

中国2010年上海世博会全球合作伙伴  
Global Partner of Expo 2010 Shanghai China

# It's CSR We Believe In

## 2009 Baosteel CSR Report

# 2009

## Baosteel CSR Report

## Overview

### 1. About This Report

This is the second report on social responsibility ever published by Baosteel Group Corporation (Baosteel or Corporation for short).

The report has been compiled in accordance with the *Guidelines for Social Responsibility Performance by Central Enterprises* (Document No. 2008-01) issued by the State-Owned Assets Supervision and Administration Commission of the State Council, the *Sustainability Reporting Guidelines* (G3 version) of the Global Reporting Initiative (GRI), the 10 principles of the United Nations Global Compact, the Guidelines of the Chinese Academy of Social Sciences for the Compilation of Social Responsibility Reports by Chinese Enterprises, and Baosteel's practical conditions.

### 2. Coverage

Unless otherwise specified, this report mainly describes Baosteel's corporate operation, environmental protection, employee care, community support and supply-chain building from January 1, 2009 to December 31, 2009. This report covers the business segments of iron and steel, resource development and logistics, extended steel processing, engineering and technical services, and production services.

### 3. Language and Format

This report is published in Chinese and English. If the two versions differ, the Chinese version shall prevail. If the reader has any question about this report, please call or write to us in the following ways:

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This report is published in the formats of print and electronic document. The electronic document can be downloaded from Baosteel website (<http://www.baosteel.com>).

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## ADDRESS BY CHAIRMAN

To Baosteel, 2009 is a year to fight against the global financial crisis. In the first half of the year, the contracted demand of steel industry, the tumbling product price and the increasing cost pushed Baosteel into the toughest crisis and challenge since it commenced production. Against such severe challenges, Baosteel people, adhering to the crisis management principle of “confident, rational, fast and firm response”, defied difficulties and fought hard, and finally delivered the best business performance in both national and global steel industries. This showed again Baosteel’s strong competitiveness in this field. In 2009, Baosteel ranked the 220th among the Fortune 500 enterprises after it was so honored for five consecutive years, and once again awarded as one of the “World’s Most Admired Companies”.

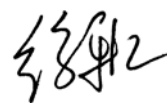
2010 will be a crucial year for Baosteel to promote the 11th five year plan and start a new undertaking. In this upcoming year, the effect brought by the global financial crisis will be still spreading. China’s economic development model will change sharply, the situation of supply exceeding demand will not be changed, and the prospect of downstream industries will not be optimistic. Facing such complicated economic environment and difficult tasks, we will continue to implement the “High Quality plus Large Scale” strategy, further develop high strength steel for auto motors, silicon steels and other environmentally friendly products, and raise the mar-

Baosteel will take the environment management as the company's strategy through all aspects of the enterprise's operation, including product R&D, purchase of raw materials, production, packaging, delivery, marketing, usage, recycling and other directly and indirectly related activities.

ket share of unique and leading products in order to strengthen the market competitiveness of Baosteel's products continuously. We will focus on promoting the cost competitiveness, continuously deepen the reform in management and enhance the soft power. With an eye to consumption reduction, energy saving and environment management, we will advance technical innovation, establish environmentally friendly enterprises, and start a new undertaking. We should persist in raising domestic steel industry concentration and allocating resources optimally, and drive the process of merging and restructuring.

With so many difficulties and dilemmas, we finally overcame them and took the notable step forward. After 30 years of exploration, Baosteel has already stepped on a road of sustainable development. "Scientific management, high-quality steel and environment protection" has already become the label of Baosteel. In recent years, we have been keeping a close eye on global warming and other issues, thinking about how to contribute to proper solutions. As a bellwether of Chinese steel industry, Baosteel has realized that the recycling, ecological and low-carbon development is an inevitable trend in this field which represents the new direction of steel industry's sustainable development. Baosteel will take the environment management as the company's strategy through all aspects of the enterprise's operation, including product R&D, purchase of raw materials, production, packaging, delivery, marketing, usage, recycling and other directly and indirectly related activities. We choose this way not because it's a short cut. On the contrary, we know it is thickly sown with thorns but is the right choice. It will guide the company and its stakeholders to make efforts for a more wonderful world.

Chairman: Xu Lejiang



## ADDRESS BY PRESIDENT



It is the first time for me to make an address for corporate social responsibilities report. I do think, however, that it is necessary to share my views on social responsibilities since there is so far no internationally accepted standard as for how corporates should fulfill their social responsibilities. In my view, there are three bases for corporate to do so, on which they must first accomplish three things before others. This is how Baosteel understands and practices it.

Corporate must fulfill their social responsibilities on three bases: value creation, credible operation and environment improvement. First of all, corporate must create values before they can talk about social responsibilities. As economic organization that consumes a lot of natural and social resources in its operation, corporate is not

qualified to talk about social responsibilities without creating values. Secondly, corporate should create values based on credibility, which means creating values without damaging the interests of others. The core of value creation is to increase the value of overall social welfare. Thirdly, corporate should protect and improve environment. Besides realizing their own development, corporate should also ensure the sustainable social development, which is also a necessary condition for the sustainable development of corporates. Those are my understandings on corporate social responsibilities.

There are three priorities for corporate to fulfill their social responsibilities: employees, community and supply chain. To shoulder social responsibilities, corporate should first be re-

There are three priorities for corporate to fulfill their social responsibilities: employees, community and supply chain.

It is clear to us that the development of Baosteel would not have been possible without the support of our employees, investors, suppliers, users and other stakeholders. Only by fully interacting and cooperating with our stakeholders, listening to different ideas and suggestions, will a corporate acquire better environment, produce better steel and contribute to better lives for people.

sponsible for their employees, each of whom is a social member. Corporate must create good working environment as well as conditions and opportunities for career development for the employees. I often told our managerial staff that we should at least shoulder 1/10000th of national responsibility since Baosteel has over 100,000 employees and China's population is over 1 billion. So we should take good care of our employees first. Secondly, as manufacturing enterprise, community is also our priority since it provides us with production and operation environment and contributes to the corporate development. Benefiting our corporate and our community should be prioritized before others. Thirdly, corporate should be responsible for clients, support the development of suppliers, share the developmental achievement with all partners and be a value contributor in the value chain. If corporate can fulfill those tasks, it will be a corporate that has fulfilled its social responsibilities, one that is ready to make further contributions. This may not be a complete understanding but is something that is not easily achieved.

This is the second report on social responsibilities announced by Baosteel. It will tell you the Baosteel's practices in the above mentioned six aspects and share with you our experiences and lessons obtained from our success and failure. It is clear to us that the development of Baosteel would not have been possible without the support of our employees, investors, suppliers, users and other stakeholders. Only by fully interacting and cooperating with our stakeholders, listening to different ideas and suggestions, will a corporate acquire better environment, produce better steel and contribute to better lives for people.



President: He Wenbo

## Company Profile

Baosteel Group Corporation (hereinafter referred to as Baosteel), which is currently the most competitive iron and steel complex in China, is the global partner of the Shanghai Expo and the general supplier of steels for the big event. With business revenue of RMB 195.3 billion, total profit of RMB 14.9 billion, total assets of RMB 402 billion, net asset of RMB 243 billion, and totally 106,914 employees, the corporation ranked the 220th among the Fortune 500 in 2009, the sixth consecutive year for such honor it has received. In the same year, it was also the only Chinese enterprise that was awarded the title of "World's Most Admired Company". The total steel production of Baosteel was 38.87 million tons in 2009, ranked the 3rd among the steel enterprises all over the world.

The construction of Baosteel commenced in Shanghai on Dec. 23rd, 1978. In November 1998, Baosteel, Shanghai Metallurgical Holding Group (SMHG) and Meishan Iron & Steel Co., Ltd. were reshuffled and consolidated. In 2006, Xinjiang Bayisteel was reorganized. In 2008, Baosteel, Guangzhou Iron & Steel Enterprises Group and Shaoguan Iron & Steel Group were reorganized and established Guangdong Iron & Steel Group Corporation, and Zhanjiang Steel Manufacture Base was built up at the same time of discarding backward production facilities. In March 2009, Baosteel took over Ningbo Steel Company.

In recent years, focusing on the chains of steel supply, technique and resource utilization, Baosteel has strengthened the integration of internal and external resources, raised competitiveness and status in the industry. The business structure incorporating steel production as the main part and other related sectors has been created.

The steel business of Baosteel was based on producing high-tech steel products with high added values. The three major product series, namely straight carbon steels, stainless steels and special steels, are widely used in industries such as automobile, home appliances, petrochemical, machine building, energy and transportation, construction and decoration, metalwork, aerospace and aviation, nuclear energy and electronic devices, etc. Baosteel's products are selling well in domestic and foreign markets through the sales network around the world. It not only dominates the domestic steel plate market but also exports the quality steel products to more than 40 countries and areas including Japan, Korea and other American and European countries.

Baosteel attaches great importance to environment protection and pursuit sustainable development via clean production and recycling economy. It is the first to gain the ISO14001 Environmental Quality Certification in metallurgical industry in China and also the first to be awarded the title of National Environmental-friendly Enterprise in both Shanghai and the Chinese metallurgical industry.

In 2004, Baosteel and the other two Chinese enterprises were the first to join the Global Compact. In 2006, Baosteel became the second Chinese company that joined the World Business Council for Sustainable Development (WBCSD). It is also one of the earliest WBCSD members in global steel industry.

Baosteel is dedicated to social welfare services and always takes responsibilities in and contributes to society development. The Baosteel Education Foundation and the China Baosteel Environment Prize Foundation have been set up. In addition, the company has donated money to the Hope Project, Antarctic Great Wall Station and Kunlun Station, sent relief to Wenchuan Earthquake areas and Taiwan tsunami-stricken areas, and offered one-to-one aid to Puer of Yunnan Province and Zhongba County of Tibet, injecting strong incentive for the local economic development and social stability.



## Corporate Leadership Board of Directors



Chairman: Xu Lejiang



Vice-Chairman: Liu Guosheng



Director: He Wenbo



Outside Director: Victor K. Fung



Outside Director: Stephen Lee



Outside Director: Wu Yaowen



Outside Director: Yang Xianzu



Outside Director: Xia Dawei



Outside Director: Gan Yong



Outside Director: Jing Tianliang



Worker Director : Wang Jinde

Director Yang Xianzu's tenure expired in August 2009.

## Senior Managers



Chairman & Member of Party Standing Committee: Xu Lejiang



Vice-Chairman & Secretary of Party Committee: Liu Guosheng



Director, President & Member of Party Standing Committee: He Wenbo



Deputy Secretary of Party Committee: Ouyang Yingpeng



Vice President & Member of Party Standing Committee: Zhao Kun



Member of Party Standing Committee: Ma Guoqiang



Secretary of Party Discipline Committee & Member of Party Standing Committee: Liu Zhanying



Vice President & Member of Party of Party Standing Committee: Fu Zhongzhe



Vice President: Dai Zhihao



Vice President: Zhao Xia

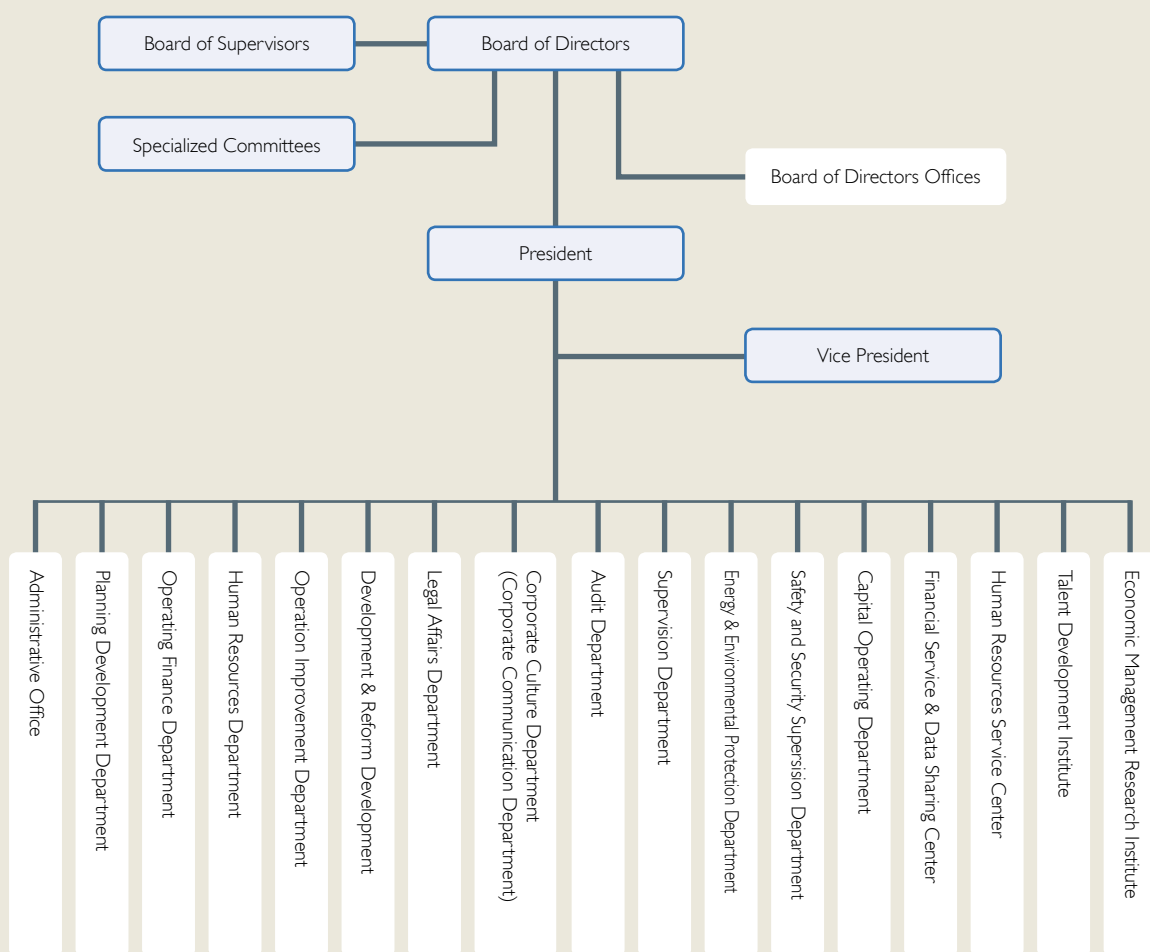


Vice President: Zhou Zhuping



Board of Directors Secretary: Wang Li

## Organization Structure



## Social Responsibility Strategy & Organization Structure

### Corporate Vision

Corporate mission: Become a world-class supplier of steel products, technologies and services.

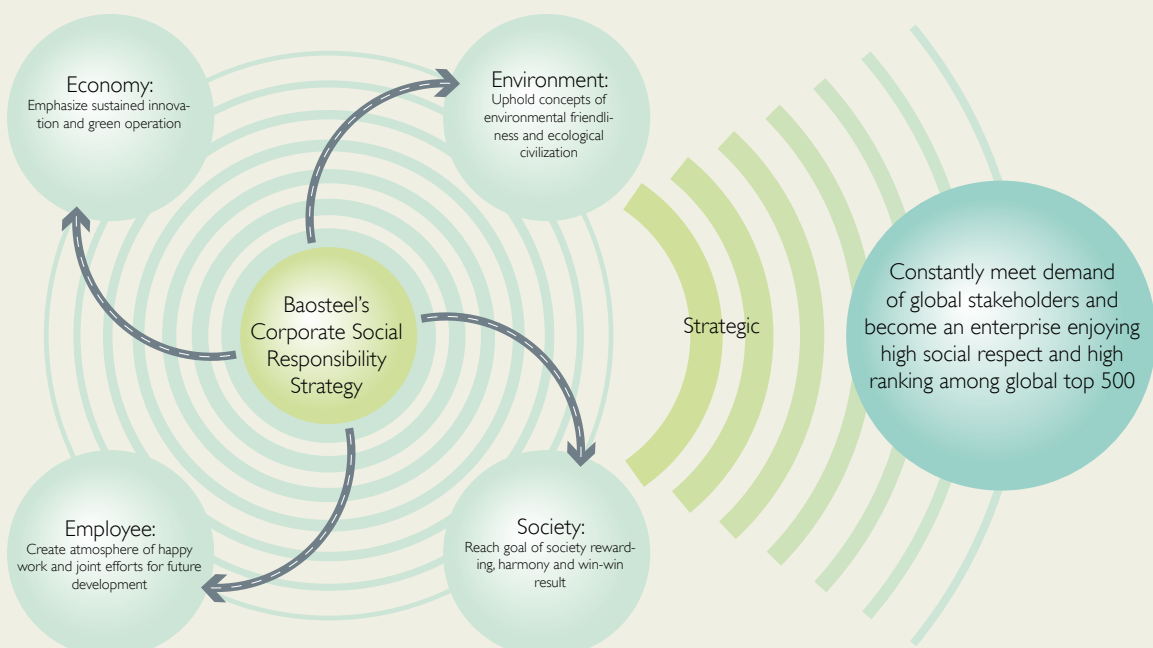
Core value: faithfulness, cooperation, and pursuit of corporate value maximization.

Strategic goal: Become a world-class international public company, an outstanding one of the global top 500 enterprises and one of the world's three most competitive steelmakers, which boasts of proprietary intellectual properties, strong overall competitiveness, high social respect, particularly strong competitiveness in one business, and coordinated development in diverse related businesses.

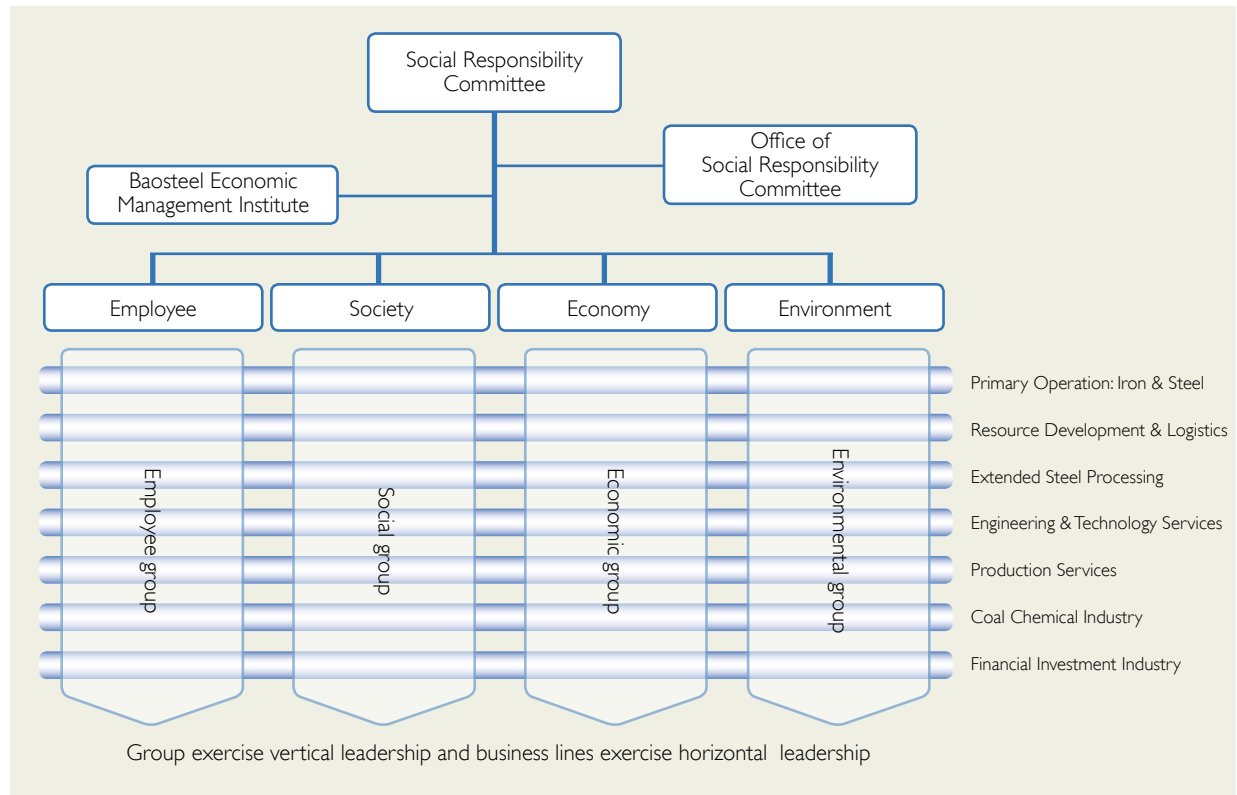
### Social Responsibility Strategy

As an important component of its corporate strategy, Baosteel's social responsibility strategy represents an interpretation of the "high social respect" and "particularly strong competitiveness in one business and coordinated development in diverse related businesses". The social responsibility strategy emphasizes sustained innovation and green operation, upholds the concepts of environmental friendliness and ecological civilization, create atmosphere of happy work and joint efforts for future development, and pursues the goal of society rewarding, harmony and win-win result. By so doing, Baosteel strives to constantly meet the demands of its global stakeholders and become an enterprise enjoying high social respect and high ranking among global top 500.

Structural Diagram of Baosteel's Social Responsibility Strategy



## Organization Structure



### Baosteel Model: “Front Shop & Back Factory”

Under the guide line of incorporating social responsibility performance into daily corporate operations, Baosteel in 2009 continued to improve its social responsibility system. On the basis of the existing Social Responsibility Committee and the four working groups established along the lines of environment, economy, employee and society, the Baosteel Economic Management Institute was also incorporated into the organization system. The institute was in charge of studying the corporation's sustainable development strategy and provided forward-looking theoretical researches for the realization of sustainable development. Its research results were provided to the line-based functional departments for reference. This combination of off-line research and online promotion in social responsibility was figuratively called the Baosteel's “front shop and back factory” model.

### Explore New System for Environmental Operation

Because of global climate change, energy conservation, emission reduction and environmental protection have become a great concern to the world. This is a need of development, a choice of humanity and an inevitability of history. Accordingly, how to pursue coordinated and sustainable social and economic development is a major topic of strategic, overall and historic significance to humanity. As a world-class enterprise, Baosteel has a clear line and action of its own. Currently, it is exploring a new system for “environmental operation”. In combination with the existing social responsibility system, Baosteel attempts to blaze a new trail for the low-carbon development of the high-carbon steel industry.

### Introduce Environmental Operation Strategy

Environmental operation refers to a process to incorporate environmental protection into the whole process of corporate operation and management and also a corporate operation to integrate environmental protection with corporate development. Environmental operation permeates through all aspects of corporate operation, from raw materials procurement to product design, production, marketing, consumption and recycling.

Baosteel's basic guidelines for environmental operation are: correctly understand and firmly foster the concept of environmental operation; create a green Baosteel system for environmental operation; pursue differentiated roads for green production and low-carbon economy to produce green and environment-friendly products; use energy conservation, emission reduction, low-carbon economy and integrated resource utilization to promote the industrialization of Baosteel's equipment and technologies for energy conservation and emission reduction and its technologies for integrated resource utilization; dare to assume social responsibility, actively reward society, build a fine social image and establish harmonious community and society.

## Communication with Stakeholders

Stakeholders	Way of communication	Stakeholder's expectation for Baosteel
<b>Government &amp; investor (SAAC)</b>	Laws & regulations; Publish policy instructions; National & ministerial meetings, & implement guidelines; Issue & implement documents; Regular work reports; Day-to-day work communication; Reports & statements; Visits.	Emphasize lawful operation & good faith; Continue to boost sustained profitability, & preserve and increase value of state-owned assets; Truly improve products & services; Intensify resource conservation & environmental protection; Promote independent innovation & technological advance; Ensure industrial safety; Safeguard employees' legitimate rights & interests; Contribute to social charity & reward society.
<b>Strategic partners</b>	Contract execution; Mutual high-level visits and meetings; Regular meetings.	Seek win-win results with Baosteel through close strategic cooperation.
<b>Customers</b>	Satisfaction rate survey; Customer symposiums; Mutual high-level visits; Day-to-day communication.	Provide constantly improved products and services.
<b>Employees</b>	Labor contracts; Reasonable suggestions; Collective negotiations; Reading materials, Meetings; Employee forums; Meetings of employee representatives.	Common growth of enterprise & employees; Better welfare & fair promotion opportunities; Good working environment.
<b>Suppliers</b>	Agreements & contracts; Regular visits; Meetings; Negotiations.	Grow together with Baosteel, form long & stable cooperation and receive reasonable returns.
<b>Communities</b>	Support community construction; Support community cultural, sports and art activities; Protect community environment; Organize volunteer activities.	Communities & enterprise develop together; Make sure to provide safe & healthy environment for communities.
<b>NGOs</b>	Join associations, fill in positions and pay membership dues; Sponsorships; Actively participate in organized activities.	Play active roles in professional areas of social responsibility of associations or organizations.
<b>Media &amp; the public</b>	Press conferences; Media briefings; Information communication activities; Communication through telephone, mail and fax information; Day-to-day messages, calls and visits; Websites.	Stick to sustainable development road and become model in performing social responsibility as a representative enterprise in China's steel industry,

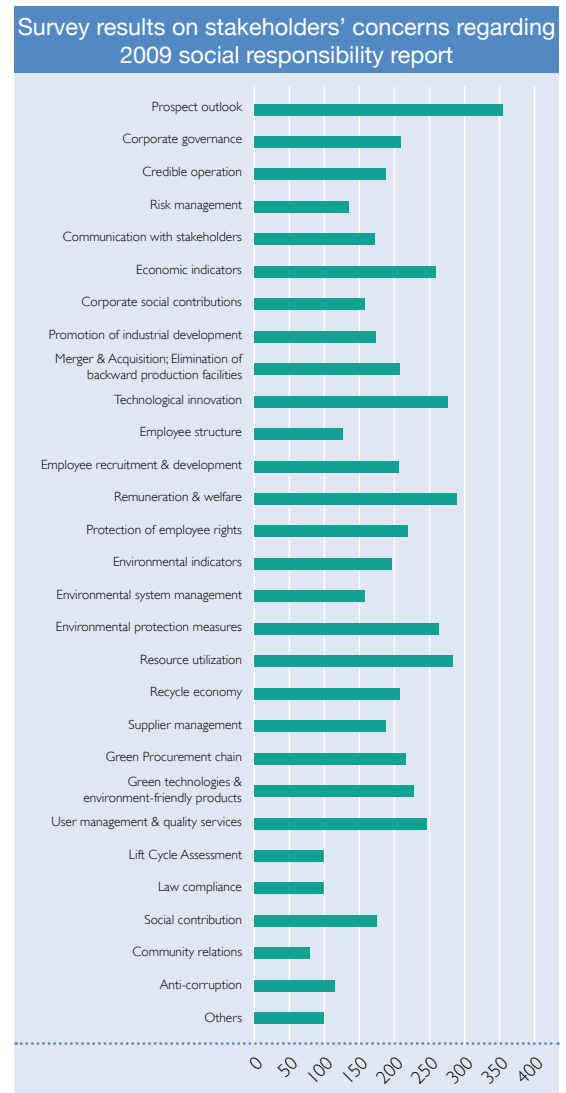
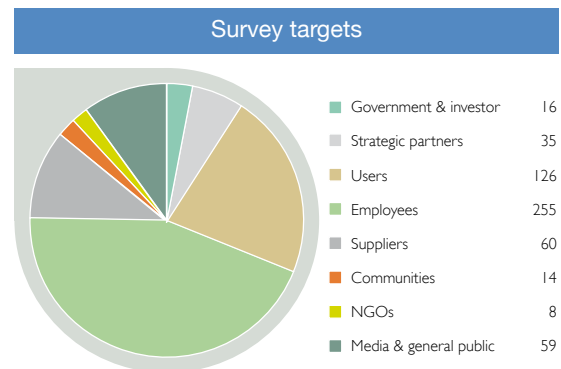
All the publicly listed companies under Baosteel Group conduct liaise with all types of investors through special telephones, reply messages to investors, IR email, texted alerts and announcements, investor visits and receptions, IR website construction, regular (on-line) performance publishing, major event road shows, investor conferences, "one-on-one" exchanges, general meetings of shareholders, media briefings and many other ways so as to maintain full and timely communication with Chinese and foreign investors and industry analysts.

## Opinion Solicitation for 2009 Report

The publication of Baosteel's first Social Responsibility Report drew considerable reaction from stakeholders. In order to improve the 2009 report on social responsibility, increase its readability and meet stakeholders' demand for information disclosure, Baosteel surveyed social concerns regarding social responsibility through its official website, questionnaires and telephone calls, before it began to compile this report.

In this investigation, 745 questionnaires were distributed, of which 574, or 77%, were returned. Based on the survey result, we adjusted the ratio of information disclosure and increased the amount of data disclosure so as to meet the demand of all stakeholders for information disclosure.

Baosteel's method	Main indicators (page)
Upholding the concepts of people first and scientific development, Baosteel not only pursues economic efficiency but also is responsible to stakeholders and the environment. It coordinates corporate	P18, P28
Widen & deepen cooperation in course of expansion through acquisition.	P6, P18, P19
Conduct customer satisfaction investigation & use early intervention to meet customer demand.	P48
Career development plan; Green & golden apple personnel training programs; Briefings on situations & tasks; Baosteel's Educational Materials on Situations & Tasks; "Bridge" forum.	P29-P37
Introduce sunshine procurement plan, build long-term stable supply chains, create open and transparent procurement atmosphere, and support development of small and medium-sized enterprises.	P46
Offer targeted poverty reduction support to Yunnan and Tibet.	P41
Actively participate in social responsibility-related activities in environmental protection, economic development and social progress.	P38, P39
Strive to become "highly-respected" enterprise and publish information about social responsibility performance in time.	P14





# Superb Governance & Faithful Operation

## Corporate Governance

Baosteel was the first one selected from all large and medium-sized state-owned enterprises for the experiment on the board of directors system. Since Baosteel began the experiment in October 2005, it has established a whole set of systems on the work of the board of directors. They included the *Articles of Association of Baosteel Group Corporation*, the *Rules of Procedure of the Board of Directors*, and the rules of procedure of the special committees. With the continuous improvement of the operating mechanism of the board of directors and the standardization of the meeting system and resolution mechanism of the board of directors and the special committees, the board of directors has been operating in an efficient, standard and orderly manner.

The board of directors occupies a core position in corporate governance and exercises powers strictly in accordance with the *Articles of Association*. All board members have taken maximization of investors' interests as their task, actively participated in corporate decision-making, and offered independent and objective opinions. As a result, an operating mechanism has been established according to modern corporate system, which features the performance of duty by each branch, the check and balance between branches and the coordination among all branches.

### Board of Directors

Baosteel Group Corporation formed its second board of directors in January 2009. It comprehensively summarized the operational experience of the first board of directors, further improved the *Articles of Association* and the *Rules of Procedure of the Board of Directors*, improved the mechanism for special committees to help the board of directors in decision making, and specified the authorization and decision-making mechanisms for the investors, the board of directors and the management in accordance with the principle of "proper authorization, level-to-level decision making and effective supervision". All these efforts were designed to ensure the board of directors could make decisions scientifically and efficiently. In 2009, the organization, personnel and work of the board of directors were as follows:

The second board of directors established a risk management committee to strengthen its management of major risks.

To further optimize the structure of the board of directors, Baosteel increased the ratio of outside directors. With Gan Yong and Jing Tianliang being engaged as outside directors, the second board of directors increased its members from nine to eleven and in particular its outside directors from five to seven.

### Board of Supervisors

Baosteel formed the fourth board of supervisors in September 2009. The board members were as follows:

Chairman: Luo Han  
Director: Chen Qiliang  
Deputy Director: Lv Pin

In accordance with the *Company Law*, the *Provisional Regulations on the Board of Supervisors of State-Owned Enterprises* and other laws, the board of supervisors carried out supervision and inspection over the corporation and especially over the operations of the board of directors, the duty performance of the directors and the management's execution of the resolutions of the board of directors, and exercised current supervision over the process of decision making, the execution of decisions and the major operational activities. This has effectively safeguarded the safety of state-owned assets, promoted the improvement of corporate operation and management, and standardized the operational behaviors of corporate leaders.

		2007	2008	2009
Board of Directors	Number of meetings held	9	6	8
	Number of matters reviewed	42	40	37
Executive Committee	Number of meetings held	4	3	3
	Number of matters reviewed	12	12	10
Special Committees	Number of meetings held	11	10	9
	Number of matters reviewed	19	17	16



## Management Reform

### Meet Demand of New-Round Development Strategy

In August 2007, Baosteel introduced a new-round development strategy and clearly defined the basic strategic principle: in keeping with the main line of future development highlighting "scale expansion", Baosteel would switch from the "quality product strategy" to the "quality product + scale strategy" and its mode of expansion would switch from emphasizing "new construction" to emphasizing "combination of acquisition with new construction". The aim was to drastically increase Baosteel's overall competitiveness and turn it into a leader in developing China's steel industry. This basic strategic principle puts forward many new ability requirements for the management of various fields and especially for the headquarters, the strategic center of the group corporation. Only when Baosteel possesses these abilities can it build a highly efficient and professional headquarters and achieve the governance goal of the whole group.

