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CSR 2011

Baosteel Group Report

2011 Baosteel CSR Report



Baosteel Group Corporation

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Overview

About This Report

This is the fourth corporate social responsibility report published by Baosteel Group Corporation (hereinafter referred to as Baosteel or the Corporation).

The report has been compiled in accordance with the Guidelines for Social Responsibility Performance by Central Enterprises (Document No. 2008-01) and Outline for Implementation of Harmonious Development Strategy in the 12th Five-Year-Plan Period issued by the State-Owned Assets Supervision and Administration Commission of the State Council, the Sustainability Reporting Guidelines (G3 version) of the Global Reporting Initiative (GRI), the 10 principles of the United Nations Global Compact, the Guidelines of the Chinese Academy of Social Sciences for the Compilation of Social Responsibility Reports by Chinese Enterprises, and Baosteel's practical conditions.

Coverage

Unless otherwise specified, this Report mainly describes Baosteel's corporate governance, value creation, environment management, employees, community and supply chain from January 1 to December 31, 2011. This Report covers the business segments of iron and steel, secondary steel processing, resource development and logistics, engineering technology services, production services, coal chemical industry, and financial investment.

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 contact us at:

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Address By chairman



The year 2011 marks the beginning of the 12th Five-year Plan period as well as the start of Baosteel's new-round plan. In the context of profound changes in economic situations at home and abroad, the world steel industry has entered the era of meager profit where enterprises gain low profit at high cost. In face of volatile economic circumstances and increasingly intense market competition, all staff of Baosteel presses ahead with joint efforts and support of all stakeholders, achieving the goal to maintain the Corporation's leading position in the industry, with the annual total revenue amounting to RMB316.2 billion and the profit totaling RMB18.2 billion. Baosteel has been listed among the Fortune Global 500 for eight consecutive years, ranked 212th in 2010. Recognized and was as one of the world's most admired companies. Moreover Baosteel won the second Chinese Industry Award and the sixth China Charity Award.

With a year's painstaking efforts, we have made the aforesaid achievements, and have gained a deeper understanding of fulfilling our social responsibility towards the future. In the new era of meager profit, Baosteel puts forward the corporate vision "to become the leader of steel technology, the driver of green industry, the corporate model for common development of employees and enterprises", which embodies our thoughts and reflections on our value and responsibility and encourages us to fulfill our responsibilities in day-to-day operation. In 2011, with regard to strategic deployment, Baosteel continued to implement the national industrial development program, steadily pushed forward strategic adjustment and gained initial success in this regard; in order to maintain its edge in technologies, Baosteel established a national key laboratory on auto-use steel development and application, set up the Baosteel-Australia Joint R&D Center, and successfully put high-induction oriented silicon steel into use in major national projects. As for production and operation, Baosteel improved the asset performance and was committed to building an operation mechanism catering to customers. In respect of environment management, Baosteel

Green Declaration and Product Environment Declaration has been issued, aiming to promote energy conservation and emission reduction. As for human resources development, we adhered to the people-centered principle to help employees realize their ambition in the development of the Corporation, and formulated the medium- and long-term team building plans. In terms of management reform, we have practiced the tenure system for operators of the Corporation on a trial basis, in order to fully stimulate the motive and vitality.

Towards 2012, the era of meager profit for the iron and steel industry is likely to carry on and the global economic downturn will continue to exert noticeable influence upon China's export-oriented iron & steel industry, as well as its downstream industries such as shipbuilding, home appliances manufacturing and machinery. As the economic growth pattern of the world changes, developed countries are reaching down while emerging economies are striving to catch up, and the manufacturing industry of China will face pressure coming from both sides. Meanwhile, with a slowdown of the demand growth, homogenous competition among iron and steel enterprises will be increasingly intense. Despite all the above, we'll keep to our belief that the ultimate value of an enterprise lies in its contributions to people's well-being and the fulfillment of its social responsibility. By firmly seizing the opportunity of industrial transformation and upgrading of national economy in the 12th Five-year Plan period and the opportunity of restructuring of the iron and steel industry, Baosteel will give full play to its advantages accumulated over the past 30-plus years in technology, management, service and brand building, unswervingly implement the strategy of quality product plus scale economy, pursue scientific development and seek to become the best and the most competitive, so as to better undertake our social responsibility. Those bound to go far never rush, but keep a rapid speed. On the long path of creating value and undertaking responsibility, our pursuit knows no ends and our steps are as firm as ever.

Chairman

Address By president



When writing up a message for the CSR report for the third time, I find that I have more to share rather than less. In 2009, I expressed my understanding of Baosteel's social responsibility, i.e., value creation, integrity in operation and environment improvement are the three pillars, while the staff, community and supply chain are the top priorities. In 2010, I shared my idea on the sustainable development of the iron and steel industry, and put forward that Baosteel should take an environment-friendly way. In this year's message, I would like to discuss with you Baosteel's future, in other words, what will become of Baosteel?

In the new-round development plan, Baosteel provides clear-cut answers to this question. We are to become the leader of steel technology, the driver of green industry, the corporate model for common development of employees and enterprises. But we still have a long way to go to materialize this vision. As is known to all, the iron and steel industry today is faced with grave challenges. Baosteel presses ahead towards its dream in spite of all the difficulties. In this process I think environment-friendly operation is our responsibility and will be our new competitive edge, while employees are the strength we should rely on most.

Environment management is a significant part of Baosteel's new-round strategy, covering all sectors of procurement, production, marketing, research and development. It serves as a guide in enhancing Baosteel's competitiveness and improving our routine work as well. In 2011, the idea of environment management has been gradually translated into action plans in all parts of our operation. In energy conservation and emission reduction, we have done better than planned in terms of such indicators as the overall energy consumption per ton steel and overall energy consumption per RMB10,000 output value, and the energy conservation rate is 30% higher than the target. SO₂ and COD (Chemical Oxygen Demand) emission were respectively 20% and 31% lower than planned. In support of environment management, a life cycle assessment system has been preliminarily formed for key products, enabling us to conduct quantitative assessment upon LCA environmental performance. Moreover, we have issued Baosteel Green Declaration, pledging to work with our partners up and down the supply chain to pursue sustainable development. This declaration is not only a solemn promise of Baosteel to pursue environment-friendly development, but also a manifesto of Baosteel's sincerity and friendliness. In research and development of green products, we are to create another miracle. Baosteel is the first to have realized industrial production of QP steel, the third generation of high strength steel, and have a stable capacity for 24 types of ultra high strength steel in nine categories. With the high strength steel by Baosteel applied in the automobile industry, 21.86 million tons of CO₂ can be reduced each year, which means Baosteel's contribution to emission reduction are as great as a Shennongjia prime forest. In addition, Baosteel subsidiaries also tapped into various new areas of the green industry. Baosteel Development Co., Ltd completed the industrialization of the recycling of super-fine slag

and magnetic material to further utilize wastes, bringing both social and economic benefits. With its technological strength, Baosteel Engineering Technology Group actively tapped into the energy conservation and environment protection field. Its low-carbon intelligent industrial furnace technology and innovative green operation reduces the energy consumption per ton steel by more than 10%. On July 18, 2011, at the release ceremony of 2010 Baosteel CSR Report, Baosteel Building System Integration Co. Ltd. was officially established, marking Baosteel's entry into the civilian housing steel structure market and another attempt in the green industry. The systematic environment management is a sacred mission challenging our sense of responsibility and creativity. In the future, we'll carry forward the mission by centering on green production, green products and green industry.

As for our employees, I once said that to fulfill its social responsibility, Baosteel must first and foremost take good care of its over 100,000 employees which account for one 10,000th of China's total population of more than 1 billion. We should be responsible by creating favorable working environment and providing conditions and opportunities for their career development. Employees are of great importance to a company, because they represent the most creative production factor. Baosteel owes its leading position in the world iron and steel industry to its employees' contributions. Based on such a concept, the vision of common development of employees and enterprises has been materialized and practiced. In 2011, we formulated a medium- and long-term talent development strategy, and was committed to building a mechanism featuring sufficient incentive, fair distribution and sustainable development, improving the performance-oriented, coordination-encouraging, fair and just assessment and regulation mechanism, constantly pushing forward the key talent projects like the Golden Apple Program and the Green Apple Program, building an assessment-driven mechanism involving survey of employees' devotion to their work and report on their career development as final tests, and constantly enhancing employees' quality and optimizing the staff structure. Attaching importance to communication between the Corporation and the employees and the satisfaction of employees' material and spiritual needs, Baosteel has taken substantial steps in implementing work in the employees' vital interests such as Baosteel Housing Subsidy Plan for Young Employees. All these measures have created a favorable atmosphere for integrating the interests of the employees and the enterprise and highlighted Baosteel's humanistic consideration in fulfilling its social responsibility.

Philosopher Immanuel Kant once said "two things awe me most, the starry sky above me and the moral law within me". As for an enterprise, it is our highest moral law to sincerely fulfill our social responsibility. Baosteel is devoted to developing a commercial environment that help "create shared value", working closely with all stakeholders, and growing into a "company of endearment" with "the most complete sincerity".

President and Director of Social Responsibility Committee

Company Profile

Brief Introduction

Baosteel Group Corporation (hereinafter referred to as Baosteel) is a typical enterprise founded and developed amid China's reform and opening-up. Its construction commenced by the side of the Yangtze River, in Baoshan District, Shanghai on December 23, 1978, only one day after the closing of the Third Plenary Session of the Eleventh CPC Central Committee. After over 30 years of development, Baosteel has become China's most competitive iron and steel enterprise with the highest level of modernization. Baosteel made its way into the Fortune Global 500 for the eighth consecutive time and ranked 212th in 2011. Moreover, it was rated as the "World's Most Admired Company". According to Standard & Poor's, Moody's and Fitch, Baosteel enjoys the highest credit ratings among iron and steel enterprises all over the world. At the end of 2011, Baosteel has a total of 116,702 employees scattered around the world.

With its primary operation in iron and steel, Baosteel produces quality steel with high technological content and high value added, offering three major series of products, i.e., carbon steel, stainless steel and special steel. The output in 2011 registered 44.27 million tons and the total profit amounted to RMB18.15 billion, respectively ranking fourth and second among iron and steel enterprises around the world. These quality steel products not only satisfy domestic demand, but also get exported via our worldwide marketing network to more than forty countries and regions including Japan, South Korea, Europe and America, to be widely used in industries such as automobile, home appliances, petrochemical, machinery, energy, transportation, metalwork, aviation, nuclear power, electronic instruments, etc.

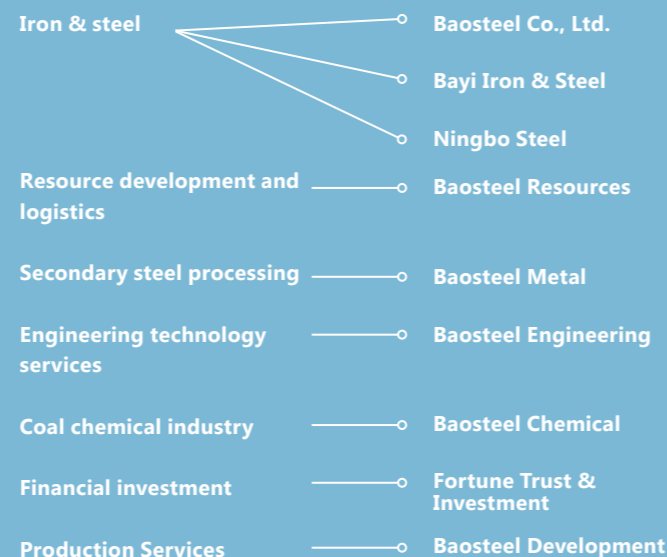
Centering on the requirements of the its primary operation in iron and steel, Baosteel endeavors to develop multiple industries with focus laid on the steel supply chain, technical chain and resource chain to strengthen the integration of external resources and uplift its overall competitiveness and status in the industry. Baosteel holds six business segments, namely resource development and logistics, secondary steel processing, engineering and technology services, coal chemical, financial investment and production services, forming a structure in which all business segments develop in good coordination.

Baosteel identifies itself as the "creator of shared value". Observing the moral law of sincerity, it serves the society wholeheartedly, carries out its business honestly, and complies with social norms strictly. In pursuit of an atmosphere of friendship, Baosteel aims at shared development together with its partners, sticks to the principle of being people-oriented, and commits itself to creating value for all of its stakeholders and for the society and the mother nature at large. Taking creativity as the basis for survival, development and breakthrough, Baosteel frees itself from conventions to embrace innovation, strides onto the international stage with unique business wisdom and innovative ideas, and leads forward technological progress and reform of the operation model.

Looking into the future, Baosteel will uplift its capabilities in cutting-edge technologies, satisfying services, information-based operations, environment management, and combination of production and finance, to grow from a national enterprise to a global one, extend its business to cover more materials in addition to iron and steel, and transform from a manufacturer to a service provider. By this means, we seek to realize the vision of becoming a leader of iron & steel technology, a driver of the green industry and a corporate model for common development of employees and the enterprise.



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Resource Development and Logistics

In the new-round development of Baosteel, Baosteel Resources Co., Ltd. (hereinafter referred to as Baosteel Resources) sets its strategic target to become the most competitive comprehensive mineral resources service provider and one of the top three enterprises of the industry in China. Its target products include iron ore, coal, iron alloy (nickel, chrome and manganese alloy), secondary metal resources and logistics resources such as coastal and ocean transportation.

Revenues: RMB 41.34 billion Total profits: RMB 1.84 billion Number of employees: 725

Secondary Steel Processing

In the new-round development of Baosteel, Baosteel Metal Co., Ltd (hereinafter referred to as Baosteel Metal) intends to become a leading enterprise in domestic steel processing industry and the industrial gas field, and grow into a popular industrial operation platform featuring mass production and lean management; its industrial focus is on metal wrapping, industrial gas and wire products.

Revenues: RMB 13.00 billion Total profits: RMB 343 million Number of employees: 1,992

Baosteel Co. Ltd.

Baoshan Iron & Steel Co., Ltd. (hereinafter referred to as Baosteel Co., Ltd) sets forth its strategic target to become the most competitive iron and steel company in the world. It specializes in producing steel products with high technological content and high value added. Besides serving as the major steel provider in the domestic market, Baosteel Co., Ltd. exports its products to more than forty countries and regions including Japan, South Korea, Europe and America.

Revenues: RMB 222.86 billion Total profits: RMB 9.26 billion Number of employees: 52,461



Engineering Technology Services

Baosteel Engineering & Technology Group Co., Ltd. (hereinafter referred to as Baosteel Engineering) set its strategic target to be an international engineering technology service provider oriented towards large-scale industrial and urban construction. It encompasses the traditional industries of engineering technology, IT, equipment manufacturing, steel structure and iron and steel technology services along with the emerging industries of energy conservation and environmental protection, housing steel structure and roll.

Revenues: RMB 14.04 billion Total profits: RMB 706 million Number of employees: 11,873

Bayi Iron & Steel Plant

Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. (hereinafter referred to as Bayi Iron & Steel Plant) sets its strategic target to become the most competitive steel company in west China and Middle Asia. It mainly provides plain carbon steel products represented by long steel product, ordinary hot-rolled strip, cold-rolled strip and medium plate, as well as seamless steel tube. Its main target market is Xinjiang and its 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.

Revenues: RMB 31.20 billion Total Profits: RMB 1.70 billion Number of Employees: 22,612

Coal Chemical Industry

In the new-round development of Baosteel, Shanghai Baosteel Chemical Company Ltd. (hereinafter referred to as Baosteel Chemical) sets its strategic goal as to become the most competitive solution provider in the recycling of coking by-products. Its production focuses on coking by-products.

Revenues: RMB 10.87 billion Total Profits: RMB 801 million Number of employees: 1,380

Financial Investment

In the new-round development of Baosteel, Fortune Trust & Investment Co., Ltd. set its strategic goal as build itself into a first-class financial solution provider with unique features. Its business covers securities, trust and fund.

Revenues: RMB 1.33 billion Total profits: RMB 527 million Number of employees: 216

Ningbo Steel

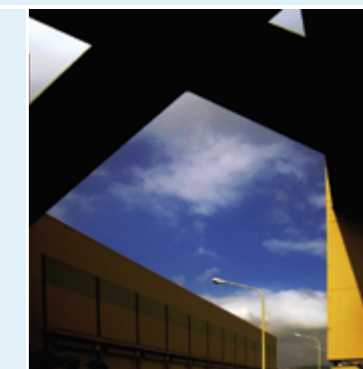
Ningbo Iron & Steel Co., Ltd. (hereinafter referred to as Ningbo Steel) sets its strategic target to become a steel company with the competitive advantage of low cost and a model company to show Baosteel's integration capability. It mainly produces carbon steel products represented by ordinary hot-rolled strip. Its main target market is Zhejiang province and its surrounding areas boasting logistic advantages. It intends to give full play to the synergetic effect of the Group to achieve low costs and high efficiency.

Revenues: RMB 21.00 billion Total Profits: RMB 75 million Number of Employees: 2,986

Production Services

In the new-round development of Baosteel, Baosteel Development Co., Ltd. (hereinafter referred to as Baosteel Development) sets its strategic goal as to create an integrated production service management platform, strengthen the industry of comprehensive secondary resource use, expand the business of steel logistics, and reinforce real estate management with a view to building itself into a first-class company in the industry, which boasts strong competitiveness, sound sense of responsibility, unique core competence, and innovative business models. Its main businesses include comprehensive recycling and reuse of waste metals of metallurgy, steel logistics, real estate management, and integrated production services.

Revenues: RMB 17.15 billion Total profits: RMB 1.19 billion Number of employees: 21,041



Corporate Leadership

Board of Directors



Xu Lejiang / Chairman



Liu Guosheng / Vice Chairman



He Wenbo / Director



Victor K. Fung / Outside Director



Stephen Lee / Outside Director



Wu Yaowen / Outside Director



Xia Dawei / Outside Director



Gan Yong / Outside Director



Jing Tianliang / Outside Director



Zhu Yiming / Employee Director

Note: On September 5, 2011, Mr. Zhu Yiming was elected as employee director and Mr. Wang Jinde ceased to be the employee director.

Senior Managers



Xu Lejiang
Chairman / Member of CPC
Standing Committee



Liu Guosheng
Vice-Chairman / Secretary of CPC
Committee



He Wenbo
Director / President / Member of
CPC Standing Committee



Zhao Kun
Vice President / Member of CPC
Standing Committee



Ma Guoqiang
Member of CPC Standing
Committee



Liu Zhanying
Secretary of CPC Discipline
Committee / Member of CPC
Standing Committee



Fu Zhongzhe
Deputy Secretary of CPC
Committee



Dai Zhihao
Vice President



Zhao Xia
Vice President



Zhou Zhuping
Vice President



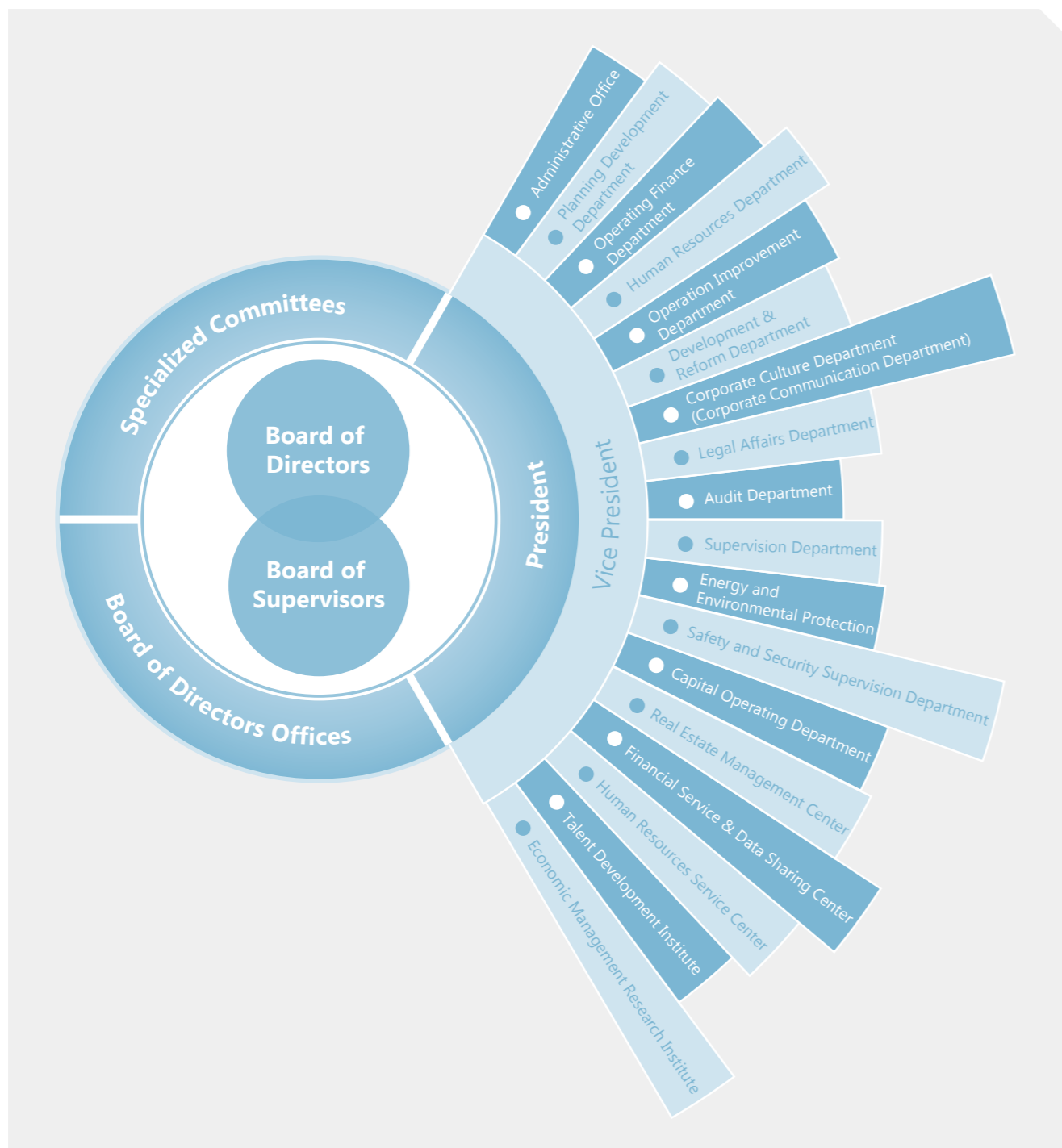
Zhao Zhouli
Vice President



Wang Li
Secretary of the Board of Directors / Assistant to the President




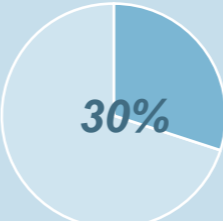


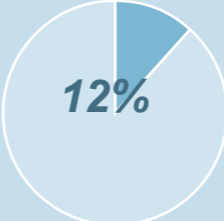






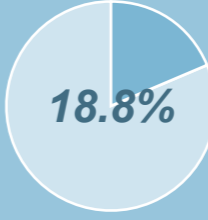
Note: In March 2011, Mr. Fu Zhongzhe became Deputy Secretary of Baosteel CPC Committee, and Mr. Ouyang Yingpeng ceased to be the same.

Organization Structure



The strategic plan for the period from 2010 to 2015 states that by 2012, Baosteel is set to realize a revenue of RMB310 billion through business expansion. Meanwhile, in response to external changes, the Corporation has worked out the strategy of three transformations, i.e. to transform from an iron and steel enterprise to a material enterprise, from a manufacturer to a service provider and from a domestic company to a global one. It is made clear that the ratio between the primary operation in iron & steel and other operation should be 7:3, manufacturing and service 2:1, and business home and abroad 8:2. Against such targets, Baosteel's achievements in 2010 and 2011 are as follows: The revenue in 2010 registered RMB273 billion, and in 2011 RMB316.2 billion, exceeding the growth target; the revenue generated from diverse industries other than iron and steel accounts for 28% of the total in 2010, 28.7% in 2011; overseas operation revenue accounted for 11% of the total in 2010, and 12% in 2011; services revenue made up 27% of the total in 2010, and 26% in 2011.

