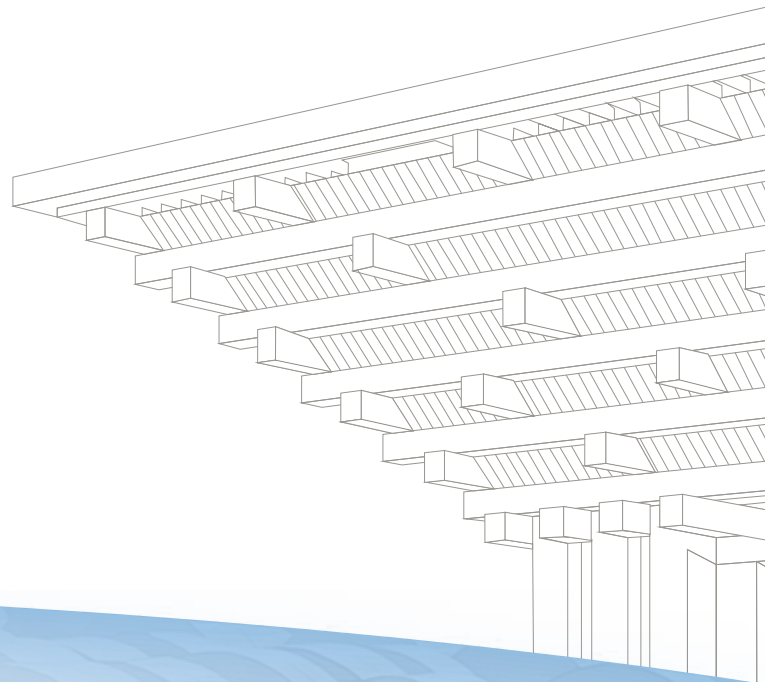
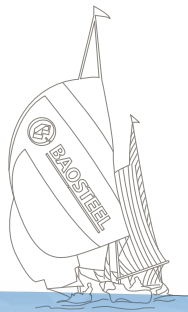


中国2010年上海世博会全球合作伙伴  
Global Partner of Expo 2010 Shanghai China

# CSR 2010

## Baosteel CSR Report



*new steel new era*

# 2010

## Baosteel CSR Report

## Overview

### About This Report

This is the third 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 theoretical research achievements of the *Guidelines of the Chinese Academy of Social Sciences for the Compilation of Social Responsibility Reports by Chinese Enterprises*, and Baosteel's practical conditions.

### Coverage

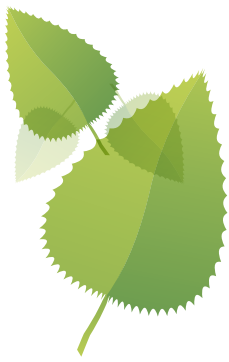
Unless otherwise specified, this Report mainly describes Baosteel's corporate governance, value creation, environment, employee, community and supply chain from January 1, 2010 to December 31, 2010. This Report covers the business segments of iron and steel, resource development and logistics, extended steel processing, engineering and technical services, coal chemical industry, finance and investment, and production services (see the following part for details on business sections and company profile).

### Language and Format

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

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## Address by Chairman



Chairman: Xu Lejiang



2010 is the last year of the national Eleventh Five-year Planning and also the year for Baosteel to start the new round of planning. Facing the complex macro-environment and furious market competition trend, the employees of Baosteel met the challenge bravely, Baosteel, with the care and support from all relevant stakeholders, has ranked top among the domestic counterparts in terms of the operating result and took a front rank in the world's steelmaking sector in terms of profitability. In 2010, Baosteel realized a business revenue of RMB273 billion and a total profit of RMB24.2 billion, complete the production of 44.5 million tons, the Corporation ranked the 276th among the Fortune 500 in 2010, the seventh consecutive year for such honor it has received, it was awarded as one of the "World's Most Admired Companies".

The period of the Eleventh Five-year Planning represented the extremely unusual five years for the economic development of China and also the reform and development of Baosteel. Over the past five years, we hitched the train of China's rapid economic development, shared the enjoyment of successful hosting of the Olympic Games and the World Expo, underwent the huge waves of the international financial crisis and encountered the severe natural disaster; Over the past five years, we firmly followed various decisions made and arrangements formulated by the Central Government, adapted to the changes in the external environment and met the challenges actively under the leadership of State-owned Assets Supervision and

Administration Commission of the State Council, in particular in response to the international financial crisis, Baosteel carefully implemented the package stimulus plan and a wide range of policies and measures, accelerated the response speed to the market, intensified the internal synergy operation, conducted the activity of cost improvement, which curbed the downside of the benefit indicators, took the leading position among the domestic counterparts by the operating result, achieved the new significant progress in the reform and development, further enhanced the vigor, control and influence of Baosteel and accordingly made considerable contribution to the economic and social development of China. Over the past five years, Baosteel witnessed the rapid growth in the yield, profit, paid tax and other indicators; the accumulative yield of steel hit 169.92 million tons with the profit of RMB 121.2 billion and paid the profit and tax of RMB179.4 billion, Baosteel realized the leaping development in terms of the business size, variety structure, special distribution, technical innovation and soft strength and greatly enhanced the comprehensive competitiveness.

2011 is the starting year of the Twelfth Five-year Planning and also the first complete year for Baosteel to implement the new round of development plan. The new round of development plan will, under the guidance of the Scientific Outlook on Development, regard it as the foothold to propel the industry structure adjustment, promote the transition of the development mode and lead the industry development, the requirement to

construct the environmental management mechanism, and the objective to construct a world class steel enterprise. With capacity building at the core, Baosteel will adhere to the strategic thought of "competitive product + scale" and develop the service-led manufacturing on the basis of leading technologies, so as to build a digital Baosteel and become the pioneer driving the green industry. The Corporation will give full play to the integration of industry and finance, and explore an operation road with Baosteel characteristics, and thus propel the Corporation from good to excellent.

The grand blueprint has been drawn out and the route to realize it has been clear. It can be forecasted that we will confront many challenges, pressure and restraints on the way to advance, but if we take the appropriate measures, the challenges will become the chances, the pressure the power, and the restraints the space. Seizing the opportunity and pushing the development is not only the general requirement put forward by the overall context and climate of the "Twelfth Five-year Planning" to us, but also the requirements posed by ourselves. Let's closely hold together with the stakeholders to work hard for a new leap.

## Address by President



Director and President of Social Responsibility Committee: He Wenbo

I shared my understandings to the corporate social responsibilities in the CSR report of last year: value creation, credible operation and environment improvement are the three bases, and employees, community and supply chain three priorities. This year I am willing to discuss the thought on the future of the steel industry. Because the globe has entered a new era, the industry must make adjustment in a timely manner to adapt to the requirements of the new era, so that

it can go ahead on the road of sustainable development.

As we all know, the turn and change of the times is either the substantial adjustment of the "nature and human" relation or the revolutionary change of the "human and human" relation. The global warming and other environmental problems are becoming the global hot-spot issues, which are actually those on the relation between the nature and human. The human first admires the

nature, then utilizes and finally conquers the nature, and the production method accordingly evolves from the primitive age, the agricultural age to the industrial age in succession. In particular, at the industrial age, new knowledge, new technology and new product emerge in an explosive way. The amazing wealth created at an amazing speed also results in the sharp consumption of natural resources and various world environment problems one after another, such as the deteriorating ecological

environment, greenhouse effect, ozone hole, and acid rain. The relation between the human and nature comes into acute opposition, which causes the crisis in both material and spirit for modern people. In such a new era, the steel industry is one that highly aggregates the material quality and energy. Therefore, the people always misjudges that the steel industry just means high energy consumption, heavy emission and serious pollution.

However, this is not true; the steel and iron products boast high environmental value. Currently, the steel and iron are indispensable basic materials for our production and life, and they are irreplaceable materials with economical efficiency considering its excellent utilization performance. In a word, if we cut down the production of steel and iron in large scale and guarantee the modern life state with other materials, it does not mean the reduction of carbon emission for the whole social and economic systems; on the contrary, this will bring much more carbon emission. We can directly feel the value of the steel industry in our daily life: high-rise buildings constructed one after another, safe, convenient and wonderful large-span bridges, majestic airport building complexes accessible in all directions, rapidly developing and increasingly fast high-speed railway networks, cars dashing on highways and oceangoing ships traveling around the world... It can be said that all buildings and man-made structures which

strong and high and which present broad and far views are the masterpieces of steel and iron. It is unnecessary to describe the role of steel and iron with flowery rhetoric. It is no exaggeration to say that steel and iron not only props up the world but also changes the world. Increasingly rigorous environmental requirements are indeed a huge challenge for the steel industry. Not only courage and wisdom, but also unfaltering action and enough strength are required to cope with the challenge. Can steel enterprises meet the social requirements for energy conservation and emission reduction in the future? This will surely be a watershed for steel enterprises to either become prosperous or fall down. The fact will prove that not all steel enterprises can become the winner selected by environment because, as required by the market, only those enterprises with obvious advantages both in cost and environment can become the final winner. Now, we often mention the corporate social responsibilities, but in fact, the social responsibilities and economic responsibilities are actually consistent and indispensable. We seek for the unification of the two and strive for extending our business space while meeting the social requirements. Baosteel chooses the "environmental operation". In the environmental operation system, it is not a burden but rather a chance to satisfy the requirements the society for environment, and it is a part of the operation, probably

a creative part. In Baosteel, the thought of environmental operation has been accepted extensively, and it is being transformed into the actions of various operation systems step by step.

In the corporate vision announced to the society, we promise to become the driver of green industry. It does not intend to show how great we are, but rather what an essential role the steel industry plays in the whole national economic system, especially in the operation of the whole manufacturing sector, as well as what an extensive relationship it keeps with both the upstream and downstream industries. We will firmly continue the way of sustainability, and we also hope that more stakeholders can join us and make contribution to the technical advance of the society and improvement of the living environment of human being. Let's witness together!



## Company Profile

### Brief Introduction

Baosteel Group Corporation ("Baosteel" for short) is the most competitive iron and steel complex in China. The construction of Baosteel commenced in Shanghai on December 23, 1978. In 1998, Baosteel, Shanghai Metallurgical Holding Group (SMHG) and Shanghai Meishan Iron & Steel Co., Ltd. were reshuffled and consolidated; In February 2000, Baoshan Iron & Steel Co., Ltd. ("Baosteel Co., Ltd." for short) was founded and went public at home in December. In April 2005, the major business was listed at the stock market as a whole, and the major assets of the steel and iron were operated on an integrated basis. In the same year, Baosteel implemented the reform of equity division. Xinjiang Bayi Iron & Steel was reorganized in 2007. In 2008, Baosteel, Guangzhou Iron & Steel Enterprises Group and Shaoguan Iron & Steel Group were reorganized and Guangdong Iron & Steel Group Corporation was established; and Zhanjiang Steel Manufacture Base was built up at the same time of discarding backward production facilities. In March 2009, Baosteel concluded the agreement with Hangzhou Iron & Steel Group to reorganize Ningbo Steel Company.

The steel business of Baosteel was based on producing hi-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 electrical 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 regions including Japan, Korea, American and European countries, etc.

By the end of 2010, the total assets of Baosteel hit RMB 432.1 billion and the owners' equity was up to RMB 260.2 billion. In 2010, Baosteel registered an operation income of RMB 273 billion and the total profit was RMB 24.2 billion. By the end of 2010, Baosteel boasted 118,500 employees in total.

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. It has created a business structure incorporating steel production as the main part and other related sectors like the steel & iron, resource development and logistics, extended steel processing, engineering & technology services, coal chemical industry, financial investment industry and production services.

In 2010, Baosteel produced 44.5 million tons of steels, ranking the third in the steel industry in the world. Baosteel ranked the 276th among the Fortune 500 in 2010, the seventh consecutive year for such honor it has received; it was also awarded the title of "World's Most Admired Company".



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## Corporate Leadership

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### 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: **Xia Dawei**



Outside Director: **Gan Yong**



Outside Director: **Jing Tianliang**



Worker Director: **Wang Jinde**

## 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**



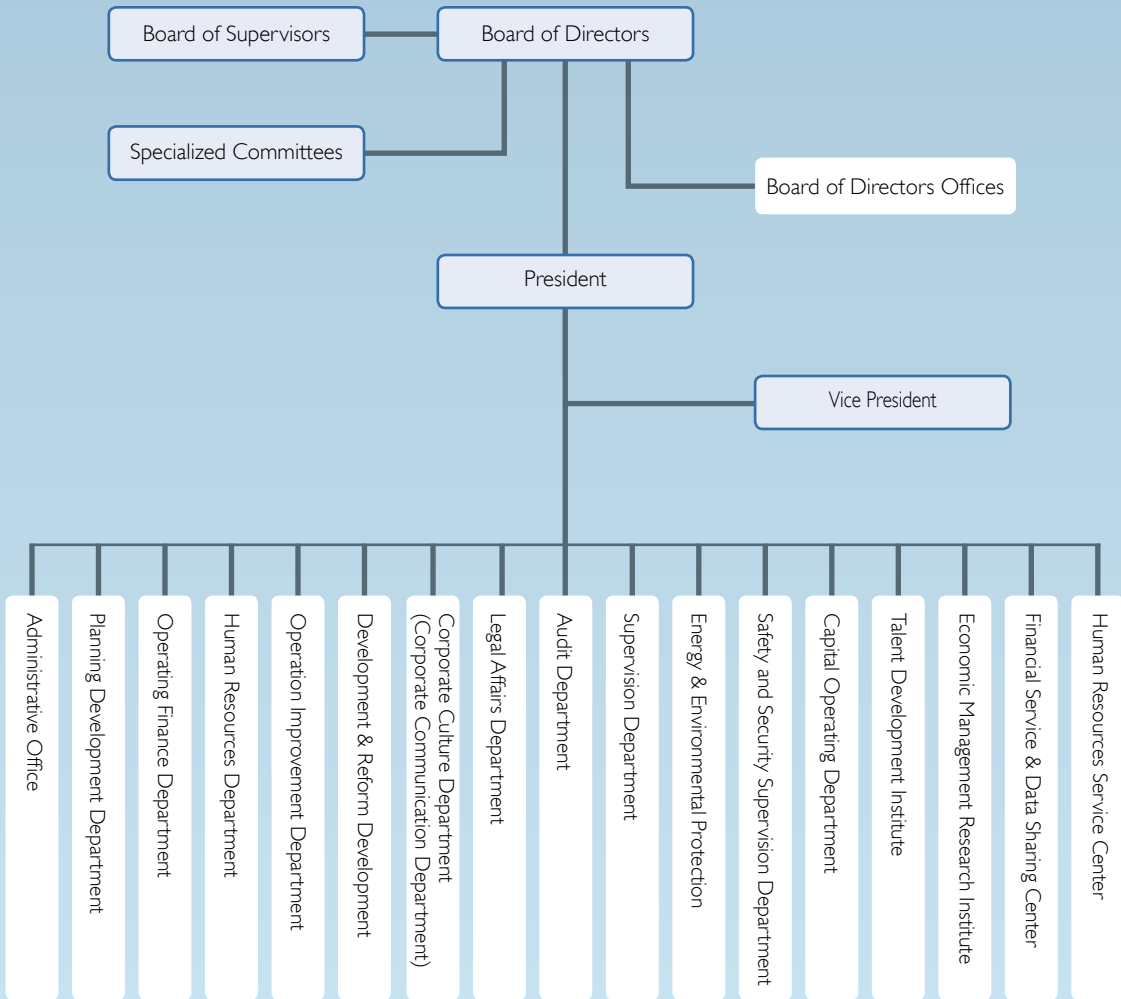
Vice President: **Zhao Zhouli**



Board of Directors Secretary: **Wang Li**

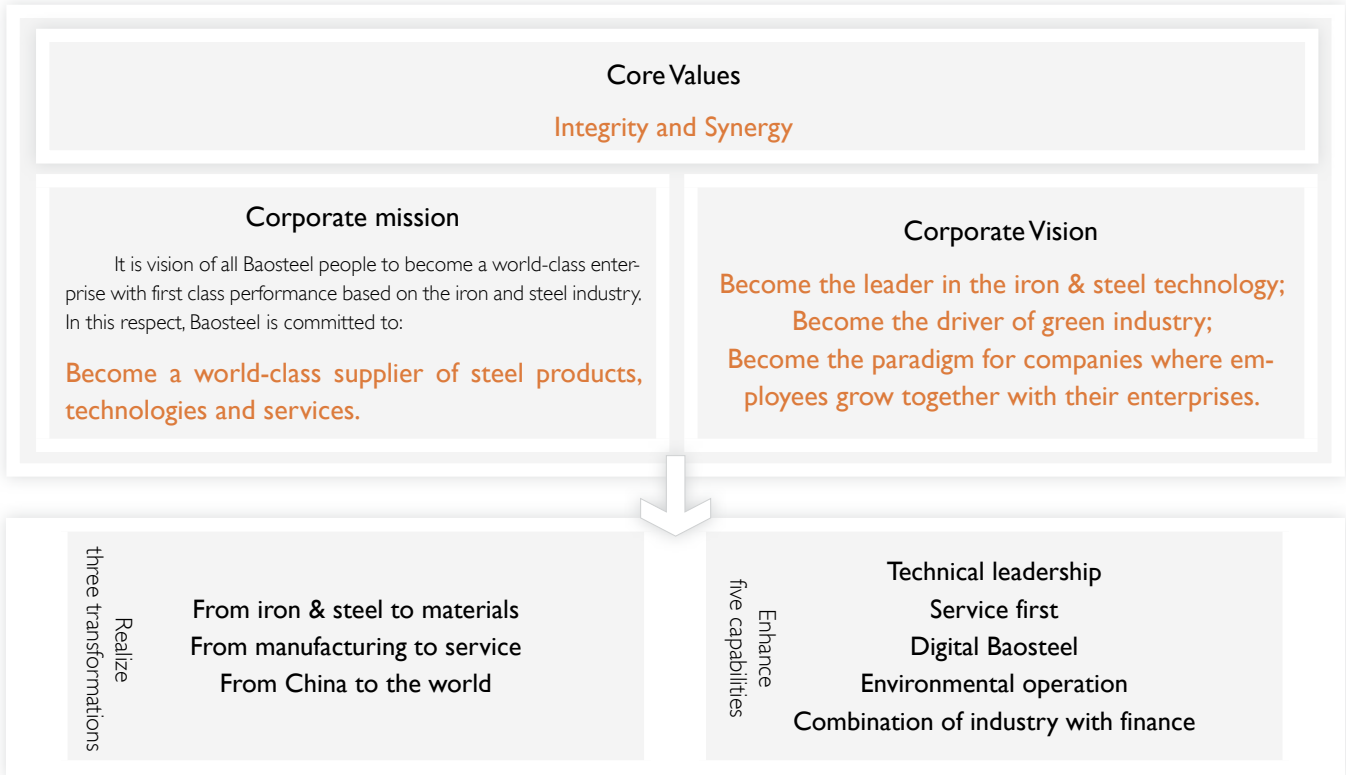


## Organization Structure



## Corporate Vision and Goal for the New-round Development Strategy from 2010 to 2015

It is a new-round planning period for Baosteel from 2010 to 2015. Guided by the Scientific Outlook on Development, the new planning takes the foothold to propel industrial restructuring, promote the transformation of development mode and lead industrial development, and regards the building of environment operation mechanism as the requirement, and the building of a world-class enterprise as the goal. With competence building at the core, the planning emphasizes the robust development and actively seeks the development opportunities in the process of industrial restructuring.



## Key Performance Indicators in 2010

**We are the leader in the Chinese iron & steel industry.**

The output of crude steel is **44.5** million tons, ranking top **3** in the world.

The total profit is RMB **24.2** billion, accounting for **27%** of the entire Chinese iron & steel industry.

Baosteel is appraised as the **“Most Admired Enterprise in the World”** by the *Fortune*

One of every two automobiles uses the cold-rolled automotive plate produced by Baosteel.





## We create an innovative stage for our employees

Investment in R&D  
RMB **5.1** billion

Up to **1,774** patents were applied (accepted)  
More than **4** patents are generated in Baosteel each day,  
among which **70%** come from the economic and  
technical innovation of employees.

Chinese Top 100  
Innovation- oriented Enterprises  
**Top Three**



## We drive the development of green industry

We guide the suppliers to build the green  
production system and encourage them  
to pass the ISO 14001 certification.

We cherish the valuable water  
resources on the earth and continu-  
ously reduce water consumption in the  
process of production.

We cooperate closely with  
the users to develop new  
products.

ISO 14001 certification rate of suppliers

New water consumed per ton steel

Sales rate of new products



Materials & spare parts



Bulk materials

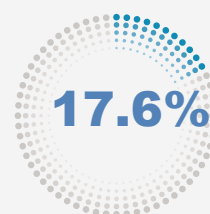
Baosteel Co., Ltd.



Bayi Iron & Steel



Ningbo Steel



## What we contribute to the World Expo 2010 is not just iron & steel.

**93,200t** superior steel products support the framework of Expo landmark building

**54%** of the Expo Pudong Site is built on the former site of Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd.

**450,000t** blast furnace slag (solid wastes in the process of iron & steel production) are recycled and used  
for the roads and venues in the Expo Park

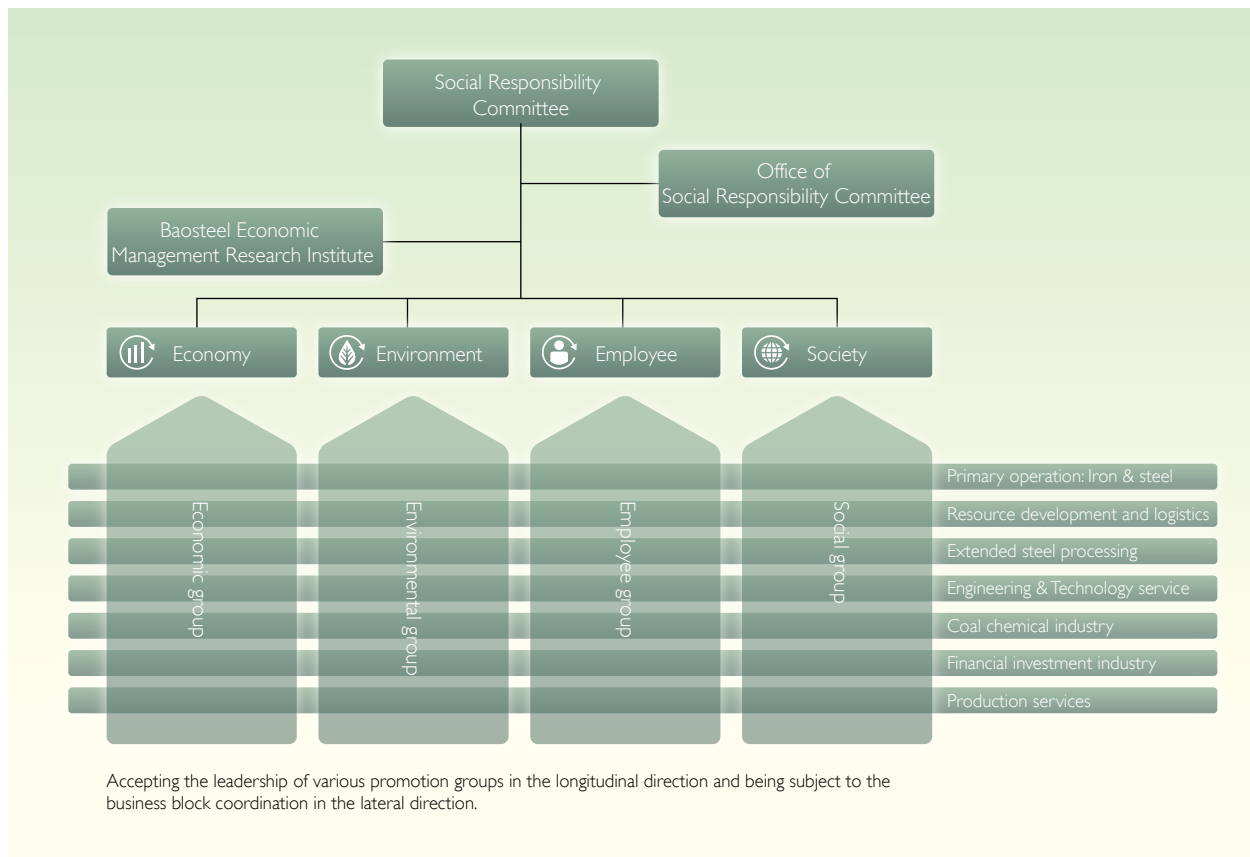
Baosteel employees contribute to the World Expo in an all-round way, and **40** departments and **353** persons  
were conferred with honors.

# Social Responsibility Management

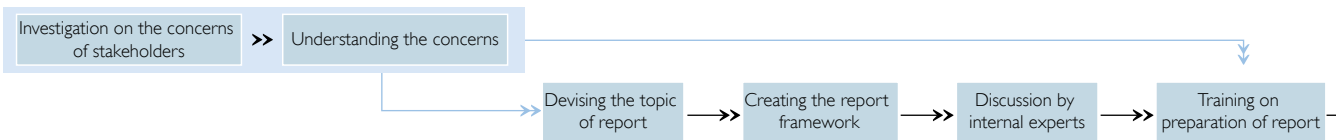
## Responsibility Governance

In 2008, based on reviewing and summarizing the practices and experiences in sustainable development for many years, Baosteel proposed the guiding philosophy of "incorporating the performance of social responsibility into daily corporate business activities", and built its social responsibility system in a systematic way. The social responsibility committee was established in the top management of the Corporation, with four promotion groups in terms of economy, environment, employee and society responsible for the specific promoting activities in various professional fields under the social responsibility system framework, and the committee formed a management system focusing on classified management and supplemented by hierarchical management. In the meantime, Baosteel Economic Management Research Institute was responsible for the sustainability strategy of the Corporation, providing cutting-edge theory research for the Corporation to perform social responsibility and achieve sustainable development. The research results were provided to the functional departments for reference, realizing the organic combination of offline research and online promotion of Baosteel's social responsibility. This was called the Baosteel Mode.

## Organization Structure



## Process of preparing the CSR Report



## Responsibility Promotion

### Fostering the Culture of Responsibility

Each year, Baosteel devises the internal social responsibility training systematically and sets up the training of different contents in light of the managers and CSR contact persons.

In 2010, social responsibility was incorporated into the job training courses of medium-level managers for the first time, aiming to have in-depth communication regarding the concept of social responsibility and infuse the concept into the management team of the Corporation.

In December, the CSR contact persons from various functional departments and subsidiaries of Baosteel participated in the CSR training, which focused on helping the report writers to systematically understand the basic knowledge of CSR and sustainable development, grasp the tools and methods for preparing the report, improve the level of preparation and guide the functional departments and subsidiaries to promote the CSR management.



### Driving Forward CSR of Subsidiaries

In 2010, the first excellent CSR practice case appraisal of Baosteel was held and dozens of enterprises under the group actively participated in the activity. It aims to select a batch of excellent CSR cases and guide the subsidiaries that started CSR lately to further establish and strengthen the awareness of corporate social responsibility and propel the CSR work at a higher starting point; the companies in the front ranks of CSR could enhance communications among each other, strengthening the management of CSR.

### Study on CSR

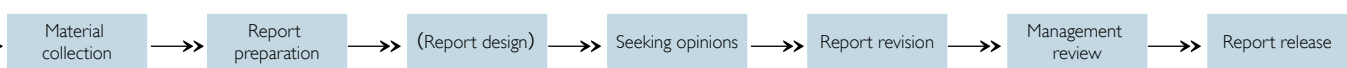
In 2010, Baosteel conducted the research into the theme of Baosteel CSR Evaluation System Construction to continuously promote the construction of CSR system. The project team was composed of experts from the Economic Management Research Institute, relevant functional departments, and subsidiaries at various blocks, as well as external experts.

On the basis of fully borrowing ideas from external evaluation system and existing research findings and combining the actual situation of Baosteel, the evaluation system established for the theme covered seven blocks including the primary operation of iron & steel, production service industry, extended steel processing industry, etc. The system includes the 5 class-I indexes (responsibility management, economy, environment, employee and society), 13 class-II indexes, and 48 class-III indexes, covering the main topics of corporate social responsibility.

Baosteel CSR evaluation system, as the scientific basis for evaluating the implementation of CSR work in various blocks and the reference system for propelling CSR work, is favorable to the further improvement of Baosteel CSR system.

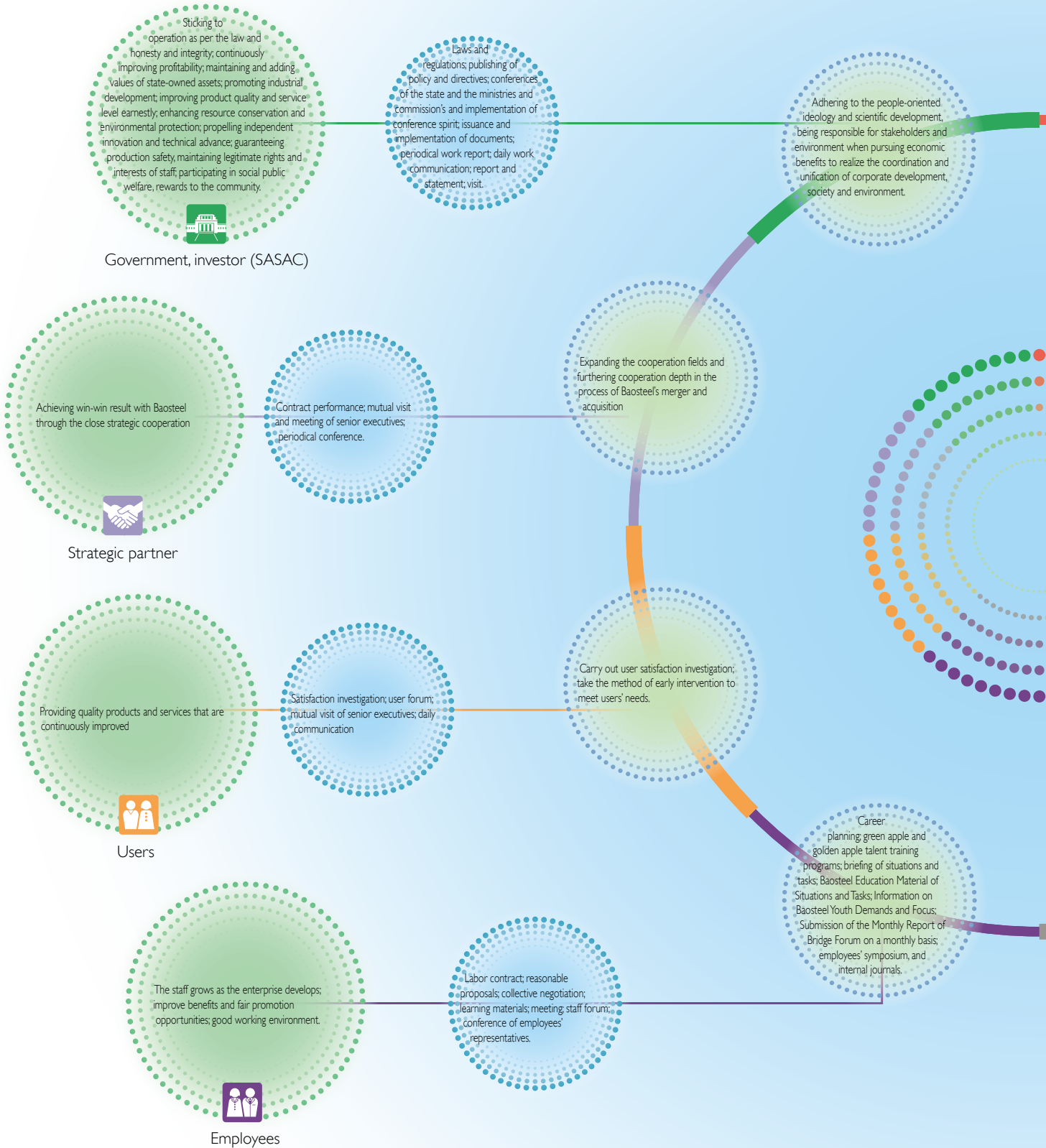
### Promoting the CSR Concept

Baosteel actively promotes its CSR concept. In November 2010, Baosteel's experts were invited as lecturers to introduce Baosteel's CSR theory and practice for the course of "Corporate Social Responsibility" of the MBA program of Chinese Academy of Social Sciences. The MBA program of Chinese Academy of Social Sciences was the first one listing corporate social responsibility as a compulsory course for MBA program.