### Expedite Management Reform by Financial Crisis

The global financial crisis that broke out in the United States in September 2008 produced serious impacts on China's steel industry. Meanwhile, China's steel industry had a serious overcapacity and was engaged in growingly fierce homogenized competition. To maintain its advantage in fierce market competition, Baosteel must reform its management of steel production so as to quicken market reaction, increase decision-making efficiency and clearly define management responsibilities. In addition, the headquarters must also make appropriate adjustments to strengthen functional control.

The above reforms have effectively strengthened the strategic control function of the headquarters, shortened the reporting chains of the group headquarters and the Baosteel Co., Ltd., clearly defined the relevant management responsibilities, cut the management expenses, quickened the marketing system's reaction to markets and customers, and increased the operational efficiency.

### Specific Measures for Management Reform

1. The headquarters of Baosteel Group formally began to implement the management reform plan in May 2009. While 14 functional departments were restructured into 10 functional departments and one business department, 45 management functions were restructured into 32 management functions and two business functions. A single position system was introduced for all departments, the reporting chains were shortened to no more than three levels, the personnel and financial affairs were stripped off, and the off-line researches were strengthened.
2. Baosteel Co., Ltd. effected vertical management integration at the end of April 2009. The level of Baosteel subsidiaries was abolished, and Baosteel Co., Ltd. began to directly manage all the business operations of the abolished subsidiaries. In addition, the organization structure was also streamlined and optimized to further simplify structural setup and management process and enhance operational efficiency.
3. To clearly define the operational responsibilities and fasten the speed of market reaction, Baosteel Co., Ltd. established product business departments respectively for the three major categories of stainless steel, special steel and steel pipes from March to July 2009. It also introduced a product business department system that has clearly defined operational responsibilities and profit and loss targets, and combines production with supply, marketing and research.
4. To further increase the decision-making efficiency of the marketing system and quicken the speed of reaction to markets and customers, Baosteel Co., Ltd. in June 2009 abolished the sales center and established the marketing management department, the sheet sales department, the auto sheet sales department and the product development department to flatten the marketing system.

## Faithful Operation

### Principle of Good Faith

As a result of nearly 31 years of construction and development, Baosteel has formed a unique corporate culture, highlighting the spirit of strict demand, the road of learning and innovation, and the goal of striving to be first-rate and emphasizing the basic values of "credibility and coordination". This is a cultural accumulation of Baosteel's reform and development and a valuable spiritual wealth. Being the soul of corporate development, corporate culture is a carrier of an enterprise's value preference and code of conduct and a condensation of its common tenets and overall strength. It can motivate the career pursuit and work enthusiasm of its employees and promote sustained corporate development.

To Baosteel, "credibility" is a basic value, a core cultural content and also a prerequisite for it to develop int

### Good Faith Construction

Baosteel built credibility in the following main areas:

1. Conduct credibility training for all employees, use credibility cases to educate and regulate employees, and actively create an "credibility for all" public opinion atmosphere.
2. Incorporate credibility into management, form a credibility management process, establish a credibility management group, formulate an employee credibility handbook, and promote the management of credibility education and training, credibility commitments, credibility evaluation, credibility services, and credibility records and files.
3. Further strengthen rules and systems, prevent the phenomena of having no rules to comply and failing to remedy noncompliance, and properly address the absence of credibility arising from system flaws.
4. Strengthen information management to provide necessary technical support for credibility management. Thanks to the efforts in recent years, the basic concept of credibility culture has been effectively popularized and won the universal recognition of all subsidiaries and employees.

### Credit Management System

### Excellent Assets Quality & Sound Capital Structure

Baosteel Group established a strict credit management system and thus won favorable comments from various quarters in the areas of customer credit, creditor's right guarantee and contract management.

Entrusted by the People's Bank of China, the Far East Credit Rating Co., Ltd. made field investigation, data collection and data estimation in December 2009 over Baosteel's corporate quality, financial structure, debt-servicing ability, operational ability, operational efficiency and development prospect. After being examined and evaluated by a professional rating committee, Baosteel's credit rating continued to be AAA.

## Enterprise Risk Management

In order to effectively respond to the financial crisis and support its strategic development, Baosteel in 2009 effectively enhanced its capacity to prevent major risks. Relying on the existing management system, it further promoted Enterprise risk management by focusing on the major risks of supply chains, accelerating the effective transmission of macro risk signals and carrying out risk-oriented internal control and effective evaluation.

### Organization system Risk Management

Baosteel Group was one of the first central enterprises slated for the experiment on the board of directors system by the State-Owned Assets Supervision and Administration Commission of the State Council. The company's *Enterprise Risk Management System* provides, "As the ultimate decision-maker and supervisor over major risks of Group Corporation, the Board of Directors is in charge of the establishment, improvement, effective enforcement, and inspection and supervision of the corporation's enterprise risk management system." Under the board of directors, Baosteel established a risk management committee, which would be mainly responsible for inspecting and supervising the construction and operation of the all-round risk management system. It also set up a leading group for all-round risk management, which would be responsible for implementing risk management at the management level. The operation improvement department was the general management department for risk management, which in turn established a risk management function with full-time staffing. All Baosteel's level-one subsidiaries established leading groups for all-round risk management, which would make decisions on major risk management tactics and risk solutions. They also incorporated risk management into their management systems for continuous improvement. Besides, specific departments, duties and personnel were arranged for enterprise risk management.

### Internal Risk Control System

Currently, Baosteel has established an internal control system, which defined the method, process and duty of internal control management. It also has formulated management documents on strategic planning, organizational management, investment management, financial management, human resources management, information management, legal affairs management, risk management, performance management, secondary business reform, public relations, audit, supervision, safety, health, environmental protection, energy conservation, administration and other business areas. It has conducted internal control evaluation for two consecutive years by establishing the process of international control evaluation, formulated the standards and report templates for internal control self-evaluation, and established a professional force for internal control evaluation. In addition, the headquarters and subsidiaries have all compiled internal control handbooks and built three defense lines for risk prevention and control.

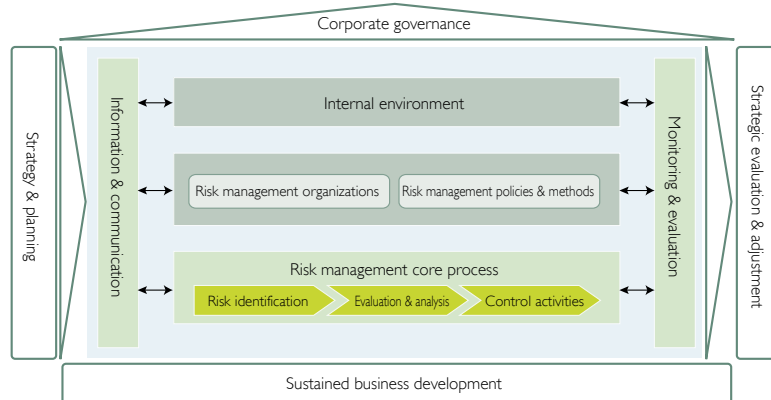
First, all business units constitute the first defense line and are responsible for online risk control, including risk identification, risk evaluation and risk response. They are also responsible for the self-evaluation and continuous improvement of their risk control and for the incorporation of risk control measures into their document systems and information systems.

Second, the risk management departments work as the second defense line and are responsible for management and promotion, including overall planning, plan arrangement, progress inspection and the summarization and popularization of best practices. By compiling enterprise risk management annual reports, they identify and evaluate major risks in the next year and formulate control tactics and solutions. By holding quarterly meetings on risk management promotion, they track and evaluate major/important risks and maintain risk files. Through best practices and in conjunction with legal

disputes, major business losses, major illegal cases and other risk cases already occurred, they make timely summarization and analysis, organize compilation of special risk control standards and improve internal control standards and training materials so as to constantly build their internal control capacity.

Third, the audit departments serve as the third defense line and are responsible for supervising risk control, effectively inspecting risk management, putting forward improvement proposals and tracking down on rectifications.

Baosteel's Framework for All-Round Risk Management



## Risk Management

To summarize experience and lessons in financial crisis response, improve risk management planning in 2009 and compile enterprise risk management functional planning and its *Enterprise Risk Management Report*, Baosteel identified 11 major risks and 11 important risks in how to effectively boost the capacity of the risk management system and address the financial crisis.

In conjunction with a new-round six-year planning, Baosteel has defined its work targets, unified its ideology, focused on the prevention of major risks of supply chains, improved dynamic evaluation, and cultivated the ability for early discovery, determination and decision making on the major risks of supply chains.

### 1. Focus on major risks of supply chains and explore working mechanisms for enterprise risk management

In keeping with the overall requirements of the board of directors, Baosteel focused on the supply chains of the core business of iron and steel, clearly defined personnel, targets and points of time, and further promoted enterprise risk management. In 2009, the priority was to promote risk control on the key links of supply chains: credit management, product development and raw materials procurement. It also defined control targets, early-warning mechanisms, contingency plans and responsibility systems for major risks, established corresponding dynamic evaluation mechanisms and popularized mature risk control models in similar business areas.

### 2. Accelerate effective transmission of macro-risk signals and preliminarily form group-wide mechanism for market information sharing

Steel industry is closely related with macroeconomic cycle. In order to strengthen the tracking and research on macro market risks, Baosteel took the Economic Management Institute as platform to fully tap the market information and industrial research resources of various units within this Group. As from July 2009, Baosteel held top-level macroeconomic analysis meetings to strengthen research and judgment on macroeconomic situation and on laws governing steel industry's operation, increased capacity to grasp and respond to market changes and provided support to all subsidiaries in working out their market response measures in advance.

### 3. Conduct risk internal control and effectively carry out internal control evaluation

In keeping with the reform of Baosteel headquarters, on the basis of the existing management systems and in conjunction with the *Practical Guidance for Corporate Internal Control (2009 draft)* worked out by the Ministry of Finance, Baosteel revised and published the Internal Control Handbook (second edition). It used risk cases to further improve the *Internal Control System Self-Evaluation Standards CSA2.0*, which added special evaluation requirements on credit, entrusted processing and inventory, and used risk control to guide annual internal control evaluation.

## Internal Audit System

Since Baosteel formally established an audit institution in 1987, it has always upheld the principles of independence, objectivity and impartiality in its internal audit. The aim was to help increase value, enhance operational efficiency and eventually realize corporate targets. Internal audit has played important roles in maintaining the internal economic order, improving the corporate governance structure, strengthening risk control, preventing the loss of state-owned assets, and standardizing operation and management. In 2009 alone, Baosteel's internal audit system carried out 287 audit items and made 2,514 audit proposals, which effectively reinforced the "third defense line".

### Audit Team

Baosteel's internal audit system had 142 full-time audit personnel, mostly specialized in finance and economics. In addition, the system also had personnel who are professionally mature in engineering management, corporate management, computer science, law, and metallurgy. In particular, 21 people were internationally certified internal auditors (CIA) and 11 were certified public accountants (CPA). In addition, the system also had certified tax agents, certified cost engineers, certified consulting engineers, certified class-A architects, and certified senior risk managers.

Besides, Baosteel's internal audit system also had a strong team of special audit commissioners. Being experts with strong professional skills and rich professional knowledge, these audit commissioners mainly participated in professional consulting, professional training and cooperative audit items and provided effective support for the efficient operation of the internal audit system.

### Working Mechanisms

Baosteel's internal audit system upheld the working principle of "going beyond account books and deep into processes" and systematically planned its audit work in keeping with Baosteel's overall operations. Currently, audit work focused on nine major categories of business operations: the audit of financial receipts and payments, the audit of economic responsibilities, the audit of engineering project costs, the audit of the financial final accounts of engineering project completions, the audit of the transfers of state-owned property rights, the audit of internal control, the audit of management efficiency, the audit of information system and the special audit.

In 2009, Baosteel also carried out the audit of investment project feasibility study and the audit of post-evaluations on an experimental basis. In 2009, Baosteel's internal audit system optimized and improved the relatively mature working mechanisms for financial audit and investment audit, planned and established the working models for management audit on an exploratory basis, and defined management audit as "preventing internal control risks, supporting strategic control guidance, providing management value-adding consulting and verifying resource allocation efficiency". At the same time, it established the contents and implementing processes for management audit and formed six supporting working mechanisms for management audit information sources and project correction. On this basis, it established a complete set of systems for management audit and at the same time carried out 57 audit items including the audit of finished product inventory management, the special audit of wastes management and the audit of energy management. In all, it put forward 709 management proposals.

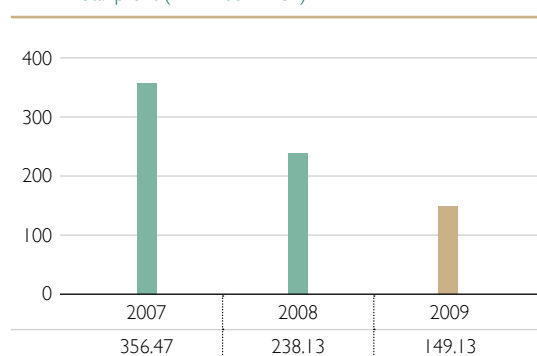
Also in 2009, Baosteel's internal audit system also established three major support mechanisms for audit work: the support mechanism for digital audit designed to elevate audit project management and information sharing, the "audit result-oriented" mechanism designed to expand the application of audit results and lead to self-improvements, and the support service mechanism designed to provide subsidiaries with value-added services through the provision of the efficiency audit services, audit case template sharing and key risk monitoring alerting.

## Value Creation

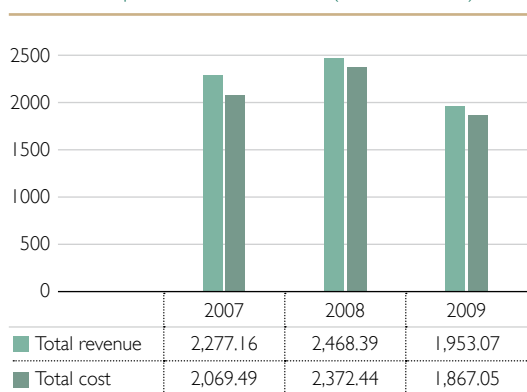
### Direct Economic Performance

In early 2009, the U.S. financial tsunami seriously affected the global economy and brought a downturn to the Chinese economy. As a result, the demand of the downstream industries was sliding and steel prices became visibly lower. Thanks to the joint efforts of its employees and with the close cooperation of its strategic partners, Baosteel's production and operation remained steady on the whole. In 2009, the sale of semi-finished commodity products totaled 37.76 million tons, the operational revenue RMB 195.3 billion and the profit RMB 14.9 billion. That was the best performance in the global steel industry.

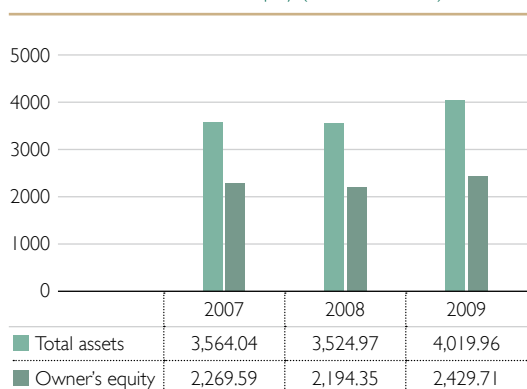
■ Total profit (RMB 100 million)



■ Total operational revenue & cost (RMB 100 million)



■ Total assets & owner's equity (RMB 100 million)



### Corporate Social Contributions

Unit: RMB 100 million

	2007	2008	2009
Total employee emuneration *	79.9	91.9	88.9
Net interest payment	20.2	32.7	12.6
Payable value-added tax	103.6	102.4	67.4
Product sales tax	18.2	20.6	10.4
Payable income tax & other taxes	123.6	100.7	70.3
Net profit	254.7	182.5	121.8
<b>Total social contribution</b>	<b>600.0</b>	<b>530.8</b>	<b>371.4</b>

\* The total employee emuneration is composed of salary, labor insurance, pension and other social welfare spending.

## Industrial Advance Promotion

In 2009, five major steel producers, namely, Baosteel, WISCO, Anben Steel, Hebei Steel and Shasteel, produced 165 million ton steel, accounting for 29% of total domestic steel output. This was far lower than the 45% plan target set by the *Program for the Adjustment and Rejuvenation of Steel Industry* for top five domestic steelmakers. Therefore, continuing to eliminate backward capacities and promote acquisition and reorganization will still be an important task for China's steel industry. As the industry leader, Baosteel must earnestly uphold the scientific approach to development, implement the *Policy on the Development of the Steel Industry*, continue to eliminate backward production facilities, promote acquisition and reorganization, and lead the whole industry in seeking common advance.

### Eliminates Backward Production Facilities

Since November 1998, Baosteel, Shanghai Metallurgical Holding Group (SMHG) and Meishan Iron & Steel Co., Ltd. were reshuffled and consolidated. Baosteel has eliminated the iron-smelting capacity by 4.93 million tons (including 4.6 million tons of iron-melting capacity), the outdated steel-smelting capacity by 6.08 million tons, and the backward steel-rolling capacity by about 5 million tons.

In order to save energy, cut energy consumption and enhance environmental protection and market competitiveness, Baosteel helped Guangdong Province eliminate its backward steel-smelting capacity by 10.4 million tons in recent years. Meishan Steel, a Baosteel subsidiary, carried out equipment upgrading and transformation and product restructuring, and introduced large and efficient smelting equipment. In 2009, it eliminated two 1,250-cubic-meter furnaces with a combined iron-smelting capacity of 2 million tons.

### Merger & Acquisition

After Baosteel reorganized steel enterprises in Shanghai in 1998, acquired Xinjiang Bayi Steel Group Corporation in 2006 and established Guangdong Iron & Steel Group Corporation in 2008, it made a strategic reorganization in March 2009 of money-losing Ningbo Steel, under the cloud of the global economic crisis and grave domestic economic situation.

With the understanding and support of Hangzhou Steel Group Corporation and other cooperating parties, Baosteel dispatched a crack management team and offered both soft and hard inputs to help all employees of Ningbo Steel to tide over trials and tribulations. In this operation, Baosteel employed the operational tactics of low cost and high efficiency and combined standard state ownership with flexible private mechanism. In product orientation, Baosteel emphasized the products must be suitable instead of being novel, foreign and high-end, and emphasized the maximization of system efficiency. The 100-day integration program produced tangible results. Ningbo Steel began to make money in June 2009 and its profit began to rise steadily afterward. From March to December, Ningbo Steel posted 390 million yuan in profit, fully realizing the operational target set by Baosteel.

## Construction of Key Projects

2009 was an important year for China to implement the projects envisaged in the 11th five-year plan. Baosteel focused on independent technological integration and innovation, product import substitution, environmental protection, and key industrial support projects. Its investment in fixed assets totaled 21.86 billion yuan in the year. The Meishan Steel cold rolling project, the localization of U690 tubes special steel products, and other key projects were smoothly completed and put into operation.

### Meishan Steel's Cold Rolling

Meishan Steel's cold rolling mill was a major project for China to promote the localization of metallurgical equipment production. By joining forces with all relevant parties, Baosteel introduced an open model for integration and innovation. It undertook all-dimensional and whole-process independent integration, from project planning to putting into operation and testing, and from generating unit capacity to product variety and quality. It independently assumed risks and responsibilities.

The cold and hot continuous rolling equipment for large sheets was one of the 16 major sectors, whose localization was listed by the state as a priority of the 11th five-year plan. The *Implementing Plan of the State Development and Reform Commission for the Accelerated Localization of Large Metallurgical Equipment* explicitly defined Meishan Steel's 1420 cold continuous rolling equipment as a major support project for localization. The five-machine tandem cold rolling equipment, used by the Meishan Steel cold rolling project, was one with the highest precision ever produced in China. The technology and in particular the quality of ultra-thin sheets it produced were world-class. This mill had high technological contents and was difficult to design. In particular, the technology of its EIC control system broke the technological monopoly by a few companies.

Baosteel entered strategic cooperation with First Heavy, West Heavy, South Bearings, Baoling Heavy and other first-rate domestic producers through an open platform, which elevated Baosteel's capacity for core technology innovation and independent integration and realized localization and independent integration in the full sense. The production technology, used by the Meishan Steel acid rolling mill, was independently designed by Baosteel; its acid dressing machinery and equipment were produced by Baosteel Engineering Technology; its main machinery and equipment were undertaken by First Heavy; its hard and soft systems for EIC system were designed and integrated by Baosight Software. The first-ever system test in China was independently completed by a team of experts from Baosteel's cold rolling plant, equipment department and research institute, who were specialized in technology, machinery and control. It was a result of joint efforts of Baosteel Engineering, First Heavy and Baosight Software.

The independent integration and construction of the Meishan Steel cold rolling project was based on Baosteel's experience in engineering construction accumulated over the past 30 years and its proprietary technologies accumulated over the past 20 years in the process of cold rolling production and in the course of research and development. While 59 patents and 88 technical know-how were used, meticulous organization and bold innovation helped bring about two breakthroughs. It realized localization and independent integration in the full sense. Localization was reached on all links, from research, development, design and manufacturing to testing and operation, and in all areas, from technology and machinery to electrification, instruments and computers. Localization accounted for over 70% in value term. The EIC technology made major breakthroughs. For the cold rolling automatic control system, domestic enterprises, which used to participate in subcontracting, became the chief general contractors, responsible for the design, test and check of key technologies.

#### Special Steel's Localization of U690 tubes for Nuclear Power Plants

In accordance with China's overall strategic plan for a vigorous development of nuclear power and its demand for clean energies, Baosteel actively promoted the localization and industrialization of key materials for nuclear power plants and accumulated rich experience in research and production. The localization of U690 tubes, used by the nuclear power steam generators of Baoyin Special Steel Tube Co., Ltd., a joint venture established by Baosteel, the Jiangsu Yinhuan Precision Steel Tube Company and the China Guangdong Nuclear Power Group, was formally put into operation in December 2009. This indicated that Baosteel became the fourth enterprise in the world that could produce these tubes for nuclear power plants. It further advanced China's localization of key materials used for nuclear power, and broke the long-term monopoly by foreign companies. The U690 tubes, used by nuclear power steam generators, were a key special material used for mega KW nuclear generators, and could be produced for a long time only by a few companies in developed countries. The localization of nuclear power materials would help China rid itself from long dependency on foreign products.

#### Desulphurization Project of Baosteel Subsidiary's No. 3 Power Generator

The desulphurization project for the No. 3 power generator of Baosteel Co., Ltd. was launched in September 2008. It was a key technological transformation project and another environmental project of the Baosteel subsidiary after its No. 1 and 2 generators introduced the wet desulphurization technology. After it is completed and put into operation, it will greatly reduce the smoke, SO<sub>2</sub>, and NO<sub>x</sub> emissions of the No. 3 generator, alleviate pollution on surrounding areas and protect the environment. This project used the dry desulphurization technology for the first time in China. Compared with the wet desulphurization technology used by the No. 1 and 2 units, this dry technology had no special fuel requirement. When different coals and coal gases are mixed and burnt, this technology could effectively remove SO and drastically reduce NO. The integrated pollution control efficiency is tangible.

#### Transformation of Shanghai No. 10 Steel's Adjacent Areas

Shanghai No. 10 Steel was first built in 1956 at West Huaihai Road. Beginning from 1996, the company began to completely quit from steel-making, in keeping with the country's industrial restructuring policy and the strategy of "quitting from the secondary industry and entering into the tertiary industry". In 2005, Shanghai No. 10 Steel seized the opportunity arising from Shanghai's efforts to develop modern service industries in a big way, and turned itself into the "Shanghai No. 10 Steel Shanghai Creation Industry Concentration Area" by joining hands with the relevant municipal commissions and offices, the Hongfang Property Management and the Multimedia Industrial Park and through industrial heritage protection and function remodeling.

The innovative concentration area occupied 100,000 square meters of land, with a constructed space of 75,000 square meters. It comprised the Shanghai Urban Sculpture Art Center, the Art Creation Street, the Hongfang International Cultural Park and the Multimedia Park. Built on a former industrial site, the area combined history with modern commerce and became a new cultural landmark with great potentials. It was cited as Shanghai's best creation industry concentration area in 2007 and 2008 and as the New Shanghai No. 10 Steel Industrial Base for Visual and Cultural Arts in 2009.

To cooperate with the municipal government's transformation of Shanghai No. 10 Steel's surrounding areas and to further boost the city's image, Baosteel in September 2009 explicitly declared it would support this transformation and actively perform its corporate social responsibility. It agreed to allocate nearly half of Shanghai No. 10 Steel's land into Changning District's 71 neighborhood transformation project and retain only the Shanghai Urban Sculpture Art Center and the Hongfang International Cultural Community to continue to tap its brand value. The transformation of this rundown area affected the jobs of Shiteel's employees. Besides, Shanghai No. 10 Steel had to relocate commercial entities and build new houses.





## Technology & Management Innovation

	2007	2008	2009
Number of new technical patents	550	785	914
Amount of R&D input (RMB 100 million)	16.8	27.2	23.4
Ratio of R&D input (%)	1.01	1.09	1.18
Economic efficiency of research projects (RMB 100 million)	14.3	12.3	15.1
Economic efficiency of technology trade (RMB 10,000)	4415.3	4934.6	3039.3
Contractual value of technology trade (RMB 100 million)	5.0	5.7	1.1
Sales ratio of new products (%)	19.2	18.4	18.6

### Establish Technology Innovation System

In 2009, Baosteel established its management system for technology innovation, optimized its process of science and technology businesses, and overhauled its program for the development of technology innovation. It organized the compilation of a new technology innovation plan and identified key areas for making technological breakthroughs. It promoted the construction of bases for innovation and business creation, introduced the "golden apple program", and accelerated the training of technical leaders. It established a technology-sharing platform and elevated its overall technological capacity.

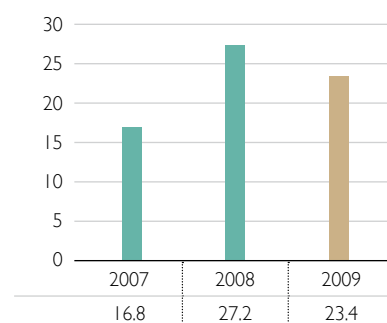
Also in 2009, Baosteel established three management systems for technology innovation. The *Regulations on the Management of the Key Support Projects for Technology Innovation* was designed to strengthen policy guidance and overall planning, speed up the cultivation of major core technologies that could become proprietary intellectual properties, promote the technology innovation and coordinated development of industrial chains, and boost its overall capacity for technology innovation. The *Regulations on the Management of Technology Innovation* was designed to standardize the management of technology innovation, establish and improve the system for technology innovation, enhance the capacity of the technology innovation system, elevate the core competitiveness, and pursue sustainable development. The *Regulations on the Management of Scientific and Technological Statistics* was designed to strengthen the management of scientific and technological statistics and to reflect its scientific and technological activities in a comprehensive, accurate and timely manner.

### Baosteel's 4th Conference on Technology Innovation and Forum on Cooperation among Enterprises, Universities and Research Institutions

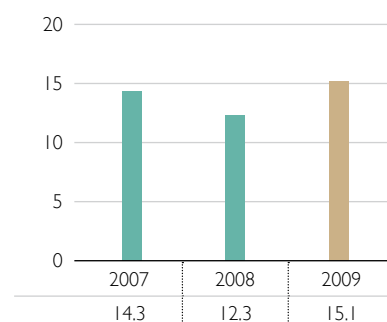
The fourth conference on technology innovation highlighted the theme of "moving out of crisis to elevate overall technological capacity and moving toward future to lead steel technology development". It was a meeting designed to define tasks for a new-round technology innovation, push forward technology innovation, implement the "technology first" strategy, pursue independent integration and innovation, elevate overall technological capacity and market competitiveness, and create a better future for Baosteel. Nine strategic customers and eight strategic partners were invited to attend the "shake hands with leaders" summit forum on the cooperation between enterprises, universities and research institutions. They discussed cooperation mechanisms and models, deepened Baosteel's "early intervention" service model, enriched the contents of this service, and extended from auto making to other businesses with a view to elevating the market competitiveness of Baosteel products.



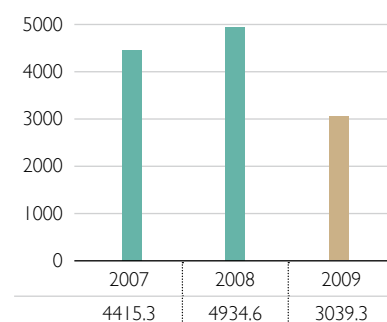
R&D input (RMB 100 million)



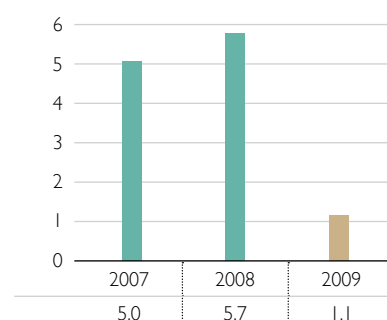
Economic efficiency of research projects (RMB 100 million)



Economic efficiency of technology trade (RMB 10,000)



Contractual value of technology trade (RMB 100 million)



## Environmental Performance

### Responsibility, Awareness & Reform

Baosteel encountered major opportunities and challenges in 2009. On the one hand, the impacts of the 2008 global financial crisis continued to exist. On the other hand, the state's 4-trillion-yuan investment package to address the financial crisis brought new development opportunities for Baosteel. However, no matter how external conditions changed, Baosteel remained unchanged in its resolve to perform corporate social responsibility and to protect the environment. What we in Baosteel pursued was a continuous rise in environmental management performance, a constant updating of environmental management concepts and an efficient operation of management organizations and institutions. While responsibility remained unchanged, what changed was more advanced concepts, more efficient management systems and more advanced performance.

#### Responsibility

In the year during which challenges and opportunities coexisted, Baosteel pledged to actively carry out environmental protection, improve the environmental look of its acquired enterprises, continue to enhance energy-use efficiency, reduce waste production, intensify waste recycling and utilization, implement the scientific approach to development, and promote sustainable social development. In the course of production and operation, Baosteel gave full consideration to maintaining harmony and unity with the natural and ecological systems, did everything it could to protect and improve the human living environment, and performed its duty to protect the environment as a social citizen. It continued to cooperate with relevant research institutions and units in promoting the research and application of its technologies for energy conservation and environmental protection, and became a leader in the new wave of technology innovation. It continued to digest and use advanced Chinese and foreign concepts and expertise for energy and environmental management and export its existing management models and expertise.

#### Awareness

Baosteel intensified the cultivation of employee environmental awareness. In 2009, Baosteel Co., Ltd. began to train its energy and environmental managers and standardize its energy management. This work, covering the whole company, was designed to elevate employee awareness in energy conservation. It also organized labor emulation and knowledge contests through trade unions and youth league committees to highlight energy conservation and environmental protection and to spread relevant knowledge.

#### Reform

To cope with the international financial crisis and the industrial changes thus arising, Baosteel in 2009 reformed its organization structure in light of the changed situation. In environmental protection, Baosteel also conducted a host of reforms, such as simplifying management levels and abolishing the department of environmental protection and resource utilization and incorporating its management functions into the department of energy and environmental protection. A two-level management was introduced, removing the middle one.



## Environment Management Performance

Baosteel always treated environmental protection seriously with a high sense of responsibility to society and humanity. It persistently pursued higher environmental performance. While emphasizing law abiding, it formulated internal environmental standards that were stricter than state laws and regulations, and strictly implemented them. All new projects, transformation projects and expansion projects must have no less than 5% environmental outlay. Each year, it used large amounts of funds for technological transformation and for the daily maintenance of environment technologies and equipment. By taking advantage of its own experience and technical know-how in energy and environmental management, it carried out technological transformation and management reforms in the enterprises it had acquired. This effectively improved their environmental performance.

In 2009, Baosteel Co., Ltd. was cited as Shanghai's model unit in energy conservation for 2008 and Meishan Steel as Nanjing's model unit in emission reduction for 2008.