Key Performance Indicators in 2011

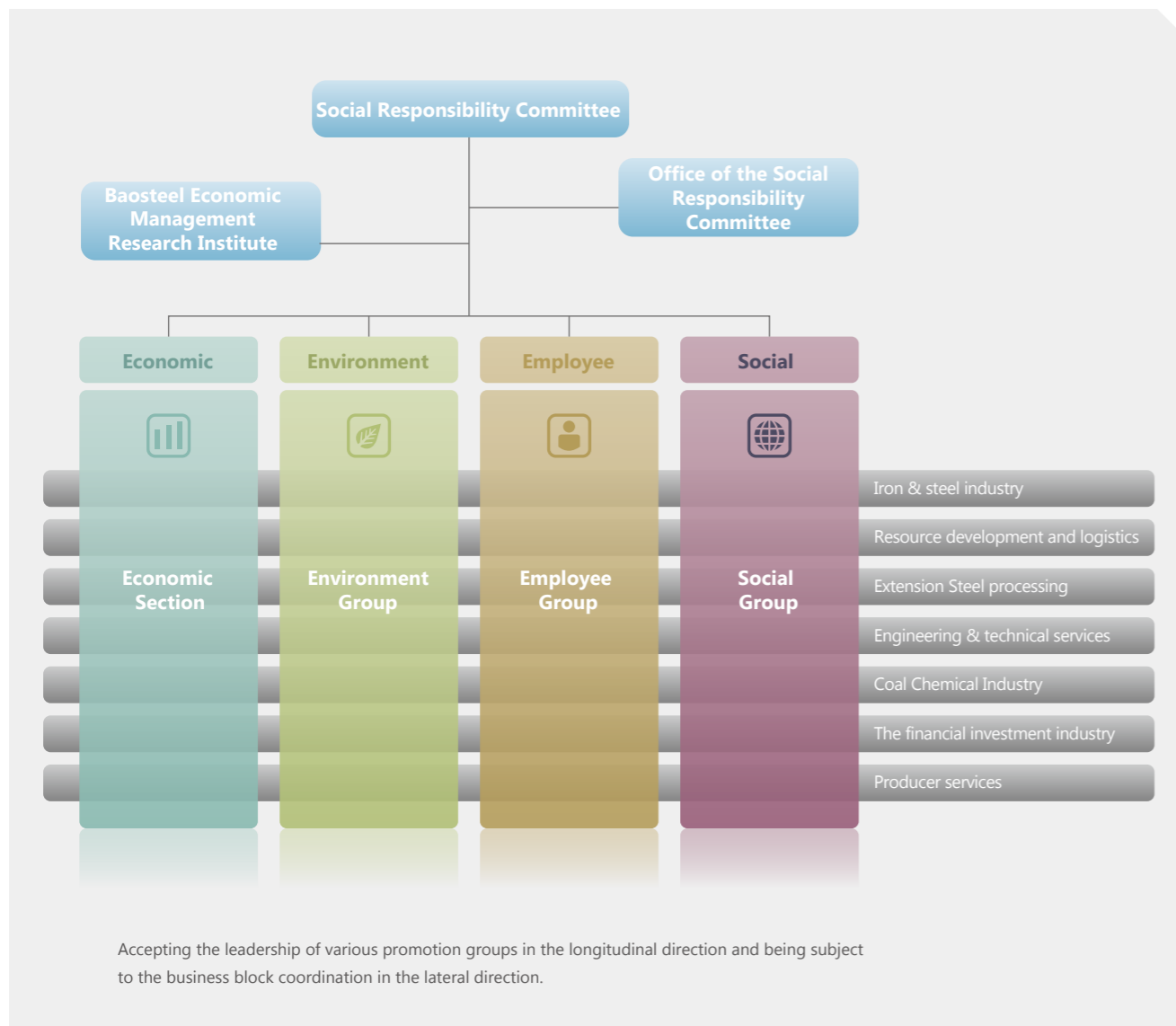
							 <p>We drive the development of the green industry</p>
 <p>We are the leader in the Chinese iron and steel industry</p> <p>The output of crude steel was 44.27 million tons, ranking 4th in the world</p> <p>The total profit was RMB18.15 billion, accounting for 21% of the entire Chinese iron & steel industry</p> <p>Baosteel was rated as the “Most Admired Enterprise in the World”</p> <p>According to Standard & Poor's, Moody's and Fitch, Baosteel's credit rating was A, A3 and A- respectively, with a stable prospect. It is evident that Baosteel enjoyed the highest credit rating in the global iron and steel industry.</p>					<p>• We guided the suppliers to build the green production system and encouraged them to get ISO14001 certificates.</p> <p>Certification rate of suppliers</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>30%</p> <p>Baosteel Co., Ltd. materials & spare parts</p> </div> <div style="text-align: center;">  <p>10%</p> <p>Baosteel Co., Ltd. Raw Materials Procurement Center</p> </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;">  <p>10%</p> <p>Bayi Iron & Steel</p> </div> <div style="text-align: center;">  <p>12%</p> <p>Baosteel Chemical (Direct Supplier)</p> </div> </div>	<p>• We cherish the valuable water resources on the earth and make continuous efforts to reduce water consumption in our production process.</p> <p>New water consumption per ton steel in 2011 against that in 2009</p> <div style="display: flex; justify-content: space-around; margin-top: 20px;"> <div style="text-align: center;">  <p>Baosteel Co., Ltd. down by 1.62%</p> </div> <div style="text-align: center;">  <p>Bayi Iron & Steel down by 31.05%</p> </div> </div> <div style="margin-top: 20px; text-align: center;">  <p>Ningbo Steel up by 2.97%</p> </div> <p style="font-size: small; margin-top: 10px;">Note: Ningbo Steel is among the best companies at home in terms of new water consumption per ton steel. Since it is transiting from a producer of low-end products to a manufacturer of middle- and high-end products with high value added, further processing of products involves a slight increase of water consumption with the product line extended.</p>	
		 <p>We create an innovative stage for our employees</p> <p>Investment in R & D: RMB6.35 billion</p> <p>Up to 2,287 patent applications (accepted), 6.27 patents per day on average</p> <p>We won the second China Industry Award</p>			<p>• We cooperate closely with the users to develop new products.</p> <p>Sales rate of new products</p>	 <p>18.8%</p>	

Social Responsibility Management

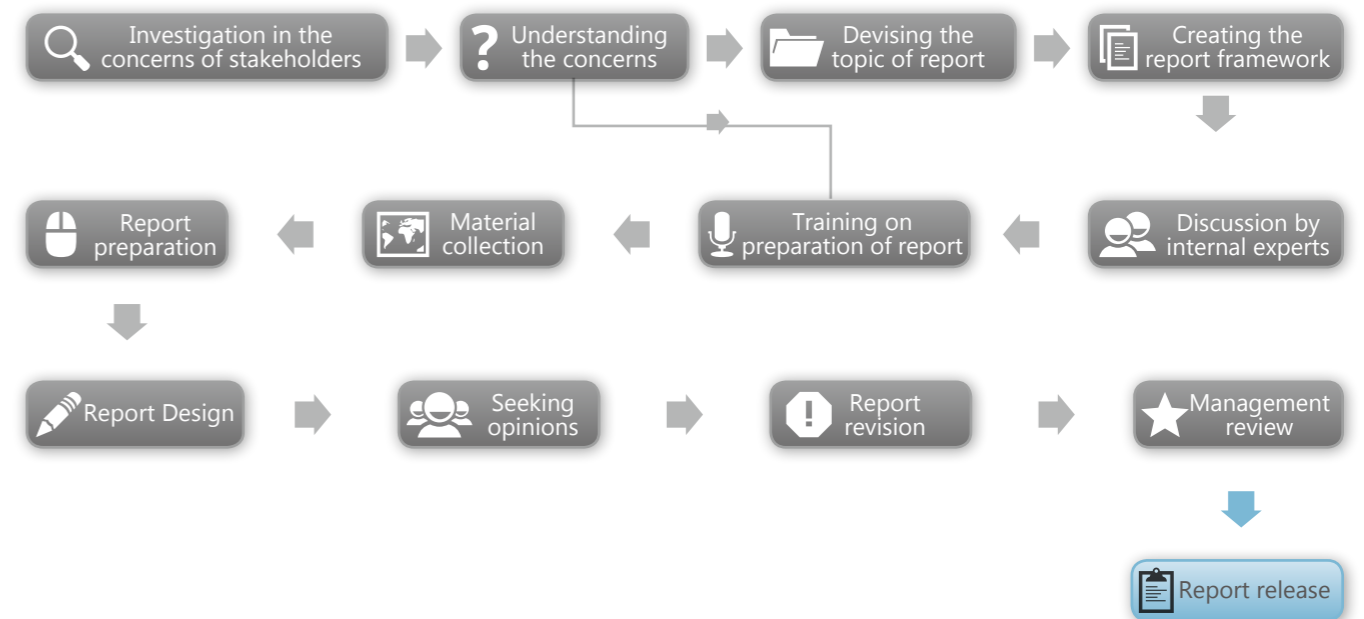
Responsibility Governance

While following the guiding philosophy of "incorporating the performance of social responsibility into daily corporate business activities" and building its social responsibility system in a systematic way, Baosteel focused on designing its sustainable development strategy. Meanwhile, it prepared reports to promote social responsibility management. It analyzed problems found in the process of report preparation, summarized experience and worked out solutions, so as to effectively improve the fulfillment of the Corporation's social responsibility by integrating positive development of the social responsibility system.

Organization Structure



Process of CSR Report Preparation



Responsibility Promotion

Fostering the Culture of Responsibility

In August 2011, Bayi Iron & Steel organized a special training session on Baosteel's corporate social responsibility (CSR), for company leaders and mid-level management staff. During the training session, Baosteel's social responsibility concept and day-to-day operation of its management departments, as well as the whole system were introduced, and Baosteel's efforts to fulfill its social responsibilities in previous years were presented to the management staff attending the session.

In December, 2011, Baosteel's CSR report preparation group held a training course where Yin Gefei, Deputy Director of WTO Guide, was invited to give instructions on ISO26000 and key points in preparing a quality CSR report. Experts from Baosteel also shared their experience in preparing the report and benchmarking with advanced companies in the world.



This research project helped Baosteel to identify stake holders' requirement in environment and community, so as to improve its capability of sustainable development.

CSR Research

In 2011, to get to know risks for the sustainable development of the environment and communities in Shanghai, answering the requirement of residents for environmental protection and improve its relationship with communities, Baosteel launched the Research on Risks for the Sustainable Development of a City-based Iron and Steel Enterprise and Countermeasures.

The project group has sent questionnaires to over 240 residents in 10km around the production base in Shanghai to know their feelings about the surround environment as well as their complaints and suggestions, analyzed major elements influencing their feelings about the environment and the relationship between the enterprise and communities, worked out major methods to improve such feelings and relationship.

Joining the United Nations Global Compact Network China

Baosteel has maintained close relationship with the United Nations Global Compact, since its participation in June 2004. The Corporation joined the CEO Water Mandate initiated by the organization in June 2009, attended the Global Compact Leaders Summit 2010 at the 10th anniversary of the organization, and joined the United Nations Global Compact Network China. Baosteel will keep supporting the Global Compact, fulfill its ten principles and continue to pursue sustainable development.

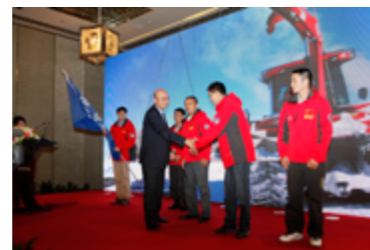
Communication Channels for Stakeholders

Stakeholder	Stakeholders' expectation	Major indicator	Baosteel's practices	Ways of interaction
Government, investors (SASAC)	Sticking to operation as per the law and honesty and integrity; continuously improving sustained profitability; maintaining and adding values of state-owned assets; promoting industrial development; improving product quality and service level earnestly; enhancing resource conservation and environmental protection; propelling independent innovation and technical advance; guaranteeing production safety, maintaining legitimate rights and interests of employees; participating in social public welfare, rewarding to the community.	Revenue, profit, tax, number of employees, value retention and appreciation of state-owned assets	Adhering to the people-oriented ideology and scientific development, being responsible for stakeholders and the environment when pursuing economic benefits to realize the coordination and unification of corporate development, society and the environment.	Laws and regulations; policies and directives; national and ministerial conferences and implementation of the spirits; issuance and implementation of documents; regular work report; daily work communication; report and statement; visits.
Strategic partners	Achieving win-win result with Baosteel through close strategic cooperation	Revenue, return on capital, market share, brand value	Expanding and furthering the cooperation in the process of Baosteel's merger and acquisition	Contract performance; mutual visit and meeting with senior executives; regular meetings.
Users	Providing quality products and services that are continuously improved	User satisfaction, honors granted by users	Carrying out user satisfaction surveys; conducting early intervention to meet users' needs.	Satisfaction investigation; user forum; mutual visit of senior executives; daily communication
Employees	Growth while the Corporation develops; improving benefits and fair promotion opportunities; good working environment	Employees' satisfaction; number and rate of resignation, person-times and cost of employee training	Career planning; training of various types and at various levels; Green Apple and Golden Apple talent training programs; briefing of situations and tasks; Baosteel Education Material of Situations and Tasks; Information on Baosteel Youth Demands and Focus; Submission of the Monthly Report of Bridge Forum; employees' symposium, and internal journals.	Labor contracts; reasonable proposals; collective negotiation; learning materials; meetings; employee forum; conference of employees' representatives.
Suppliers	Growth together with Baosteel, establishing long-term and stable cooperation relationships and gaining reasonable returns	Number of suppliers, responsible procurement policies	Implementing the sunshine procurement plan, building a long-term and stable supply chain, establishing an open and transparent procurement environment, and supporting the development of medium and small suppliers	Agreement and contracts, regular visits, conference, negotiation.
Community	Development together with the Baosteel; ensuring safe and healthy environment	Investment in community building	Volunteer service, residents meetings, showing residents around the factory, new countryside construction, poverty alleviation in Yunnan and providing aid to Tibet	Supporting community construction, as well as cultural, sports and artistic activities of the community, protecting community environment, and carrying out volunteer services
NGO	Playing an active role in promoting the fulfillment of social responsibilities by associations and organizations in special fields	Number of social organization participated in, annual fees, total donations	Actively participating in environmental protection, economic development, social progress and other activities involving social responsibility	Joining associations, hold positions, and pay the membership fee, provide sponsorship, actively participate in activities.
Media and the general public	Sticking to the road of sustainable development and becoming a role model in respect to fulfilling social responsibilities as a representative enterprise in China's iron and steel industry.	Quantity of news released, collection of public opinions and feedback	Trying hard to "become the leader of steel technologies, to become the driver of green industries and to become the corporate model for common development of employees and enterprise", and releasing information related to the performance of social responsibilities in a timely manner	News release; media briefing; information communication; contact by telephone, email, and fax; regular correspondence, receiving calls and visits; portal website.



Release of CSR Report

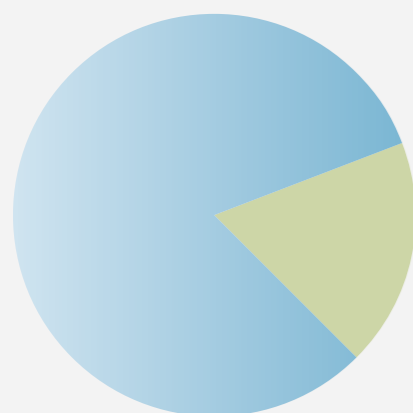
On July 18, 2011, Baosteel Group held in Pudong, Shanghai, the 2010 CSR report release ceremony and the inauguration ceremony of Baosteel Building System Integration Co., Ltd.. He Wenbo, President of Baosteel Group, Yao Bing, President of China Construction Metal Structure Association, Wu Zhe, director general of Research Bureau of SASAC of the State Council, Chen Ying, director of UN Global Compact Network China unveiled the plate of the new company and 150 representatives of users, suppliers, communities, employees and other stakeholders attended the ceremony.



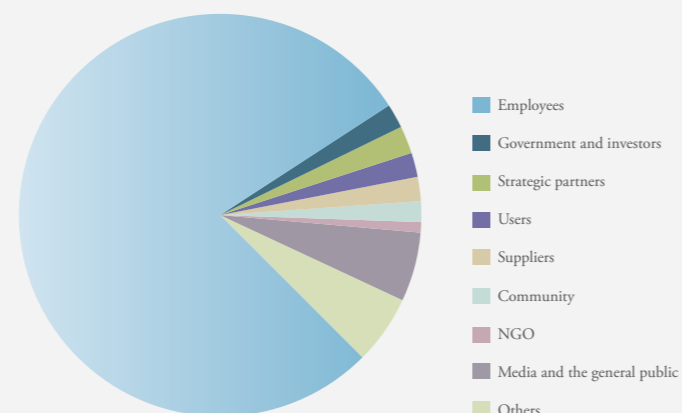
Opinion Solicitation for 2011 CSR Report

In order to help stakeholders to learn the corporate information, Baosteel conducted a survey regarding CSR concerns through its official website, questionnaires, phone calls and other ways before the preparation of this CSR Report. In the survey, 193 questionnaires (visits) were issued in total and all were collected back. 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 the Investigation



Stakeholders Visited



Concerns Identified in the Investigation

Concern	Number of People Concerned	Change over Same Period Last Year
Salaries and benefit	171	↑
New planning and its implementation	158	
Environmental protection strategy and measures	154	
Indicators of economic data like profit and sales amount	149	↓
Safety and protection of rights and interests	144	↑
Strategic partnership	143	
Recycling economy	137	↑
Technical innovation	131	↑
Charity	123	↑
Supplier management	123	↑
Employee recruitment and career development	120	
Environment-friendly products	113	
Customer services	112	↓
Anti-corruption	112	↓
Reduction of carbon emission	109	↓
Merger, acquisition and restructuring and eliminating backward production capacity	107	↓
Community relations	105	↑
Management reform and organization adjustment	104	
Communication between the corporation and stakeholders	101	↓
Indicators of environmental data	101	↓
CDM implementation	100	
Propulsion of key projects	97	↓
Baosteel scholarship	95	↑
Research on product life cycle	94	↓
Risk identification and management	88	
Composition of employees	79	↓
Volunteer activities	72	↓
Transparent governance	65	↓
Associations and other leisure activities	65	↓
Energy auditing	44	↓

HONEST BUSINESS

Baosteel operates in an honest way. Since Baoshan Iron & steel Co., Ltd. was listed, it has given a dividend of **RMB43.2** billion in total, and managed to maintain the ratio of annual cash dividend above **40%** of the net profit of the year.

Corporate Governance

Board of Directors

On September 5, 2011, the Baosteel Group Corporation convened the second session fifth joint workers congress, at which Mr. Zhu Yiming succeeded Mr. Wang Jinde as the employee director of the Corporation.

Members of Board of Directors assume the following positions in specialized committees:

	Director	Executive Committee	Nomination Committee	Compensation & Evaluation Committee	Audit Committee	Risk Management Committee
Chairman	Xu Lejiang					
Vice Chairman and Secretary of Party Standing Committee	Liu Guosheng					
Director and President	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					

Number of conferences convened by the Board of Directors, Executive Committee and special committees and number of matters reviewed:

	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
2011	10	63	0	0	10	18

Overall Risk Management

The Board of Directors approved six major risks and ten important risks of the top priority during the whole year in respect of such aspects as strategy, operation, finance, law and market, specifying the controlling goal and responsible unit. Under the joint efforts of the Board of Directors, the management and all employees, clear responsibility system has been established and detailed management and control plan has formulated, to promptly deal with various emergencies. As a result, the major and important risks have been under effective control.

In accordance with the principle of classification of strategy and investment, operation of the supply chain, internal pure risks and external pure risks, the Corporation has formulated well-targeted risk management and control measures, and established complete and all-around risk management system; besides, all departments have enhanced control over inventory risk and financial risk, effectively dealing with market changes.

Audit System

Baosteel has always upheld the principles of independence, objectivity and impartiality and attached equal importance to supervision and service in its internal audit so as to help create values, enhance operation 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. In 2011, Baosteel Group Corporation was honored by the National Audit Office as the National Model Collective of Internal Audit.

Constant Improvement of Audit System

By establishing the Information Source and Project Identification Mechanism, Baosteel audit system focus its efforts on control and management of strategic significance of the year; besides, it designed and formulated the Annual Audit Instructions stipulating clear principles for the audit items and the outline for improving the management of the audit system. The corporation-wide BAMS provides a uniform platform for the audit work. Baosteel independently developed the training course for practical audit work according to the system and the work flow. Three professional training programs totaling 40 class hours were organized in 2011 for 249 person-times, with all attendees passing the examination. On the basis of such experience and by considering characteristics of management at different levels, the corporation designed Database of Training Courses and Projects of Practical Audit for Managers, organized 12 training programs for almost 300 person-times.

Audit with Unique Baosteel Characteristics

Innovation in the Mode of Management Audit

In 2011, Baosteel summarized its experience and innovate the audit method while implementing audit projects, and established an innovative practical management audit system with the independently created BSSO method and "light-touch method" as the framework, the available "function method" and "six-step method" as the supplement and six mechanisms including the information source and project identification as the management support. Baosteel Management Audit Practice and Innovation Project mainly based on this system won the first prize of China Iron and Steel Association Modern Corporate Management Innovation in 2011.

"Project Cluster" as the Object of Audit

On the basis of the regular single-project audit and in accordance with the principle of "expanding the project coverage and focusing on investment control", Baosteel focused on targeted management and took "project cluster" as the object of the investment audit in 2011. It conducted design alteration and onsite certificate audit for eight projects in total, including 623 certificates and alteration documents, detected 72 problems such as poor implementation of the management system, substandard serial number of the onsite certificate and weak ledger management, and proposed 69 audit suggestions accordingly. As projects selected were mostly under construction, the audit has, to some degree, timely found and dealt with risks, played an extensive role in controlling before and during risks, and promoted the exchange and sharing of management experience between "project clusters".



Systematic training on audit practices



Certificate of National Outstanding Enterprise of Internal Audit

Results of Main Audit Items of 2011

The year 2011 saw the audit system finish 334 items, detect 2,216 problems and provided 2,178 suggestions.

Item	2009	2010	2011
Financial revenue and expenditure audit	37	66	22
Economic accountability audit	83	64	98
Net asset of property right alteration audit	41	40	32
Project completion settlement audit	37	43	58
Investment project audit evaluation	—	—	16
Investment project cost audit	—	—	14
Management audit	—	—	94
Total	59	116	334
Investment project cost appraisal	23 (projects)	12 (projects)	506 (projects to be audited)
Net reduced project cost after examination	RMB831 million	RMB336 million	RMB449 million

Unit: Item

Anti-Corruption Campaign

Seek to Establish a Corruption Prevention and Punishment Framework Compatible with Baosteel's Modern Corporate System

Through more than four years of exploration and practice, an initial framework of corruption prevention and punishment has basically taken form, encompassing the five major aspects of anti-corruption education, system improvement, supervision, punishment and source control. A closed-loop management mode for anti-corruption has been built with the responsibility system at the core, the accountability system as the basis, the discipline inspection and supervision system as the organizational guarantee for self-construction, systematically promoted, managed as a project, and earnestly implemented in the PDCA pattern.

Reinforce Anti-Corruption Education

A three-level education network involving leaders, managers & authorized personnel, and ordinary staff has been set up. Aside from improving the anti-corruption case bank, warning education, demonstration education, risk informative education of job integrity have been conducted and made into an institutional arrangement. New leaders, reserve talents, as well as newly-recruited graduates have all received level-specific anti-corruption education. Discipline inspection and supervision organizations at various levels have effectively promoted risk informative education of job integrity so that all operation managers and authorized personnel can perform their duty according to the regulations give proper authorizations and use their power appropriately. They have also conducted compliance education among employees, and made the sensitive posts less so, further improving the pertinence and effectiveness of anti-corruption education.

Strengthen Power Supervision and Risk Prevention

1. Promote Clean-Handed Conduct of Leaders

Regulations including Opinions on Implementing Anti-Corruption Education among

	2009	2010	2011
Number of anti-corruption education sessions	917	1,051	1,064
Number of people attending anti-corruption education (10,000)	51.7	45.9	45
Number of people making clean hand commitments	3,491	2,086	3,450

Audit Items	2009	2010	2011
Number of direct leaders to whom the major issues are reported	197	146	181
Amount of part-time remuneration handed in by leaders (RMB10,000)	142	187.8	237
Number of people reporting their diligence and integrity	1,300	1,518	1,383
Number of people who handed in cash gift, presents and securities	1,420	1,781	2,071
Amount of cash gift, presents and securities handed in (RMB10,000)	159.5	194	240

Leaders, Baosteel's Regulations on Party Conduct Construction and Anti-Corruption Responsibility System, and Baosteel's Eight Bans for Anti-Corruption have been formulated and revised. The supporting rules on "3+1" major decisions, internal control, control upon authorization, and responsibility investigation have been improved.

2. Enhance Openness and Transparency of Power Operation

Given the grim market which only allows us meager profit, we actively respond to the sharp competition and the transformation of the iron & steel industry. With open and transparent power operation at the core and all-round risk prevention as the focus, we watch over the leaders' decision-making and authorized personnel's allocation of resources. IT-based means are adopted to push ahead with "Five Sunshine Projects" in key areas and links, i.e., talent selection and use, remuneration management, public fund use (job-related consumption), procurement and sales, and project operation in a transparent and open manner. It is essential to reinforce process optimization and control, incorporate the requirements of clean-handed conduct into enforcement management and the entire executive process, and constantly enhance the Party conduct construction and the scientificity of anti-corruption campaign. Such endeavor constitutes an important part of Baosteel's core competitiveness.

Intensify Supervision and Inspection

1. Special regulation of project construction

Efforts were made to effectively implement the rectification measures for the prominent problems identified in 2010; moreover, self-examination and self-correction was organized for another 77 projects worth RMB21.9 billion, thus promoting the standardization, efficiency, safety and cleanness.

2. Special regulation of "little coffers"

Special inspection was made upon the implementation of rectification measures in this regard to reinforce standardized management of presents and cash gifts, improve related rules and internal control procedures upon bank account management and monetary fund management. Two "little coffers" were dealt with in a strict way and the related personnel and leaders were punished according to discipline regulations.

3. Special Inspection

With a focus on implementing the "3+1" decision-making rule among six other regulations, an inspection tour was made to 28 units, in which 15 common problems plus 3 typical cases were identified and eight inspection reminders were issued. In this way, control and supervision

upon Baosteel subsidiaries is intensified.

4. Bidding and Tendering Supervision and Inspection

In view of the four types of prominent problems prone to occur in bidding and tendering, Guidelines on Reinforcing Bidding and Tendering Management Supervision was provided to make the bidding and tendering management standardized and orderly.

5. Other Supervision and Inspection

The Corporation stepped up supervision and inspection upon the acceleration of economic development mode transformation, smoothed the five aspects of overall planning, resource strategy, human resources, brand management, and environment management; regulated the work related to celebrations, seminars and forums; further standardized the examination and approval procedures; strictly controlled the frequency, scale and budget of meetings; conducted special inspection upon overseas assets operation and property right management, as well as implementation of major contracts, put forward recommendations for rectification of the problems identified, and enhanced the implementation of relevant work.

6. Efficiency Supervision

The Corporation set up a preliminary supervision system and formed an efficient work mechanism that can reveal facts, causes, and relevant people, and can develop into a system and achieve concrete effects. With the Efficiency Supervision Measures and the Rules for Implementing Efficiency Supervision Projects revised and work procedures improved, systematic management and all-round progress have been achieved in this regard. Efficiency supervision was carried out around the key tasks of project management, procurement and sales, fund use, assets disposal, production safety, energy conservation and emission reduction, and comprehensive reuse of wastes.

In 2011, the Corporation accepted 148 projects for efficiency supervision and 136 were completed; generated 624 recommendations through inspection and supervision, and made five discipline decisions. A total of 866 regulations and measures were established and/or improved. Strengthen Case Investigation and Incompliance Report Handling

Strengthen Case Investigation and Incompliance Report Handling

1. Case Investigation and Incompliance Report Handling



With the Opinions on Implementation Rules for Reporting Important Clues for Serious Violations of Laws and Disciplines formulated, the Corporation intensified case source management and improved its important case report system. Through works in this regard, 5 supervision proposals were issued, 21 defects were rectified, 11 persons were approached for admonishment talks, and 21 leaders were involved in accountability investigation. Five case study lectures were held. As thus, the radical rectification function was further reinforced.

2. Implement the Ban System

Efforts continued to implement the Opinions on Implementation of Publicizing the List of Bribery Units and Related Ex-Employees. The 8th banned list consisted of 11 units and 396 people, making a total of 179 units and 1,472 people prohibited from doing business with Baosteel.