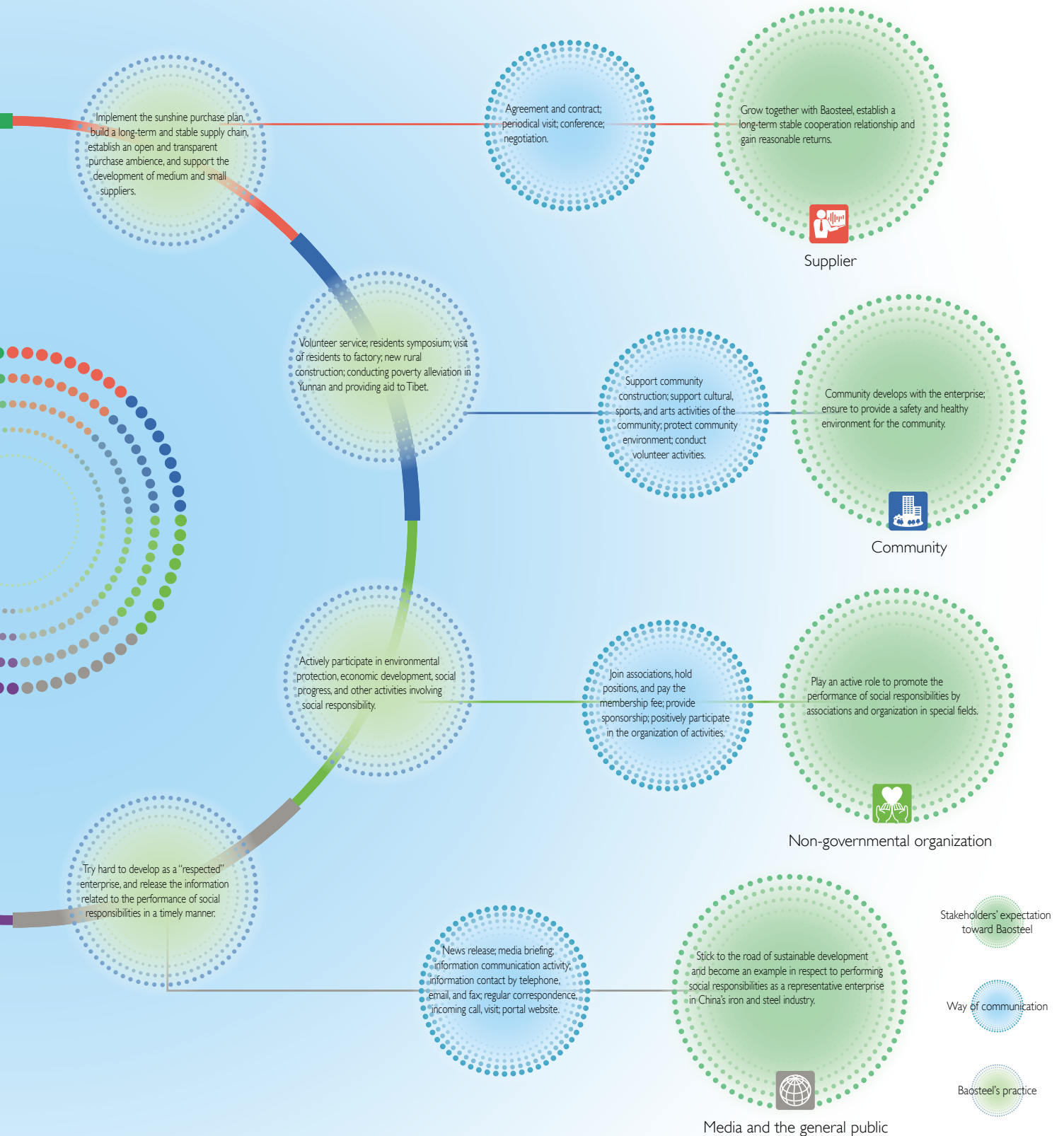


# Responsibility Communications

## Communication Channels for Stakeholders







### Release of CSR Report

On July 6, 2010, Baosteel Group held the 2009 CSR report release ceremony at the theme pavilion in Expo site, Liu Guosheng, vice chairman of Baosteel Group and Secretary of the Party Committee, Peng Huagang, director general of Research Bureau of SASAC of the State Council, and representatives of community, users, suppliers, employees and other stakeholders attended the ceremony. Over the years, the representatives of the people in such counties as Pu'er and Jiangcheng of Yunnan who were assisted by Baosteel, and the representatives of orphans in Yushu Tibetan Autonomous Prefecture who were aided by Baosteel were invited to visit Baosteel and Expo Shanghai as the first guests of "Baosteel invites you to visit Expo".

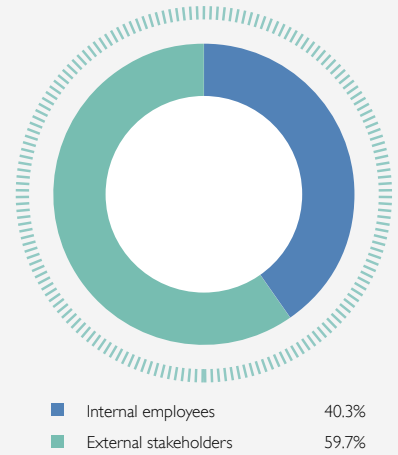


### Opinions Seeking for 2010 Report

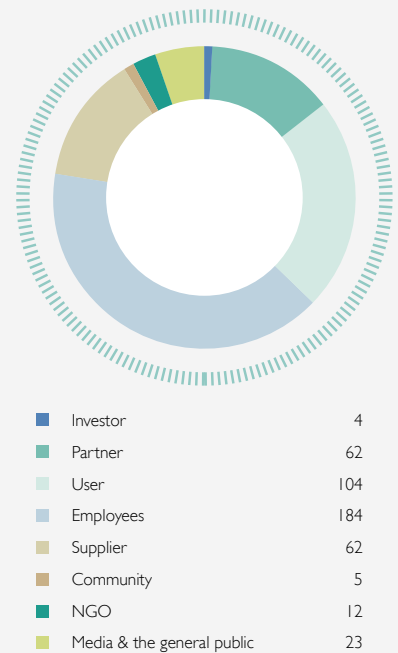
In order to improve the quality of 2010 CSR Report of the group and help stakeholders to learn the corporate information, Baosteel conducted a survey regarding CSR concerns through its official website, questionnaire, phone call and other ways before the preparation of this CSR Report.

In the survey, 494 questionnaires (visits) were issued in total, among which 456 were recovered. According to the result of survey, we adjusted the proportion of information disclosure and increased the disclosure of data so as to satisfy the stakeholders' requirements on related information.

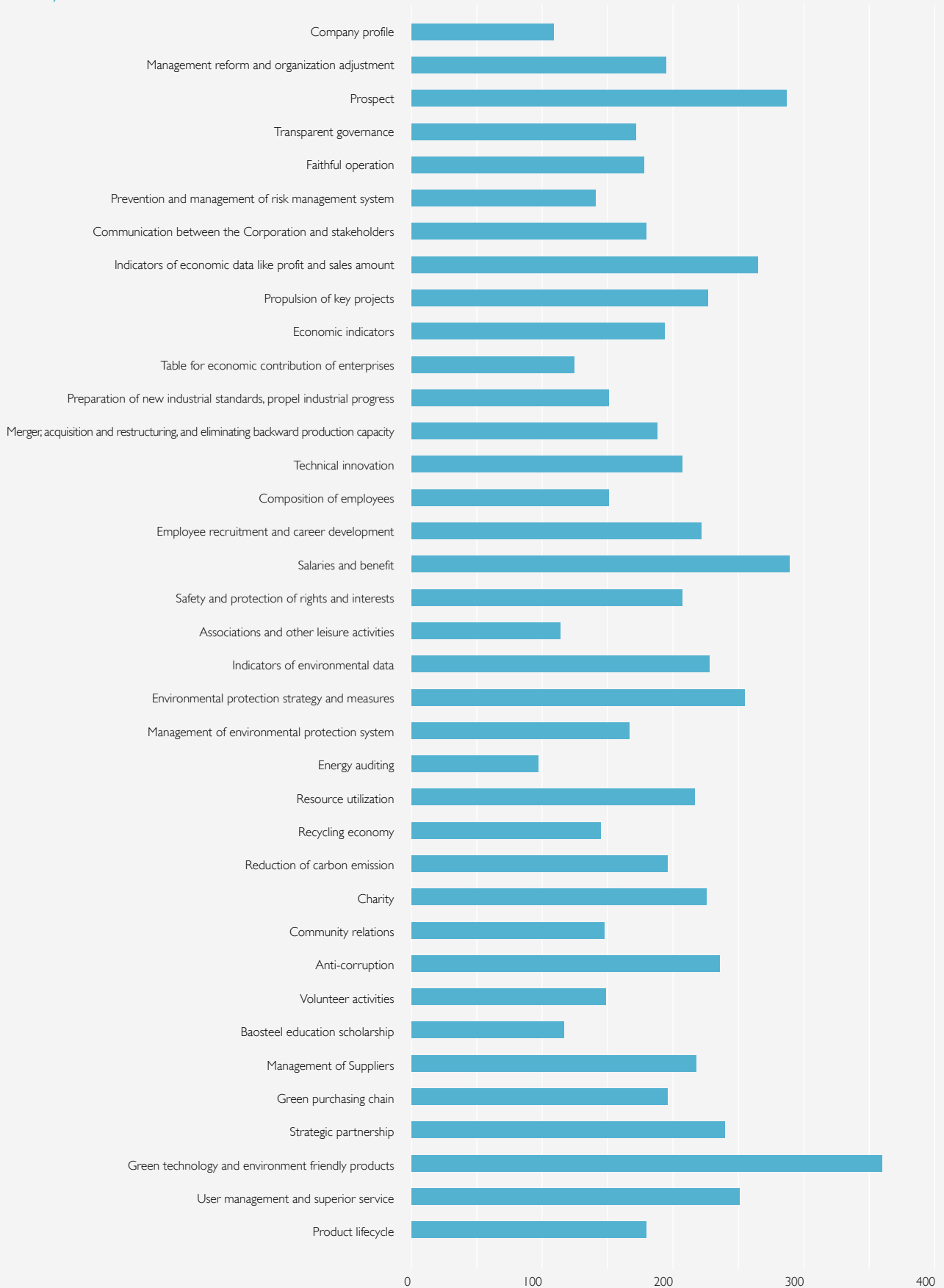
### Scope of Survey



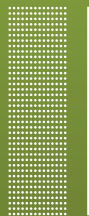
### Composition of Stakeholders Visited



## Survey Result of Concerns







# Faithful Operation

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## Corporate Governance

### Board of Directors

Under the second board of directors, Baosteel newly established a risk management committee with a view to further fortifying its management of major risks. A majority of or the entire members of all the special committees set up under Board of Directors of Baosteel were outside directors.

Executive Committee	Nomination Committee	Compensation & Evaluation Committee	Audit Committee	Risk Management Committee
Guide and supervise the implementation of resolutions made by Board of Directors; review significant schemes including investment & financing subject to deliberation of Board of Directors; by virtue of special authorization by Board of Directors, make decisions with respect to matters concerning Baosteel.	Discuss criteria, procedure and method of selecting senior executives and put forward proposals to Board of Directors; assess candidates for Board Secretary recommended by Chairman, and candidates for Vice President as well as Financial Administrator recommended by General Manager; and bring forward appraisal opinions to Board of Directors; assess senior executives after their probation periods expire and bring forward appraisal opinions to Board of Directors; search for candidates for available positions from talent markets both at home and abroad as well as from inside the Corporation.	Establish performance management system and compensation management system for senior executives; set up performance objectives within the service term of President and annual performance objectives; make suggestions on compensation, assessment and rewards & punishment systems for President; listen to and appraise suggestions on such systems as compensation, assessment and rewards & punishment made by President for Vice President and Financial Administrator; study compensation distribution system of Baosteel and put forward suggestions.	Deliberate on the annual audit working plan of Baosteel; supervise internal audit quality as well as financial information disclosure; review the Corporation's financial statement, discuss the Corporation's accounting policies as well as their variations and provide suggestions to Board of Directors; put forward proposals as to appointment and dismissal of persons in charge of the internal audit organ within the Corporation; guide the internal audit organ within the Corporation in implementing equal level auditing; supervise employment, substitution and remuneration payment of such intermediary organs as social audit organs of the Corporation.	Check and guide the efficient operation of all-round risk management system; examine and discuss annual working plan as well as annual report of all-round risk management system; examine and discuss risk management strategy and solutions for major risks management.

### The members of Board of Directors assume the following positions of special committees:

	Directors	Executive Committee	Nomination Committee	Compensation & Evaluation Committee	Audit Committee	Risk Management Committee
Chairman	Xu Lejiang	√ (Director)				√ (Director)
Vice Chairman and Secretary of Party Standing Committee	Li Guosheng		√ (Director)			
Director and President	He Wenbo	√	√			√
Outside Director	Feng Guojing			√	√	√
Outside Director	Li Qingyan		√	√ (Director)		
Outside Director	Wu Yaowen	√		√	√	√
Outside Director	Xia Dawei	√	√		√ (Director)	√
Outside Director	Gan Yong	√		√	√	√
Outside Director	Jing Tianliang	√	√	√	√	

	Board of Directors		Executive Committee		Other Special Committees	
	Number of meetings held	Number of matters reviewed	Number of meetings held	Number of matters reviewed	Number of meetings held	Number of matters reviewed
2008	6	40	3	12	10	17
2009	8	37	3	10	9	16
2010	8	43	1	6	10	19

## Overall Risk Management

Board of Directors approved eight major risks and ten important risks that were given top priority during the whole year in respect of such aspects as strategy, operation, finance, law and market, specifying the controlling goal and responsibility system for each risk. Each responsible unit established its own detailed control plan so as to promptly deal with various emergencies. Due to the joint efforts of Board of Directors, the management team and all employees, major risks and important risks both were kept under effective control.

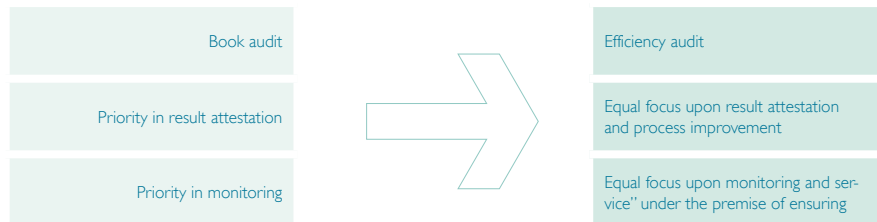
For the purpose of guarding against decision-making risks regarding strategy and investment, Baosteel further optimized the establishment mode of Board of Directors as well as Board of Supervisors of subsidiaries, reinforced management of assessment & argumentation processes, and enhanced the scientificity of decision-making; in order to control supply chain risks, Baosteel intensified environment analysis & prediction and increased predictability of decision-making. Baosteel propelled its subsidiaries to focus upon important risks of supply chain and established a working mechanism of risk identification, handling and pre-warning. Nickel procurement risk aversion and credit risk management had basically formed long-acting mechanisms; for the sake of controlling internal pure risks, Baosteel motivated each department to perfect inner control standard, to carry out audit monitoring, and to identify as well as promptly rectify problems, thus enhancing the overall risk governance capacity of the group.

## Sound Audit System

Baosteel has always upheld the principles of independence, objectivity and impartiality in its internal audit so as to help increase value, enhance operational efficiency and eventually realize corporate targets. Internal audit has played important roles in improving the corporate governance structure, strengthening risk control, preventing the loss of state-owned assets, standardizing operation and management and promoting management efficiency.

### Improvement of Audit System

Baosteel basically realized the goals of "systematic planning of audit items, unified allocation of audit resources, extension & perfection of audit function and effective support of strategic governance" in 2010. It expanded the efficiency audit function represented by audit management and formed a systemic planning model for audit items focusing on strategic control key points; it established a preliminary "result-oriented" mechanism to which audit results apply, thus effectively pushing forward a shift from "book audit" to "efficiency audit" as well as a shift from "priority in result attestation" to "equal focus upon result attestation and process improvement", and realizing a shift of function from "priority in monitoring" to "equal focus upon monitoring and service" at the premise of ensuring "overwing power" of traditional audit.



The audit system completed altogether 341 items, identified 1897 audit problems and proposed 1755 suggestions in 2010. The audit items mainly focused upon eight aspects including "operation responsibility", "investment management", "decision-making of governance", "grass-roots management", "function management", "risk management", "information system" and "planned budget".



### Results of Main Audit Items of 2010

	2008	2009	2010
Audit of financial revenues (item)	34	37	66
Audit of economic accountability (item)	81	83	64
Audit of property right alteration net asset (item)	37	41	40
Audit of project completion settlement (item)	43	37	43
Audit of project investment cost (item)	76	23	12
Reduced project sum after examination (RMB 100 million)	1.42	8.31	3.36
Items of management audit (item)	—	50	116

## Anti-corruption Campaign

Baosteel was committed to boosting construction of punishment & prevention system, responsibility system centering upon realization of responsibility mechanism as well as responsibility investigation system based on accountability regulations so as to promote on the whole five tasks including education, system, monitoring, punishment and source control.

Various units signed 1,407 copies of *Party Conduct Construction and Anti-Corruption liability letters* in 2010; and totally 11 leaders were to account for failing to implement competently party conduct construction and anti-corruption responsibility system, thus reinforcing the political responsibility of leading groups at various levels to focus upon Party conduct construction and anticorruption campaign, facilitating the realization of "dual responsibilities of one position" (Note) and providing formidable guarantee for the continuous and healthy development of the Corporation.

### Perfect the Anti-corruption System

The Corporation established such rules and regulations as *Rules of Accountability System for Baosteel Leaders (Trial)*, *Integrity Undertaking System of Baosteel Group Corporation and Measures for Implementation of Report of Individual Related Matters by Leaders of Baosteel Group Corporation*, and had been constantly improving systems regarding circulation of important cases and work report, thus further regulating operating management and clean-handed conduct of leaders and managers.

### Reinforce the Anti-corruption Education

The Corporation carried out such educations as clean-handed conduct education, warning education, demonstration education and risk informative education of job integrity, shot warning films, established a case library and incorporated the anti-corruption education into the training of leaders, reserve leaders and newly recruited graduates.

### Intensify Supervision and Inspection

#### Special Tackling of Prominent Problems in the Field of Engineering Construction

The Corporation performed comprehensive inspections for 592 engineering projects that are worth

over RMB 5 million each and that had acquired approval, been under construction and completed ever since 2008 with a total investment of RMB 112.5 billion, identifying 96 problems during self-examination and self-correction. The Corporation formed 4 special inspection teams and gave priority to the inspection of 32 projects, rectified some problems such as lack of standardization and strict disciplines in management, formulated *Guidelines for Key Control Points of Engineering Project Investment Management*, and improved the long-acting mechanism of engineering construction management.

#### Special Treatment of "Little Coffers"

In line with the opinions of the State-owned Assets Supervision and Administration Commission of the State Council regarding further implementation of "Little Coffers" regulation and on the basis of comprehensive self-examination & self-correction of "Little Coffers" carried out by each unit, the Corporation organized 16 inspection teams so as to focus on inspecting nearly 100 units. Weak points have been identified in presents, cash gifts and bank account management during the special inspection and 14 notices demanding rectification & reform have been issued so as to urge related units to improve internal control, eliminate management defects and establish sound long-acting mechanism of clearing "Little Coffers".

### Efficiency Supervision

The Corporation improved working mechanism of efficiency supervision so as to further promote efficiency, effectiveness and benefits. Centering upon cost improvement, environment operation and assets disposal, efficiency supervision had been further intensified. The 492 projects on efficiency supervision were initiated in 2010, forming 425 efficiency supervision reports and 813 suggestions on efficiency supervision; and sending 197 supervision proposals.

### Strengthen Complaint Reporting Treatment & Case Investigation

By means of offence reporting from the public, project audit and cooperative investigation by third party, the Corporation intensified special investigation so as to identify as well as organize case clues and takes stern actions against violations of laws and regulations. Through such measurement, 3 supervision proposals were issued, 22 defects were rectified and 39 persons were approached for admonishing conversations so that the ultimate treatment function of investigation was further reinforced.

*Opinions on Implementation of Publicizing the List of Bribery Units and Related Ex-Serving Personnel* was vigorously enforced. The 6th and 7th banned name lists were released successively in 2010 and a total of 168 units and 1076 people were forbidden to carry out business transactions with Baosteel, purifying the operation environment.

### Reinforce Construction of Discipline Inspection & Supervision System

In 2010, the Corporation formulated and promulgated *Opinions on Implementation of Intensifying and Improving Construction of Baosteel Discipline Inspection & Supervision Organizations*, put into practice the working system by virtue of which the Discipline Inspection Commission of Baosteel Group Corporation reported to the Entire Committee of the Discipline Inspection Commission and secretaries of discipline inspection commissions at grass-roots reported to the Standing Committee of the Discipline Inspection Commission of the Group Corporation; in accordance with the assessment method of "four in one", the discipline inspection & supervision work of second-tier units and the duty performance conditions of secretaries of discipline inspection commissions were evaluated and linked to individual annual performance and grass-roots party organization performance.

A total of 46 secretaries of discipline inspection commissions and discipline inspection & supervision personnel were organized to attend systematic training held by the Central Discipline Inspection Commission of the CPC, the Discipline Inspection Commission of the State-owned Assets Supervision and Administration Commission of the State Council and Shanghai Discipline Inspection Commission; in accordance with the theme of "strengthening risk prevention and promoting duty performance capacity", training & study classes for grass-roots secretaries of discipline inspection commissions and persons in charge of supervision departments were held; each unit intensified practice training of discipline inspection & supervision work and a total of more than 760 people received such training.

	2008	2009	2010
Number of direct leaders to whom the major issues are reported (person)	149	197	146
Amount of part time remuneration handed in by leaders (RMB 10,000)	148	142	187.8
Number of people reporting their work and their efforts to perform duty honestly (person)	—	1,300	1,518
Number of people who took initiative to hand in cash gift, presents and securities (person)	1,908	1,420	1,781
Amount of cash gift, presents and securities that were handed in initiatively (RMB 10,000)	190	159.5	194
Times of anti-corruption education (time)	281	917	1,051
Number of people attending anti-corruption education (10,000 person-times)	2.1	5.2	4.6
Number of petitions and offence reporting (pieces)	306	282	245
Number of cases placed on file for investigation (pieces)	27	28	27
Number of wound-up cases (pieces)	27	24	23
Number of people given disciplinary punishment by the Party (people)	14	13	10
Number of people given disciplinary punishment by the Government (people)	12	12	16
Number of people whose labor contracts were cancelled (people)	12	9	3
Number of people who were transferred to a judicial organ (people)	8	11	3
Number of people who were imposed criminal punishment (people)	13	8	4

Note: "Dual Responsibilities of One Position"—The leader undertakes dual responsibilities for business work and party conduct construction & anti-corruption work of its unit. "One Position" refers to the corresponding position held by the leader; "Dual Responsibilities" mean that the leader is responsible not only for specific business work of its unit but also for party conduct construction and anti-corruption work of the position assumed thereby.





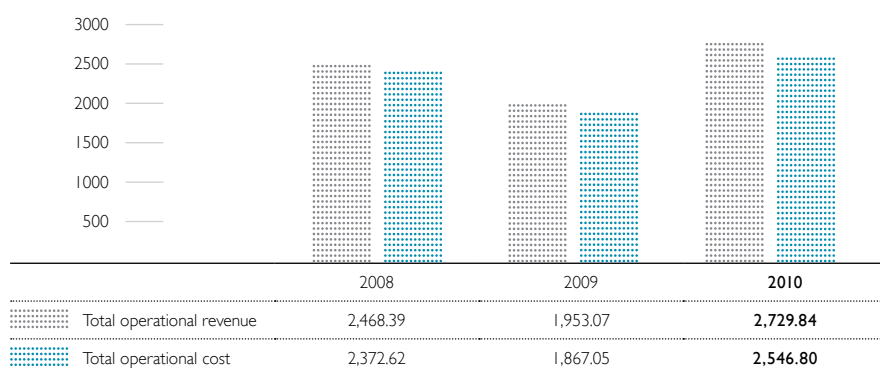
# Value Creation

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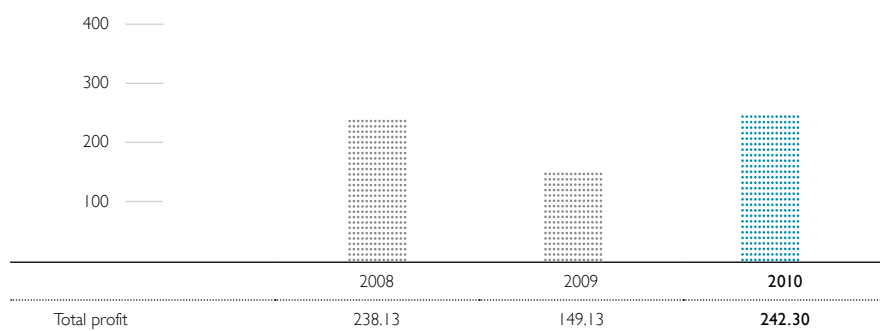
## Direct Economic Performance

Baosteel consolidated and expanded the achievements of combating financial crisis in 2010, the last year of the "Eleventh Five-year Planning" period, maintaining the most remarkable operating performance within the industry. Baosteel achieved an annual iron output of 38,960,000 tons and an annual steel output of 44,500,000 tons, and realized gross revenue of RMB 272.984 billion and profit of RMB 24.23 billion during the whole year of 2010, fully demonstrating the strong competitiveness of Baosteel.

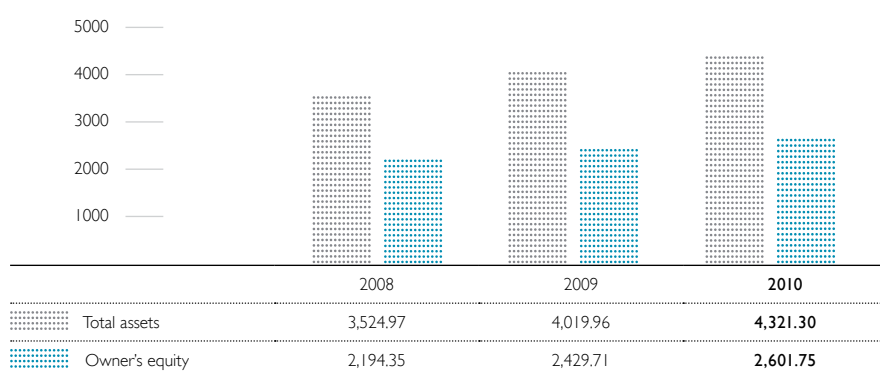
Total operational revenue & cost (RMB 100 million)



Total profit (RMB 100 million)



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



## Merger & Reorganization

### Baosteel Reorganized Fujian Shengde Nickel Products Co., Ltd.

Baosteel signed with Fujian Wugang Group an agreement to reorganize Fujian Shengde Nickel Products Co, Ltd. on December 9. The reorganized Fujian Shengde Nickel Products Co., Ltd was renamed as Baosteel Desheng Stainless Steel Co., Ltd, with the share- holding ratios of Baosteel and Wugang Group being respectively 70% and 30%. This was another significant trans-regional reorganization move taken by Baosteel following Bayi Iron & Steel, Guangdong Steel and Ningbo Steel.

Located in the area of Luoyuanwan of Fujian, the stainless steel manufacturer Desheng Nickel Products Co., Ltd is blessed with such advantages as material cost, technology and geographic location, and it has sufficient space for expansion. The nickel alloy project with an annual output of 920,000 tons and the hot rolling stainless steel coil project with an annual output of 820,000 tons of Desheng Nickel Products Co., Ltd were completed and put into operation. The production lines of 15-40 nickel alloy with an annual output of 250,000 tons, cold rolling stainless steel with an annual output of 400,000 tons as well as hot rolling nickel alloy plate with an annual output of 2,000,000 tons are currently under preparation.

For the sake of implementing the development outline of steel industry adjustment & promotion as well as the development strategies of economic zone on the west coast of Taiwan Strait, Baosteel seized the opportunity of Fujian Shengde Nickel Products Co., Ltd to develop stainless steel industry in Luoyuanwan of Fujian by adhering to the cooperation principle of "bringing into play respective advantages of both parties and realizing mutual benefit". On the one hand, this move enabled Baosteel to actively get involved in the construction of economic zone on the west coast of Taiwan Strait while on the other hand, Baosteel, as "motivator of green industry", would integrate sources in an appropriate and intensive manner; increase input into energy-saving and environment-friendly facilities and promote harmony between the development of stainless steel industry in Luoyuanwan and of the local ecological environment.





## Promote Economic Construction and Development through Major Projects



### Phase II Relocation Project (Luoqing Plot) of Pudong Iron & Steel

The relocation project of Pudong Iron & Steel Co., Ltd. phase II (Luoqing plot) is oriented in production of steel products for shipbuilding, bridges, abrasion-resistant steel, extra-high tensile steel for engineering machinery, extra-high tensile steel plate for container, corrosion resisting steel plate, steel plate for ocean platform, steel plate for military use and so on that meet the market demands of numerous industries including shipping, petroleum, chemical, electricity, bridge and machine manufacture. COREX technology replaces traditional blast furnace in producing molten iron during iron making process. A reaction of molten iron with coal occurs and melting reduction is realized through combustion-supporting high purity oxygen, cutting down significantly the usage of coking coal in short supply, canceling two major processes of "sintering" and "coking", and fully satisfying the requirements of cleaner production. Heat value gas which is one of the by-products of COREX iron making is used for CCPP power generation, realizing comprehensive recycling of energy COREX — CCPP — oxygen making — COREX; Meanwhile, complementary energy, waste heat and solid wastes are also utilized in a highly efficient and comprehensive manner. This project further promotes environmental protection and cleaner production of Chinese iron & steel industry.



### Stainless Steel Cold Rolling Follow-up Project

Stainless steel cold rolling follow-up project consists of two units - stainless steel and carbon steel. The stainless steel unit focuses upon developing the brand of "Baosteel Stainless", adheres to orientation of user demand, enhances competitiveness of products while at the same time actively popularizes environment-friendly products, conveys to users the concept of energy conservation and sustainable development, guides users to use such means as technical support and enables users to get adapted to and be familiar with green products more quickly, thus realizing cyclic development of society. The new products of this unit mainly include: high-end group represented by antibacterial series products, recyclable steel for architecture and steel for solar energy.

The unit of carbon steel is mainly engaged in the production of common cold rolled as well as hot galvanizing products such as auto sheets and steel sheets for home electrical appliances which are in urgent need in China. The unit of carbon steel adopts an open and integrated innovation method which is mainly completed by Baosteel. Various links of unit construction from preliminary design, equipment manufacture to commissioning throughout the line and hot & cold operation across various disciplines from technology, machinery to electricity, instrument and computer are all completed by Baosteel independently, realizing breakthroughs from unit capacity expansion to variety and quality.

### Adjustment & Reforming Project of Cold Rolling Type Structure of Baosteel-NSC Automotive Steel Sheets Co., Ltd.

Based on the accumulated experiences for many years in auto sheet manufacture of Baosteel, the cold rolling product structure adjustment project of Baosteel-NSC Automotive Steel Sheets Co., Ltd. has established a production line of alloying hot galvanizing hot rolling auto sheet that ranks the most advanced level in China and the international leading level, further optimizing cold rolling product structure of Baosteel and remarkably promoting production capacity of auto sheet which features high surface quality, high mechanical property, high dimensional precision and high added value. The alloying hot galvanizing hot rolling auto sheet manufactured by this production line is characterized by excellent corrosion-resistance, formability, weldability and paintability and it possesses high strength steel production capacity, fully achieving "replacing imported products with self-production" and can satisfy the material localization and weight-reduction & energy-saving requirements of materials for Chinese automobile manufacture.

### Special Metal and Alloy Steel Plate & Strip Project of Special Steel Division

Based on its abundant experience in special steel production for many years, Baosteel established a complete production line of special metal and alloy steel plate & strip from smelting to rolling which is the only one in China and features international top-class level. Special Metal and Alloy Steel Plate & Strip Project targets at such products as titanium alloy, nickel base alloy, stainless and special stainless steel plate coil that are in short supply. Products are oriented in super alloy such as titanium & titanium alloy, nickel base heat resistant alloy, nickel base corrosion resistant alloy, and precision alloy, as well as plate & strip products such as special stainless steel, tool-die steel, alloy constructional steel, abrasion resistant, heat resistant as well as low magnetic products, capable of manufacturing special steel materials that meet the requirements of key areas including national defense and energy and feature advanced cold working extensibility.

### Bayi Iron & Steel New Area Project of Bar Production Line

Bayi Iron & Steel New Bar Production Line Project consists of one bar production line with an annual output of 600 thousand tons and one high speed wire rod production line with an annual output of 600 thousand tons, with a total investment of RMB 560 million. For the new high speed wire rod production line project, the construction was started on May 20th, 2008 and linkage trial run implemented on July 14th, 2009, with the total construction period being 13 months; for the new bar production line project, the construction was started on May 28th, 2009 and the linkage trial run implemented on March 22nd, 2010, with the total construction period being 10 months. The project is contracted by Beijing MCC Equipment Research & Design Corporation Ltd.