Baosteel's energy and Environment Performance in 2009 was as follows:

	Baosteel Co., Ltd.	Bayi Steel	Ningbo Steel
<b>Steel enterprise's energy indicators*</b>			
Gross energy consumption (kgce/t-s)	599	712.75	639.30
New water consumption (t/t-s)	4.27	6.57	2.46
<b>Steel enterprise's aggregate emission indicators</b>			
Gross SO <sub>2</sub> emission (t)	26582.5	3436	8499
Gross waste water emission (t)	2286.6	282.4	1634.9
Gross waste water COD emission (t)	747.1	58	689
Gross dust emission (t)	12417.0	780.4	4819.2
<b>Steel enterprise's emission intensity indicators</b>			
SO <sub>2</sub> emission (kg/t)	1.11	0.76	1.57
Waste water emission (t/t)	0.96	0.98	1.17
COD emission (g/t)	31	20	128
Dust emission (kg/t)	0.52	0.27	0.89
<b>Steel enterprise's solid waste resource reutilization indicators</b>			
Solid waste resource reutilization rate (%)	98.52	88.74	26.7
Solid waste recycling rate (%)	25.38	22.86	12.1

\* Energy indicators use power equivalent coefficient.

## Environment Management System

### Management Principles

- Strictly comply with state laws, regulations and standards on energy conservation and environmental protection and implement international environmental conventions;
- Introduce stricter internal control standards and continue to reduce energy consumption and environmental impacts in the course of corporate production and product use;
- Improve production technologies, optimize energy structure, reduce energy consumption, and cut energy costs;
- Systematically transform newly-acquired production units in energy conservation and environmental protection, and maintain the company's overall level of energy conservation and environmental protection;
- Promote waste reduction, re-use and recycling, and raise recycled use efficiency;
- Care about stakeholders' opinions and demands and continuously improve the quality of community environment;
- Help partners to continuously improve in energy and environmental management and performance;
- Care about climate change, actively participate in domestic and foreign exchanges and cooperation on energy conservation and environmental protection, promote research, development and application of energy-saving and environment-friendly technologies, and improve the global ecological environment;
- Enhance employee awareness and ability in energy conservation and environmental protection and motivate all employees to participate in energy conservation and environmental protection.

### Management System Certification

Baosteel was the first enterprise of its kind to pass the ISO14001 environmental management certification. After the certification, it continued to strengthen the management of this certification. In recent years, it has pushed forward this work in a timely and enterprise way in the newly-acquired enterprises and the non-steel enterprises. Currently, all its steel-producing units have passed the ISO14001 environmental management certification.

In the meantime, the company has transmitted its concept of green operation to upstream and downstream enterprises by introducing green procurement and green marketing. This helped suppliers and customers implement their environment management system and helped suppliers standardize their environmental management.

### Environmental Risk Management

To comprehensively control the impact of environmental pollution, reduce pollutant emissions and minimize the harms of environmental accidents, Baosteel began in 2008 to introduce environmental risk management within Baosteel Co., Ltd. on the basis of Enterprise risk management. The principle of environmental risk management

was to minimize environmental risks and ensure the company's normal production and operation targets through the process of environmental risk point identification → evaluation and classification → management tracking and rectification improvement → re-identification → re-evaluation → re-management and re-rectification.

In early 2009, Baosteel worked out a plan for the management and control of environmental risks and backed it with a detailed plan of action. After then, it clearly defined the tracking mechanism and working principle for pushing forward the environmental risk project, set up an inter-departmental project group to push forward environmental risk management, and gradually developed a model for environmental risk control. Furthermore, it set project control targets and key risk indicators, identified environmental risk points in eight units, began researches on environmental risk management and collected domestic and foreign cases on environmental risk management.

#### Meishan Steel Clean Production Passes Examination & Acceptance

In 2009, Meishan Steel's clean production passed the examination and acceptance of Jiangsu Province and Nanjing City. The expert group heard briefings, reviewed the clean production examination reports from Meishan Steel and all secondary production units, and conducted field inspection on some key projects. Then the group gave a full affirmation of the achievements Meishan Steel made in clean production and approved the examination and acceptance.

### Energy & Environmental Systems

Baosteel improved its energy and environmental management systems. It investigated the energy conservation and environmental protection of the main second-level units, and established relevant systems on energy conservation and environmental protection.

In conjunction with energy conservation, emission reduction, environmental operation and personnel training, Baosteel carried out training in energy conservation and environmental management. The training contents focused on the deepening of energy management technologies, the application of energy-saving and environment-friendly technologies, the development of technologies for integrated side-line resource utilization, the deepening of social responsibility awareness, and the enhancement of employee quality and ability. The training forms included collective lectures, workshops, salons, and field visits. Meanwhile, Baosteel also carried out other employee activities such as self-management and labor emulation in energy conservation and environmental protection so as to motivate employees to participate in energy conservation and environmental protection.

Baosteel also conducted basic training to help various units to improve their professional competence in statistical statements, energy management system, energy audit, and energy-saving technologies.

It completed the compilation of the *2009~2015 Plan for Recycle Economy*.

#### Baosteel Develops Courses on Recycle Economy and Sustainable Development

Baosteel completed the compilation of four teaching materials in late March. Compiled by over 20 managers, experts and teachers from the company after a year of hard work, the four teaching materials are: *Recycle Economy and Baosteel's Sustainable Development*, *Baosteel's Energy Management Technologies*, *Baosteel's Environmental Management Technologies*, and *Baosteel's Technologies for Integrated Utilization of Industrial Solid Waste Resources*. This was an indication that Baosteel had made preliminary progress in developing curricula on Recycle Economy and Sustainable Development.

#### Baosteel Co., Ltd. Organizes Credentials Training for Energy Managers

Baosteel Co., Ltd. organized credentials training for nearly 300 people. The training was designed to improve the competence of its energy management professional team, elevate the professional qualification and operational ability of the energy management personnel at all levels, support the company to cut cost and boost efficiency, and elevate the company's energy management competence. The trainees included the energy managers of all level-2 plants and the energy management officers of all level-3 sub-plants. The training received strong support from the Shanghai Center for Energy Conservation Supervision.

#### Optimize Energy System

In light of the major changes in its 2009 production load, Baosteel Co., Ltd. developed a new model for dynamic energy management in keeping with the changing features of production organization. The model allowed centralized production suspension under low load, took lowest energy consumption as an important standard for production organization, and optimized the production mode of generating units.

Bayi Steel optimized the production system, rationalized energy use, and used the abundant coal gas from coke ovens, blast furnaces and converters to replace steam coal. This move reduced primary energy consumption and brought down furnace coal gas emission by 3.2 percentage points from the 2008 level. Bayi also actively tapped the potentials of the launched energy conservation projects and intensified the recycling of waste heat and waste energy. It strengthened supervision over energy conservation by introducing dynamic supervision over the evaporation, emission, dripping and leaking of energy media and by publishing the check results in the form of pictures on the office information net.

Ningbo Steel fully drew on Baosteel's resources and technological strength and found technological solutions to the bottlenecks of the energy system. Comparing with Meishan Steel and Baosteel Co., Ltd. in terms of working procedure and energy types, Ningbo Steel has identified the gap and found out the potentiality for improving energy efficiency. As a result, its energy cost was visibly lower and its energy consumption indicators were also brought under effective control.

## Response to Climate Change

As major CO<sub>2</sub> emitters, steel enterprises around the world account for 4~5% of global CO<sub>2</sub> emission. Currently, China has clearly incorporated climate change response into the national plan for economic and social development so that by 2020, CO<sub>2</sub> emission for unit GDP will be visibly reduced by 35%-40% over 2005 and the non-fossil energies will account for about 15% of primary energy consumption. Therefore, steel enterprises face considerable pressure for carbon emission reduction in order to address climate change.

At the end of the last century, Baosteel began to care about the issues of global warming and CO<sub>2</sub> emission reduction. Increasing energy efficiency and resource utilization efficiency and reducing fossil energy consumption have been an important direction for Baosteel to respond to global climate change. Proceeding from China's national conditions and the practical conditions of the steel industry, Baosteel has emphasized the application of advanced technologies and equipment, the substitution of high-efficiency and clean energies, the implementation of measures designed to conserve energy and reduce emission, the research on technologies for CO<sub>2</sub> recycling, utilization, absorption and solidification, and the study and management of CO<sub>2</sub> emission data. It has actively participated in international cooperation such as the Clean Development Mechanism (CDM) and the Asia-Pacific Clean Development and Climate Partnership (APP), and made important contributions to reducing CO<sub>2</sub> emission.

As China has set the target to deal with climate change, Baosteel will also further strengthen its response to climate change and CO<sub>2</sub> emission reduction from the perspective of its own strategic development. Its new development plan has announced to work out a low-carbon development strategy, carry out the computation and management of basic data about CO<sub>2</sub> emission, carry out research and development on low-carbon technologies, use green energies, and promote the application of advanced technologies for energy conservation and emission reduction. It will continue to make contributions to addressing global warming and reducing CO<sub>2</sub> emission.

#### Baosteel Maintenance Develops 2000-KVA Energy-Saving Transmitters

The first-ever 2000-KVA energy-saving electric transmitter developed by the transmitter team of Baosteel Maintenance for five months passed the model test and certification by the Xi'an High-Voltage Research Institute, a national certification institution for transmitter production. This marked that this company had the qualification to produce 2000-KVA energy-saving transmitters or those with lower specifications and had made a key step from transmitter repairs to transmitter research, development and production.

#### Baosteel's Technology for Coal Gas Utilization & Emission Reduction Wins National Award for Science & Technology Progress

On January 9, 2009, the conference on the 2008 National Award for Science and Technology Progress was held in the Great Hall of the People. Baosteel's technology for the utilization of sideline coal gas produced by steel enterprises and for the reduction of emission won the second prize of this award and became the first project in the smelting industry to win this special honor.

## Technological Exchange & Popularization

Baosteel has paid high attention to the exchange, popularization and application of energy and environmental technologies and management expertise by its steelmakers so as to elevate its overall level of technology and management. In 2009, the units within Baosteel recommended 33 key projects for energy and environmental management and technological transplant. They included the monitoring of the operation of the circulating water and the improvement of the water quality of Ningbo Steel, the diagnosis of the operation of the water treatment and diversion technology, the examination of the engineering design of the air-blowing drying project, the quality and cost management of the water system, the oil leakage of the blast furnace coal gas cabinet, the guide for the diagnosis of oil emulsification, and the guide for the fixed wind pressure and volume operating technology. Baosteel also guided Nantong Baosteel to complete the technological certification for its blast furnace coal gas boiler project and compile a special report. It also promoted the application of its slag tumble treatment technology in Bayi Steel and Ningbo Steel.

In the meantime, Baosteel also popularized the application of its own advanced technologies and management expertise for energy conservation and environmental protection in other steel enterprises in China so as to promote the overall progress of the whole industry. In recent years, it has redefined the development of the green industries from the perspective of environmental operation and introduced its own core technologies for energy conservation and environmental protection to foreign steel enterprises.

#### Head of World Steel Association's Technology & Environmental Department Visits Baosteel

At the invitation of the Baosteel Metal Institute, head of the World Steel Association's Technology & Environmental Department, paid a working visit to Baosteel on April 23.

During the visit, he briefed Baosteel's engineering and technical personnel on his latest explorations and work results in the technological and environmental areas and exchanged views with them on topics of common interest such as environmental protection and project cooperation. He spoke highly of Baosteel's efforts in environmental protection.

Energy center technology: Baosteel's energy center technology was designed to exercise unified, balanced and centralized management of all energy media through the expert system (information technology). This technology, focusing on the management of three "flows" (matter flow, energy flow and value flow), could not only reduce overall energy consumption and operational cost, but also enhance the efficiency of integrated energy utilization and production management.

In the next few years, the state will vigorously popularize the energy center management system in four major sectors: petrochemicals, nonferrous metals, building materials and steel. In July 2009, the Ministry of Industry and Information Technology issued the Plan for the Construction and Implementation of the Energy Management Centers by Steel Enterprises. Baosight Software participated in the compilation of the plan. In order to prompt enterprises in various sectors to build energy centers and help conserve energy and reduce emission, Baosight Software in November 2009 held a symposium on how to use energy centers to promote management and energy efficiency. The symposium sponsored by the Ministry of Industry and Information Technology and the China Iron & Steel Association was designed to make contributions to the environmental operation and sustainable development of the manufacturing enterprises.

In recent years, Baosteel has not only popularized the application of the energy center technology, but also actively introduced this technology and application experience to other steel enterprises.

The tumble slag treatment technology: In the course of engineering implementation, Baosteel has constantly improved the tumble slag treatment technology (BSSF) developed by itself, and became the first steel enterprise in the world to realize fast and clean slag treatment without letting slag falling to ground. This technology has not only been widely used in Baosteel, Masteel, Nanchang Steel and other Chinese steel enterprises, but also been exported abroad in 2009 and used by the JSW Steel Corporation in India, the Pohang Iron and Steel Corporation in South Korea and other foreign large and medium-sized steel plants.

## Key Energy & Environment Projects

In 2009, Baosteel undertook 29 of the projects specified by Shanghai and Baoshan District in the new three-year action plan for environmental protection, of which 13 were put into operation in the year.

Baosteel Co., Ltd. completed the phase-II engineering construction of the environmental monitoring system. The system covered the production plant, the stainless steel division, the special steel division, the chemical company, the medium-thick sheet subsidiary and the Meishan Steel Company. It monitored all major sources of pollution. The completion of the system greatly boosted the basic environmental management capacity of Baosteel Co., Ltd., made it possible for some signals to be integrated with government nets, for the monitoring information to be inquired online, for the environmental data to be filled, computed and inquired online, and for the environmental laws, regulations and technologies to be inquired and shared.

Baosteel Co., Ltd. established a model for the elaborate management of solid waste resources, designed to increase the recycling and use rate of solid wastes. This model revamped the sources, names, quantities of occurrence, quantities of utilization, purposes of utilization of the solid wastes of all plants and divisions, improved the treatment and utilization processes, and finally reached the goal of rational treatment, deep utilization and higher efficiency. To facilitate recycling, it classified solid wastes into 55 major categories, including zinc dreg, waste oil, waste cable, waste conveyor belt, used tire, used package container and waste copper. It also classified waste and used

spare parts into 47 major categories, including waste roller, waste tip, waste furnace grid, waste core rod, waste bearing and waste motor. The recycling partners, which would be managed and supervised, would be requested to swiftly recycle the waste and used materials and spare parts arising from normal production, annual repairs and accident repairs. They would be asked to classify recycled waste and used materials and spare parts so that they could be fully utilized in a new environment.

Bayi Steel formulated a contingency plan for flying dust in strong wind. Hardening roads, spraying to reduce dust in some materials grounds (stacker reclaimer areas) and using sprinklers or dust-covering nets and other control tools were used to strengthen control over flying dusts in new materials grounds. In addition, investment would be made to build standard sintering materials storage grounds, dust-removing system and pipe-sprinkling systems. RMB 10 million would be invested in landscaping new areas. The operation and maintenance of the monitoring equipment and environmental online monitoring equipment would be strengthened.

Ningbo Steel took a series of measures to control growingly serious unorganized flying dusts. By ensuring the normal operation of belt dust-proofing covers, dust cleaners and other facilities and by increasing the cleaning of dropped materials, organized emissions were brought under control. At the same time, dust-proofing nets were built around raw materials grounds to reduce wind speed so as to further control flying dusts on these grounds.

### Progress in Energy Conservation Projects

In 2009, Baosteel's investment in energy-saving technological transformation projects accounted for 7.1% of its total investment in technological transformation projects.

The projects that were completed and put into operation on schedule included the overhaul of the No. 1 heating furnace of Meishan Steel Company, the coal briquetting project of the medium-thick sheet subsidiary, the transformation of the circulating water system of the Meishan Energy Company, the coke drying quenching project of Bayi Steel, the coke drying quenching project for the 4.3m coke oven of Shaosteel, the transformation of the 142t/h boiler of Guangdong Steel, and the 15MW turbine generating unit of the blast furnace air blowing station of Ningbo Steel.

Comparing with Meishan Steel and Baosteel Co., Ltd. in terms of working procedure and energy types, Ningbo Steel has identified the gap and found out the potentiality for improving energy efficiency. As a result, its energy cost was visibly lower and its energy consumption indicators were also brought under effective control.

The forklift fuel transformation project of the Baoyin Metal Painting Company of Baosteel Metals and other projects were still in the stage of feasibility study.

#### Baosteel's RO Anti-Permeation Waste-Water Recycling & Deep Treatment Device Is Completed & Put into Operation

The world-advanced RO anti-permeation waste-water recycling and deep treatment device was completed and put into operation at the end of the year at the Baori Auto-Sheet Company. This device, which could realize deep treatment and re-use of waste water, could save about 800,000 tons of new water each year.

#### Bayi Steel's New Coke Ovens Realize Power Generation with Residual Heat from Coal Drying Quenching

The four 55-hole coke ovens of Bayi Steel all used the coke dry quenching device advocate by the state. This was an outstanding achievement made by the steel plant in transplanting the advanced technology from Baosteel Co., Ltd. This technology could produce tangible energy and environmental efficiency and economic efficiency.

### Progress in Environmental Protection Projects

In 2009, Baosteel's investment in environmental technological transformation projects accounted for 8.7% of the company's total investment for all technological transformation projects.

In all, 34 projects of this nature were completed and put into operation. They included the smoke desulphurization project of the No.3 generating unit of the plant directly under Baosteel Co., Ltd., the expansion and transformation of the dust removing system of the first smelting area, the smoke desulphurization transformation project of the overhaul and technological transformation project of the No. 1 and 2 sintering machines of Meishan Steel Company, the waste acid integrated utilization project of the special steel division, the technological transformation of phenolic and cyanide waste water treatment of the chemical company, the sewer treatment project of the residential areas of Bayi Steel, and the sewer treatment project of the upgrading and transformation project of the cold rollers of Meishan Company.

In addition, seven projects were in the stage of construction. They included the transformation of the drainage facilities of the raw materials grounds of the plant directly under Baosteel Co., Ltd., the integrated transformation (phase I) of the slag treatment of the No. 2 Steel Mill, and the transformation of the dust removing system of the steel mill of the stainless steel division.

Three additional projects were in the stage of preliminary design. They included the transformation of the refrigeration station of the 2030 unit of the plant directly under Baosteel Co., Ltd. and the replacement of electric dust remover with bag dust remover for the No. 3 sintering machine of the iron mill.

Eight projects were in the stage of feasibility study. They included the relocation projects of the solid waste treatment and processing ground of the mill directly under Baosteel Co., Ltd., the transformation of the sintering and purifying station of Meishan Steel Company, and the recycling of oil-containing waste water of Baori Auto Sheet.

#### Smoke Desulphurization Project of Meishan Steel's No. 3 Sintering Machine Passes Environmental Evaluation of Jiangsu Province

On July 6, the smoke desulphurization project of the No. 3 sintering machine of Meishan Steel Company smoothly passed the special Environment Performance evaluation by Jiangsu Province. The evaluation experts believed that this project operated steadily, its actual operational parameters reached the requirement, its environmental efficiency was tangible and the project was worth promoting in the same industry.

#### Three Sintering Desulphurization Devices of Baosteel Co., Ltd. Passes Acceptance Inspection

The three sintering desulphurization devices of Baosteel Co., Ltd. passed acceptance inspection. The device, using Baosteel's proprietary technology, was the largest of its kind, which could treat 4,000-ton NO<sub>x</sub> annually. All performance parameters indicated that this device was noted for unique technology, reliable performance and tangible desulphurization results.

#### Second Tumble Slag Equipment of Bayi Steel Begins Operation

After the first tumble slag equipment went into operation, the second equipment of its kind of Bayi Steel was also formally put into operation in early February. This brought the company's daily tumble slag treatment capacity to over 600 tons.

#### Main Part of Bayi Steel's Slag Dust Project Completes

The Baosight Shenyuan slag dust project, a key project of Bayi Steel for energy conservation and environmental protection, proceeded smoothly, with the main facilities such as vertical grinder, hot air oven, finished product storage tank and conveyor belt being completed within the year.

## Landscaping

In 2009, landscaping efforts focused on the construction of ecological gardens, so as to further elevate the landscaping of the mills, improve the environment of the plant areas and pursue coordinated and sustainable development between corporate production and natural ecology. In the compound of Baosteel headquarters, seven landscaping projects were completed and 56,000 square meters of areas were landscaped. In the developing areas and mudflow areas, the efforts focused on the construction of shelter forest belts around the boundaries of the mill so that landscaping could reduce noise and dust. In all, 300,000 square meters of areas were landscaped. In the stainless steel division, an additional area of 22,000 square meters was landscaped. In the special steel division, an additional area of 37,270 square meters was landscaped, including the landscaping of the steckel mill project, the landscaping of the rear route transformation and waste acid utilization project of the stainless steel wire rods, the landscaping of the hot extrusion project, and the landscaping of the southwest plot. In the middle-thick sheet subsidiary, an additional area of 54,460 square meters was built. In the Meishan Steel Company, a total of 323,000 square meters was landscaped, covering the area of the No. 4 blast furnace, the area of the No. 4 sintering machine, the area of cold rolling, and the area of raw materials storage and transport. In addition, 110,000 square meters of plant areas were landscaped.

In Ningbo Steel, 16,000 square meters in the area of the main mill was landscaped, thus completing the first phase of landscaping for the area of the main mill. In addition, 3.43 million square meters were newly landscaped. The Wufengtang Coke Mill had about 12,000 square meters newly landscaped.

In Bayi Steel, the leadership made unified landscaping arrangement and all the departments actively participated in landscaping. By the end of 2009, 2.29 million square meters of constructed areas were landscaped.

#### Bayi Steel Cited as Model in Landscaping by Xinjiang Government

In March, Bayi Steel was cited by the landscaping committee of the Xinjiang Uygur Autonomous Region as a model collective for outstanding performance in landscaping.

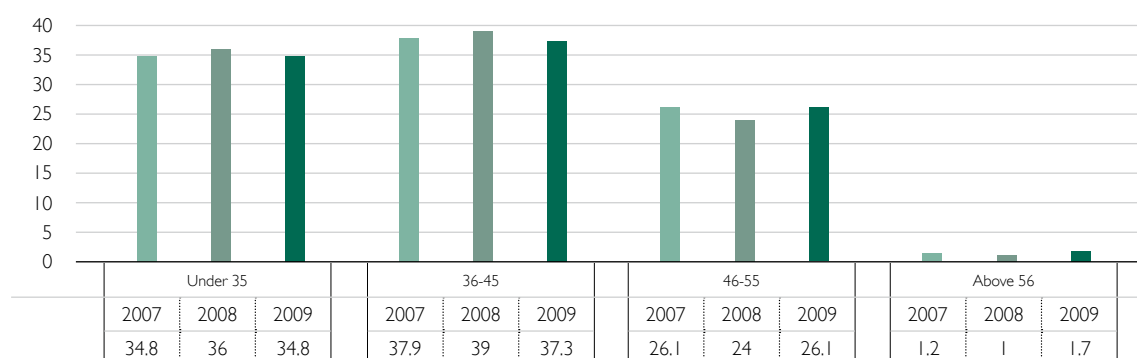
In recent years, Bayi Steel has continued to increase landscaping inputs. In spring and autumn each year, the company organized employees to plant trees to beautify the plant area, residential area and surrounding areas. So far, it has completed tree planting in over 10,000-mu barren mountains in Jiaohua Mountain and Dongshan Mountain and the side of the Toutun River where Bayi is located. As a result, the local ecological environment has markedly improved.

# Employee Performance

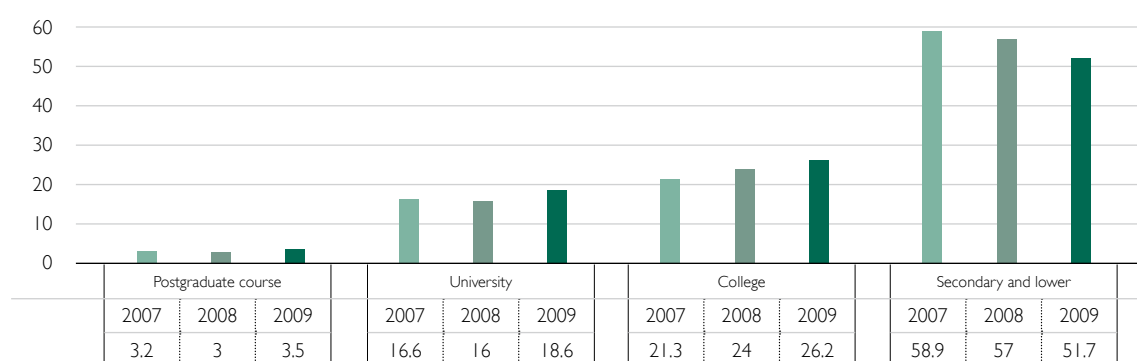
## Employee Performance Indicators

	2007	2008	2009
Employees *	109767	128408	124132
Female Employees	23437	28966	27267
Serve Employees *	90160	108914	106914
Serve Female Employees	16291	22336	21356

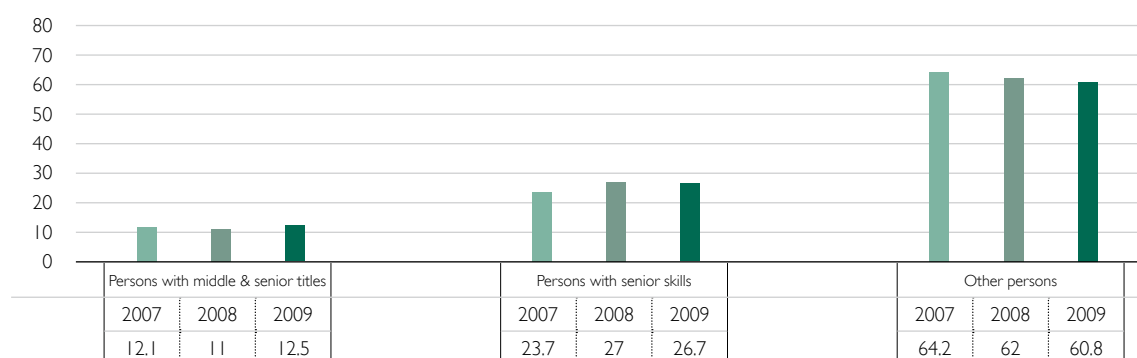
### Age Structure (%)



### Education Structure (%)



### Structure of Professional Titles & Skills (%)



\* Total employees comprise in-service employees & off-service employees.

	2007	2008	2009
Management structure (%)	8.90	9.10	8.70
Ratio of senior female managers (%)	8.30	8.30	8.30
Newly-recruited employees	4,249	5,390	1,212
Ratio of newly-recruited employees (%)	3.17	4.20	0.98
Resigned employees	1,033	1,158	1,175
Ratio of resigned employees (%)	0.9	1.1	1.1
Number of externally-dispatched personnel	—	—	87,557
Training input (RMB 100 million)	1.1	1.3	0.9
Person-times trained (10,000)	31.6	34.8	38.6
Per capita training input (RMB)	1,269	1,200	885
Total employee remuneration (RMB 100 million)	79.9	91.9	88.9

## Remuneration & Welfare

### Remuneration & Welfare Policy

Baosteel took post value as the basis to set employee remuneration standards and upheld the principles of performance first, equal pay for equal work and higher pay for better-performing employees. At the same time, it did its best to attract and retain best personnel by offering most competitive remuneration. The wage incomes of Baosteel employees were all higher than local minimum wages.

Due to the impacts of the financial crisis, the company's overall efficiency in 2009 dropped slightly. Bit by overcoming cost pressure and other unfavorable factors, the company maintained a relatively high wage input to ensure employee wage incomes would not fall.

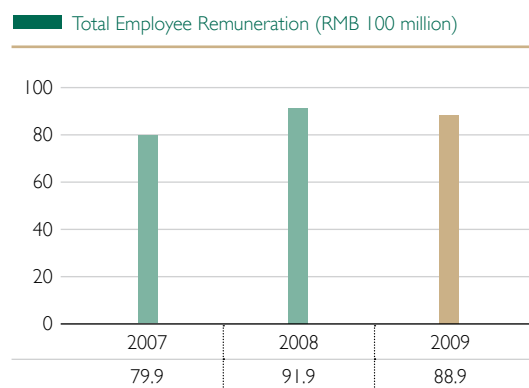
In keeping with the relevant policies and laws, the company paid in full all the mandatory social insurance premiums and welfare for all on-the-job employees that had established labor relations with the company. They mainly included basic pension insurance, basic medical insurance, unemployment insurance, industrial injuries insurance, maternity insurance, housing reserve fund, and annuity. In light of the unique features of the industry, the company also bought casualty insurance and other supplementary insurance for its employees, implemented an employee health program, and provided working meals, physical checkup, labor protection necessities, paid annual leave and other benefits.

To better assume the corporate social responsibility of providing old-age support to its employees and helping its employees solve family concerns after retirement and to enable its employees work wholeheartedly in its operation, production and construction, Baosteel formally established the corporate annuity system in March 2009. Currently, the corporate annuity plan is operating normally, with its annualized earning rate reaching about 6.65%. At the same time, the company offered large amounts of services. It handled over 4,090 consulting calls and enabled 7,953 people received their due rights and interests due to retirement and other reasons.

### Employee Health Plan

In 2009, 23 of Baosteel subsidiaries in Shanghai introduced the employee health plan, covering 39,166 employees. In all the units that had introduced the employee health plan, the health consumption points for each employee were set at 1,000 points. With an IC card, these employees could enter the Baosteel sports center, the Baosteel Wusong employee sports center, the Yigang cultural and sports center and all other fitness venues that had signed contracts with Baosteel for fitness activities. In other words, the employees could do health activities in different areas with one card. By 2009, a total of 19 fitness venues, owned or not owned by Baosteel, had signed contracts. Another four subsidiaries were actively preparing to introduce the employee health plan.

On the basis of the health plan systems of Baosteel Co., Ltd. and Stainless Steel, Baosteel expanded business and establishing an independent system that would cover all Baosteel's companies. The work began in September 2009, and a group, comprising the company's trade unions, human resources department, the operational financial department and other units and departments, was set up to promote the health plan.





## Employee Development & Training

Ever since its incorporation, Baosteel has paid high attention to personnel work and constantly improved employee qualification. For more than 30 years, Baosteel has taken as a fundamental work the improvement of employee qualification and the development of employee ability. As the company continues to develop and expand, it has formed a considerable human resources reserve. In the sectors of steel technology and manufacturing and engineering technology, Baosteel now boasts of large numbers of experts and backup personnel who have considerable influence in the professional fields. At the same time, some technical and business personnel who were born in the 1970s have begun to show their remarkable talents. It has preliminarily formed a force of steel skill experts and chief operators, which has laid a fine foundation for carrying forward steel skills.

### Sound System for Employee Development

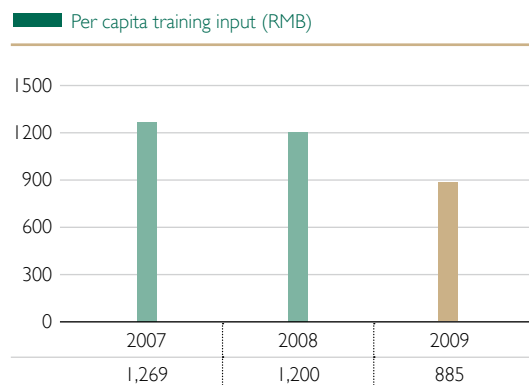
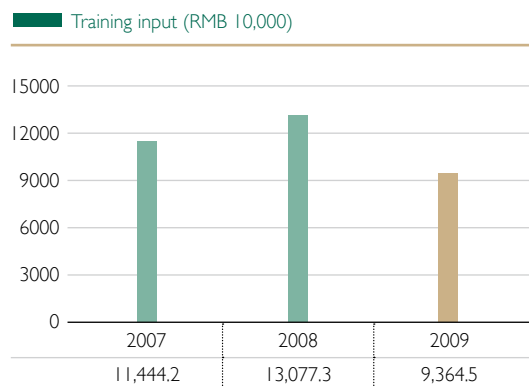
Baosteel has developed a 16-character principle for its human resources work: service development, innovative mechanism, high-end guidance, and all-round development.

**Service development:** The human development strategy serves the corporate development strategy, the training management work serves the development of all employees, and the constant pursuit is common development of employees and enterprises.

**Innovative mechanism:** The management mechanism, service mechanism and working mechanism are constantly innovated for employee development.

**High-end guidance:** Top priority is given to senior operation and management personnel, leading technical personnel, highly-skilled personnel and personnel with high potentials so as to push forward the overall development of the whole workforce.

**All-round development:** Employee development refers not only to the development of their skills but also to their all-round and balanced development, including ability building, intellectual maturity, character improvement and spiritual happiness. Employee development means the company must not only care about the development of core employees and outstanding employees. More importantly, it should pay greater attention to the development of the "silent majority", namely the vast ordinary and frontline employees.