Reinforce Construction of the Discipline Inspection & Supervision System

The Corporation provided job specifications and team competence model for the discipline inspection and supervision force, expanded the career development path for relevant personnel, promoted the communication

and exchanges among leaders of the discipline inspection and supervision teams and staff exchange between different units. 23 outstanding young and mid-aged employees with excellent professional skills, management experience, and policy understanding were selected for the staff exchange, and 20 of them were transferred or promoted to management positions or Party Committees. A talent cultivation mode for the discipline inspection and supervision system has been established, comprising the five segments political awareness, intensive training, experience exploration, learning in action and practical training. In 2011, the Corporation sent 80-plus people to attend systematic training programs held by the CPC Central Commission for Discipline Inspection, the Discipline Inspection Commission of the State-owned Assets Supervision and Administration Commission of the State Council and Shanghai Discipline Inspection Commission; conducted exchanges with central enterprises like Wuhan Iron and Steel (Group) Company and China Eastern Airlines, held workshops for secretaries of grassroots discipline inspection commissions and heads of supervision departments. The Discipline Inspection and Supervision Department of the Corporation organized professional training aimed at arousing passion, boosting profession and enhancing value, in a bid to constantly enhance the teams' capability to fulfill their responsibilities.

	2009	2010	2011
Number of petitions and offence report	282	245	109
Number of cases accepted and investigated	28	27	25
Number of cases concluded	24	23	21
Number of people given disciplinary punishment by the Party Committee	13	10	4
Number of people given administrative disciplinary punishment	12	16	18
Number of labor contracts terminated	9	3	2
Number of people transferred to the judicial authority	11	3	1
Number of people receiving criminal punishment	8	4	1
Number of training sessions on discipline inspection and supervision	—	—	90
Number of people trained on discipline inspection and supervision	700	760	2,084

VALUE CREATION

Baosteel is one of the best profit makers in the iron and steel industry of the world. In 2011, it achieved an output accounting for **5.7%** in the iron and steel industry of China, and generated **21%** of the total profit of the industry.

Direct Economic Performance

In 2011, despite of the slowdown of demand growth, the rising costs and overcapacity in the iron and steel industry on the whole, Baosteel remained in the leading position in the market of iron and steel, its major market, presented sound overall performance and good development prospect in various industries in a well-defined industrial structure, and was becoming the powerhouse for further development of the whole group and a strong balancing force amid fluctuations of the iron and steel industry. In this year, Baosteel achieved an annual iron output of 40.09 million tons and an annual steel output of 44.27 million tons, and realized gross revenue of RMB316.245 billion and a profit of RMB18.151 billion.



Merger and Reorganization

On May 22, 2011, Baosteel Zhanjiang Steel Co. Ltd was founded in Zhanjiang, Guangdong Province, and on August 22, 2011, agreements were signed in Guangzhou for Baosteel's reorganization of Shaoguan Iron & Steel Co. Ltd (Shaoguan Steel) and Guangzhou Iron & Steel Enterprises Group (Guangzhou Steel), marking essential progress of reorganization of the iron and steel industry in Guangdong and laying a preliminary foundation for the iron & steel project in Zhanjiang. Equity transfer of Shaoguan Steel was approved by the State-owned Assets Supervision and Administration Commission of the State Council at the end of 2011. Baosteel would hold 51% of the shares of Shaoguan Steel. The joint venture of Baosteel and Guangzhou Steel, Guangzhou Steel Sheets Co. Ltd was founded at the end of 2011. These reorganization projects laid a solid foundation for the commencement of iron & steel projects in Zhanjiang and the Company's industrial layout and optimization of its product structure in the Zhujiang Delta.

In 2011, Baosteel carried out reorganization and preliminary integration of Baosteel Desheng Stainless Steel Co., Ltd located in the coastal area of southeast China, made up its deficits and achieved a profit of RMB213 million, which contributed to the optimization of Baosteel's stainless steel assets and industrial layout.

Major Projects

Baicheng Iron & Steel Base of Bayi Iron & Steel Co., Ltd in Southern Xinjiang

Authorized by the National Development and Reform Commission, the Government of Xinjiang Uygur Autonomous Region in August 2011 officially approved the Baicheng Base project. Making use of the ore and coke resources in Xinjiang, the project would have a capacity of 3 million tons with desulfurization facilities to reduce SO₂ emission. The project was under construction and would be completed and put into production in 2012.



Wuhan Can Making Project of Baosteel Metal Co., Ltd.

The project is jointly invested by Baosteel Metal Co., Ltd. and Yinghe International Co., Ltd, an enterprise that mainly supplies two-piece aluminum cans for famous beverage enterprises such as JDB, Coca Cola, Pepsi, and Tsingtao Beer with a capacity of 1,400 cans/minute, or 480,000,000 cans/year. Officially founded in November 2011, Wuhan Baosteel Can Making Co., Ltd. is the fifth domestic two-piece can maker under Baosteel following those in Shanghai, Hebei, Chengdu and Foshan.



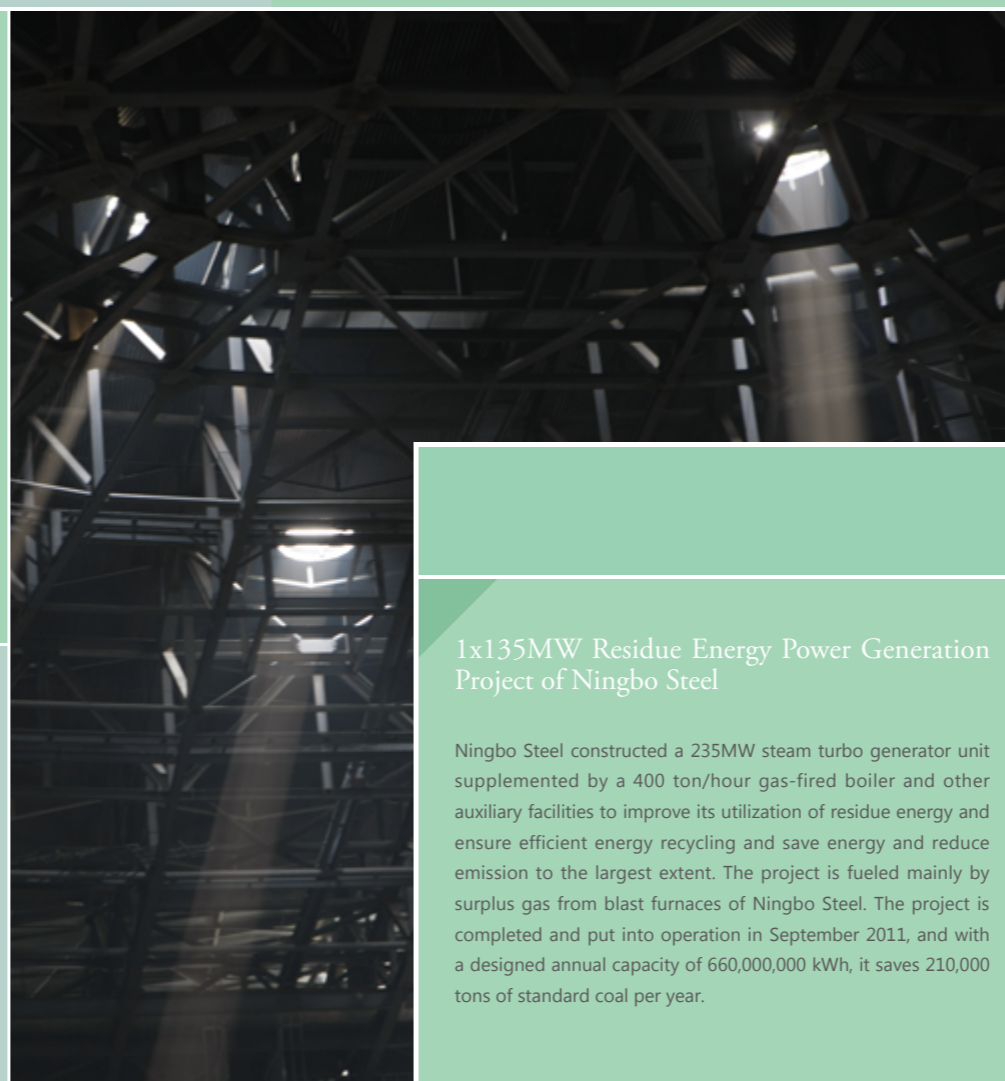
Haimen Steel Structure Project of Baosteel Engineering

To make use of Baosteel's technological and management advantages and the favorable shipping conditions on the Yangtze River of Haimen, and to build a professional manufacturing enterprise with the core concept of "digital steel structure", Baosteel Engineering invested RMB720 million in a heavy high-end steel project with an annual capacity of 150,000 tons. The project was commenced on January 26 and completed eleven months later on December 23, 2011, achieving the goal of "commencement, completion and operation in the same year" and setting a new record of construction speed. After completion of the project, Baosteel Steel Structure (Jiangsu) Co., Ltd became a professional steel structure manufacturer with the largest individual capacity and the highest automation level of the industry in China. The company would rely on the high-performance steel of Baosteel as well as its strong design, R&D, contracting and information-based management abilities and the geographic advantage of Haimen to provide users with highly cost-efficient and all-round steel structure solutions.



Phase II of the Oriented Silicon Steel Project of Baosteel Co., Ltd

The project commenced in March 2010 and was put into operation in November 2011. With a design annual capacity of 100,000 tons, it consists of a pre-rolling unit, a silicon steel finishing unit and other equipment. Baosteel independently integrated the techniques and technologies of the project, and the duration of the project was 5 months shorter than Phase I. With this project put into operation, Baosteel seen further improved productivity, product quality and product structure of in the field of oriented silicon steel, and higher proportions of high-level oriented silicon steel and laser-inscribed products, enabling it to better satisfy the demand of Chinese power transmission and transformation industry for oriented silicon steel.



Meishan Steel 1420 Cold Rolling Project

Meishan 1420 is a national demonstration project for domestically developed and owned large metallurgical equipment, a key project of Nanjing. It offers strong support for independent innovation of Baosteel and an import approach to improve its competitiveness and foster its innovative system. All processes including R&D, design, manufacturing, debugging and operation and all components of the units including techniques, machinery, electric equipment, instruments and the computer system are domestically developed and manufactured, with 70% in value of the whole project being domestically-owned. The project includes eight units for eight different processes such as acid rolling, continuous annealing, electrofinning, hot galvanizing, hot-dip aluminizing, and hot-dip al-zinc galvanizing, extending the Meishan Steel's final product varieties from the traditional hot rolled plate coil to plates coated with tin, zinc, and al-zinc, achieving higher value-added. The project not only helps Baosteel achieve essential progress in independent development and ownership of large equipment and in project mechanism, operational organization, risk control and talent training, but also brings the domestic equipment manufacturing to a higher level.

1x135MW Residue Energy Power Generation Project of Ningbo Steel

Ningbo Steel constructed a 235MW steam turbo generator unit supplemented by a 400 ton/hour gas-fired boiler and other auxiliary facilities to improve its utilization of residue energy and ensure efficient energy recycling and save energy and reduce emission to the largest extent. The project is fueled mainly by surplus gas from blast furnaces of Ningbo Steel. The project is completed and put into operation in September 2011, and with a designed annual capacity of 660,000,000 kWh, it saves 210,000 tons of standard coal per year.

Industrialization of Comprehensive Utilization of Iron Oxide Red of Baosteel Development

Magnetic material, as a medium for electromagnetic conduction extensively used in communications, information, auto electronics, green energy and other sectors, is an important basic functional material for various modern industries. Manganese-zinc soft magnetic ferrite produced by Baosteel Magnetic Co., Ltd. under Baosteel Development is the most widely-used magnetic material. After a decade of exploration and development, the company has formed a complete industrial chain in terms of utilization of steel by-products and renewable resources and become an important support for the recycling economy of Baosteel. The project, covering an area of 9.3 hectares in Haimen of Jiangsu Provinces, would be built in two phases to produce high- and medium-level magnetic materials. The designed annual capacity would be 50,000 tons of manganese-zinc soft magnetic ferrite.

Technology and Management Innovations

Technological Innovation System Construction

Centering on the Plan for Technological Innovation System Construction, Baosteel focused on ten tasks for its system construction in 2011, improved its innovation system structure, and further optimized the operation mechanism. To create a high-level R&D platform, Baosteel carried out resource integration for its R&D systems with the Baosteel Research Institute as the core, prepared the plan for innovation system optimization and identified the management status of Baosteel Research Institute and technology centers. Moreover, characteristic and competitive innovation systems were under construction in engineering technology and other industrial sections to support the industrial chain.

Main Innovation Achievements

1. Baosteel adhered to the strategy of technology leadership, carried out continuous innovation of high-end products and R&D of core technologies, and constantly improved its market competitiveness. It took the lead in applying Q&P technology for industrial production of the QP-steel, the third-generation advanced high-strength steel. It achieved mass production of B27R085, the top-grade 0.27mm oriented silicon steel, with world-class performance. It mastered the essential technology for production of nickel-base alloy oil casing with a full range of steel types and specifications. It achieved mass supply of high corrosion resistant steel S450EW for railway vehicles, making Baosteel the first Chinese developer and manufacturer of the third-generation corrosion resistant steel for railway vehicles. It made remarkable progress in new technologies such as the third-generation oxide metallurgy and the third-generation TMCP; environment-friendly technologies such as industrialization of thin strip continuous casting and hot production of slag wool were put into industrial trial.

2. With industrial collaboration, Baosteel made technological breakthroughs in multiple fields. Its engineering technology section accelerated the industrialization of R&D results for special equipment and technology, and the LF complete equipment technology, high-temperature smoke waste heat recycling equipment, and NDT equipment successfully achieved industrial application; its intensive metal processing focused on development of products and technology including high-performance steel thread cutting and reducing the thickness of DI materials for can making; breakthrough was made in R&D of high-performance steel thread cutting, new progress was achieved in reducing the weight of two-piece can and the Φ 0.115mm cut thread was developed; DI material for steel can was completely shifted from 0.225mm to 0.220mm; emerging industrial projects such as the demonstration project of "using exhaust gases from

Item	Unit	2009	2010	2011
Ratio of R&D input	%	1.2	2.0	2.0
Amount of R&D input	RMB10,000	233,800	509,794	635,159
Product sales ratio	%	18.6	17.6	18.8
Number of patent applications (accepted)	—	914	1,426	2,287
Economic benefits of research projects	RMB10,000	151,125	226,300	233,530
Contractual value of technology trade	RMB10,000	11,345	9,485	9,462
Number of technology transactions	—	—	—	63
Economic benefits of technology promotion	RMB100 million	—	—	2.649

steel factories to produce fuel ethanol" were launched. Production services achieved important progress in use of resource: after years of R&D, Baosteel mastered the core technology for industrialization of super high purity iron oxide and erected China's first medium-capacity trial production line with an annual capacity of 1,000tons of iron red, breaking the technological barriers such as JFE for iron oxide producers.

Technical Trade Cases

As a state-of-the-art and environment-friendly slag treatment technology that had been developed by Baosteel after 10 years of incessant exploration, BSSF not only resolved the problem of environment pollution in slag treatment but also worked out a solution to the problem of recovery & recycling of slag resources. This technology had been transferred to steel plants both at home and abroad such as Ma Steel, Jiuquan Iron & Steel, JSW of India, POSCO of Korea and so on. In 2011, the two sets of BSSF units were successfully put into use in POSCO and helped it resolve the long-lasting on-line slag treatment and environmental pollution bottlenecks and triggered cooperation of the third unit. In addition, Baosteel carried out technological exchange with Russian Kato Steel, POSCO Indonesia and POSCO Brazil to introduce its technology and build up its technological strength.

Technical Innovation Cases

Resorting to its profound R&D foundations and technology superiorities, auto sheet of Baosteel achieved a market share of 49% and maintained its leading position in domestic market. R&D of new products made outstanding breakthroughs. In terms of R&D of automobile sheet, Baosteel took the lead in industrialized production of the third generation of advanced high strength steel (Q&P) in the world, and achieved steady production of 24 types of 9 categories of super high strength steel, of which the strength of cold reduced sheet reached 1,500MPa, and that of hot galvanized sheet reached 1,180MPa, meeting international advanced level.

Improvement of Assets Operation Efficiency

Improvement of assets operation efficiency was a key strategic measure of Baosteel for crises and optimization of resource allocation in recent years, and was a systematic and long-term task. Baosteel in an all-round manner pushed forward management of assets operation efficiency, stressed the output efficiency of investment in its business and began to emphasis resource optimization and efficient return in addition to profit growth. By improving the assets operation efficiency, Baosteel had reduced the tie-up of assets and presented a smart balance sheet.

In response to progress of management of assets operation efficiency, Baosteel introduced the operating result evaluation indicator system centering economic value added, which satisfies the demands for both shareholders' benefit and utilization efficiency of the entire assets, and identifies the target for assets operation efficiency tasks.

Baosteel actively sought for methods and philosophy for improvement of assets operation efficiency, carefully summarized good practices and promotes them within the group, and was developing supporting incentive mechanism to bring the Corporation and all employees with unprecedented opportunities and challenges. Each unit based on their own characteristics proposed various methods and ideas for improvement of assets operation efficiency and carried out effective works with initial results. Guided by such ideas, each unit not only made innovation in terms of environmental operation, development of both industrial business and financial business and investment decision, but also won achievements in traditional sectors including inventory management, process streamline and plan control by combining IT and the ideas of economic value added. At the end of 2011, Baosteel Daily for three consecutive days presented full-page reports on 17 best practices of nine companies. The paper also presented public appraisal of best practices which came out with five winners.

Baosteel Development: Introduction of Management Mechanism and Operational Practices

Ningbo Steel: Saving RMB160 million from Wastes

Baosteel Metal: Enhancing Profitability by the Energy Billboard

Baosteel Chemical: Promoting Product Optimization by Cutting off Nonessentials

Bayi Iron & Steel: Streamline Processes to Improve Efficiency and Optimize Routes to Reduce the Cost



Asset efficiency training for management staff of Baosteel



Asset efficiency training for CIMC Shenzhen

Technology Exchange

Technology Exchange

Baosteel attached great importance to technology exchange and cooperation with its counterparts to discuss on solutions about the "meager profit of steel industry".

Technology Exchange

In 2011, Baosteel organized and participated in technology exchanges with International Iron and Steel Institute, Iron and Steel Institute of Japan, Nippon Steel Corporation and JEF Steel Corporation of Japan, China Steel Corporation of Taiwan (CSC), POSCO of Korean, Iron and Steel Institute of Germany and Kobe University of Japan.

Baosteel has formed regular technology exchange mechanism with CSC, POSCO and the Iron and Steel Institute of Japan. On February 2011, a delegation led by President He Wenbo visited CSC. Both parties frankly exchanged ideas on energy and environmental protection. In September, a delegation led by Assistant President Wang Jianyue visited POSCO, Nippon Steel Corporation and JEF and exchanged ideas on energy conservation and emission reduction technology and management, CO₂ emission R&D and development trends.

Also in 2011, Baosteel saw various technology exchanges with domestic steel enterprises and research institutes.

Development in Cooperation

The morning of April 9, 2011 saw the official establishment of Baosteel Australia R&D Center in Brisbane, Queensland, Australia. Mr. Jia Qinglin, member of the Political Bureau of the CPC Central Committee and Chairman of CPPCC National Committee, Mr. Xu Lejiang, Chairman of Baosteel, President Paul Greenfield and Vice President Max Lu of University of Queensland unveiled the plaque of the Center. The Center was jointly sponsored by Baosteel and the University of Queensland and involved the University of New South Wales, Monash University and University of Wollongong, and would focus on technology R&D in the fields of new materials, new energy, energy conservation and environmental protection.

In 2000, Baosteel and Shanghai Jiaotong University founded the Office of Research on Automobile Sheet Application and Technology. For years, two parties by sharing advantages and resources have made joint efforts to Baosteel's development strategy and solution about technological bottlenecks, undertaken State 863 Program, Key Hi-tech Industrialization Program of Shanghai, as well as scientific research programs of Baosteel and various users. In addition to multiple state- and provincial-level awards, its "automobile sheet lean shaping technology system" was identified an important innovative technology by the expert team consisting of academicians, and won wide recognition from Chinese steel and automobile industries. In 2011, the two parties signed the new cooperation agreement specifying key cooperation areas, methods and IPR. To play their respective advantages, the two parties also agreed that they would strengthen the producer-college-institute cooperation, create core competitive-



Exchange with technicians and management team of POSCO



Exchange with technicians and management team of Nippon Steel Corporation



Exchange with CSC

ness in automobile sheet design and production sector, and build the Office of Research a Chinese leading, internationally advanced innovative development platform and base with independent innovation capacity and internationally leading position in certain areas.

In 2011, Baosteel and University of Science and Technology Beijing signed agreement of the 2nd round of strategic cooperation. The new round of cooperation would adhere to the principle of "integration of advantages, mutual benefits, practical results and mutual development", follow the guidance of the 12th Five-year Plan for science and technology development and the 12th Five-year Plan for new material and steel industries, give play to the advantages of the University in academicians, scientific and technological talents and research facilities and the industrial advantages of Baosteel in order to promote transfer of scientific and technological results to actual production and foster key technological innovations and breakthroughs.

Active Support to Sustainable Development Task of International Iron and Steel Institute

In 2011, Baosteel enhanced team building for "Worldsteel/ISSF-Baosteel Special Committee, adjusted and optimized the chairpersons, li-

aision representatives and attached Committee's organizations.

As a member of the International Iron and Steel Institute, Baosteel actively took part in programs and event organized by the Environmental Technology Committee, Environmental Policy Committee and SUSCO of the Institute to use its communication platform to focus on policies and rules of the steel industry and movements of international environmental organizations to cope with recent and future environmental problems of the industry.

In 2011, Baosteel became the chair organization of the "Clean Air" program of the Institute. The program provided technological communication on dust control technology, application performance, rules and policies and management practices and guidance for improvement of industrial environment. By now, the program had seen participation of 22 renowned steel enterprises from 15 countries. In March 2011, Baosteel sponsored in Shanghai the launch ceremony the program attended by 35 members and experts from ArcelorMittal, ThyssenKrupp, Tata Steel, Hyundai Steel, Rautaruukki, Anshan Iron & Steel Group, Wuhan Iron & Steel Group, Shougang Group and other domestic and international giants of the industry and extensive discussion on the content, objectives and progress of the program.

Baosteel also became the chair organization of the "China 2020" program which intended to gain in-depth understanding of the prospect of Chinese iron & steel market in the future ten years. The program pays close attention to the impact of Chinese steel industry on the world's steel industry and its development trends, analyses the key elements that affect Chinese steel industry, and tents to build up close relationship and extensive communication with Chinese steel industry.

In 2011, Baosteel sponsored the annual work meeting of SUSCO participated by steel enterprises from Germany, UK, Brazil, Japan, Korea and India and Chinese steel enterprises including CSC, Anshan Steel, Wuhan Steel and Baosteel as well as over 20 experts from the International Iron & Steel Institute, Chinese Iron & Steel Institute and Chinese Society for Metals. Participants held special workshops on the sustainable development of steel industry, exchanged ideas on the product life cycle program, steel for wind power program, sustainable development indicators and action projects, and organized the dedicated technological exchange of Baosteel. Participants also visited the production site of Baosteel and highly commended Baosteel's fruits in sustainable management.

Green Vision

ENVIRONMENT MANAGEMENT

Baosteel adopts Life Cycle Assessment (LCA) for the environment burden and impacts imposed by steel products during their life cycle with a view to developing environmental-friendly products and helping the society save energy and reduce emission.

Taking non-oriented silicon steel sheet, one of the major materials for air-conditioner compressors as example, a kilogram of high-grade silicon steel B35A300 increases carbon emission by **0.09%** in production, but reduces that by **3.8%** while applied to air-conditioner compressors, which means a reduction of **857,000** tons per year.

Become the Pioneer Driving the Green Industry

Green Declaration

Baosteel shows its courage in face of changes of the times, depletion of natural resources, deteriorating environment and endless global environmental problems. It adopts environmental management, takes the environmental demands of the society opportunities and included the demands into its operation. In 2011, Baosteel published its Green Declaration to the society which committed to energy conservation and emission reduction during its production, carry out environmental-friendly design, develop environmental-friendly products, integrate environmental-friendly technology and develop environmental-friendly industry to provide the society with better, reliable, environmental-friendly and constantly improving products and services in a new era.



The Green Declaration

A leader in Chinese iron & steel manufacturing and a provider of environmental-friendly products and services, Baosteel advocates and is dedicated to the green industrial chain. In addition to facilitating comfortable modern life, we are devoted to the mission of environmental protection and environmental burden relief. We hereby make the following commitments:

I. We will develop manufacturing techniques of high energy and resource efficiency, develop and promote products and systems with high energy and resource efficiency, share with users advanced environmental-friendly designs and technologies, and provide the society with products and services with good environmental performance.

II. We set environmental law compliance as the minimum standard. We promise not to intentionally add substances that are prohibited by law or harmful to the environment and human health during our manufacturing process, and to reduce negative impacts on the environment throughout the service life of our products.

III. We preferably cooperate with suppliers and sub-contractors with good environmental performance, help suppliers raise their awareness and performance of sustainable development, and actively provide customers with green solutions to jointly build the green industrial chain.

IV. We issue environmental declarations for our products based on life cycle assessment and reveal the environmental performance of our core products to facilitate customers and related parties to compare the life cycle impacts of various products.

V. We will actively cooperate with governments, enterprises and the international community to promote application of international research results and develop in line with advanced energy conservation and environmental improvement technologies.

Baosteel will unswervingly seek to improve product performance while reducing the negative impacts on the environment, and to achieve harmonious development of the Corporation and the environment. Baosteel will set environmental-friendly operation as the principle of its development strategy, workflow and daily operation. We will, as we have always been doing, explore the way to sustainable development of the iron and steel industry, build a brand new role in the society and create a better future.

Green Manufacturing

Green 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

In 2010, Baosteel Co., Ltd (HQ) and Baotian New Building Material Co., Ltd under Baosteel Development respectively became the first iron & steel and cement enterprise to pass the national energy management system certification.

Based on achievements made in 2010, Baosteel in 2011 continued to optimize its energy management, improve its general operation level of energy management system, and in an all-round manner pushed forward certification of energy management system. In this year, Stainless Steel Division, Special Steel Division, Meishan Iron & Steel and Baotong Iron & Steel passed energy management system certification; Ningbo Steel officially started energy management system certification work; Bayi Iron & Steel also started the certification work following establishment of its energy management system promotion leading group and management office.

Energy Management System Certification of Industrial Enterprises of Baosteel	
Certified enterprise	Enterprise to be certified
Baosteel Co., Ltd (HQ, incl. Steel Pipe & Tube Division Head Office and Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.)	Bayi Iron & Steel
Stainless Steel Division	Ningbo Steel
Special Steel Division	
Meishan Iron & Steel	
Baotong Iron & Steel	
Baotian New Building Material Co., Ltd under Baosteel Development	

Environmental Management System

Baosteel believes that the standards of environmental management system are the foundation for environmental management. Baosteel Co., Ltd. was the first in China's steel industry to start the ISO14001 environmental management system certification and the first to pass the certification. At present, all steel production units under Baosteel Co., Ltd. have all been certified to be in conformance to ISO14001.