### Zhanjiang Project

Ever since the approval by National Development and Reform Commission of preliminary work of Zhanjiang Steel Base Project in March 2008, the construction headquarters of Baosteel-Zhanjiang Project has been continuously carrying forward various preparation work of preliminary phase of project. By the end of 2010, feasibility study of this project had come to an end; land acquisition and relocation work within the red line of the main plant area on site had been completely finished; projects like ground leveling, temporary water for construction, electricity, road engineering, drainage channel and so on had been basically completed or simultaneously under construction. Currently, all preliminary work has been advancing as planned.

## Technological & Management Innovation

### Technological Innovation

#### Innovation System Construction

Corporation has fully initiated system construction and optimization work of technological innovation, launching 10 schemes of system optimization & perfection in 10 aspects including R&D system construction, utilization of technology policy, talent encouragement, strategic cooperation of production, study and research and so on; meanwhile, with a view to enhancing technology popularization within the Group, *Opinions on Technology Popularization Mechanism* has been released, specifying mechanism and requirements of technology popularization in terms of four aspects including unified planning, technology sharing, cooperative support and support of key areas.

	2008	2009	2010
Ratio of R&D <sup>(note)</sup> input (%)	1.1	1.2	2.0
Amount of R&D input (RMB 10,000)	271,946	233,800	509,794
Sales ratio of new products (%)	18.4	18.6	17.6
Number of authorized patents	785	914	1426
Economic efficiency of research projects (RMB 10,000)	123,300	151,125	226,300
Contractual value of technology trade (RMB 10,000)	57,461	11,345	9,485

#### Main Innovation Achievements

- Adhering to the strategy of technology leadership and carrying out continuous innovation of high-end products and R&D of core technology. Auto sheet R&D has made breakthrough again and the success of the third generation advanced high-tensile steel (Q&P) enabled Baosteel to become the first enterprise to have trial production around the world and the construction of "The State Key Laboratory of Automobile Steel Development & Application Technology" by Baosteel has been approved by the State; It supplies steadily Three Gorges Dam Project with high magnetic induction silicon steel for large scale transformer in bulk. Thin strip continuous casting unit realizes whole furnace casting and coiling. The construction of Ningbo steel industrialized production line with an output of 500 thousand tons has been started.
- Diverse industries improve constantly innovation capacity and attach high importance to fostering significant proprietary technologies. Coal series needle coke industrialized production line has achieved technology connectivity and produced qualified needle coke products; the first autonomously integrated large scale continuous annealing unit and ladle refining furnace of 300 tons (Hyundai Corporation) have been put into operation smoothly; 100 thousand pieces of hydro formed components and parts have been supplied stably and the development of hot stamping die has achieved breakthrough. Corporation has taken the lead in mastering hot stamping die technology of front & rear bumpers as well as components like automotive door impact beam in China.

#### Technology Innovation Cases

Resorting to its profound R&D foundations and technology superiorities, auto sheet of Baosteel achieved a market share of more than 50% and maintains its leading position in domestic market. R&D of new products has made outstanding breakthroughs and the success of the third generation advanced high strength steel (Q&P) enabled Baosteel to become the first enterprise to have trial production around the world and the construction of "The State Key Laboratory of Automobile Steel Development & Application Technology" by Baosteel has been approved by the State; 100 thousand pieces of hydroforming parts and components have been supplied stably and the development of hot stamping die has made breakthrough. Baosteel has taken the lead in mastering hot stamping die technology of front & rear bumpers as well as the components like automotive door impact beam.

#### Technology Trade Cases

As a state-of-the-art and environment-friendly slag treatment technology that has been developed by Baosteel after 10 years of incessant exploration, the technology of Baosteel slag treatment by rotary cylinder (BSSF) not only resolves the problem of environment pollution in slag treatment but also works out a solution to the problem of recovery & recycling of slag resources. In addition to implementation within Baosteel, this technology has also been transferred to steel plants both at home and abroad such as Ma Steel, Jiuquan Iron & Steel, Handan Steel, Indian JSW and so on. Two sets of BSSF units settled successfully in POSCO in 2010 with each technical index fulfilling international standard requirement, obtaining the high compliments of POSCO.

#### Technology Exchange and Popularization

Targeting at the market demand of Bayi Iron & Steel and in combination with its production line capacity, Baosteel Co., Ltd., with product transplanting & development as the principal line, consolidated process control, improved quality management and transplanted & developed a total of 25 marks of products in 2010, forming capacity of producing key products in batches. Concentrating on starting instructions of the new project of Ningbo Steel and assisting Ningbo Steel in realizing successful operation of 1# coke oven, slag treatment project and slab spray marking machine. In accordance with the technology supporting requirements of Shaoguan Iron and Steel Group Co., Ltd., Baosteel planned systematically and organized the implementation of exchange and investigation of various aspects including production, manufacture, equipment, procurement, energy, project management and so on.

In line with demands of steel enterprises both at home and abroad, Baosteel Co., Ltd. output a series of energy-conservation & environment-protection as well as quality control technologies related to sintering desulphurization, comprehensive use of used refractory materials, control model of slab continuous casting, opening or hole inspection and so on, realizing new trade growth points. By virtue of the engineering platform of Baosteel Group, Baosteel output related technology services matching complete sets of units such as slag treatment, RH refining, spray marking machine, full hydrogen bell type annealing furnace.

Baosteel established the middle phase boosting scheme of strategic cooperation among enterprises, universities and research institutions centering upon the main line of "project promotion, problem coordination and plan arrangement", gave full scope to synergy and integration of scientific research and production in terms of function and resources, reinforced and propelled guide projects of cooperation among enterprises, universities and research institutions. The international science and technology cooperation management mechanism of "demand driven, project linkage and unified management" has been further intensified and the international science and technology project cooperation with three blocks overseas have been boosted.

Baosteel Group Corporation participated in dozens of important academic exchanges both at home and abroad and held many conferences such as Baosteel BAC 2010, China Stainless Steel Annual Conference, and National Titanium & Titanium Alloy Academic Conference.

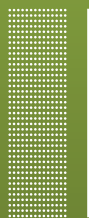
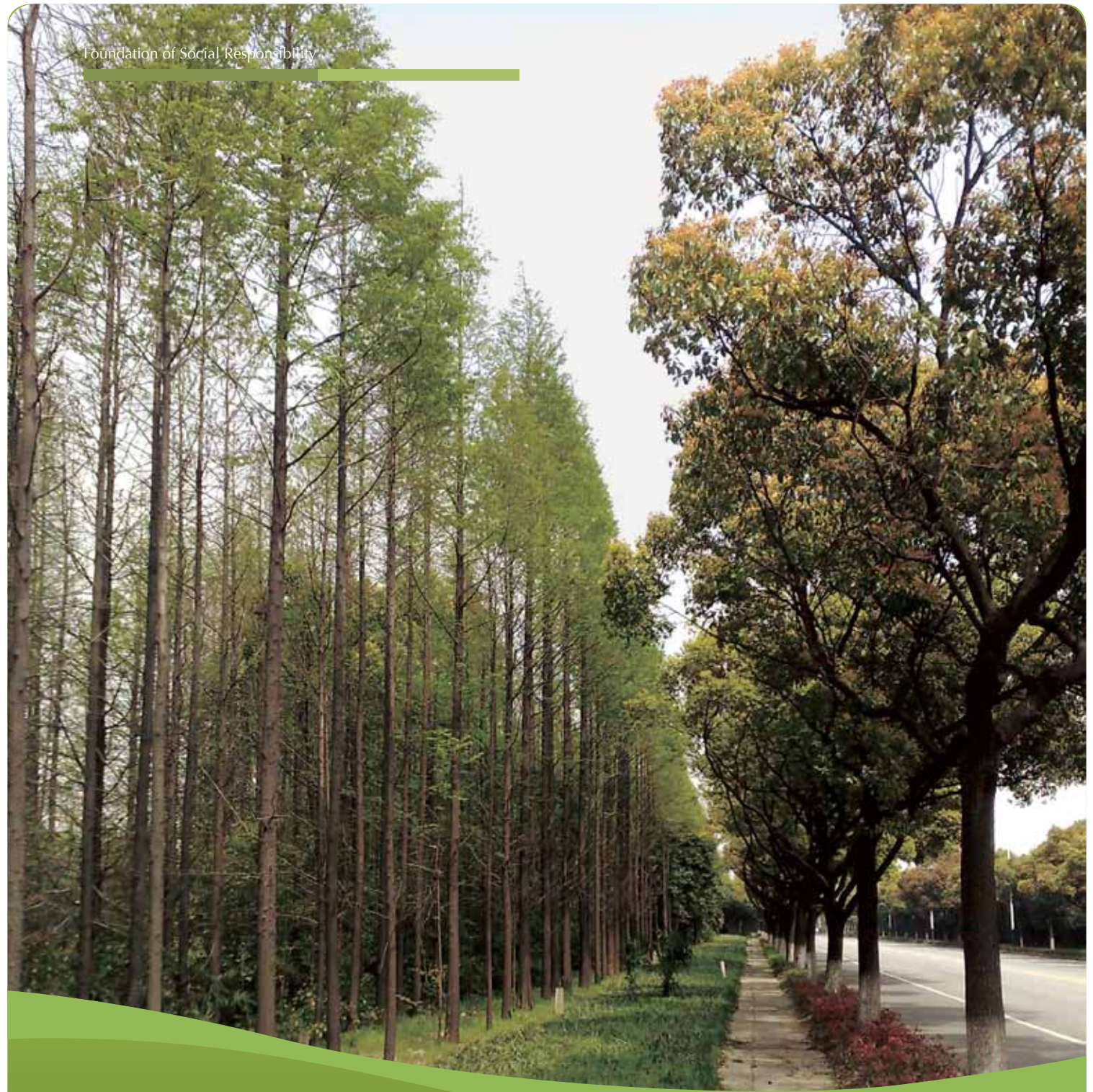
#### International Cooperation

Baosteel Co., Ltd. stood out from numerous large and reputed enterprises to become the project partner of UNEP. Baosteel Co., Ltd. cooperated with UNEP in research and practice of green procurement, and formed "Maturity Degree Model and Self-Assessment Framework for Sustainable Development of SMEs" with product lifecycle management process of supplier as a characteristic element, enhancing systematic management level of Baosteel supply chain and at the same time facilitating fast and highly efficient transition of SMEs to sustainable development.

In 2010, Baosteel Co., Ltd. actively got engaged in the testing of GHG Protocol which was developed jointly by World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD) and provided such discharge methodology as involved in the entire lifecycle of one single product and in the entire value chain of an enterprise, and proposed related suggestions. This work signifies that Chinese enterprises no longer accept passively carbon criteria of foreign countries but instead get involved in the formulation of criteria.

Note: R&D – Research and Experiment Development





# Environmental Performance





## Environmental Management System

### Management Guidelines

- 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 down energy costs;
- Systematically transform newly-acquired production units in energy conservation and environmental protection, and maintain the Corporation's overall level of energy conservation and environmental protection;
- Promote waste reduction, reuse and recycling, and raise recycled use efficiency;
- Care about stakeholders' opinions and demands and continuously improve the quality of community environment;
- Encourage 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

### Energy Management System has Made Breakthrough Progress

For the sake of adapting constantly to national energy management policies and Baosteel environment operation strategic requirements and improving operation level of the Corporation's energy management system, the Corporation decided to carry out energy management system certification pilot projects in Baosteel Co., Ltd (HQ) and Baotian New Building Material Co., Ltd under Baosteel Development in 2010. Through implementation of internal audit and self-improvement and with the assistance of external verification & certification organs, Baosteel (HQ) became the first enterprise of its kind to pass the national *Environmental Management System Requirement (GB/T23331-2009)* certification while Baotian Company also became one of the first companies to be certified as in conformity with national energy management system within the domestic building materials industry.

Baosteel Co., Ltd. incorporated energy management into manufacturing flow, value flow, energy flow and dynamic analysis environment of equipment status, implemented level-to-level management of energy consumption source by means of identification and management of energy efficiency factors in "three flows and one status" affecting energy saving goal and energy utilization efficiency, and broke down and put into practice energy consumption source management responsibility level by level.

Baosteel Development formulated *Management Process of Energy Saving Goal, Management Methods of Contractual Energy, and Energy Consumption Source Identification and Important Energy Consumption Source Control & Management Methods*; the three-tier energy management network has been established and energy consumption source and energy efficient factor identification has been implemented; internal audit and monitoring & review by a third party of environment systems of 21 first-class business units has been completed.

Baosteel International has finished self-examination and re-assessment of *Evaluation Criteria of Foundation Management (energy and environment)* for 28 production units.

Other steel manufacturing enterprises of the Corporation has also carried out preparation works for energy management system certification.

### Continuous Improvement of Environmental Management System

Baosteel Co., Ltd. was the first enterprise in Chinese iron & steel industry to be certified in conformity with ISO14001 environmental management system. The steel manufacturing unit subordinated to Baosteel Co., Ltd. has all been certified in conformity with ISO14001 environmental management system. Through reinforcement of environmental protection management area responsibility system, Baosteel Co., Ltd. established area responsibility system for the rivers around factory in the headquarters factory area; launched comprehensive environment special treatment of slag storage yard; constructed environment risk prevention system of the Corporation in 2010.

Bayi Iron & Steel was certified in conformity with ISO14001 environmental management system in 2005. Bayi Iron & Steel formulated Environment Monitoring Management Methods in 2010, implemented the system of daily environmental pollution observation & notification and monthly environmental protection problems analysis; organized and completed the environmental protection acceptance check & monitoring work of medium plate, lime, 40,000 m<sup>3</sup> oxygen making, B blast furnace, and 3#120 converter; completed the initiation & follow-up work of contingency plan for wind through intensifying control of stock ground dust raising.

Ningbo Steel strengthened the management of main pollution sources, prioritizing control of raised dust of stock ground and transfer station and enhancing civilized construction as well as road transport management. It spares no efforts to improve environmental management system so as to make preparations for the upcoming ISO14001 environmental management system certification.

## Construction of Key Energy-Saving and Environment-Friendly Projects

The Group focused on promoting 214 energy-saving and environment-friendly projects, including 101 energy-saving ones and 113 environment-friendly ones in 2010. 59 major energy-saving and environment-friendly projects were completed in the year, including 22 energy-saving ones constituting an energy-saving capacity of 10.8K tons of coal equivalent and 37 environment-friendly ones. The Group input RMB 1.4 billion into energy-saving and environment-friendly projects, RMB 620 million for energy saving and RMB 780 million for environment protection in 2010.

## Environmental Landscaping

In 2010, Baosteel Co., Ltd. put the landscaping efforts by focusing on the construction of ecological garden mills 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 Co., Ltd. HQ, twelve landscaping projects were completed and 93,000 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, 18,000 square meters of landscaping areas were added. In the stainless steel division, an additional area of 90,000 square meters was landscaped. In the special steel division, an additional area of 2,000 square meters was landscaped and 6 sporadic landscaping projects were implemented with the overall landscaping area reaching 708,000 m<sup>2</sup> and a greening rate of 28.52%. In Meishan Steel, a total of 100,000 square meters was landscaped.

In 2010, Bayi Iron & Steel approved and completed altogether 13 greening and environment improvement projects during the whole year; planting 395,138 various trees, transplanting 8,369 various trees, establishing 23,516m<sup>2</sup> lawns. The newly-added landscaped area is 987 thousand m<sup>2</sup> with plant greening ratio of 46.15% and living quarters greening ration of 54.4%.

By the end of 2010, the landscaping area of Ningbo Steel had reached 600,000 m<sup>2</sup>, among which the landscaping area of its main mill was about 516 thousand m<sup>2</sup>. Meanwhile, Wufengtang Coke Mill had about 86,800 square meters newly landscaped, thus enhancing its landscaping ratio up to approximately 21%. There are about more than 50 breeds of landscape plants which are mainly evergreen shrubs featuring remarkable pollution resistance, dust suppression and high livability.



As the first national industrial tourism demonstration site in Shanghai, Baosteel's plant zone boasts of fabulous scenery and received a total of approximately 42 thousand tourists in 2010.

## Major Tasks in 2010

### Carry out examination & verification of cleaner production and promote energy-saving & environment protection improvement

A total of 34 leaders of the main production units within Baosteel Group Corporation were organized to participate in training of propaganda and implementation. A total of 40 people from various units of the Group Corporation (in Shanghai) were organized to attend an internal auditor training lasting 3 days, to form a team of internal auditors.

The Corporation also formulated the *Working Plan of Cleaner Production Review and Promotion* with the goal of completing cleaner production review of 20 enterprises during 2010~2012. The units that carried out and passed cleaner production review include Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd and Shanghai Baoyi Can Co., Ltd. The units that are in the process of cleaner production review include the plants directly under Baosteel Co., Ltd., Shanghai Baosteel Chemical Co., Ltd., Shanghai Baosteel Packing Material Co., Ltd., and Shanghai Baotian New Type Building Material Co., Ltd.

### Special audit work such as energy environment protection

For the purpose of expediting efficient operation and capacity promotion of energy environment protection system, Baosteel organized and implemented a series of special audit works:

In terms of completing special auditing of solid waste disposal management, Baosteel carried forward constructions of slag and iron containing metallurgical dust projects within the scope of the plants directly under Baosteel Co., Ltd., propelled Baosteel Development's industrialization projects and finished slag production line construction scheme, organized and consummated management methods of solid waste transportation and implemented environment improvement scheme by outsourcing units;

Baosteel also completed rectification and reforming of primary energy measurement problem during special auditing of primary energy management, especially the problem of natural gas measurement, specified the criterion of solid energy conversion co-efficient and unified conversion coefficient criterion of secondary energy source media, improved purchase quality management process and objection treatment criteria of primary energy source.

Energy auditing of Bayi Iron & Steel as well as 3 pluralistic enterprises subordinated to Baosteel Group, and electricity balance of 5 enterprises were implemented. In addition, in order to routinize energy auditing process, Baosteel Co, Ltd released *Management Methods of Auditing of External Resources and Internal Energy Efficiency Inspection*, building a platform for various key energy consumption units to independently carry out energy auditing and energy efficiency testing of energy consumption equipment.

Selective examination of energy auditing of four non-steel enterprises were organized and post assessment inspection were carried out. 21 items of the overall 28 items of reformation suggestions proposed by the four companies in aspects of reinforcing energy utility process management, implementation of energy quota management, cultivation of power-saving capacity and enhancement of combustion efficiency were completed and the remaining 7 items are now under reforming. The energy management level of enterprises has been increased remarkably.

In 2010, internal audit of Baosteel strengthened auditing of energy management, planned and completed auditing item of solid waste management. Through investigation and analysis of comprehensive utility of a variety of solid wastes and operation status of disposal business and in accordance with requirements of solid waste return to production utility maximization and environment management and through analyzing defects in current operation management, 7 main problems identified by auditing were analyzed in terms of solid waste management system, slag management, iron containing metallurgical dust management, dangerous waste management and so on and suggestions were made with respect to tendentious problems identified during auditing.

Special auditing targeting at the energy management of Bayi Iron & Steel was carried out from seven aspects including energy management mechanism establishment & perfection, energy production & operation, energy-saving management & implementation, energy monitoring management, energy metrological management, energy statistical management, and energy-consumption equipment efficiency monitoring & assessment at the end of 2010. This special auditing conducted thorough investigation & survey analysis regarding the energy management operation of Bayi Iron & Steel, based upon which comprehensive auditing assessment and sub item auditing assessment of the energy management operation of Bayi Iron & Steel was formed. The problems identified during the auditing was extracted and screened and summed up in accordance with the "systematic, structural, slightly touching and compliant" management audit framework, providing the energy system of Bayi Iron & Steel with reference for improving related work.

### Propel contractual energy management and multiply energy-saving input approaches

The State promulgated and promoted policies for contractual energy management as a new energy-saving service mechanism, thus clearing away obstacles regarding management system so as to facilitate implementation of contractual energy management system by enterprises. Baosteel Group responded actively, formulated promptly *Guiding Suggestions on Enhancing Implementation of Contractual Energy Management and Promoting Development of Energy-Saving Service Industries* and established Shanghai Baosteel Energy-Conservation Service Company, developing energy-conservation and environment-friendly technical service business. Upon the basis of completing pilot projects, Baosteel Co., Ltd. formulated *Management Methods of Contractual Energy Management Projects*. By the end of the "Eleventh Five-year Planning" period, 4 among the 10 contractual energy management projects had been completed within the Group. Besides, the Group undertook 2 contractual energy management projects as the service provider.

### Informatization construction of energy-conservation and emission reduction

Projects of Baosteel Co., Ltd. Mega-Energy Center: part of the projects had been finished. Giving play to the guarantee function of energy media mutual supply among steel units in Baoshan District and via the unified management of energy distribution, system indices had been optimized and mega-energy system had achieved a profit of RMB 120 million in 2010.



Baosteel Co., Ltd. Environment Automatic Monitoring and Information Management System: Phase I and II had been completed and post project system design for phase II had been initiated. Online inspection of main environmental protection indices (the entire air quality and waste water discharge, emission of primary pollution source exhaust gas and noises within factories and etc.) as well as video monitoring of key areas (areas for steel making and iron making, storage yard as well as smoke emission and fugitive emission areas of Stainless Steel Division and Special Steel Division) had been realized for the plant directly under Baosteel Co., Ltd. (including Luojing), Stainless Steel Division, Special Steel Division, Meishan

Steel, Baosteel Chemical.

Baosteel Co., Ltd. Solid Waste Management System: Phase I of the project was completed and this system covered all the production sites of iron containing industrial solid waste within the plant directly under Baosteel Co., Ltd. 280 kinds of solid wastes had realized online management and 10 pieces of material flows of iron making procedure, iron making procedure, steel rolling procedure, overall procedure, slag, blast furnace slag, iron containing metallurgical dust, iron scale, overall varieties and so on had been generated, realizing online management of the in-plant overall process logistics information from production site to reworking site or leave factory.

### Carry out relevant management research

Whole life cycle assessment (LCA) of the large categories of products such as NSGO and CGO had been completed. LCA as well as can environment statement of Shanghai Baoyi Can Making Co., Ltd. had been completed. Environment-Friendly Statement schemes for 5 key products including hot rolling, common cold rolling, tinning, electro-galvanizing and hot galvanizing had been completed; LCA in cooperation with the transformer industry had been carried out.

Launch research on CO<sub>2</sub> emission list. Adopting the carbon balance method and based on two apertures of emission, that is, with and without carbon emission from power generation, the yearly CO<sub>2</sub> emissions of the plant directly under Baosteel Co., Ltd., Stainless Steel Division, Special Steel Division and Luojing District were calculated; employing the CO<sub>2</sub> calculating template of the International Iron and Steel Institute, the full aperture CO<sub>2</sub> emissions of the plant directly under Baosteel Co., Ltd. (including Luojing), Stainless Steel Division, Special Steel Division, Luojing District, Meishan Iron & Steel, Baotong Iron & Steel, Bayi Iron & Steel and Ningbo Steel respectively in 2001, 2008 and 2009 were calculated.

For the purpose of implementing the environment operation and development strategies of the Corporation, Baosteel set up the project of "Environment Accounting Theory and Practice" and SASAC, Ministry of Finance as well as National Accounting Institute jointly got involved in its research work. By means of arrangement and analysis of existing literature, the working theme of carrying on research on environment accounting as part of the entire accounting system instead of as an independent system was verified, with the priority of environment management accounting given to confirmation of such environment items as featuring clear boundaries. This project obtained the approval of SASAC, Ministry of Finance as well as National Accounting Institute which, according to the existing national finance standards, consider the project of Baosteel to be an effective, practical and to an extent forward-looking environment cost statistical method summarized in practice. In combination with the finance work of the Corporation, this project team would further optimize environment cost statistics practice.

### Education and training of energy environment protection

In order to strengthen the professional team construction for energy environment protection, to promote the professional quality as well as ability of energy environment protection management personnel at various levels and to maintain the Corporation's level in terms of cost reduction & efficiency increase and energy environment protection management, Baosteel Co., Ltd. organized and implemented training of 18 items including National Standard GB/T 23331-2009 *Management System for Energy-Requirements, Rules on the Implementation of Energy Management System Attestation in the Iron and Steel Industry*, clean production, environment operation, environment accounting, comprehensive utility of resources, qualifications of energy management post, with the number of training classes totaling 21 and the number of trainees totaling 923 person-times.

Baosteel Co., Ltd. held 4 sessions of qualification trainings of energy management jobs in 2009 and held 2 sessions of the training in 2010, with the number of trainees totaling 280 person-times. This project adopted the train-

ing mode of theory training in combination with seminar, onsite communication and management practice. Constructions of 12 courses were completed and training resources including curriculum, training textbook & exercises, study instructions, teaching staff as well as test database had come into being, forming process control and appraisal methods for training quality.

Based upon the summary of "Qualification training for energy management jobs of Baosteel, Co, Ltd." in 2009, Baosteel devised the project of "Training of overall quality of energy management personnel" geared to the needs of the main business of iron & steel of the Group Corporation and integrated this project into the key training projects of the Group Corporation so as to fortify construction of professional technical team of energy management of the Group Corporation and expedite the promotion of professional quality as well as ability of energy environment protection management personnel at various levels. The focused training of energy management staff of Ningbo Steel was firstly organized in 2010 and the main training contents mainly included: Baosteel environment operation and energy conservation & emission reduction, status of energy-conservation & emission reduction, energy conservation policies & regulations, basic energy management and energy statistic analysis, Baosteel energy control system and national energy management system, new mechanism for energy conservation, contractual energy management, fundamental knowledge and case study of energy auditing and so on.

Meanwhile, management training and operation training in terms of energy environment protection for pluralistic industry were also organized.

### Carry forward thorough environment operation and practice as "Motivator of Green Industry"

"To become a motivator of green industry" constituted one of the three development visions proposed in another new round of development plan of Baosteel. Baosteel had always been committed to achieving this goal and strove steadfastly to build a green industry chain in cooperation with various stakeholders, encouraging green and sustainable development of the overall society. Via implementation of green procurement, green marketing and green logistics, the Corporation conveyed to the upstream and downstream enterprises its concept of green operation, motivates related industry chains to carry out effectuating standards of environmental management system and regulates environmental management of suppliers.

Baosteel Co, Ltd. signed with Shanghai Automotive Industry Corporation (Group) Framework Agreement on Automobile Lightweight Strategic Cooperation and both parties would make joint efforts to research, develop and apply the technology of automobile steel lightweight, generating positive demonstration effect for facilitating the automobile lightweight technology development and deepening industry chain cooperation in China.

With life cycle increase, consumption reduction, energy conservation, emission reduction and cycle use as the guiding principles, Baosteel Co, Ltd. established preferential, limiting and prohibiting procurement catalogs and seventy thousand code catalogs were arranged. *Green Procurement Proposal to the Entire Suppliers* was released and the 4+1 mode of "quality, cost, delivery, and service" plus "environment factor" was adopted for evaluation of suppliers. Green procurement guide was compiled, 36 "production, supply and research" projects of green procurement such as green illumination for plant were popularized, and green procurement spot meetings of refractory material auxiliary material were convened for exchanging green procurement experiences and practices.

Centering upon environment operation and oriented at user needs, Baosteel Co, Ltd. established the action plan of green product & technology marketing, that is, to take initiative in carrying out the responding work of environment protection laws & regulations as well as user green procurement

benchmark, in establishing environment protection evaluation process and in setting up team & evaluation guarantee mechanism; master and guide the market demand for green & environment protection products, performing product planning; implement popularization of green & environment protection products by means of their full life cycle evaluation results and develop in a systematic manner full life cycle evaluation of green & environment protection products; proceed systematically utility effects tracking and technology evaluation of steel products and attach importance to matters to the benefit of popularizing environment protection product, reducing processing technique of user and reducing long-term troubling quality dissent; promote environment protection products brands of Baosteel in domestic and overseas markets; develop 5 categories of new environment-friendly products (carbon steel sheet, carbon steel plate, stainless steel, special steel and steel pipe & tube) with altogether 283 grades and produce 1,860,000 tons of newly trial products.

When it came to the selection of ocean transportation ships, Baosteel, taking logistics into comprehensive consideration, prioritized the application of energy-saving ships so as to reduce fuel consumption during shipping transportation and lower pollution of environment. Among the overall ocean transportation ships in 2010, such energy-saving ships as built after 2005 (including 2005) accounted for approximately 43%.

The in-plant logistics pattern under the fixed process capacity and production organization mode was established while variance analysis of process standard logistics plan and actual performance was realized. The management mode integrating logistics transportation and production was carried forward gradually and control of environment factors during logistics was intensified. Safety disposal and minimization of packing materials were actively explored so as to simplify packing and realize environment protection.

### Develop green industry

In terms of promoting industrialization of comprehensive resources utilization, the reclaimed oil project of Baosteel Development entered the phase of trial production. 4-phase blast furnace levigation project of Baotian Corporation subordinated to Baosteel Development came into operation and its iron oxide red project settled in Haimen, Jiangsu.

In terms of boosting industrialization of Baosteel energy-saving & emission reduction technologies & equipment, 1# and 2# rotary cylinder slag processing devices of POSCO No. 2 Steel Works completed successfully hot testing in October, 2010 in accordance with EP General Contracting Mode; Baosteel won the biddings of the projects of Chengde Steel Energy Management & Control Center and Shaoguan Steel Energy Management & Control Center. Shanghai Baosteel Energy-Saving Service Company was established in order to develop energy conservation and environmental protection technology service businesses.



## Environmental Management Performance

Baosteel Co., Ltd under Baosteel Group, the former Pudong Iron & Steel Co., Ltd, Shanghai Meishan Iron & Steel Co., Ltd, Baotong Iron & Steel and Xinjiang Bayi Iron & Steel Co., Ltd all outperformed the overall goal of energy savings for "action of one thousand enterprises" signed with the National Development and Reform Commission respectively. Wherein, the aggregate energy savings of Baosteel Co., Ltd., the former Pudong Iron & Steel Co., Ltd., Shanghai Meishan Iron & Steel Co., Ltd and Baotong Iron & Steel exceeded the quota by 21% and the energy savings of Xinjiang Bayi Iron & Steel exceeded the quota by 99%. The SO<sub>2</sub> and COD of Baosteel declined by 63% and 86% respectively in the "Eleventh Five-year Planning" period.

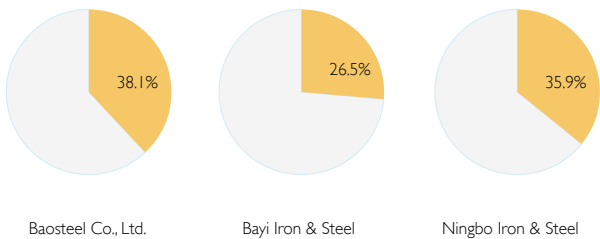
In 2010, the energy environment performances of the iron and steel enterprises of Baosteel Group are shown in Table 1:

**Table 1: Energy environment changes of iron & steel enterprises**

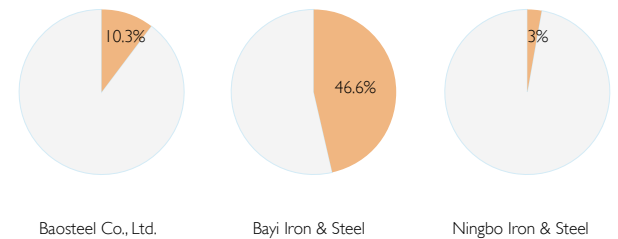
	Rate of decline in 2010 compared to 2009		
	Baosteel Co. Ltd.	Bayi Iron & Steel	Ningbo Iron & Steel
Comprehensive energy consumption per ton of steel (%)	3.4	10.1	9.1
New water consumption per ton of steel (%)	1.3	18.7	59.0
Atmospheric dust deposition (%)	-0.9	39.4	4.4

Note: due to negligence, the data related to environmental protection performance indicators of Bayi Iron & Steel were mixed with that of Ningbo Iron & Steel in the report 2009, and the unit of total wastewater discharge was miswritten from "10,000 ton" to "ton". It is hereby corrected and explained.