### Training of Professional Personnel

For the operation and management personnel and backup force, Baosteel has formed a 5-level and three-stage job qualification training system (BSM). It worked out the *Implementing Guidelines for Strengthening the Training of Baosteel Management Personnel*, which clearly defined the responsibility system and management system and began to be implemented and improved step by step as from 2008. In 2009, the company organized qualification training for leading personnel BS-C (8 courses), BS-D (2 courses) and BS-E (1 course) (300 trainees) and tailored training, such as studies for decision-makers and lectures on humanities, for leading personnel. In conjunction with the headquarters management reform, the company held training management task training, covering headquarters management reform, strategy management, strategy execution and internal control.

With regard to the training of professional and technical personnel, Baosteel reinforced some classified and leveled training projects in light of the levels of jobs in the core business of iron and steel. For example, the job training for chiefs, the general studies for chiefs and the studies for senior managers continued to highlight the professional and technical training based on the field techniques of steel production. Besides, serialized curricula and distinctive training models were developed to support professional training. But currently Baosteel has not formed a classified and leveled training system and has not offered sufficient guidance for the training in each industrial unit.

For the operating and maintenance personnel, Baosteel has formed a training system for skilled personnel, focusing on skill ratings. While skill ratings are closely linked with job ratings, the system emphasizes the three-in-one training model (credentials, qualification and job certificate), and the "I+X" training model for job skill training (I refers to the training contents guided by national and industrial standards, x refers to Baosteel's distinctive training contents). In the core business of iron and steel, Baosteel has actively implemented training extension plans, such as "masters help apprentices" and "around 1,000 new technicians being trained in three years". The training systems are diverse, scientific and flexible. The main work now is to extend the training models and systems for skilled personnel in the core business of iron and steel to other diverse productive industrial units so as to increase the number and improve the quality of the personnel with high skills in those units.

In 2010, Baosteel planned to take employee dedication as a core indicator to measure employee spirit. It was a main factor to help develop a good relationship between employees and their enterprises. This could help increase their will power and improve their performance. Employee dedication shows the intensity of the willingness and ability of the employees to help their enterprises to succeed and is most closely related with corporate performance.

\* The 5-level and 3-stage job qualification training system (BSM) is a structuralized and systematized training system for management personnel. It covers the five levels: the senior decision-making level (BS-F), the senior management level (BS-E), the operational and management level (BS-D), the professional management level (BS-C), and the operational management level (BS-B). Training is designed according to each level's ability requirement. In keeping with the company's existing job levels of the management personnel and the company's promotion requirement of the management personnel, three training stages have been designed for the qualification enhancement of the management personnel of each level. Before the management personnel are promoted to the specific posts, they must receive basic job training and job qualification training so that they can have the general ability for their posts. After the management personnel are promoted to the specific posts, they must receive diverse on-the-job management training so as to broaden their thinking, enhance their management skills and strengthen inter-departmental communication and coordination. The "three-stage" refers the basic job training, the job qualification training and the on-the-job training, and has become the path for the management personnel to elevate their ability.

The "golden apple" initiative is a training plan for the core technical personnel of a company. It is designed to use 8~10 years to train a group of internationally influential leaders in technology innovation and to develop a Baosteel team and an operational model for technology innovation so as to ensure the company can acquire and maintain technological competitiveness. Through early selection, evaluation and approval, the members of the first core groups of the "golden apple" plan were selected from five key technological fields: the steel smelting technology, the hot rolled plate technology, the cold rolling technology, the cold rolling after treatment technology, and the technology for the development and use of auto-sheet products. In light of Baosteel's strategic development, these people were responsible for formulating development plans for their respective fields and planning Baosteel's technological future.

The "green apple" initiative is a training plan for the company's personnel with high potentials. In 2009, a total of 76 people attended the first training. Through a round table, a two-year training plan was formulated, and each green apple was assigned with a corporate coach. Through job rotating and other methods, they can grow up in an all-round way. This training program was formulated in light of the identified "short boards".

## Communication between Employees and the Company

### Employees' Congress

In the course of developing and reforming corporate governance, Baosteel has actively explored and improved the system of Employees Congress. In keeping with the principle that the power of the employees congress must match with the power of corporate management, Baosteel streamlined and improved the power and operational management of the employees congresses at various levels in line with the corporate models of group, company and factory, so that these congresses could meet the demand of management reform, motivate employees for democratic participation, safeguard employee rights and interests. By so doing, these congresses would truly have the features of "systematic design, functional optimization, structural matching, and efficient operation".

According to the stimulations, the administrative personnel of Group Corporation and the leaders of its subsidiaries who work as employee representatives must not exceed 20% of all representatives.

In implementing the supervision of employees and functional departments over the operation of its annuity plan, Baosteel established an annuity management committee, made up of trade unions and related functional departments and requested the functional departments to report to the employees congress on the operation of the 2009 Baosteel corporate annuity.

The contents reviewed by the employee congress were: Baosteel's 2009 report on administrative work, 2009 report on corporate annuity operation and management, report on use of employee education fund in 2009 and training plan in 2010, report on the implementation of the issues identified by the 2008 Baosteel management questionnaire, report on the open and democratic management of corporate affairs in 2009, and report on the work of employee director and supervisor.

### Open Management of Corporate Affairs

In 2009, Baosteel adopted the *Essentials of the Work of Baosteel Group Corporation on the Open and Democratic Management of Corporate Affairs* (the *Essentials* for short). This document specified work priorities in five areas: deepen the understanding of the importance of strengthening the open and democratic management of corporate affairs in the current situation, improve the system on the democratic management by Baosteel employees, improve the open and democratic management of corporate affairs in cost improvement and management reform, strengthen employee supervision and standardize the democratic evaluation of corporate leaders, and strengthen the supervision and inspection on the open and democratic management of corporate affairs.

### Best Practisers

Baosteel's most successful activity in cultivating and guiding employee behaviors in 2009 was the activity to discover, cultivate and publicize the best practisers. The "best practisers" meant that as long as the employees, irrespective of their work posts and the values they created, did better than in the previous day and than their peers, they would be recognized by Baosteel as having created the best spirit, method and performance.

This activity was called the "best practisers" activity. This activity was an unprecedented elevation of corporate performance and an unprecedented motivation of employee awareness as corporate masters. The activity produced a great impact on both Baosteel and China, and was jointly covered by leading central media. At the grass-roots units, best practisers could be found and their deeds be heard everywhere. Distributed in all fields, units and work posts, they did their best to contribute to corporate development. They made progress everyday. While they made contributions to their enterprises, they also uplifted their own ability. Managers at all levels also benefited from this activity. They found more and more merits in their employees, paid greater respect and admiration to them, and relied more and more on them.

Baosteel experience fully indicates that employees are the valuable wealth of enterprises. If an enterprise can fully mobilize the initiative and creativeness of each employee, it will be able to overcome all crises and acquire lasting development. Managers should truly care about all employees, discover their merits and respect them so that the employees can have higher labor interest, enrich their labor contents and realize all-round development.

An enterprise can acquire endless power only when it is good at discovering and training the most suitable employees; a team can have lasting life force only when it constantly stimulates employee creativeness; a country can surmount all difficulties only when it has learnt to respect and cherish all laborers. What we need to do an earnest work is to better use this wealth, namely the laborers. We need to institutionalize the "best practisers" activity so that every laborer can release their potentials on their jobs and glisten on their ordinary jobs.

An excerpt from Xinhua news feature:  
Let Every Laborer Shine  
November 29, 2009



**Ren Guoyou**, driver of Meishan Transport Company

A driver of the Meishan Transport Company, Ren Guoyou saved 7,042 liters of fuel in two years, or about 10 liters a day on average. With the same vehicle and the same transport task, my fuel consumption was the lowest. The corporate leadership gave me honors, citing me as the best fuel-saving driver for two consecutive years. My fuel-saving technique has been cited as the company's advanced technique.



**Liao Libao**, chief engineer of machinery & equipment of the Equipment Department of Baosteel Co., Ltd.

Liao Libao is a frontline engineer in charge of equipment and technology management. In addition to studying equipment materials and welding technique, he is also in charge of the technical management of boilers, pressure containers and other special equipment. In the past 23 years of management, he defied suspicion and opposition and focused on innovation. He used brand-new welding techniques to replace casting technique to make slag containers. This was unprecedented in the world, and this technique has won one international patent for invention, two national patents for invention, one patent for utility and novelty, and one technical know-how.



**Hu Desheng**, chief research of iron-smelting new technology institute of Baosteel Research Institute

As a Baosteel technician, Hu Desheng has taken the coal-mixing technology for coke making as his lifetime pursuit. After going through large amounts of Chinese and foreign data and calculating blast furnace carbon balance, he rediscovered the Xinjiang coal with extremely poor coke heat efficiency and increased its ratio in coal mixture. As a result, he reduced the cost of coal mixing and made great contributions to Bayi Steel in cost cutting.

### Establish Communication Channel with Young Employees

In 2009, Baosteel established an employee online forum, called the "bridge" forum. It also worked out the *Rules on the Management of the Online Forum for Baosteel Employees* to ensure the forum could operate normally. This could better reflect the ideas and suggestions of Baosteel employees and help the related units to reply and solve them in a timely manner. In 2009, all the 1,145 questions were replied. At the end of the year, the "bridge" forum had 22,300 registered customers.

In addition to the "bridge" forum, Baosteel also established a reporting mechanism for youth demands and concerns.

The "letters to families" activity, Baosteel's youth league branches mailed one letter to the family of each league member. The letters conveyed best wishes to their families and reported the progress and achievements each league member made in the year. This activity helped win support and understanding from their families for the company and stimulated league members to pursue healthy development.

In September 2009, 285 league branches mailed letters to the families of 3,784 league members.

### Care about "Three Greatest" Employee Concerns

For five consecutive years since 2005, Baosteel has conducted a survey on employee demands and concerns, through the *Questionnaire of Baosteel Managers*. The survey was designed to identify employee ideas, employee concerns, employee changes, employee opinions and suggestions on corporate operation and management, and employee work. This could help corporate leaders to improve their leading and executing ability and promote common development of enterprises and employees. The survey has become a longstanding mechanism for this purpose. In 2009, 277 issues were identified as the "most concerned, most direct and most practical" issues. The trade union cooperated with relevant departments and units and decomposed 241 issues to the grass-roots units for solution. In particular, the 36 issues to be solved by the headquarters were condensed into 12, including the improvement of the quality of working meals, the reduction of dormitory charges and the coverage of Baosteel online office platform. They were respectively assigned to the functional departments of the headquarters for investigation and implementation. Those that could be solved must be solved within a time limit, and those that could not be solved must be properly explained. In the end, 10 of the 12 issues were basically solved or explained, with the remaining two being reported to the headquarters. Baosteel leadership paid high attention to the solution of the "three greatest" concerns, and instructed that they should be solved despite difficulties. It also fully affirmed the survey and instructed it should be continued in a sustained and effective way. A special report on solving the "three greatest" concerns was presented to Baosteel's employee congress.

## Harmonious Relations

### Collective Contract Management System

In January 2009, Baosteel and all independent labor customers signed their collective contracts with employees through equal consultation. The collective contracts covered all employees, and the contractual terms such as remuneration and welfare, labor protection, education and training, and rest and recreation were all honored. This helped safeguard the interests of both employees and enterprises.

### Employee Activities

#### Sports Facilities & Rich Sports Activities

By making full use of the ground and venue of the employee club of No. 5 Steel Company, Baosteel made some investment and transformed the functions of the existing facilities. As a result, the Baosteel's Wusong Sports Center became a new favorite place for the employees in the regions of Wusong and Baoshan and further met the employee demand for fitness exercises.

The 6,385-square-meter center had a badminton hall, an outdoor basketball ground, a dance hall, a library, a fitness hall, and a convention center. The total investment was about RMB 17.77 million.



Baosteel's tug-of-war team won the first place in the Fitness Contest of World-Famous Enterprises in China.

Baosteel's tug-of-war team, formed by employees from Baosteel Development and Special Steel, participated in the tug-of-war contest of the 5th Fitness Contest of World-Famous Enterprises in China at Yanfuludi, Huangpu District on November 28, 2009. The contest, sponsored by the State Sport Administration and the All-China Federation of Trade Unions and organized by the Shanghai Sport Bureau and the Shanghai Federation of Trade Unions, was designed to advance the "fitness for all" program and to highlight the theme of "fitness and World Expo".

### Cultural Activities

In keeping with Baosteel leadership's "in serve employees" request and in order to meet the growing employee demand for cultural and sports activities, the Baosteel Cultural & Sports Center organized spare-time training courses for its employees in early 2009. The courses covered music, musical instruments, digital photo processing, Taiji, calligraphy and Egyptian dance. In all, over 2,000 people participated in the training. The training courses helped enrich the spare-time life of Baosteel employees and improve their physical and mental health.



On the eve of 2009 May Day, the spare-time chorus of Baosteel's employees sang a song named "Backbone of the Republic" at the music hall of the Oriental Art Center. The song was part of the May Day Singing Festival organized by Shanghai to extol China and World Expo. The festival attracted over 30 choruses from the sectors of steel, space, telecommunication, health and education. Over 2,000 employees participated in the festival.



On September 29, 2009, Baosteel staged a grand singing festival at the Baosteel Cultural Center to mark the 60th birthday of new China. The songs sang at the festival included "Today Is Your Birthday, China", "Motherland, Our Loving Mother", and "I Love China". The singing team made up of corporate leaders and those made up of over 1,000 employees from over 20 subsidiaries participated in the festival.

### Online Forum

Baosteel continued to enrich the contents of the "bridge" forum, and formed eight major themes including "employee hotline" and "current affairs" and 34 secondary themes such as "comments" and "working". These themes covered work, learning, life, entertainment and friend-making and had 22,000 users at the end of 2009.



### Care about Retirees

While pursuing corporate development, Baosteel cared about retired employees and strengthened humane care and psychological tuition in order to improve the quality of their life. Each year, Baosteel allocated special funds for the construction of cultural and activity grounds for retired employees so as to meet their spiritual and cultural demands.

#### Universities for the Old Age

Baosteel had three colleges for senior citizens: Baosteel Senior Citizens College, Yejin Senior Citizens College and Meishan Senior Citizens College. These colleges admitted 6,000 person-times each year. In particular, Baosteel Senior Citizens College, established in 1990, has constantly improved its teaching quality over the past 20 years. In 2009, over 7,200 person-times attended 176 classes for 36 courses. It was cited as a model senior citizens college both in Shanghai and in China.

#### Sports & Art Life

Baosteel has provided senior citizens with modern sports venues, including warm swimming pools, table tennis tables, tennis courts, chess rooms, libraries, music rooms and audiovisual halls.

In keeping with the unique features of senior citizens, Baosteel has held an art festival for senior citizens every three years. The Baosteel Songtao Art Troupe, made up of Baosteel's retired people, has showcased the cultural and art performances of senior citizens. In 2009, the chorus of the troupe participated in some large cultural performances, including the "400-day countdown to Expo" held by Shanghai in Baoshan District.

Baosteel holds a sports game for senior citizens every three years. In December 2009, it held a sports performance to mark Shanghai's 22 Senior Citizens Day.

#### Development of Associations

Baosteel has supported the work of the branches of the senior citizens sports association. The branches include dance, martial art, bridge, photography, table tennis, croquet, billiard, chess, waist drum, swimming and angling.

### Care about Youth Accommodation

The newly-constructed Guoyuan singles dormitory has 540 rooms and can accommodate 1,448 people. It provides accommodation to some young employees.



### Safeguard National Unity

#### National Unity & Social Stability

As the only large steel enterprise in the Xinjiang Uygur Autonomous Region, Bayi Steel has not only played important roles in local economic development but also made major contributions to local national unity and social stability. Bayi has actively organized activities for inter-ethnic dialogue, conducted education on national unity and safeguarded corporate and social stability.

The Bayi Steel newspaper has a column on cherishing national unity and safeguarding social stability and has carried serial report: I and My Ethnic Friends.

Bayi Steel has also held symposiums with the armed police on emphasizing truth, law, unity, military-civilian unity and national unity. Its employee art troupe has held three get-togethers with local armed police to strengthen military civilian unity.

Bayi has invited professors from the Xinjiang Party School to deliver lectures on Uygur Culture and Social Stability, and invited model units from the Xinjiang Military Command to tell their exemplary deeds on strengthening national unity.

Bayi has also held fun sports games to highlight national unity.

In particular, the Bayi Steel History Archives has become an education base in Urumqi for patriotism and national unity, attracting 10,069 visitors in 2009.



## Employee Safety & Protection

Upholding the principles of safety first and people first, Baosteel in 2009 deepened the “year of industrial safety” activity, organized “three actions” for industrial safety and introduced concepts of “safety first, zero noncompliance and zero accident”. Proceeding from the fundamental consideration of ensuring the occupational health and safety of its employees, Baosteel introduced the safety responsibility system and conducted safety education and training at all levels. It also took advantage of safety technology to identify major hidden safety dangers, strengthen the level of intrinsic safety and increase the operational effectiveness of the occupational health and safety management system at all units. As a result, Baosteel’s industrial safety has been stable on the whole.

Baosteel summarized and popularized the practical safety operations of Baori Auto-Sheet Company and took communication and simplicity as a safety management concept.

1. When there is a problem, it is imperative to find source causes instead of pinpointing responsibilities.
2. Use simple methods, emphasize real results, and return to the essence of management.
3. Respect and trust employees, allow them to actively participate in site improvement, and fully tap their wisdom.

After learning the practical safety operations of Baori Auto-Sheet Company, Baosteel’s cold rolling mill worked out five working plans, including safety kanban management, safety marketing management, SST training, danger source degrading and elimination, and major danger source control. Through employee participation, communication and discussion, human biological and psychological features were taken into account when considering safety management measures in order to reflect all-employee safety management.

Baosteel has established an association of safety managers, which has one secretariat and seven branches for iron smelting, steel smelting, hot rolling, cold rolling, energy media, repairs, and construction and technical transformation. The association is a mass organization made up safety leaders, safety managers and safety personnel. Registered with the company’s corporate management association, it is designed to summarize, refine and publicize field safety management, promote exchanges between different units and identify problems, and pursue common improvement. It mainly studies the issue of field safety management, popularize the practical operation of safety management and increase the efficiency of field safety management.

Baosteel has strengthened its safety management system and increased the standard and effectiveness of process operation. In conjunction with the reform of the corporate management and by strengthening the internal audit of the safety system, Baosteel streamlined and optimized the overall requirements of the safety management system, strengthened the inspection and evaluation of the operational effectiveness of the safety system in various units, constantly improved the mode of process control, helped all units to streamline and improve their safety control systems, and promoted these units to elevate the operational efficiency of their safety systems.

Baosteel has systematically streamlined its occupational health management and established a preliminary system framework for occupational health evaluation. In accordance with the requirements of the Law on the Prevention and Treatment of Occupational Diseases, the Provisional Regulations on the Supervision and Administration of Occupational Health at Operational Grounds, and other laws and regulations, Baosteel streamlined its occupational health management in keeping with the requirements of the occupational health safety and the management system. It established occupational health management files, covering the mechanism, process, applicable laws and regulations, management system, day-to-day records, health custody files, and treatment of occupational disease accidents. It promoted clean production and controlled the sources of occupational hazards in the design stage, regularly monitored the factors of job-related occupational hazards and introduced above-quota rectification requirements. It also introduced job-related occupational hazard notification and carried out physical checkup on occupational health before, during and after employment. It also distributed sound equipment for personal prevention, warning and rescue.

### Elevate Level of Youth Safety Work

In 2009, Baosteel named 37 collectives as the model units of the 8th youth industrial safety demonstration posts, and won 25 honors of model individuals and model collectives in the national “Dagang Cup” youth safety contest. Also in the year, it held a lecture contest named “safety in my heart” and a DV contest on safety culture. These activities made positive contributions to elevating Baosteel’s industrial safety management.

Number of injured persons	66
Frequency of injuries (number of injured persons per million working hours)	0.29
Rate of serious injuries (number of working days lost per million working hours)	106.94

### Help the Poor

Baosteel helped the poor in living, educational and medical difficulties, by establishing a multi-level and multi-dimensional longstanding mechanism for helping the poor.

	2007	2008	2009	in total
<b>Living allowance</b>				
Value (RMB 10,000)	1,131	945	1,282	3,358
Person-times helped	14,765	25,153	24,037	63,955
<b>Educational assistance</b>				
Value (RMB 10,000)	88	100	104	292
Person-times helped	1,289	1,896	1,401	4,586
<b>Medical relief</b>				
Value (RMB 10,000)	676	521	511	1,708
Person-times helped	8,871	2,360	2,283	13,714

### Establish System for Employee Democratic Management

In keeping with the Study of Ways to Realize Employee Democratic Management in light of Modern Corporate System, Baosteel in 2009 systematically and deeply studied the basic ways for employee democratic management (participation in management and consultation), the basic systems for employee democratic management (the system of employee directors and supervisors, the system of employee congress, and the system of employee self-management), the two bases for realizing employee democratic management (organizational basis and system basis), and the value targets of employee democratic management. Based on these studies, Baosteel formulated the Provisional Basic System on Employee Democratic Management of Baosteel Group (the Basic System for short). The document, containing five chapters and 112 articles, was reviewed and adopted by the Baosteel Board of Directors on October 26, 2009.

The Basic System contained provisions on ways and methods for employees to participate in corporate management and consultation, designed process and operational management for employees to exercise their rights to democratic decision making, democratic management and democratic supervision, and formed a unique system for employee democratic management. This helped Baosteel to pursue scientific decision making, efficient operation, effective supervision and common development of both employees and enterprises.

A component of Baosteel's management system, the Basic System was designed to guide and standardize employee democratic management in all units. The establishment of this system meant Baosteel had incorporated employee democratic management into its corporate management system. It also indicated that in establishing modern corporate system and improving corporate governance structure, Baosteel had made useful theoretical and practical explorations and innovations with a view to relying wholeheartedly on employees to run enterprises. This would inevitably promote Baosteel to improve employee democratic management and stimulate employee life force.

### Employee Management Innovation

In keeping with its three major tasks of "product operation, cost improvement and management reform", Baosteel put forward guidelines for employees to carry out economic and technical innovation activities. In addition, it formulated the Rules for the Evaluation of the Economic and Technical Innovation Activities of Baosteel Employees in 2009 and the working plan for Baosteel bases for employee innovation activities in 2009. At the same time, it launched the "employee innovation day" and established 39 employee innovation studios and 3,765 employee innovation groups. Besides, it formulated the innovation training plan and recruited volunteers to guide employee innovation activities.

In accordance with the principles of independence, openness and service, the Human Development Institute defined five major functions for the employee innovation bases so that they could become the "incubators" for employee innovation thinking and innovation experiment, the re-fuelling stations for persistent field improvement and the "accelerators" for employee economic and technical innovation activities.

	2007	2008	2009
Number of rationalization proposals (10,000)	9.8	12.3	11.86
Number of self-management results	3,026	2,482	2,464

### Main Events

- On May 19, 2009, Baosteel held the first employee innovation day. Meanwhile, it unveiled the innovation studios for Baosteel employee inventors, held the first exhibition on the inventions of Baosteel employees, established a volunteer team to guide employee innovation activities, made presentations on the results of employee innovation activities, and organized a forum on cost improvement.
- On July 9, 2009, Baosteel held the first meeting on volunteer work, formulated a plan for employee innovation activities in the second half of 2009, and launched a series of innovation activities highlighting "one platform and one goal".
- On October 29, 2009, Baosteel organized an "innovation for all" volunteer innovation forum. Volunteers and new employees discussed the topic that innovation originated from "interest and specialization, inspiration and wisdom, and volunteer and stimulation". Through exchanges and interaction between different views, the forum helped new employees to cultivate the "innovation for all" concept and pursue innovation and scientific innovations by proceeding from their own jobs.
- On November 13, 2009, Baosteel and Stainless Steel jointly held an exhibition on innovation activities and results. The volunteer representatives provided field consulting, diagnosis and personal coaching for the employees of Stainless Steel in equipment maintenance, structural design, power inspection and technical improvement.
- On November 20, 2009, Baosteel held the second meeting on volunteer work to summarize employee innovation activities in 2009 and chart guidelines for employee innovation activities in 2010.

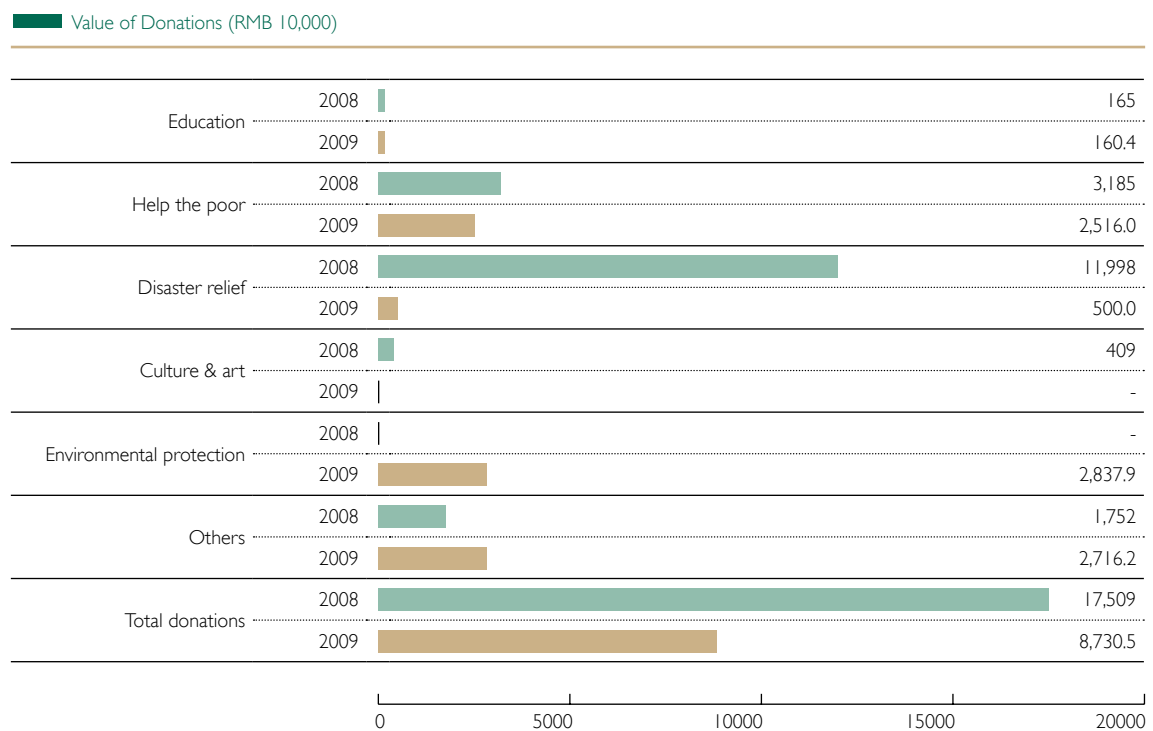
## Social Performance

### Social Contribution

#### General Information about Donations

In 2009, Baosteel revised the Regulations on the Management of its Donations and Sponsorships to further standardize donation budget management, fund approval process and functional demarcation.

In 2009, Baosteel's donations totaled RMB 87.305 million (see following table for detailed information)





## Social Contribution

### Support Antarctic Exploration

The Antarctic Kunlun Station is another major project of China to implement the Antarctic scientific exploration strategy after the capacity building in the 10th five-year plan. Baosteel Metals was in charge of the construction of two sub-projects of the Kunlun Station Area and the Kunlun Station Logistics System.

Baosteel Metals dispatched a 13-man crack team to undertake station construction in the Antarctic. The team overcame three major "barriers": the long-distance haul on the "white desert", the harsh climate under -30°C, and the construction on a 4000-meter-thick ice layer in area A of the Antarctic ice dome. On January 27, 2009, the team completed the construction of the Kunlun Station, China's first Antarctic inland scientific exploration station three days ahead of schedule. The station stands on the highest point of the ice dome. By the end of 2009, less than 100 people had reached this area, with 13 of them coming from Baosteel.

On the morning of October 11, 2009, the ship "Xuelong" sailed out of Shanghai to begin China's 26th Antarctic exploration. This time, Baosteel dispatched another 15-man team to undertake the maintenance of the phase-I construction project of the Kunlun Station, the preparation for the phase-II construction project, and the repairs of the Great Wall Station. The team would cooperate with

scientists in completing the capacity building of the Great Wall Station and the preliminary preparation for deep ice cord drilling.



### Poverty Alleviation in Yunnan

Poverty alleviation means to help the poor groups in keeping with the requirements of building a harmonious society, providing sufficient food and clothing to the poverty-stricken people and increasing the income of the low-income people. The work was mainly targeted on poverty-stricken villages and highlighted the construction of rural infrastructure, ecological environment and public undertakings.

In 2009, Baosteel spent RMB 10 million on poverty alleviation in Pu'er in Yunnan Province. In February 2009, Baosteel signed the 2009 aid agreements respectively with Ning'er County, Mujiang County, Jiangcheng County and Zhenyuan County. The total funding was RMB 8.8 million and covered 34 projects, including 18 for overall village improvement, one for relocation, seven for education and training, two for industrial development and six for "1+1" pairing and sponsorship for poor university students. In August 2009, Baosteel spent another 1 million yuan on the road project of Wenchuan Village in Ning'er County, the hearing test equipment of the Pu'er Rehabilitation Center for Disabled Persons, and the training center of the Pu'er Poverty Alleviation Office.

### Aid to Tibet

In accordance with its overall plan for the third-batch aid-Tibet projects, Baosteel in 2009 offered RMB 10.2 million to improve the production and life of farmers and herdsmen and the infrastructure in Tibet. It won high praises from the leaders in Tibet and the Rikaze region. In 2009, Baosteel donated RMB 1 million for the construction of a demonstration forest in Longge'erduo in Zhongba County. In the meantime, it spent RMB 2.4 million on the construction of houses for 675 households.

### Support Hope Schools

In 2009, the Baosteel Education Foundation continued to support the Hope Schools. While it offered RMB 69,200 to reward 176 teachers and students, it donated RMB 304,000 to the Hope Schools in Xinjiang for purchasing sports equipment.

### Baosteel Education Foundation

In 2009, the Baosteel Education Foundation held a meeting to celebrate its 20th birthday and to grant the Baosteel Education Award. Baosteel leaders attended the meeting along with nearly 500 people, including invited guests, leaders from 71 universities, the Chinese Academy of Sciences, the Shanghai Education Commission and the China Society of Metallurgical Education, and award-winning teachers and students from 104 universities and 18 research institutes of the Chinese Academy of Sciences.

A total of 997 teachers and students from 104 universities and 18 research institutes of the Chinese Academy of Sciences won the 2009 Baosteel Education Award. In 2009, Baosteel spent nearly RMB 12 million on the award and other educational projects.

### Help Cataract Patients

In 2009, Baosteel again donated RMB 1.7 million to the China Foundation for Disabled Persons for curing cataract patients in Pu'er City in Yunnan Province and Zhongba County in Tibet. A total of 1,500 cataract patients benefited from this donation.



### Youth Entrepreneur Foundation

As one of the 23 original capital contributors, Baosteel donated RMB 10 million in June 2009 to the China Foundation for Youth Entrepreneurship and Employment. The foundation is designed to help youth to create business, find employment and promote youth development through funding support, skill training, information service, policy coordination and social advocacy.

In July 2009, Baosteel Youth League formally established a field study center for youth employment and entrepreneurship in response to the call of the Central Committee of the Communist Youth League of China to help new or jobless school graduates and migrant rural workers to accumulate work experience and create conditions for employment and business creation, help enterprises to select personnel and promote economic development and social stability. In the year, the center provided 105 jobs, covering the disciplines of finance, human resources, computer science and electric engineering.



## Community Relations

### Volunteer Activities

In a gradual way, Baosteel's young volunteers have developed various service patterns, including voluntary services on major festivals, assistance for people in need during the Spring Festival, the Communist Youth League home visit and community service scheme, a long-term pairing scheme matching volunteers to persons in need and a full range of integration services. Besides, the voluntary service mechanism with long lasting effects and universal access has been established to ensure the provision of over 60 types of services in the long run. It is roughly estimated that Baosteel now has more than 5,000 volunteers, of which over ten volunteer groups have paired with communities to regularly provide services to nine homes for the aged and seven children's charity schools.

### Blood Donation

Thanks to wide mobilization of the Communist Youth Leagues at all levels, Blood Donation Youth Groups have been established one after another, and have donated blood for free in many circumstances when the Shanghai blood bank was in urgent need of donors. More than 1,000 young donors donated 150,000ml of blood in total. Baosteel's Bone Marrow Donation Youth Group is another important organization among young staff members. Over 600 young employees have registered for marrow sampling, and two that proved compatible with the recipients made the donation, reflecting the outstanding capability of the Group and the young employees' keen interest in promoting public good.