Bayi Iron & Steel passed the ISO14001 certification for environmental management system in 2005.

Ningbo Steel, a new steel enterprise, was in the process of the ISO14001 certification for environmental management system.

Baosteel promoted the standards of environmental management system to strengthen fundamental management of industrial enterprises involving environmental management. At present, most of the industrial enterprises with diverse industries have passed the ISO14001 certification for environmental management system.

ISO14001 Certification of Industrial Enterprises of Baosteel	
Percentage of certified iron & steel enterprises	100%
Percentage of certified non-iron & steel enterprises	85%

Examination & Verification of Cleaner Production

In August 2004, the former General Administration of Environmental Protection issued the Provisional Measures for Cleaner Production Review which encouraged enterprises to carry out self review in this regard.

In 2005, Baosteel Co., Ltd. won the exclusive honor of "National Environment-friendly Enterprise" of Chinese iron & steel industry.

In 2007, Baosteel Co., Ltd. was awarded the first "Cleaner Production and Environment-friendly Enterprise" by China Iron & Steel Association, and its Stainless Steel Company and Special Steel company passed the cleaner production review organized by Shanghai Municipality.

In 2008, Baosteel issued management documents requiring its iron & steel production units to organize cleaner production review, and in 2011 issued the Three-year Action Plan for Cleaner Production and Performance Improvement in 2011-2013, and invited experts from Shanghai to give lectures to competent leadership, managerial team of energy and environmental protection and production backbones of each unit.

In 2011, among all enterprises in Shanghai, Baosteel Co., Ltd. (HQ) and Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd for the first time applied for and passed the cleaner production review; the Stainless Steel Division and Special Steel Division also passed the cleaner production re-examination. Meanwhile, Baosteel Chemical, Shanghai Baoyi Can Co., Ltd, Shanghai Baosteel Chemical Co., Ltd., Shanghai Baosteel Packing Material Co., Ltd., and Shanghai Baotian New Building Material Co., Ltd. with diverse industries also passed the cleaner production review. Enterprises out of Shanghai including Bayi Iron & Steel, Suzhou Metallurgical Heavy, Shaoguan Iron & Steel Group, Hebei Can Making Co., Ltd. and those settled in Shanghai including Shanghai Kede Company, Jiangnan Rolls Company, the Technology and Machine Building Division all launched cleaner production review works.

In 2011, Baosteel developed 160 cleaner production plans for material conservation, energy conservation, technique optimization and emission reduction through promotion of cleaner production review, which was expected to bring benefits of RMB946,000,000 and remarkably reduced energy consumption in 37 of the 68 iron and steel production processes compared to 2010.

Environment Accounting Research Project

Baosteel pays close attention to environmental issues and has been labeled "scientific management, superior steel and environmental protection". Facing more and more harsh environmental requirements, Baosteel chooses to actively meet challenges. It proposes the strategy of environment operation, raising environment operation to a strategic level. To support the strategy goals of environment operation,

Cleaner Production Review of Industrial Enterprises of Baosteel	
Reviewed enterprises	Enterprises under review
Baosteel Co., Ltd (HQ, incl. Steel Pipe & Tube Division Head Office and Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.)	Technology and Machine Building Division
Stainless Steel Division	Bayi Iron & Steel
Special Steel Division	Suzhou Metallurgical Heavy
Baosteel Chemical	Jiangnan Rolls Company
Baotian New Building Material Co., Ltd under Baosteel Development	Hebei Can Making Co., Ltd.
Shanghai Baoyi Can Co., Ltd,	Shanghai Kede Company
Shanghai Baosteel Packing Material Co, Ltd.	Shaoguan Iron & Steel Group
Ningbo Steel	

Baosteel launched the project of "Environment Accounting Theory and Practice".

The project involved SASAC and Ministry of Finance, with National Accounting Institute in charge of research works and Baosteel as the responsible party. One and half years later, it came up with the Report of Baosteel on Environment Accounting Theory and Practice (consisting of analysis and result application), which met domestic and international accounting theories and highlighted the operational practices of Baosteel. The research for the first time the role of environment management in both financial accounting and management accounting, provided favorable advices on macro policy and implementation, and would serve as guidance for environment accounting practices of domestic enterprises.

SASAC, Ministry of Finance and Shanghai National Accounting Institute highly commended the research. Experts believed that the environment management idea of Baosteel met the development trends of the mainstream society, conformed to Chinese macro situation and the energy conservation and emission reduction tendency; and that it serves to guide enterprises to implement strategies, establish scientific view on business performance, find out and improve environment management deficiencies, make up management insufficiencies, build up competitiveness, and achieve sustainable development. Experts also expressed that this was an issue extensively concern by the society and with great significance at state level.

Education and Training

In 2011, Baosteel enhanced training on "energy management and energy management system", "application of energy conservation and emission reduction technology", "cleaner production and environment management" and "situation of and police for energy conservation and emission reduction during the 12th Five-year Plan". There were 24 training courses, 27 classes and 1,058 trainees. The Corporation also organized innovation forum, innovation saloon and special workshops on green steel production and sustainable development of enterprises, covering subjects such as "low-carbon development of steel industry", "development of green industry and green energy", and "key technologies and countermeasures for energy conservation and emission reduction in steel industry". In this year, Baosteel developed five online courseware, namely "environment management and energy conservation and emission reduction of Baosteel", "energy management system", "foundation and assessment of energy management", "energy conservation technology application and case study", and "energy audit and case study", laying a solid foundation for online training within Baosteel.

The research well combines the theory and practice of environment accounting, timely makes up the insufficiency of China in the field of environment accounting application, and is of great realistic and strategic significance to the study and practices of Chinese environment accounting.

—Prof. Xia Dawei, President of Shanghai National Accounting Institute

Green Production

Application of Energy Conservation and Emission Reduction Technology

Since its establishment, Baosteel aims at world-class technology. It adopts internationally advanced energy conservation and emission reduction technology to control pollutant discharge from the source, improve energy and resource utilization rate, constantly make progress and build Baosteel a clean factory of international standard.

Baosteel adopted a series of important energy conservation and emission reduction measures, such as dry coke quenching technology, coal moisture technology in coke oven, recovery of sensible heat of sinter, sintering gas waste heat recovery, power generation by waste pressure of furnace, Blast furnace oxygen-en-

riched coal spray technology, converter coal gas cleaning and recovery technology, gas-steam recycle power generation technology, and so on.

In the field of air pollution control, Baosteel adopted high-efficient bag-type dust collector and electric dust collector, as well as effective unorganized dust control measure to reduce dust emission. It also controlled SO₂ emission by controlling the sulfur content in crude fuel and installing stack gas desulfurization devices in sintering machines and power plants.

Baosteel also reduced consumption of new water and emission of waste water through dry coke quenching, converter coal gas dry method dedusting and furnace coal gas dry method dedusting technologies, and supply at water quality, reuse of reclaimed water, rainwa-

ter and sewage separation, reuse of moat water, standard sewage discharge and so on.

Baosteel constantly enhanced the process of solid by-products returning to production



135MW Residue Energy Power Plant of Ningbo Steel

through technical innovation and management optimization, thus expanded the channels for comprehensive social utilization, raised the added value, and increased the utilization rate of solid by-products.

Baosteel also developed green and low-carbon technology with independent IPR in fields of thin strip continuous casting, sintering gas recycling and emission reduction, and steel slag cylinder processing.

Baosteel's industrial enterprises with diverse industries were not left behind in energy conservation and emission reduction though they had less energy demands. They eliminated backward and adopted advanced technologies or implemented innovation of energy conservation technology to constantly improve energy efficiency and reduce pollutant discharge.

The heat treatment factory of Baoling Heavy under Baosteel Engineering & Technology Group Co., Ltd. installed special atmosphere ovens and mid-frequency hardening equipment to replace the six salt bath furnaces, and energy-saving med-frequency furnaces to replace the power frequency melting furnace; its new office building used energy-saving central air conditioning system; Jiangnan Rolls Company under Baosteel Engineering & Technology used air-source heat pump (mainly used in the off-peak at night) + solar collector (mainly used at daytime) to heat bathwater, which saved 60,000KWh of electricity a year.

The logistic company of Baosteel Development installed solar water heaters on the roof of the office building (see the picture) to replace the procured steam water heating system, which achieved energy conservation and cost-efficiency.

Anhui Wanbao Mining Co., Ltd. under Baosteel Resources believed mining was also environmental recovery and reconstruction. Strictly in compliance with the National Program for Eco-environmental Protection, it attached great importance to eco-environmental protection and implemented environmental recovery while mining to reduce or eliminate negative impact on the eco-environment.

Shanghai Baoyi Can Co., Ltd under Baosteel Metals carried out energy conservation and emission reduction projects such as air compressor waste heat utilization, cleaning drying furnace frequency conversion, innovation of ventilation system of production line and green illumination, which could save 800 tons of standard coal per year; Hebei Can Making Co.,

Ltd. also under Baosteel Metals used brine after RO treatment in landscaping, which could save 18,000 tons of fresh water per year and stopped direct discharge of brine.

Construction of Key Energy-saving and Environment-friendly Projects

Projects are the foundation of energy conservation and emission reduction. In 2011, Baosteel launched 130 key Environment-friendly projects (incl. comprehensive use of resources) and 73 key energy-saving projects, of which 71 Environment-friendly projects and 47 energy-saving projects were completed. This year also saw signing of 23 contractual energy management projects with a total contract value of RMB510 million.

The No. 1 Steel Plant directly under Baosteel Co., Ltd. innovated its OG system, which improved steam recycle up to 70kg/t and reduced the dust content in exhaust gas to less than 35mg/Nm³; the 1550 continuous annealing unit were innovated for energy conservation; Ningbo Baoxin completed energy conservation innovation of its 1# rolling mill; the power plant launched denitration innovation of 1/2# units and completed that of No. 1 unit; Meishan Steel and Baotong Iron & Steel were equipped with desulfurization system for their sintering process.

To make full use of by-product coal gas, Bayi Iron & Steel completed 4# 220t coal power-blended boiler and 40MW by-product coal gas backpressure power generator unit, and C furnace TRT equipment; the coal yard in the old plant was moved out, four closed coal powder bunkers and two closed refined iron powder bunkers were built to reduce dust pollution; launched construction projects of power generation by waste heat of sintering machine and intensive treatment and comprehensive use of industrial sewage, sintering machine gas desulfurization and coke oven ground dedusting station in the old plant.

Ningbo Steel completed the 135MW waste heat power plant and low-pressure steam power generator unit which produced power by surplus coal gas and produced steam for energy conservation and emission reduction; completed the closed raw material silo; and was pushing forward the sintering machine gas desulfurization project and Ningbo Steel-Ningbo Baoxin Energy Corridor project.

Baoshan Branch of Baosteel Chemical finished its Phase 1, 2, 3 of phenol waste water postposition denitrification project to ensure



Rooftop solar water heaters of the logistic company of Baosteel Development



Closed raw material silo of Ningbo Steel

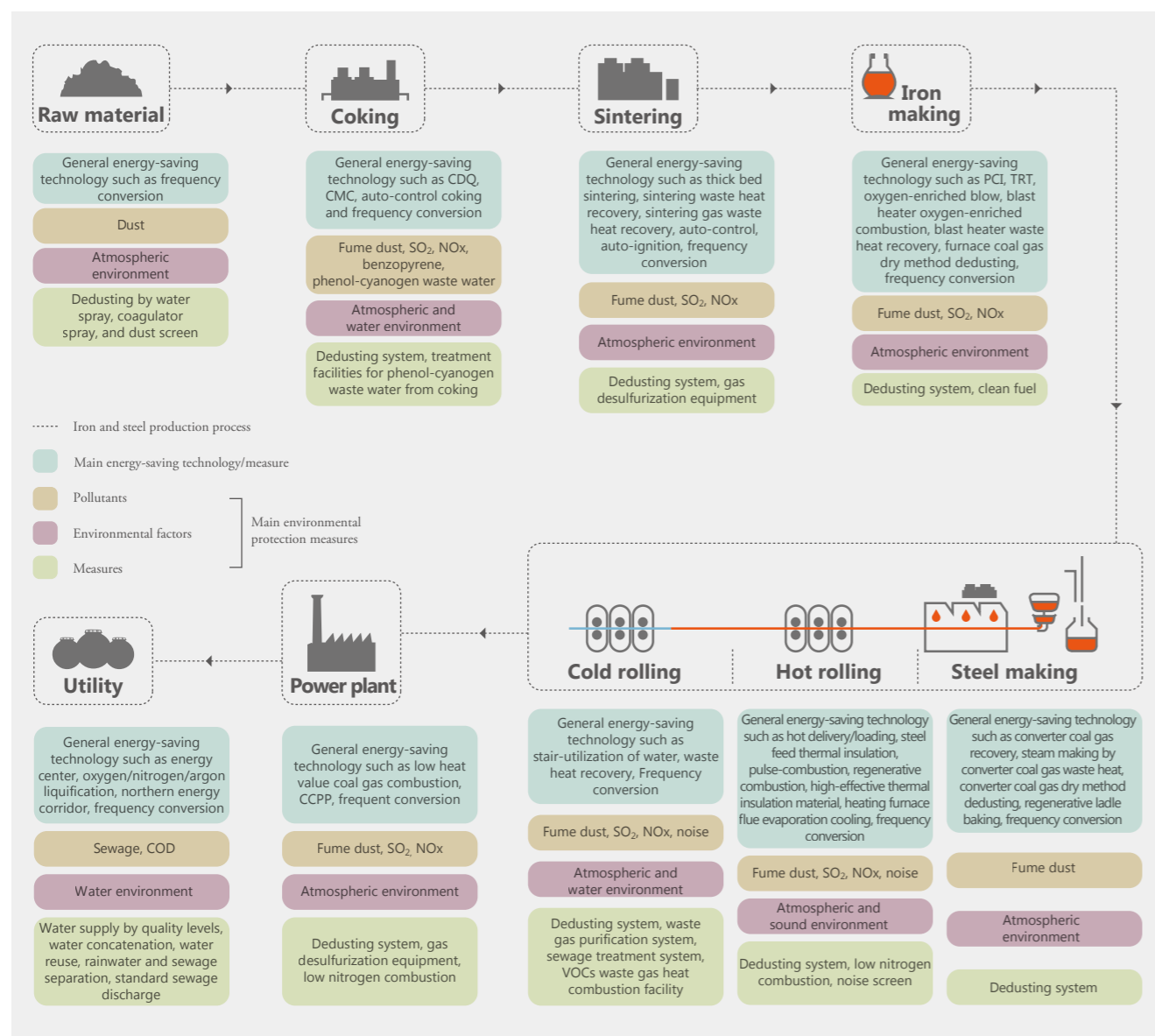


Closed raw material silo of Bayi Iron & Steel

compliance with the new sewage discharge standard for nitrogen content. Meishan Steel optimized its onsite environmental protection facilities to eliminate source of off-flavor and protect health of the staff. To support project environmental protection examination, it carried out exhaust gas treatment in seven areas including the benzene products loading/unloading area, oil depot grease groove and naphthol area, innovated exhaust gas treatment facilities and newly added six sets of environmental protection facilities, which remarkably improved onsite environmental quality. Its exhaust gas discharge data met the standards according to examination by external qualification auditors.

Baosteel Development continuously improved comprehensive use of steel by-product resources. In 2011, it expanded industrialization projects including new building material, magnetic material, waste oil regeneration; achieved extensive use of steel slag products such as refined powder, permeable brick, admixture and shot blast material; constantly pushed forward

Whole-process Energy-saving and Environment-friendly Technology:



new projects such as dry powder mortar, desulfurization plaster house and mobile heat supply. It carried out environmental improvement campaign in 2010 and 2011, organized solid dump treatment in plants and greatly improved the environment. It was honored "2011 Influential Enterprise of Resource Comprehensive Utilization" by China Association of Resource Comprehensive Utilization.

Baosteel Co., Ltd. continuously pushed forward its energy conservation plan. Based on the successful plans for "energy-efficient power plant" and "high-efficient kiln and furnace" in the previous year, it developed and launched four energy conservation plans, namely "high-efficient electric machine", "air compression energy conservation", "waste heat recovery and utilization" and "recycled water system energy conservation", as well as 40 projects, which are expected to save 90,000 tons of standard coal.

Meishan Steel under Baosteel Co., Ltd. analyzed potential points in fields of "electric system", "coal gas system", "oxygen, nitrogen and argon system", "air compression" and "others" to identify objectives and measures for harmonious development of the society and the enterprise. It



Baosteel Chemical Pioneers Test Technology of Organics in Coking Waste Water

After 20 minutes' pre-treatment, the technology allows accurate rating of about 200 volatile and semi volatile organics in coking waste water without using any organic solvent. Baosteel Chemical is the first Chinese coking enterprise that pioneers the "solid phase micro-extraction—GC-MS test of organics in coking waste water". Compared with traditional technology, it allows accurate, rapid, simple and Environment-friendly test of various organics in coking waste water.

By present, popular test methods in China suffer restrictions. For instance: headspace gas chromatography is simple and rapid but lacked in accuracy, and could only be used for testing volatile organic constituents; purge and trap is a deplete extraction, which is accurate but requires complicated and expensive instruments, and is inapplicable to onsite test; liquid-liquid extraction is the most simple way, but is complicated in operation, takes long time, is hard in automation and have to use a large amount of toxic organic solvents; SPE, which is simple and requires few organic solvents, is known of multiple processes, easy to cause loose of constituents, and is limited to test of organics with low volatility.

Compared to popular pre-treatment methods such as liquid-liquid extraction, GC-MS requires only 20 minutes. The rapid, simple and Environment-friendly technology is able to test volatile and semi volatile organics, thus could be extensively applied to coking enterprises. Without using a single organic solvent in the entire process, it is indeed a "green" technology.

Case

area of 900,000 square meters. The Special Steel Division since 2007 had implemented the annual landscaping project to make a nice-looking plant area, and had recorded newly added green lands of 160,000 square meters, or a landscaped rate over 30%.

In recent years, Bayi Iron & Steel had invested over RMB10 million each year in landscaping of neighboring barren hills, the plant area and living areas. In 2011, it invested dozens of millions yuan in a series of landscaping projects such as phase 1 landscaping of a 30-hectare area, dump landscaping and tailing dam landscaping, and registered 54,000 participants in volunteer tree planting, 62,000 square meters of newly added green lands, and 442,600 planted trees. Thanks to the efforts, the plant area and living area saw a green coverage of 45.3% and 50.01% respectively.

In 2011, Ningbo Steel accelerated the landscaping project in support of its new projects. Landscaping tasks were enhanced in the plant area, achieving 20,000 square meters of new green lands and a green coverage of 23%.



Nice environment in the plant area of Baosteel Co., Ltd.

developed the 12th Five-year Plan for Innovation of Energy and Environmental Protection Technologies which identified 175 energy conservation and emission reduction projects to support the improvement of energy and environmental protection systems during 12th Five-year Plan.

Environmental Landscaping

Baosteel Co., Ltd. made efforts to improve landscaping fruits in compliance with the 12th Five-year Plan. The HQ developed the "2011-2015 Plan for Green Land Improvement in the Plants of Baosteel Co., Ltd. HQ". In 2011, the total innovative green lands reached 111,300 square meters, including 32,500 square meters of newly added green lands. The Stainless Steel Division, in spite of increasing land demand for production, made rational arrangement in the plant and achieved a landscaped rate of nearly 30%, or an



Desulfurization plaster house, Baosteel Development



Comprehensive utilization of blast-furnace slag of Baosteel Development completed at the end of 2011



Landscaping volunteers



Landscaped plant area of Bayi Iron & Steel



Energy Efficiency Renovation of Baosteel Chemical's Benzene Hydrogenation Facilities

Baosteel Chemical's Litol Benzene Hydrogenation Equipment suffered high temperature and pressure, risk in operation and high energy consumption. To ensure safe production and energy conservation, it made innovation in the Phase 1 Litol for energy conservation and emission reduction by application of advanced low-pressure hydrogenation technology, demonstrating its social responsibility and meeting the business demands.

The innovated equipment brought good performances in energy conservation and environmental protection. According to statistics in 2009, Litol the energy consumption per ton of chemical (excluding consumption by general support) was 302.6kg standard coal, and after innovation the figure dropped to 204.5kg, saving approximately 100kg standard coal. The amount of waste water also dropped. Statistics showed that about 2.13 tons of waste water was produced per year during Litol operation, and it dropped to 1.18 tons after innovation, decreasing nearly 50%. Pollutant generation per ton of product was also obviously cut down: COD and nitrogenous substances generation per ton of product dropped by 68.64% and 37.52% compared with those generated by Litol.

The innovation in 2011 passed the engineering examination of Shanghai Municipality, and was awarded Shen'an Cup of Engineering Construction of Shanghai for its safety.

Case

Green Products

Product Life Cycle

Life Cycle Assessment (LCA) is a quantitative assessment of environment burden and impact during the product lifecycle. It is an environment management and accounting tool of Baosteel's environment management strategy, and more importantly, a systematic idea and way to support the strategy. Baosteel's key research project "LCA-based research on the production process and environmental friendliness of Baosteel's products" is launched on this basis. The projects included four R&D programs and 15 sub-programs involving 18 internal units of Baosteel.

In 2011, Baosteel achieved breakthrough in LCA research and the fruits were applied to the environmental declaration of its products.

It also developed the rules for environmental declaration, namely Iron & Steel Product Classification Rules (PCR), and for the first time issued environment declaration for its hot rolling, cold rolling, hot galvanizing, electro-galvanizing, and electroplating products covering information of production, transport and safe service, product lifecycle, recycling and final disposal. The declarations were certified by the third party and approved to use the green leaf label. The declarations provided domestic counterparts and the public with verifiable and quantitative environment performance data of iron and steel products, and demonstrated the leading technology and social responsibility of Baosteel.

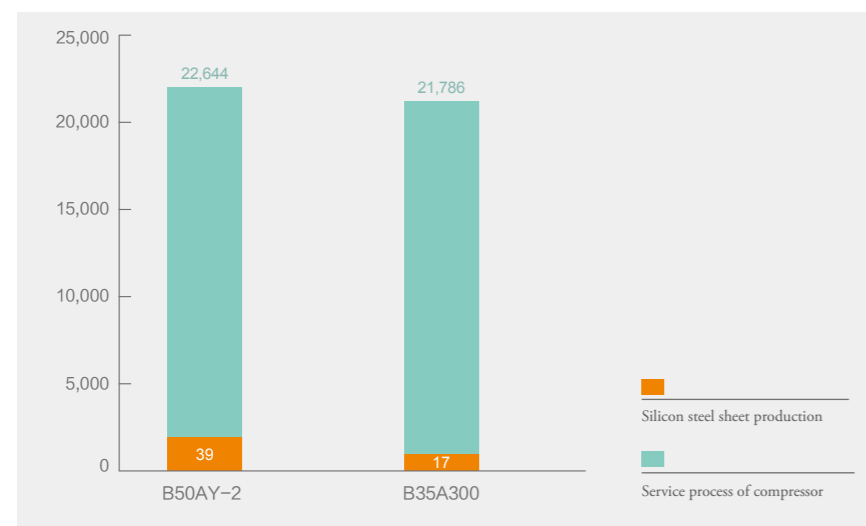
Non-oriented silicon steel sheet is one of

the major materials for air-conditioner compressors, accounting 20% of the total cost. High-grade non-oriented silicon steel sheet could obviously improve the efficiency and quality of compressor. Silicon steel products with better performance might slightly increase the environment burden during the production process; nevertheless, they would remarkably reduce that during the service period. LCA provides a systematic and scientific way to assess the energy conservation and emission reduction result of steel products with better performance.

In 2011, Baosteel cooperated with downstream air-conditioner compressor makers in the non-oriented silicon steel sheet air-conditioner compressors whole process LCA. The findings showed that a kilogram of silicon steel B35A300 increased carbon emission by 0.09% in production, but reduced that by 3.8% while applied to air-conditioner compressors. Provide that the annual production volume of B35A300 compressor was 1 million, the annual CO₂ emission would be reduced by 857,000 tons.

Silicon steel product used in one compressor:

	Silicon steel sheet production (kg)	Service process of compressor (kg)	Total (kg)
B50AY-2	39	22,605	22,644
B35A300	17	21,769	21,786



Environment-friendly Products

Iron and Steel 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, non-toxicity and innocuousness, prolonged service life and improved efficiency, etc.

Environmental benefits	Preventing global warming	Reducing workload of environmental risk management	Creating a society of circular economy
	Saving energy and reducing CO ₂ emission	Reducing workload of environmental protection and hazardous chemical control	Extend service life with recycling
Automobile 	<ul style="list-style-type: none"> Reduced weight and increased safety High-strength sheets, wires and bars Simplifying customers' processing technology Laser welded plates Hot-formed parts Hydro-formed parts 	<ul style="list-style-type: none"> Environment-friendly materials Lead-free hot-galvanized steel sheets Lead-free easy-cutting steel Chromium-free galvanized sheet for automobiles Reducing noise and vibration Composite damping plate 	<ul style="list-style-type: none"> 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 High-strength weathering steel
Food & beverages 	<ul style="list-style-type: none"> Reducing weight of beverage cans Reducing thickness of DI materials 		
Home appliances 	<ul style="list-style-type: none"> Simplifying customers' processing technology Pre-painted steel sheets for home appliances Electrical steel with self-bonding coating Hot-galvanized steel sheet with self lubricating film Improving motor efficiency High-efficiency non-oriented electrical steel 	<ul style="list-style-type: none"> Materials containing no environmentally hazardous substances Lead-free hot-galvanized steel sheet Chromium-free hot galvanized sheet for home appliances Chromium-free galvanized sheet for home appliances Chromium-free hot Al-Zn-coated sheet for home appliances Chromium-free pretreated pre-painted sheet for home appliances 	<ul style="list-style-type: none"> 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 Ferrite stainless steel for home electrical appliances industry(*)
Power and energy 	<ul style="list-style-type: none"> Improving the efficiency of power generation High-temperature high-pressure boiler pipe Stainless steel for hydropower service(*) Improving the efficiency of energy transport High-strength high-ductility pipeline steel High-induction oriented electrical steel Reducing energy consumption Stainless steel for solar energy generation service(*) 		<ul style="list-style-type: none"> Improving the efficiency of power generation High-pressure boiler pipe High-strength steel pipe Tubes for nuclear power generation service Stainless steel for nuclear power generation service(*) Prolonging service life Steel for chemical storage tanks Steel for petroleum storage tanks High-sulfur-resistance tubing and casing
Construction and civil engineering 	<ul style="list-style-type: none"> Improving the efficiency of construction High-strength high-ductility thick plate Thick steel plate for high-heat-input welding 		<ul style="list-style-type: none"> 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 High-strength ferrite stainless steel for building façade
Others	<ul style="list-style-type: none"> Simplifying customers' processing technology Non-quenched and tempered steel 		<ul style="list-style-type: none"> Prolonging service life High-strength vulnerable stainless steel for railway freight car

Baosteel products are commonly seen in our daily life covering home appliances, automobile, beverage cans, coins and tableware. Moreover, Baosteel involves in many key engineering projects.