Rate of decline of SO<sub>2</sub> emissions per ton of steel in 2010 compared to 2009



Rate of decline of COD emissions per ton of steel in 2010 compared to 2009

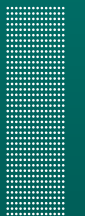
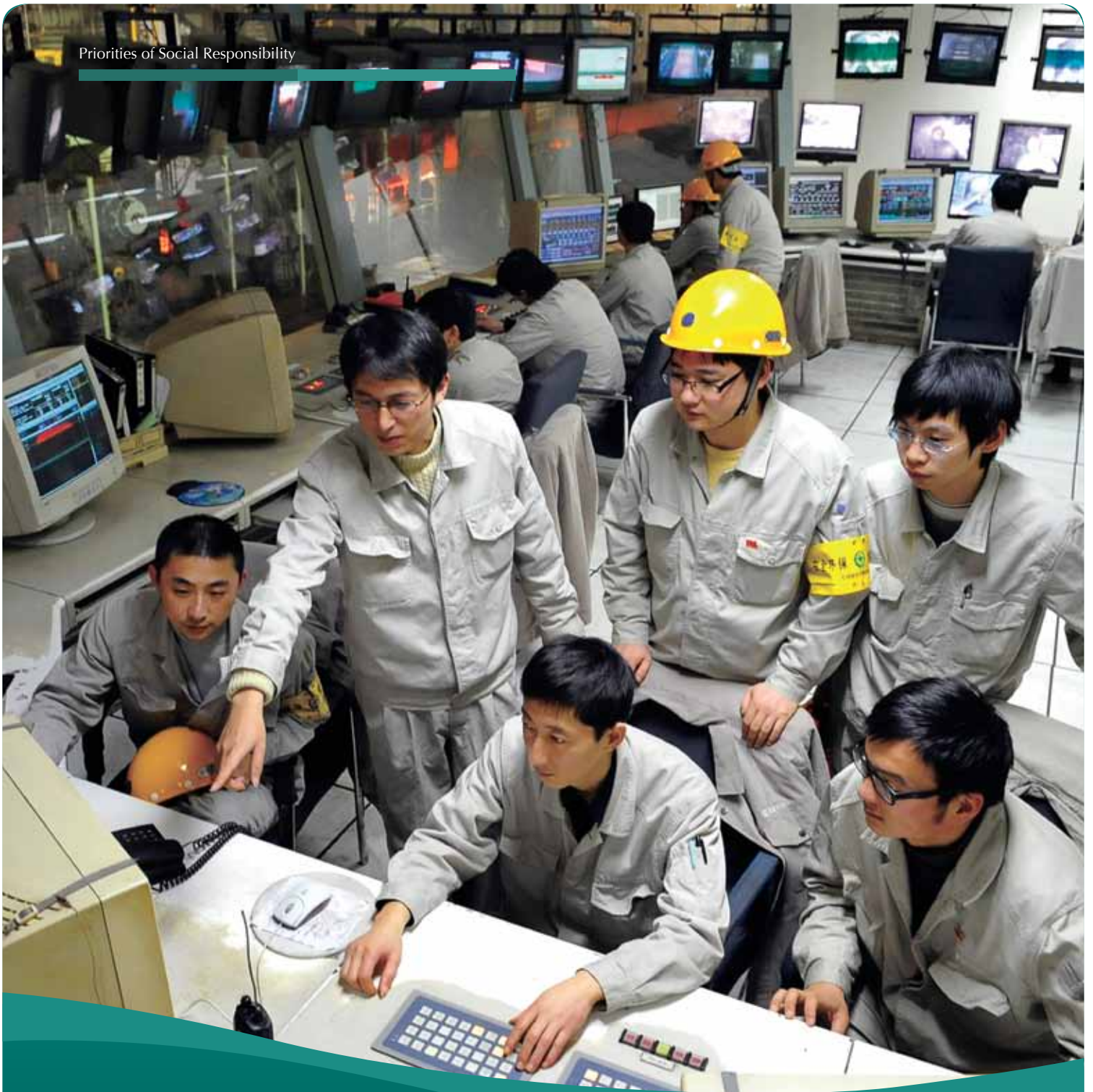


The solid waste resource utilization performances of the iron & steel enterprises of Baosteel Group in 2010 are shown in Table 2:

**Table 2: Solid waste resource utilization performances of the iron & steel enterprises**

	Baosteel Co., Ltd.	Bayi Iron & Steel	Ningbo Iron & Steel
Comprehensive utilization rate of solid waste resource (%)	98.6	84.7	90.3
Utilization rate of solid wastes returned to production (%)	26.0	16.3	26.0





# Employee Performance

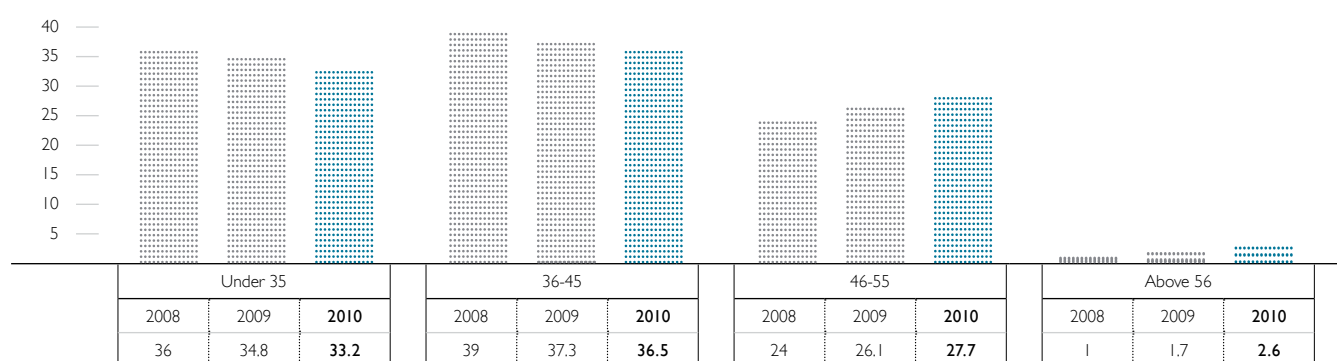
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## Employees' Performance Indicators

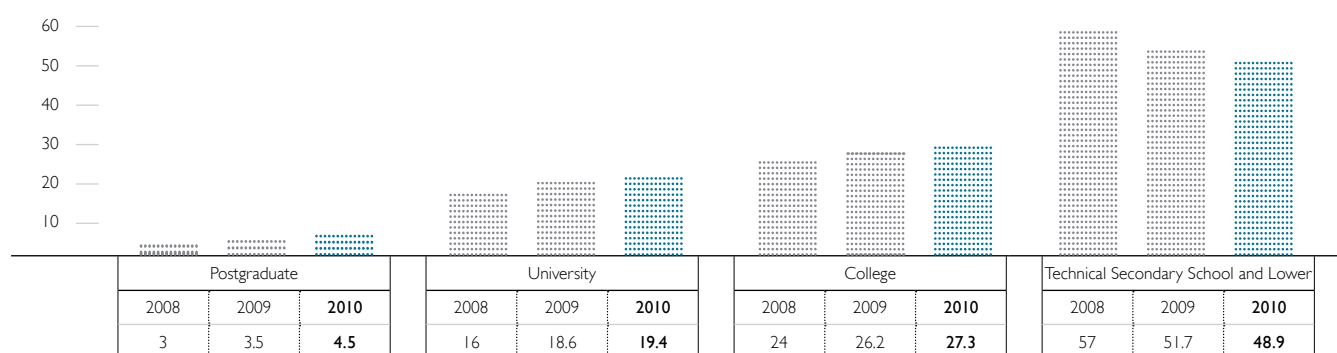
In the new round of development plan, Baosteel firstly incorporated the philosophy of "being a model corporate growing together with the employees" into the corporate vision, which further highlighted Baosteel's determination and confidence of seeing the employees first, relying on the employees with complete devotion and fostering the employees.

	2008	2009	2010
Total employees	128,408	124,132	118,500
Total female employees	28,966	27,267	25,199
Ratio of management jobs (%)	9.1	8.7	8.9
Newly-recruited employees	5,390	1,212	2,292
Ratio of newly- recruited employees (%)	4.2	1.0	1.9
Resigned employees	1,158	1,175	1,378
Ratio of resigned employees (%)	1.1	1.1	1.3
Ratio of senior female managers (%)	8.3	8.3	10.0
Ratio of local employees in overseas affiliates (%)	—	33.8	37.8
Externally-dispatched personnel	—	87,557	68,443
Total employees remuneration (RMB100M)	91.9	88.9	96.1

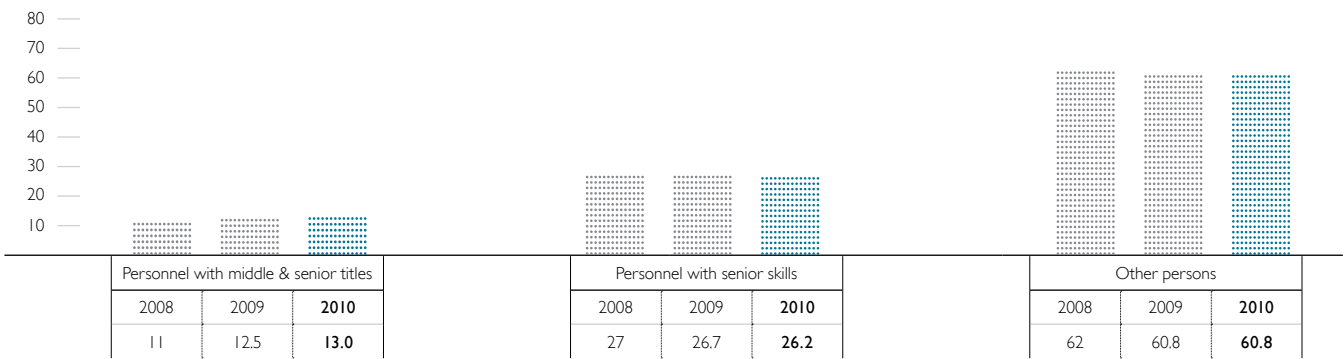
### Age structure (%)



### Education structure (%)



Structure of professional titles & skills (%)



Personnel with senior skills – the persons with the skills level of senior worker and above.

## Remuneration & Welfare

### Remuneration & Welfare Policy

In compliance with the market rule, Baosteel actively built the internally fair, externally competitive and normative remuneration management mode integrated with the market; moreover, pursuant to the distribution principles of “the incomes and welfare of Baosteel employees will be accordingly improved in a sustainable manner along with the continuous improvement of the corporate operating performance and employees’ labor efficiency”, Baosteel witnessed an obvious improvement in the performance in 2010 and the incomes of Baosteel employees were raised substantially. The Corporation promoted the “sunshine” compensation and benefit management to track and analyze the whole process of the distribution of remuneration, investigated against noncompliant behavior of distributing the remuneration and thus realized the closed-loop management for the classification, distribution, statistics and monitoring of the remuneration.

In keeping with the related national and local policies and laws, the company timely paid in full all the mandatory social insurance premiums and welfare for all employees. They mainly included basic pension insurance, basic medical insurance, unemployment insurance, industrial injuries insurance, maternity insurance, housing reserve fund, and strictly complied with the paid annual leave system. In light of the unique features of the enterprise, the company also bought casualty group insurance and other supplementary benefits for its employees, like annuity and employee health program.

To reasonably guarantee value retention and appreciation of the corporate annuity fund, the annuity management institution established the reasonable, prudent and effective investment strategy and created good results. In 2010, although A-share market suffered a significant drop, Baosteel got the annual yield of up to 5.6% and enabled 4,249 persons received their due rights and interests due to retirement and other reasons.

To effectively alleviate the housing loan and repayment pressure, after thorough survey and discussion and hearing the opinions from the majority employees, the supplementary housing reserve fund was created.

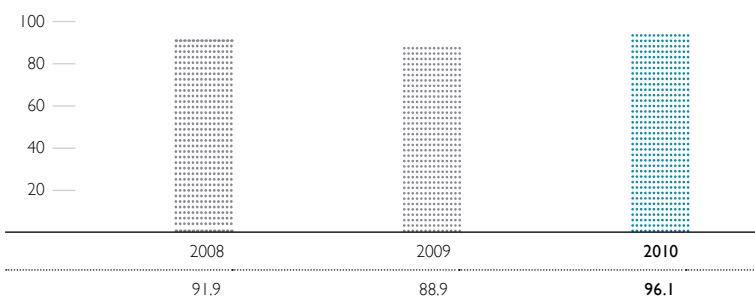
### Employee Health Plan

To meet the requirements for fitness of many more employees and make full use of the sports facilities of Baosteel, the Baosteel sports center, the No. 1 Iron & Steel sports center and the Baosteel Wusong employee sports center were linked to share the resources, which highly improved the utilization of fitness venues of Baosteel and facilitated the employees to participate in the fitness activity. According to the distribution and actual demand of the employees, Baosteel continuously optimized the layout of cooperative sports and fitness venues, currently, 16 social fitness venues have signed the cooperation agreement with Baosteel.

By the end of 2010, Baosteel Group had 11 subsidiaries in Shanghai with around 80,000 employees, among which eight subsidiaries have introduced the employee health plan, covering 48,000 employees. A total of 30,176 employees have participated in the fitness activities through the employee health plan, accounting for 63%.



Total employee remuneration (RMB 100 million)

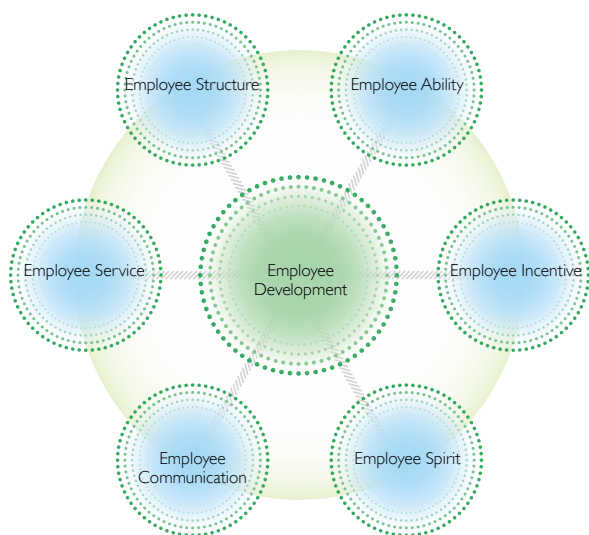




## Employee Development & Training

To implement the outline for the medium-term and long-term development plan as an opportunity and revolve around the strategic development target of steel & iron industry and diversified industry, the *Mid-term and Long-term Development Planning for Talents Team Building of Baosteel Group (2010-2020)* was compiled. Based on the new round of development strategy, the Planning analyzed in depth the demand for talents and determined the development target for the total size of talents, quality structure of talents, talents utilization efficiency, talents work evaluation in the coming ten years, and the specific development target like the team of three types of talents (operation & management, technical business and operating skills), special group talents (team of directors & supervisors, CPC-mass work staff) and strategic scarce talents. At the same time, eleven talents fostering programs were launched, including the building and development of team of directors & team of supervisors, future leaders fostering, "four-in-one" fostering of CPC-mass work staff, golden apple initiative, green apple initiative, professionals partnership plan, highly-skilled talents development plan, internationalized talents development plan, functional business talents development plan of the head office, high-end talents development plan of steel & iron core products and professional talents development plan for the diversified industry.

Promote the sunshine recruitment and staffing. The construction of recruitment and staffing system was strengthened, *Procedures for the Management of Leadership of Baosteel Group Corporation, Procedures for Performance Appraisal of Leadership and Directly Controlled Staff in Baosteel's Subsidiaries* and other systems were formulated and amended to deepen the management of the leaders and their candidates, strengthen the adjustment, selection, recruitment and employment of the leaders and promote the competitive talent promotion.



### "Golden Apple" Initiative

The "golden apple" initiative is designed to use 8-10 years to promote the continuous optimization of the products structure and ensure the leading position of the core products in the market, create independently innovative technology that can leave the mark of Baosteel in the development of the world steel & iron, and bring up 10-15 leading persons in technology innovation with the scientific and cultural spirit, outstanding professional contribution, obvious leading effect and sound ethical quality, good performance in the international arena and international influence. The method of "first pilot and then promotion" was taken. Through early selection, 21 core members were selected from such five pilot fields as the technology for the development and use of auto sheet products, the steel smelting technology, the hot rolling technology, the cold rolling technology and the cold rolling post-treatment technology, these five Golden Apple R&D teams were evolved to be the example for R&D teams of Baosteel. A contingent of skilled R&D personnel was brought up, Baosteel accordingly got a big step ahead in terms of the technical level, quality & capability and influence in the industry, enhanced the synergy capacity of production, sales and research and obtained the periodical achievements.

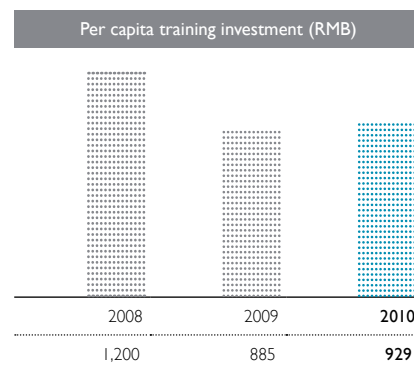
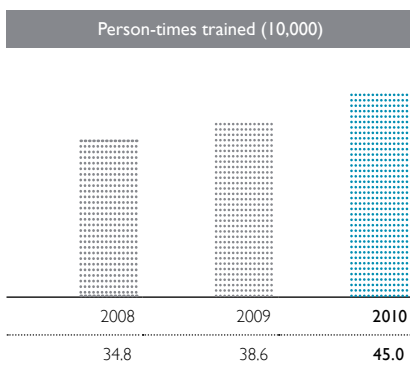
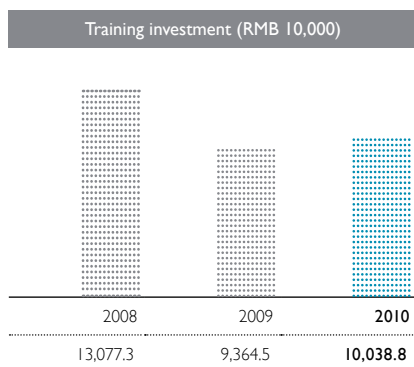
### "Green Apple" Initiative

Revolving round the fundamental high-potential talents team building, the "green apple" initiative was promoted in rotation. Based on the Phase I "green apple" initiative, the overseas training named "Singapore view" was conducted by means of domestic-overseas linkage lecture, overseas field survey, cross-cultural exchange and other methods, which enabled the excellent member of "green apple" initiative to conceive the international vision, understand the transnational culture, establish the global decision-making thoughts and reach a basic level of overseas operation. Meanwhile, 66 members were selected to participate in Phase II "green apple" initiative through the short-term training and evaluated by the talents testing center. In the short-term training, these newly-selected members deeply perceived the corporate culture, development strategy and leadership of Baosteel and gained an insight into the career life through the lecture of HR specialists.

### Employee Development Report

In 2010, the employee development reporting system was promoted in the whole group and included into the HR management standards of Baosteel, so that the connotation of "the employees develop with the enterprise" was fulfilled in a concrete way, the management layer and the employees got actual feeling and realized the "feeling management".

To treat the employees as VIP customers and focus on the actual achievement of HR management according to the true demands of employees' development, let the employees evaluate HR management by means of report release, and accordingly enable the implementation results of all relevant management policies, systems and measures to be evaluated and inspected by the employees and create a truly people-oriented system environment and culture atmosphere.



## 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 2010, Baosteel has the employees democratic management included into the management system of corporate development. On January 15, 2010, adopted by the Employees' Congress, the Board of Directors of Baosteel promulgated the *Basic System for Employees Democratic Management of Baosteel Group Corporation (Trial)*. In March, Baosteel formulated and distributed the *Opinions on Implementing the Basic System for Employees Democratic Management of Baosteel Group Corporation (Trial)*, which defined the requirements and organizational structure for the implementation.

### Open Management of Corporate Affairs

At the beginning of 2010, the Labor Union of Baosteel headed the Disciplinary Inspection Committee, Party Committee organization department and other relevant departments of Baosteel, Baosteel drafted and adopted the *Essentials of the Work of Baosteel Group Corporation on the Open and Democratic Management of Corporate Affairs in 2010* (the Essentials for short) based on the production and operation of Baosteel, it was implemented according to the document issued by the Disciplinary Inspection Committee and Party Committee. This document specified work concept of fostering the employee democratic management, smoothing the work system of employee democratic management at all levels, strictly regulating the democratic procedure in the course of industry adjustment and development to ensure the work priorities in five areas like the stability of employees team during the World Expo 2010.

In 2010, Baosteel strengthened the open and fair mechanism construction with respect to the human resources, materials, financial resources and other key fields, adhered to deepening the regularity and transparency of various managements, promoted the construction of five "sunshines", like the sunshine recruitment and staffing, sunshine management remuneration, sunshine utilization of public funds, sunshine purchase sales and sunshine promotion project.

### Care about "Three Greatest" Employee Concerns

At the time of improving the development and striving for better achievements of Baosteel, attention must be paid to caring about the employees, and the benefit of absolute majority of the employees must be guaranteed to realize common development.

In 2010, Baosteel and its subsidiaries listed a total of 152 problems to be solved, of which eight were incorporated into the 4D<sup>[Note]</sup> of the Group, 69 for the Corporation, 75 for other units under the Group, 94.7% of these problems were resolved by the end of December. For the eight problems of the group company, the President took the position of responsible leader of the project and the President of Labor Union acted as the General Executive. By the end of 2010, the problems like the "establishment of honor incentive project planning system of Baosteel", "establishment of grassroots team construction expenditure", "establishment of incentive for perception of grassroots employees", "improvement of the standards for serious diseases relief and difficulty assistance" and "reduction of payment costs for single dormitory in Guoyuan" have been resolved; the "establishment of supplementary housing provident fund system" has been adopted by the joint meeting of

Employees' Congress, which can be formally implemented after the democratic procedure was implemented by all units, Baosteel has amended the *Procedure for Management of Retirement of Baosteel Group Corporation* to "improve the delayed retirement system of experts and specialists". In addition, the "establishment of plan for graduates housing subsidy plan" was under survey and research.

### Establish Communication Channel with Young Employees

In 2010, Baosteel Group Corporation held the corporate leaders and young employees workshop of "face to face by heart" quarterly, quarterly submitted the Baosteel Youth Demands and Focus Information and Monthly Report of "Bridge" Forum to the leaders and all departments, timely gathered and reflected the thoughts and appeals posed by the young employees through the organizational system and network platform.

On December 18, 2010, the employee online forum — "Bridge" forum was officially launched and operated at the second anniversary after the trial operation. Xu Lejiang, Chairman of Baosteel Group Corporation, and Liu Guosheng, Vice Chairman and Secretary of the Party Committee of Baosteel Group Corporation made the interactive communication with 800 netizens of the "bridge" forum in all through the online real-time communication and offline face-to-face interview, heard the needs and wishes of the grassroots employees and received warm welcome from the employees.



Operating Data of "Bridge" Forum

	2009	2010
Registered Users	22,350	31,641
Suggestions and Complaints	1,444	1,629
Reply and Settlement Rate of Problems	100%	100%

In addition, Baosteel entrusted the "bridge" forum to conduct the discussion of "monthly major topics", questionnaire survey of hotspot issues, automobile group purchase of Baosteel youth, free distribution of wedding exposition ticket, launched the special area of "Green Baosteel" and spared no efforts to create an active, healthy and interesting network cultural life.

Note: 4D — 4D was derived from the major links of the operation and management work — the initial letters of Discussion, Deliberation, Decision and Doing, which corresponded to the virtual meeting, pre-review of proposals, list of proposals and work priority of the collaborative office system of Baosteel, which was an innovative attempt of the project management.

## Harmonious Relations

### Improvement of Collective Contract Management System

In 2010, Baosteel signed the 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.

### Female Employees Forum

On March 5, 2010, the female employees forum under the theme of "leading the tide, sipping the low-carbon life and becoming a low-carbon female" was held in Baosteel to celebrate the 100th anniversary of Women's Day. Eight female representatives, from the perspective of female, delivered the knowledgeable, deliberate and introductory keynote speeches with respect to such eight themes as clothing, food, shelter, travel, health, beauty, education and love, etc. and guided the employees to make the discussion and thought, and advocated the low-carbon life style. The initiative posed by all female employees in Baosteel responded to the environmental operating concept of Baosteel, started with every trifle to have a wonderful and thrifty, happy and true low-carbon life.

### Safeguard National Unity

In May 2010, the Bayi Iron and Steel conducted 28 national unity education monthly activities and 33 players took part in the final contest of speech themed "tell the story about national unity around me".



### Employee Activities

#### Rich Sports Activities

Baosteel participated in the 14th Shanghai Sports Games, Baosteel Delegation achieved an excellent record through tough struggle by over 60 athletes and coaches, eight of them won the title as sports ethics award athletes.

The 8th employee sports meeting themed "Dynamic Baosteel and Vigorous Employees" was opened on June 1, 2010 and successfully closed on September 15 after all competitions were finished within four months. The sports meeting set up four divisions: Shanghai, Nanjing, Xinjiang and Ningbo to facilitate the wide participation of the enterprises in all regions and the employees of all ethnic groups. This sports meeting created five sports and intelligence expansion programs that enabled the meeting to be of a more interesting and mass character.



#### Care about Retirees

##### i. Universities for the Aged

University for the aged targeted "the aged should be trained, employed, acted and entertained" to expand the schooling thoughts continuously. In 2010, over 5,211 persons attended 126 classes for 37 courses, there were only 145 trainees and five classes at the beginning of establishment.

2010 was the 20th anniversary of the establishment of Baosteel Senior Citizens College. Baosteel hosted a series of activities (celebration meeting, praise for advanced individuals, rehearsal & performance, results display, promotion and report, album publication and theme film shooting) to present the attention and care of previous leaders of Baosteel. As the concerted efforts of vast teachers and students, Baosteel Senior Citizens College continuously pursued exploration and innovation, sought the truth and achieved rich fruits. The College won the title of advanced group of aged cadres system in Shanghai.

##### ii. Sports & Art Life

The Baosteel Songtao Art Troupe was made of Baosteel's retired people in April 1992, which comprised of the chorus, dance troupe, opera troupe, band and composition team. In 2010, the Baosteel Songtao Art Troupe participated in the serial performance of World Expo, including the square performance, performance inside the park and community.

Baosteel holds a sports game for senior citizens every three years. From June to October, 2010, the 7th sports game was held, many competitions like the Taiji (sword, fan), Mulan boxing, stick operation, hands shaking, Chinese chess, hop chess, gate ball, basketball shooting and other competitions suitable for senior citizens, a total of 2850 aged people attended the sport meeting.

Baosteel additionally conducted the activity of "respecting senior citizens and caring for the young to live a harmonious and cultural family live", 43 families of senior citizens won the commendation.

##### iii. Support of Associations Development

In 2010, Baosteel Care Association was granted the national honor of advanced group caring about the next generation, Baosteel grandly held the 20th anniversary of establishment of Baosteel Care Association. In the 20 years following the establishment of Baosteel Care Association, "five elders" adhered to deepening the publicity and exchange of socialist core value system, attended the spiritual and ethics education, technology and business instruction to the youth in Baosteel and the community, cooperated with the community to do a good job in caring about the special youth and care for the healthy growth of the youth by heart.

Baosteel has supported the work of the branches of the senior citizens sports association and conducted various activities based on the prerequisite of ensuring the safety of senior citizens. In 2010, the stick operation team ranked the first place at the competition of Shanghai "Changfeng Cup" Stick Operation Competition, the fitness dance team won the first prize at the fitness dance competition organized by Shanghai Sports Institute of Old People.

## Employee Safety & Protection

Upholding the principles of people first and safety development, Baosteel in 2010 continued to deepen the "Year of Safe Production" activity, proceeded from the fundamental consideration of ensuring the occupational health and safety of its employees to control the safety production work by the view of scientific development as the guideline. Baosteel focused on the "Secure World Expo and Safe Production", promoted OHSAS18001 occupational health and safety management system to deploy the industrial safety and management plan in an all-round way and effectively pushed its implementation. As a result, Baosteel's industrial safety has been stable on the whole.

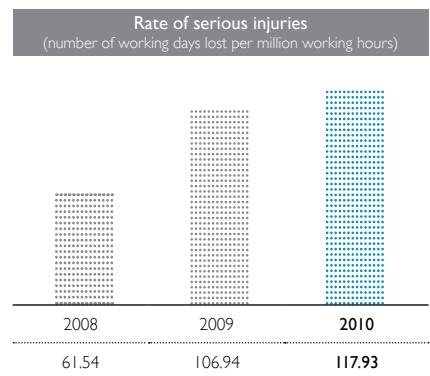
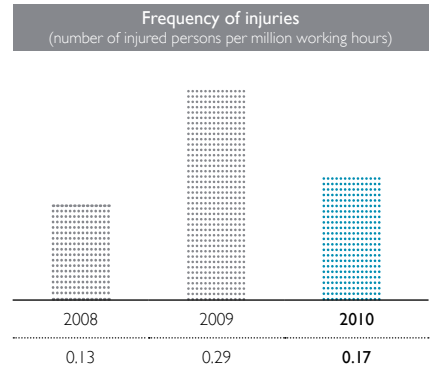
Baosteel continued promoting the study work of safety managers. Based on the original branches for iron smelting, steel smelting, hot rolling, cold rolling, energy media, servicing, and technical transformation, another three professional branches for chemical industry, tube, pipe & bar and transportation were established, 15 special studies on the safety hotspot problems and difficulties were conducted to promote the site practice and improvement of independent safety management.

Baosteel has enhanced the pertinence and efficiency of safety training to promote the visualization of safety, outlined the safety procedures and requirements by means of visual caricature, flow chart and other methods combining with the actual situation of the production and servicing field, and formulated the *Safety Guideline for Fire Operation and Visualized Display Board of Safety for Closed Space Operation* to facilitate the learning and mastering by the grassroots employees.

Baosteel has promoted the informationization construction of safety management, optimized the existing safety information development system and surrounding business management information system according to the changes of field demand, share the safety information at all levels based on the standardized, normative and coding data to intensify the response speed of emergency and real-time nature of safety supervision.

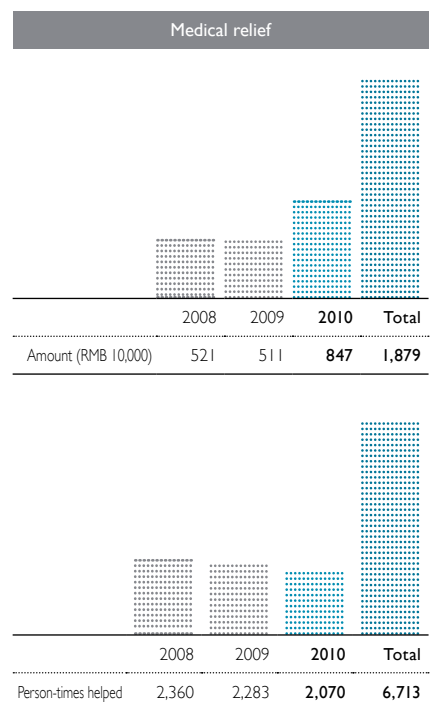
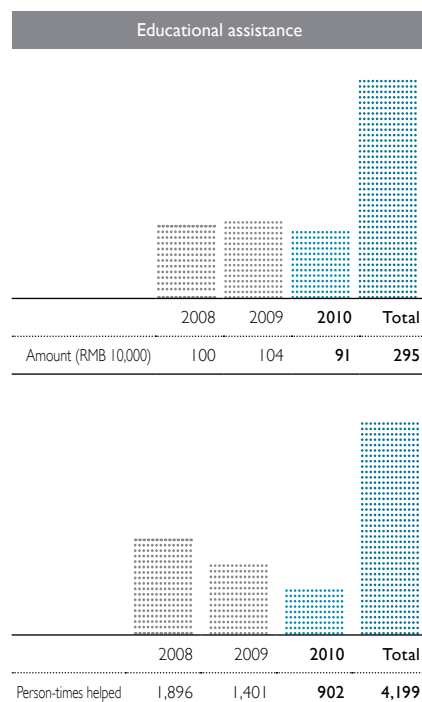
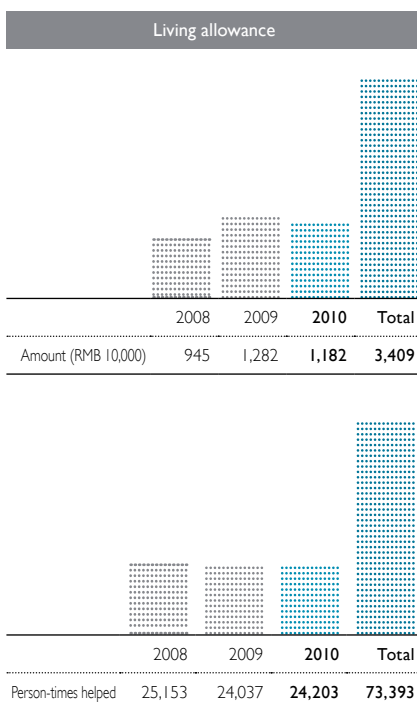
Baosteel has established the occupational health archive management system, summarized and refined the experience of treatment and management of occupational disease hazards, utilized the standardized management method and principle, explored the organic combination of occupational (disease) hazards control and archives to aim at intensifying the occupational health dynamic management by the archives management and ensuring the employees health and safety.