### Expo Volunteers

To celebrate the opening of Expo 2010, the Communist Youth League Committee of the Baosteel has mobilized more than 600 employees to apply to be Expo volunteers. Besides, 1,318 employees have the "Xiaozhi" car stickers on their cars, a pledge of safe driving and a practical effort to welcome Expo 2010.

### New Countryside Pairing Projects

Baosteel Development Co., Ltd. signed with the People's Government of Baoshan District the Pairing Agreement on Developing Socialist New Countryside in July 2007. Upon this agreement, it paired with and rendered support to three relatively poor villages of the district, including Guangming Village in Luodian Town, Juyuanqiao Village in Yuepu Town and Xinlu Village in Luojing Town. Baosteel spent RMB2.4 million to complete the first batch of support projects in 2008, and identified three new projects in 2009, namely, the reconstruction of old plants in Juyuanqiao Village, the construction of the public service center in Xinlu Village, and the building of a standard plant. Together they cost RMB2.1 million.

Costing Baosteel RMB1.1 million, the project in Juyuanqiao Village mainly included the reconstruction of the 2,000-square-meter old plants, new developments of more than 2,000 square meters as well as about 500 square meters of office and supporting facilities. It was completed and put into production in March 2009, and brought a revenue of RMB600,000 to the Village by the end of 2009. It has helped boosted the village's economic development and increased villagers' income to some degree.

Baosteel spent RMB500,000 on the construction project of the public service center in Xinlu Village in Luojing Town. The village-level center was designed to incorporate such functions as village administration, medical service, cultural activities, entertainment and shopping. The center was applauded by villagers who enjoyed much more convenience thanks to it.

The company also spent RMB500,000 to build in Xinlu Village a standard plant covering an area of 1,500 square meters. The project intended to enhance the economic strength of the village and improve villagers' lives via attracting investment.

### Gas Supply

Through secondary purification procedures, Baosteel turns coke oven gas, a waste produced during the iron-making process, into clean gas that meets the requirement of civil use and sells it to residents as well as businesses, public institutions and other organizations in the surrounding areas after proper storage, pressing and transmission. Up to the end of 2009, Shanghai Baojiang Gas Co., Ltd. affiliated to the industrial environmental protection department of the Baosteel Development Ltd. Co. had served 80,222 households and 805 corporate or institutional customer in the neighboring area. In 2009, it sold 34.4803 million cubic meters of gas, and inspected the homes or premises of 19,580 customers for gas safety (doing so for free for 1,712 customers aged 70 and above). Other gratuitous services include upgrading the old pipelines for 17,000 customers and having 787 metal pipes and hoses of gas cookers replaced.

## Anti-corruption Campaign

Baosteel's anti-corruption efforts in 2009 followed the line of "have clear focuses, be incorporated into management and procedures and be effective". Emphasizing the strategic transformation for better development and tackling crisis, the company gave full play to its IT advantage, intensified the punishment and prevention system, highlighted the standard exercise of power, reinforced surveillance and control, and attached more importance to building a "clear, open and win-win" business environment. All these efforts embodied Baosteel's strong sense of social responsibility and reflected the company's resolve and confidence in pursuing business ethics and integrity and promoting the social harmony, and effectively guaranteed the fulfillment of tasks concerning production, operation, reform, development and stability.

### Organization system for Anti-corruption Campaign

An ever stronger contingent of disciplinary and supervisory personnel has been formed. In 2009, Baosteel provided training courses to 700 person-times disciplinary and supervisory officials, among whom 33 participated in the training seminars organized by the Central Commission for Discipline Inspection of the Communist Party of China, Discipline Inspection Committee of the State-owned Assets Supervision and Administration Commission of the State Council (SA-SAC) and Shanghai Discipline Inspection and Supervision Committee, and over 660 person-times took part in workshops and practices training courses held by Baosteel for secretaries of grassroots disciplinary committees and persons in charge of the supervision departments. Training courses in 2009 created a record in terms of their frequency and the number of participants, effectively enhancing the capability of disciplinary and supervisory personnel.

The evaluation system for the discipline inspection and supervision and the performance of disciplinary committee secretaries was established and improved. To facilitate discipline inspection and supervision, a four-pronged evaluation mechanism was established in 2009, including the evaluation of grassroots disciplinary committee secretaries by the standing committee of Baosteel Group Corporation's committee for disciplinary inspection that they report to, evaluation by the CPC branch and administrative body in their units, democratic appraisal by employees and questionnaire survey on managers and comprehensive evaluation of routine work.

### Anti-corruption Campaign

Having improved the organization system, Baosteel went further to perfect the anti-corruption system. It revised and improved Guidelines for Standardizing Work-related Consumption of Leaders of Baosteel Group Corporation, Rules on Management Expenditure, Compensation and Benefits Rules for Overseas Subsidiaries and Opinions on Standardizing Employees' Health Programs as well as other documents, to control and reduce risks in management and ethics; it also further implemented leadership appointment measures by comprehensively considering the organization and personnel work and the results of discipline inspection and supervision and audit so as to select capable ones; besides, it formulated the Opinions on Creating "Two-Excellence" Projects, encouraging high-quality, safe and civilized project construction and the integrity and diligence of people working in the project.

### Anti-corruption Education

In line with the principle of "being fundamental, oriented and typical", the company launched a warning campaign in a top-down and systematic manner and through events like group learning, democratic activities and integrity talks, to promote the anti-corruption education and the development of honest culture.

In 2009, the group corporation and second-tier units organized 917 anti-corruption education events of various forms, which were attended by 51,700 person-times. A total of 3,491 people made integrity commitment.

## Push the Anti-corruption Work forward Steadily

### Construction of the Punishment and Prevention System

By including the punishment and prevention system into the company's internal control, risk management and operation management systems, Baosteel established its punishment and prevention framework incorporating education mechanism with lasting effects, institutional guarantee mechanism, supervision and restriction mechanism, root causes addressing mechanism and punishment mechanism, and broke it down into 86 specific targets which would be fulfilled via projects. This effort ensured the honest Party conduct and the effective implementation of key anti-corruption work, and promoted the overall construction of the punishment and prevention system.

### Special Inspection and Efficiency Supervision

General and administrative expenses underwent special inspection, and rectification measures were proposed and a notice of criticism was circulated for noncompliance in some units. In particular, 82 suggestions on supervising specific problems were formulated to standardize the administration. In addition, the company intensified the efficiency supervision on waste recycling, logistics and assets disposal, rectified mistakes, reinforced the implementation of systems, and optimized program control, so as to reduce the cost and enhance efficiency. The 511 projects on efficiency inspection initiated in 2009 have produced 368 reports and over 800 suggestions on efficiency inspection, and 117 supervision proposals, contributed to the formulation of 1,089 rules and regulations, brought an income of RMB 298 million and retrieved and avoided economic losses worth RMB 18.27 million.

### Openness, Transparency and Accountability (Five "Sunshine" Systems)

"Sunshine" recruitment. The company established and improved the mechanism of identifying, fostering and appointing able persons to take the leading positions, refined the sensitive position management and rotating system and established the leadership appointment mechanism which took into account the organization and personnel management, disciplinary inspection and supervision and audit results; 18 persons directly taking sensitive positions were subject to job rotating in a planned way. At the same time, the audit during and after leaders' tenures was intensified.

"Sunshine" compensation and benefit management. Strictly abiding by such regulations as Eight Rules of Baosteel on Compensation and Benefit Management, Financial Management Methods for Salary Payment and Regulations concerning Part-time Jobs of Leaders of the Baosteel Group Corporation, the company managed to place a cap on the payroll costs, and required that all the salaries must be paid into employees' bank accounts, so as to further standardize the compensation and benefit management and control moonlighting.

"Sunshine" utilization of public funds. Transparency is the prime principle of Baosteel for the utilization of the general and administration expenses. To be economical and standard, the company regularly examined the utilization of funds for special purposes and organized rectification. It revised its policy on work-related consumption to better regulate such behaviors; established a unified financial information system to supervise the authority to use the corporate funds; comprehensively implemented the business trip reservation platform system to reduce expenses and standardize the reimbursement. As a result, the cost for business trips was reduced by RMB 8.02 million in 2009.

"Sunshine" procurement and sales. The company made efforts to promote whole-process on-line coordination to propel standard, transparent and effective operation; reinforced centralized purchasing, normalized procurement via bidding, deepened on-line procurement, optimized emergence purchasing, and reduced the dependence on agents for procurement. In 2009, procurement via online bidding totaled RMB 9.32 billion, and sales via on-line bidding reached RMB 2.41 billion. The number of tendering projects reached 394 in the year; and the balance after winning the bid was RMB 3.02 billion, saving RMB 645 million.

"Sunshine" promotion of engineering projects. The company initiated the first whole-process on-line platform for engineering projects, so as to monitor and trace all information. Besides, to construct high-quality engineering project and cultivating outstanding officials, the company gave priority to engineering subcontract, investment, scheduling, safety and procurement as well as other key links, and implemented loop management, to avoid corruption and ensure safety and high efficiency of investment in engineering construction worth more than RMB 30 billion every year.

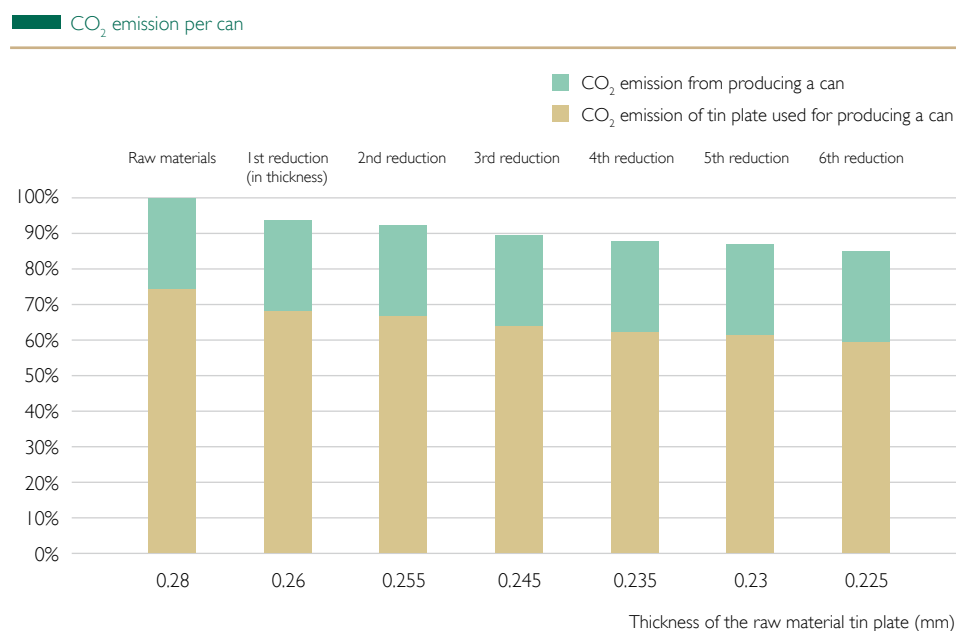
## Supply Chain Performance

### Life Cycle Assessment (LCA)

The life cycle assessment (LCA) refers to calculating and evaluating a given product's environmental impact by analyzing the utilization process of relevant resources and energy from conceptual design, production (including raw materials purchasing and the design, production, marketing, consumption and reclamation of waste), utilization, recycling and disposal, so that the product can be least environmentally burdensome during its production, consumption and disposal stages.

In 2009, Baosteel joined efforts with China National Institute of Standardization to finish the first draft of one of the LCA national standards, namely, the Technological Standards for Life Cycle Assessment in the Steel Industry, with the aim to normalize approaches to analyzing resource and energy utilization during the production process of steel enterprises and to calculating the product's total environmental impacts, explore methods to evaluate the product's environmental characteristics, minimize the negative influence of steel production on the environment and reduce the environmental impact caused by the whole society.

The same year also saw the cooperation between Baosteel with Shanghai Bao-wing Can Co. Ltd. on modeling and calculation of can's life cycle assessment. The research revealed that from the perspective of the life cycle, as Baosteel produced thinner tin plates, the production of each can required less resource and energy, reducing pollution consequently. As shown in the following figure, CO<sub>2</sub> emitted from producing a 0.225mm-thick can in 2009 was 15% less than that from producing a 0.28mm thick can in 1998.



## Environment-friendly Products

Baosteel is always market-oriented and pays great attention to customer's satisfaction. The company keeps optimizing its product mix and strives to improve the quality and grade of its products. In the year 2009, the company again developed a number of "green products" including antibacterial stainless steel, tubes for nuclear power generation service, stainless steel for automobile exhaust systems, etc.

Environmental Benefits Downstream Industries	Preventing global warming	Reducing workload of environmental risk management	Creating a society of circular economy
	Saving energy and reducing CO <sub>2</sub> emission	Reducing workload of environmental protection and workload of management of hazardous chemicals	Prolonging service life through recycling
Automobile	<ul style="list-style-type: none"> <li>• <b>Reduced weight and increased safety</b> High-strength sheets, wires and bars</li> <li>• <b>Simplifying customers' processing technology</b> Laser tailor welded blanks</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Environment-friendly materials</b> Lead-free hot galvanized steel sheet Lead-free easy-cutting steel Chromium-free galvanized sheet for automobiles</li> <li>• <b>Reducing noise and vibration</b> Composite damping plate</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Prolonging service life and reducing wastes</b> Hot galvanized high-strength steel (DP) Electro-galvanized high strength steel (TRIP, DP) Stainless steel for automobile exhaust systems</li> </ul>
Food & Beverages	<ul style="list-style-type: none"> <li>• <b>Reducing the weight of beverage cans</b> Reducing the thickness of DI materials</li> </ul>		
Household Electrical Appliance	<ul style="list-style-type: none"> <li>• <b>Simplifying customers' processing technology</b> Pre-painted steel sheets for household electrical appliances Electrical steel with self-bonding coating Hot galvanized steel sheet with self-lubricating film</li> <li>• <b>Improving motor efficiency</b> High-efficiency non-oriented electrical steel</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Materials containing no environmentally hazardous substances</b> Lead-free hot galvanized steel sheet Chromium-free hot galvanized sheet for household electrical appliances Chromium-free electro-galvanized sheet for household electrical appliances Chromium-free hot Al-Zn coated sheet for household electrical appliances Chromium-free pretreated pre-painted sheet for household electrical appliances</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Prolonging service life and reducing wastes</b> Hot-dip Al-Zn coated series products Hot galvanized series products Electro-galvanized series products Pre-painted series products Antibacterial stainless steel</li> </ul>
Electrical Power and Energy	<ul style="list-style-type: none"> <li>• <b>Improving the efficiency of power generation</b> High-temperature high-pressure boiler pipe</li> <li>• <b>Improving the efficiency of energy transmission</b> High-strength high-ductility pipeline steel</li> </ul>		<ul style="list-style-type: none"> <li>• <b>Improving the efficiency of power generation</b> High-pressure boiler pipe High-strength steel pipe Tubes for nuclear power generation service</li> <li>• <b>Prolonging service life</b> Steel for chemical storage tanks Steel for petroleum storage tanks High-sulfur-resistance tubing and casing</li> </ul>
Construction and Civil Engineering	<ul style="list-style-type: none"> <li>• <b>Improving the efficiency of construction</b> High-strength high-ductility thick plate Thick steel plate for high heat input welding</li> </ul>		<ul style="list-style-type: none"> <li>• <b>Prolonging service life</b> High-strength enameled steel High-strength structural steel for buildings High-tensile-strength wires Self-cleaning pre-painted steel sheet High-ductility high-strength structural steel pipe High-strength fire-resistant weathering steel High-durability pre-painted steel sheet</li> </ul>
Others	<ul style="list-style-type: none"> <li>• <b>Simplifying customers' processing technology</b> Non-quenched and tempered steel</li> </ul>		



## Development with Suppliers

With the ideal of “Sunshine, Partnership and Responsibility”, Baosteel makes efforts to create an equal, fair and open environment for suppliers and to become an arena where suppliers can show their strength. It also hopes to establish win-win partnerships with many outstanding suppliers to fulfill their social responsibilities together. In 2009, Baosteel and suppliers concertedly countered serious market challenges in the post-crisis world and enhanced their soft power respectively.

In 2009, the company established the procurement management improvement group which proposed a number of suggestions for improvement after careful survey, analysis and research. The company's procurement principles were released at its portal website for procurement (eps.baosteel.net.cn): Focus on “supply security, cost control and management enhancement”, attract the most outstanding suppliers and establish a standard, open, synergetic, most competitive and influential procurement system via strategic procurement management; Develop relations with suppliers in a spirit of honesty and goodwill, fulfill the social responsibility, conduct green procurement, optimize resource allocation from a global perspective, and enhance the overall competitiveness of the supply chain, to maximize customer satisfaction.

### “Sunshine” Procurement Policies

Highlighting process optimization and IT application, Baosteel's “sunshine” procurement policies are designed to standardize the procurement process and authority and provide equal chances to suppliers. The company has standardized and improved the access, evaluation and elimination mechanisms for suppliers, and sorted out circulation suppliers in line with the principle of “professional development, control over the total number and standard operation”; improved management documents and standardized emergency procurement; and established “three-tier complaint (assistance) system” to promote the “sunshine” procurement in an all-around way.

#### Create an Open and Transparent Environment by Building EPS

The company has finished the Business Process Management System (BPMS) and E-commerce Platform System (EPS) for electronic management throughout the equipment procurement process, which are able to store information about procurement plans, preliminary selections, potential contracts, contract execution and payment. Besides, in line with the internal control requirement, the systems include regulation and control components to track and manage key points and links, to keep the whole process under control. In 2009, resources like ground quicklime and recyclable scraps were purchased by inviting bids, which was contributive to standard and transparent procurement. The company made comprehensive plans to build the e-commerce framework and gradually promoted the EPS which was an important tool of “sunshine” procurement. The EPS not only helps standardize procurement and makes it a transparent process, but also creates values through the synergy between the buyer and the supplier, and thus becomes a platform through which suppliers can build harmonious relations with Baosteel and the procurement becomes more effective.

#### Open Tender and Suppliers' Self-recommendation Mechanism

The procurement department has developed the mechanism allowing suppliers to recommend themselves: it established a management group for this purpose and formulated the operational process for self-recommendation and access; it also opened a special channel in the EPS for suppliers, so that outstanding suppliers can be included into the equipment supplier pool; by so doing, it created a more open supplier management system. Since June 2009, 48 suppliers have recommended themselves through EPS to Baosteel's resources, materials and spare parts procurement department, of which 6 are regarded as eligible after group evaluation.

### Green Procurement Policy

In 2009, the company continued to encourage suppliers to acquire the ISO14001 certification for environmental management. Baosteel's procurement staff explained clearly the company's policies in circular economy and requirements on environmental management in their communication and cooperation with suppliers. Baosteel has made strict rules concerning suppliers' work in its workshops and its procurement contract includes provisions on service staff, vehicles, security, environment protection and other aspects. Baosteel has improved the system managing supplier's access and withdrawal, and preference would be give to suppliers who have passed the ISO14001 certification when new resources need to be purchased. Whether the supplier has passed the ISO14001 certification and whether the environmental management system was well run have been regarded as an important factor in classifying relations with the supplier and evaluating the supplier's performance. By so doing, current suppliers would be more active in implementing the environmental management system. In order to encourage green procurement, the resources, materials and spare parts procurement planning for 2010-2015 prepared in 2009 encourages suppliers to pass ISO14001 certification, identifies the products for green procurement and decides to incorporate the index for "green procurement proportion" into the management system in years to come.

### Deepen the Management of Suppliers and Build Stable Supply Chain in the Long Run

In 2009, Baosteel made active efforts to establish an overall synergy system with suppliers, deepen their strategic co-operation, and intensify the synergy with suppliers on innovating the procurement-supply pattern, optimizing logistics, developing new resources and new products and application of innovative technology, to realize a win-win cooperation in the procurement-supply chain.

Besides further optimizing suppliers structure, the company reinforced high-level communication with suppliers in such strategic resources as iron ore, coal and ocean shipping, and signed with them agreements on long-term strategic cooperation, to realize the most effective procurement and ensure a win-win result. Thanks to its painstaking efforts, the company has developed a new "progressive" procurement strategy which has been proved effective in maintaining and improving relations with suppliers and bringing benefits.

### Better Communication with Suppliers

With the aim to solve practical problems in the procurement process, the company has provided a platform through which Baosteel's on-site customers and suppliers in relevant fields can directly communicate with each other. The company also enhanced cooperation in customers' skills, cost improvement, development of home-made products and supply guarantee, and improved the competitiveness of the whole supply chain.

The company made more efforts to evaluate the result of communication with suppliers and proposed suggestions accordingly, so as to help suppliers' self-improvement and finally realize common development; it has established regular communication and mutual visit mechanism with strategic suppliers; on-site second-party audits were completed in 2009 with over 23 suppliers audited by Baosteel's resources, materials and spare parts department, which effectively improved the suppliers' system.

### Baosteel Suppliers Conference

To join efforts with suppliers to counter the global financial crisis, realize a win-win result and form a valuable supply chain, Baosteel held the first suppliers conference on July 17, 2009. Shanxi Coking Coal Group Co., LTD., SKF (China) Sales Co. Ltd. and other 39 domestic and foreign companies were honored as the best suppliers of Baosteel on the conference.



## Customer Relation Management and Quality Service

### Account Representative System

In 2004, Baosteel launched the technical service account representative system to complement its marketing platform to make full use of geographic advantages to promptly satisfy customers' demand and provide considerate technical service to strategic customers. This move also provided latest customers information to the production departments, so as to improve service quality, manage account representatives in a unified way and ensure the independence of their work.

In 2009, the job of account representatives turned from handling daily complaints to counseling customers on material selection and demands. Account representatives are required to offer demand-based in-depth technical service and whether they can provide an integrated technical solution is deemed as an important part of their performance assessment. Liu Yuhua, who used to provide customers with technical service in the silicon steel department of the Baoshan Iron & Steel Co., Ltd., became a customer representative in 2004. Since then, he has earnestly fulfilled Baosteel's customer service policy by always putting customers' interest first. Thanks to his expertise and rich experience, he solved various problems for customers and devoted himself to promoting environment-friendly and energy-saving products. In a successful case, he convinced Galanz to adopt K2 coating, an environment-friendly product of Baosteel. Given his excellent performance, Liu Yuhua was honored as the "Customer Service Star" in Shanghai.

### Support Expo 2010

To date, Baosteel has provided 93,200 tons of steel for permanent pavilions of the Expo, including 67,100 tons of Baosteel's own products and 26,100 tons of products purchased by Baosteel. The company has established a joint supply team for the Expo, and appointed persons responsible for contact with the Expo Bureau and on-site coordination as design revisions occur now and then amidst the construction process. This ensures the efficiency of Baosteel's service provision.

The demand for steel in Expo projects plummeted in 2009. However, due to revision in design, some minor new procurement plans were made. Under such circumstance, Baosteel made timely response to ensure the construction to proceed as scheduled. The company provided 4,890 tons of materials for the Expo in 2009, including 3,540-ton galvanized ventiducts for the four pavilions along the Expo Boulevard. It is noteworthy that Baosteel provided the ventiducts to the Expo projects at a time when the demand of domestic automobile industries for galvanized steel plates was enormous. Despite the shortage of resources, Baosteel overcame numerous difficulties to ensure the supply to the Expo, which reflected Baosteel's strong sense of responsibility for the state interests.

As an excellent supplier to Expo projects, Baosteel and its employees have won many prizes:

Baosteel Group Corporation won the prize of Expo Service Star;

Pu Kangguo, a staff member with the key projects supply department in Baosteel sales center was honored as the "Expo Star";

Shanghai Baosteel Steel Products Trading Co. Ltd won the bronze medal in March 2009;

Construction Headquarters of Expo 2010 granted Baosteel's Expo steel-structure project department the title of 2008 model organization for construction projects of Expo 2010;

Shanghai Federation of Trade Unions granted Baosteel's Expo steel-structure project department the title of "Pioneering Team of Workers"

### Fast-track Supply

Baosteel has established fast-track procedures from contract issuance, production to delivery to ensure timely supply to the Expo projects. The Cultural Center, the latest to commence construction among the four pavilions along the Expo Boulevard, has posed great challenges to Baosteel, due to its special architectural features, frequent design revisions and short lead time. Of particular difficulty was perhaps the provision of 144 thick steel slabs urgently needed for the building's 36 steel columns. Baosteel addressed the challenge through efficient cooperation between its marketing and production departments and provided the heavy plates in 20 days, the shortest lead time ever for such products.

### Develop New Products as a Substitute for Imports

Baosteel provides R&D service and technical support. By making full use of its R&D advantage, the company developed the ultra-low yield strength steel plate BLY160 for the Expo Center's buckling-restrained braces (BRB), a product which was the first of its kind at home and substituted like products imported from other countries. To meet the demand for prepainted steel sheets used in theme pavilions, Baosteel organized expert visits several times to communicate with clients and designers on site, so as to provide suggestions on the strength and thickness of base plate and the thickness of coating and offer technical support.

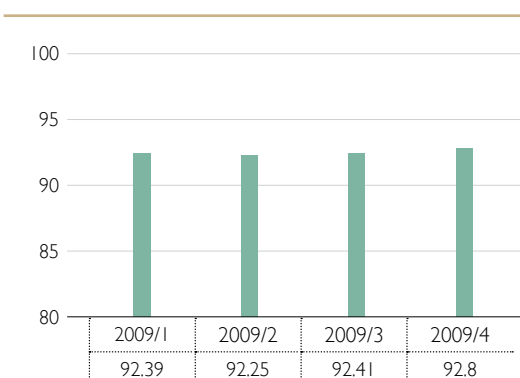
### Carefully Wrought Supply Procedures

Carefully wrought supply procedures are in place to respond to needs of customers and ensure the effective operation throughout the supply chain. Baosteel has worked with Expo Project Department staff for confirmation and document check and classification, to ensure orderly and highly efficient operation from order specification, inquiry, price confirmation, procurement, delivery, transportation, acceptance of delivery, invoice, warranty to verification.

### Purchase of Auxiliary Materials

Baosteel arranges and tracks the procurement of auxiliary materials to ensure on-schedule delivery. Baosteel staff accompanied the representatives of Expo Bureau and project owners to visit the factories manufacturing the auxiliary materials and assess their production, quality control, availability of adequate supply and the price, and identified the potential suppliers. At the same time, Baosteel would track production and delivery to ensure the construction can proceed as scheduled.

### Customer Satisfaction Survey



### Recognition by Customers

Awards	Granted by
Core Supplier of Strategic Partnership	International Marine Containers (Group) Ltd.
Recognition & Appreciation	Saudi Arabia Universal Metal Coating Co. Ltd
Certificate for Participating in Shanghai Yangtze River Tunnel-Bridge Project	Shanghai Yangtze River Tunnel-Bridge Project Headquarters
Best Supplier in 2009	Panasonic Wanbao Compressor (Guangzhou) Co., Ltd.
Best Supplier in 2009	CPMC Holdings Limited
Best Supplier in 2009	Dongfeng Nissan Passenger Vehicle Company
Best Supplier in 2009	SGMW
Best Supplier in 2009	Chang'an-Ford Mazda
Best Supplier of Auxiliary Products in 2009	Dongfeng Liuzhou Motor Co., Ltd.
Best Assistance Award	Chang'an-Suzuki

### Logistics

To rule out the possibility of accidents and ensure stable distribution, the logistics department has established a security promotion group, formulated plans for surprise checks on vehicles, ports and stations, intensified the inspection for the appearance of vehicles, equipment, on-site management and standard operation and checked the operation of the occupational health and safety management system of service suppliers. Besides, it has made constant efforts to improve safety management, build logistics service providers' awareness of law compliance and workplace safety, and guide service suppliers to continuously improve their safety management. All these efforts have been proved to be effective.

### E-delivery Order

According to the plan made when the year just started, E-delivery order, a new business mode, has been widely applied in directly affiliated plants, including 22 subsidiary plants, 8 regional companies and 23 logistics service providers. Up to October 15, 475 E-delivery orders and 449 verification certificates have been issued per day with 27,000 tons of goods delivered. Trading companies, which used to pick up goods by themselves, have authorized 16,000 E-delivery orders every month, and the average rate of delivery upon verification certificates reached as high as 90%. Since this new business mode was put into use, the average printing cycle of the E-delivery order has been reduced from 1-2 days to 1.5 hours, and showed a tendency of gradual decrease along with the conclusion of the on-line test run, saving about 360,000 pieces of printed delivery orders every year.



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## Subsidiaries' CSR



With the steel production as its main business, Baosteel intends to rank among the top three in terms of comprehensive competitiveness in the global steel industry, tries all out to meet the development demand of downstream industries in China, the largest steel market in the world, and plays a vital role in providing steel sheets in the high-end markets of downstream industries.

While making efforts to propel the main business, Baosteel spares no time to develop diverse related industries by focusing on steel supply chain, technology chain and resource utilization chain; consequently, its business in six related industries, including resource development & logistics, extended steel processing, engineering & technology services, production services, coal chemical industry and financial investment industry has taken shape now.

# Primary Operation: Iron & Steel

## Baoshan Iron and Steel Co., Ltd.

Baoshan Iron & Steel Co., Ltd. (Baosteel Co., Ltd.) is a worldclass steel conglomerate and the largest production base of high quality steel products, which is the most advanced at home and one of the most competitive steel companies in the world. In a new round of development, Baosteel Co., Ltd. sets forth its strategic target to become the most competitive steel company in the world; it specializes in producing a full range of carbon steel, stainless steel and specially alloyed steel products represented by auto sheets, steel sheets for home electrical appliances, ship plates, steel for the energy industry, electrical steel and other high-grade products; its main target markets are the high and middle-end markets in the east of China, as well as other domestic markets as the complement, and it also makes efforts to explore overseas markets. As a core subsidiary of Baosteel Group Corporation, the Baosteel Co., Ltd. will further perform its functions as the training and output base of technology, management and talents, leader in producing high quality products, engine for technological advance, training base of core talents, promoter of the brand image, and pioneer in the new mechanism of environmental operation, so as to propel the balanced development of steel production plants in various regions.

### I. Economic Performance

In 2009, Baosteel Co., Ltd. made efforts mainly on product management, cost improvement, management reform and enhancement of the system capability, gave full play to all employees' initiative and creativity, overcame various difficulties and perfectly realized the operation targets set in the beginning of the year by seizing the opportunity of the state's economic stimulus package. The sales of billet steel have reached 22.429 million tons and the total business income was RMB 148.53 billion in the whole year.

The company repaid society with honest operation and outstanding performance, and its tax payment reached RMB 7.113 billion in 2009. The company has ranked among tax payers of A credit rating in Shanghai for consecutive years.

### II. Employee Performance

Among the 42,318 employees, 1,471 people less than in the previous reporting period, there are 25,468 production staff members, 12,877 technicians and 3,973 management staff members; and 26,848 people have college degree or above.

All these employees work in Shanghai, Jiangsu province, Zhejiang province, Shandong province, and Hubei province or overseas.

Due to special characteristics of the industry, male employees are 6.86 times the female ones, and the latter mostly assume the management and technological positions.

This workforce is young and full of vigor, as 74.31% are 45 years old or below.

In 2009, 595 employees, or 1.41% of the whole workforce, resigned. Baosteel Co., Ltd. respected its employees' choice, and handled procedures timely according to relevant laws and regulations after private talk with employees who wanted to resign to know the reason of their resignation.

### III. Environment Performance

#### Establishment of Environment Protection System

Baosteel Co., Ltd. has established the environment protection and resource utilization committee to formulate guidelines for environment protection and resource utilization, guide, research and confirm the company's planning and program of environment protection and resource utilization and development, coordinate the relations between branch companies (subsidiaries) and business department as well as the resource allocation, and make decisions for key projects of environment protection and resource utilization. All branch companies (subsidiaries) and business department have established relevant management committees or divisions to promote the environment and energy management, in accordance with the standards provided in ISO 14001 Environment Management System, Energy Management Systems Requirements (GB/T 23331-2009) and other relevant laws and regulations.

In 1988, Baosteel Co., Ltd. passed the ISO 14001 certification for environment management system, which was the first in China's steel industry. At present, all steel production units under the company have all passed ISO 14001.

#### Education and Training on Energy Conservation and Environment

In 2009, to facilitate the energy conservation, emission reduction, and environment management and protection, Baosteel Co., Ltd. launched training courses on energy saving and environment management, which focused on deepening the energy management technology, applying energy-saving techniques, promoting techniques of comprehensively using by-products, raising the sense of social responsibility and enhancing employees' capability, in forms of intensive classes, lectures, salons and on-site visit. In the whole year, there were 889 person-times in total participating in 13 training programs in the form of intensive classes, and 16 training courses.