Shanghai Tower Project

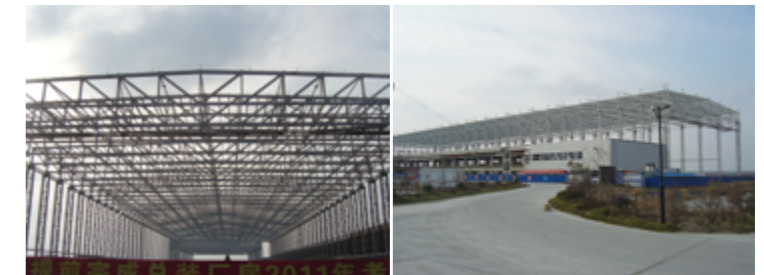
Shanghai Tower sits in the central area of Lujiazui, Pudong of Shanghai, and is the highest building under construction in China. After completion it would stand with Jinmao Tower and Shanghai World Financial Center and form the super skyscraper cluster. The Tower with its 632 meter height and distinctive shape would also become a new landmark of the city. In 2011, Baosteel supplied 35,686 tons of steel materials for the project, including 30,644 tons of thick plates, 940 tons of hot-galvanized steel, 1,125 tons of seamless steel pipes and 2,977 tons of other materials. By the end of December 2011, steel materials supplied by Baosteel had totaled to 41,846 tons.



The construction site The presentation drawing

Construction Projects of Commercial Aircraft Corporation of China, Ltd.

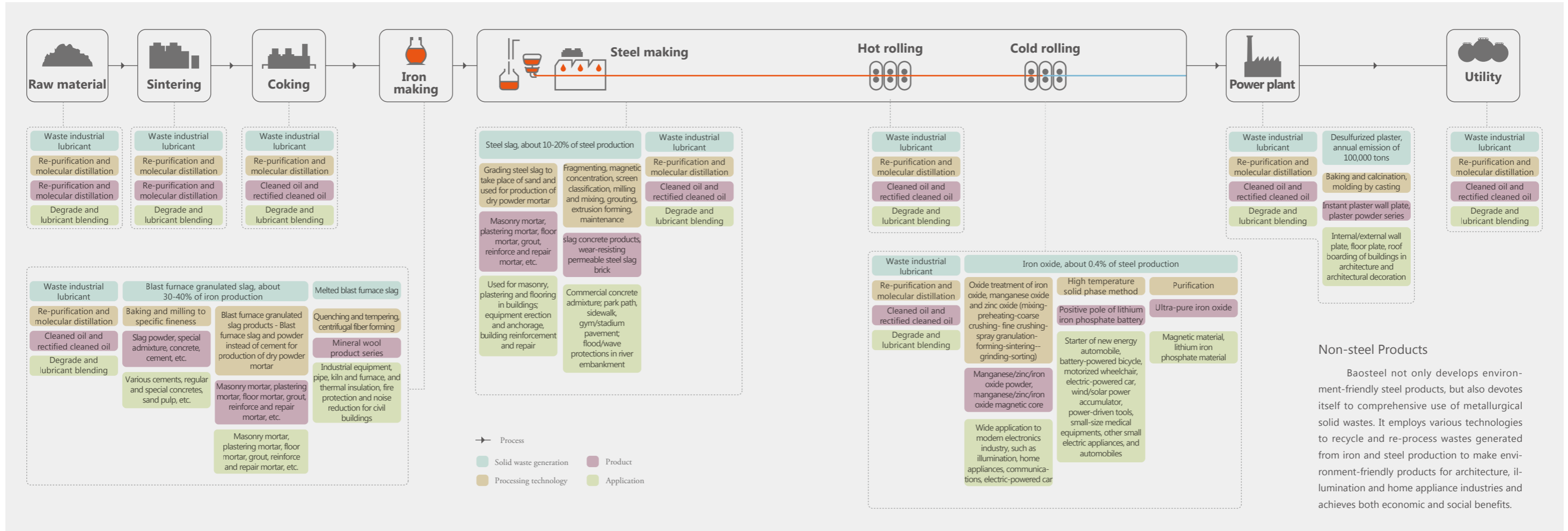
Commercial Aircraft Corporation of China, Ltd. (COMAC) is a state-owned company approved by the State Council. With a registered capital of RMB19 billion, it is headquartered in Shanghai. COMAC would launch a group of support infrastructures for large aircrafts in Beijing, Shanghai and Tianjin. In 2011, its general assembly base was launched in Shanghai. Phase I of the project included ten individual buildings totaling 270,000 square meters in floor space. The R&D Center Phase II and the Service Center would also be commenced in this year. In 2011, Baosteel supplied the project with 13,068 tons of steel materials, including 4,249 tons of thick plates, 3,978 tons of seamless steel pipes, 400 tons of pre-painted steel sheets and 4,441 tons of other materials. By the end of December 2011, steel materials supplied by Baosteel had totaled to 14,383 tons. By present, the main structures of the ten individual projects of the three main centers, including the GA plant, ARJ GA delivery center, digital control center, plate work center, complex material plant and parts assembly plant, had been completed in compliance with the schedule.



The GA plant ARJ manufacturing plant



Production tooling plant Digital control plant



Non-steel Products

Baosteel not only develops environment-friendly steel products, but also devotes itself to comprehensive use of metallurgical solid wastes. It employs various technologies to recycle and re-process wastes generated from iron and steel production to make environment-friendly products for architecture, illumination and home appliance industries and achieves both economic and social benefits.

Green Industry

Baosight Software: Energy Center Technology

Baosight Software, the subsidiary of Baosteel Engineering & Technology Group(BSEG) has accumulated rich experience in energy management system in steel industry. By virtue of its modern monitoring and information technology, its energy center technology manages to conduct all-round monitoring and management on actual energy performance, energy plan, energy balance and consumption analysis through gathering, processing, analysis and overall scheduling of onsite energy data. In recent years, the technology was introduced and applied to Chinese steel industry and made great achievements in energy saving and emission reduction. In view of the tougher situation of energy saving and emission reduction in China, building materials, chemical and heavy equipment industries of are actively seeking for energy conservation and emission reduction in an information-based way. Baosight Software has grasped the market opportunity and explored business of trans-sector energy management system. In 2011, the energy management system of China First Heavy Industries was put into operation. Undertaken by Baosight Software, this was a model project of energy conservation and emission reduction in Chinese heavy equipment industry, as well as the first energy management project by Baosight Software in this sector.

Baosteel Energy: Contractual Energy Management

Shanghai Baosteel Energy Technology Co., Ltd. (Baosteel Energy), a new company engaging in business of energy saving and emission reduction, centered on its business principle of "resource integration, mode design, system development" set in early 2011, reviewed its business lines and identified four business areas namely "energy management consultant, waste heat and energy recovery and utilization", "energy-efficient blast blower and pump" and "energy-efficient building".

In January 2011, Baosteel Energy registered with NDRC as a national energy-saving service, and became a member of EMCA. In this year, the Company provided Baosteel and external users with professional solutions and services in recovery and utilization of waste heat &

energy, energy-efficient blast blower and pump and energy-efficient building. It implemented 23 contractual energy management projects with a total expected investment of RMB300 million, which is equivalent to saving 106,000 tons of standard coal and reducing carbon emission by 275,600 tons.

Meanwhile, in view of the brand new business mode of contractual energy management, Baosteel Energy organized both internal and external resources for the research of "business mode of contractual energy management", which was of great significance to unifying understanding of contractual energy management, standard operation, improving operation efficiency, and promoting the in-depth development of energy saving and emission reduction task.

In 2011, the "pilot implementation plan for remanufacturing" of the Industrial Technology Service Company under BSEG was approved by the Ministry of Industry and Information Technology, marking the Company's new progress into industrialized remanufacturing in roller and copper plate sector after it had become one of the first pilot enterprise of remanufacturing in electrical and mechanical industry.

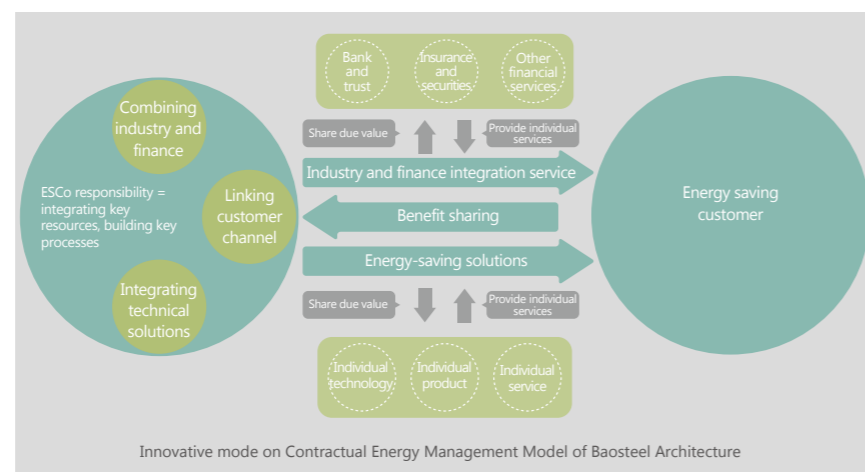
Steel-structured Building

In July 2005, Baosteel officially participated in the Living Steel project of the International Iron and Steel Institute. (which is world steel Association now) For years, the team of Baosteel has established and kept improving the complete technology system of steel-structured housing through the rotation development

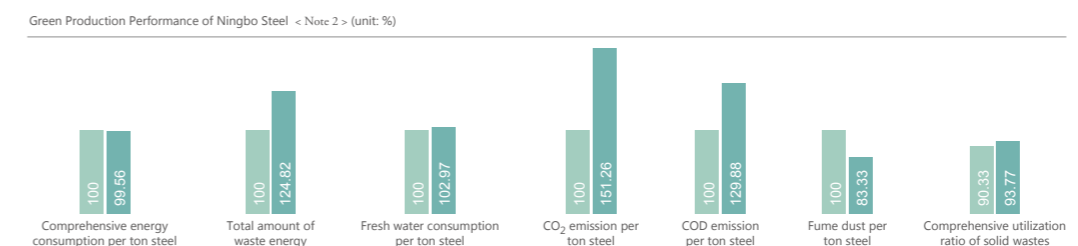
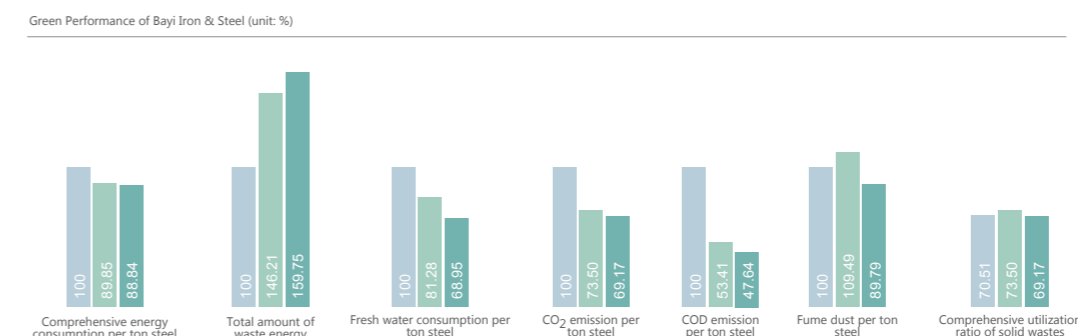
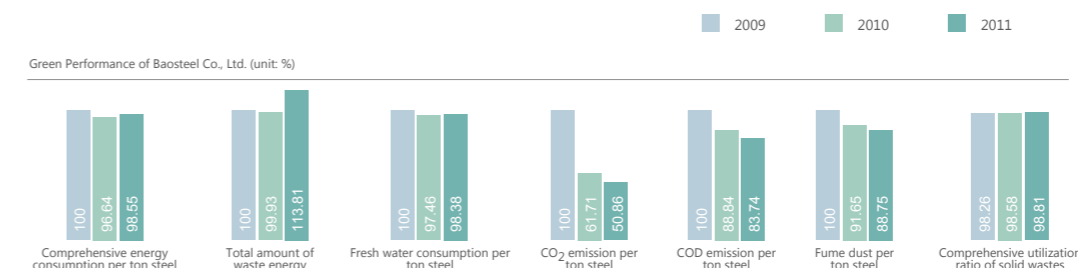
of scientific research and engineers. In 2009 it undertook the all-steel-structured housing program (75,000 square meters) of "Happy Home" in Dujiangyan; in 2010 it undertook the relocation housing project (72,000 square meters) in Tiexi District of Shenyang; technical level of its independently developed steel shear wall and panel joint was reviewed and approved by the Ministry of Housing and Urban-rural Development and local Administration of Housing and Urban-rural Development, and were applied to the steel-structured demonstration communities respectively in Dujiangyan and Wuhan, and won nine national patents (seven approved).

Steel-structured buildings are pre-fabricated, and could shorten the construction period by 1/3-1/2 compared with traditional buildings. Since the panel walls are not load bearing space of the buildings is divided flexibly. Thus, under equal conditions; it could increase the useful floor area by 3-8% compared with concrete structures. Construction of steel structure lowers CO₂ emission by 20-40% compared with traditional structures. The main structure could be 100% recycled, and save resources to avoid environmental pollution by mass construction wastes

On July 18, 2011, Baosteel established Baosteel Building System Integration Co., Ltd. was established based on integration of internal steel structure civil architectural design, R&D, engineering and procurement resources. Baosteel Building System Integration Co., Ltd. engages in building the industrial chain of steel structure buildings, making municipal buildings in an industrialized way, and realizing the dream of "building houses like cars".



Green Performance < Note 1 >



Note 1: Figures for "comprehensive use rate of solid wastes" are absolute values, while all other values are based on the corresponding values of 2010.

Note 2: indices in the table, except "Comprehensive use of solid waste", are based on indices of 2010; Ningbo Steel in 2010 basically completed its supportive construction for production line, and the statistic data are gradually comparable. Ningbo Steel is transforming its business line from low-end products to mid-and high-end products with higher value added. As the product specification is expanding, the energy consumption is slightly increasing due to intensive processing.

Green Production Performance

In 2011, Baosteel continued to implement the energy conservation and emission reduction spirit of the central government and the Group, spared no efforts to push forward various tasks and successfully fulfilled the annual plan. In this year, comprehensive energy consumption per ton steel dropped by 5kg standard coal compared with that of the annual plan, energy consumption per RMB10,000 output value dropped by 4.5%, the amount of save energy exceeded 30% on a year-on-year basis, and emission of SO₂ and COD lowered by 19.6% and 31% respectively.

Green Milestones

For year, Baosteel and its subsidiaries made great achievement in energy saving and emission reduction and won extensive recognition of the society.

Honors in 2011:

- ★ Baosteel, advanced central enterprise of energy saving and emission reduction during the 11th Five-year Plan by SASAC
- ★ Baosteel ranked No. 359 on the 2011 "World 500 Green Enterprises" organized by Newsweek and two world leading research institutes
- ★ Baosteel Co., Ltd, 2010 'Ten Best Enterprises' of Resource Reutilization in Shanghai"
- ★ Ningbo Baoxin, Stainless Steel Division of Baosteel Co., Ltd, "2010 Energy Conservation Model of Beilun District" of Ningbo

EMPLOYEE PERFORMANCE

Golden Apple Program, an ongoing human resources strategic plan in Baosteel, which is designed to use 8 to 10 years to bring up a batch of leading persons in technology innovation with good performance in the international arena and international influence.

It will continue to be a great undertaking for Baosteel, which just celebrated its 30th anniversary, in the next decade. The program has made 40 stage achievements, and generated an economic benefit of RMB 981 million.

Employees are the foundation for a company to last. We regard human resources as the No.1 resource, uphold the people-first concept, and make one of the three major visions of Baosteel as to "become an exemplary company where employees develop together with the Corporation". With the objectives of maximizing corporate values and promoting the all-round development of employees, we have integrated employee development into the corporate strategic development plan, continued to push forward personal development and corporate development in a balanced way, actively explored effective means of human resources development management, coordinated the development of three types of talents (talents for operation and management, technical talents, and talents with operating skills), and created a favorable environment where talents can stand out and achieve their best performance.

Baosteel actively encourages the atmosphere for learning in the Group and among its teams, commit itself to the construction of an employee development and training system that is of multiple levels, various categories, and project-based, and provides a broad platform for the learning, training and development of employees through the seminars for decision makers, the Daily Progress Future Entrepreneur Training camp, the Golden Apple Program, the Green Apple Program, the safety experience training program, and the fresh graduate training program. Through continuous operation, optimization and improvement, we have shaped a management system that is responsible for overall planning with clear labor division and an operation mechanism that is well regulated and organized and efficient, and chosen, developed and applied an integrated incentive and regulating mechanism. Meanwhile, Baosteel attaches great importance to the construction of the training system, secures investment in training, continues to strengthen relevant infrastructure and resources such as the network of training bases (represented by Baosteel Talent Development Institute and Baosteel (Changshu) Leadership Development Center), trainers and training materials, and has preliminarily set up an e-learning system covering all the subsidiaries at home and abroad. In 2011, Baosteel earmarked a total of RMB136 million for employee training.

Applying advanced information technologies, Baosteel and its subsidiaries have been able to identify the training needs of each employee, and carried out the training plans based on the Internet. According to the corporate development strategy, the capabilities required for each post and the employees' career development needs, in combination with the annual employee performance appraisal, Baosteel and its subsidiaries have formulated training plans of different levels and different categories every year, to ensure that employees have access to pertinent training at different phases of their career development. Baosteel attaches extreme importance to the relevance and effect of trainings, and continues to scale up training programs, and improve their quality and effect. By combining self-training with training lectures, training on job-related skills and training on specialized knowledge, we have vigorously carried out training programs in various forms, including on-job training, off-job training, training at home and abroad, theoretical and practical training, striving to meet the multi-level training needs of employees and improve their work skills and performance. Baosteel Talent Development Institute and the training institutions of relevant subsidiaries of Baosteel have been committed to innovative training, and continued to optimize the training content and improve the ways of training, so as to achieve better effects. Meanwhile, we have also strengthened cooperation and exchange with prestigious universities at home and abroad, research institutions and international enterprises in employee training, invited well-known scholars and experts from home and abroad to have face-to-face communication with our employees, and actively explored more training channels for employees.

Category	2009	2010	2011
Total number of employees	124,132	118,500	116,702
Number of female employees	27,267	25,199	24,275
● Ratio of management staff (%)	8.7%	8.9%	8.84%
● Number of new employees	1,212	2,292	4,684
● Ratio of new employees	1.0%	1.9%	4.5%
● Number of resigned employees	1,175	1,378	1,414
● Ratio of resigned employees	1.1%	1.3%	1.4%
● Ratio of female in senior managers	8.3%	10.0%	10.3%
● Ratio of local employees in overseas affiliates	33.8%	37.8%	42.0%
Number of dispatched staff	87,557	68,443	17,455
Training input (RMB1 million)	93.645	100.388	136.2489
Person-hours trained	—	78.2	111
Per capita training input (RMB)	885	929	1317
Total remuneration (RMB1 billion)	8.89	9.61	10.94
Age structure:			
● Under 35	34.8%	33.2%	32.8%
● 36-45	37.3%	36.5%	35.1%
● 46-55	26.1%	27.7%	28.8%
● Above 56	1.7%	2.6%	3.3%
Education structure:			
● Postgraduate	3.5%	4.5%	4.8%
● University	18.6%	19.4%	20.4%
● Junior college	26.2%	27.3%	27.8%
● Secondary Technical School and Lower	51.7%	48.9%	47.1%
Structure of professional titles:			
● Intermediate & senior titles	12.5%	13.0%	13.9%
● Senior skilled workers < Note >	26.7%	26.2%	27.9%
● Others	60.8%	60.8%	58.2%

Note: Senior skilled workers - personnel with senior skills or above

Employee Development Platform

Complete Employee Development Systems

In 2011, Baosteel conducted satisfaction survey for employee development. Employees were randomly selected to participate in the survey and Baosteel Talent Development Institute served as an independent third-party evaluator. In 2011, the employee development satisfaction scored 76.32 points, within the employee development satisfaction zone (70 to 90 points).



Launch of Baosteel (Changshu) Leadership Development Center

Content of the Employee Development Satisfaction Survey:

Analysis will be made against five indicators of two dimensions:

- I. The report
 - 1. Faithfulness
Whether the employee development report is faithful
 - 2. Acceptance
Whether employees accept and agree with the report
- II. Work related to employee development
 - 3. Matching
How the work related to employee development match the relevant strategy
 - 4. Effectiveness
Organization, planning, implementation, feasibility and actual effect of the work related to employee development
 - 5. Satisfaction
Satisfaction with the specific method, process and effect of the work related to employee development

Green Apple Program

We continued the "Green Apple" Program targeting at young high-potential talents. In 2011, we designed and formulated the Green Apple Study Manual; set up the system of study compact and letter of commitment; created the study map; optimized the study plan, action plan and overseas seminar/job training plans; adopted the credit accumulation system; launched the third centralized training of the second session of the Green Apple Program; planned and selected candidates for the seminar in Taiwan; and held the seminar opening ceremony and the first training of the third session of the Green Apple Program. up to now Baosteel has developed a team of 208 Green Apple talents from 3 sessions in all

Golden Apple Program

In 2011, the Golden Apple team organized, planned and participated in several academic conferences at home and abroad, and communicated with many academic institutions and groups. Baosteel set up a platform for the internal communication of the Golden Apple team, the Golden Apple seminar, and the Golden Apple meeting rooms. Meanwhile, we were also concerned about the harmony and happiness of the employees' family life, and organized activities such as the Journey of Intimacy: Golden Apple Happy Family Weekend Camp. Through the concerted efforts of the Golden Apple team

and the cooperation from corporate departments, the Golden Apple Program has made 40 achievements and generated economic benefits of RMB981 million. Among them, the technologies for energy conservation, environmental protection and green manufacturing will bring tremendous social benefits to the Corporation.

Daily Progress Training Camp

To better guide and promote these transformations and foster the captain leaders Baosteel years for, in the early 2011, we reviewed the performance of talents we had and those with potentials, carefully selected 18 high-level reserve talents and three young talents with high potential, and organized the Baosteel Daily Progress Future Entrepreneur Training Camp, which set off in July 2011. The trainees will receive three years of training in a brand new mode. With group study once a quarter and various forms of self-study in between, we try to inspire the trainees, broaden their vision and achieve the desired effect by means of learning from practice, mentality cultivation, exchange with senior management, meetings with entrepreneurs and lectures given by experts.

We have launched two group study sessions according to the plan, and multiple self-study sessions with rich content and practical value. During these sessions, trainees attended lectures given by economist Zhang Weiyong and philosopher Wang Bo, held talks with Zong

Qinghou, CEO of Wahaha Group, and learned to practice Taiji and appreciate the tea ceremony.

Launch of Baosteel (Changshu) Leadership Development Center

Baosteel (Changshu) Leadership Development Center (Shanghu Village, Baosteel) is the base of leadership training, a valley for research and development, a platform for the cooperation with strategic partners for innovation, and a showcase of the brand image. The Center was officially put into use on April 1, 2011, to host the 8th decision maker seminar themed Control over the Complex Environment. By the end of December 2011, it had hosted 147 training sessions and meetings, and received 6,714 people. Philip Kotler, a famous guru of management science and Father of Marketing, and Noel Tichy, a global leadership guru and professor at the University of Michigan came to the Center to give lectures in 2011. Shanghu Village of Baosteel was widely acclaimed for its success in hosting of many meetings and training sessions including meetings of Baosteel Group, its board of directors and board of supervisors, Baosteel Employee Forum on Economic and Technological Innovation, Baosteel-Mitsui Management Exchange, Baosteel-China Steel (Taiwan) Exchange on Human Resources, Baosteel seminar for management, and serial job trainings for management staff.

Learning Platform for Employees

The Baosteel e-Learning system was launched in July 2000, and upgraded in October 2008 to cover all the employees. The system supports online learning, virtual classrooms and offline learning, providing a platform where the employees can study whenever and wherever they want to.

In 2011, 388 training programs were carried out through the Baosteel e-Learning system, giving a total of 410 courses to 116,000 trainees. Nearly 40% of the training programs of Baosteel Talent Development Institute are wholly or partly carried out through the e-Learning system.

After years of curriculum development, Baosteel has developed a series of e-learning courses with distinct features, such as party construction and corporate culture, grassroots management, steel products, steel production process, case study of safety incidents, and humanistic cultivation. Nearly 70% of all the courses were e-learning courses.

The e-learning system was awarded the second prize of modernized management innovation of the metallurgical industry, the second prize of modernized management innovation of Shanghai, and the Best Virtual Classroom Application Prize of the China Enterprises and Informatization Forum.

First Baosteel Youth Business Plan Competition to Push Forward Youth Innovation and Efficiency Improvement Program

To spot more enterprising youth, create an atmosphere of innovation, inspire the youth's enthusiasm in entrepreneurship, and foster their abilities, the Communist Youth League (CYL) Committee, the Planning and Development Department, and the Human Resources Department of Baosteel jointly launched the first Baosteel Youth Business Plan Competition. Featuring a series of programs such as lectures on entrepreneurship, preliminary competition and on-site oral defense of the plan, the "IPO Family of Entrepreneurs" pre-competition exchange, the final, and the luncheon for the winning team and corporate leaders, the competition attracted 45 teams comprising nearly 200 young employees from Baosteel subsidiaries in Shanghai.

Youth Career Guidance Program

CYL Committee of Baosteel compiled and revised the Growth Diary, and distributed copies to newly-recruited college graduates, to record their growth in the Corporation. Through the meetings of new employees with administrative and Party leaders of the Corporation and growth report meetings of the new employees organized by grassroots CYL organizations, we helped guide the young employees to do a good

job on their post, fit into the corporate culture and values, and improve their capabilities.

Technological Innovation of Employees

Innovation of Specialized Technical Personnel

Baosteel continued to develop its technological innovation system, upheld the strategy of developing leading technology, and was committed to the innovation of high-end products and core technological research and development. Baoshan Iron & Steel Co., Ltd. takes the lead in the Baosteel Group in terms of technological innovation in the steel industry, and continues to produce highly competitive steel products, meeting the needs of national economic development and the demand for materials posed by major construction projects. Meanwhile, Baosteel has actively pushed forward the technological collaboration and sharing across the Group, planned and organized technological promotion and support for steel units such as Ningbo Iron & Steel Co., Ltd. and Xinjiang Bayi Iron & Steel Co., Ltd., to improve the manufacturing capacity and expand the product mix, improve the overall technological level of the steel industry, and support the enterprise in a harsh market.