Baosteel trained the safety and independent employees team to conduct various safety activities, organized and released the independent safety management topic, rated the "Top Ten" rationalized suggestions and conducted the safety production month activity themed "Safety-based Development, Prevention Foremost", organized and attended the national education and popularity of occupational safety and health knowledge and industrial safety emergency knowledge contest.



## Difficulty Assistance

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





## Establish System for Employee Democratic Management

In January 2010, Baosteel's Employees Congress adopted the *Provisional Basic System on Employee Democratic Management of Baosteel Group* (the Basic System for short). In March, Baosteel distributed the *Opinions on Implementation of Basic System on Employee Democratic Management of Baosteel Group (Trial)* (the Implementation Opinions for short), which defined the requirements and organizational structure for the implementation, and required all subsidiaries to seriously follow the requirements of Basic System and Implementation Opinions. Baosteel accordingly set up the leadership team of the Basic System.

In 2010, Baosteel formulated and issued the *Procedure for Management of Employee Directors and Supervisors of Baosteel (Trial)*. On the basis of learning and mastering the Basic System, all subsidiaries streamlined their original professional management system and flow according to the requirements of the Basic System. In 2010, all units totally streamlined around 1000 systems, newly formulated 69 systems and amended 164 systems.

In the list of 2009 national scientific technology award recently released, Baosteel was eye-catching because of its "three prizes". It was worth notice that these three prizes covered such three layers as the scientific research mechanism, new product research and development, and employees invention. Director of science and technology development of Baosteel said iconically: "the seed will sprout once there are appropriate soil, water, sunshine and air". "The innovation system of Baosteel presents the feature of establishing the integrated mechanism and platform for the enterprises, universities, research institutions and applications, catalyzing the innovation atmosphere by effective evaluation and incentive means. So that the scientific research talents would realize their value and reflect their effect either in the position of R&D or of production.

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Innovation extends to the "nerve ending" of enterprise. In general, the operation positions at the production site are always the "fringe area" and "nerve ending" of the scientific research, the operation in compliance with the criteria will be enough. However, the operation positions in Baosteel are the "promising land" of technical innovation, a great many excellent operation and maintenance employees are promoted to the skill experts and chief operator officer. A relatively separate space is left for the development of "site experts" in the technical innovation system of Baosteel — to continuous improvement system characterized by focusing on the production site and raising the stable and precise operation.

The national award for technological advance set four successive achievement awards for the grassroots employees, and Baosteel won three times. Many enterprise management specialists believe "it is not accidental but the inevitability of system and environment". "This time Wang Kangjian, skill expert of Cold Rolling Plant under Baosteel Co., Ltd. won the title, he is the one of the first major operators and people evaluate him a devoted and unselfish master". The award-winning project conducted by him is the "multifunctional online testing technology of high-speed cold rolling band steel", that is to say a pair of "sharp eyes" is installed on the outlet of rolling mill, which fills the blank of online testing of rolling mill.

Wang Kangjian said the many innovative talents emerged from the grassroots posts on the production site of Baosteel mainly benefited from the innovation mechanism and atmosphere created by the enterprise and fully released the employees' innovation potential. The space is left for the grassroots employees among a wide range of channels for talent fostering, the chief operator officer, skill experts and employee inventor, etc. The grassroots employees made the innovation and improvement in the operation, these operations can be named by the operators' name once they are recognized and fixed by Baosteel, and included into the annals of history of Baosteel.

January 11, 2010, released by Li Rong, Xinhua News Agency



## Employee Technology Innovation

	2008	2009	2010
Number of rationalization proposals (10,000)	12.3	11.9	19.1
Number of implementation effect (RMB 100 million)	—	20.2	23.34
Number of technical secrets formed (Item)	2,069	2,375	3,101
Application (Acceptance) of Patent (Item)	859	1,545	1,774
Number of self-management results	2,482	2,464	7,500

## Relevant Activities of Employees Innovation Studio

Baosteel has 40 innovation studios and 332 standing innovation teams, 100 innovation volunteers and 100 employees technical innovation teams to conduct the "dual hundred" activity and realize the "coupling" between innovation base and corporate site, opened the "direct channel" to the innovation by grassroots employees; sets up the "small platform" crossing the plants and processes; creates the "short process" of sharing knowledge and transforming achievements and builds up the "new platform" of cultivating mass innovation pioneers for the purpose of better exerting the function of employees innovation base, and let more employees present their cleverness and caliber in the economic and technologic innovation activity, and promote the realization of strategic target of "secondary startup" at an early date.

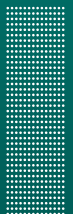
Baosteel fully exerted the function of the "instructor, information, interaction, pilot and publicity" of the employees innovation base, inspired and guided the vast employees to conduct independent innovation activity. In 2010, the innovation base organized 40 forums, 209 innovation result releases and 10 exchanges of cross-plant operating skills.

## Employees Innovation Laboratory

Lu Jianghai, inspector and senior mechanical technician of Ironmaking Plant, Stainless Steel Business Division. In 2008, Stainless Steel Business Division of Baosteel established the "Lu Jianghai Innovation Studio", which was the first innovation studio created by the Stainless Steel Business Division. Lu Jianghai committed himself to the vanguard of site innovation as Kong Liming, played his leading and driving role, gave the lecture to all business divisions in his spare time, imparted the approach of innovation, reducing cost and increasing efficiency and shared the experience of innovation by means of "giving a class" in the department. Under the guidance of Baosteel Technician Association, he actively participated in the innovation volunteers activity held by Baosteel and take the "leaders platform" as the carrier to impart the innovation concept. Lu Jianghai also made great contribution to the improvement of site. He was granted the honor as the advanced individual in the contest of "Pursuing the Ideal to Become Top Dedicator" by Baosteel in 2009 and was named the new star of the 2nd technology innovation in Shanghai.







# Social Performance

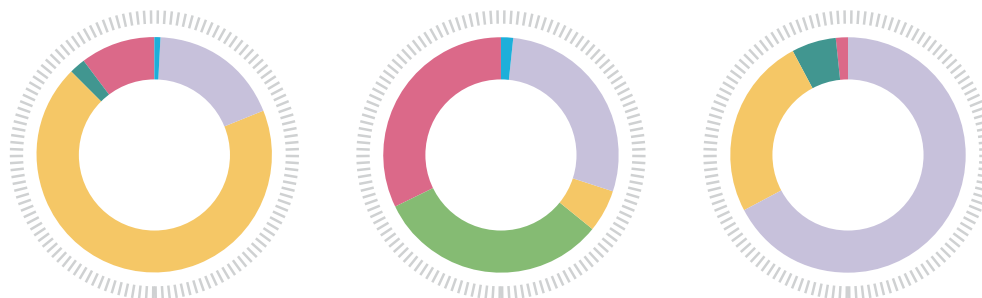


## Social Contribution

### General Information about Donations

In 2010, Baosteel conducted the donation management in strict compliance with the *Regulations on the Management of its Donations and Sponsorships* (Second Version), the donation totaled RMB 42,543 million.

- Education
- Difficulty assistance
- Disaster relief
- Culture & art
- Environmental protection
- Others



	2008	2009	2010
Total donations (RMB 10,000)	17,509	8,847	4,254.3
Wherein: regular donation amount (RMB 10,000)	6,080.2	6,107.0	4,254.3

Baosteel is dedicated to the continuous and effective public welfare programs; in principle, the annual external regular donation amount is 2% of the audited net profit in the latest fiscal year. The regular donation does not include such special circumstances as donation for sudden disasters, including the donation for the 2008 Wenchun Earthquake.

### Social Contribution

#### Qinghai Yushu Earthquake Resistance and Disaster Relief

After Qinghai Yushu Earthquake happened, Baosteel responded quickly and prepared the overall and systematic disaster relief plan.

Baosteel donated the moveable plank house, tent and other disaster relief materials valuing at RMB 1 million, the moveable plank house can be installed and transported swiftly, and put into the region affected by earthquake fast so as to solve the accommodation of the people affected by earthquake, the emergency approval flow was initiated promptly and RMB 5 million was donated to install the artificial limbs for the disabled.

Afterward, the employees of Baosteel actively made a donation to the disaster area, these donations were specially used for the construction of Baosteel Children's Welfare Home in Chengduo County to build a warm family for the children affected by earthquake. Chengduo County is one of the counties with the most orphans among the six counties of Yushu Tibetan Autonomous Prefecture of Qinghai Province, the total area of Children's Welfare Home supported by Baosteel covered 4,000m<sup>2</sup> containing 200 beds, of which the construction has been commenced in late July 2010.





## Reconstruction after Wenchuan Earthquake

After the occurrence of Wenchuan Earthquake in Sichuan on May 12, 2008, Baosteel employees made their donations one after another, and the people and materials were organized at the first time for emergency rescue and disaster relief, actively participating in the reconstruction after disaster:

### Dujiangyan "Xingyan • Yiyuan" Steel Structured Houses

After Wenchuan Earthquake happened on May 12, Baosteel Living Steel Project Team hurried to the disaster area at the first time, rendered diversified residence design scheme free of charge and constructed the whole steel structure flats named Dujiangyan "Xingyan • Yiyuan". The house project was smoothly delivered and put into usage in July 2010, which solved the accommodation problems of 800-odd people affected by earthquake. In view of the lots of resources waste and white pollution arising out of the discarded materials, Baosteel raised the proposal of renovating the permanent residence of colorful planks after systematic research and demonstration, and combined the discarded color-coated steel sandwich board with other wall materials to employ as the new-type wall system for the construction of rural residence. This Proposal was employed in Guankou Town, Qingchengshan Town, Hongkou Town and Shiyang Town of Dujiangyan City. At present, Baosteel has completed 26 steel structured houses with a total building area of 2,227m<sup>2</sup> and recovered 5,000m<sup>2</sup> discarded color-coated steel sandwich board. The company effectively explored a new approach of recycling the discarded plank house, and thus avoided the waste of resources as it converted wastes into resources. Moreover, Baosteel incorporated the compound enclosed concept and saved 50% energy, raised the level of house energy saving and residential quality of people affected by earthquake.

### Baosteel Sanwa Assisted Dongfang Turbine in Post-Construction

Dongfang Turbine Co., Ltd. (the "Dongfang Turbine" for short) is one of major enterprises engaging in the post construction of "5·12" earthquake. Shanghai Baosteel Sanwa Door Co., Ltd. (the "Baosteel Sanwa" for short) under Baosteel organized the excellent design, manufacture and construction management masters to set up the special reconstruction team and stayed in Deyang project site of Sichuan Province for about one year and a half, made and installed 3,009 electric sliding doors, electric roll-up doors, color-coated board doors and other doors for Dongfang Turbine. On May 12, 2010, Baosteel Sanwa successfully completed all reconstruction projects of Dongfang Turbine after the disaster according to the overall layout. Dongfang Turbine thus granted the second-grade award of progress cooperation of reconstruction to Baosteel Sanwa and presented the banner and completion monument.



## Baosteel Education Fund

In 2010, 1,195 teachers and students from 108 colleges and 16 research institutes under China Academy of Sciences won the Baosteel education award of 2010. Baosteel Education Fund utilized the funds of over RMB 12 million in the education award and other education welfare project of Baosteel. By the end of 2010, Baosteel Education Fund used a total of RMB 130million more as the education award and subsidy.

## Youth Entrepreneur Found

In 2010, Baosteel continuously promoted the "Youth Employment and Entrepreneurship Base" and implemented the allowance to the probationers. Moreover, Hwabao Trust became one of the investment operation units of RMB 200 million under China Foundation for Youth Entrepreneurship and Employment.

## National Iron & Steel Natural Science Found of China

On August 28, 2000, Baosteel and National Natural Science Foundation of China signed the Agreement on Establishment of Iron & Steel Joint Research Found in Beijing. The Found gives priority to the new metallurgical technology in urgent need of the steelmaking industry in China and the basic research projects having important scientific significances and application value with respect to the process, material, energy, environment, equipment and information. The Found encourages innovation, disciplines crossing and the combination of industry, academy and research and places priority on the young scientific talents. By 2010, the Found has totally supported 215 projects and become the bridge and important platform linking the foundation and application research.



## Poverty Alleviation and Draught Resistance in Yunnan

In 2010, Baosteel further strengthened the regular support to Pu'er City of Yunnan Province in terms of the project, fund and personnel, actively conducted the support and elaborately organized the project implementation based on the basic and urgent demand of the mass.

In April 2010, the Labor Union of Baosteel conducted the counterpart aid with Baosteel, Baosteel International, Meishan Iron & Steel, and signed the 2010 aid agreements respectively with Ning'er County, Mojiang County, Ji-angcheng County and Zhenyuan County. The total funding was RMB 8.55 million and covered 33 projects, including 19 for overall village improvement, two for education and training, four for industrial development and "1+1" pairing, seven for sponsorship for poor university students and one for public welfares.

At the beginning of 2010, Pu'er City, like other places of Yunnan province, suffered the abnormal climate and the winter and spring draught which was severe in the past 80 years. Baosteel made an in-depth understanding to the draught, donated the special fund of RMB 10 million to construct the drinking water project of draught resistance, including three drinking water projects, 528 newly-built pools (water cellars), one riverway construction project, one water diversion canal project and four water wells. The draught resistance project spread over four counties, 18 towns (villages) and 67 administrative villages, satisfied the water demand of 16,355 people in 5,425 families and 12,079 cattle, and irrigated the agricultural field with an area of 171.07 hectares.

## Help Cataract Patients

In 2010, Baosteel again donated RMB 0.6 million to cure 600 cataract patients in such five districts and counties as Pu'er, Zhenyuan, Jinggu, Mojiang and Lancang in Yunnan Province. The implementation of "helping cataract patients" achieved the purpose of "curing one patient, liberating one family and affecting a contingent of people", which alleviated the burden of the government and society and created excellent social benefits.



## Support Hope Schools

Under the support of Baosteel Education Foundation, Baosteel Committee of the Chinese Communist Youth League continuously promoted the Baosteel Hope Scholarship for the hope schools project.

In 2010, the Baosteel Education Foundation and Baosteel Committee of the Chinese Communist Youth League further expanded the aid scope on the basis of 2008 and 2009, increased the aid amount, distributed the education scholarship award to 10 hope schools supported by Baosteel in Yunnan, Hunan and Jiangxi and granted the award to 188 teachers and students, the prize amount totaled RMB71,600.

In November 2010, the Baosteel Education Foundation and Baosteel Committee of the Chinese Communist Youth League jointly visited Dukezong Hope School situated in Jiantang Town, Shangri-la County, Diqing City, Yunnan Province and donated 260 sets of stationery supplies valuing at RMB 19,320 including schoolbags, pencil boxes, erasers, rulers, pencils and exercise books.



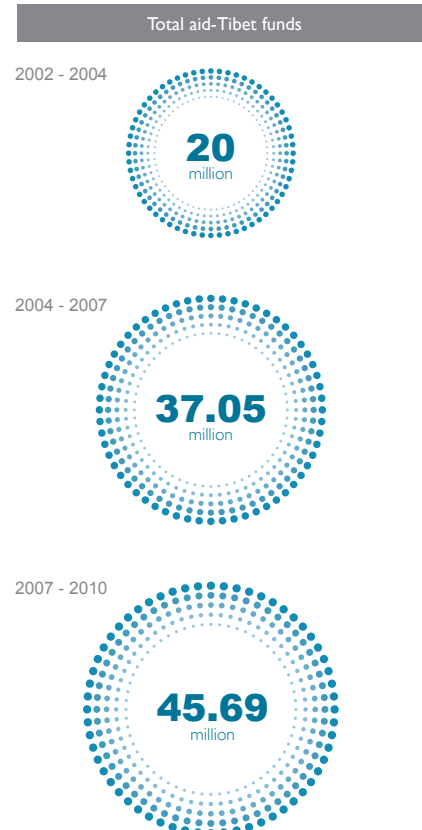
## Aid to Tibet

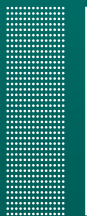
Baosteel injected a total of RMB 20 million as the first-batch aid-Tibet funds (2002-2004);

Baosteel injected a total of RMB 37.05 million as the second-batch aid-Tibet funds (2004-2007);

Baosteel injected a total of RMB 45.69 million as the third-batch aid-Tibet funds (2007-2010);

Baosteel injected RMB 102.74 million totally and supported 76 aid-Tibet projects, including the medical treatment and health, education, tourism, office condition, housing project, vegetable basket project, infrastructure, life improvement and other aspects, which gave a great contribution to the rapid development of Zhongba county and improvement of rural and urban appearance.





## Supply-chain Performance

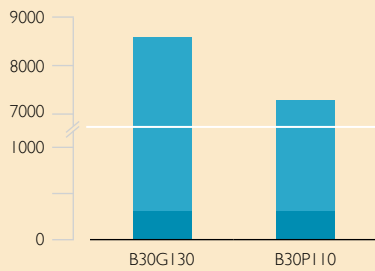
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## Life Cycle Assessment (LCA)

Baosteel has continuously conducted the life cycle assessment (LCA) of steel & iron products since 2004. In 2010, Baosteel injected RMB 10 million to deepen the research of LCA evaluation approach and platform construction, which was designed to evaluate the resources and energy consumption and pollutants emission in making different types of steel & iron products, fix the direction for the energy saving and emission reduction, and explore the ecologic design of auto sheets, tin plates and silicon steel based on the typical products.

In 2010, Baosteel joined hands with the two downstream transformer manufacturers to conduct the whole-process LCA, analyzed and fixed the target and roadmap of carbon emission reduction of silicon steel products, which provided technical support for the design, production and employment of environment-friendly silicon steel products. Besides, Baosteel took the production and application of Baosteel's Jiangbian transformer 2# as the case to analyze the environmental function of new products made of B30P110 silicon steel. The research revealed that from the perspective of the life cycle, when the B30P110 silicon steel, rather than B30G130 silicon steel, is used to produce the transformer, their carbon emissions are equivalent in the production process while 15% carbon emission was reduced in the process of operation.



## Environment-friendly Products

Environment-friendly products refer to the products that can save the resources, lower the consumption and reduce the pollutants emission, and have a small negative influence on the quality of environment and health of people. Judging from the manufacturing process, the environment-friendly products made of steel & iron have the characteristics of low comprehensive energy consumption and low carbon emission; judging from the application, these products have the characteristics of light weight, easy processing, easy maintenance, nontoxicity and innocuousness, prolonged service life and improved efficiency, etc. In the year 2010, Baosteel again developed a number of green products like the steel for liquefied petroleum gas tank and the steel for high corrosion resistance railway.

- In view of the demands for materials of downstream industry, Baosteel developed the steel with the features of high strength, high toughness, high corrosion resistance, solderability and formability, converted the traditional two-dimensional design of cost and quality to the three-dimensional design of cost, quality and environmental protection, and thus realized the ecological design and green manufacture of products.
- Focused on the key materials for automobile, ship and marine platform, efficient & cleaning power generation, special materials for aerospace and aviation, key materials for construction and machinery, key materials for light industry & home appliance chemical industry, jointly developed the technical research for material application, provide the overall solution and crated the green value chain.
- Focused on promoting the research of data platform and evaluation method system of LCA including the production and manufacture process, Baosteel had the ability to make LCA on all products and completed the LCA on all relevant products of 95 types of steelmaking products and 14 types of energy products of Baosteel.
- Integrated the technical strength, formed the cross-process technical synergy team, strengthened the special technical research, concentrated on promoting and developing the auto sheet products, tinplate products, silicon steel products and environmental protection coating technology, laser incision and other special technologies.

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

## Develop with Suppliers

### “Sunshine” Procurement Policies

Baosteel vigorously propelled the construction of electronic information platform and formed the standard online transaction mode of public bidding, price check bidding, comprehensive bidding and bill collaboration, focused on promoting the online procurement of general materials, spare parts, engineering materials, chemical materials, ferroalloy, steel scrap, office supplies and labor protection equipment, which increased the purchase scale substantially, strengthened the online sales and online bidding strength, and promoted the online bidding sales of genuine steel, idle assets, waste materials, steel scrap, recycling materials and chemical products.

Baosteel intensified the process supervision on sunshine procurement sales, formulated the *Measures for Management of Bidding Supervision*, accepted over 10 complaint letters and phone complaints raised by the suppliers and customers by three-tier rescue system, call center and electronic bidding monitoring system, investigated against and notified the noncompliant behaviors. It released the sixth and seventh list of banned firms, and a total of 1,076 persons in 168 units were forbidden to have economic business relations with Baosteel, which purified the operating environment.

### Suppliers Admission Policy

The market fluctuation range became stable in 2010, Baosteel, upholding the value concept centering about the “faith and honesty”, established the scientific evaluation system, continuously strengthened and promoted the cooperation with the supply chain by means of standardizing the admission conditions.

Besides, the Corporation perfected the materials and spare parts procurement and strictly carried out the supplier admission/elimination system, suppliers collective review system, second party site audit, annual evaluation on supplier and other systems, managed the suppliers team by the competitive mechanism, created an orderly, efficient, normative and uncorrupted business environment in an equal, fair and open manner.

### Requirements for Environmental System Certification

Baosteel in 2010 formulated the green procurement action plan for materials & spare parts and bulk raw materials, and posed the requirements to the suppliers in respect of passing the certification of environmental management system (ISO14001, GB/T24001) and other systems and gave priority to the supplier passing the environmental management system certification. In 2010, 18% and 7% suppliers passed the ISO14001 system certification of materials & spare parts and bulk raw materials, respectively.

### ISM/NSM Management System Certification <sup>[Note]</sup>

The Bulk Raw Material Procurement Department of Baosteel required the major carrier to implement ISM/NSM management system certification. In selecting the ship carrier, the Company required the carries to pass ISM/NSM system certification or their ships should be managed by the ship management company passing ISM/NSM certification. 100% major carriers of Baosteel passed ISM/NSM system certification in 2010.



### Green Procurement

- In selecting the ocean transport ship of bulk raw materials, Baosteel gave priority to the energy-saving new ships to cut down the fuel consumption, reducing pollution to the environment. Among the total ships of ocean transport in 2010, about 43% were the energy-saving ones built after 2005 (included).
- Baosteel promoted the recycling of clean steel scrap and made active efforts to promote the integration of steel scrap, accordingly realized the coordinated management of steel scrap stock and logistics in Shanghai, vigorously pushed the trial operation of directly distributing to the steel scrap base, reduced the “external cycle” of steel scrap trading and intensified the reuse of steel scrap. Baosteel in 2010 focused on promoting the establishment of homemade crushing materials procurement and quality inspection standards, and actively developed the domestic suppliers and supply channels of crushing materials, effectively raised the application proportion of clean steel scrap and reduced the environment pollution. In 2010, Raw Materials Procurement Center totally developed and utilized the homemade crushing materials of 225,000 tons.

### Communication with Suppliers

Upholding the long-term stable supply of raw materials, Baosteel deeply promoted the win-win cooperation with the strategic suppliers, continuously deepened the supplier management and improved the cooperation relation with the supply chain based on the principles of sharing the profits and risks, developing jointly. The Corporation additionally organized and held various professional meetings and kept good communication with the suppliers. For instance:

- In April, key rolls suppliers attended the rolls management workshop organized by Baosteel, which stressed the supplier and the purchaser would strengthen the collaboration between the manufacturing technology and application technology.
- In May, supplier of refractory materials signed the initiative written proposal with Baosteel in the site meeting of green procurement and supply organized by the Materials & Spare Parts Department, which advocated to make active efforts to reduce the environment burden and jointly build a green supply chain.
- In November, Raw Material Procurement Center respectively organized and held the steel scrap suppliers meeting and ferroalloy suppliers meeting of Baosteel, made a face-to-face communication to deepen the strategic cooperation relation between the supplier and the purchaser and commended many excellent suppliers in the meeting.
- Carried out the questionnaire survey on the integrity, honesty and sunshine procurement of the employees in charge of the procurement to the suppliers. In September 2010, Baosteel distributed the “questionnaire survey on the integrity and CPC style construction of Materials & Spare Parts Department”, answers were required for 18 sets of questionnaires. 900 copies of questionnaires were distributed and 515 were returned, representing 61%.

Note: ISM/NSM Management System Certification — (ISM – International Management Code for the Safe Operation of Ships and for Pollution Prevention, NSM – Administration Rules of the People’s Republic of China for Ship Safety Control and the Pollution Prevention.)

Survey Problems and Contents of Options	Suppliers' Reply and Selection	
	Number of Suppliers	Ratio
? What do you think of the integrity of management level of Baosteel compared with your other suppliers?	503	
<input type="checkbox"/> Higher	483	96%
<input type="checkbox"/> Almost the same	20	4%
<input type="checkbox"/> Lower	0	0%
? What's your overall evaluation on the integrity and honesty of personnel in procurement department?	505	
<input type="checkbox"/> High	499	99%
<input type="checkbox"/> So so	6	1%
<input type="checkbox"/> Low	0	0%
? Which one do you think is the best among various measures of sunshine procurement?	531	
<input type="checkbox"/> Electronic procurement, including the online inquiry and comparison, order and invoice collaboration, etc.	406	76%
<input type="checkbox"/> Suppliers evaluation management	45	8%
<input type="checkbox"/> Suppliers admission management	31	6%
<input type="checkbox"/> Optimize the procurement method by virtue of open bidding, etc.	44	8%
<input type="checkbox"/> Others, please remark	5	1%
? Which business process of procurement do you think needs further improvement to reflect the philosophy of "openness, fairness and equity"?	481	
<input type="checkbox"/> Proposed suppliers	155	32%
<input type="checkbox"/> Inquiry and comparison	90	19%
<input type="checkbox"/> Public bidding	68	14%
<input type="checkbox"/> Inspection and acceptance	39	8%
<input type="checkbox"/> Payment	61	13%
<input type="checkbox"/> Others, please remark	68	14%

As an account representative, Che Jianhua was appointed as the material specialist of complaints treatment team when the user served by him were confronted with the problems that the user's products were suspended by the downstream manufacturers and lots of exported automobiles would be recalled, that is to say, the user would cease the production or go bankrupt. Depending on the long-term accumulated technology experience and understanding to the processing technique of the user, Che Jianhua actively handled the work relying on the internal backup of Baosteel and finally tackled the crisis successfully, and urged the downstream users to improve their production process.

In ten days around, he enabled the user on the brink of bankruptcy to be survived. The user thus admired the technical service ability of Che Jianhua and stated that we would have gone bankrupt if there was no help from Mr. Che in the letter of thanks. We will firmly rely on and follow Baosteel in the future. "The honest service and ability of Che Jianhua was universally recognized by the users, he was the excellent account representative by Baosteel in successive years".

## Customer Relation Management and Quality Service

### Integrated Management of Production, Sales and Research

In 2010, Baosteel adopted the "SBU promotion based upon the integrated management of production, sales and research", i.e., to focus on the establishment of SBU promotion mode[Note] orienting the users' demand, promoting the key products as the major line and increasing the rapid response ability as the core. In the daily promotion of production, sales and research, all production, sales and research teams concentrate on the users' new demand and production bottleneck of the facility to strengthen the research of application technology and spared no efforts to enhance the supply ability. After lots of efforts, the Company made a great progress in promoting the "high strength" and "green" products in 2010, the capacity of supplying the high magnetic induction oriented electrical steel, high-strength automotive steel, engineering mechanical high-strength steel and other products and thus effectively satisfied the high-end users' demand.

### Account Representative System

In 2010, Baosteel took the further advantage of account representative serving the key users on the site to actively trigger the user' demand on the spare parts and quality of steel technique, timely provided the users' actual demand on steel quality and laid a solid foundation for Baosteel to make the products meet the users' demand. Representative provided high value-added service that outvalues the product quality in high degree.

### Awards by Customers

Honors and Awards	Customers	Awardees
First Global Supplier of Impress Group From China Impress First supplier in China	Impress	Baosteel Co., Ltd.
China- Kazakhstan Crude Oil Pipeline Project (Phase II) Excellent supplier of steel sheet	CPTDC	Baosteel Co., Ltd.
China Asia Natural Gas Pipelines Project Excellent supplier of steel sheet	CPTDC	Baosteel Co., Ltd.
Excellent supplier	Hengtian Jingwei Textile Machinery Co., Ltd.	Baosteel Co., Ltd.
Strategic partner	Guangdong Yehui Steel Co., Ltd.	Baosteel Co., Ltd.
Strategic supplier	Jiaxipera Compressor Co., Ltd.	Baosteel Co., Ltd.
Golden supplier	Media Compressor Business Dept. GMCC	Baosteel Co., Ltd.
2010 Platinum Supplier Award	Coca Cola (China)	Baosteel Metal

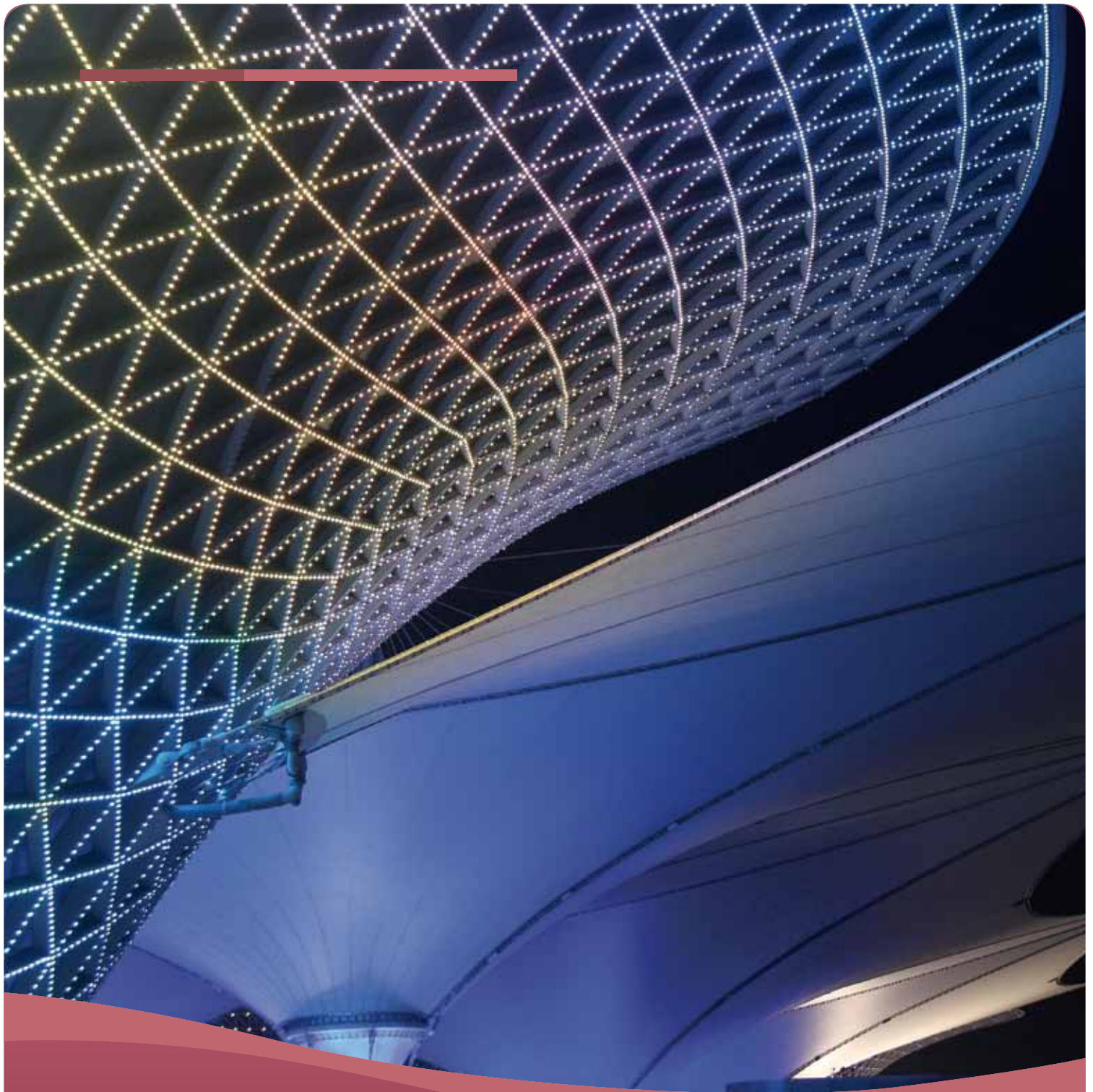
### Customer Satisfaction Survey

	Q1	Q2	Q3	Q4
2009	92.4	92.3	92.4	92.8
2010	90.1	90.7	89.0	90.6

Note: In 2010, the satisfaction survey was extended to the domestic customers of products made of carbon steel, stainless steel and special steel from the original domestic customers of products made of carbon steel only.