#### Energy and Environment Management

##### Energy Management

By intensifying energy management and applying energy saving technologies, Baosteel Co., Ltd. while constantly enhancing its production capacity, extending the product lines and increasing the product varieties, has continuously optimized its energy consumption index and fresh water consumption index since it was put into production, and increased the total amount of reclaimed residual energy year by year.

##### Total Amount of Emissions

Baosteel Co., Ltd.'s environment protection index has reached a record high in 2009 since the company was put into production. Compared with 2008, the pollutant emission, a major index to measure the plant environment and improve the community's environment protection, has decreased 17.46%. Among the reduction, SO<sub>2</sub> emission had dropped by 19.5%, COD 28.6%, dust 8.8%, waste water 25.5%, and the dust fall amount in plants 4.8%.

##### Comprehensive Utilization and Management of Secondary Resources

Baosteel Co., Ltd. has made greatest efforts ever to promote the comprehensive utilization of secondary resources in 2009. The company has established a special team to straight out the sources, categories, disposal methods and in-depth utilization technologies of secondary resources and implement in a standard and intensified way. It also implemented high-efficiency management through the automatic resource utilization system established in 2009, to effectively assist the cost reduction and efficiency enhancement. As a result, the recycling of secondary resources has brought benefits worth RMB 1.239 billion.



## IV. Social Performance

### Donation

Confronted with the severe situation in 2009 and less profits than 2008, Baosteel Co., Ltd. (including all subsidiaries and holding companies) donated RMB 38.8139 million, which was as much as its donation in 2008. Donations in 2009 were mainly for three purposes: First, co-funded with the Baoshan District of Shanghai to establish the automatic observation station as a support for environment protection; second, donated RMB 10.31 million in total to the poverty alleviation project and one-to-one assistance project in Chongming Village and poverty alleviation project in Fenghua, Ningbo; third, donated to education and charity institutions.

### Devotion

The company held "move employees and customers" activity, to solicit anecdotes which can reflect employees' integrity in serving colleagues and customers and advocate the true, the good and the beautiful, and spread these stories among employees via internet, lectures and other forms, to promote the company's culture.

It organized and held activities to celebrate Expo 2010. The fifth day of each month was set to be the "window service day" when people would receive warm reception and considerate service according to the principle of providing standard and honest service; the 15th day of each month was the "public labor day", on which all departments would organize their staff members to voluntarily clean surrounding areas according to the grid environment management; and on the 25th day of each month which was the "public order day", intensified actions would be taken to maintain the order of shuttle busses.

Many employees have joined various voluntary organizations or activities, for example, youth volunteers, volunteers for Beijing 2008 Olympics, Expo volunteers, volunteers for reconstruction after the Wenchuan Earthquake, blood donation, and so on. However, there were more employees engaged in various voluntary activities in their daily life.

	2007	2008	2009
Business Income (RMB 100 million)	1,915.6	2,006.4	1,485.3
Operation Cost (RMB 100 million)	1,736.1	1,930.1	1,421.2
Total Profit (RMB 100 million)	193.1	81.5	72.9
Cash Dividend (RMB per share)	0.35	0.18	0.20
Sales of Billet Steel (10,000 tons)	2,260.0	2,281.3	2,242.9
Total Amount of Employees	40,059	43,789	42,318
Fresh Water Consumed per ton Steel (t/t-s)	5.08	5.2	4.27
Total Amount of Reclaimed Residual Resources (%)	121	162	171
Comprehensive Energy Consumption per ton Steel (%)	95.87	102	98.53

## Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd.

Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. (Bayi Iron & Steel plant) became a subsidiary of Baosteel Group Corporation at the end of April, 2007. In a new round of development of Baosteel, the plant sets its strategic target of becoming the most competitive steel company in the west region of China; it mainly provides plain carbon steel products represented by long steel product, ordinary hot rolled plate, cold rolled strip and slab, as well as seamless steel tube; its main target markets are Xinjiang and surrounding areas in its west, and it also tries to explore markets in Middle and West Asia; in future, it will focus on enhancing the cost competitiveness and take a low-cost way of development by utilizing regional resources and the service region markets.

### I. Economic Performance

The Iron & Steel plant, as the only large-scale iron and steel conglomerate in Xinjiang Uygur Autonomous Region, has always played a pillar role in the local economic and social development. Especially when it was integrated into Baosteel Group Corporation, the plant has kept pace with the local economic development and provided various steel products. At present, its products are used in the comprehensive housing reconstruction project in Kashgar, construction of 10,000 mu-green houses in Turpan, and many key oil and railway projects. For so many years, the plant's total tax payment and profits have always ranked first among industrial enterprises in Xinjiang, and become one of the major sources of local government's revenue. The company has provided strong support to the local economic development and social progress.

Confronted with the global financial crisis, the plant was driven by the pressure and accelerated its development in 2009. While implementing the "anti-driving mechanism" and enhancing competitiveness by reducing production cost, the plant intensified the technology innovation; besides, it made prompt adjustment of its production capacity and product variety to meet the changing market demand and face the fierce competition; it also accelerated the research and development of new products to enhance its competitive edge, while maintaining the low cost. It has developed 14 types of new products in 2009, among which a range of new products represented by oil and gas pipe line steel and automobile beam steel were developed by using ingenious and breakthrough technologies and methods. A total of 167 patents were filed in 2009, more than the total amount in the past two decades since the patent law was enacted.

### II. Employee Performance

#### Human Resources

Since incorporated into the Baosteel Group Corporation, the Bayi Iron & Steel plant has assumed an operation and management mode of a direct control over its human resources in steel production, its main business, other diverse business and custody production and service business, and followed a people-centered principle to give full play to each employee's capability. According to the nature and characteristics of the investment projects, the plant arranged employees in a coordinated, rational and proportional way, and realized the structural optimization and dynamic coordination and allocation with specific purposes. Moreover, it managed to provide equal job opportunities for ethnic groups. Currently, the plant has the workforce of 23,597, including 4,572, or 19%, from ethnic groups.

### Medical Facilities and Employees' Health

Since 2007, the plant has invested RMB 33.76 million to improve the hospital for its employees. To improve the hospital's capability in dealing with emergencies, it invested RMB 24.21 million in 2009 to establish an emergency system incorporating the 120 first aid and rehabilitation service, to guarantee safe production.

In addition, the company attached high importance to the medical examination of employees. In 2009, a total of 21,217 employees received the medical check\*, including 13,602 ordinary workers, 3,688 employees with above middle-level professional title, 283 labor models, 3,470 employees assuming occupational disease-related positions, and 7,242 employees receiving gynaecological disease examination.

### III. Environment Performance

#### Energy Conservation & Emission Reduction

While expanding the production and operation scale, the plant made constant efforts to introduce energy-saving technologies, and promote the development of the circular economy. The project of electricity generation by blast furnace TRT and CDQ waste heat was put into operation, steel-making with negative energy consumption was realized, and the newly-launched the wastewater recycling and treatment station can treat 450 cubic meters waste water per hour; and the main construction of 1.2 million tons ground granulated blast furnace slag project has been completely finished. The plant will basically realize "zero emission" of waste gas, water and residue as well as other industrial emissions. In 2009, to deal with the water scarcity, the plant set water quotas for each procedure and adopted a method combining water consumption reduction and examination, which effectively improved the overall water consumption management, compared to 2008.

	2007	2008	2009
Steel Output (10,000 tons)	404.4	484.0	540.4
Sales (10,000 tons)	408.0	462.1	511.3
Business Income (RMB 100 million)	142.6	221.6	181.4
Total Tax Payment (RMB 100 million)	12.6	20.6	11.5
Patent Filed (patent)	23	27	167
Total Amount of Employees	26,947	24,291	23,597
Number of Employees from Minor Ethnic Groups	5,254	4,683	4,572
Fresh Water Consumed per ton Steel (m <sup>3</sup> /t)	5.8	7.7	6.57
Investment in Maintenance and Greening of Living Areas, Afforestation of Barren Mountains and Environmental Governance (real objects will be valued in currency)	1,540	1,777	1,565

\* Including 1,050 employees from the Coking Coal Group Co., Ltd., who participated for the first time.

## Environmental Governance

To reduce the heavy environmental burden in production and operation links, the Baiyi Iron & Steel plant has constantly strengthened the environmental governance, and increased its input in dealing with dust, waste gas and water, SO<sub>2</sub> emission. The plant's effort produced some results.

Since 2007, the plant has invested in total RMB 48.82 million on the environmental governance of the production area, maintenance and greening of the living area and afforestation of barren mountains. To tackle pollution arising from production and operation links, it invested to build the windproof network in the yard of the new area, formulated and launched the pre-arranged planning for controlling dust in windy days, and took such measures as spraying water, spraying encrusting agent, and suspending loading and unloading, and all these efforts have produced some results. It has also launched in 2009 the project of planting clover of 193,000 square meters to replace 287,500 square meters lawn, which beautified the environment, better prevented dust and reduced noises, and saved water for greening. The company has spent RMB45.489 million to start and complete 27 greening projects, and planted 144,500 trees of various kinds in spring and autumn. At present, the plant has passed Xinjiang Uygur Autonomous Region's examination and approval for national model greening unit.

## IV. Social Performance

Between 2007 and 2009, the Baiyi Iron & Steel plant has invested over RMB 92 million to disaster relief, poverty alleviation and education and been highly praised by the local government. For so many years, the plant donated RMB 400,000 every year to Nilka County, Ili, Xinjiang just for poverty alleviation; last year after the July 5 Incident broke out in Xinjiang, the plant has donated materials badly in need worth RMB 132,000 to the 8203 armed police which stationed in Xinjiang to maintain order; to help them resolve difficulties in daily life.

## Ningbo Iron & Steel Co., Ltd.

Ningbo Iron & Steel Co., Ltd. (Ningbo Steel) became one of Baosteel's subsidiaries after merger and acquisition and restructuring in March, 2009. In Baosteel's new round of development, Ningbo Steel sets its strategic target to become a steel company with low-cost competitive advantage and a model company to show Baosteel's integration capability; it mainly produces carbon steel products represented by ordinary hot rolled plate, but also considers the development of heavy plates; its main target markets is Zhejiang province and its surrounding areas boasting logistics advantage; it intends to give full play to the synergetic effect with the group corporation, and take a operation route featuring low cost and high efficiency.

### I. Economic Performance

Following the main line of reducing cost and increasing efficiency, Ningbo Steel removed restrictions and solved key problems influencing the production line of 4 million tons steel through a "even up" process. It produced in total 586,600 tons coke, 2.8112 million tons liquid iron, 2.672 million tons billet, and 2.6472 million hot-rolled steel coils. In 2009, Ningbo Steel kept cost improvement and gradually increased its economic performance. It made up the deficits in June, 2009, and its business income of the year reached RMB8.74 billion. Up to December, 2009, the total assets of the company reached RMB 17.66 billion (including RMB 980 million land value increment); the gross liabilities amounted to RMB 14.06 billion and the net asset was RMB 3.6 billion.

### II. Employee Performance

#### Human Resources

In the workforce of 3,380, there were 410, or 12.09%, female employees in 2009.

Most employees, 70.85% of all the total number, have received education in technical secondary school or in junior college, and only 1.18% have the master degree or above.

The average age of all employees was 28.8, and 71.1% were between 20 and 29, indicating a young workforce.

#### Training and Education

Ningbo Steel has attached great importance to enhancing employees' capability and intensified training for employees according to their characteristics, such as being young and lacking on-site experience. Especially since incorporated into the Baosteel Group Corporation, Ningbo Steel has made more efforts on training and produced talents by using Baosteel's technical support. Through various forms, such as thematic seminar and experts' teach-by-doing, the company managed to enhance employees' business capacity and operation skills. It

organized 26 large thematic training courses successively, in which more than 1,300 people participated. Besides, it adopted a "going out and coming in" method to send four batches of employees, with 94 in each batch, to practice in relevant departments of the Baosteel (860 person-days in total).

#### Rights and Interests of Employees

The company identified wage for each employee according to the value of each position, and followed a performance-oriented, equal and consistent principle in treating employees. After the restructuring, the company did not cut its payroll; instead, it improved employees' treatment and allowance for middle and night shifts and food allowance, and increased their income, despite the difficulties in maintaining operation and making profits. It also made credible efforts to improve employees' living and working environment, provided the commuter bus and free bus for those working overtime, and invested to improve employee's living conditions. It also paid attention to employees' health, and provided special physical check for employees taking special positions and for female employees, which enhanced employees' perception of affiliation to the company and gave full play to their passion to work, and further intensify the company's solidarity and cohesion.

### III. Social Performance

Ningbo Steel sticks to the purpose of building a harmonious enterprise and manages to perform its social responsibility. Having established normal work mechanism, it focused on intensifying communication with local government, and actively participated in cultural construction of neighborhoods and communities to get well along with them. It has always been committed to organizing cultural, sports and art activities in communities, and supported the "Gathering Ningbo Steel" event to celebrate the Latten Festival and the traditional cultural festival under the theme of "great national union" for many years; it organized the "voice of spring" event and "party to celebrate Christmas" for single employees and residents from near communities; and it participated in the "legal knowledge

competition of new Beilun people" held by the law-popularizing office and the floating population service and management office of Beilun District.

Besides, residents in surrounding communities were invited to visit the company for better understanding of the company; pupils were organized to attend extracurricular classes in the company, to enhance their knowledge about the steel industry; activities such as tea parties, talks, etc. were held on every festival to promote the communication between the company and government department, neighborhoods and communities (villages), to promote their mutual understanding and trust; during the Aged People Festival, 90 seniors from 2 neighboring communities were invited to visit the company and were warmly received; besides, young members of the Communist Youth League were organized to serve in the old people's home; the company organized visit to children and teacher on every Children's Day and Teachers' Day.

#### IV. Environment Performance

Ningbo Steel attaches great importance to the environment protection, regards it as its life line, and tries to maintain its development while protection the environment. Up to day, Ningbo Steel has invested more than RMB 1 billion on environment protection, which helped to solve some long-standing difficulties and was applauded by local governments and residents.

##### Propel the Development of Recycling Economy

The company actively propelled the direct charging of continuous casting slab. Since the experiment began on April 17, 2009, the direct charging rate has been constantly increased to 60% at the highest and the direct hot charging rate reached 80%, which was advanced in the world. The direct charging reduced energy consumption, shortened the time of slabs in the furnace, dramatically reduced the scaling loss and enhanced the economic benefits.

The company made pain staking efforts on the recycling use of solid waste. In 2009, the company used 46,915 tons OG Slurry, 54,175 tons steel slag powder, 7,428 tons desulfurized iron slag and 82,265 tons of steel slag, saving RMB 23.013 million for procurement.

The company tried to increase the recycling of various residual energy and heat. While ensuring to meet the requirement of environment protection; it has intensified the recycling of converter gas: in October, 91.97 cubic meters per ton steel converter gas were reclaimed, 52.45 cubic meters per ton steel more than the 2008 average; it also launched and implemented the project of adding 15 megawatt generator set to blast furnace blower station, reducing dispersion of blast furnace gas by 70,000-80,000 cubic meters per hour and generating 26,4452 million kwh electricity in total in the whole year.

## Guangdong Iron & Steel Group Co., Ltd.

Guangdong Iron & Steel Group Co., Ltd (Guangdong Iron & Steel) became Baosteel's subsidiary after Baosteel Group Corporation restructured Guangzhou Iron & Steel Enterprise Group and Shaoguan Iron & Steel Enterprise Group Co., Ltd.. In the new round of Baosteel development, Guangdong Iron & Steel intends to become the most competitive steel enterprise in South and Central Asia and Southeast Asia featuring environment-friendliness, excellent service, best quality, largest scale and lowest cost; it will become a steel enterprise effectively integrating the steel production, raw materials procurement, steel research and development, product design, steel trade and logistics; and it will also construct the Zhanjiang Steel Production Base from a high starting point, support the technological upgrading of Shaosteel, adopt environment-friendly methods in the relocation of Guangsteel, and promote the clean production in an all-around way; besides, it intends to make efforts to boost differentiated synergetic development of variety, quantity, quality and service, focus on the south part of China to fully satisfy Guangdong province and surrounding areas' demand for steel and also give consideration to the markets in Southeast Asia.

In 2009, under the strong support of stakeholders, Guangdong Iron & Steel actively explored appropriate ways to tackle and survive from the global financial crisis. It tried to fulfill its duty of guiding and promoting the development of the steel industry of the province, in line with the principle of "being responsible for the development of the provincial steel industry, for all shareholders and for the enterprise's long-run development".

#### I. Economic Performance

In 2009, Guangdong Iron & Steel (simulated merge) had a business income of RMB 34.64 billion, operating cost of RMB 33.28 billion, and total profits of -1.07 billion which was RMB 3.25 billion less than that in 2008.

#### II. Employee Performance\*

Up to December, 2009, the company had the workforce of 235, with 229 on-the-job employees, including 29 female employees, accounting for 12.34% of the total. Most employees (70.34%) are college graduates or have master degree or above; and 16.59% employees have received high school or lowerlevel education. The average age of employees are 37.9, including 44.54% below 35 and 25.76% (59) above 50.

A training system which was suitable for the company's development has taken shape. On the basis of analyzing the management team, the company proposed the aim, idea and actions of building a management talent pool, and organized the election of the first batch talents to be included in this pool. The company held on a regular basis vertical and horizontal communication to intensify the information exchange between Guangsteel and Shaosteel in the field of human resources; and constantly enhanced employees' professional quality and acknowledgement and understanding of the enterprise culture of Baosteel, through apprenticeship as the main form and profession training courses as the complement (by the end of December, the company's headquarters has provided training courses for 980 person-times with specific targets).

#### III. Social Performance

As a new enterprise headquartered in Guangzhou, the company provides strong support to the construction of Guangzhou headquarters economy zone, and become the first branch of the world Top 500 to register in this zone (Pazhou), and its office building may become the first headquarters building in Pazhou, which will play an important demonstrating role. To better get integrate in the Guangzhou and keep pace with the city's development, the company organized the "I Love Guangzhou, and Choose a Beautiful Name for the TV Tower" activity, which promoted the communication between employees, enhance the company's cohesion and embodied employees' love for the city.

\* The statistics data cover the No.3 function department of Guangdong Iron & Steel headquarters and the head office of Zhanjiang Iron & Steel Company.

## Resource Development & Logistics

### Baosteel Resources Co., Ltd.

Baosteel Resources Co., Ltd. (Baosteel Resources) is a flagship subsidiary of resource development and logistics of Baosteel Group Corporation. In the new-round development of Baosteel, Baosteel Resources sets its strategic target as to become the most competitive mineral resources comprehensive service provider at home, and has its comprehensive strength to rank among the top three in the domestic industry; its target varieties include iron ore, coal, iron alloy (nickel, chrome, manganese alloy), metal renewable resources and logistics resources such as coastal traffic and ocean transportation; its target customers are mainly strategic client base with considerable potential and steel unit of companies in major steel production area including the north of China, the Yangtze River delta and the Pearl River delta; the company also tries to enhance accessibility to quality resources of the steel production as its core business by developing and operating scarce and quality resources.

#### I. Economic Performance

In 2009, confronted with changing and complex domestic and foreign market and severe operation situation, Baosteel resources launched management reform, innovate its operation mode and actively built a market-oriented management framework featuring high efficiency, rather than stick to stereotyping and path dependence, which significantly enhanced the capability of independent operation and stably promote the development of mineral resources. The year 2009 saw the sales revenue reaching RMB 18.9 billion and total profits RMB 870 million.

#### II. Employee Performance

According to the peoplecentered development ideal, Baosteel Resources advocates a fair employment principle, recognizes and respects individual interests, attaches great importance to talent cultivation and tries to provide a platform for employees to develop their careers and themselves in a healthy way; besides, the company always shares the development results with all employees, and actively promote harmonious labor relations to facilitate the employees' development.

#### Development Channel for Employees

Baosteel Resources intensified training for employees and provided a platform for their development.

By establishing a management talent pool system and implanting various talent cultivation programs, the company aims to build a professional operation and management team, resource development team, as well as marketing and trade, logistics and shipping production and processing and management team, intensify the construction of international talents, and comprehensively enhance the professional expertise and skills of employees at all levels and positions.

The company formulated three-year training plan, to form a closed loop of training for newly

recruited college graduates including orientation training, on-site practice and apprenticeship; it also energetically intensified the training of international capability and professional expertise, based on the development of its international business and the operation and development needs of various sections. In 2009, the company launched 135 training and education programs, which were attended by 2,315 person-times, and the implementation rate of reserve talents cultivation program reached 75%.

#### More Human Care for Employees

Energetically implementing the mechanism of serving employees with respect, standard, stimulation and cohesion, Baosteel Resources paid attention to employees' physical and mental health and provided more human care and psychological counseling for them. The company organizes physical checkup for employees every year and records their physical conditions in files; it established a female managers association to constantly improve female employees' quality, it subscribed health magazines for family members of employees working abroad, and held symposium for them on a regular basis; it also paid attention to employees' psychological health and held psychological lectures regularly; various cultural and sports activities were held to cater to employees' interests and to enhance their communication between each other.

#### III. Social Performance

##### Mechanism of Helping the Poor

The company has established the mechanism of helping the poor. Both the on-the-job employees and the retired, or employees' family members, can enjoy the company's support and assistance, as long as they encountered difficulties. To this purpose, the company has established a special security and assistance fund for employees, and formulated detailed management regulations and rules. Since 2007, the company has included casual labors in its targets of assistance, and intensified its support to those in difficulties of this group.

#### Voluntary Activities

Together with the Weifang neighborhood in Pudong New Area, Baosteel Resources recruited young employees to form the Expo Voluntary Team. Volunteers have participated in relevant training courses and will provide voluntary services during Expo 2010.

#### IV. Environment Performance

Considering that the intensive mine exploration and waste steel resources may influence negatively the environment, Baosteel Resources encouraged the clean production, improved its production techniques and promoted energy saving and emission reduction to protect the environment.

#### Sustainable Mine Exploration

Baosteel Resources has two branches involved in production and sales of metallurgical auxiliary materials, namely, Anhui Wanbao Mining Co., Ltd. and Rizhao Baoxin Mining & Resource Co., Ltd.. During its open-air mining production and operation, the company always attached fundamental importance to save resources, and strictly complied with provisions in the Mineral Resources Law and Safe Production Law. It explored, utilized, protected mineral resources in a reasonable way and realized sustainable mine exploration.

##### (1) Reduce Production Waste

The company actively promoted wet-type operation, spraying water to remove dust and reduce dust intensity; timely cleaned the pumice stones and blasted piles in the quarry; established and improved dust collection device, to gradually realize closed or semi-closed production and minimize the dust; made efforts on greening in the office and residential areas and along the entrance road to the mine field.

##### (2) Enhance Resource Efficiency

The company improved the mining production system and installed high-efficiency and energy-saving impact crusher; to enhance the resource efficiency; it conducted general geography survey to identify the quality of the ore in different segments, organized production in a reasonable way and comprehensively utilized ores with poor quality; barren rocks and soil were used on construction site or to backfill harbors.

##### (3) Surrounding Environment Protection

Avoiding polluting the farmland, the mine has established settling ponds and cleaned them every year, so that the sediment would not flow into the farmland; land reclamation and re-plantation plans were promptly made; a mechanism was established to limit the vehicle transportation, so as to maximally reduce the tear and wear of road by product transportation.



## Extended Steel Processing

### Provide Green Steel Scrap to Customers

Shanghai Xinhua Steel Co., Ltd. and Shanghai Baosteel Steel Resources Co., Ltd. two subsidiaries of Baosteel Resources, specialize in dismantling abandoned vehicles, dismantling, process and selling abandoned ships and dealing with steel scrap. Bearing the ideal of environment protection in mind, Baosteel resources provides customers with green steel scrap and realizes resources recycling via its professional service.

#### (1) Safe and Standard Green Ship Dismantling

Shanghai Xinhua Steel Co., Ltd. is located in Chongming Ecological Island which proposes higher requirement on environmental protection than other areas. It strictly follows the green ship dismantling standard featuring environment protection, health and safety, and regards the green ship dismantling a part of the enterprise's culture. The company is the only enterprise with the qualification of ship dismantling in Shanghai. In 2008, to normalize the operation standard and promote the industrial development, the company formulated the Detailed Regulations on Ship Dismantling, according to the Green Shiprecycling Guidelines of China National Shiprecycling Association and its experiences for so many years, and in line with the principle of safety, environmental protection and professionalism. The detailed regulations have set an operation standard in the shiprecycling industry.

#### (2) Steel Scrap Processing in an Advanced and Environment-Friendly Way

Considering the characteristics of the steel scrap industry, Shanghai Steel Resources Co., Ltd. has actively constructed standard steel scrap processing base, to provide quality steel scrap to Baosteel and other clients. The ideal of environmental protection and sustainable development was embodied in the neat steel scrap yards, advanced crushing production line and all other corners in the steel scrap processing base of Baosteel Resources. To realize its target of constructing a modern environment-friendly abandoned vehicles recycling enterprise, the company now has completed a modern environment-friendly dismantling line of abandoned vehicles which has become a demonstration project in domestic vehicle dismantling industry.

#### (3) Effective Energy Saving and Emission Reduction

In 2009, the gross industrial output of Baosteel Resources reached RMB630 million, and the total energy consumption was 13.4526 million tons standard coal, 36% down than that of 2008. There were no extra emission incidents or suspension of environmental protection facilities. All environmental protection indexes (dust fall, smoke and dust and waste water) were realized and improved.

## Baosteel Metal Co., Ltd.

Baosteel Metal Co., Ltd (Baosteel Metal) is the flagship subsidiary of Baosteel Group Corporation, which specifies in extended steel process. In the new-round development of Baosteel, Baosteel Metal intends to become a leading enterprise in domestic steel processing industry and the industrial gas field, and grow into a popular industrial operation platform featuring mass production and lean management; its industrial focus is on metal wrapping, steel structure and industrial gas to grow strong, and its product emphasis is the two-piece beverage can, metal decorating, heavy steel structure, industrial gas, wheels, and PC wire products, etc., and the company also wants to master key steel processing technologies.

### I. Economic Performance

As the only steel company among global partners of the Shanghai Expo, Baosteel has made considerable contribution during the preparation of the event. Baosteel Steel Structure, Joint Venture Shanghai Datong Steel Structure CO., LTD., and all subsidiaries of the Baosteel Metal, provided 73,000 tons steel structures to three permanent pavilions including China Pavilion, Expo Center and Cultural Center. Among these structures, over 55% component parts posed high technological requirement and involved a large amount of remelt deposit welding work.

In addition, Baosteel Door-making Company has provided 2,221 doors to two permanent pavilions, China Pavilion and Cultural Center; and pavilions of 27 countries (regions) including Japan and Luxemburg; Baosteel Light Steel House Company built in a very short time 185 public dispatching centers, 200 outdoor voluntary service stations and 800 in door ones for the Expo provided 543 tons of products for Expo portable toilets.

Color steel plate products, independently developed by Baogao Light Steel House Company, were successfully applied in the Expo supporting project, the reconstruction of Dapu Road tunnel and the new multi tracks project; Baosteel Steel Structure Company and participated in the construction of Hongqiao traffic hub project; and Jinyi Company has completed the examination of Hongqiao traffic hub project as a supporting Expo project and the Chuanyang River Bridge.

### II. Social Performance

Baosteel has not stopped its support to areas hit by Wenchuan earthquake as time flies: Living Steel Project team of Baosteel Metal made full use of its work experience in World Steel Association's Living Steel project and its new housing techniques of which the R&D cost years to design permanent steel-structure residences for the quake-stricken areas, and undertook "Happy Garden" residential area in Dujiangyan Yiyuan housing projects, which was all of steel structure in Dujiangyan. This project was among the key reconstruction projects after the earthquake which Sichuan province first launched, and was also selected as a demonstration project by International Iron and Steel Institute. The whole project adopted steel-structure design for residence suite developed by the Living Steel project team. The main architectures were propped up by steel framework; besides, the new-type lateral force resisting system with steel shear wall with slits which featured high earth resistance capability, high speed and less demand for manpower. Such a system, developed by the project team, used for the first time at home can effectively facilitate the relocation of earthquake-affected people. The project will be completed in 2010.

Meanwhile, as the post-disaster reconstruction was accelerated. A large number of temporary board rooms were to be removed, which would cause great damage to the environment and waste of resources if not utilized in a reasonable way. While ensuring the construction of Xingfujia Yuan Yiyuan project, Baosteel made full use of its advantage in constructing steel-structure houses, and proposed to rebuild Color Plate Housing into permanent residence if conditions permitted. To this end, the color steel sandwich panel after the temporary board rooms should be dismantled used on the exterior wall and the external insulating system. By so doing, waste materials would be reclaimed and reused on the one hand; on the other hand, the quality of insulating system would be enhanced. It proved that, it was 2-3°C cooler in houses reconstructed from color plate houses than in traditional ones. This proposal has been supported by Chengdu municipal government and Dujiangyan municipal government, and pilot project in Dujiangyan has covered about 2,000 square meters.

Steel-structure residences are regarded as a new-type building in the 21st century with high earthquake-resistance capability, environment-friendliness and good-looking appearance. Compared with traditional concrete structure, such residences emit 20% less CO<sub>2</sub> during the construction, which conforms to the state's general principle of developing low-carbon economy. As the leader of China's steel industry, Baosteel attaches great importance to fulfilling its social responsibility in the corporate strategy; it will continue to follow the principle of environmental operation, construct more safe and environment-friendly steel-structure houses for quake-affected people, to actually improve people's well-being.

### III. Employee Performance

Since February 2009, Baosteel Metal has implemented the Corporate Instructor Program, in which the company's leaders and managers from headquarters served as instructors to teach reserve talents. While dealing with daily routines, instructors shall practically shoulder their responsibilities of training talents. Through this program, an early consensus was proved correct: it is necessary to arrange training courses for reserve management talents to enhance its professional quality and business capability; at the same time, attention also should be paid to the development of their mind-sets, to improve their leadership.

On the basis of analyzing various occupational groups and surveying and studying professional talents, the company designed a talent development way with distinctive Baosteel Metal characteristics, and wrote a human capital report covering 10 fields including marketing and trade, security, legal affairs, disciplinary inspection and supervision, trade union, operation improvement, human resources, procurement, office work and financial management, to provide guidance to the implementation of special workforce cultivation. The company also made considerable efforts on education and training. The company mainly depended on resources from Baosteel Talent Development Institute and from inside the company to launch training programs, advocated position-based training, and guide employees to develop themselves at their own positions.

### IV. Environment Protection

The company constantly promoted energy saving and environmental protection as the important content of its sustainable development and carried out the responsibilities of environmental protection

#### Initiate New Environmental Operation System

The company intensified the basic work in energy saving and environmental protection, promoted the cooperation with the core business, application of innovative materials and the material efficiency; it also insisted on lean operation, procedure improvement, and enhancement of the comprehensive finished product rate; based on characteristics of business sectors, the company boost the production of green products; and it also constantly established and improved relevant standard system, to create sound environmental operation system. Baosteel Metal gradually incorporated the environmental operation as a new growth point into its practice of operation and management. In all its business fields, the company promoted innovation of products and technologies in line with the principle of minimum damage to the environment, lowest energy consumption and optimal cost, such as systematic development of steel-structure residences, wide application of high-strength steel and high-efficiency steel for construction purpose; systematic analysis of two-piece steel can LCA<sup>\*</sup> together with the environment and resources department of Baosteel Research Institute; co-study of TULC<sup>†</sup> with Baosteel sales department, institutes, and cold rolling plants; and comprehensive utilization of blast furnace waste gas and cryogenic energy.

	2007	2008	2009
Business Income (RMB100 million)	35.4	67.5	70.9
Total Profit (RMB100 million)	0.3	0.85	1.03
Total Tax Payment (RMB100 million)	1.00	1.71	2.14
Return on Equity (%)	0.18	2.84	3.98
Capital Maintenance and Appreciation Rate (%)	101	104	102

\* LCA: Life Cycle Assessment

TULC: Toyo Ultimate Can. It is a kind of composite can developed by Toyo Seikan. Saving materials and being easily recyclable, such products feature low energy consumption and environment-friendliness.



## Engineering & Technology Services

Baosteel Group's engineering & technology services are mainly provided by its newly-established subsidiary Baosteel Engineering & Technology Group Co., Ltd. ("Baosteel Engineering" in short). In the group's new round of development drive, Baosteel Engineering aims to build itself into the world's top-notch and well-respected engineering & technology services (ETS) provider integrating engineering consulting, management, design, manufacturing, operation and maintenance. By integrating resources in and beyond the field of engineering & technology, it will strive to develop six independent and yet coordinated sections including engineering consulting & management, engineering technology, information technology, equipment manufacturing as well as technology services and R&D. It is entrusted with the task of innovating integration, introducing key engineering technology, developing overall engineering integration capacity, building a platform for the project-based and commercial application of iron and steel process equipment and technology, reducing engineering investment and improving the iron & steel sector's efficiency in equipment operation and maintenance.