Tailored to the needs of high-level technical personnel, trainings such as "Golden Apple" Team Seminar and "Close to Academicians and Users" were organized to foster outstanding technical personnel with strong abilities to lead the technological development, in research and development and making technological breakthroughs; Top 10 thematic seminars, cross-regional and cross-unit staff exchange were offered to backbone technical personnel, to improve their technical competency and abilities to solve technical problems; training on the basic technological knowledge, basic tools and basic methods were provided to new technical personnel to reinforce their skills. Meanwhile, we

Baosteel Set up the Personnel Training Capability Mode

Baosteel set up the project manager capability model and the evaluation mechanism for talent training in light of the reality, maintained the qualifications throughout the process from qualification review, employment and authorization to performance appraisal, and developed the capability development mode with closed-loop management and the hierarchy of project manager, competent project manager, and senior project manager. Meanwhile, we promoted the PMP certification process in the United States, improved the comprehensive project management abilities of project managers through training, learning, communication, practice, and gradually formed a professional team of project managers up to international standards through training, learning, exchange and practice. We have by now 186 project managers with PMP qualifications, 20 with IPMP qualifications, 46 with MIIT qualifications, and 24 with grade-one constructor qualifications. As to certification within the company, 92 have been certified with qualifications as senior project managers, 204 with qualifications as competent project managers, 553 with qualifications as project managers and 116 qualifications as project managers of subsidiaries.

Training of Integrated Engineers

In response to the increasingly fierce homogeneous competition of the market, to improve the core product competitiveness of the company, strengthen the leading and innovative edge of the technology and realize the strategic development of the company as an industry leader, Baoshan Iron & Steel Co., Ltd., considering the long process and interdisciplinary nature of iron & steel manufacturing, launched the training program for technical personnel who were familiar with "regional conditions", "working procedures" and "different areas" (whole-process engineers).

The integrated engineer training program, with products as the main line, projects as the base, two-way training as the major means and the three-year improvement plan as the grip, systematically developed the compound capabilities of technical personnel, and helped improve the competitiveness of core products of the company. Twelve employees from the steelworks, cold rolling mills, manufacturing division, Baosteel-NSC/Arcelor Automotive Steel Sheets, the Institute, the steel pipe and steel bar division, Baosteel Stainless Steel and Shanghai Meishan Iron & Steel received the third whole-process engineer training. The training program featured two-way training, with products such as color coating, automotive steel sheets and stainless steel as the main thread, and centering on the increase of the yield of good color coating materials for home appliances and the solving the problems of steel materials of hot dip galvanized products. The training program is expected to effectively solve the systematic bottleneck to the products of the company and make breakthroughs in minimizing the whole-process costs for manufacturing products.

Case

pushed forward the training of "whole-process engineers", and continued the "Technical Competency Training Camp" program, to improve the employees' overall ability to solve technical problems and make technical innovations.

As to the training of skilled personnel, we focused on the improvement of practical capabilities required for technical posts, and further carried out the Skill Buildup Plan < Note 1 >; according to the competency of personnel in charge of fixed point inspection of equipment, improve their skills from five major aspects, namely, professional attainment, professional skills for fixed point inspection of equipment, equipment management theory, practical experience in equipment inspection and fixing, and exploration of skills required for the post; and organized the training camp for highly skilled personnel centering around four modules, namely, professional attainment and improvement, TRIZ < Note 2 > basics and application, lecture-learning and practices, and exploration, training and exchanges.

Blue-collar Innovation

Over the years, Baosteel has vigorously pushed forward the technological innovation of employees and has scored remarkable results. Among the 6.2 patents generated in Baosteel on average per day, 48% are made by frontline employees; among the six technical secrets generated on average per day, 40% are achieved by frontline employees. Among all the 10 workers winning the National Prize for Progress in Science and Technology around the country, three are from Baosteel. In addition, two Baosteel workers have been awarded the honorary title of "Contemporary Worker Inventor" of China, 11 "Shanghai Worker Inventor", and 15 "Baosteel

Worker Inventor". During their inspection tour in Baosteel, inspectors from Shanghai Federation of Trade Unions spoke highly of the achievements in technological innovation of our employees, and termed it as "Baosteel phenomenon".

Employee Innovation Studio

By 2011, the Group had boasted 66 innovation studios.

At the opening ceremony of the 2011 National Science and Technology Week and Shanghai Science and Technology Festival, Shanghai Federation of Trade Unions conferred the tablets for the first 20 innovation studios of model workers. Baosteel Kong Liming Mechanical & Electrical Technological Innovation Studio is coded No.1 among this batch of innovation studios.

Employee Forum on Economic Technological Innovation

To sum up experiences, absorb strengths from others, encourage the economic and technological innovation of employees, and lay a solid foundation for the second undertaking, scientific development and capability strengthening of Baosteel, on August 25, the 2011 Baosteel Employee Forum on Economic Technological Innovation, with the theme of "Innovation and Corporate Competitiveness", was held in Baosteel (Changshu) Leadership Development Center. It attracted about 160 representatives from domestic and international prestigious enterprises and experts to share their results and experiences in employees' innovation, and explore the new approach of making innovations under the new circumstances.

Technological Innovation Achievements

Baosteel planned and/or participated in the Shanghai Exhibition of Technological Innovation of Employees, the 20th National Exhibition of Inventions, the 63rd iENA Nuremberg, and the 5th International Warsaw Invention Show (IWIS). In domestic and international exchange programs, the employee innovation results of Baosteel attracted extensive attraction and won high praise. At the National Exhibition of Inventions, among the 146 participating programs of Baosteel, 27 won the gold award, 26 the silver award and 45 the bronze award; at the iENA Nuremberg, Baosteel competed with nearly 800 inventions from over 30 countries and regions in the world and won three gold awards, accounting for 50% of the total gold awards won by the Chinese delegation; at the IWIS, Baosteel won seven gold awards and one silver award with its eight participating programs.

Setting up Role Models

	2009	2010	2011
Reasonable suggestions (10,000 pieces)	11.9	19.1	28.8
Benefits generated from implementation (RMB100 million)	20.2	23.34	27.74
Technical secrets formed	2,375	3,101	-
Patents applied (accepted)	1,545	1,774	2,289
JK results	2,464	7,500	11,450

Note: starting from 2011, the number of technical secrets ceased to serve as an indicator.



Kong Liming Science and Technology Innovation Group and Wang Kangjian Innovation Studio

The national model worker and "Contemporary Worker Inventor" Kong Liming is a technical expert in the transport division of Baoshan Iron & Steel Co., Ltd. and has long ranked the first in terms of the number of on-job inventions in Shanghai. In the past more than 20 years, he has dedicated himself to the job, worked hard to solve the problems with all kinds of equipment, and has become an outstanding representative of the economic technological innovation campaign of Baosteel. Since the establishment of Baosteel Kong Liming Science and Technology Innovation Group, under the leadership of Kong, a large number of employees with specialized knowledge and innovation capabilities like Kong have emerged. So far, Baosteel has had 358 science and technology innovation groups, with 3,500 group members and an ever increasing number of patents and technical secrets.

In May 2011, Wang Kangjian Innovation Studio was open, the first innovation studio in the field of cold-rolled carbon steel in Baoshan Iron & Steel.

Wang Kangjian is a technical expert in the cold rolling mill of Baoshan Iron & Steel, and has been working in the mill since his joining Baosteel in 1979. He is an innovation leader in the field of cold rolled carbon steel and has generated economic benefits of RMB213.6 million for the company. In recent years, he has won the second prize of National Science and Technology Progress Award and the May 1st Labor Medal, and has been elected one of the top ten worker inventors in Shanghai.

Wang Kangjian Innovation Studio will adopt the master-apprentice operational mode, with employees with innovation potentials chosen from the cold rolling mill to be the apprentices of Wang Kangjian. The first three apprentices are from the fields of technology, quality inspection and equipment, and each signs a one-year apprenticeship with Wang, with clear innovation objectives. According to the cold rolling mill, they will actively create favorable conditions for the apprenticeship, and provide as many resources and experiment opportunities as possible for the innovation topics and projects of the studio.

Case

solve problems and make outstanding achievements to realize the glories and dreams of Baosteel; business developers who are passionate for exploring business across the country; and young employees who are energetic, passionate, and versatile.

Note 1: Skill Buildup Plan

Based on the practical abilities required for operation and maintenance personnel, we determine the items and standards in terms of basic qualities, skill extension, job-related knowledge and operations, turn the operational skills of employees into quantized indicators and improve the ability of precise operation of personnel for operation and maintenance.

Note 2: TRIZ

TRIZ is the initials of Teoriya Resheniya Izobreatatelskikh Zadatch (Theory of the Solution of Inventive Problems). It is a knowledge-based systematic methodology for solving inventive problems for human beings.

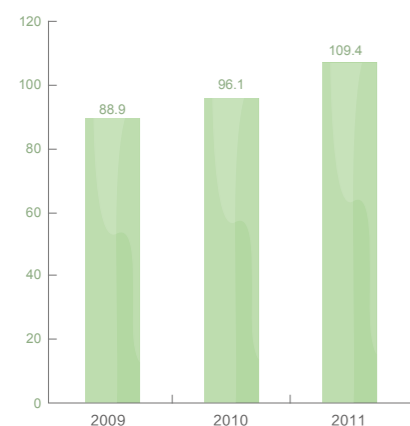
Remuneration and Welfare

Remuneration & Welfare Policy

Baosteel has adopted a flexible incentive mechanism under which multiple long-term incentives are preferred to the previous immediate single-time incentives, and provided more welfare choices for employees, so that all the employees were inspired to make further improvements in their career life.

The Corporation promoted the "sunshine" compensation and benefits management with the e-HR < Note 1 > system and thus realized the closed-loop management for the distribution, statistics and monitoring of remuneration. Employees may log in this self-service system to access the information on personal compensation and benefits.

Total Remuneration (RMB100 million)



Baosteel has adhered to the principle of determining remuneration according to employees' performance and abilities and based upon the assessment of post value. Moreover, in line with the market trends, Baosteel provided satisfactory remuneration for all kinds of talents.

In keeping with the related national and local policies and laws, Baosteel paid in full all the mandatory social insurance premiums and welfare for all employees in a timely manner, including basic pension, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing reserve fund, and strictly complied with the paid vacation system. In light of the unique features of the enterprise, Baosteel also bought group casualty

"Enjoy Your Happy Life" Flexible Welfare Program

Baosteel Engineering & Technology Group Co., Ltd. launched a flexible welfare program "Enjoy Your Happy Life", to satisfy varied needs of employees on different posts and in different ages. This new flexible welfare program featured "core plus optional benefits" for employees to choose, so that all the employees could truly decide what to have for their own welfare benefits. During the trial implementation, employees could choose from seven options under three catalogs, namely Healthy Me, Happy Family, and Colorful Life. The tentative program will be further adjusted and improved according to employees' requirements and feedback. The flexible welfare program clearly presented the idea of "standing the employees' test", and was human-oriented, to meet the employees' personal needs. The company tried to improve the remuneration system with this program, and had a more scientific, rational, efficient and competitive incentive mechanism.

Baosteel Employee Assistance Program (EAP)

Baosteel launched the Employee Assistance Program (EAP) for all its overseas employees, to strengthen the connection between overseas employees and the Company, and make their life better and easier. We distributed EAP brochures and service cards among our overseas employees, and provided them with internal and external EAP services, including family aid, interpretation of the company policies, HR services, and face-to-face or over-the-phone psychiatric consulting, so that they may work without family worries and feel relieved when working in a strange country or region.

At a critical point for its globalization, Baosteel Resources Co., Ltd. launched an Employee Development Assisting Program (EDAP) for its overseas employees. The program consisted of three parts: the overseas employee supporting system, regular training sessions, and monthly lectures and events. The company sent 50 sets of Consulting Cards and 50 Love Parcels, held regular talks with its overseas employees in over 200 phone calls, 250 person-times of emails were also sent to the employees, and a dozen of lectures and events organized. Through these efforts, the company helped the overseas employees establish appropriate views of life and career development and relieved their pressure, so that they and their families could work and live healthily, happily and efficiently.

insurance and other supplementary benefits for its employees, such as annuity and Employee Health Plan, as well as staff meals, health screening, and labor protection necessities.

137 member companies of Baosteel took part in the Baosteel Annuity Program in 2011. In accordance with related rules, all Baosteel employees except those who had worked in the Corporation for less than one year received their annuities.

In 2011, Baosteel subsidiaries in Shanghai gave out supplementary housing reserve fund to their employees, making it easier for them, especially the young employees, to buy their homes and repay the loans.

Difficulty Assistance

Baosteel provides assistance to employees and their families through a long-term mechanism, and the standards for such assistance are adjusted dynamically according to change of the overall situation.

Cultural & Sports Activities

In 2011, Baosteel held its Ninth Art Festival for Employees. The festival was composed of five parts: the Sixth "Wonderful Employees" Team Art Contest, "Songs to the CPC" Singing Festival in Commemoration of the 90th anniversary of the Communist Party of China, "Wonderful Baosteel" Story-telling Gathering, "Arts at Baosteel" Album of Calligraphy and Seal-cutting Works by Baosteel Employees, and "A Baosteel in Colors" Painting Album. According to available statistics, there were altogether over 30,000 people taking part in these activities.

Baosteel organized 35 courses and lectures on basic digital photography, yoga, and vocal music in 2011, and received more than 1,500 person-time of participants. "Teams Hand-in-hand" sports series was launched in March 2011, with one sport as the theme event every month. By now, thousands of employees have taken part in practices or contests of tennis, badminton, billiard, Chinese chess, swimming, Joker First (or Daguai Luzi, a poker game popular in China), and board games. The Baosteel Cup Swimming Contest was organized in July 2011 and more than 200 employees from Baosteel member units in Shanghai participated in the contest.

Employee Health Plan

Baosteel Employee Health Plan accomplished two tasks in 2011: The plan was well managed and provided various options to the employees' satisfaction. The online platform was improved to be multifunctional, efficient and convenient, providing premium quality services for all the employees.

By the end of 2011, 10 subsidiaries of Baosteel Group in Shanghai had introduced the Employee Health Plan, covering 60,779 employees as stated on 31 December 2011, 14,539 more

	Living allowance		Educational assistance		Medical relief	
	Amount (RMB 10,000)	Person-times helped	Amount (RMB 10,000)	Person-times helped	Amount (RMB 10,000)	Person-times helped
2009	1,282	24,037	104	1,401	511	2,283
2010	1,182	24,203	91	902	847	2,070
2011	1,732	24,647	105	1,190	865	3,683
Total	4,196	72,887	300	3,493	2,223	8,036



than the previous year. A total of 39,054 employees participated in fitness activities through the Employee Health Plan, accounting for 64.25% of the total. Twenty-five fitness centers in Shanghai signed cooperation agreements with Baosteel, 11 more than the previous year.

"Good Life", an online service platform for Baosteel Employee Health Plan was completed and put into use in 2011. Baosteel employees in Shanghai can log in the platform that incorporates service, settlement and management to access the information on their Health IC Cards.

Happy Retirement Life

Baosteel Senior Citizens' College

There were 146 classes under 38 majors

in Baosteel Senior Citizens' College in 2011. New students were enrolled for 29 majors into 79 classes, and 11 of these majors were new. Altogether, 6,043 person times studied in the college throughout the year. The college received the title of Advanced Group of Senior Citizens' Education in Shanghai on the Working Conference on Senior Citizens' Education in Shanghai, and was honored as Advanced Group in Promoting Senior Citizens' Education by China Association of the Universities for the Aged (CAUA).

The college conducted in 2011 "Survey on the Studying Needs by the Baosteel Retirees". The college council passed The Development Plan for Baosteel Senior Citizens' College 2011-2015, and compiled Keeping Healthy with the Traditional Chinese Medicine and Everyday English for Senior Citizens as teaching materials.

Colorful Retirement Life

The Seventh Baosteel Art Festival for Senior Citizens was successfully organized in 2011. 1,550 people participated in the performances and exhibitions in 10 categories, including vocal music, dance, fashion, speech, drama, calligraphy, paper-cutting, painting, photography, and handicraft. The 5th Baosteel Healthy Seniors Selection was conducted as well, and 42 retirees were selected.

The recreational rooms, clubs and Baosteel Senior Citizens' College are open to all retirees in the community for free. The students of the college and the Songtao Poem Club members gave voluntary performances in the Yangxing Community and Baoshan Senior Citizens' Home. The Baosteel retirees have been playing an active role in the community cultural construction.

Baosteel Committee for the Wellbeing of the Youth has fostered a large number of talented young employees through various activities, such as lectures on the corporate culture and Baosteel values, sessions to pass on work experiences, dissertation and oral defenses tutoring and even match-making for single employees. Baosteel Association of Senior Experts, Scientists and Technicians established a platform for Baosteel retirees to make new contributions in their retirement.



Note 1: E-HR
E-HR incorporates advanced IT technology into human resources management, and provides digital services for the HR management in Baosteel. The company witnessed an improved efficiency and optimized process of HR management with E-HR. The HR services have also been enhanced. E-HR provides support for the decision-making process in the strategic HR management of Baosteel.

Employee Safety and Protection

A company's focus on production safety represents a people-oriented corporate culture that complies with laws and regulations and shows respects for scientific management. Baosteel has formed the corporate culture of "spirit of strictness and endeavor, road of learning and innovation, and aim to be the best", and this also serves as the core of our safety management. Strictness on every detail is the basic law for safety management in Baosteel, and indispensable for the prevention of accidents. Learning and innovation as well as the aim to be the best is the driving force for the safety management in Baosteel, and safety management means constantly "fussing about" safety issues. The aim to be the best is the ultimate goal of safety management in Baosteel, and we have to exhaust every means to ensure production safety. Our motto is Safety First, Zero Accident, and No Violation of Rules.

Baosteel improved its Body Sense Safety Training Center to launch better-targeted safety training, tested the effectiveness of the occupational health and safety management system through standardized safe production, and carried out safety inspections especially in key areas. We also made efforts to smooth compliance management of ongoing projects, make necessary rectifications, and introduce new models for occupational health management; strengthened the control over hazardous chemicals and major sources of danger, improved the emergency management system, enhanced the capacity to address accidents, and identified and removed potential risks to ensure better safety. We also worked to enhance the quality of the personnel engaged in safety management, improved our fire control and urged subsidiaries to clearly defined the responsibilities related to safe production so as to raise Baosteel's overall level of safe production management.

Year	Frequency of injuries (number of workers injured per million working hours)	Ratio of serious injuries (number of working days lost per million working hours)
2011	0.15	243.74
2010	0.17	117.93
2009	0.29	106.94

Improve the Production Safety System

Joint inspections on the first Thursday of every month

The leaders in charge of safety organize joint safety inspections with the staff from functional departments on the first Thursday every month, to check the on-site situation of production safety on every project under construction. The inspection results are taken as part of the assessment of the persons-in-charge of safety. All the inspections are seriously conducted with PDCA (plan-do-check-act cycle). The inspectors have talks with on-site managers and workers, to identify, check, observe, discuss about, record and take feedback of safety issues. The safety inspections provide support for the safety management on the basic level and solve problems on site. They have been well received and welcomed by the employees.

New models of occupational health management

Baosteel conducted supervision on the standardization of occupational health management in all subsidiaries, improved the occupational health screening process, and enhanced the health screening efficiency. The Corporation promoted occupational hazard management by regions, and fully implemented it into the factories directly under Baosteel Group Corporation. Baosteel also made great efforts to foster a professional test and assessment team for occupational health, and Baosteel Engineering & Technology Group Co., Ltd. received nationally-recognized certificates in this regard.

A 3-year Improvement Plan for Qualifications of Safety Personnel

Baosteel worked out an improvement plan for the personnel of the safety system to encourage safety personnel as well as frontline management staff to attend training program and become certified safety engineers by providing centralized training sessions and incentives. The Corporation also tried to enhance the capability of its safety management personnel through knowledge sharing, internal communication and on-post practices.

Better-targeted and more effective safety education and training

Baosteel conducted body sense basic safety training for new employees, and further safety management workshops for management staff; organized interactive group training for team heads, and self-management training for team members.

1. Baosteel established a Body Sense Safe-

ty Training Center with an investment of over RMB 3 million where trainees could have a better understanding of the dangers and disastrous consequences of accidents by watching, participating in and experiencing simulated accidents such as mechanical injuries, falls, and electric shocks. In the center, trainees can get a basic idea of accidents with personal experience in real or simulated environments and communication with other team members. Then they learn correct operations and acquired safety knowledge from the trainers through explanations and model practices. Providing 5 training rooms and nearly 30 training programs, the center can accommodate 50 trainees a day and 250 persons a week. By the end of 2011, more than 9,000 employees have received training in the center.

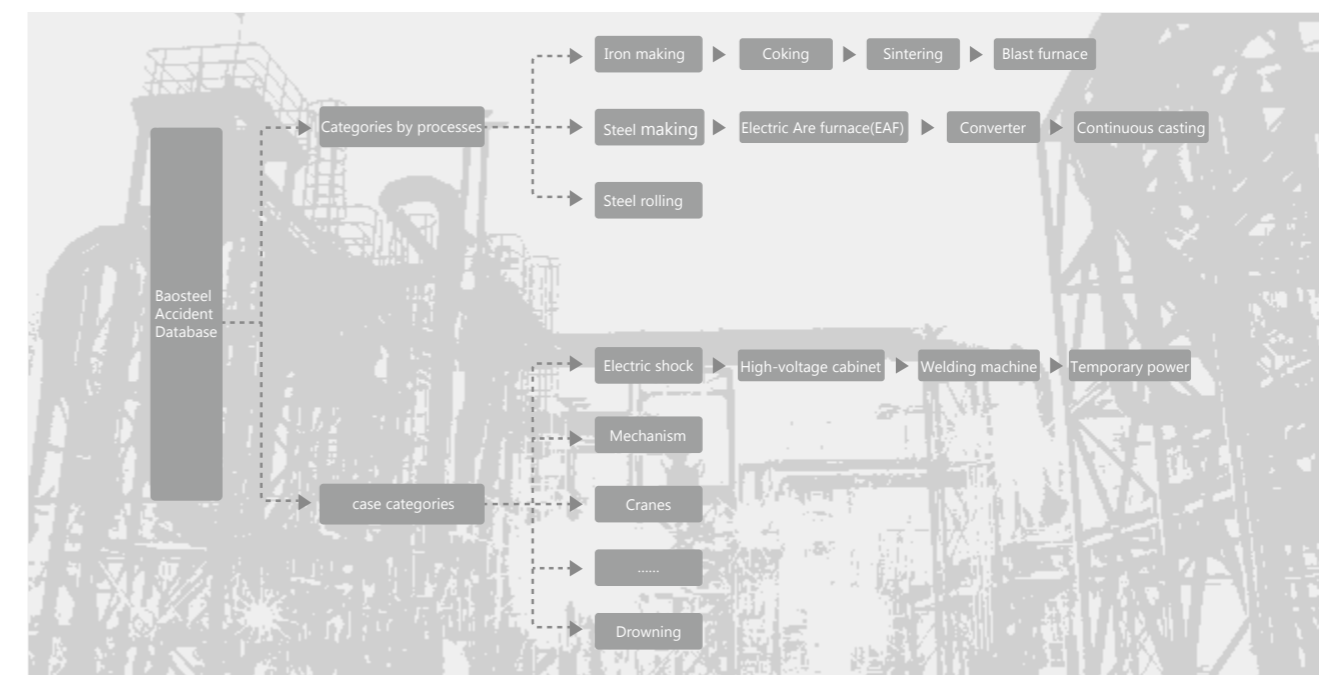
2. Baosteel launched an online multimedia accident database to "build a firewall against accidents in mind and spread a safety net for life". With this database, employees can watch replay of accidents, read through analysis and learn countermeasures. Accident cases were presented with animations and generated better effects

by getting people interested with its originality. Since its launch in November 2011, over 4,200 employees have visited the database.

Vigorous efforts for the standardization of production safety

Baosteel was selected as one of the 22 model enterprises of production safety standardization by the State Administration of Work Safety. Its subsidiaries made self-inspection and corrections against the Specification for Production Safety Standardization and the respective standards for iron smelting, coking, sintering, steel smelting, steel rolling, and gas, to further test the effectiveness of their occupational health management systems and raise their level of safety management. Baosteel Co., Ltd. as a whole qualified for the certificate of first-class enterprises in production safety standardization. Ningbo Steel had some units passing the review for second-class production safety standardization.

Baosteel Accident Database observes the principles of easy access, well-defined structure, and well-presented web pages, and its contents are mainly documents in doc and ppt formats, and multimedia courseware. It serves as an online library for safety education and training.



Communication with Employees

Baosteel Employee BBS

The Baosteel employee BBS "Bridge" has been going on quite well since its official launch at the end of 2010. The BBS has seen a stable increase of users with the number approaching 40,000 by the end of 2011 and a monthly login count of over 360,000. New columns were added to the BBS in 2011, including Life Tips, Mental Refreshment, Communication, Green Apple World, and Window for Returned Students. Activities such as the third season of "Best Practice: My Show" and "Online Voting for the Young Ambassador of Baosteel" were carried out through the BBS and warmly received by employees. The Corporation worked out and distributed Opinions on the Development of Bridge BBS and Regulations for the Management of the Baosteel Employee Bridge BBS to further promote the development of the BBS and implementation of the reply-within-7-days system. The BBS also attracted attention from competent authorities and peer companies. The working team from the Publicity Administration under the State-owned Assets Supervision and Administration Commission of the State Council heard report on Bridge BBS during its visit to Baosteel, and peer companies such as ICBC and Air China also exchanged ideas on corporate website construction with the Youth League Committee of Baosteel.

Operating Data of the "Bridge"

Year	2009	2010	2011
Registered Users	22,350	31,641	39,751
Suggestions and Complaints	1,444	1,629	1,099
Reply Rate	100%	100%	100%



Note 1: 4D
The term 4D is derived from the initials of four major links of operation and management, i.e. Discussion, Deliberation, Decision and Doing, which corresponds to virtual meeting, proposal preview, proposal list, and work priority in the collaborative office system of Baosteel. 4D represents an innovative attempt for project-based management.

Note 2: Top concerns
Baosteel launched the annual survey of Questions to Baosteel Leaders in 2005, to collect and solve the problems most concerned by employees, as well as the ones that are most closely-related to their work and life.

Warmth of Family Letters carried on

Baosteel's "Warmth of Family Letters" program was launched in 2009 and in the program, grassroots organizations of the Communist Youth League sent letters to the families of League members. Altogether 7,082 letters were sent in 2011, and 531 replies received. In early 2011, the Baosteel Communist Youth League Committee selected 15 best letters and 7 best replies, and compiled the Collection of Best Family Letters of Baosteel 2010-2011, which was distributed to 969 grassroots Communist Youth League branches within Baosteel. These family letters brought warmth to the young employees of Baosteel.