Note: SBU—Strategy business unit





## Baosteel Contributed More Than Iron & Steel to the World Expo

As the global partner and general supplier of iron & steel for World Expo 2010, Baosteel made a great contribution in the course of relocation, construction and operation of World Expo, and a large number of "masterpieces" made by Baosteel can be found everywhere in the big World Expo Park. Baosteel contributed more than iron & steel to the World Expo.



## Complete Relocation of Pudong Iron & Steel

With the successful bid for the World Expo by Shanghai in 2002, as the origin of the steel & iron of Shanghai and the cradle of national industry, Pudong Iron & Steel Group subordinate to Baosteel, was also included in the site planning scope of World Expo. To cooperate in the construction of World Expo, Baosteel promptly made the decision to relocate Pudong Iron & Steel entirely. The overall relocation of Pudong Iron & Steel started in 2005 after two years' endeavors. By October 2007, Baosteel completed transfer of all plots and fulfilled the commitment of vacating the land on schedule. As is indicated by the statistics, Pudong Iron & Steel removed more than 500 projects and vacating land with a total area of 3,518 hectares for the World Expo. About 40% of the Pudong Zone of World Expo Park was built on the original site of Pudong Iron & Steel. In honor of the support of Baosteel for the World Expo, the original special steel workshop of

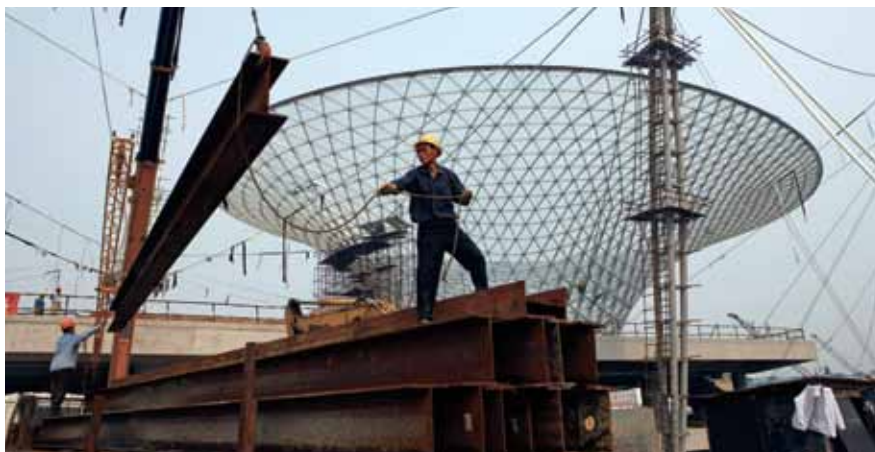
Pudong Iron & Steel was named as "Baosteel Stage" which also served as the venue for all provinces and municipalities to hold "Culture Week".



## Provide Quality Products and Services to World Expo

During the course of construction of World Expo Site, Baosteel participated in the supply of steel for the construction projects and provided 93,200 tons of steel and 89,200 tons of steel structure respectively for the World Expo in aggregate. Such landmark architectures for the World Expo as the China Pavilion, Theme Pavilion, Expo Culture Center and others used the quality steel of Baosteel to form solid structures. Taking into account the feature of "design revisions occur now and then amidst the construction process", Baosteel established a joint supply team in charge of the coordinated process including production, research & development, sales, service and steel structure manufacturing, and provided a whole set of carefully wrought all-round architecture solutions. Baosteel was also responsible for the steel storage management of World Expo and innovated a new-type of supply mode for key projects, thus ensuring the timely completion of World Expo Pavilions.

- Provided the World Expo with 70% of the stainless steel raw materials for water tanks;
- Provided industrial doors for over 30 pavilions such as World Expo Center and Japan Pavilion;
- 200 volunteer booths and 171 bus booths made by Baosteel Light Steel House interspersed all over Shanghai Proper;
- Baosight undertook the traffic management information system engineering which counted as one of the three traffic information service platforms in World Expo Park.
- The roads and pavilions in World Expo Park used 450,000 tons of blast furnace slag of Baosteel (solid wastes generated during the course of steel smelting), with the elements of low carbon and environmental protection interwoven all along.



## Dispatch Cadre Talents

To intensify the construction of CPC organization of World Expo, Baosteel, after receipt of the notice issued by Organization Department of CPC Shanghai Committee and the Bureau of Shanghai World Expo Coordination, selected 28 party cadres to the Bureau of Shanghai World Expo Coordination on March 12, 2010 to take part in the CPC construction of World Expo. Ten of them served as the full-time Deputy Secretary of the temporary CPC branch set in World Expo Park, accounting for 50% of the Deputy Secretary. 14 CPC cadres temporarily transferred were rated as the "Excellent Organizer at Front Line of World Expo" by the CPC Shanghai Committee. One was rated as the "five leading" CPC member by the CPC Shanghai Committee. Nine of them were rated as "Shanghai World Expo Excellent Individual" by Shanghai Municipal People's Government. In the ten months working for the World Expo, they have made the wholehearted input and composed their own touching stories.

## World Expo Volunteers

During the World Expo, over 500 youths in Baosteel actively signed up to become volunteers and 57 were selected, they displayed the sound spiritual appearance of Baosteel at the volunteer booth in the World Expo Park and City Booth. 19 of them were appointed as volunteers in the World Expo Park, they assumed the explanation, guidance and other services in Baosteel Stage in Block B and they were rated as the "Excellent Volunteers Team of Shanghai World Expo".

68 security volunteers from all divisions of Baosteel were responsible for the security guarantee of the 17 entrances and exits at five stations along Rail Transit Line 3.

11 Baosteel soldiers enrolling in 2009 from Shanghai Baosteel Equipment Maintenance Co., Ltd. And others performed the security duties in the World Expo Park and all entrances and exits in Shanghai.

## Baosteel Expo Activities

### Baosteel Invites You to Visit World Expo

On July 6, 2010, 2009 CSR Report was released and the Activity of "Baosteel Invites You to Visit World Expo" was held in the Theme Pavilion of the World Expo Park. The disaster-stricken residents in Dujiangyan, relocation residents of Pudong Iron & Steel, communities around Baosteel, representatives from one-to-one poverty alleviation areas in Tibet and Yunnan, beneficiary of "Help Cataract Patients" and other representatives were invited to witness the social responsibilities performed by Baosteel in the past year and started the journey of World Expo. As a global partner of Shanghai World Expo 2010, Baosteel invited a total of 40,000 relevant stakeholders from all fields to visit the World Expo, and held the Fellowship of Baosteel Strategic Partners to exhibit Shanghai and the World Expo from many perspectives and orientations.

Besides, Baosteel sponsored the activity "Ten Thousand Aged in Shanghai Visit World Expo" organized by Shanghai Senior Citizens Foundation and recommended the residents in communities surrounding Baosteel like Yuepu Town, to become the first beneficiaries, which reflected Baosteel's care for the community.

### City Reading • Reading City

The World Expo Reading Forum themed as "City Reading • Reading City" is composed of one main venue forum and four branch venue activities. On April 23, 2010, the enterprise branch venue under the theme of "Reading • Staff • Enterprise" was held in Baosteel Building to jointly discuss the relationship between reading and selfhood, enterprise or social development.

### Feel Shanghai — Global Partner of World Expo, Baosteel's Practice of Environmental Protection

Baosteel joined hands with Shanghai International Communication Office to publicize and plan the theme activity of "Feel Shanghai — Global Partner of World Expo, Baosteel's Practice of Environmental Protection", invited over 30 domestic and overseas media like Xinhua News Agency, People's

Daily, China National Radio, Eastday.com, Japanese Economic News Agency, Wall Street Journal, Bloomberg and Reuters. The activity represented Baosteel's concept of devoting to the harmonious development of enterprises, society and environment, introduced Baosteel's devotion and efforts to the energy saving and environmental protection and relevant results. In the visit and interview, Baosteel included the environmental protection in the whole process of corporate operation and management, which left a deep impression on the reporters; everyone thought Baosteel set up a good example for Chinese and Asia enterprises.

### Give Gifts to the 8,000,000th Visitor to China Pavilion

On September 28, 2010, Baosteel presented the Bureau of Shanghai World Expo Coordination the limited edition model of China Pavilion made from the blast furnace slag and powder, Model 001 would be permanently kept by the Shanghai Expo Museum. In addition, the Model was presented to the 8,000,000th Visitor to China Pavilion as the official gift by the Bureau of Shanghai World Expo Coordination.

### Shanghai World Expo Baosteel Activity Day

On October 23, 2010, Shanghai World Expo Baosteel Activity Day themed as "Better Steel • Better Life" was grandly presented in Baosteel Stage. Over 160 performers from Baosteel presented a fabulous performance, attracting lots of visitors. Baosteel Activity Day is the sole and one corporate themed activity day on the Baosteel Stage during the World Expo, which was planned and implemented jointly by Baosteel and the Bureau of Shanghai World Expo Coordination, and reflected the gratitude of the Bureau for Baosteel.

### World Expo Summit Forum

On October 31, 2010, the day of closing of the World Expo, the World Expo Summit Forum was held in World Expo Center. Liu Guosheng, Party Committee Secretary of Baosteel, attended the main and sub forum of "Technological Advance and Innovative City" on behalf of Baosteel, and announced *Shanghai Declaration* together with other guests.

## External Affirmation of Baosteel's Contribution to World Expo

Baosteel's contribution to Expo and support to Export 2010 were recognized by all relevant departments successively. A total of 40 groups, or 353 individuals were given commendations, among whom those commended by the department at Central Government level and State-owned Assets Supervision and Administration Commission of the State Council (SASAC) were as follows:

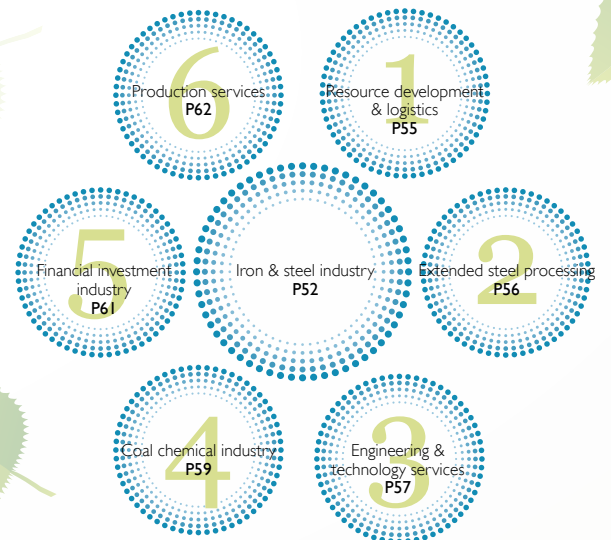
Awards	Awardees	Organizations	Level	Time
Excellent Individual of China Youth Volunteers	Xiong Wenmin	Baosteel Development	Department at central level	December 2010
Advanced Grassroots CPC of Shanghai World Expo	Temporary CPC Branch of World Expo Materials Supply Team	Baosteel Co., Ltd.	Department at central level	July 2010
Outstanding Contribution Award of Participating in 2010 World Expo by Central Enterprise	Baosteel Group Corporation	Baosteel	SASAC	February 2011
Advanced Group of Participating in 2010 World Expo by Central Enterprise	Corporate Culture Dept. (World Expo Office)	Baosteel	SASAC	February 2011
	World Expo CPC Work Group	Baosteel Development	SASAC	February 2011
	Ouyang Yingpeng	Baosteel	SASAC	February 2011
Advanced Individual of Participating in 2010 World Expo by Central Enterprise	Jiang Qingdi	Shanghai No. 5 Steel	SASAC	February 2011
	Zuo Sen	Pudong Iron & Steel	SASAC	February 2011
	Pu Kangguo	Baosteel Co., Ltd.	SASAC	February 2011
	Fu Shuizhong	Baosteel Engineering	SASAC	February 2011

Besides, 24 groups and 199 individuals that were commended by relevant department of Shanghai and the Bureau of Shanghai World Expo Coordination; 12 groups and 148 individuals were praised by Baosteel.

## Subsidiaries' CSR

With the steel production as its main business, Baosteel 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, coal chemical industry, financial investment industry and production services, has taken shape now.



## Primary Operation: Iron & Steel

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

Baoshan Iron & Steel Co., Ltd. (Baosteel Co., Ltd. for short) is a world-class 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, 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 face of the volatile and complex market environment and economic situation and with product management, cost improvement and management reform as the three main lines in 2010, Baosteel Co., Ltd. endeavored to mitigate the pressure of price soaring of raw materials like the iron ore, addressed the challenge, grasped the opportunity and gained outstanding operating achievement. The sales of billet steel have reached 25.261 million tons and the total business income was RMB 202.41 billion in the whole year.

#### II. Environment Performance

##### Management Structure and Liability

Baosteel Co., Ltd. has established the energy and environmental protection committee to formulate guidelines for recycling economy (including energy, environmental protection and resource utilization), guide, research and confirm the company's planning and program of environmental protection and resource utilization and development, coordinate the relations between branch companies, business department and subsidiaries as well as the resource allocation, and make decisions for key projects of environmental protection and resource utilization. The President of the Company acted as the director of the committee and controlled the Vice President, Head of Energy and Environmental Protection Department served as the deputy director; the Business Department was in charge of the Vice President and director of all relevant plants. The Committee established the office and the office was under the Energy and Environmental Protection Department of the Company.

##### Management System

#### I. Environmental Management System

Baosteel Co., Ltd. was the first in China's steel industry to pass the ISO14001 certification for environmental management system. By means of continuously improving and strengthening the standards and certification management of ISO14001 certification for environmental management system, the Company witnessed a promotion of environmental management level and performance. At present, all steel production units under the company have all been certified to be in conformance to ISO14001.

#### 2. Energy Management System

To adapt to the requirements for national energy management policy and Baosteel environment operating strategy, improve the operation level of energy management system, the head office of Baosteel Co., Ltd. took the lead in the pilot of certification for energy management system.

Under the principles of "intensifying the energy control and management, reducing the energy consumption", the certification for energy management system laid the stress on reviewing the energy procurement, acceptance/storage, processing and converting, distribution, usage, as well as the management and energy-saving technology of residual energy and heat recovery in the course of product manufacturing, doing business and providing service by the steelmaking enterprises in accordance with the national standard GB/T23331-2009 and EnMSGT-2010 *Rules for the Implementation of the Certification of Energy Management System for Steel & Iron Industry (Trial)*.

#### 3. Education and Training on Energy Conservation and Environmental Protection

To strengthen the professional team building of energy management, raise the professional quality and capacity of energy managers at all levels, support the Company's cost reduction and efficiency increase and promote the management level of energy and conservation and environmental protection, Baosteel Co., Ltd. organized relevant departments to carry out the national standard *Energy Management Systems Requirements (GB/T23331-2009)* and *Rules for the Implementation of the Certification of Energy Management System for Steel & Iron Industry*, cleaning production, and provide the 18 training programs like the cleaning production, environment operation, environment accounting, energy management post qualification, etc. There were 923 person-times in total participating in 21 training courses.

#### 4. Environment and Energy Solution

In 2010, Baosteel Co., Ltd. placed priority on the energy saving, emission reduction and resource utilization to impel the recycling economy and cleaner production; strictly controlled the increase of energy consumption aggregate, cut down the emission of pollutants and improved the comprehensive reuse of resources; continuously and deeply promoted the cost improvement management, pushed the operation and management of overall energy system and highly reduced the energy cost; stepped up the input in energy saving and environmental protection project, increased

the innovative vigor of energy saving and emission reduction technology to maintain the sustainable development potential; intensified the energy conservation and environmental protection system management and performed the liability to ensure the overall completion of the target.

#### III. Employee Performance

Among the 42,308 employees, there are 25,804 operator and maintenance staff members, 12,522 technicians and 3,982 management staff members; and 27,692 people have college degree or above, accounting for 65.5%. All these employees work in Shanghai, Jiangsu province, Zhejiang province, Shandong province, and Hubei province or overseas.

Baosteel Co., Ltd. provides equal employment for the people of different genders and ages. However, due to special characteristics of the industry, the Company currently has 5,258 females, representing 12.4% of the total employees, who mostly assume the management and technological positions.

In 2010, 508 employees, or 1.2% 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 for their resignation.

#### IV. Social Performance

In 2010, Baosteel Co., Ltd. actually donated RMB 127.725 billion, or 2.2% of the audited net profits attributable to the parent company in 2009, these donations were mainly for such purposes as the poverty alleviation, environmental protection, education undertaking and public welfare donation to the charity foundation, etc.

\* Baosteel Co., Ltd. has released the annual environment report since 2004, and sustainable development report since 2005. Please visit [www.baosteel.com](http://www.baosteel.com) to find 2010 Sustainable Development Report for more information.



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

Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. (Bayi Iron & Steel Plant for short) became a subsidiary of Baosteel Group Corporation on January 16, 2009. In a new round of development of Baosteel, the plant sets its strategic target of becoming the most competitive steel company in the western 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 the 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 serving regional markets.

### I. Economic Performance

In May 2010, the Central Government held the Xinjiang working conference and was determined to boost the development of economy and society in Xinjiang. Therefore, continuing to rely on the advantage of regional resource, Bayi Iron & Steel Plant will make the industry chain of steelmaking industry longer, bigger and stronger, enhance the equipment level, optimize the product structure, meet the regional market demand and achieve the overall development strategic layout of "one body and two wings" (Head office of Bayi Iron & Steel & Iron, South Xinjiang Base and Yili Steel & Iron Base), expedite the construction of Bayi Iron & Steel Plant to make it become the most competitive steel & iron enterprise in West China and Middle Asia.

Two brand new furnaces with a capacity of 25003 stand aloft, a complete production line for mid-thickness plank is installed, previous piling-up slag disappear and the whirling ash is separated by a vast mesh...

Present Bayi Iron & Steel Plant has undergone tremendous changes compared to the one three years ago. The leaping development is derived from the capital increase and reorganization made by Baosteel in 2007. After restructuring, Bayi Iron & Steel Plant rebirth in fire like a phoenix... On the way of driving to the plant from Suzhou, you can see a vast iron mesh standing aside the roadway, which is a new view on the way. This is the ash separation mesh built by Bayi Iron & Steel Plant with the investment of RMB 60 million. It is the mesh that separates the raw material plant from the external living quarter. There is no longer whirling ash in spite of a windy day. The fund of RMB 60 million is used for creating a good environment for nearby residents instead of improving technology and such a brilliant idea comes from Baosteel.

"Baosteel has always been committed to becoming a respected enterprise; we hope that Bayi Iron & Steel Plant can also march ahead towards the same target." Said Guo Kezhong. It is exactly true that environmental protection can be seen everywhere in Baosteel.

Flower cluster under the enormous pipelines, green trees beside the roaring production plant, it is a true "garden plant".

The Background of Tremendous Changes of Bayi Iron & Steel Plant — Walk into Baosteel and Find Rarely Known Tales

Xinjiang Daily, Layout VIII, October 27, 2010, By Shi Feng

### II. Environment Performance

#### I. Environmental Protection

In 2010, Bayi Iron & Steel Plant continued to strengthen the energy saving and emission reduction and made great efforts to build the low-carbon emission plant. Through reasonably adjusting the existing facility and exerting the full play of newly-input equipment capacity, the Plant reduced the operating time of coal boiler, which not only reduced the pollution but also the energy consumption. In particular, after Phase I of blast furnace slag and powder with an investment of RMB 90 million and with a capacity of 0.6 million tons per year was completed and put into operation in April 2010, breakthroughs in comprehensive utilization of solid wastes was made.

#### 2. Quicken the Pace to Eliminate Outdated Capacity

Blast furnace 1#, three sets of 20m<sup>2</sup> sintering machines and ore dressing in old plant have been suspended. The original Xiyue Cement Plant, the limestone kiln along the original metal products plant to rubbish dump and the west side of Mid-thickness Sheet removed, after then, the vacating plot was greened. Comprehensive treatment and greening was made to the tailing pond and rubbish dump. Besides, the advanced environmental protection technology was adopted to treat the environment pollution. Coking gas desulphurization project, coking phenol-cyanogen waste water treatment and cold rolling waste water treatment were successively built and put into operation, generating excellent results. Comprehensive treatment was made to the coal yard in the old plant, four closed coal bunkers were

constructed, thus reducing greatly the powder pollution. Great effort was continuously made to the greening. The newly-increased greening land hit 932,000m<sup>2</sup> (1,397 mu) in the whole year. The employees planted various types of shrub at 395,000 trees in the Spring and the Autumn. The environment in the Plant and living quarter was further improved, and smoothly passed the inspection of qualification greening unit and garden unit of Urumchi City and Xinjiang Uygur Autonomous Region, and won the honorable title of "National Model Green Unit".

### III. Social Performance

In 2010, Bayi Iron & Steel Plant signed the agreement of joint community construction with Huiyue Resident Community. Both sides agreed to maintain the harmonious relation between the enterprise and the community by means of holding such activities as fellowship, visiting and volunteering. Regularly conducting the young volunteers activities including "cleaning the sanitation, improving the environment", helping the disabled, building green Bayi Iron & Steel & Iron Plant, respecting the aged, repaired the old and recycling the wastes, guaranteeing the production and walking into the community of science and technology. A total of 4,719 young volunteers emerged during the whole year.

In 2010, Bayi Iron & Steel plant has invested over RMB 2.458 million for the disaster relief, poverty alleviation, education and other public welfare projects.



	2008	2009	2010
Steel Output (10,000 tons)	484	540.4	<b>671.3</b>
Sales Volume (10,000 tons)	472	514.5	<b>640.3</b>
Business Income (RMB 100 million)	222	181.7	<b>260.95</b>
Total Profits (RMB 100 million)	14.5	4.1	<b>4.08</b>
Total Tax Payment (RMB 100 million)	15.8	13.76	<b>17.04</b>



	2008	2009	2010
Comprehensive Energy Consumption per ton Steel (%)	100	107.7	<b>96.7</b>
Amount of Reclaimed Residual Resources (10,000 tons coal equivalent)	1.0	18.2	<b>27.8</b>
Fresh Water Consumed per ton Steel (%)	100	85.3	<b>69.4</b>
Environmental Protection Input (Environmental protection + Environment treatment) (RMB 100 million)	0.42	4	<b>7</b>

Note: "Comprehensive Energy Consumption per ton Steel" and "Fresh Water Consumed per ton Steel" is fixed on the basis of actual results of 2008

## Ningbo Iron & Steel Co., Ltd.

Ningbo Iron & Steel Co., Ltd. (Ningbo Steel for short) became one of Baosteel's subsidiaries after the 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 the competitive advantage of low cost 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 are 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 an operation route featuring low cost and high efficiency.

### I. Economic Performance

As one of the twelve taxpayers in Beilun District, Ningbo Steel in 2010 won the award of outstanding contribution of over RMB 10 billion to the financial revenue of Beilun New District and was commended by local government.

### II. Environment Performance

After being reorganized by Baosteel, Ningbo Steel always attaches great importance to environmental protection, regards it as its life line, and tries to maintain its development while protecting the environment. The Company has injected an investment of RMB 1.158 billion in 2009 and 2010, accounting for 61% of the total investment, the investment in environmental protection saw a year-on-year increase by 72.4% in 2010.

To support the energy saving and environmental protection, the Company relocated 2# coke oven two months in advance. On the afternoon of June 29, 2010, two funnels at the height of 125m, one coke quenching tower and one coal tower in original coking plant of primary factory of Ningbo Steel were successfully blasted.

One year after the merger and reorganization, Ningbo Steel has gradually stepped out of the plight and realized the transformation from deficit to profit within ten months.

In the reorganization, Baosteel specified the orientation to Ningbo Steel: namely, forging the production base complementing the premium base of Shanghai. Cui Jian, chairman of Ningbo Steel, gave a vivid metaphor to the reporter: "we focus on the middle and low-end products, just like the big cake and dough sticks, but we must make to the best." The reorganization also has the right direction when the positioning is identified: focusing upon the "low cost and high efficiency".

During the period of last March to December, the continuous sheet casting directly loading and delivery has generated the economic benefit of RMB 80.35 million. The direct loading rate created a new high of 61.1% this February, that reached the international advanced level. By conquering various links, the Company continued to enhance the overall production capacity: producing 590,000 tons of high-temperature coke, 2.81 million tons of pig iron, 2.88 million tons of continuous casting and 2.65 million tons of hot-rolled steel coil in the whole year. Furthermore, the operating cost reduced continuously, the average unit price of hot-rolled coil saw RMB 1,000 reduction in cost during the period of last March to December, and total cost reduction of RMB 2.608 billion.

The reporter saw in the Hot Rolling Plant, the hot-rolled steel coil rolling off the production line were very flat and orderly. However, just one year ago, the hot-rolled steel coil produced there was named the "ugliest steel coil", the edges were out of regularity or even rolled up.

Ningbo Steel: Make the big cake and dough sticks to the best, focus on middle end low-end products after being restructured by Baosteel, thus realizing the transformation from deficit (RMB 1 billion) to profit (RMB 400 million) within ten months.

Jiefang Daily, Layout 6, March 19, 2010, Ding Bo

### III. Employee Performance

Strictly observing the laws, regulations and standards for safety production, Ningbo Steel carried out the guidelines of "Safety First, Prevention Foremost, Comprehensive Governance"; gave priority to ensuring occupational health and safety of its employees, advocate safety culture, improved the corporate regulations, and intensified safety liabilities and management at all levels.

In 2010, Chairman of the Company signed the *Safety Target Management Responsibility Agreement* with the first responsible person of each department and division, which expressly defined the work responsibilities, safety production appraisal indicators, appraisal method, punishment and award method for the first responsible person. Besides, each unit broke down the safety target responsibility to each shift and carries out the safety responsibility.

In 2010, the Company established the Safety Production Committee, improved the long-standing mechanism of screening and curing the hidden trouble and implemented an all-round control of the material risk sources of the Company. The "treatment of construction safety, special treatment of fire fighting and traffic safety" was conducted.

### IV. Social Performance

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 visits to children and teachers on every Children's Day and Teachers' Day.



	2009 (March-Dec.)	2010	Total
Molten Iron Output (10,000 tons)	281	366	647
Hot-rolled Steel Coil (10,000 tons)	266	372	638
Sales Volume (10,000 tons)	267	372	639
Business Income (RMB 100 million)	78.51	148.14	226.65
Total Profits (RMB 100 million)	4	4	8
Total Tax Payment (RMB 100 million)	0.65	2.01	2.66



	2009 (March-Dec.)	2010
Fresh Water Consumed per ton Steel (%)	2.5	1.0
Total Amount of Reclaimed Residual Resources (10,000 tons coal equivalent)	2.6	10.0
Comprehensive Energy Consumption per ton Steel (%)	639.3	581.0



	2009	2010
Total Number of Employees	3,080	3,058

## Resource Development & Logistics

### Baosteel Resources Co., Ltd.

Baosteel Resources Co., Ltd. (Baosteel Resources for short) 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. The resource industry is an international industry, Baosteel will take a foothold in the world to develop the industry from an international perspective. Baosteel Resources is accelerating the pace of international development of resource industry, speeding up the construction of overseas resources guarantee system, intensifying the overseas forces to find the resources, strengthening the overseas resources development to enhance the international operation capacity and promote the company to be an international company as soon as possible and support the development of iron & steel.

#### I. Economic Performance

2010 is the first year that Baosteel Resources adjusted and implemented 2010-2015 strategic planning according to the group development strategy. In face of the new challenge arising from the operating environment and new difficulty from the reform and development, the Company continuously impelled the implementation of the project, accelerated the capacity building of logistics, collaborated to forge the advantage of supply chain of the steel & iron industry; grasped the opportunity of periodical fluctuation in the market to expand the business size of ore iron, coal and alloy, etc., witnessed a stable enhancement of capacity in independent operation; the company continued to optimize the operation mode, deepen the management reform and step towards the internationalization firmly.

In 2010, Baosteel Resources made proud achievements. All key performance indicators exceeded the expected target, the sales revenue realized 152% of the expected target, the total profits hit 191% of the expected one and the rate of return on net assets achieved 20%. The Company saw an increase in business scale, profitability and assets operation efficiency occupied a leading position among the domestic counterparts.

#### II. Environment Performance

As an enterprise involved in the development and trading of resources product, Baosteel Resources always upheld the purpose of realizing the sustainable development in the course of promoting the production and improving the efficiency, constantly established and improved the environmental protection system to ensure the products and service quality, devoted itself to the cleaning production and reasonable utilization of resources, and made every efforts to forge an environment friendly and energy-saving enterprise.

#### Green Mines Exploring

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 laid equal stress on environmental protection and treatment, explored the mine in a scientific way and built the "green mine" living together with the environment friendly. Baosteel Resources was generous with money and strength when it came to the environmental protection around the mine, allocated the environmental protection fund when the mine was built; the environ-

mental protection and improvement fund was gradually injected to the old mine and created the special account for the recovery and treatment of geological environment. In 2010, The Company invested RMB70,000 as the powder treatment of Wanbao Lujie Mine.

#### Promote the Recycle of Metal Renewable Resources

The Company made active efforts to promote the recycle and application of metal renewable resources and make the business bigger and stronger under the concept of industrialization development. Baosteel Resources has the subsidiary specializing in dismantling the abandoned vehicles and ships and owns five steel scrap processing bases in Wusong of Shanghai, Jiashan, Ningbo and Taizhou of Zhejiang, and Wuxi of Jiangsu, these bases processed the steel scrap of 714,700 tons.

Shanghai Xinhua Steel Co., Ltd. is located in Chongming Ecological Island which is the only enterprise with the qualification of ship dismantling in Shanghai. In 2010, the company dismantled 40,000 light displacement tons, recovered about 35,000 tons of steel scrap, 800 tons of waste fuel and 2,500 tons of other resources.

2010, acquainting the employees with their overall development and won the great compliment and recognition by the employees. At the same time, the Company made use of the platform to gather opinions and suggestions from the employees, oriented to the demand to enhance the management and service level and promote the trust and win-win between the company and employees.

The decision-making ability of organizational system was enhanced by virtue of the establishment and improvement of communication mechanism, which also raised the work efficiency and cohesive force, and created a solid foundation for the collaborative development.

Construction of occupational safety system: Bearing the safety management concept of "people orientation and safety development" and "safety first, zero accident and noncompliance" in mind, the Company deeply conducted the construction of occupational safety health management system, fully carried out the principal liability of safety production and firmly screened the safety hidden trouble. Moreover, the Company provided the effective safety training, enhanced the safety awareness and skill of all employees to ensure the safety production and operation.

Organizing the employees' activities: In keeping with the principles of "strengthening the management, small scale and diversity, healthy and active, nourishing the temperament and exhibiting the bearing", the Company continued to support the employees amateurs association. Currently, the Company has nine employees hobby associations like the Yoga, basketball, football, tennis ball, flower arrangement and film review, etc., with totally 156 members.

#### III. Employee Performance

Baosteel Resources firstly released the *Employees Development Report of Baosteel Resources* in December 2010, which mainly covered the achievement of optimization of employees team, effective incentive, capacity enhancement, spiritual appearance, employees' attention and care and other aspects made by the company in



	2008	2009	2010
Sales Revenue (RMB 100 million)	297.9	189.0	372.4
Total Profits (RMB 100 million)	9.3	8.7	18.1
Total Tax Payment (RMB 100 million)	6.1	2.6	5.4

Note: Total Tax Payment excludes the resources of Bao'ao and Baosteel Resources (International)



	2008	2009	2010
Environmental Protection Input (RMB 10,000)	15	199	614.2



	2008	2009	2010
Total Number of Employees	901	869	745
Number of Overseas Employees	13	16	44
Number of Occupational Disease Checkup	0	22	22
Number of Collaborated Employees Checkup	120	105	102

To further strengthen the emotional communication between the families of employees and increase the chance of parent-child interaction, Baosteel Resources firstly organized the activity of "family day" in 2010, a total of 50 persons from 18 families had a unforgettable experience.

## Extended Steel Processing

### Communication between Employees and the Company

#### Weekly News

As the platform of operation and management, business correspondence, initiating the activity and conveying blessing messages, Weekly News bears lots of updated and various information, thus the employees can know the latest trend of the company and it enjoys a high click rate.

#### Functional Advisory Platform

The Company creates a column in the collaboration office system and establishes the "Functional Head Advisory Platform", arranges the functional head to explain the new phenomena and issues arising from the reform and development, publicize the new policy, eliminate the newly-recruited employees' doubt and confusion, familiarize the employees with the management and operation of the company and promote the functional department to serve the company better.