### Baosteel Engineering & Technology Group Co., Ltd.

Established in 1997, Shanghai Baosteel Engineering & Technology Co., Ltd. has nine major business fields including steelmaking, refining, steel rolling, environmental protection, architecture, electrometallurgy, technological retrofit and equipment manufacturing. It possesses the core technologies in the overall design of large iron and steel complexes, engineering consulting, overall factory planning, pulverized coal injection for blast furnace, hot metal pretreatment, large converter/electric furnace, external refining, slab caster, wide medium plate mill, tube rolling mill, cold rolling and slab band post-treatment, zinc-bearing blast furnace sludge treatment, slag powder equipment, BSSF slag treatment, steel mill dedusting, residual heat utilization, coal rolling and coking wastewater treatment, sintering flue gas desulfurization, and light-gauge steel structures.

#### I. Economic Performance

Since its inception, Baosteel Engineering has been committed to the principle of prudent operation and seen the substantial growth of its business, becoming a leader in the industry in terms of its economic performance.

It takes innovation as the driving force of development and has been increasing R&D investment on a yearly basis. In 2009, it invested over RMB 120 million in R&D. To date, it has applied for a total of 251 patents with 122 approved, identified 125 technical know-how, and won over 60 awards on engineering design, engineering consulting, and gross contracted projects. It has also been honored as "Hitech Enterprise of Shanghai" and "Pilot Enterprise for Patent Work of Shanghai".

#### II. Employee Performance

In 2009, Baosteel Engineering worked with Mercer Management Consulting in developing HR projects. Through such cooperation, it established an employees' competence evaluation model, a leadership model, a model of core competence, and a model of project managers' competence, improving the process and system of employees' performance management and laying the foundation for developing leadership and enhancing project managers' competence.

The "Dual Channel Growth" scheme was launched to facilitate employees' career development from managerial and technical aspects. In addition, in the principle of meeting various demand, sharing resources and highlighting distinctive features, a total of 867 level- and theme-specific employee training projects were carried out in 2009, equivalent to 3.05 times and 59.1 hours of training per employee. To develop talents of international competitiveness, the company established a pool of English interpreters and sent four outstanding staffers to the training program in Namibia, which earned it the second Baosteel Training Award. Baosteel Engineering provides its employees with the best protection and attaches great importance to their mental and physical health as well as the internal harmony of the company. In addition to the various types of insurance that should be offered to employees according to local laws, the company also buys commercial insurance for them including personal accident insurance and critical illness insurance. To provide a platform for employees to learn from and exchange ideas with each other and to display their talent, the company organized a series of activities including "Employees' Innovation Action Plan", "3D Design Show", "Employees' Creativity Contest", "Youth Papers Release Conference", seminars involving both leadership and employees as well as online exchange of views. Besides, there are also earmarked funds for the organization of various sports and entertainment activities. Ten clubs covering basketball, badminton, football, read-

ing, photography, and architecture have been established to encourage employees to live a healthy life and work with fun. In 2009, the company did more to show its caring for employees. On every employee's birthday, it gave its birthday blessings by sending one cake, one birthday card and one bunch of flowers to him/her.

#### III. Social Performance

Baosteel Engineering, committed to developing along with society, attaches great importance to and support public welfare undertakings including poverty reduction, donating for the education of children in poverty, disaster relief, and community development. It aims to promote social harmony and development through its sustainable growth.

On education, the company has done a lot for students hit by poverty. Through Baosteel Group's College Student Employment Program, two college students have been offered the opportunity to work as interns in the company with a young staffer serving as their mentor. Its subsidiary Baosteel Roll in Changzhou has been supporting the development of education in remote rural areas over the years. In 2009, it organized its employees to donate money, stationery, and supplies worth over RMB 200,000 for the poverty-hit students of Xingyue Primary School in Nancai Township, Sucheng, Jiangsu Province. Some employees also participated in a program to help over 50 such students on a one-on-one basis, which was highly commended by the local government.

In advocating the spirit of dedication, caring for others, mutual help, and progress, the company continued to push forward the volunteer service for the college of the elderly. Young employee Mei Mei has been specially appointed as a teacher at the Baosteel college of the elderly for her excellent performance.

#### IV. Environment Protection & Sustainable Development

Baosteel Engineering has always regarded environment friendliness and resource conservation as an important part of the sustainable development strategy and made great efforts to fulfill its environmental responsibility.

##### Green Operation

The GB/T24001 Environment Management System and GB/T28001-2001 Occupational Health and Safety Management System were established and put into operation to identify, assess, monitor and manage the environmental factors that can be controlled and affected in activities, products, engineering & technology services and engineering projects. The ultimate goal is to ensure the rational use of resources and maximum reduction in the discharge of pollutants.

The Measures of Baosteel Engineering & Technology Corporation on Environment Management in Offices has been issued to guide the management of using paper, water, electricity and other energy and resources as well as the wastes produced in office activities so as to minimize the adverse influence of office activities on the environment.

In 2009, the concept of "environment operation" was further promoted and translated into action. The Environment Operation Handbook was written and published; training on the book was also organized across the company.

##### Green Engineering

Great efforts were made to develop energy-saving, environment-friendly and integrated resource utilization technologies and to promote the commercial application of such technologies. Baosteel Engineering also worked with its clients to facilitate energy saving and emission reduction by technical retrofitting and industrial upgrading.

Through the technical retrofitting of the slag grinding system of Shanghai Baotian New Building Materials Co., Ltd., it developed and produced the first set of large COREX slag grinder in China and applied the equipment in Xinjiang Bayi Iron & Steel Co., Ltd.

In project implementation, the BSSF slag treatment technology, independent developed by Baosteel Engineering, was improved considerably and achieved for the first time in the world rapid and complete slag cleaning in steelmaking. The technology has been widely applied in Baosteel, MaSteel, Nanchang Steel and other iron & steel enterprises in China. In 2009, it was exported to other countries. Now it has been adopted by many large and medium-sized steelworks overseas such as India's JSW Ltd., and South Korea's Pohang Iron and Steel Co. Ltd.

The focus of coking is put on gas purification and chemical products. Coke-oven gas purification technology is developed. Tar, ammonia, benzene and sulfur are separated to cut the discharge of SO<sub>x</sub> and NO<sub>x</sub> so as to provide clean fuel gas for industrial production. Besides, tar processing and benzol hydro-refining are also developed. Through deep processing, the discharge of harmful substances is reduced and the wastes produced in the process of coking are turned to renewable resources.

The company worked with Baosteel Iron-works in developing the coal moisture control (CMC) process and technology. Using coke-oven gas as the drying gas, the first time in the world, they developed the first multi-pipe rotary steam drying CMC system in China. The system was put into operation at the end of 2008 and has been operating steadily since then, with all technical indicators reaching advanced levels in the world. Statistics show that the system contributed to the greatly reduced energy consumption worth over RMB 40 million in 2009.

	2007	2008	2009
Sales Revenue (RMB 100 million)	47.5	49.3	51.1
Pre-tax Profits (RMB 100 million)	5.7	5.8	5.7
R&D Investment Rate (%)	0.84	2.58	2.54
Number of Employees	4,202	4,370	4,382
Person-times Trained	8,953	12,996	14,778
Employee Resignation Rate (%)	0.14	0.09	0.05
Energy Consumption per RMB 10,000 of Output (tce/RMB10,000)	0.04	0.046	0.035
Company's Total Donations (RMB 10,000)	15	300	0
Times of Training on Anti-corruption and Clean Governance	28	31	36
Number of Persons Receiving the Training on Anti-corruption and Clean Governance	3,355	3,855	4,355

## Shanghai Baosight Software Co., Ltd.

Shanghai Baosight Software Co., Ltd. ("Baosight Software" in short) was established in April 2000 and listed in the Shanghai Securities Exchange in April 2001. In the principle of providing IT services and enhancing the value of information, Baosight Software aims to develop into a top-grade industry informatization solution and product provider, a top-notch automation and intelligent system integration service and product provider, as well as a first-class information service outsourcing provider in China. It is committed to developing the performance and synergy culture and enhancing its soft power and core competitiveness so as to achieve sustained and steady growth. With 30 years' experience in serving Baosteel's modernization, Baosight delivers iron and steel enterprises' informatization solutions, automation system integration and maintenance service, intelligent traffic solution and comprehensive monitoring control solution on roads, bridges, tunnels and rail transit, as well as manufacturing and operation maintenance of complete sets of electromechanical equipment and mechatronic products. Its products and services cover many industries including metallurgy, transportation, equipment manufacturing (shipbuilding included), mining, finance, coal chemical engineering, and public service.

### I. Economic Performance

#### Economic Growth

Baosight Software's main business income and other operation indicators have been outstanding which has helped to increase the value of its assets and bring better returns to its shareholders.

#### Technology Innovation

Up to the end of 2009, Baosight Software has applied for 173 patents, 163 of which were for inventions, and 41 invention patents have been granted. It has registered 328 software copyrights, identified 127 technical know-how, and participated in the formulation and revision of 16 national and industry standards and the formulation of one local standard. It is honored as "Model IPR Enterprise" and "Model Enterprise for Patent Work" of Shanghai. It has also undertaken 863 projects of the Ministry of Science and Technology, the high-tech industrialization demonstration project of the national development and reform commission (NDRC), the national e-funds assistance project of the Ministry of Industry and Information Technology, and many major technology projects of Shanghai. It is a state-level enterprise technology center (branch) and among the first national innovative enterprises in China. Between 2007 and 2009, it was recognized as one of the top 10 software innovation enterprises in China by China Software Industry Association three years in a row.

### II. Employee Performance

Following the principle of serving society as a member of Baosteel, Baosight Software has been improving its governance structure and growing with its employees. It has built an innovative and professional team of employees.

#### Total Number of Employees

With the rapid growth of its business, the demand for employees is also on the rise. In recent years, the company creates an average of over a hundred job opportunities every year. Up to the December of 2009, the company has a total of 2,307 employees, 98% of whom have received college or higher education.

#### Employee Resignation Rate

Despite the global financial crisis, Baosight Software has not cut its payroll or cut employees' salary since it takes helping employees grow as part of its responsibilities. In recent years, the resignation rate of employees has been on the decline, much lower than the average level of the IT industry.

#### Employee Training

Based on the exploration over the years, Baosight has developed a "three-level plus three-category"<sup>\*</sup> training management system. It invests heavily in the training and development of employees every year. In addition, through the platform of "Online School", it offers various compulsory and optional courses as well as experts' online consultation, helping to promote the resource sharing among different departments. The platform helps to improve training effect and boost employees' satisfaction.

	2007	2008	2009
Sales Revenue (RMB 100 million)	18.3	21.5	22.7
Total Profits (RMB 100million)	1.7	2.1	2.2
Return on Equity (%)	23.21	25.08	23.27
Earnings per Share (RMB)	0.52	0.69	0.77
Dividend per Share (RMB)	0.15	0.20	0.3
Employee Resignation Rate (%)	4.35	4.2	3.5
Training Person Times	7,968	9,675	11,257

\* "Three-level plus three-category": "Three-level" means that training is conducted on three levels, i.e., company, department and individual. "Three-category" means that training falls into three categories, i.e., management, technology as well as Expertise and Skills for Self-Improvement.

### III. Social Performance

Baosight attaches equal importance to economic and social benefits. In pursuing rapid development, it also integrates social responsibility into its development strategy and has contributed to the coordinated development of economy, environment and society.

In encouraging employees to donate for students of Zhongba County in Tibet to study in Jinan, Shandong, it received the donation of more than 500 employees in three days. All the donated money was under the management of the company's poverty reduction foundation. Besides, donors' information was released on the OA website of the company.

Wang Haiqing, a student the R&D Department of Baosight has assisted since 2003, was admitted by Shanghai High School with the best performance in the entrance examination in June 2009.

### IV. Environmental Performance

Baosight has been working hard to expand energy saving emission reduction business. For example, it has promoted Baosight Energy Management System (EMS) and enhanced its engineering, procurement and construction (EPC) capacity in environmental protection such as water treatment. It has developed the software for the overall monitoring and management of intelligent buildings, helping enterprises to reduce energy consumption and improve the environment so as to achieve green production.

## Shanghai Baosteel Equipment Maintenance Co., Ltd.

Shanghai Baosteel Equipment Maintenance Co., Ltd. ("Baosteel Maintenance" in short), established in January 1997, does business in equipment and spare parts manufacturing, equipment maintenance, equipment management, iron & steel logistics service and the manufacturing of special transport vehicles. It has rich experience in the annual maintenance of the main operating line for large iron and steel enterprises, technological retrofit, contracted management of regional equipment as well as the processing and manufacturing of set equipment, forging its capacity to provide clients with package solutions. It has won many honors including the National Model Enterprise in Equipment Management, the first of the top 50 equipment maintenance enterprises in Shanghai, and one of the top 500 informatized enterprises in China. In 2009, it was awarded the title of National Hi-Tech Enterprise.

### I. Economic Performance

In 2009, Baosteel Maintenance held onto its core principle of creating better value for customers and provided Baosteel with efficient and quality equipment services with high technological content for its main operating line. Its sales revenue amounted to RMB 1.27 billion in 2009.

### II. Social Performance

#### Share Sunshine Program

Baosteel Maintenance is among the first partners of the Share Sunshine Program. The program is initiated by Shanghai Charity Foundation to help the children of migrant workers in Shanghai get access to education and employment in the context of massive inflow of migrant workers with the rapid development of the city in recent years.

In July 2009, 21 graduates of vocational secondary schools, children of migrant workers in Shanghai, joined Baosteel Maintenance through the Share Sunshine Program. Most of them are from poverty-hit rural areas. The mother of Liu Jian, one of the 21 new employees, was very excited about the news. She was very grateful to Baosteel Maintenance and society. She hoped that her son could work hard to repay the society.

To make the best of the program, the company had already designed two training courses on mechatronics and a made-to-order talent development model for the new members according to its own features as well as the fields of new members' internship and future career. During the training, the trainees have both theoretical study and on-job practice. Experienced technicians are assigned to guide the trainees and help them learn more from field experiences.

Since 2007, Baosteel Maintenance has been supporting the Share Sunshine Program despite the difficulties brought by the financial crisis.

	2007	2008	2009
Sales Revenue (RMB 100 million)	12.1	14.6	12.7
Patents	70	97	70
Technical Know-how	98	130	136
Share of Employees with Mid-level and Senior Titles (%)	8.8	9.9	12.1

## Shanghai Baohua International Tendering Co., Ltd.

Shanghai Baohua International Tendering Co., Ltd. ("Baohua Tendering"), established in 2001 as the first to do tendering business in manufacturing industry, has now developed into the largest and most competitive integrated tendering agency in manufacturing industry in terms of complete qualification, high-level professionalization and advanced operation mode in China.

### I. Economic Performance

In 2009, Baohua Tendering completed 450 tendering projects, achieving a winning bid amount of RMB 3.23 billion and an investment saving rate of 17.12%. The winning bid amount for new tendering business was RMB 570 million, and that for new clients in and outside the group was RMB 1.6 billion, respectively accounting for 17.6% and 49% of the total. Its whole-flow online tendering platform, the first of its kind in China, has made a promising start with 402 projects, saving labor input by 23,316 working hours and transaction costs by RMB 10.97 million.

Tendering and bidding, as an important means of allocating social resources, is conducive to the workings of competition mechanism. It helps allocate resources to well managed enterprises with technological strengths, and at the same time promotes competition, lowers procurement costs and increases fund utilization rate. Since the commencement of its tendering business, Baohua Tendering has saved RMB 46 billion in total for its clients of various kinds.

### II. Employee Performance

Talents count the most for Baohua Tendering as a service-oriented business. Fully aware of this, the company has kept an increasing investment in staff trainings. From 2007 to 2009, it provided trainings for 3,432 person-times, with each employee receiving at least two trainings per month, and the total investment in trainings during the period reached RMB 399,600. In 2009, influenced by the financial crisis, the company shifted its focus onto internal case studies and knowledge sharing relevant to tendering business while taking necessary external trainings as supplementary means.

### III. Environmental Performance

#### Protecting the Environment by Furthering the Industry

In 2009, the company's self-developed whole-flow online tendering system, the first of its kind in China, was placed in service and maintained stable performance. It greatly enhanced efficiency, lowered transaction costs, and contributed to environmental protection. It is estimated that in each project the labor input could be reduced by 58 man-hours and the transaction costs by RMB 27,300 on average. Therefore, in view of the 402 projects undertaken in 2009, the total labor input saved that year was 23,316 man-hours and the total transaction costs RMB 10.97 million. Besides, the paperless operation of the online tendering system is environmentally friendly, which helped save 8.5t paper in 2009, a calculation based on the 450 projects.

### Commitments to Furthering the Industry

As an outstanding enterprise in the tendering and bidding industry, Baohua Tendering had an active presence in many a few industry-furthering activities, and played a leading role in developing industry norms:

- 1) the only one tendering agency that participated in the formulation of the national standard (Fundamental Technical Specifications for Electronic Tendering and Bidding System), responsible for two core chapters therein;
- 2) one of the ten market entities engaged in the consultation and research on the Rules for Implementation of the Tendering and Bidding Law of the People's Republic of China formulated by the State Council;
- 3) the only one organization in the East China that participated in the appraisal of teaching materials for the examination of Professional Tenderer Certification;
- 4) the sole organizer of the first National Forum on Electronization of Tendering and Procurement, highly appraised by relevant state departments and the China Tendering and Bidding Association;
- 5) a successful online tendering platform operator that shared experience with such organizations as CHINABIDDING.COM, SCCIN.COM, Shanghai Construction Industry Administration Office, Shenyang Public Resource Trading Center, Committee of Discipline Investigation of Fangchenggang and Construction Committee of Liuzhou.

	2007	2008	2009
Number of Projects	905	637	450
Winning Bid Amount (RMB 100 million)	95.2	64.6	32.3
Amount Entrusted (RMB 100 million)	103.9	77.0	39.1
Amount Saved (RMB 100 million)	8.7	12.4	6.7
Investment Saving Rate (%)	8.36	16.08	17.18
Investment in Trainings (RMB 10,000)	12.38	22.68	4.9
Training Person-times	1,032	1,170	1,230

## Production Services

The main production service providers in Baosteel Group are Baosteel Development Co., Ltd. ("Baosteel Development") and Baosteel Group Shanghai Meishan Co., Ltd. (Meishan Company), two of its subsidiaries. At the new stage of its development, Baosteel makes it a strategic goal to manage and provide world class integrated production services for large-scale process flow industries. It is committed to uplifting the efficiency of production and operation in iron and steel industry by rendering integrated services, and enhancing solid waste recycling and reutilization in metallurgical industry with its first-rate capabilities in scale and technology.

### Baosteel Development Co., Ltd.

#### I. Operational Performance

In 2009, the company's total operating revenue was RMB 9.27 billion, total profit RMB 240 million, and total operating profit RMB 580 million, with its rate of return on net assets at 12.1%. It realized cost reduction and efficiency boost valued at RMB 270 million, achieving 128% of the target for the year.

#### II. Employee Performance

##### Talent Development

In 2009, Baosteel Development invested RMB10.6622 million in 768 training programs with 34,386 person-times attendants, including off-the-job advanced seminar in operation management and comprehensive training courses.

##### Health Plan

Baosteel Development planned and arranged for the employees' physical examination. Favored by its advantage in resources, it developed two examination items, namely, HP breath test and body composition estimation. Meanwhile, it improved the follow-up services by tracing over 7651 persons times high-risk employees and accepting over 3,280 person-times consultations.

#### III. Social Performance

As a large company offering integrated services, Baosteel encouraged its young employees to engage in the fulfillment of its social responsibilities, mainly focusing on youth volunteer activities.

##### Green Action – Volunteers for Environment Protection

Baosteel Development engaged youth volunteers in activities dedicated to environmental protection, a major theme in today's world. In March 2009, the Communist Youth League Committee of the company launched the initiative for water saving in washrooms within the factory complex. In the activity, an action team composing of league members improved facilities in 150 washrooms by placing stuff in 391 water tanks and reducing water flow from 20 water taps. The action was estimated to have brought about a reduction in water consumption by 42.3 m<sup>3</sup> per day, and thus saved RMB 56,000 for the factory complex per year; calculated based on the water price at RMB 1.3/m<sup>3</sup>.

##### Red Action – Help the Aged

The company established the Baokang Apartment for the aged and developed it into a base for the care-for-the-aged activities led by the League Committee. Every year when the Spring Festival and the Mid-autumn Day come, the company will call on youth volunteers to join the coordinated services for the aged ex-employees. On March 5, 2009, the company launched a special elderly care activity, in which 25 of Baosteel's aged exemployees from the Baokang Apartment, accompanied by 25 youth volunteers respectively, paid a visit to the Baosteel History Museum and learned about the great changes during the past three decades.

##### Blue Action – Sunshine Home

The early 2009 saw the close link between the League Committee of Baosteel Development and the "Sunshine Home" for the retarded in the Youyilu neighborhood. A series of activities themed "Youth and Sunshine" was carried out to make the retarded youths feel loved and cared for.

#### IV. Environmental Performance

Baosteel Development has now taken over the renewable resources recycling and disposal business from the Head Office of Baosteel Group Corporation, Special Steel Multi-division, Medium and Heavy Plate Branch and Shanghai Steel Pipe Plant. In 2009, it recycled and disposed totally 6.79 million tons solid wastes, including 1.04 million tons metallic wastes and 5.75 million tons non-metallic wastes. In the same year, the company completed its commercial plans for integrated utilization of the four major renewable resources—slag powder, magnetic materials, reclaimed oil and used refractory materials, indicating the direction of future efforts in this field. The company, with enhanced capability in integrated utilization of renewable resources, will build world class cyclic economy industrial parks in Baoshan, Shanghai and Zhanjiang, Guangdong, as well as a few industrial bases in coastal regions of the Southeast China.

#### New-type Building Materials

Through an integrated utilization of steel slag, fly ash, desulphurized gypsum and other industrial wastes, the company has developed a slag powder production capacity of 2.2 million tons, including 1.7 million tons in Shanghai and 0.5 million tons in Nanjing. In 2009, it produced 1.587 million tons slag powder, and processed 689,000 tons steel slag and 322,000 tons fly ash into such building materials as grounded ash and classified ash for sale. Besides, it reclaimed and disposed 75,000 tons desulphurized gypsum.

#### Magnetic Materials

The magnetic material production of Baosteel Development has grown from a small business with only one series and two categories into a large one with three series and more than ten categories. The company has been listed among the high-tech enterprises of Shanghai, and several kinds of its self-developed material powder (BRL2K3D, BRL10K, BRL2K4D, etc.) have been included in the New Products of Shanghai and Technological Achievements Conversion Projects. Its BRL soft magnetic ferrite material has been established as a brand name product and included in the excellent projects under the National Torch Program.

#### Used Refractory Materials

More than 220,000 tons used refractory materials are generated from the production of Baosteel each year, including recyclable ones in dozens of varieties, and 140,000 tons are generated from Baosteel branches. In 2009, altogether 33,000 tons used refractory materials were disposed. The company has developed four varieties, namely, unshaped refractory materials, magnesia carbon bricks, fabricated materials and spray guns, some of which have began taking shape. While utilized in steel and iron production within Baosteel Group, these products also serve market demands. And there are self-developed core technologies and patents on some of them.

#### Reclaimed Oil

The Baosteel Used Oil Treatment Station provides facilities for collecting, storing and disposing used mineral oil and industrial oil. In 2009, the company reclaimed 3,900 tons waste oil generated from Baosteel's production including hydraulic fluid, gear oil, emulsified oil, electric insulating oil, etc. The reutilization of the reclaimed and purified oil has brought about great social and economic returns.

	2007	2008	2009
Physical Examination Participated by All (Person-times)	51,487	82,699	68,199
Physical Examination Attended by Female Employees (Person-times)	—	—	3,655
HP Breath Test (Person-times)	—	—	1,442
Body Composition Estimation (Person-times)	—	—	889
Total Energy Consumption (kt standard coal)	58.2	59.8	67.8
Waste Disposal Rate	100%	100%	100%
Pollution Factors Detection Rate	100%	100%	100%
Reduction in SO <sub>2</sub> Emissions (t/a)	—	—	29.4
Reduction in NO <sub>x</sub> Emissions (t/a)	—	—	12
Reduction in Dust Emissions (t/a)	—	—	30



## Baosteel Group Shanghai Meishan Co., Ltd.

Baosteel Group Shanghai Meishan Co., Ltd. (hereafter "Meishan Steel") was established in April 1969. It is headquartered in Shanghai and has manufacturing operations in the southwest outskirt of Nanjing. It acquired its current name in 1998 when it merged with Baosteel and Shanghai Metallurgical Holding Group (SMHG).

For years, Meishan has kept hard-work and innovation as its motto. It fully supports the Baosteel culture of "meticulous attention to quality, learning, innovation and endless pursuit of excellence" and the corporate philosophy about integrity and coordination, focuses on material, cultural and ethical progress, implements the customer satisfaction strategy, and strives towards the benefit sharing among the business, society, environment, clients and employees, towards greater cost-efficiency and a vigorous, honest and harmonious enterprise.

### I. Economic Performance

In 2009, Meishan Steel reported a business income of RMB 4.325 billion, 128.9% of the adjusted mid-term target, reducing cost by RMB 350 million.

### II. Employee Performance

Meishan Steel always attaches great importance to creating a safe workplace for its employees and building their awareness of industrial safety. The accidents involving major injuries or deaths were nil, and the number of injuries per million working hours was below 0.8.

To fully implement the Employee Health Boosting Plan, health check-ups were organized based on the company's Rules on Occupational Health Monitoring and were attended by 93.9% of the employees.

A total of 527 training sessions were carried out throughout the year, with an accumulated attendance of 28,617 person-times. Four senior technicians, 41 technicians and 345 senior workers were newly added to the company's workforce.

Meishan Steel also pays considerable attention to ethnical solidarity and religious cohesion. It arranged 9 events for this purpose in 2009 through Meishan Steel Ethnic Minority Society.

### III. Social Performance

An active advocator of volunteerism, Meishan Steel organized over 120 of its young employees to participate in the Pro-health Community Outreach Plan, offering voluntary service to nearly 3,000 retirees. Other voluntary services include assistance booths at squares, tree-planting activities and traffic directing. About 410 people attended these activities throughout the year. Meishan has been actively cooperating with local governments and neighborhoods to promote cultural and ethical progress, and for this purpose signed a pairing agreement with Banqiao Neighborhood of Yuhuatai District in Nanjing. Meanwhile, it is also active in providing assistance to poor neighborhoods. For example, it donated RMB 120,000 to Meishan Neighborhood in Yuhuatai District.

Meishan Steel takes special measures to help employees in need. RMB 856,600 was given in the "Donate One Day's Income" initiative. In "Help Those in Need" activities, about 1,456 person-times received financial assistance worth RMB 6.12 million.

The anti-corruption education within Meishan Steel focuses on "addressing root cause, preventing soil and seed for malpractice and advocating typical cases". Well-targeted education activities were arranged, including 33 anti-corruption training sessions with an attendance of 2,209 person-times.

### IV. Environmental Performance

Through various means and channels, Meishan Steel strengthened environmental education and publicity, raising the employees' awareness of environment protection. Based on 2009-2012 Environment Protection Plan and integrated resource utilization for new systems in the core iron and steel business, Six-Year Plan for Environment Protection (2010-2015) has been formulated, with general goals and Environment Performance targets clearly defined. Major Pollution Emergencies Response Plan was prepared, stipulating management procedures, responsibilities and measures in the face of environmental emergencies and possible precautions. Measures have been taken to reduce pollution and emission, strengthen monitoring of hazardous wastes, and ensure that hazardous wastes are properly collected, stored, transferred and disposed of and solid, liquid and gaseous wastes are discharged in compliance with relevant laws and standards. Greater efforts have been made in landscaping. About 37.24% of the company's grounds are covered by greenery. In 2009, Meishan Steel was cited as a national model in landscaping.

	2007	2008	2009
Total Profit (RMB100 million)	1.9	-0.6	-0.2
New Patents	12	15	20
Training Projects	450	498	523
Annual Average Trainings per Person	2.41	2.07	2.56
People Receiving Occupational Physical Checkups	8,846	8,998	9,099
Volunteers	400	400	500
Anti-corruption Meetings and Activities	243	252	266
Anti-corruption Trainings	57	48	33
Attendance of Anti-corruption Trainings	3,864	2,912	2,209
Emission of SO <sub>2</sub> (ton)	110	105.1	42.8
Suspended Substance (ton)	435	196	85
Total Effluence Discharge (ton)	792.7	437.3	200
Disposal of Hazardous Wastes (waste oil) (ton)	30.56	66.32	88.32

Baosteel's presence in the coal chemical industry, which draws strength from and complements its core iron and steel business, is mainly achieved through its subsidiary Baoshan Iron & Steel Co., Ltd. Chemical Branch (hereafter "Baosteel Chemical"). In the new development blueprint of Baosteel, the strategic goal of Baosteel Chemical is to become the most competitive solution provider in recycling of coking by-products. Based on recycling, transfer and processing of coking by-products, it will endeavor to explore the high-tech, high added-value downstream field of coal chemicals and implement the environment-friendly business concepts.

## Baoshan Iron & Steel Co., Ltd. Chemical Branch

### I. Economic Performance

Due to the impact of financial crisis, Baosteel Chemical registered a year-on-year decrease in business income, total profit and tax paid, standing at RMB 6.9 billion, RMB 350 million and RMB 250 million respectively.

### II. Employee Performance

The number of employees has fallen due to growing retirements in recent years.

In 2009, Baosteel Chemical's training outlay reached RMB 2.2129 million, with each employee participating in four training sessions and spending 92.53 hours on average.

Baosteel Chemical has always attached great importance to labor protection and compliance with industrial safety rules and standards. All the employees exposed to dust or hazardous substances are guaranteed leaves for recuperation. Work-related injury, injuries per 1,000 people, incidences of occupational diseases and major fire accidents were nil in 2009.

### III. Social Performance

#### Safety and Stability

As a manufacturer of hazardous chemicals, Baosteel Chemical always puts industrial safety first. It has established workplace safety drill mechanism, formed a volunteer fire brigade, prepared BG-SHG01021 Major Mass Emergencies and Antiterrorism Response Plan and Public Health Emergencies Response Plan.

#### Donation

For years, Baosteel Chemical remains an enthusiastic supporter of charity, giving to and serving the community and actively pursuing the goal of harmonious business and social development. It conducts such activities as "Donate One Day's Pay", Hope Student Grants, "Donate Clothing" and blood donation each year, and has established Long-term Management Rules of Baosteel Chemical on Assistance for Needy People. In 2009, Baosteel Chemical made home visits to 517 person-times, bringing people a financial assistance of RMB 313,300 in total.

#### Promotion of Volunteerism

During the "Learn from Lei Feng" initiative on each March 5, volunteers from Meishan branch of Baosteel Chemical offered various services for the elderly in local communities, helping sharpen over 20 kitchen knives, doing 100 plastic encapsulations, and cutting hair for over 10 residents. Meanwhile, Meishan branch organized six Communist Youth League members to do the cleaning for the old people who lived alone.

#### Anti-corruption Education

Greater efforts have been made in educating people on sensitive posts. Baosteel Chemical has listed these people as a priority for receiving anticorruption education, and worked hard to make the education better targeted and more effective. All the people holding sensitive posts will be called together each season for anti-corruption education. Besides, follow-up education will be conducted by the disciplinary committee for key projects and departments. About 12 training sessions were held for people on sensitive posts last year, with an accumulated attendance of more than 500 person-times. Employees have become more self-disciplined as a result.

### IV. Environment Performance

Environmental protection is an important aspect of Baosteel Chemical's social responsibility. With environmental requirement becoming ever more stringent, the company stepped up management efforts and technological input and prepared Environment Action Plan in the Lead-up to Expo 2010. Overall pollutant emissions throughout the year were at a level complying with environment norms, and total COD emissions were cut by 32.3% compared with the pre-set goal.

#### Liquid Waste Treatment

Industrial effluent is effectively treated right at the source. Clear and cloudy liquids are separated before recycled, reducing the production of effluent. Condensed water was reclaimed, reducing water by 34,000 tons in 2009. The company was responsible for effluent treatment in No. 3 hot rolling and other workshops of Baosteel in 2009 and the secondary pollution-free recycling of coking effluent is under experiment.