Addressing Top Concerns of Employees

Baosteel gets to know about employees' thoughts by regularly collecting their requests and complaints, keeping an eye on the "Bridge", and conducting survey for Questions to Baosteel Leaders. Baosteel subsidiaries worked out implementation measures and rules based on their own situations, to effectively collect employees' requests and complaints.

In 2011, the Corporation included the following programs into its 4D Project < Note 1 >: establishing a housing subsidy plan for young employees, establishing standard humanistic programs for small subsidiaries outside Shanghai, and establishing an employee mutual-help mechanism. The 4D project team was organized with the President of the Corporation in charge, and the Chairman of the Workers' Union as the executive officer to conduct detailed surveys and studies concerning these programs. Feasibility Report on the Construction of Transitional Low-rent Housing for Young Employees was reviewed and approved in principle at the president's working conference with the pilot project to be launched in Baosteel Co., Ltd. Guidance on Establishing Standard Humanistic Programs in Small Subsidiaries outside Shanghai and Guidance on Establishing an Employee Mutual-help Mechanism were issued, and the respective programs carried out.

A total of 128 top concerns < Note 2 > were identified and submitted by Baosteel subsidiaries in 2011, according to Questions to Baosteel Leaders 2010 and the employees' requests and complaints collected in daily work. By the end of December 2011, 123 of these concerns or 96.1% of the total had been solved.

Collective Consultation and Collective Contracts

In 2011, Baosteel signed collective contracts with employees through equal consultation. The collective contracts covered all employees, and the contractual terms were all honored.

The Corporation and its subsidiaries revised a total of 128 items in their collective agreements through full consultation between the authority and the employees in 2011 and revisions mainly involved labor safety and health, supplementary housing reserve fund, honor incentive mechanism, grassroots team building, health plan and health checks, as well as difficulty assistance. The new collective contract was more relevant to employees, and played a significant role in building up a harmonious labor relation and protecting the employees' rights and interests.

Safeguarding the National Unity

Out of the 26,131 employees of Xinjiang Bayi Iron & Steel Co., Ltd. of Baosteel, 5,376 are from minority groups, accounting for 20.57%. The minority employees constitute an integral part of the company, and put the company in a good position for promoting national unity.

Keeping in line with the policies of Xinjiang Uyghur Autonomous Region, Xinjiang Bayi Iron & Steel Co., Ltd. set May as the Month of Strengthening the National Unity and has held relevant activities every year since 1983. In the activities, employees from all ethnic groups get to know each other better make progresses shoulder by shoulder.

In May 2011, 29 forums were held on topics such as "The Company and Development", "National Unity and Development", "Bayi Company and Development" and etc. Renowned professors from the Party School of Xinjiang Uyghur Autonomous Region were invited to give a lecture on "CPC's Policies for Ethnic Affairs and the Prosperity of Minority Groups in Xinjiang". Employees were organized to visit the Company History Museum, and employees from minority groups wrote working diaries. Various other cultural and sports activities were also held to promote the solidarity and mutual understanding and respect between employees of various ethnic groups. Zibaidula·Awuti and Li Guo from Bayi Iron & Steel Co., Ltd. were honored as "Models for National Unity and Progress" on the 9th Honoring Ceremony for the National Unity and Progress of Urumqi.

Lecture of the Education Month of Strengthening National Unity of Bayi Iron & Steel Co., Ltd.



Speech and Story Contest on National Unity in Bayi Iron & Steel Co., Ltd.

"Sunshine Studio" in Baosteel Development Co., Ltd.

The "Sunshine Studio" was established in Baosteel Development Co., Ltd. on June 24, 2011 and officially opened on July 18 as part of the efforts of the CPC Committee of Baosteel Development to better serve the employees. Consisting of an interview room, a relief room and a counseling hotline, the studio aims to help employees relieve pressure. There are Meeting Room and Pressure-relieving Room in the "Sunshine Studio", and 25 experienced Party secretaries from grassroots CPC branch committees and employees with psychological knowledge form a psychiatric coaching team, and have face-to-face talks with employees who need their help. Or, employees may call the hotline to seek help. The coaching team members provide counseling service to employees every day in the interview room. Or, employees may relieve their pressure with the help of the relieving devices in the relief room. Employees can find mental support and aid in the "Sunshine Studio", so that they will work and live happily with vitality.



Vietnam Baosteel Canmaking Co., Ltd.

Vietnam Baosteel Can Making Co., Ltd. was registered in Tinh Binh Duong, Vietnam on 18 August 2011. By 7 February 2012, the company had 17 employees; 8 of them were management and technical staffs dispatched from China, while the other 9, or over 50% of the total, were recruited locally in Vietnam. The nine Vietnamese employees received training in China for three to five months.

Baosteel provided the Vietnamese trainees with accommodation, transportation, meals, winter clothes and Internet access during their stay in Shanghai so that they could have good training here. During the Spring Festival holiday, Baosteel organized the Vietnamese employees to visit landmarks of Shanghai, including the Oriental Pearl Tower and Nanjing Road. They were also invited to spend the holidays in the homes of Chinese employees.

The Vietnamese employees have not only acquired skills, but also participated in cultural activities in Baosteel. They performed a traditional Vietnamese dance with bamboo hats together with Chinese colleagues at the annual meeting of Baosteel Metal and established friendship with Chinese employees.

Quality Local Talents of Baosteel Europe GmbH

Founded in 1993, Baosteel Europe GmbH (hereinafter referred to as Baosteel Europe) is a wholly-owned subsidiary of Baosteel that operates on behalf of Baosteel Group Corporation in Europe, Africa and the Middle East. By the end of 2011, it had altogether 72 Chinese and foreign employees. Seven out of the eight employees of Baosteel Italy are local people, including the General Manager. Among the 5 employees of Baosteel Spain, 3 are Spanish. And only one employee in Baosteel Eastern Europe Office is Chinese, while the other three are local people. These foreign employees not only work for the Baosteel, but also form part of our corporate culture and part of Baosteel overseas family.

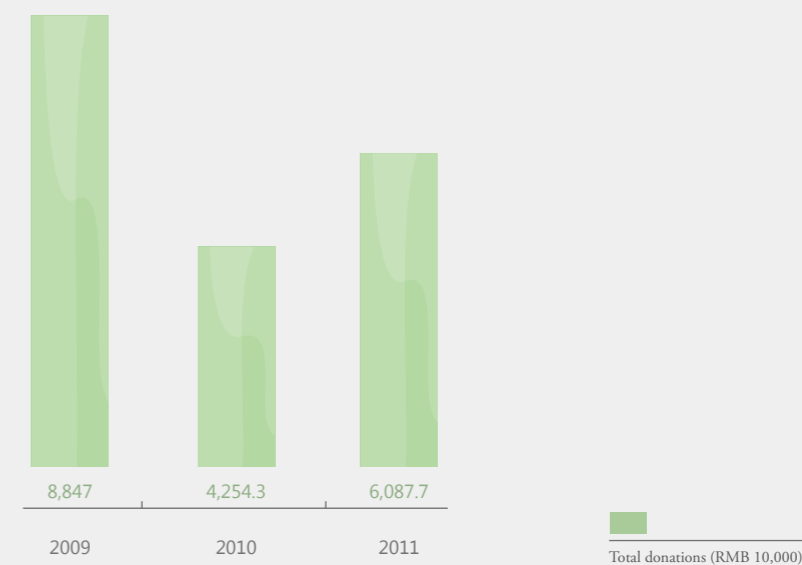
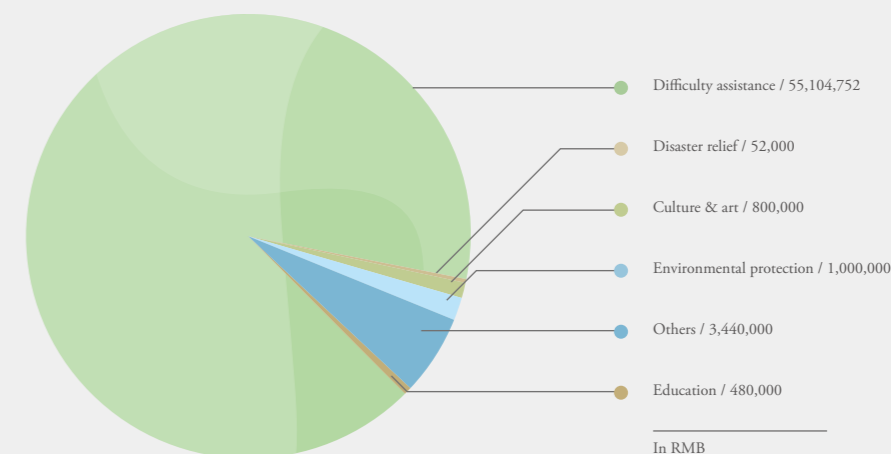
SOCIAL PERFORMANCE



Baosteel has been making firm contributions to the Chinese scientific investigations in the Antarctic since 1993. More than **2,300** square meters of the Chinese research stations in the Antarctic, or over **80%** of the total area, were built by Baosteel Youth Shock Brigade with Baosteel products.

General Information about Donations

In 2011, Baosteel managed its donations in strict compliance with the Regulations on the Management of Baosteel Donations and Sponsorships (Second Version). The donations totaled RMB 60,877,000. Furthermore, the Baosteel Education Fund, which has a history of 22 years, gave out RMB9.43 million in cash to award 1,212 teachers and students from 107 universities and colleges and 18 research institutes under the Chinese Academy of Sciences (CAS).



Relationship with Communities



(Figure 1)



(Figure 2)



(Figure 3)



(Figure 4)

Shanghai

EXPO Seeds of Love Project (Figure 1)

Baosteel organized a charity project that lasted throughout 2011, the "EXPO Seeds of Love" series. It aimed to raise funds for vulnerable groups through charity sale of the EXPO seeds from the UK Pavilion or Seed Cathedral of EXPO Shanghai 2010. It was launched in three sessions. The first session, "Waking up the Seeds", was carried out within Baosteel and the funds raised were donated to Shanghai Qingcongquan Training Center for Children with Special Needs. This was Baosteel employees' love for the society. In the second session, "Seeds for Life", our employees made donations to an employee of Baosteel Iron & Steel Co., Ltd whose child was down with leukemia. The third session, "Seeds of Hope" was open to the whole society. Baosteel Love for Communities Program was officially launched at the release for Baosteel CSR Report 2010. Under this program, children with autism from Baoshan Community may have a one-year treatment in Qingcongquan Training Center at the expenses of Baosteel. By now, three children have received treatment under this program. Meanwhile, Sunflower Volunteers from Baosteel Headquarters and volunteers from Baosight Software Co., Ltd. also provided voluntary services to communities.

New Countryside Project

Since 2007, Baosteel Iron & Steel, Baosteel Development, and Baosteel Metal have provided aid and assistance for four economically-backward villages in Chongmingmiao Township, 3 economically-weak villages in Baoshan District, and Jiulong Village of Shanyang Township, Jinshan District, respectively. With full communication and good investigations, the companies worked out specific plans covering difficulty assistance, educational allowances, infrastructure construction, project investment, and businesses cooperation. The aid and assistance have truly promoted the development of local economy and improved the living standard of the local people with a total donation of over RMB 9 million by the end of 2011.

Share the Sunshine: Education and Employment Aid to Migrant Workers' Children

Jointly organized by Shanghai Charity Foundation and seven other units in Shanghai, this initiative aims to provide financial aid for migrant workers' children so that they can finish secondary technical school education, as well as jobs and related training expenses. Baosteel was among the first participants of this project. Baosteel Industry Technological Service Co., Ltd. has provided over 50 posts of such as benchwork and electrician, and put in more than RMB100,000 for related training since 2007. All the students in this project have acquired related basic skills and at least one special skill through vocational training. After 6 month of probation with instructions, they are basically qualified for the posts and able to make contributions to the society.

Shanghai Age-friendly Housing Project (Figure 2)

Aging is a big social problem in China now and Shanghai is no exception. Baosteel is well aware of this problem and has taken active actions.

Baosteel has been making donations to Shanghai Senior Citizens' Foundation since 2008 and donated RMB2 million in 2011 for

Shanghai Age-friendly Housing Project. As the aged population gets larger in Shanghai, more importance has been attaches to home care for senior citizens. The Age-friendly Housing Project aims to make the existing housing safer and more convenient and comfortable for senior citizens by upgrading the facilities, adding new functions, optimizing the layout and improving the environment. Senior citizens with difficulties in nearly one hundred households in the Baoshan Community will have better housing conditions when the project is finished.

Aid to Baoshan Youyi Cancer Rehabilitation Club

Baosteel has been providing aid to Baoshan Youyi Cancer Rehabilitation Club since 1996, helping the club members regain confidence and fight cancer. The club organizes various rehabilitation activities, including experience sharing of patients with the same disease, "talk" treatment, and multiple sports and entertainment events. The five-year survival rate of club members is as high as 90%, 15% higher than the general rate. Moreover, the club provides consultation and psychiatric services for non-member cancer patients through its rehabilitation hotline, extending care and love to the whole society.

Support for Shanghai Baoshan International Folk Arts Festival (Figure 3)

As the sponsor of Shanghai Baoshan International Folk Arts Festival, Baosteel has supported the festival since the opening of the first festival in October 1995. The festival is themed "the festival for all" calling for "public participation and enjoyment". Thousands of folk have come to Baoshan with folk arts of their own countries and spread them to urban and rural areas, various communities and islands on the sea. Etienne Vankeirsbilck, Vice President of the International Organization of Folk Art claimed Baoshan International Folk Art Festival to be "the best folk art festival in the world".

Support for Shanghai Charity Partnership Day

The first Shanghai Charity Partnership Day was launched in November 2011. It aims to establish new partnership between government, social organizations and companies, so that more companies can participate in social welfare activities and fulfill their social responsibility; Social organizations may strengthen their capacity building and further their development through the project; and more people may participate in charity activities in Shanghai. Nearly one hundred charity activists attended the "Partnership between Companies and Charity Organizations" forum, to share their views on how to enhance the partnership between companies and charity organizations for better achievements.

Xinjiang

Bayi Iron & Steel Co., Ltd. of Baosteel Group has supported every Taklimakan Rally < Note 1 > since 2005, promoting the development of car and motorcycle sports in Xinjiang and China. The motorcyclists challenge the harsh nature, the physical limits of man, and the ceiling of motor performance in the rally, and show their strong will and courage.

Happy Bala

Born in 1985, Nueraili Aimuduli is a young employee of Uyghur nationality in Bayi Iron & Steel Co., Ltd. He is a cheerful young man who joined Baosteel after retiring from the army. Nueraili has been helping Tian Jiwu of Han nationality and his families in the past eight years, while he himself has lived in frugality. During the eight years, Nueraili has given more than RMB40,000 to the Tians with the help of which the son went to college in 2011. Nueraili donated RMB10,000 to the areas hit by the Wenchuan Earthquake in 2008, and another RMB10,000 to help poor students in his community. Now, many people join Nueraili in helping those in difficulties, and the relevant authorities are planning to establish a "Bayi-Alli Educational Fund" to raise more funds.

Case

Meishan

Baosteel invested RMB700,000 in the renovation of Junction 203 on the Meishan Road, and RMB2 million in the renovation project for the Kuangmeiling and Meiyuan residential areas, so that the residents can enjoy better living conditions, as well as RMB90,000 to equip the community recreation rooms with air-conditioners in the mining area. Baosteel also provided the residents with 1,100 jobs.

Ningbo

Ningbo Steel organizes the League members and volunteers to provide voluntary services for the elderly with no family in neighboring communities and senior citizens' homes. They put on performances for over 500 residents and 85 aged people with no family in neighboring communities in 2011.

China Green Carbon Foundation (CGCF) is the first nationwide non-profit public foundation dedicated to combating climate change by increasing carbon sinks in China. All funds raised by CGCF are used for forestation to increase carbon sinks and improve forest management. Ningbo Steel donated RMB1 million in 2011 to the Beilun Project of CGCF for forestation and the fight against climate change.

Guangdong

Baosteel have played an active role in the Aid-the-poor Day activities in Guangdong for two years, and the donations totaled RMB3.7 million for projects in Zhujing Village of Longwo Township, Zijin County, Heyuan City, Sanshui Village of Shangsha Township, Xijie County, Jieyang City, Hexi Village of Meikeng Township, Xinfeng County, Shaoguan City, and Gaoming Village of Chengyue township, Suixi County, Zhanjiang City, and purchased the new rural old-age insurance for the poor in over 3,000 poverty-stricken villages in Guangdong. Baosteel also gave financial aid to the relocation of villages with production and living conditions inappropriate for people. Baosteel won the Copper Kapok Cup for Aid-the-poor Work of Guangdong Province.

Australia (Figure 4)

Baosteel and Hamersley Iron co-established a community foundation in 2004 to repay the Paraburdoo area. The foundation aims to help the youth (Aboriginal youth included) in remote areas in Paraburdoo with cultural and art events, as well as other opportunities of development, including painting, music, drama and dance. The playground in the Alliance Park completed in 2010 is most popular with the residents.

Note 1: The Taklimakan Rally is held in the Taklimakan and Lop Nor in Xinjiang in early May. The Rally raises funds for school dropouts and aids the poor. With a strong sense of social responsibility, the Taklimakan Rally is dedicated to humanistic activities, social welfare and environmental protection.

Contribution to the Society

Earthquake Relief in Yushu, Qinghai

The main part of Baosteel Children's Welfare Home in the Chengduo County, Yushu Tibetan Autonomous Prefecture, Qinghai Province was completed in 2011, with the donation totaled RMB 8.5 million from Baosteel employees in 2010 dedicated for the construction of the children's welfare home. The project covers an area of 3,332 square meters, including teaching buildings, canteens, dormitory buildings, courtyard walls, gates, courtyard greening and other infrastructure. The construction strictly complied with the earthquake-resistance technical specifications. Both the size and facilities of the children's welfare home was greatly improved compared to those before the earthquake. Baosteel employees made new donations of RMB303,499.16 in 2011 for necessary facilities in the children's welfare home. Children left orphaned or disabled after the earthquake in Chengduo County will find a warm home in the children's welfare home.



Poverty-alleviation Assistance in Specific Areas

Baosteel has been providing poverty-alleviation assistance specifically for Ningde, Mojiang, Jiangcheng, and Zhenyuan counties in Pu'er City, Yunnan Province since 2004. The Corporation has put in RMB80,387,000 in 234 assistance projects carried out in 171 villages of 29 townships, benefiting 130,480 people in 32,878 households. Large numbers of people have benefited from the integrated village development plans (IVDPs) and the plans for development of new areas. Infrastructures in these poverty-stricken areas have been significantly improved, and Baosteel has given direct aid to the rural population in these areas living below the line of absolute poverty, improving their production and living conditions. We also helped the people in the four counties develop local industries, so that the poor population may enjoy sustainable development from the poverty-alleviation projects. Baosteel has focused on the public facilities as well, and the basic medical and educational conditions in these areas have been bettered.

In 2002, Baosteel became one of the first 17 central enterprises to pair and provide aid to Tibet. In line with the Central Government's deployment and principle of "taking responsibility in a certain area, providing pair-off aid, and making regular shifts", Baosteel provided aid for Zhongba County of Shigatse Prefecture (the site of the county government is 4,772 meters above sea level, and the average altitude is over 5,000 meters). In the past ten years, Baosteel has provided personnel and financial support and assistance to Zhongba County, dispatched eight cadres in four batches,

and conducted in-depth investigations their. All the funds have been put into development-oriented projects to promote the development of local economy and enhance the livelihood of the local people. From 2002 to 2011, Baosteel invested RMB133 million in 88 projects in Tibet, constructing water and power facilities, roads, and clinics, and providing doctor training and other vocational training in the area.

The Antarctic

Baosteel made its debut in the Antarctic in 1993 when the first-generation PE color-coated sheets independently developed by Baosteel were used to build the food storage building and the research buildings of the Great Wall Station. Eight employees of Baosteel went to the Antarctic in November 2001 for the construction of the Baosteel Building in the Great Wall Station and it took them only 72 days to complete "the most beautiful building in the Antarctic", 18 days ahead of the schedule. In October 2008, Baosteel announced that it would construct the principal part of the Kunlun Station, China's first scientific investigation station in inland Antarctic. The station covers an area of 558.56 square meters and is worth RMB4.5 million. Baosteel Youth Commando completed the construction of the Kunlun Station on 27 January 2009, three days ahead of the schedule. In 2010, Baosteel undertook the construction project in the Great Wall Station, building a new scientific research building and a multifunction building, with a total area of over 1,800 square meters.



A construction commando composed of ten employees of Baosteel started the 135-day journey to the Antarctic with the 28th Antarctic Scientific Expedition in November 2011. They successfully accomplished their work at the Great Wall Station and the 2nd phase construction of the multifunction building of the Kunlun Station.

Baosteel Education Foundation

Baosteel Scholarship was set up with RMB2 million in 1990 and expanded to RMB100 million in 2005. The scholarship has five awards, namely Baosteel Outstanding Student



Award, Baosteel Outstanding Student Special Award, Baosteel Outstanding Teacher Award, Nomination for Baosteel Outstanding Teacher Special Award, and Baosteel Outstanding Teacher Special Award. In 2010, Baosteel set up another scholarship for students from Hong Kong, Macau and Taiwan that covered 12 universities and colleges, to encourage more students from Hong Kong, Macau and Taiwan to receive their higher education in mainland China.

By 2011, 17,602 teachers and students from over 100 universities and colleges and 18 research institutes directly under the Chinese Academy of Sciences (CAS) had received Baosteel Education Awards. Among them, 200 teachers received Baosteel Outstanding Teacher Special Award, 28 teachers Nomination for Baosteel Outstanding Teacher Special Award, 3,763 teachers Baosteel Outstanding Teacher Award, 261 students Baosteel Outstanding Student Special Award, 12,961 people Baosteel Outstanding Student Award, 203 students Baosteel Outstanding Award for Students from Taiwan, and 185 people Baosteel Outstanding Award for Students from Hong Kong and Macau. In the past 22 years, Baosteel Education Foundation has put in almost RMB150 million as awards and educational allowances.

Baosteel Education Awards have won good reputation in universities, colleges and the whole society in China, and has been one of the most

Words from Prof. Mao Zhenming of Beijing Normal University

Baosteel Education Awards play a significant role in promoting the educational development in China. It calls on the whole society to pay attention to education and show respects for teachers. We simply need more awards of this kind.



popular national awards with the largest sum. In the 22 years, many award winners have made brilliant contributions on their posts.

National Iron & Steel Natural Science Foundation of China

On August 28, 2000, Baosteel and the National Natural Science Foundation of China (NSFC) signed an agreement to establish the Iron & Steel Research Foundation in Beijing. The Foundation gives priority to new metallurgical technology in urgent need in the steel industry of China, and to the basic research projects of scientific significance and value of application with respect to technology, materials, energy, environment, equipment, and information. The Foundation encourages innovation, interdisciplinary research and industry-university-institute collaboration, and gives top priority to young scientific talents.

The Iron & Steel Research Foundation provided funds for more than 50 universities, colleges and research institutes in China, including Tsinghua University and Shanghai Jiao Tong University. More than 300 doctors, over 500 postgraduates and 25 post-docs from the projects funded by the Foundation are now working in iron and steel industry and related sectors. Some project achievements have won the National S&T Progress Awards.

The Iron & Steel Research Foundation has focused on the basic research in iron and steel industry, product development and integrated product upgrading, as well as the prospective and applied basic research concerning environmental issues, and laid a solid foundation for and promoted the sound sustainable development of the iron and steel industry in China. The progressive research on silicon steel is approaching the world level, and does not fully depend upon the imported technology and techniques any more. There have been nearly 30 projects on the scientific studies of inclusions and crack control. In the late 20th century in China, only Baosteel was capable of mass production of X70 pipeline steel that poses strict requirements for steel smelting and hot-rolling techniques. With the help of the research projects, nowadays, more than 10 companies in China can manufacture X80 pipeline steel that is even better than X70 products. Baosteel is one of the few in the world that can produce the best X120 pipeline steel. The Foundation has also funded basic and applied research projects such as recovery and utilization of sensible heat in slag, and resource utilization in low-grade composite mineral deposits. Some achievements have been widely applied in the iron and steel industry, while others are also put into application in other sectors or industries.

By 2011, the Iron & Steel Research Foundation had contributed a total of RMB86 million (with Baosteel and the NSFC each providing 50% of the total) to 215 projects. The Foundation has set up an important platform for basic research in the iron and steel industry in China, and linked the basic and applied research in the industry.

Timely Assistance to a Uyghur Girl

By Mireguli Ainiwaer, student from College of Resources and Environmental Science, Xinjiang University and winner of Baosteel Outstanding Student Award 2010

I am Mireguli Ainiwaer. I was born in the Kuqa County of Aksu Prefecture, Xinjiang Uyghur Autonomous Region. My father is laid off, and my mother is a worker in the Kuqa Highway Bureau. I have a brother one year younger than I. My dad and mom have been living a frugal life to bring my brother and me and send us to school. I was enrolled in Xinjiang University in 2006 and my brother in Shenyang Jianzhu University one year later.

I felt truly helpless in the summer vacation of 2010 when I was pondering myself with the question of how I can help my dad and mom with the heavy burdens on their shoulders.

I've been studying hard since the first day of my college life. I won scholarships every year, and found part-time jobs in my spare time to earn my living and lessen the family burdens.

However, a blow may come at any time. In August 2010 when I was to begin my fourth year in college, my dad got acute pleurisy and had an operation, and was unfortunately diagnosed with diabetes later. My family could no longer make ends meet with my mom's salary of less than RMB2,000 a month and my brother and I had to face the economic constraints in our life and study. The biggest problem was our tuition fees for the new academic year. Mom and dad made a harsh decision that my brother should suspend his study for one year and resume it when I graduate.

How I wish I could graduate one year earlier and spare my brother from a suspension! In desperation, I got the news that I'd won Baosteel Outstanding Student Award as one of the two winners from minority groups in my university. The RMB5,000 of the scholarship solved my problem at once, and it was like the charcoal in snow for our family.

For me, Baosteel Scholarship is not only a financial aid, but also a power to push me forward. I've made my mind to do better in future.

I am now a postgraduate in Xinjiang University.



case

SUPPLY CHAIN PERFORMANCE

Baosteel provides customized personal services for users throughout the world with its widespread sales network which consists of outlets in all provinces, autonomous regions and municipalities of China and **22** foreign countries and regions, as well as its **49** steel service centers home and abroad.

Baosteel takes suppliers and users as a priority for fulfilling its social responsibility. It is committed to becoming a value contributor on the entire value chain by being responsible to customers, supporting the development of suppliers and sharing achievements with all partners.