#### Dispatched Employees

With the sustainable development and acceleration of internationalization, the dispatched employees also increase. To serve them well and eliminate their future worries, the Company establishes the liaison service system of "one card, two people and three contacts"<sup>[Note]</sup> to strengthen the communication, and let the dispatched employees work overseas without any worry.

### IV. Social Performance

Over the past four years since the establishment, Baosteel Resources witnessed the stable growth of the business achievement and made great contribution to local finance. Other subsidiaries outside Shanghai of Baosteel Resources observed the laws and disciplines and protected the environment; furnished the jobs for local people in an active manner; forged good relation with local residents and gave active contribution to local social and economic development.

For instance, Baosteel Australia Mining Company Pty Ltd. under the arm of Baosteel Resources joined hands with the venture to create the foundation for Baoruiji Community as the mark to feedback the Parburdoo community. Since the creation in 2004, a total of AUD 54,000 has been injected to assist the renovation of playground, fitness facilities in park, etc.

Note: "One card, two people and three contacts" means, one contact card for each externally-dispatched person; timely contact the dispatched employee or his/her family who needs care; the liaison person is responsible for the sub area, daily contact, and provides good service voluntarily.

## Baosteel Metal Co., Ltd.

Baosteel Metal Co., Ltd (Baosteel Metal for short) 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 grows 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

In 2010, Baosteel Metal achieved operational revenue of RMB 10.4 billion, increasing by 47% compared to 2009; realized a profit of RMB 351 million, 2.4 times growth by 2009; the ROE hit 10.56%, an increase of 1.7 times over 2009. Baosteel Metal compiled 2010-2015 Strategic Development Plan, which defined the development orientation, strategic target and implementation route.

Accelerating the industrialized development, the Company newly launched 13 projects and started the prophase work of overseas project, made continuous breakthrough and progress in project management method and ensured the smooth implementation of all relevant projects.

With continuous integration of company business, the metal package, gas, auto spare parts, metal products and other divisions formed the consistent and professional collaborated management. The supply chain became increasingly mature, the overall quality and management system construction was continuously enhanced.

### II. Environment Performance

To control the energy more efficiently, Baosteel Metal in 2010 conducted a survey on the power consumption of relevant equipment in all subsidiaries, fixed the problems and weak links occurred to the equipment, analyzed and explored the potential of saving the energy, thus enhanced all employees' awareness of saving the energy and motivated all employees to engage in the activity of energy management, saving and emission reduction, as well as incorporated the energy saving and emission reduction into the regular management.

Meanwhile, the subsidiaries also carried out a variety of lean production and improved basic management of energy and environmental protection.

On June 20, Baosteel signed a letter of intent for strategic cooperation with the Chinese Academy of Sciences and New Zealand Lanza Tech Company in commercializing the technology of "using exhaust gases from steel factories to produce fuel ethanol" in New Zealand Pavilion in the World Expo Park, signifying an important step that Baosteel takes to implement environmental management, develop low-carbon economy and build a world-class clean steel enterprise. In promoting the project of "using exhaust gases from steel factories to produce fuel ethanol", Baosteel Metal successively made wide communication and exchange with research institutes including the Chinese Academy of Sciences and New Zealand Lanza Tech Company and conducted systematic studies.



	2008	2009	2010
Sales Revenue (RMB 100 million)	67.5	70.9	105
Total Profits (RMB 100 million)	0.85	1.03	3.52
Total Tax Payment (RMB 100 million)	1.71	2.14	2.2
Rate of Return on Net Assets (%)	2.84	3.98	10.56
Rate of Value Retention and Appreciation of Assets (%)	104	102	107.73



	2008	2009	2010
Total Employees	2,717	2,488	2,019
Inc.: Total On-service Employees	2,536	2,313	1,906
Ratio of Female Employees	579	523	417
Inc.: Ratio of On-service Female Employees	535	486	395
Newly-recruited Employees	817	123	397
Ratio of newly-recruited Employees (%)	32.2	5.3	20.8
Resigned Employees	142	106	88
Ratio of Resigned Employees (%)	5.6	4.6	4.6
Externally-dispatched Personnel	1,478	1,622	1,592
Training Input (RMB10,000)	308	210	192
Person-times Trained	7,392	8,743	12,965



### III. Employee Performance

Baosteel Metal has been making efforts to create a "talent dream workshop", in which leaders at all levels not only contributed more than 30% of their energy and time to the human resource management work, but also directly participated in the introduction of senior talents, giving rise to many touching cases of pursuing and gathering talents like "Xiao He Chasing Han Xin under the moon". The company paid close attention to surveys and studies, collected information, made careful analysis, formulated strategies for introducing talents, found the "keys to talents", compiled the "talent map", introduced core figures and established core teams; expanded the channels of introducing talents, staged the *Measures for the Management of Internal Talent Recommendation* and set up channels and rewarding systems for staff to recommend excellent talents; focused on integration and growth, closely tracked and cared about core talents, broke through the "paper wedding" year in talent integration and accelerated cultural integration; built up dual channels for talent development, carried out pertinent position-based exchanges and position-rotation exercises and implemented the "Corporate Instructor Program" to create space for growth.

### IV. Social Performance

In April 2010, after an earthquake of 7.1 magnitude struck Yushu County of Yushu Tibetan Autonomous Region in Qinghai Province, Baosteel Light Steel House Company affiliated to Baosteel Metal dispatched a team of four staff members who rushed to Chengdu and worked in collaboration with Chengdu Baosteel Can Making Company to timely produce eight color steel prefabricated houses that integrated multiple functions of office, housing and deployment. At the same time, the company purchased nearly 200 tents in the local area which were delivered from Chengdu Baosteel Can Making Company at 10:30am on April 22, 2010 by four staff members including Jin Jing to Yushu.

In September 2010, Baosteel Metal formed a one-to-one assistance relationship with Shanyang Town of Jinshan Prefecture and carried out cooperation in "building the Party together and exchanging talents", "conducting program investment and cooperative operation" and "assisting impoverished students and aiding in constructing facilities".

In 2010, Bao-wing Can Co., Ltd. affiliated to Baosteel Metal donated RMB 80,000 to the Chinese Foundation for Prevention of STD and AIDS.

## Engineering & Technology Services

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

Baosteel'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 an international engineering & technology services (ETS) provider oriented towards large-scale industrial and urban construction. By integrating resources in and beyond the field of engineering & technology, it will strive to develop a "5+3+1" business combination framework which takes engineering technology, IT, equipment manufacturing, steel structure and iron and steel technology services as traditional pillar industries, energy conservation and environmental protection, housing steel structure and roll as emerging industries and overseas business as a sharing business platform. 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.

In 2010, because of business readjustment within Baosteel Group, Baosteel Engineering & Technology Group, besides the former Baosteel Engineering & Technology Company and its subsidiaries, also includes Baosight Software Co., Ltd., Baosteel Equipment Maintenance Co., Ltd., Baohua International Tendering Co., Ltd., Baosteel Steel Structure Co., Ltd., Baosteel Light Steel House Company, Architecture Design Research Institute, Baosteel-Sanwa Door-making Company and Jinyi Company.

### I. Economic Performance

The year of 2010 represented the opening year of Baosteel Engineering & Technology Group. Baosteel Engineering has been committed to the lofty mission of Baosteel's second undertaking and strengthening and expanding the second pillar industry, taken "integrating development, coordinating in innovation" as the theme to constantly integrate and optimize internal resources, improve technology capacity, innovate business modes and explore industrial opportunities, and comprehensively completed operational goals of the year with all business indicators reaching best levels in the history and sales revenues and total profits amounting to RMB 12.96 billion and 680.00 million respectively.

Baosteel Engineering which is entrusted with the task of innovating integration has further increased investment in technology innovation. The ratio of R&D input was 3.59% in the whole year and research projects directly produced a profit of RMB 169.00 million. The company applied for 356 patents in the year including 136 invention patents. The contractual value of software reuse amounted to RMB 152.00 million. The company registered 40 software copyrights and published 89 academic papers. It participated in all of Baosteel's ten projects of innovating integration between 2010 and 2015 and performed as the responsible unit in seven of them. It obtained a large number of high-quality awards for innovative achievements including 11 Baosteel 2010 Awards for Major Achievements in Technical Innovation (one special award, one grade II award, nine grade III awards). In the industry evaluation, 16 projects won the 2010 National Excellent Engineering Design Award in the Metallurgy Industry including four grade I awards and ten grade II awards. In addition, a number of projects also won such awards as the 19th National Invention Exhibition Award, Paris International Invention Exhibition Award, the 3rd National Award for Innovative Achievements in Occupational Technology and Jiangsu Provincial Prize for Progress in Science and Technology.

### II. Environment Performance

In 2010, the company further implemented the

strategy of "environment operation" and fulfilled its green promise by taking constant innovation as the original driving force and green engineering as the carrier.

The company innovated its commercial mode and promoted the development of green industries. It established Shanghai Baosteel Energy Technology Co., Ltd. by gathering high-end technical talents and implemented the commercial mode of contracted energy management in such industries as iron and steel, textile and hotel by concentrating advantages in the qualification of national contracted energy management. The contracted energy management project of Baosteel 3# blast furnace dust electromotor achieved success and is expected to save electricity of 5.6 million KWh each year, equivalent to 2,270 tce/year.

The company designed green engineering and made great efforts in researching, developing and promoting technologies that can conserve energy, protect environment and comprehensively utilize resources. With the first integrated large-scale hot-rolled furnace energy-saving transforming project equipped with a comprehensive diagnosis system and the self-developed advanced technologies such as the highly efficient single-control and dual-channel nozzle for extensive combustion, the company managed to reduce smoke temperature by more than 80°C, effectively improved the energy recycling rate and reduced the energy consumption per ton steel by over 10%. It made preliminary achievements in the high-temperature smoke negative energy consumption dust-clean project and already had five granted patents now. The blast furnace slag processing technology was industrialized in Bayi Iron & Steel and Meishan Steel. The company accomplished Baosteel's iron and steel industrial wastewater treatment projects including coking wastewater, cold-rolling wastewater, phosphating wastewater and desulfurizing wastewater. It vigorously promoted the energy management system (EMS) and undertook the development of energy management systems for 12 enterprises in different industries to help enterprises improve and optimize energy balance and realize systematic energy saving and consumption reduction. The Zhanjiang base pre-treatment technology that the company initiated in combination with the geological conditions in Zhanjiang substantially lowered engineering investment.

### III. Employee Performance

#### Employee Development

The company explored a mode of grading and classifying and trained its five categories of staff – leaders, project managers, marketing talents, core technical talents and senior skill talents. It basically built up a core talent base within Baosteel Engineering and classified five types of core talents totaling 2,347. It promoted the work of grading core talents by conducting grade management of the core talents according to the star level, backbone level and reserve level and systematically planned and implemented personalized cultivation plans for various talents.

The company strengthened the cultivation of young talents. It selected and recommended 19 persons to take part in Baosteel's phase II "green apple" initiative; promoted deputy chief engineers and chief engineers to instruct youth backbones and formed 70 pairs; implemented the "morning star" plan and provided training courses such as guidelines for youths on occupational career for a total of 883 persons; organized 140 young staff members to carry out an outdoor development activity themed as "team development, show the spirit of youths in Baosteel Engineering; youth integration, make Baosteel Engineering larger and stronger".

The company designed the staff development way in an all-about manner and basically set up a position system with three major levels and nine sub-levels that can suit characteristics of the industry.

#### Care about Employees

The company, based on characteristics of the industry, proposed a flexible measure for managing total salaries that focuses equally on both financial and non-financial indicators so as to improve the remuneration incentive mechanism; drafted a trial scheme for the flexible welfare plan of "enjoying a happy life" and arranged welfare programs that can meet personalized demands of different staff groups; conducted the "eight people" [note] work mechanism subject study and explored methods and ways of the human care work; improved plans for staff's health through such means as providing regular physical examination for staff, establishing electronic health archives, intervening in chronic diseases and buying fitness cards for staff; paid attention to demands of young staff and planned and organized a collective wedding ceremony for eight pairs of newly married couples themed as "getting together in World Expo, joining hands with Baosteel"; implemented the policy of "relieving poverty by showing warm care" and paid visits to and conveyed greetings to 2,350 on-position staff members and staff members about to retire with RMB 512,500; organized and carried out the activity of assisting children from economically difficult families in going to school in the autumn that covered a total of about 60 persons with RMB 51,400; strengthened safety management and the labor death rate per 1,000 persons was zero.

Enjoy a happy life – allowed staff to choose supplementary welfare programs on their own, granted staff with rights of choice and decision, met personalized demands of staff to the maximum extent, enhanced staff's wellbeing and satisfaction, improved staff's sense of belonging and dedication and created a healthy and happy work atmosphere.

Note: taking the respect of people as the basic starting point and establishing a sound work system involving six aspects including understanding people, caring about people, improving people, regulating people, motivating people and relying on people, so as to get people to cohere and promote common development of employees and the enterprise.

### Communication between Employees and the Company

The company carried out a staff dedication survey and got to know staff's thinking and working state by making use of quantitative management tools so as to effectively evaluate the status quo of the management, improve the management work and enhance staff's dedication; conducted a questionnaire survey on staff in the business department of the headquarters and collected and understood their thinking status; established a multi-channel mechanism of regularly collecting the "three most" issues from staff, paid close attention to the flow of processing and resolving feedback and formed a specific measure that contained operable contents and led to predicable results and evaluable effects; vigorously implemented the work of united front, planned the founding of Baosteel European and American Alumni Engineering Technology Branch, convened several special seminars and actively invited personages of united front to offer comments and suggestions.

### IV. Social Performance

The company has been enthusiastic about education and concerned with the growth of young groups. Its subsidiary Baosteel Roll in Changzhou has been supporting the poverty-hit students of Xingyue Primary School in Nancai Township, Sucheng, Jiangsu Province since 2007, donating money and articles totaling nearly RMB 500,000 and directly sponsoring about 200 poverty-stricken students. In 2010, Baosteel Roll in Changzhou established Xingyue Primary School scholarships for the first time to reward excellent students and teachers, stimulate the enthusiasm of teachers and students for teaching and learning and enhance the teaching level of the primary school. Baosight Software has been assisting Zhongba Tibetan students, cumulatively donating RMB 50,000 and more than 200 books. During the World Expo, it planned

and organized Tibetan children from Jinan Tibetan Middle School to participate in the "World Expo summer camp".

The company has always been in support of community building. As part of the society, Baosteel Engineering actively laid stress on the progress and development of the local community. In 2010, it organized the staff to take part in a series of activities designed to seek for welfare for people living in the community. Its subsidiary Baosteel Industry Inspection Corporation organized more than ten Party members to participate in the activity of Party members serving the people on "July 1st" in the Meishan region where they provided people living in the community with such services as photo sealing and trimming and small home electrical appliance and bicycle repairing. With a total of 326 sealed photos, 131 trimmed photos and more than ten repaired small appliances including recorders, lamps and electric cookers, the activity was warmly embraced by the wide public.

Changzhou Baoling Heavy worked in collaboration with Changzhou Municipal Government to renovate old residential quarters and completed the renovation of tap water, street lights and rain sewage diversion (sewage pipes and rain pipes) in the dorm quarter of the former Changzhou Metallurgical Plant, making the quarter take on a brand-new look.

Party branches (general Party branch) of Baosight Software in the Baoshan region jointed hands with Magnolia Party Branch of Baoshan Friendship Road Community to dispatch a dozen of volunteers every weekend during the World Expo, so as to maintain order and safety at bus stations and the Magnolia Plaza.

Suzhou Metallurgical Heavy carried out the "activity of on-position Party members entering communities". Nearly 100 Party members took part in and undertook tasks including publicizing policies and regulations, disseminating science, education and culture, making exchanges, keeping contact and maintaining stability in communities.



Table 1:

	2008	2009	2010
Business Income (RMB 100 million)	49.32	51.08	129.6
Total Profit (RMB 100 million)	3.81	2.78	6.8
Total Tax Payment (RMB 100 million)	2.43	2.78	8.6

Table 2:

	2008	2009	2010
Ratio of R&D Input (%)	2.58	3.01	3.59
Patent Filed	304	339	356
Patent Approved	182	213	264
Technical Know-how	262	207	185



Table 3:

	2008	2009	2010
Amount of Environmental Protection Input (RMB 10,000)	—	1,825.66	2,244.69
Energy Consumption per RMB 10,000 of Output (equivalent) (tce/RMB 10,000)	0.05	0.03	0.03



Table 4:

	2008	2009	2010
Number of Employees	4,370	4,382	13,818
Person-times Trained	12,996	14,778	58,480
Total Hours of Training (hour)	162,127	193,246.2	845,514.5
Ratio of Resigned Employees (%)	0.09	0.05	1.76

Note: illustration about data disclosure: all data included in Table 1 as of 2008 and 2009 are sourced from the former Baosteel Engineering & Technology Company and its subsidiaries. All data included in Table 2, 3 and 4 as of all years come from the same sources as Table 1.

## Coal Chemical Industry

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

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.

#### I. Economic Performance

In recent three years, Baosteel Chemical presented a sound overall operational status. Due to the impact of the financial crisis, Baosteel Chemical registered a slight decrease in sales revenue, total industrial output and profit in 2009. The overall business performance in 2010 was better than expected. The company managed to realize annual goal expectations from 2008 to 2010, currently still taking the lead in the industry.

#### II. Environmental Performance

According to requirements of another new round of plan for circular economy, the company organized and carried out the environment operation to promote its sustainable development.

- The company conducted the management of environment risks which was one of the key tasks in 2010. It identified sources of environment risks in accordance with the characteristics of the company and rated the sources. It established a monthly "zero" complaint statistics system and staged the *System for the Management of Environment Risks*.
- The company compiled the *Action Plan for Environmental Protection during the World Expo*, advanced the implementation of various measures and built up an organizational system, an emergency weekly report system and an environmental event daily report system, so as to effectively prevent environmental abnormalities from occurring during the World Expo.
- The company carried out the compliance work of wastewater discharge in Baoshan Branch. After nearly one year's efforts, the wastewater discharge amount and COD in the whole year both decreased by over 20%. At the same time, progress was also made in reducing T-CN which could then comply with requirements of new standards.
- The company organized and implemented the experimental project of recycling coking wastewater. The project, which was put into operation in February, works stably now and produces clean water that complies with standards for industrial water, thus laying foundation for future industrialization.
- The company started the treatment of waste gases and odor sources. Baoshan Branch currently formed a preliminary treatment plan and organized inspections in petrochemical enterprises and relevant units. It will launch the plan in the mid 2011. Meishan Branch formulated a rectification and improvement plan for related facilities on the spot which included nine main transformation projects.

In the fourth quarter of 2010, it completed three of them with investment of more than RMB 4 million and achieved initial effects. Another six waste gas treatment projects are expected to cost about RMB 5 million and be finished in the first quarter of 2011.

The company established a monthly solid waste statistics system to strengthen the utilization and management of solid waste. Meanwhile, in order to improve the utilization of solid waste in Meishan Branch, the company coordinated with Meishan Steel Company that all tar slag produced by Meishan Branch would be collected and sent to coke-ovens for coal-mixing and coke making and excess sludge would be sent to agglutination materials grounds for comprehensive use. The utilization ratio of solid waste in Meishan Branch recycled for production was 97.71%, which reduced pollutant discharge and enhanced the utilization ratio of coal resources.

#### III. Employee Performance

##### Employee Safety

##### Sound Safety Management Institutions

Baosteel Chemical has set up a safety production committee which convenes two special meetings annually to summarize safety work in stages and discuss about and decide on matters concerning safety production and holds a regular security meeting monthly to review safety work of the month. Branches are subject to safety patrol by the safety production committee once in a month. Managers are responsible for leading the safety inspection in an attempt to guarantee strong pertinence, clear emphasis and full coverage. Special persons should be assigned to track the rectification of the found issues.

##### Safety Responsibility Dissolved and Fulfilled Level-by-Level

In the beginning of 2010, Baosteel Chemical organized and convened a safety work seminar at which the President of the company and persons in charge in each unit signed a letter of responsibility for safety, fire control, occupational hygiene, transport and guarding goals. In order to meet the requirement of the entire-staff responsibility system, Baosteel Chemical organized the whole staff to sign the *Letter of Commitment to Safety*.

##### Orderly Safety Inspection

According to the Plan for Evaluating Special Safety Inspection in the year and characteristics of safety work in seasons, the company carried out special inspection and evaluation. The special inspection included identification and control of dangerous sources, supervision over safety of special equipment, management of the construction of technical transformation projects, electricity safety, gas safety, management of dangerous chemicals, sunstroke prevention and cooling, typhoon and flood prevention, fire control and transport safety, occupational hygiene and safety of labor protective articles and public security guarding. In this way, the company urged the rectification of hidden dangers.

##### Improve Emergency System and Enhance Emergency Response Capacity

##### Compile and Perfect Emergency Plan

In 2010, the company adjusted its emergency management mechanism and improved its emergency management networks according to functional restructuring of organizational institutions. It revised the *Procedures for Emergency Preparation and Response Control and the Standards for Compiling Emergency Plan and compiled the Plan for General Urgent Treatment of Major Emergencies and the Emergency Plan for Preventing Terrorist Attacks*.

##### Upgrade Technical Protection Devices in Plants

In order to reinforce the functions of preventing and monitoring emergencies, the company transformed the video monitoring system in plants in 2010 by adding 46 real-time monitoring video cameras in major dangerous sources and important venues and 89 fixed CO online sirens in gas systems.



### Improve Response Capacity through Drilling

Based on the existing emergency response mechanism, the company gave priority to the improvement of emergency plan's operability and the training of emergency response capacity. According to the drilling plan for emergencies in the year, the company organized and carried out the drilling, examining and improving work of emergency plan level by level from operation areas to plants and branches. In April, it worked together with social assistance powers including Baoshan Regional Public Security Office, Fire Control Agency, Transportation Bureau and Baosteel First-Aid Center to hold a comprehensive drilling of anti-terrorism, fire control and environmental protection plans themed as "embracing the World Expo" in Baoshan Branch. In November, Baoshan Branch carried out a drilling of leaking accidents of refined naphthalene purification crystallizers due to disastrous weather in Chemical No. 2 Plant.

manner the status quo of preventing and controlling hazards of occupational diseases in branches and subsidiaries, the custody of occupational health and the test of occupational dangerous factors as well as the occupational hygiene in construction projects, so as to understand the status of occupational health. On such a basis, the company compiled the *Report on the Evaluation of Status Quo of Occupational Health* which was submitted to Shanghai Municipal Safety Inspection Bureau for filing.



### Management of Occupational Health

#### Strengthen Management and Carry Out Evaluation

According to requirements of the *Notice on Organizing and Implementing the Evaluation and Analysis of Status Quo of Occupation Health in Units Directly Inspected by the City among Industries (Systems) in the City*, the company took practical and effective measures to ensure staff's health and evaluated in a comprehensive

#### Organize Inspection and Regulate Management

The company carried out special inspection over the occupational health custody. According to requirements of sunstroke prevention and cooling in the summer, it tracked the operational status of facilities for treating hazards of occupational diseases in branches and subsidiaries and the implementation status of such work as allocation and wearing of labor protective articles, training and education of occupational health as well as sunstroke prevention and cooling. The company

inspected the occupational health custody in units that assisted branches and subsidiaries in production and the occupational hazard notification of staff in the units, thus regulating the occupational health custody in those units.

#### Provide Physical Examination and Improve Files

The company reviewed the status of contacting occupational hazards in operation fields, complemented and improved basic information about occupational hazards in operation fields and statistics of victims according to requirements of the regulation, and established occupational hygiene management files. Physical examination proceeded as planned and no occupational disease cases or suspected occupational disease cases were found.

#### Keep Practical and Realistic in Hazard Test

In 2010, the company completed the test of occupational hazardous factors at a total of 417 testing points among which Baoshan Branch was entrusted with the test at 36 testing points including six points of other dust, 26 points of toxic substance and four points of noise. The point with unqualified noise was the coking operation field in the chemical product workshop with the tested noise value of 92dB (A). The company already investigated the actual duration and influential range of the noise at this point and allocated individual protective articles to involved operators.



	2008	2009	2010
Business Income (RMB 100 million)	80.80	69.03	<b>96.35</b>
Total Profit (RMB 100 million)	3.96	3.71	<b>7.04</b>
Total Industrial Output (RMB 100 million)	75.18	64.73	<b>87.85</b>
Total Tax Payment (RMB 100 million)	4.49	2.09	<b>4.16</b>



	2008	2009	2010
Total Employees	1,739	1,706	<b>1,698</b>
Employees Receiving Physical Examination for Occupational Diseases	987	1,007	<b>970</b>
Incidence of Occupational Diseases	0	0	<b>0</b>
Injuries per 1 Million Labor Hours	0	0	<b>0</b>
Frequency of Accidents in Production	0	0	<b>0</b>



	2008	2009	2010
Environmental Protection Input (RMB 10,000)	8,620.65	2,306.13	<b>12,663.74</b>
Energy Consumption per RMB 10,000 of Output (tce/RMB 10,000)	0.51	0.57	<b>0.45</b>
Emission of COD (10,000 m <sup>3</sup> )	435.2	302.9	<b>318.3</b>
Wastewater Discharge (10,000 m <sup>3</sup> )	742.8	595.3	<b>539.5</b>
Number of Testing Points	41*	658	<b>417</b>
Compliance Ratio of Dust (%)	100	100	<b>100</b>
Compliance Ratio of Toxic Substance (%)	100	100	<b>100</b>
Compliance Ratio of Noise (%)	100	100	<b>75**</b>

\* Testing points in 2008 only include the Baoshan region without Baosteel Chemical Meishan Branch; data in 2009 and 2010 are merged.

\*\* The point with unqualified noise is the coking operation field in the chemical product workshop with the tested noise value of 92dB (A). Investigation is already conducted into the actual duration and influential range of the noise at this point.



## Financial Investment Industry

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

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. It will strengthen the control over Baosteel's existing financial resources, enhance equity values through effective integration and optimization and expand the current financial industry. It will carry out equity investment business by making use of advantages in resources of upstream and downstream industrial chains and utilizing present financial resources and capital advantage of the company.

In 2010, Fortune Trust & Investment achieved business income of RMB 2.471 billion, total profit of RMB 1.688 billion and net profit of RMB 1.398 billion and its rate of return on equity amounted to 12.03%. By the end of 2010, assets managed by Fortune Trust & Investment were worth RMB 152.00 billion (RMB 15.00 billion self-owned and RMB 137.00 billion held on behalf of clients).

Fortune Trust affiliated to Fortune Trust & Investment registered total income of RMB 1.5 billion and its assets size exceeded RMB 90.00 billion (including annuities), stably staying at the top in the industry. Since the establishment in 1998, Fortune Trust has made a profit for 13 consecutive years with the honored trust plans never below expected yields, realizing a total of trust gains worth RMB 18.1 billion for a variety of clients.

#### I. Advocate Honest Practice

With the operation concept of "prudence", Fortune Trust & Investment makes great efforts in promoting the development of a punishment and prevention system, improves rules and regulations and strengthens publicity and education, so as to solidly and effectively carry out the anti-corruption work. From November 26 to December 3, 2010, the "Anti-corruption Development Exhibition of the Financial System" jointly sponsored by the People's Bank of China, the China Banking Regulatory Commission, the China Securities Regulatory Commission, the China Insurance Regulatory Commission and China Investment Corporation was presented in Shanghai Exhibition Hall. Fortune Trust & Investment organized its staff above the middle level, backbones of each department and staff of the business department to visit. Vivid and detailed pictures and scripts gave the visitors an exhortatory warning education and helped form a corporate culture featuring honest practice. In 2010, Fortune Trust & Investment renewed the "Letter of Responsibility for Construction of Party Conduct and Anti-corruption" by 32 copies and led seven leading cadres to report on cases of duty and integrity.

#### II. Law Compliance

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 investors' interests. No matter how market fluctuates, all the trust products have been honored without any delay.

#### III. Promote Progress of the Industry

Fortune Trust took the initiative to launch such innovative products as stock index futures and charitable trust, drafted the *Measures for Pilots of Trust Companies Participating in Stock Index Futures Transaction and the Measures for Pilots of Trust Companies Conducting Charitable Fund Business* upon the entrustment from organs including the China Banking Regulatory Commission and the Ministry of Civil Affairs, and organized a trade seminar at which it discussed with some institutions about the participation in the development of stock index futures hedging and straddling products.

#### IV. Responsible Investment

##### Fortune Trust Provides "Zhangjiang Benefit Gathering" for Small and Medium-sized Enterprises

On January 15, 2010, with the care and help from Pudong New District Bureau of Finance and Pudong New District Fiscal Bureau, Shanghai Zhangjiang Group led and Fortune Trust organized in collaboration with Shanghai Pudong Development Bank, Shanghai Re-Guarantee Co., Ltd., Zhangjiang SME Credit Guarantee Center and Zhangjiang Small-Loan Company the successful issuance of "Fortune-Zhangjiang Benefit Gathering No.1 Guaranteed Loans Assembled Fund Trust Plan" and "Fortune-Zhangjiang Benefit Gathering No.2 Guaranteed Loans Assembled Fund Trust Plan" ("Zhangjiang Benefit Gathering" for short) with the product size of RMB 77.00 million and the duration of one year.

Different from common assembled trust that mostly serves large enterprises, "Zhangjiang Benefit Gathering", backed by mature financial products of specialized institutions, aims to "focus on Zhangjiang, benefit enterprises". The product is oriented towards high-tech small and medium-sized enterprises and makes use of social resources to solve difficulty of innovative small and medium-sized enterprises in Zhangjiang Hi-tech Park in financing in a scaled manner, so as to drive the planning and development of industrial clusters in Zhangjiang. This innovative financial product will no doubt greatly enhance the success rate of high-tech small and medium-sized enterprises to obtain capital support.



	2008	2009	2010
Business Income (RMB 100 million)	19.08	22.37	24.71
Total Profit (RMB 100 million)	12.95	15.86	16.88
Net Profit (RMB 100 million)	9.8	13.82	13.98
Rate of Return on Equity (%)	9.87	13.41	12.03
Assets Size under Management (RMB 100 million)	912	1237	1520

## 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 Steel), 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, developing circular economy by greatly advancing the recycling industrialization process, and enhancing solid waste reutilization in metallurgical industry with its first-rate capabilities in scale and technology.

### Baosteel Development Co., Ltd.

Baosteel Development Co., Ltd. is the wholly owned subsidiary of Baosteel Group Co., Ltd. Its main businesses include comprehensive utilization of renewable resources, factory logistics, management of real estate, production operation, life logistics, trade, pawn, etc. It is certified to be in conformance to the all-round system certification integrating ISO9001/ISO14001/OHSAS18001.

Backed by Baosteel's abundant resources and scientific management, Baosteel Development has accumulated a large amount of management experience and technological achievement in providing matching production and life services for large-scale manufacturing enterprises and comprehensively utilizing metallurgy. It specializes in the overall utilization of iron and steel by-products, devotes itself to offering low-carbon solutions for high-carbon industries and is committed to providing industry enterprises with integrated and one-stop services.

With regard to the science work, Baosteel Development has adhered to the work policy of "high-tech guidance, independent innovation, key breakthrough, step-by-step development". As for the planning of technology, it sticks to principles of high starting points and standards and advanced thinking and design. In terms of project introduction, it values technological content and environmental protection. Regarding the application of technology, it persists in introduction, digestion, integration and promotion.

#### I. Economic Performance

The company's business income throughout the year amounted to 144% of the yearly goal; total profit 157% of the yearly goal; return on equity (ROE) reached 10.5%, 180% of the yearly goal.

In recent years, the company's output of high-tech products grows at an annual rate of over 15% and the cumulative sales revenue of high-tech products amounts to RMB 2.8 billion. The company implemented more than 500 research proposals and projects of developing new products, completed two "National Torch Plan Projects" and ten projects of industrializing high-tech achievements in Shanghai, obtained 115 national granted patents and three group's awards for major achievements in science and technology, and had three national stations of identifying occupational skill grades, two high-tech enterprises in Shanghai, two technology giant (cultivation) enterprises in Shanghai and two enterprise technology centers in the Baoshan District.



#### II. Environment Performance

The company, adhering to the principle of "combination of project measure and saving" and centering upon the improvement of energy utilization efficiency, strengthens all its employees' awareness of energy saving and consumption reduction. On such a basis, it innovates mechanism, perfects system, reinforces management and strictly enforces the saving practice by adjusting production techniques of high energy consumption, promoting energy-saving projects and making technological innovation, so as to form a energy-saving and consumption reduction situation where the government plays a role as a driving force and the enterprise and staff actively participate.

##### Goals

From 2010 to the end of 2015, Baosteel Development's energy consumption per RMB 10,000 of industrial output (based on that in 2009) is expected to decrease by 36%; an average annual decrease of 4% in 2010; an average annual decrease of 8% between 2011 and 2013; an average annual decrease of 4% between 2014 and 2015.