#### Gaseous Waste Treatment

By combining floating roof tank technology and centralized treatment of gaseous waste, the company has effectively reduced the tank-produced gaseous waste. On-site research effectively resolved the thorny problem that the use of high-sulfur coal would increase the load of deep desulfurization of coal gas.

#### Solid Waste Treatment

About 98% of coke ovenproduced solid waste has been effectively recycled.

#### Equipment Upgrading

Meishan Branch's acid pickled benzene equipment has been phased out, greatly reducing the environment pressure, and its use of circulating water system can save 10 million tons of water each year. By improving equipment and operational procedures, Baosteel Chemical Suzhou effectively controlled dust spillover and raised the reclamation rate of water discharged out.

	2007	2008	2009
Business Income (RMB100 million)	58.5	79.9	69.0
Total Profit (RMB100 million)	9.5	4.0	3.5
Total Tax Payment (RMB100 million)	2.3	3.5	2.5
Patents	30	35	49
Technical Know-how	44	46	33
Employees	1,770	1,745	1,706

## Financial Investment Industry

Baosteel's presence in the financial investment industry is achieved mainly through its wholly-funded subsidiary Fortune Trust & Investment Co., Ltd. (hereafter "Fortune Trust & Investment"). In the new development blueprint of Baosteel, the strategic goal of Fortune Trust & Investment is to become the first rate financial solution provider with its own characteristics. With a diversified portfolio of securities, trust and fund, it will continue to improve its financial services, make its advantage as a diversified financial service provider; provide a full range of financial services including research, investment, funding and M&A for the group's core iron and steel business and other business units, and open up a new path for development of both industrial business and financial business.

### Fortune Trust & Investment Co., Ltd.

#### I. Economic Performance

In spite of fast-changing business climate and market conditions in 2009, Baosteel's financial units, which have been good at seizing market opportunities, reported solid business results. By the end of 2009, assets managed by Fortune Trust & Investment were worth RMB 132.9 billion (RMB 14 billion self-owned and RMB 118.9 billion held on behalf of clients).

#### II. Employee Performance

Fortune Trust & Investment has a high-caliber workforce. By the end of December 2009, 240 people, or 43.5% of its employees have gained master or doctoral degrees, another 240 people (43.5%) held bachelor degrees, 72 people (13.0%) were junior college or secondary school graduates, and 38 employees had studied or worked overseas. The company boasts a well-proportioned team of backbone employees who hold qualifications for CFA, CPA, FRM and practicing lawyers. The team is innovative, proactive, vigorous and enterprising.

Fortune Trust & Investment encourages its employees to participate in sports to stay healthy and provides venues and funding for this purpose. In July 2008, it held its first corporate sports meeting, which not only highlighted the importance of sports, but also provided a chance for communication and coordination between all its employees.

#### III. Law Compliance

Fortune Trust & Investment maintains effective communication and cooperation with government agencies, regulatory commissions, industrial associations and media and fulfills earnestly the tasks required by regulatory commissions and industrial associations.

In August 2009, Fortune Trust & Investment was elected vice director of the first Shanghai Private Equity Association and took this opportunity to play an even more important role in the association and equity investment field.

Fortune Trust & Investment strictly conforms to each relevant law or regulation to ensure law-compliance and efficiency of corporate operation. It also lays an emphasis on the importance of promptly disclosing product risk and other product information to safeguard the investors' interests. No matter how market fluctuates, all the trust products have been honored without any delay.

In August 2009, heads of the company and its departments, disciplinary officials and some Party members attended the Anticorruption Educational Exhibition of the Banking Industry in Shanghai that was organized by the China Banking Regulatory Commission, and was educated in how to contribute to a clean and corruption-free Party.

In spite of harsh business climate, Fortune Trust was highly rated by expert panels due to its superb overall performance and received a series of awards including the most important award of the 3rd Cheng Xin Tuo Contest, the Top Prize; Fortune Securities was actively engaged in industrial competition and was named securities broker making the fastest progress in the 2009 Best Securities Broker contest organized by Shanghai Securities Journal. Fortune Financial was cited as a Shanghai Model Organization for Cultural and Ethical Progress and awarded a second-class prize for financial statistics work during a contest organized by People's Bank of China Shanghai Branch among China-funded financial institutions in Shanghai.

#### IV. Social Performance

Fortune Trust & Investment is a warm-hearted supporter of charity. In May 2009, Fortune Fund joined hands with Mianyang Red Cross in Sichuan to launch the charity event "Lend a loving hand to the quake-stricken areas", donating books and stationeries to Wazi Primary School in Mianyang and sending regards to securities holders affected by May 12 earthquake. Zhoushan Branch of Fortune Securities is an active supporter of education, becoming a field-study base for Zhejiang Ocean University.

Fortune Trust & Investment pays great attention to corporate culture, advocates energy efficiency, environment protection and reduction of resource consumption; and encourages blood donation and voluntary services of its employees.

	2007	2008	2009
Business Income (RMB100 million)	25.0	22.0	25.9
Total Profit (RMB100 million)	18.6	15.0	18.4
Net Profit (RMB100 million)	13.5	11.4	15.8
Net Return on Assets (%)	13.56	9.99	13.35
Assets under its Management (RMB100 million)	1,322.4	1,036.7	1,329.0

## Baosteel Group Corporation Subsidiaries

### Baoshan Iron & Steel Co., Ltd.

Add: South Building, Baoshan Hotel, No. 1813 Mudanjiang Road,  
Baoshan District, Shanghai  
Postal Code: 201900  
TEL: +86 21 26647000  
FAX: +86 21 26649000  
Hotline: +86 21 26648888  
Website: www.baosteel.com

### Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd.

Add: Bayi Road, Toutunhe District, Urumchi, Xinjiang  
Postal Code: 830022  
TEL: +86 991 3893418  
FAX: +86 991 3891000  
Website: www.bygt.com.cn

### Ningbo Iron&Steel Co., Ltd.

Add: No.168, Lin'gang Road No.2, Xiapu, Beilun District, Ningbo,  
Zhejiang  
Postal Code: 315807  
TEL: +86 574 86859000  
FAX: +86 574 86859126  
Website: www.ningbosteel.com

### Guangdong Iron & Steel Group Co., Ltd.

Add: F/24, China Construction Bank Mansion of Guangdong Province,  
No.509, Middle Dongfeng Road, Yuexiu District, Guangzhou  
Postal Code: 510045  
TEL: +86 20 83606563  
FAX: +86 20 83606095

### Baosteel Metal Co., Ltd.

Add: Building 2, Alley 803, Shuangcheng Road, Baoshan District,  
Shanghai  
Postal Code: 200940  
TEL: +86 21 61805678  
FAX: +86 21 61801188  
Website: www.baosteelmetal.com

### Baosteel Resources Co., Ltd.

Add: F/17, Baosteel Tower, No.370 Pudian Road, Pudong New Area,  
Shanghai  
Postal Code: 200122  
TEL: +86 21 58350000  
FAX: +86 21 68403528  
Website: www.baosteelresources.com

### Baosteel Engineering & Technology Group Co., Ltd.

Add: No.2510 Tieli Road, Baoshan District, Shanghai  
Postal Code: 201900  
TEL: +86 21 66786678  
FAX: +86 21 56604813  
Website: bsee.baosteel.com

### Baoshan Iron & Steel Co., Ltd. Chemical Branch

Add: No.3501 Tongji Road, Shanghai  
Postal Code: 201900  
TEL: +86 21 26647002  
FAX: +86 21 66789208  
Website: www.baochem.com

### Baosteel Developing Co., Ltd.

Add: No.889 Baoyang Road, Shanghai  
Postal Code: 201900  
TEL: +86 21 56125101  
FAX: +86 21 56126727

### Baosteel Group Shanghai Meishan Co., Ltd.

Add: Xinjian, Zhonghuamenwai, Nanjing  
Postal Code: 210039  
TEL: +86 25 86363055  
FAX: +86 25 86363099  
Website: www.bsmeishan.com

### Baosteel Group Shanghai No.1 Iron & Steel Co., Ltd.

Add: No.868 Changjiang Road, Baoshan District, Shanghai  
Postal Code: 200431  
TEL: +86 21 26033236  
FAX: +86 21 26033237

### Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd.

Add: No.1 Beiyunchuan Road, Baoshan District, Shanghai  
Postal Code: 200949  
TEL: +86 21 26098888  
FAX: +86 21 26098980

### Baosteel Group Shanghai No.5 Iron & Steel Co., Ltd.

Add: No.303 Tongji Road, Baoshan District, Shanghai  
Postal Code: 200940  
TEL: +86 21 26032130  
FAX: +86 21 56671316

### Fortune Trust & Investment Co., Ltd.

Add: Building 30, No.166 Lujiazui Ring Road, Pudong New Area,  
Shanghai  
Postal Code: 200120  
TEL: +86 21 50122212  
FAX: +86 21 50122273

## Highlights 2009

### Awards

- ☆ **January 9, 2009**  
Baosteel's Comprehensive Technology for Utilization and Emission Reduction of By-Product Gases of Steel Enterprises won the second prize of 2008 National Awards for Scientific and Technological Progress at the national scientific and technological awarding ceremony. It was the first project winning such an honor in domestic metallurgical industry.
- ☆ **January 15, 2009**  
The Expo Bureau granted Baosteel the Expo 2010 Shanghai China Service Star Award.
- ☆ **March 23, 2009**  
Baosteel Group Corporation was listed among "World's Most Admired Companies" by American Fortune Magazine.
- ☆ **July 8, 2009**  
Baosteel ranked 220th in the latest Fortune Global 500 with the gross business income of USD 35.5 billion and gross profit of USD 2.314 billion in 2008, up 39 positions compared to the last year. It's the sixth successive year for Baosteel to be included in the list.
- ☆ **August 4, 2009**  
Baosteel ranked third among the 32 "World-class Steel Enterprises" published by World Steel Dynamics (WSD) in 2009.
- ☆ **August 20, 2009**  
Baosteel was listed in CCTV 60 Brands in 60 Years at the election of "60th Anniversary of the Founding of New China –Drive China's Economy –60 Brands Influencing on People's Life".
- ☆ **August 25, 2009**  
Baoshan Iron & Steel Co., Ltd. and Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. were among Top 100 China's State-owned Listed Companies with Social Responsibility in 2008 at the first Annual Conference of Chinese Enterprises' Social Responsibility.
- ☆ **August 25, 2009**  
Nine new technologies innovated by Baosteel won China Metallurgical Science and Technology Awards in 2009, including three first prizes for The Development and Application of Two-piece Tinplate for Pop-top Cans, Process Equipment Technology of Annealing and Coating Set of Non-oriented Electrical Steel, and Technical Study and Application of Baosteel's Baosteel Process Control respectively, second prize for Zn-galvanized Steel Sheet Control and Full Hard Steel Production Technology, and third prizes for five innovations including Meishan Steel Company's Highly-efficient Combined-blowing Integration in Converter.
- ☆ **September 7, 2009**  
Baosteel ranked twelfth among Chinese top 500 enterprises and second in manufacturing sector in 2009.
- ☆ **September 24, 2009**  
Baosteel was listed among the Top 10 in 2009 Top 100 CSR Enterprises in China released by Research Center for Corporate Social Responsibility, Chinese Academy of Social Sciences, and won the Special Award of 2009 CSR Enterprises.
- ☆ **October 28, 2009**  
Baosteel successively took the first place for the sixth time in the 2009 Shanghai Top 100 Enterprises List released by Shanghai Enterprise Confederation and Shanghai Entrepreneur Association.
- ☆ **November 16, 2009**  
Baosteel Project was honored among the 100 Classic & Excellent Projects since the Founding of the People's Republic of China.
- ☆ **November 23, 2009**  
Pudong Iron & Steel's Movement to Luojing Project COREX-C3000 won the Luban Prize, the highest award for construction projects in China, and became the only large industrial project receiving the honor in Shanghai in 2009.
- ☆ **December 9, 2009**  
Baosteel's 18 achievements won the first, second and third prizes in the Assessment on Modern Innovation of Enterprise Management in Shanghai.
- ☆ **December 2, 2009**  
Baosteel's 2008 Corporate Social Responsibility Report won the 2009 Golden Bee Best CSR Report.
- ☆ **December 22, 2009**  
Baosteel was among the Top 60 Most Influential Brands in China's Previous 60 Years in the election of Top 100 Businessmen in China's Economy & Top 100 Chinese Brands and the fourth Social Responsibility Prize.

## Major Events

### January

- January 1 Wang Lequan, member of the Political Bureau of the CPC Central Committee and Secretary of CPC committee of Xinjiang Uygur Autonomous Region, with other leaders in the Autonomous Region, visited Bayi Iron & Steel Co., Ltd. of Baosteel Group Corporation to know about its production and development and extended new-year wishes to the cadres and staff of various nationalities.
- January 5 Baosteel Group Corporation and China State Shipbuilding Corporation (CSSC) signed strategic cooperation agreement.
- January 9 Baosteel's Comprehensive Technology for Utilization and Emission Reduction of By-Product Gases of Steel Enterprises won the second prize of 2008 National Awards for Scientific and Technological Progress at the national scientific and technological awarding meeting. It was the first project winning such an honor in domestic metallurgical industry.
- January 10 Baosteel Group Corporation and Commercial Aircraft Corporation of China, Ltd. concluded their strategic cooperation agreement.
- January 11 Baosteel won the Expo 2008 Shanghai China Service Star Award by the Expo Bureau. Pu Kangguo from the Department of Key Engineering Materials of Baosteel Sales Center was granted the Individual Expo Star Award.
- January 19 The second session of board of directors of Baosteel Group Corporation was established.
- January 20 Baosteel Group Corporation and China International Marine Containers (Group) Co., signed their strategic cooperation agreement. China International Marine Containers (Group) Co. granted the title of Strategic Partner and Core Provider.
- January The first coal moisture control equipment in China, independently researched and developed by Baosteel, was put into production line; its various technological indices reached the international level of the same type of equipment.
- January The thickest structural slab in China was born in Baosteel. Baosteel supplied high-strength structural slabs to Kingkey Finance Tower in Shenzhen, China, among which the 120mm-thick was first applied in China.

### February

- February 27 The Development of 3Cr Tubing and Casing for Anti-CO<sub>2</sub> and H<sub>2</sub>S Corrosion by Baosteel Group won the first prize of 2008 Shanghai Municipal Awards for Scientific and Technological Inventions. Its product series have brought profits of nearly RMB 400 million in total.
- February By adjusting the product mix of medium caliber straight welded pipes, Baosteel Group won the HFWX70 line pipes contract, the first time Baosteel Group exported its highgrade line pipes (above HFWX70) to overseas market.
- February Baosteel Environment Monitoring Station, through the environmental pollution control facilities organized by Ministry of Environmental Protection, automatically and continuously monitored the examination of operational qualifications, and is the first corporate environment monitoring station in the iron & steel industry in China which is capable of monitoring on-line the operational qualifications.

### March

- March 1 Baosteel Group Corporation and Hangzhou Iron & Steel Group Company signed an agreement to reorganize Ningbo Steel Co., Ltd.
- March 29 Baoshan Iron & Steel Co., Ltd. won six prizes in the 2008 competition of Top 500 Chinese Enterprises in Informatization, including the Grand Prize of 2008 Chinese Enterprise Informatization. Xu Lejiang, Chairman of Board of Directors of Baosteel Group and Baoshan Iron & Steel Co., Ltd., was granted the Meritorious Award in Chinese Enterprise Informatization.
- March The Yunnan fixed-point poverty alleviation program in 2009 was initiated. Baosteel Group continued to provide fund of RMB10 million to Yunnan targeting 26 poverty alleviation projects.

- March Baosteel was listed among "World's Most Admired Companies" by American "Fortune" Magazine for the fourth time since 2005, and ranked second in the global metal industry, with the highest ascending rate.

- March Baosteel accomplished the task of providing building materials to Shanghai Expo. As the exclusive steel provider of 2010 Shanghai World Expo, Baosteel Group supplied a total of 93,000 ton steel to Expo 2010, for which Bureau of Shanghai World Expo Coordination granted medals to Baosteel.

### April

- April 21 Kong Liming, a Baosteel technician, attended the fourth awarding ceremony for Innovation and Entrepreneurship Award in the Great Hall of the People and won the Innovation and Entrepreneurship Special Prize and the honorary title "Modern Inventor".
- April China Software Industry Association (CSIA) announced a list of the first 16 enterprises which have won the credit rating above A in software service industry. Baosight was listed as the enterprise with highest credit rating AAA.
- April Baosteel recycled the waste residue created by COREX furnace—the most environmentfriendly in the world to produce the new concrete admixture, which has passed the new product appraisal by Shanghai Municipality and applied for national patent.
- April Baosteel's Phase II of the whole-process online bid-invitation platform—the system for engineering bid invitation had its pilot run, which was the first whole-process on-line tendering and bidding for engineering bidinvitation projects in China.
- April The COREX-C3000 Coal Injection System, the largest one in the world, was successfully put into production, making Baosteel the second enterprise in the world which boasts coal injection technology without blast furnace melting.
- April Baoshan Iron & Steel Co., Ltd. established its fourth board of directors and Board of Supervisors. Xu Lejiang was elected as Chairman, He Wenbo as Vice Chairman and Ma Guoqiang as Managing Director. Li Li (female) was appointed as Chairman of the Board of Supervisors.

### May

- May 5 To streamline management and improve efficiency, Baoshan Iron & Steel Co., Ltd. abolished the organization system of its subsidiaries and took their businesses under direct management.
- May 12 The No. 4 blast furnace by Baosteel Group Shanghai Meishan Co., Ltd was lit and put into production, marking that the company was capable of producing 3.5 million tons of steel and laying a foundation for the company to become Baosteel's key production base of quality carbon steel.
- May 20 Management reform measures were announced by the headquarters of Baosteel Group Corporation. Through the reform, the corporation adopted strategic control as its management and control mode and reduced the number of its headquarters' executive departments to 10.
- May 23 Foshan Baosteel Can Making Co., Ltd, the fourth domestic enterprise invested and built by Baosteel in making two-piece steel can, was put into production. Henceforth, Baosteel Group Corporation was capable of producing 2.7 billion two-piece steel cans per year and established a network covering East China, South China, North China and the western regions of China in terms of two-piece steel cans making and the service system.
- May 29 Ernest Bai Koroma, President of the Republic of Sierra Leone, visited Baosteel Group Corporation.
- May The revised version of Baosteel Outline of Development in Technology Innovation System was issued.
- May Baosteel's DI materials for two-piece cans got its "visa" for the first time. The world's biggest producers consider the material a substitute of the same type of products.
- May Baosteel established the first "Innovation Day", "Worker-Inventor Studio" and volunteer team for guiding the innovation initiatives.
- May Baosteel Group Corporation signed strategic cooperation agreements with Midea Group Co., Ltd and Galanz Group Co., Ltd. respectively.



May Xu Kuangdi, the former vice chairman of the CPPCC National Committee and the President of Chinese Academy of Engineering, made an inspection visit to the Xingfujia Yuan Yiyuan steel-structure community—an affordable housing program in Dujiangyan undertaken by Baosteel.

## June

June 9 The unveiling ceremony of Baosteel Stage was held in the Expo site. Named after the Superior Steel Workshop of Shanghai Baosteel, Baosteel Stage was one of the seven indoor performance venues of Shanghai Expo and the first pavilion to be named after an enterprise.

June 9 Baosteel issued the 2008 Report on Social Responsibility and decided to issue the report every year.

June 9 Baosteel unveiled the anti-microbe stainless products and donated 2010 sets of stainless steel longpure dinnerware to the Expo Bureau.

June 12 Shanghai Baosight Co., Ltd. (Baosight) ranked fourth in the 2009 Competition of Top Ten Enterprises with Software Products under Independent Trademarks sponsored by Ministry of Industry and Information Technology.

June 19 Longxue Shipbuilding Co., Ltd., co-invested by China State Shipbuilding Corporation, Baosteel and China Shipping (Group) Company, was inaugurated. The company also unveiled the "XINPUYANG" crude oil tanker that can carry a load of 308,000 tons. Wang Yang, member of the Political Bureau of the CPC Central Committee and Secretary of Guangdong Provincial Party Committee and Li Rongrong, Director of SASAC (State-owned Assets Supervision and Administration Commission), attended the ceremony.

June 24 Baosteel Group Corporation ranked first among the Overseas Investment Enterprises in the 2006-2008 Top Enterprises in the Implementation of the "Going Global" Strategy of Shanghai Municipality.

June 25 The ground-breaking ceremony of Baosteel's Nantong Wire Products Co., Ltd. Was held in Gangzha District of Nantong City. The company, based on Baosteel Group Shanghai Ergang Co., Ltd., specializes in the manufacture of high-grade, high-quality and marketable prestressed steel wire, steel strand and oil-tempered spring steel wires.

June 30 World Steel Association issued the global steel enterprises' ranking in crude steel production in 2008. Baosteel ranked third with 35.44 million tons.

June Baosteel's finger mark proof and hot-dip galvanized sheets, widely applied in computer chassis and servers, have been certified by IBM headquarters, the largest company in information technology industry. Baosteel became the first steel enterprise in China that has been certified by IBM.

## July

July 8 Baosteel Group Corporation and Agricultural Bank of China Co., Ltd. signed the Comprehensive Cooperation Agreement By Bank & Enterprise.

July 8 Baosteel ranked 220th in the latest Fortune Global 500 based on the gross revenue of USD35.5 billion and gross profit of USD2.314 billion in 2008, up 39 positions compared to the last year.

July 17 The first Baosteel Suppliers' Conference was held in Shanghai International Convention Center.

July 29 Baosteel Group Corporation and Shenyang Municipal People's Government signed the Cooperation Framework Agreement.

July NISSAN Motor Co., Ltd. held a two-day "Baosteel Day" event for the first time. It was also the first event initiated by overseas customers to fully promote Baosteel's products.

July Baosteel Engineering & Equipment Co., Ltd. won the golden prize in the 22nd Shanghai Municipal Invention Contest for its dust removal equipment for workshop's clerestory. The equipment, 100% of which was domestically produced, successfully annihilated the smokes around the revolving furnace.

July Baosteel Group Corporation and Baoshan Iron & Steel Co., Ltd. respectively signed the Corporate Service Program of RMB Settlement in Cross-border Trade with Bank of China Shanghai Branch. Baosteel was among the first batch of selected enterprises to try out the RMB Settlement in Cross-border Trade in Shanghai.

July The high-grade oil pipe made of high nickel base alloy, independently developed and made by Baosteel, was successfully applied in the harsh environment of SINOPEC's Puguang Gasfield. In the past, the oil pipes used to be imported.

July Baosteel successfully developed a super-thin and super-wide DI material that was 0.225mm thick and 1050mm wide, which demonstrated that Baosteel has met the international level in terms of the control of the thickness and width of DI material.

July Baosteel donated RMB10 million to the victims of July 5th Urumqi Incident and sent a telegram of consolation to the Party Committee and People's Government of Xinjiang Uygur Autonomous Region.

## August

August 17 Liu Guosheng, secretary of Baosteel's Party Committee, gave a speech with the title of Meeting the Requirements for the Improvement of Organization Structure and Giving Full Play to the Party's Function as the Political Core on the construction work conference of the parties in China's state-owned enterprises which was co-organized by Organization Department of the CPC Central Committee and the State Council.

August 18 Baosteel was listed in CCTV 60 Brands in 60 Years at the election of "60th Anniversary of the Founding of New China—Drive China's Economy—60 Brands Influencing on People's Life" organized by CCTV and www.cctv.com.

August 20 Baosteel's Guoyuan Apartment was officially put into use. The 540 suites in three buildings are capable of accommodating nearly 1,500 employees.

August 23 Hu Jintao, General Secretary of the CPC Central Committee, President of the PRC and Chairman of the Central Military Commission, inspected Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. and met with staff from various ethnic groups on his inspection tour to Xinjiang, accompanied by Guo Boxiong, member of the Political Bureau of the CPC Central Committee and Vice Chairman of the Central Military Commission, Wang Lequan, member of the Political Bureau of the CPC Central Committee and secretary of the Party committee of Xinjiang Uygur Autonomous Region etc.

August 27 Baosteel Group Corporate signed joint equity contact with Aquila, an Australian comprehensive mining company. Baosteel would spend AUD 290 million to acquire 15% of Aquila's equity, becoming its second largest shareholder.

August 28 The heat-load trial run of the coal briquetting project of COREX stove, the first of its kind in China independently integrated by Baosteel, was launched. The project would effectively reduce the cost of iron melting in COREX stoves.

August Baosteel's first batch of 500t high-strength hydroelectric steel were sent to Sichuan Maoergai Hydroelectric Power Station. It's the first key construction project of hydroelectric power station launched after the Wenchuan Earthquake in Sichuan.

August Baoqin, a 300,000t steamship specially built by Sichuan Maoergai Hydropower Station, Japan for Baosteel, carried Brazilian iron sand to Majishan Port in the maiden voyage.

August The triple agglutination for desulfidation equipment of Baoshan Iron & Steel Co., Ltd. was examined and approved, which adopted Baosteel's independently-developed technologies and was able to treat 4000t sulfur dioxide per year. The equipment was considered as the largest in China. It used waste limestone mud cakes as desulfurizer, and the desulfidation rate is more than 90%.

August Baosteel's slabs for offshore platform structure were approved on-site by API, opening the new market of offshore engineering equipment.

August Baosteel's nine ingenious technologies all won awards, including three first prizes, one second prize and five third prizes, making the company the biggest winner in the 2009 China Metallurgical Science and Technology Award.

August Baosteel exported two independently innovated residue processing rollers to POSCO, Republic of Korea. It's the second time for Baosteel to export technology to foreign steel conglomerate after the JSW of India.

August Productivity, unit estimation change rate, yield rate and expenditure of energy, the four indexes of Baosteel's special production line of high-strength steel line all reached planned figures, marking the success in practical use of China's first cool rolling technology of high-



- strength steel with independent intellectual property rights.
- August Baosteel successfully produced five top brand marks of grain-oriented silicon steel with laser scribing including B23R080 to manufacture high-performance transformer. Baosteel became one of the few companies in the world to produce the products at this level.
- August The plaintiff of the anti-dumping case of Baosteel's export of hot rolling product to India resolved the action.

## September

- Sept. 2 Wang Lequan, member of the Political Bureau of the CPC Central Committee and secretary of the Party committee of Xinjiang Uygur Autonomous Region, received Xu Lejiang, the Chairman of Baosteel who was on an inspection tour to Xinjiang and expected Baosteel could fully utilize the mineral and energy resources in Xinjiang.
- Sept. 5 The 2009 Chinese Top 500 Enterprises List was released. Baosteel ranked twelfth in the list and the second in manufacturing sector.
- Sept. 15 Hanbao Iron & Steel Co., Ltd. (Hanbao Company for short) completed the registration change of shareholders. As the planned strategic goal and basis have been modified, Baosteel withdrew from Hanbao Company after signing the agreement with Handan Iron & Steel Group Co., Ltd. and recovered its capital.
- Sept. 15 Baosteel held an environmental management seminar, on which its environmental management strategies were officially released.
- Sept. 19 Baosteel was listed among the Top 10 in 2009 Top 100 CSR Enterprises in China and granted Special Award of 2009 CSR Enterprises by Research Center for Corporate Social Responsibility, Chinese Academy of Social Sciences.
- Sept. 27 The trial run ceremony of heat load interaction in the Pellet Project of Zhanjiang Longteng Logistics was launched in Donghai Island. The project marked the take-off of Zhanjiang steel industry. Wang Yang, member of the Political Bureau of the CPC Central Committee and Secretary of Guangdong Provincial Committee of the CPC, Huang Huahua, Governor of Guangdong Province, Huang Longyun, Executive Deputy Governor, and leaders from Baosteel pressed the button of the trial run of heat load interaction together.
- September Baosteel constructed a domestically-integrated gasholder with highest pressure resistance in the world and the 300,000m<sup>3</sup>-volume gasholder can collect COREX gas worth RMB 20 million per year.
- September The first standard version of ISO/FDIS 24173 Guidelines for Orientation Measurement Using Electron Backscatter Diffraction, organized and drafted by Baosteel, was officially published and put in practice. It is the first international standard mainly formulated by Baosteel.
- September Baosteel signed a strategic partnership agreement with SKF.

## October

- Oct. 14 Baosteel successfully smelted 150t medium-thick low-temperature high-alloy container steel once, making a new record that China will no longer completely import this product with high technology and added value.
- Oct. 20-22 The Chinese Society for Metals and Baosteel co-organized the fifth International Congress on the Science and Technology of Ironmaking in Baosteel.
- Oct. 27 Baosteel held the fourth technology innovation conference and appointed the members of the core team of Golden Apple Plan. Baosteel planned to cultivate some internationally recognized leading talents in the field of technology in eight to ten years.
- Oct. 28 Baosteel held the fourth technology innovation conference and appointed the members of the core team of Golden Apple Plan. Baosteel planned to cultivate some internationally recognized leading talents in the field of technology in eight to ten years.
- October The Organization Department of the CPC Central Committee announced that Baosteel was included in the second batch of Chinese Overseas High-level Talents Base for Innovation and Entrepreneurship.

## November

- Nov. 16 Pudong Iron & Steel's Movement to Luojing Project COREX-C3000 won the Luban Prize, the highest award for construction projects in China.
- Nov. 18 Shanghai Federation of Trade Unions held a "Best Practice" Exchange Conference at Baosteel Tower to comment on and promote Baosteel's successful experience as a "Best Practice". Propaganda Department of the CPC Central Committee and All China Federation of Trade Unions organized such media as People's Daily to co-interview on Baosteel's Best Practice.
- Nov. 20 2009 China System and Software Process Improvement Annual Meeting announced that Baosight ranked first in the China's Software Productivity List in 2009.
- November Baosteel's grain-oriented silicon iron products were approved by ABB, the world largest transformer manufacturer, marking a significant step towards the grain-oriented silicon iron market.
- November Baosteel's grain-oriented silicon iron products were approved by ABB, the world largest transformer manufacturer, marking a significant step towards the grain-oriented silicon iron market.
- November Baosteel's ingenious Hi-B grain-oriented silicon iron was approved by the experts organized by Key Equipment Manufacture and Inspection Group, Three Gorges Project Construction Committee Executive Office, State Council.
- November Baosteel, for the first time, produced ultra-thin, anti-hydrogen cracking and hydrogen sulphide-proof pipeline steel in two specifications, 10.3mm and 11.1mm.

## December

- Dec. 8 Xie Qihua, former Chairman of Baosteel, won the Best Manager at the 30th Anniversary of Promoting Total Quality Control in China, and Baosteel won the Best Enterprise at the 30th Anniversary of Promoting Total Quality Control in China.
- Dec. 10 Baosteel's fourth National Congress of the Communist Youth League was held.
- Dec. 15 The 2030 New Continuous Annealing Unit, Baosteel's first ingeniously integrated and constructed continuous annealing unit, was put into operation, making the record of fastest construction of cold rolling and continuous annealing unit in the world.
- Dec. 16 Baosteel signed a letter of intent for strategic cooperation with Shanghai Railway Bureau.
- Dec. 18 Baoshan Iron & Steel Co., Ltd. was granted 2009 Board of Directors Prize on the eighth China Corporate Governance Forum, organized by Shanghai Stock Exchange and supported by State-owned Assets Supervision and Administration Commission of the State Council and OECD.
- Dec. 20 Baosteel was honored Top 60 Most Influential Brands in China's Previous 60 Years of China Top 100 List, which was organized by People's Daily Online, and China Economic Weekly.
- Dec. 24 The launch ceremony of Meishan Steel's Cold Rolling Project, a large plate continuous rolling project run by the open independent integrated innovation for the first time, was held in Meishan Steel Company.
- Dec. 26 The launch ceremony of the localization project of Baosteel's nuclear-power steam generator by adapting U690 tubes was conducted in Baoyin Special Steel Tube Co., Ltd., Jiangsu. Baosteel became the first in China, fourth in the world that can produce tubes used in nuclear power industry.
- Dec. 29 Baosteel signed a Framework Agreement on Steel Supply with Commercial Aircraft Corporation of China.
- Dec. 29 The monthly planned output of the 1780 hot rolling strip line of Ningbo Steel was realized ahead of schedule, marking the complete realization of the three goals, namely, making up deficits in the liability year, forming the capacity of 4 million tons, and making a plan of 6 million tons productivity.

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Thank you for reading this Baosteel Social Responsibility Report 2009. Baosteel is greatly concerned about your comments and opinions, so that we can improve the report accordingly.

Please fax the form to +86-21-68403773 after answering the following questions.

Or; mail it to: Corporate Communication Dept., Room 2105, Baosteel Tower; No. 370 Pudian Road, Pudong New Area, Shanghai

1. Have you found all information you need in this report?

2. Your comments and opinions:

**Your personal information:**

Name:

Occupation:

E-mail:

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