 1 emergency vehicle from Jiangnan Oilfield subsidiary to the scene to help fight the fire. In July, a landslide disaster occurred in Pengdi Village of Jichang Town, Shuicheng County, Liupanshui City of Guizhou Province. Sinopec Liupanshui Petroleum Branch immediately assisted in the relief work, organizing trucks to transport fuel to the disaster area to ensure supply of fuel for emergency rescue vehicles. We also sent emergency rescue teams and rescue vehicles to transport relief materials and made all-out effort to help emergency relief.



Sponsoring Building “New Red Army Bridge”

In July 2019, the "New Red Army Bridge" built in Shangshaozhai, Liping County, Guizhou Province was completed. Sinopec donated 1.8 million yuan for construction of the 54 meters-long, 4.5 meters-wide and 5.6 meters-tall bridge with a capacity of 20 tonnes.



Supporting Major Events

In 2019, Sinopec provided strong support for the nation's major events such as the 70th Anniversary of the founding of the People's Republic of China and the Beijing 2022 Winter Olympics preparation work through supplying premium oil products.



Volunteer Services

In 2019, Sinopec encouraged its employees to actively participate in volunteer services with a spirit to advocate contribution, solidarity, helping and progressing. A total of 800,000 participants and 1.6 million hours were recorded in volunteer work. By the end of 2019, Sinopec had over 200,000 registered volunteers, over 1,500 volunteer teams and more than 2,000 volunteer service bases.



Targeted Assistance and Poverty Alleviation

In 2019, Sinopec aided 8 counties nationwide and donated 165 million yuan, supporting 66 poverty alleviation projects and benefiting 57,000 people in 114,000 families. Yuexi and Yingshang counties of Anhui, Ban'ge county of Tibet and Fenghuang and Luxi

counties of Hunan were lifted out of poverty in 2018 and 2019, respectively. As of end of 2019, 67 subsidiaries had sent 1,945 people to 709 villages for poverty alleviation tasks to assist local governments.



Major Events

January

8th

The 2018 National Science Award Conference was held in the Great Hall of the People. Sinopec won 1 Second Prize of National Award for Technology Invention and 3 Second Prizes of National Award for Science and Technology Progress.

February

19th

The capacity building project of Jiaoshiba Phase One of Fuling Shale Gas was awarded National Gold Prize for Engineering Projects.

March

25th

The Company announced that proven reserves for Weirong shale gas field exceeded 100 billion cubic meters.

The Company released 2019 *China Energy and Chemical Industries Development Report* in Riyadh, Saudi Arabia, becoming the first Chinese company to issue energy industry development report overseas.

27th

No.2 Inspection Team of the CPC Central Committee held a kick-off meeting for inspection in the Company.

31th

The Company's poverty alleviation case was evaluated the top 50 cases by Chinese enterprises in poverty alleviation.

April

22nd

The Organizational Department of CPC Central Committee announced that Ma Yongsheng appointed Director, President and Deputy Secretary of Party Leadership Group of the Company.

26th

The Company's synthesized new structure molecular sieve was awarded the structure code by the International Molecular Sieve Association.

May

9th

The 2019 Most Valuable Chinese Brands List was released, and Sinopec was ranked the most valuable energy and chemical brand in China consecutively.

June

3rd

The Company launched the theme campaign of "staying true to our founding mission".

5th

Under the witness of heads of states of China and Russia, the Company signed agreements to set up natural gas trading JV in China with NOVATEK and to develop the Amur natural gas chemical project with SIBUR.

10th

Construction of Gulei refining and chemical project's ethylene facilities started.



July

1st

The Company built China's first petro-hydrogen service station in Guangdong.

19th

The Company issued its *2018 Corporate Social Responsibility Report*, presenting its effort in implementing the Green Enterprise Campaign, upgrading fuels quality, supporting poverty alleviation, taking part in the Belt and Road Initiative, and contributing to building a moderately prosperous society in all respects.

August

1st

The Company's Wen 23 natural gas storage depot was completed ahead of schedule and put into gas injection.

5th

The Public Open Day programme was awarded top prize for 2018-2019 National Corporate Culture Award.

13th

The Company took the lead in conducting reserve valuation pilot in China.

18th

The Company received first cargo of LNG from the Arctic region.

September

16th

The phase one of Erdos-Anping-Cangzhou gas pipeline was completed and operational.

25th

Academicians of Min Enze and Chen Junwu were awarded role models title by the CPC Central Committee.

27th

The second aromatics unit in Hainan Refining and Chemical Co. was put into operation.

October

7th

Academician Chen Junwu was awarded role model of the time by the Organizational Department of CPC Central Committee.

12th

ZRCC's 300 kta alkylation unit was completed.

18th

The Company set up a geothermal firm with mixed ownership in Xiong'an New District.

31st

The Company's Donghai brand asphalt was traded in Shanghai Futures Exchange.

November

6th

Under the witness of heads of states of China and France, the Company signed MOU with Air Liquide to strengthen hydrogen business cooperation.

16th

Fuling Shale Gas Project and ZRCC's 1 million tonne/year ethylene cracker were listed in China's 100 Classical Projects for the past 70 years.

22nd

Guo Xusheng and Sun Lili were elected members of the Chinese Academy of Engineering.

December

4th

Liu Hongbin was appointed by the CPC Central Committee as Vice President and Member of Party Leadership Group of the Company.

28th

The mechanical completion of Zhongke refining and chemical project was accomplished.

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