From 2010 to the end of 2015, Baosteel Development's energy consumption per RMB 10,000 of non-industrial output (based on that in 2009) is expected to drop by 24%; an average annual decrease of 5% between 2010 and 2012; an average annual decrease of 3% between 2013 and 2015.



##### Environmental Protection Input:

##### Comprehensive Utilization of Renewable Resources

As an important implementer of Baosteel's strategy of "environment operation", Baosteel Development follows the strategy of green and sustainable development, strongly promotes circular economy by transforming "waste" generated in the iron and steel producing process to renewable and recyclable "treasure" through deep processing and reduces discharge of toxic substances. It has fulfilled the social environment responsibility by actually "sticking to low-carbon development". In the near future, we'll ensure that Baosteel's solid waste reutilization scale amounts to 6.5 million tons, CO<sub>2</sub> emissions decrease by 3.01 million tons annually, SO<sub>2</sub> emissions drop by 129 tons, making it take the lead in the industry in terms of energy-saving and environmental protection indicators.

The company has reinforced the entire staff's

awareness of energy saving and consumption reduction by earnestly carrying out activities of "low-reduction action" and "lowering costs and enhancing efficiency" and optimized production techniques of high energy consumption by making technological innovation, so as to ensure that within the current plan period, energy consumption per RMB 10,000 of industrial output decreases by 36% and that of non-industrial output drops by 24%.

Baosteel Development Co., Ltd. won the title of "2010 'Ten Best Enterprises' of Resource Reutilization in Shanghai" granted by Shanghai Resource Reutilization Association.



	2008	2009	2010
Business Income (RMB 100 million)	156.77	92.68	145.9
Total Profit (RMB 100 million)	0.08	2.44	6.78

## Baosteel Group Shanghai Meishan Co., Ltd.

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

In 2005, in response to Baosteel's strategic demand for integration, Meishan Steel became officially separated from its core iron and steel business and started to operate on its own. After five years' undertaking and innovation, it has basically developed into a modern iron and steel production service and resource development and utilization enterprise that bases itself on four businesses of assistance in iron and steel business, mining, resource utilization and logistics.

For years, Meishan has kept "hard-work and innovation" as its motto. It fully supports the Baosteel culture, focuses on development of material and spiritual civilization, implements the "customer satisfaction" strategy, and strives towards the benefit sharing among the business, society, environment, clients and employees and towards greater cost-efficiency and a vigorous, honest and harmonious enterprise.

### I. Economic Performance

In 2010, Meishan Steel's production line of ground granulated blast furnace slag with an annual capacity of 500,000 tons produced a total of 586,000 tons and utilized 677,000 tons of blast furnace slag. Ground granulated blast furnace slag can replace cement to be used in concrete admixture and its products can be widely applied in such aspects as roads, bridges and engineering construction. On December 11, 2010, the phase II ground granulated blast furnace slag project started. After its completion, the annual capacity of ground granulated blast furnace slag is expected to reach 1 million tons and the utilization of blast furnace slag will amount to about 1.2 million tons, which can not only reduce consumption of natural resources, but also decrease pollution to the environment.

During the reporting period, the capital input was used in the construction of environmental protection projects mainly involving treatment of wastewater discharge and waste gas emission. By remolding discharge outlets of lime processing, the company controlled the unorganized dust emissions at the loading of lime powder at 3mg/m<sup>3</sup> and improved staff's operational environment. In response to the phenomenon that dust emission concentration fluctuated intensely at the dust removal through multiple tubes in the rotary kiln of magnetic material production, the company set up a Six Sigma project team which worked independently and made improvements, thus leading to obviously decreased dust emissions and about 45 tons of frosted imitation glass that can either be reduced or recycled each year. It strengthened supervision over discharge of main pollution sources by installing an online monitoring system for emission of exhaust gas in sulfuric acid production and discharge of wastewater in cold rolling production and made the monitoring of wastewater and waste gas more automatic and scientific so as to provide guarantee for timely eliminating excessive discharge, controlling pollutants and reducing emissions.

During the reporting period, the company carried out evaluation of the influences of project construction on the environment and implemented the "three simultaneous" <sup>[note]</sup> system. Projects all passed the special inspection concerning environmental protection, including the phase III frosted imitation glass in Resource Branch, integral moving of Meilida Head Factory, reutilization of iron-contained dust mud, environmental protection, energy saving and set upgrading in Cold-rolled Slab Branch as well as Meishan high dwelling. By strengthening environment management in all phases of projects, the company managed to control discharge of pollutants in projects from the sources.

The company actively communicated with governmental authorities for environmental protection and

units qualified for disposal. During the reporting period, it safely transferred and disposed various dangerous waste of 334.57 tons, sharply reducing the stock of hazardous waste and eliminating hidden risks to environment safety.

The company made increased efforts in green management and set up stricter procedure of examining and approving relocation of greening and deforestation. It investigated into the pruning and moving of trees in the residence and factory regions one by one and protected existing greening achievements to the maximum extent. At present, the greening coverage in the Meishan region already reaches 38.08%.

### II. Environmental Performance

In 2010, Meishan Steel completed the compilation of the 2010-2015 Planning for Utilization of Renewable Resources and Business Plan, clarifying projects of industrialization development. Meishan-Baosteel phase II (ground granulated blast furnace slag) already started and reports on the feasibility of ball iron recycling, steel slag disposal and magnetic materials were approved. Through market exploration, the company realized sales of firing flue gas desulfurization plaster and steel slag tailings, launching them into reutilization in the society.

In order to improve resource utilization ratio, Meishan Steel reduced the grade of iron in tailings of mineral separation by optimizing techniques and changing strong magnetic separators, improving metal recycling ratio by more than 3%. At the same time, it cooperated with research institutes in studying spoil reclaiming and recycling low-grade iron ore concentrate

of 26% iron grade from tailings for cement production. In 2010, it developed an annual production capacity of 120,000 tons of iron tailings and supplied relevant products to China Cement Plant and others, giving rise to an annual economic benefit of more than RMB 3 million and decreasing tailings discharge by 150,000 tons each year.

The company actively participated in community building and continued the co-construction activity with Yong'an Village, assisting Yong'an Village in improving spiritual civilization and cultural level through technical and hardware support. It contributed RMB 1 million to realizing digitalization of cable TV in Meishan Sub-district, enriching cultural and life demand of people living in the region. It invested RMB 10 million in building Meishan underground pedestrian passageway along Ning-Wu Railway, greatly facilitating transport of residents in the community. It contributed RMB 1 million to completing the flood prevention project at No. 203 road junction in Meishan Sub-district and donated poverty-relief capital of RMB 150,000 to Meishan Sub-district and RMB 1,232,100 to earthquake-stricken areas in Yushu.

### III. Employee Performance

The company strengthened supervision over radioactive sources and radiation devices to eliminate accidents involving radiation. It carried out training of radiation-position staff about radiation safety and protection knowledge to enhance their awareness of radiation safety and protection. It strictly tracked and evaluated occupational radiated dosage of radiation-position staff. During the reporting period, radiated dosage of all relevant staff ran below the defined standard for occupational radiation.



	2008	2009	2010
Business Income (RMB 100 million)	52.95	41.72	<b>52.62</b>
Total Profit (RMB 100 million)	-0.64	-0.19	<b>0.98</b>
Total Tax Payment (RMB 100 million)	4.84	3.59	<b>4.52</b>



	2008	2009	2010
Environmental Protection Input (RMB 10,000)	143.2	467	<b>472.8</b>
Emission of SO <sub>2</sub> (ton)	105.1	42.8	<b>41</b>
Suspended Substance (ton)	279	162	<b>123</b>



	2008	2009	2010
Total Employees	11,986	11,091	<b>11,014</b>
Jobs Created for the Community	1,238	1,107	<b>998</b>
Total Training Programs	498	523	<b>479</b>
Employees Receiving Physical Checkup	8,998	9,099	<b>8,830</b>

Note: Three Simultaneous refer to the design, construction and operation which shall be simultaneously and strictly executed in making environmental impact assessment of project construction during the reporting period.

## Baosteel Group Corporation Subsidiaries

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 FAX: +86 21 26646999  
 Website: www.baosteel.com

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

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 FAX: +86 574-86859126  
 Website: www.ningbosteel.com

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

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### Baosteel Resources Co., Ltd.

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 Website: www.baosteelresources.com  
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### Baosteel Engineering & Technology Group Co., Ltd.

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

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

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### Baosteel Development Co., Ltd.

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

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

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

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

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## Highlights 2010

### Awards

- January 11 In the 2009 National Science and Technology Award Conference, Baosteel won the "Enterprise Innovation Award" set by the state for the first time and its *Project of Developing 3Cr Series Oil Casing for Anti-CO<sub>2</sub>/H<sub>2</sub>S-Erosion Use and Multi-functional Online Testing Technology for High-speed Cold-rolled Strip Steel* won the second prize of National Award for Technological Invention and the second prize of National Award for Scientific and Technological Progress respectively.
- March 15 Baosteel Group Corporation was listed among "2009 World's Most Admired Companies" by American Fortune Magazine and ranked at the 6th position in the global metal industry.
- April 1 In the 2009 Shanghai scientific and technological awarding ceremony, Baosteel's *Construction of R&D Base of Refined Iron and Steel Products Closely Integrating Research and Production* won the first prize of Award for Scientific and Technological Progress; *Developing Steel Wire Rod and Zinc-coated Wire for Bridge Cable Use, Development and Application of Water-saving and Stair-utilizing Technology in Iron and Steel Enterprise System and Technology of Controlling Carrier on the Surface of Cold-rolled Steel Slab* won the second prize; *Shallow Slot Turbulence Silicon Steel Scouring Technology* won the third prize.
- April 12 At the 2009 China Charity Award Appraisal organized by the Ministry of Civil Affairs, Baosteel won the "2009 China Charity Award – Most Caring Domestic Enterprise". This is the second time that Baosteel was granted with the China Charity Award.
- April 14 At the 2009 China Quality Technology Awarding, Baosteel's *Improving Comprehensive Compliance Rate of Blast Furnace Pretreatment Melted Iron, Enhancing Efficiency of Double Garage and Multi-system at Unload Wharf in Majishan Harbor, Reducing Alloy Content in Cold-rolled Products and Increasing Hot-setting Accuracy of Thick Plates* won the title of "National Excellent Six Sigma Project". Its *Reducing Ratio of Stainless-steel and Low-speed Slabs, Enhancing Activity of Quick Lime in No. 2 Kiln and Extending Effective Life Expectancy of Self-made Gauges* won the title of "Shanghai Excellent Six Sigma Project".
- April 28 By the end of March, plants directly under Baosteel Co., Ltd hit the record of emission reduction of SO<sub>2</sub> for 15 consecutive months by over 1,600 tons. Thereby, Baosteel Co., Ltd. won the Award for Excess Emission Reduction granted by Shanghai Municipal Bureau of Environmental Protection.
- June 2 At the first energy-saving China Contribution Award Appraisal, Baosteel Co., Ltd. won the "Award for Ten Enterprises with Outstanding Contributions in Energy-saving", becoming the sole enterprise winning such an honor among domestic iron and steel enterprises.
- July 1 In the 2010 (the 7th) List of 500 Brands with Most Values in China published by the World Brand Lab, Baosteel ranked 18th with the brand value of RMB 47.591 billion. It also ranked top among brands in Shanghai.
- July 8 Baosteel ranked 276th in the 2010 Fortune Global 500 with the business income of RMB 195.3 billion (US\$ 28.591 billion) in 2009. It's the 7th straight year for Baosteel to be involved in the list.
- July 30 In the 2007-2009 performance evaluation and awarding of central enterprises by the State-owned Assets Supervision and Administration Commission under the State Council, Baosteel won the honor of "Enterprises with Excellent Performances", becoming the sole enterprise winning such an honor in the domestic metallurgical industry.
- September Baosteel was included in the top three in the field of industry in "Top 100 Innovative Enterprises in China". Baosight Software ranked at the top three in the field of services.
- September 14 Baosteel won 19 golden awards at the 19th National Invention Exhibition.
- September 14 Baosteel Group Corporation won the golden prize of the 4th "Harvard Business Review Management Behavior Award".
- September 30 Baosteel was included in the 2010 list of "Top 500 Asian Brands" jointly compiled and published by the World Brand Lab and the World Executive Group. It ranked 81st.
- December 7 Baosteel's *2009 Corporate Social Responsibility Report* won the award of "2010 Golden Bee Best CSR Report • Leading Enterprise".
- December 3 Baosteel was selected as the "2010 Model with Best Value Management" at the 2010 (the 10th) China Annual Management Conference & "Model with Best Value Management" Conference sponsored by Talents magazine in collaboration with Sina, Beijing Youth Daily and other media.
- December 8 Baosteel was included in the "China Brands of the Year" at the awarding of "2010 • CCTV China Brands of the Year".
- December 16 In the Coca Cola (China) 2010 Summit of Sustainable Development Suppliers, Baosteel Metal won the platinum supplier award. This is the supreme prize set by Coca Cola Company for suppliers for the first time and Baosteel Metal becomes the sole supplier winning such an honor. Baosteel Metal was granted with the Best Customer Services Award at the same time.
- December 20 Baosteel won the China Best Corporate Citizen Award at the 2010 China Best Corporate Citizen Forum & the 7th China Best Corporate Citizen Awarding.

## Major Events

### January

- 11 In the 2009 national scientific and technological awarding ceremony held in the Great Hall of the People in Beijing, Baosteel won the "Enterprise Innovation Award" set by the state for the first time and its *Project of Developing 3Cr Series Oil Casing for Anti-CO<sub>2</sub>/H<sub>2</sub>S-Erosion Use and Multi-functional Online Testing Technology for High-speed Cold-rolled Strip Steel* won the second prize of National Award for Technological Invention and the second prize of National Award for Scientific and Technological Progress respectively.
- 15 Baosteel held the 2010 Work Conference & the 3rd Session of the 2nd Employees' Congress, mobilizing all staff to boost spirit and get together to promote Baosteel's second undertaking. The *Fundamental System for the Democratic Management of Staff in Baosteel Group Corporation (trial)* was approved by voting at the Employees' Congress.
- 28 Baosteel Co., Ltd. and Shanghai Electric signed a memorandum of strategic cooperation to expand fields of cooperation and jointly promote development of the equipment manufacturing industry.
- 29 Baosteel and China State Shipbuilding Corporation signed an agreement of strategic cooperation to jointly create a best supply chain with long-term stability and greatest competitiveness.
- January Baosteel made a breakthrough in resource reutilization in Dujiang Dam, Sichuan. It used construction materials removed from quake-proof prefabricated houses to put up a two-floor building, which was highly acknowledged by the World Steel Association and the International Zinc Association and promoted with their contributed funds.

### February

- 3 The awarding ceremony for 2009 Baosteel Figure of the Year was grandly held in the Opera House of Shanghai Oriental Art Center.
- 14 Wang Lequan, a member of the Political Bureau of the Central Committee of the CPC and Secretary of the Party Committee of the Xinjiang Uygur Autonomous Region and his followers paid a visit to staff of all ethnic groups in Bayi Iron & Steel in the spring festival.
- 22 Baosteel Group Corporation and China Telecom signed a framework agreement of strategic cooperation to jointly promote integration of industrialization and informatization.
- 23 Baosteel Group Corporation and Jiangsu Shagang Group Co., Ltd. signed a letter of intent for strategic cooperation in the Great Hall of the People in Beijing, signifying an official start of strategic cooperation between the largest state-owned enterprise and the largest private steel enterprise in the country.
- February Baosteel provided iron core components for the East China Sea Power Plant, the first offshore wind power generation project in Asia. All 34 wind-driven generators were installed. All iron core components of the generators adopted superior-quality and high-grade non-oriented silicon steel of Baosteel.
- February Baosteel Co., Ltd. Medium Plate Branch supplied a batch of TMCP ship plates to Korea STX Heavy Co., Ltd. and Korea Daewoo Shipbuilding, signifying that its products have already entered the world's high-end shipbuilding-used steel market.

### March

- 9 Baosteel Group Corporation and China South Industries Group Corporation entered into an agreement of strategic cooperation in Beijing to concentrate advantages in the manufacturing industry and jointly cope with globalization.
- 11 Electron beam cold bed furnace was proved successful in hot experimenting. Verification results of the first pure titanium slab ingots from the special steel division showed that Baosteel has already mastered the cutting-edge technology of smelting pure titanium materials.

- 11 Baosteel won the bidding of Australia Queensland Curtis liquefied natural gas pipeline project, showing that Baosteel's heavy caliber welded pipes are able to compete with products of the same kind from famous enterprises in the world.
- 17 The office in charge of selecting China Charity Award organized by the Ministry of Civil Affairs announced the nominee list of the 2009 Most Caring Domestic Enterprise (totally 15 enterprises). Baosteel won the "2009 China Charity Award • Most Caring Domestic Enterprise". This is the second time that Baosteel was granted with the China Charity Award.
- March A new generation of hyper-pure ferrite stainless steel T4003 independently developed by Baosteel was successfully supplied in batches. New-model lorries adopting such product will effectively enhance rail lorries' load capacity and operational expectancy.
- March By the end of March, plants directly under Baosteel Co., Ltd had realized emission reduction of SO<sub>2</sub> for 15 consecutive months by over 1,600 tons, compared to the planned value. Thereby, Baosteel Co., Ltd. won the Award for Excess Emission Reduction granted by Shanghai Municipal Bureau of Environmental Protection.

### April

- 1 The *Proposal of Electing He Wenbo as Chairman of the 4th Board of Directors* was approved at the 4th meeting of the 4th board of directors of Baosteel Co., Ltd. Baosteel's President He Wenbo holds a concurrent post of Chairman of Baosteel Co., Ltd.
- 7 Baosteel Co., Ltd. made major adjustment to the corporate structure of Medium Plate Branch.
- 9 Bayi Iron & Steel held the awarding ceremony for best practitioners in the democratic unity pair activity. In this large family consisting of 25 ethnic groups, the company formed more than 6,000 democratic unity pairs. The coverage of the activity reached 100%.
- 10-11 Xu Lejiang, Chairman of Baosteel and his followers paid a visit to automobile manufacturers in Liuzhou, Guangxi. Baosteel signed agreements of strategic cooperation with Shanghai GM-Wuling Automobiles Co., Ltd., Liuzhou Wuling Motors Co., Ltd. and Dongfeng Liuzhou Automobiles Co., Ltd.
- 16 Baosteel Engineering & Technology Group Co., Ltd. was announced established. In order to create a concentrated and specialized engineering technology service platform, Baosteel made integration of relevant engineering technology businesses within the group. Baosteel Engineering & Technology Group already started to operate in real terms in the beginning of the year.
- 23 On the afternoon of the World Book and Copyright Day, the World Expo Reading Forum Enterprise Session themed as "Reading • Employees • Enterprise" was held in Baosteel Tower.
- April Baosteel successfully rolled 9-nickel steel plate with 4 specifications including 8mm, 15mm, 27mm and 40mm for use in storage tanks of liquefied natural gas, becoming the domestic enterprise with most specifications of such steel plate.
- April Baosteel Co., Ltd. was granted with the title of "A-class Supplier" by TBEA, signifying that Baosteel Co., Ltd. ascended as one of the "top four" oriented silicon steel suppliers of TBEA.

### May

- 20 In the 2010 Paris International Invention Exhibition, Baosteel's employee inventors including Kong Liming and Ji Zhiyong took eight projects to participate and won two golden medals, one silver medal and three bronze medals as well as two Repin Prizes. It's the third time that Baosteel took part in the exhibition along with the Chinese delegation.

24	The launching ceremony of Baosteel Yushu Disabled Assistance Program sponsored by the Ministry of Civil Affairs and jointly held by Qinghai Provincial Department of Civil Affairs, China Rehabilitation Appliance Association and China Charity Donation Information Center was held in Xining, Qinghai. The amount of RMB 5 million donated by Baosteel Group Co., Ltd. will be specifically used to assist the injured and disabled in earthquake-stricken areas in Yushu in acquiring rehabilitation-auxiliary appliances.	28	In the 2010 (the 7th) list of <i>500 Brands with Most Values in China</i> published in Beijing by the World Brand Lab, Baosteel ranked at the 18th with the brand value of RMB 47.591 billion.
27	In the first energy-saving China contribution awarding ceremony, which was jointly held in Beijing by China Energy-saving Association and the organizing committee of the China Energy Strategic High-level Forum in the High-tech Expo, Baosteel Co., Ltd. won the "Award for Ten Enterprises with Outstanding Contributions in Energy-saving".	June	Baosteel's self-developed high-grade R5 steel for mooring chain use was used to support the construction of the deepwater semi-submersible type drilling platform. The product represents No. 1 in the world and already forms an invention patent.
27	The China Securities Journal published the winner list of the 7th China Fund Industry Golden Bull Prize. Fortune Industrial Fund Management Company was selected as one of the "2009 Ten Golden Bull Fund Management Companies".	June	In order to ensure the energy-saving and emission-reduction goal during the "Eleventh Five-year Planning" period, Baosteel launched a special plan for investment in energy-saving and environmental protection. The plan involved 104 environmental protection projects and 64 energy-saving projects with the total investment amounting to about RMB 3.5 billion.
May	In order to support the drought control and disaster relief in Yunnan, Baosteel Group Co., Ltd. donated RMB 10 million to Yunnan which was specially used in drinking water project construction in four one-to-one assistance counties in Pu'er, Yunnan.	June	The steel pipe division made a major breakthrough in electric furnace square base technology and successfully melted high-alloy super-low-carbon superior 13 Cr steel.
May	Baosteel produced stainless steel for use in LB automobile interior which imposes highest requirements on surface quality and successfully realized supply in batches, thus changing the situation that such products relied on imports for a long period.	<b>July</b>	
May	The 1750 cold tandem rolling mill of the stainless steel division realized batched production of 409L stainless steel used in automobile exhaust system, making Baosteel the first iron and steel enterprise in the country that masters the core technology of five racks continuously rolling stainless steel products.	6	The Baosteel 2009 CSR Report Releasing & Launching Ceremony of Baosteel World Expo Visit Activity was held in the theme pavilion in Expo sites in Shanghai.
May	The steckel mill of the special steel division successfully rolled the first stainless steel coil.	8	Baosteel ranked 276th in the 2010 Global 500 with the business income of RMB 195.3 billion (US\$ 28.591 billion) in 2009. It's the 7th straight year for Baosteel to be involved in the list.
May	Baosteel's high-grade non-oriented silicon steel B50A250 and B50A270 products were examined and approved by experts of the inspection team for major equipment manufacturing in the Three Gorges Project under the Office of the Three Gorges Project Construction of the State Council.	July	The general gymnasium project of Guangzhou Asian Games City was completed. Baosteel's stainless steel products replaced imported products to be used in the super-large venue decoration project on a large scale for the first time, saving over RMB 200 million for the project.
		July	Wuhan Baosteel Can Making Co., Ltd. laid a foundation in the Baosteel Industrial Park in Wuhan Economic Development Region, signifying that Baosteel's metal can making industry realized a strategic layout in the east, west, south, north and central China.
		July	The electric furnace square base of the steel pipe division successfully melted 86 high-grade cord thread steel, making Baosteel the first enterprise in the country that possesses the capacity of producing a whole series of core thread steel.
		July	At the awarding of central enterprises with excellent performances during 2007 and 2009 by the State-owned Assets Supervision and Administration Commission under the State Council, Baosteel won the honor of "Enterprises with Excellent Performances".
<b>June</b>		<b>August</b>	
3-4	Baosteel held the fellowship activity of strategic partners enjoying the World Expo in which it invited more than 100 distinguished guests from 26 companies around the globe to enjoy the World Expo.	3	Zhang Chunxian, Secretary of the Party Committee of the Xinjiang Uygur Autonomous Region met in Urumchi Xu Lejiang, Chairman of Baosteel and his followers who were paying an inspection in Xinjiang. Baosteel signed a <i>Framework Agreement of Strategic Cooperation in Accelerating Development of the Iron and Steel Industry in Xinjiang</i> with the People's Government of the Xinjiang Uygur Autonomous Region.
8	Xu Lejiang, Chairman of Baosteel attended the 2nd Global Green Economy Summit held in Shanghai and delivered a speech in which he proposed to "stick to environment operation, realize green development".	26	Baosteel won the bidding of Shanghai Center Tower steel structure project and the contract signing ceremony was held in Jin Mao Tower.
10-11	Baosteel invited over one hundred guests from 41 famous domestic companies to gather in Shanghai for the fellowship activity of strategic partners enjoying the World Expo.	31	Baosteel entered into an <i>Agreement of Cooperation in Development-oriented Finance</i> with the China Development Bank in Beijing with the cooperation amount reaching US\$ 10 billion or equivalent RMB.
18	The 2010 China Stainless Steel Annual Meeting was held in Baosteel and Xu Kuangdi, former vice president of the CPPCC National Committee attended the meeting.	August	Baosteel was determined by the State Intellectual Property Bureau as the second national demonstration-establishing units of intellectual property rights for enterprises and public institutions with the demonstration-establishing period of two years.
18	Hong Kong Haibao Shipping Co., Ltd., which was jointly funded and established by Baosteel and China Shipping, held a naming handover ceremony at the wharf of CSSC Guangzhou Longxue Shipbuilding Co., Ltd. for "Renda" Ship, the first 230,000 deadweight tonnage ore carrier. On July 16, the ship was moored alongside the raw material wharf of Baosteel Co., Ltd., signifying a successful first voyage.	August	The super-thick and super-heavy stainless steel plates independently developed and produced by Baosteel were successfully applied in key equipment in domestic nuclear power projects.
23-24	The 2010 Scientific and Technological Work Conference of Central Enterprises was held in Shanghai, which was sponsored by the State-owned Assets Supervision and Administration Commission under the State Council and undertaken by Baosteel.	August	Baosteel Group Technician Association was established based on the former Baosteel Technician Association.
25	Baosteel staged the <i>Guidelines of the 2010-2015 Development Plan</i> which specifies that the company will, by keeping a firm grasp on environment operation and taking capacity development as the core, form a capacity of more than 66 million tons and achieve sales revenue of RMB 440 billion by 2015.		

## September

- 14 The awarding ceremony for the 4th "Management Behavior Award" of the 2010 Harvard Business Review was held in Beijing. Five famous domestic enterprises including Baosteel won the golden prize.
- 15 At the 25th anniversary of initial operation, Baosteel solemnly held the "85 • 9" commemoration conference & the closing ceremony of the 8th Employees' Sports Games (opened on June 17).
- 20 Baosteel Co., Ltd. signed a *Framework Agreement of Strategic Cooperation in Lightweight Automobiles* with Shanghai Automotive, which had a demonstrating effect on promoting development of lightweight technology in automobiles and deepening cooperation in industrial chains.
- 27 Baosteel signed an *Agreement of Strategic Cooperation in Banking Enterprises* and an *Agreement of Cooperation in Cash Management* with the Bank of China in Baosteel Tower. The Bank of China will provide Baosteel with an intentional credit line of RMB 80 billion.
- 28 In the eve before the advent of "China Pavilion" in the 2010 World Expo, Baosteel presented a limited-edition China Pavilion model made of environment-friendly materials to Shanghai World Expo Bureau as a gift.
- September Baosteel supported the post-earthquake reconstruction in the disaster-stricken areas. It donated RMB 3 million to Zhouqu, Gansu at the launching ceremony of Gansu weekly activities in the World Expo.
- September Transformers adopting Baosteel's high-grade oriented silicon steel was to be applied in the Three Gorges Project after strict test of technical performances, signifying that Baosteel made a major breakthrough in innovating on the integration of silicon steel technology and ending the history that domestic large-scale transformers relied on imported oriented silicon steel.
- September Baosteel ranked 23rd among the 2010 Top 500 Chinese Enterprises with business income of RMB 195.307 billion in 2009.
- September Shanghai European and American Alumni • Shanghai Association of Personnel Studying Abroad Baosteel Branch was announced established.

## October

- 23 On the Baosteel Activity Day in the 2010 Shanghai World Expo, Baosteel presented excellent programs themed as "Better Iron & Steel, Better Life" at the Baosteel stage in the Expo sites.
- 25 Baosteel and China State Construction Engineering Corporation held the signing ceremony for the agreement of strategic cooperation. According to the agreement, both sides will establish a close partnership in such fields as R&D, purchase and sales, investment and management.
- October The BT-S13Cr110 (super 13Cr oil pipe) jointly developed by Baosteel, Tarim oil field and Xi'an Pipe Materials Institute was proved successful as it descended the Tarim oil field at one-off.
- October Baosteel's nine energy-saving projects saved energy by nearly 100,000 tons of coal equivalent each year, making it win a Shanghai financial award of RMB 14 million. It is the largest award amount since Shanghai established the special funds for supporting energy-saving.
- October Baosteel produced a batch of 100mm-thick and low-yield-point BLY225 steel plates for use in anti-seismic buildings. It is the thickest steel plate among products of the same kind in the world.
- October The reclaimed oil (phase I) project with an annual reclaiming capacity of 7,000 tons was completed and put in operation in Baosteel, signifying that the technology of reclaiming and reutilizing industrial waste oil with proprietary intellectual property was industrialized and making it possible for Baosteel to dispose all industrial waste oil produced in Shanghai in an environment-friendly manner.

## November

- 8 The 3rd session of the Congress of Baosteel Group was held in the hall of the Human Development Institute. The session called for great efforts to realize Baosteel's goals of the 2010-2015 Development Plan and promote Baosteel's second undertaking and scientific development.
- 10 Chen Jinhua, former vice president of the CPPCC National Committee paid an inspection to Baosteel.
- 13 The high-magnetic oriented silicon steel exhibit of Baosteel Co., Ltd. won the silver prize at the awarding ceremony of the 2010 China Industrial Expo.
- 16 The 4th Baosteel Annual Academic Meeting was grandly opened.
- November The CSR Research Center of the Economics Department of the Chinese Academy of Social Sciences published the *2010 CSR Blue Book*. Baosteel's CSR development index in 2010 ranked 5th.
- November The "seam steel plate shear wall (SPSW) technology" developed by Baosteel Construction Engineering Design Institute was listed as key promoted technology at the 9th China International Exhibition of Housing Industry (CIEHI).
- November The 690U-model finished pipe product self-developed by Baosteel for use in nuclear power steam generators was successfully put down line in Baoyin Special Steel Tube Co., Ltd., making China the fourth country that can manufacture such products following France, Japan and Sweden.
- November Baosteel realized mass production of self-developed two-phase stainless steel for the first time.
- November Xu Lejiang, Chairman of Baosteel attended the 2010 Sino-European Forum Hamburg Summit held in Hamburg, Germany and delivered a speech themed as "Green Growth: Seeking Balance between Economy and Environment".
- November Baosteel Post-doctoral Research Station was rated as the "National Excellent Post-doctoral Research Station".
- November Baosteel DI materials used to make zip-top cans were reduced to 0.22 mm thick, making the thickness specification reach the world leading level.

## December

- 2 Baosteel's 4th Employee Skill Contest that spanned half a year and witnessed 35,000 participants was concluded.
- 3 On December 3, 18 enterprises including Baosteel Group Corporation were selected as the "2010 Model with Best Value Management" at the 10th China Annual Management Conference jointly held by many mainstream media such as *Talents* magazine, Sina and *Beijing Youth Daily* in Beijing.
- 3 The awarding ceremony of the 7th "China Best Corporate Citizen" sponsored by the *21st Century Business Review* and *21st Century Business Herald* was held in Beijing. 30 domestic enterprises including Baosteel won the "China Best Corporate Citizen Award".
- 8 Baosteel was included in the "China Brands of the Year" at the awarding ceremony of "2010 • CCTV China Brands of the Year" sponsored by prestigious domestic media including CCTV China Network Television.
- 9 Baosteel signed an agreement with Fujian Wugang Group in Beijing to restructure Fujian Desheng Nickel Co., Ltd. It is another cross-regional restructuring measure of Baosteel after Xinjiang Bayi Iron & Steel, Guangdong Iron & Steel and Ningbo Iron & Steel.
- 21 Baosteel Resources (International) Co., Ltd. was unveiled in Hong Kong.
- December At the 3rd China CSR International Seminar, Baosteel's *2009 Corporate Social Responsibility Report* won the award of "2010 Golden Bee Best CSR Report • Leading Enterprise".
- December At the Summit on China ICT Industry Promoting Low-Carbon Economy Development, Baosteel Group Corporation won the title of "Excellent Enterprise of ICT Promoting Energy-saving and Emission Reduction".
- December The 2010 Baosteel Education Award was unveiled and 1,195 excellent teachers and students all over the country won the award.



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## Feedback Form

Thank you for reading this *Baosteel CSR Report 2010*. 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:

Title:

E-mail:

Tel.:



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