Develop Together With suppliers

Seek Mutual Prosperity in Good Faith

Baosteel Raw Material Procurement Center, upholding the value concept of "faith and honesty", has established a scientific evaluation system, continuously strengthened the partnership with suppliers by means of standardizing the admission criteria. The Company strives to achieve mutual benefits and a win-win situation with suppliers, and takes the capacities for delivery, cost, manufacturing, quality control, service and collaboration as the main indicators in supplier evaluation. In 2011, in face of complex and volatile situations and the tight supply of some raw materials and under the impact of seasonal factors like floods and typhoons, Baosteel, in line with the working principles of "strengthening synergy and ensuring supply to meet production needs; optimizing structure and market-based operations to reduce procurement costs; reinforcing foundation, improving capability and promoting refined management", took initiative to adapt to changes of internal and external environments, focused on capacity building of the raw material procurement system and promoting digital procurement, strengthened cooperation with strategic suppliers, explored new varieties and supply channels, enhanced collaboration and communication with relevant parties and comprehensively balanced capacities of the wharf, the stockyard and shipping vessels, enabling the bulk raw material procurement to ensure supply, reduce costs and improve services.

Green Procurement

Baosteel released the Green Procurement Guideline (Version 1.0) on March 26, which introduces the company's green procurement policies, such as preference for energy-saving, recyclable and long-lasting products, and encouragement for the use of clean energy, materials, processes and technology, etc. The implementation of these policies will not only introduce more green standards, certifications and manufacturing measures into the production process of Baosteel, but also drive suppliers to improve their own management and fulfil their social responsibility of energy conservation and environmental protection.

Baosteel Raw Material Procurement Center continued to encourage suppliers to implement the environmental management system (ISO14001) and gave preferences to suppliers with such certificates. In 2011, 10% of Baosteel's suppliers got the ISO14001 certificate. In Baosteel's ship carrier selection, ISM/NSM certificates were required for the carriers or their management vendors. In 2011, all major carriers of Baosteel are with ISM/NSM certificates.

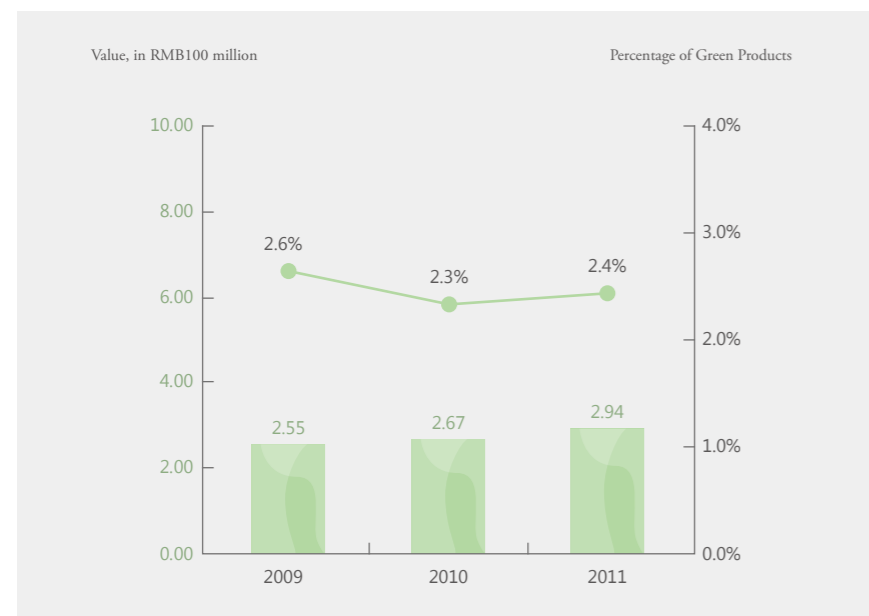
Qualified Suppliers of Baosteel Material & Spare Parts Procurement Department with Certificates of the Environmental Management System

Year		2009	2010	2011
Total number of qualified suppliers		1,048	995	996
Suppliers with ISO14001 certificate	Number	87	176	301
	Percentage	8%	18%	30%

Green Product Procurement

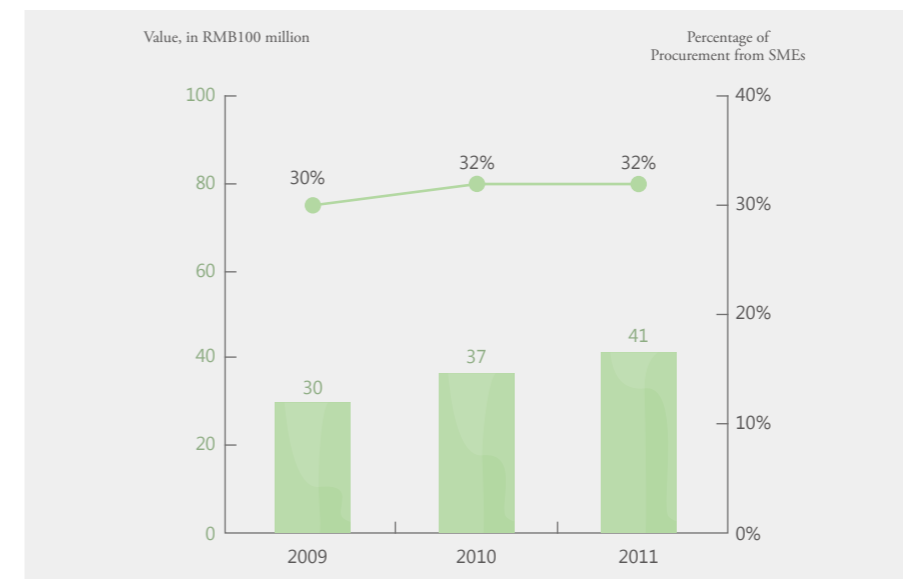
Green attribute identification has been done for over 100,000 varieties of materials and spare parts, accounting for 30% of all varieties procured by the Baosteel Headquarters. Statistics of the procurement of green products (identified) in the past three years are as follows:

Green Procurement of Materials & Spare Parts by Baosteel Headquarters:

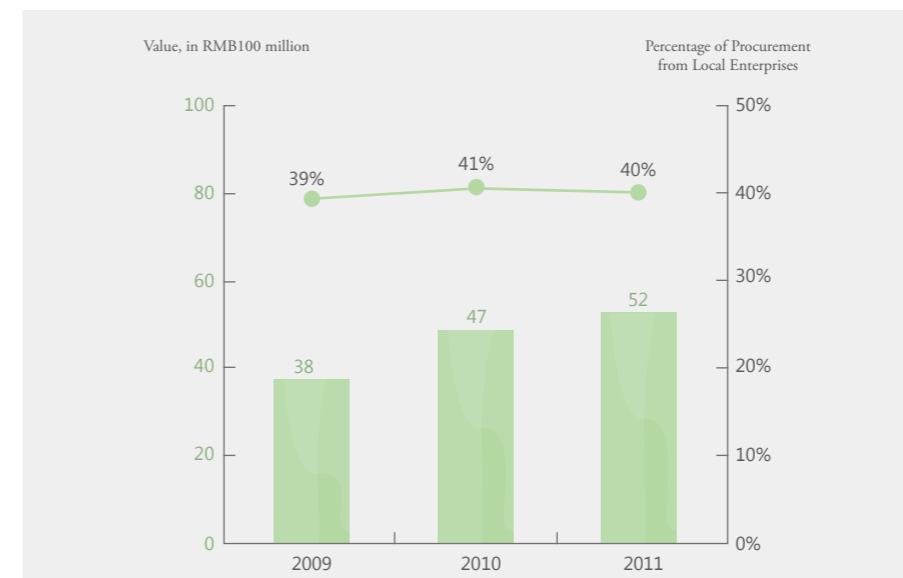


Communication with Suppliers

According to the Provisions on Classification Standards of SMEs (associated enterprises of the Ministry of Industry [2011] No. 300), SME suppliers are defined as enterprises with registered capital of no more than RMB10 million (foreign currency will be converted into equivalent RMB). The performance data on materials & spare parts that Baosteel Headquarters has procured from SMEs in the past three years (excluding import procurement) is shown below.



Local suppliers refer to manufacturing enterprises registered in Shanghai (excluding trade companies, agents and foreign-invested Chinese companies). Statistics of materials & spare parts that Baosteel Headquarters procured from local enterprises in the past three years are shown in the following figure.



Communication with Suppliers

* In April 2011, the Nineteenth General Council of Baosteel Joint Development and Supply Center for Equipment and Spare Parts was held in the presence of 180 representatives from 85 governing units such as China First Heavy Industries Co. Ltd., China Second Heavy Industries Co. Ltd., Taiyuan Heavy Industries Co. Ltd. and Dalian Heavy Industries Co., Ltd., and relevant staff of Baosteel. At the meeting, which was themed "Working together and turning challenges into opportunities", a consensus was reached on responding to competition by making changes. The suppliers and purchasers will continue to intensify efforts in innovation and integration of technologies and products with independent intellectual property rights to build a stable and long-lasting supply chain based on mutual trust.

* In November 2011, the promotion meeting for the production, supply and development of steel-making refractory was held. 19 projects were identified for collaboration of manufacturers, suppliers and research institutes, such as converter and ladle for life extension and consumption reduction, and RH non-chrome tech-

SHANGHAI, March 16 (Xinhua): Chinese Steel Enterprise Launched Green Procurement Guideline to Promote Green Upgrading of Industrial Chain
Li Rong, Xinhua News Agency

On the 16th, Baosteel, a representative iron and steel enterprise in China, released its Green Procurement Guideline the first of its kind in the industry.

Baosteel gives priority to recyclable products that help save energy, reduce emission, and extend service life, and encourages suppliers to use clean energy, raw materials, production processes and technology. "These policies will not only introduce more green standards, certificates and green manufacturing measures into the production process of Baosteel, but also drive suppliers to improve their own management."

"As a leading company in the iron and steel industry, Baosteel has set an example in the "green transformation" for its partners on the industrial chain, who will soon follow suit to jointly build a green manufacturing chain," Bo Jun, Chairman of Sinosteel Refractory Co., Ltd., a long-term supplier of Baosteel, told the reporter.

Baosteel has worked together with qualified suppliers to implement the "Joint Development Program" to develop new-generation green steel products at low cost according to the production and market needs.

nology development, in accordance with the new needs of production sites for more refractory varieties, advanced smelting technologies, consumption reduction and energy saving. At the meeting, Baosteel signed cooperative agreements on refractory production, supply and development with relevant suppliers and proposed the target of reducing the refractory consumption per ton by 2%-5%.

* In November 2011, the Company held the Baosteel Roller Management Seminar, with the theme of "tapping into potentials and jointly adapting to market changes". Through exchanges and discussion, all participating roller users, management units and roller suppliers reached a consensus on the integration of roller application and manufacturing technology, the improvement of comprehensive evaluation mechanism, green manufacturing, quality improvement, technology cost reduction, inventory optimization and value-added supply chain.

We provide quality services for clients

Worldwide service network

Domestic sales network

A nationwide marketing network has taken shape for the sales, processing and delivery of carbon steel, stainless steel and special steel. Baosteel has a sales and service network with the largest steel sales volume in China, a full array of products and a large number of outlets distributed in various areas. Meanwhile, as the organizer of services for the steel supply chain, it has built a steel processing and distribution service system that has the largest domestic steel processing volume, advanced processing techniques and widespread processing sites across the country.

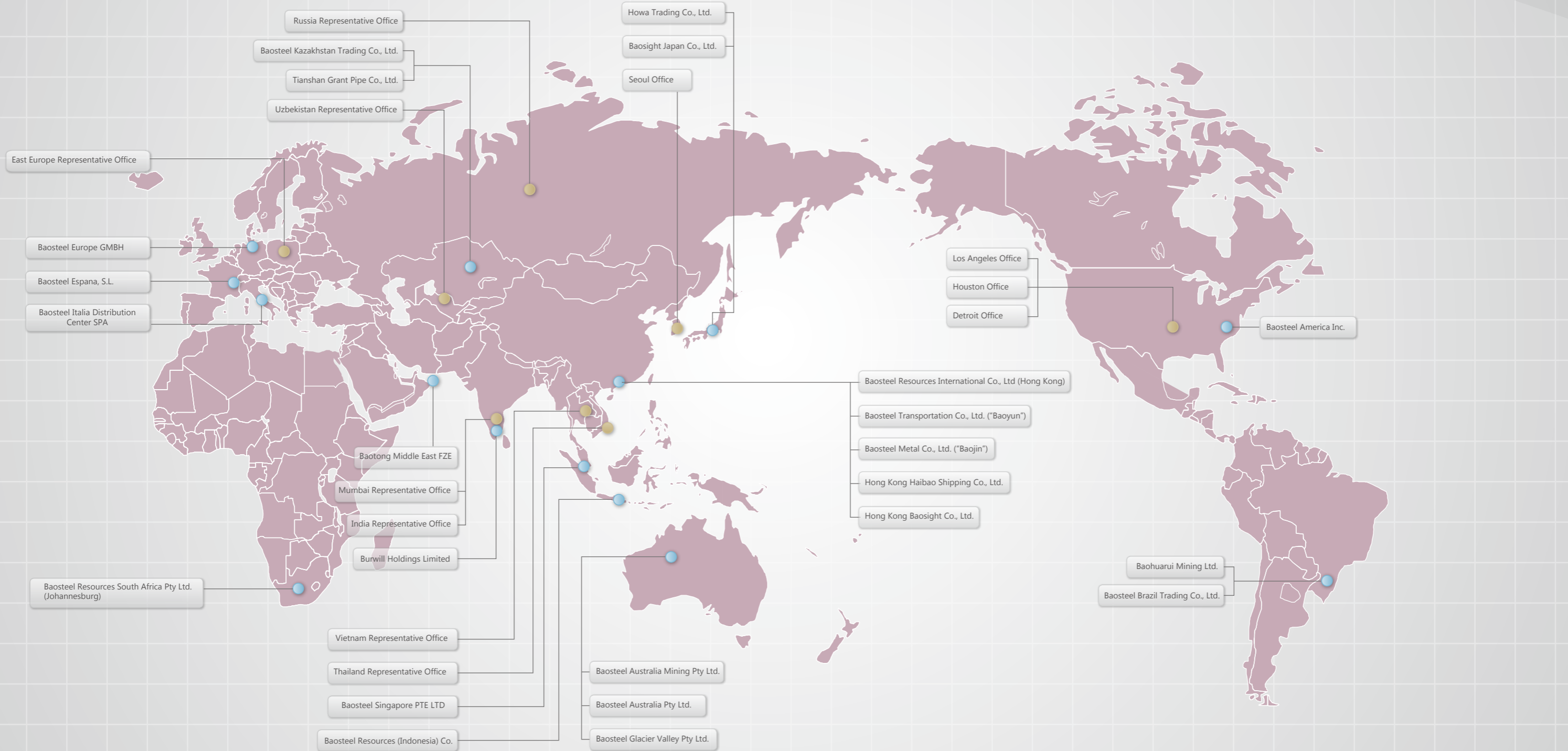
By the end of 2011, the domestic sales network of Baosteel comprised 7 regional companies, 5 franchisees, 5 business service companies, 3 trading companies, 48 steel service centers, as well as 11 branches and 27 representative offices under the above-mentioned units; and Baosteel had a cumulative processing capacity of 7.34 million tons, producing 2,407 million laser welded pieces and 9.25 million wheels, and making 900,000 strokes for hot pressing and 660,000 strokes for hydraulic pressing.

In 2011, taking the auto parts business as an opportunity, Baosteel focused on implementing its plan for marketing services network expansion, vigorously boosted its hard power, strove to build a competitive steel sales service system and constantly improved the distribution of its processing and distribution sites. During this year, Baosteel's annual design capacity for processing and distribution increased by 1.03 million tons, laser welding capacity by 4.1 million pieces and wheel production capacity by 3.5 million.



Overseas network

The overseas sales and service network of Baosteel is distributed throughout the world. First-tier representative offices are set for four major regions, i.e. the Europe, Africa and Middle East region, the Southeast Asia and South Asia region, the Northeast Asia and Australia region, and the Americas region. Its overseas marketing network comprises 4 regional headquarters and 13 subsidiaries of Baosteel, which are responsible for the overall overseas trading services of Baosteel. In 2011, NSM, the first overseas steel processing center of Baosteel was established in Italy, marking Baosteel's first step toward overseas steel processing and distribution services. In addition, Baosteel Resources and Baosight Software have also built their own overseas sales networks.



● Overseas companies (including all subsidiary sole proprietorships and joint ventures)
 ● Overseas offices

Operation model of Production, Sales and Research

Baosteel promotes the integrated development of production, sales and research with an aim to achieve better product development and more timely response to the users' demands. Through collaboration of the production, R&D, technology and financial departments, we address problems related to product R&D, quality improvement, market expansion, and customer services to ultimately enhance the competitiveness of Baosteel products.

In 2011, Baosteel continued to implement SBU promotion based on integrated management of production, sales and research. The eight promotion groups set their goals for the promotion of production, sales and research according to the needs of product development, and put them into practice in an orderly manner with quarterly action plans.

Listen to the Users

Customer Satisfaction Survey

Baosteel has always attached great importance to customers' opinions which are consider a key point in constantly improving our products and services, and regarded customer satisfaction as the starting point and the ultimate goal of all our work. Baosteel has persisted in customer satisfaction and perception surveys to get an in-depth understanding of customers' opinions and identify the scope for improvement of our products and services. To make best use of customer feedback, Baosteel has incorporated timely response rate and satisfaction rate into the KPI indicators for the purpose of follow-up management, so as to ensure proper handling of customers' complaints. In 2011, 86.4% customer complaints were dealt with in a timely manner, with a satisfaction rate of 85.3%.

Year	Q1	Q2	Q3	Q4
2009	92.4	92.3	92.4	92.8
2010	90.1	90.7	89.0	90.6
2011	90.5	90.1	89.9	90.8

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

From 100 Tons to an Exclusive Supplier

In March 2011, the massive earthquake in Japan brought the production of crude naphthalene to a halt. Kao of Thailand, who had been depending solely on the naphthalene supply from Japan, was suddenly faced with an emergency. Through various contacts, Kao in Shanghai, on behalf of Kao in Thailand, placed an urgent order for 100 tons of naphthalene with Baosteel Chemical.

Although sympathetic with Thailand Kao's situation, Baosteel Chemical found itself under enormous pressure in the face of such an urgent order, for it had never exported any naphthalene at that time. To address such an emergency, Tang Zheng, the sales person made timely adjustment to the naphthalene sales plan of that month and in the meantime proactively cooperated with Shanghai Kao for the customs clearance of the export. To export liquid naphthalene, the container filling must be completed on the production site, but the Baoshan Branch of Baosteel Chemical had never conducted such an operation before. Through in-depth study on relevant regulations, constant improvement of on-site filling facilities and repeated confirmation of the height, width and cleanness of the containers to ensure loading safety and product quality, Baosteel Chemical finally managed to deliver the 100 tons of naphthalene to Thailand Kao in time, and ensured its normal production.

Impressed by Baosteel Chemical's helpfulness, excellent marketing services and strict quality control, Shanghai Kao made Baosteel Chemical its exclusive supplier of raw naphthalene around the world in 2011.

Localized Operation of Baosteel Europe GMBH

Baosteel Europe GMBH operates in 124 countries across Europe, Africa, the Middle East and the CIS, covering a total area of 74,160,000 square kilometers and a total population of 2.289 billion. Targeted at both developed and rich European countries whose per capita GDP exceed USD25,000 and the underdeveloped and poverty-stricken Africa with a per capita GDP of only USD1,694. Baosteel Europe has always aimed to provide localized services and create value for various customers.

Sales branches close to customers

Given the vast area and the diverse market conditions covered, Baosteel Europe Gmbh, have, in addition to the Headquarters in Hamburg, Germany, established subsidiaries in Italy, Spain and the U.A.E. as well as a representative office in Poland according to the market development level and users' demand for localized services quick response. In 2011, Baosteel Europe conducted market investigations successively in Nigeria of West Africa, South Africa, and Kenya of east Africa with a view to finding a proper location for a new office and further improving its network layout.

Localized delivery to customers

As the steel industry has entered an era of meager profit, the traditional "back-to-back" trading approach will not only fail to meet users' needs, but also make it difficult for the company to survive. In 2011, in addition to the door-to-door delivery of 60,000 tons of high-grade car panels, Baosteel Europe GMBH also delivered 7,815 tons of sheared steel to Fiat (Italy) through the NSM shearing center jointly established with local capital, further enhanced the localized capacity of Baosteel in Europe. In 2011, the proportion of door-to-door delivery in Spain and Portugal increased from one third to nearly 90%. At the end of 2011, Baosteel Europe GMBH purchased 160 tons of stainless steel as an inventory in Germany to explore localized sales model for stainless steel and deepen the long-term cooperation with local customers.

Case

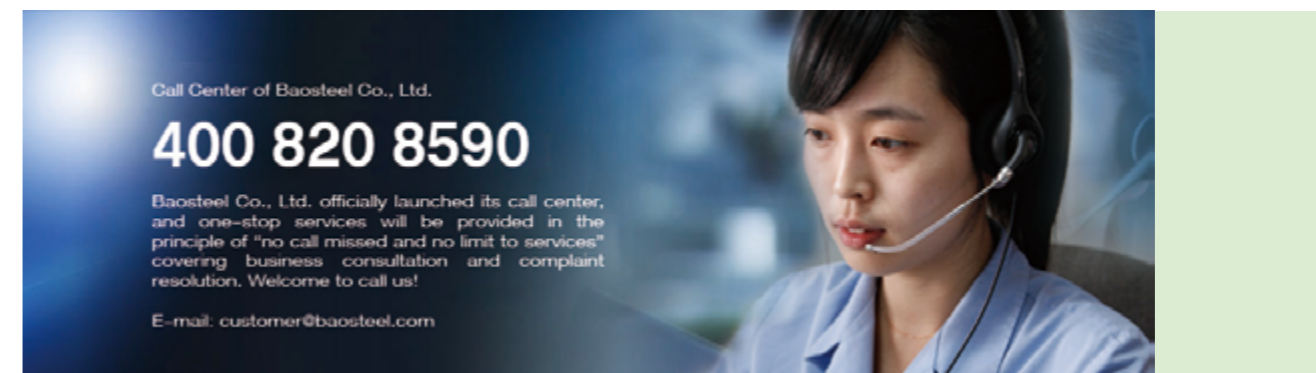
E-Commerce

E-commerce of Baosteel aims at providing users with convenient and efficient and value-added services and pleasant experiences. In 2011, Baosteel integrated its trade and processing e-commerce applications and adopted unified looks for the interfaces of Baosteel marketing e-commerce platform to provide users with consistent e-business experience. Targeted at domestic strategic users, Baosteel continued to optimize its service solutions for automobile, home appliances, shipbuilding and energy industries and corporations, and the key customer channel for domestic strategic users has covered 50% of domestic strategic users, with increasing share of online sales. The information subscription and delivery services launched in 2011 enabled all users home and abroad to have easy access to contracts, logistics and inventory information. The applications of electronic documents continued to expand. After introducing electronic contracts, electronic bills of lading and electronic warranties, Baosteel cooperated with the Classification Society to realize online warranty signing for ship plate products to reduce the issuance and delivery cycle. In addition, a series of innovations like social resources agency were also achieved in spot sales.

Account Representative System

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

In 2009, Baosteel placed great emphasis on account representatives' capabilities to deal with day-to-day objections of customers, guide their selection of products and transfer of user needs, carry out in-depth and demand-oriented technical services and provide users with integrated technology solutions.



Hand in Hand with Electrolux

Baosteel America Inc. has always given full play to the advantages of regional offices, impressed users with quality services, aroused their feelings through communications and inspired them with sincerity and enthusiasm. After years of exploration and accumulation, it has gradually forged stable strategic partnership with Electrolux Brazil based on mutual trust.

In face of various differences in languages, cultures, laws, trade practices and market environment, Baosteel America Inc. made full use of its regional advantages to gain in-depth understanding of the local market of Brazil, and visited target customers to promote Baosteel products and strengthen communications with the procurement and technical personnel. At the end of 2007, years of efforts finally paid off as Baosteel America Inc. became the first overseas supplier of Electrolux Brazil.

To strengthen communications and contact, marketing staff of Baosteel America Inc. established a regular exchange mechanism with the customer and kept providing quality services to deepen business relations. In recent years, Baosteel has gradually optimized its operations, technical services, logistics and execution of contracts. The business personnel has kept regular exchanges with the counterparts of Electrolux Brazil and responded to their concerns and problems in a timely manner. Baosteel adopted a long-term payment method according to the practice of local suppliers. In terms of technical services, Baosteel overseas companies has established direct contact with users through quality managers to address their technical difficulties as soon as possible. In terms of logistics, Baosteel has shifted its delivery approach from monthly bulk delivery to installment delivery so as to ease the storage pressure of the users and meet their requirements for timely material planning. Meanwhile, to ensure timely and effective communication, the sales and technical service teams of Baosteel headquarters paid regular visits to the customer, providing first-class marketing services and winning full trust.

For years, Baosteel has insisted on the principle of service first, provided localized and customized services in relation to commerce, technology, logistics and documentation, given full play to the value creation effect strengthened its competitiveness and enhanced customer loyalty. At the same time, the cooperation between Baosteel and Electrolux Brazil has continuously deepened and expanded from one plant to three plants, from single product variety to several and from one component to multiple components. Recently, Baosteel has extended its business partnership from Electrolux Brazil to Electrolux Chile. In this way, Baosteel has further practiced the service principle of customer orientation, the marketing principle of "developing global users" and the strategic concept of "going global" and achieved a win-win situation with the customer.

Case

In response to the characteristics such as large scale, multiple bases and diversified demands of downstream customers, especially the automobile customers, Baosteel established a large customer service team and appointed Director of Large Customers to develop solution packages for these customers and their subordinate auto companies and provide them with overall marketing and other services. In 2011, Baosteel marketing system combined the customer-centered decision-making process with the existing product-centred decision-making process, completed the preliminary design of the large customer system, and initially determined the organizational structure, the job setting, job responsibilities and powers, incentives, evaluation, and customer service process of the director of large customers and his team, as well as the integration of account manager mode into the large customer team system. It initially sorted out the relationship of responsibilities, powers and interests between existing units of the sales system and the account director team and provided an innovative organizational model and processes to further improve customer services.

Service Hotline

To provide better service and boost more efficient interactions with customers, Baosteel set up a call center, which, adhering to the service concept of "no call missed and no limit to services", provides customers with 7x24 one-stop services such as business consultation and complaint resolution. Since its launch in 2011, the call center system has received a total of 15,073 complaints and consultations from customers.

User Visit

Visiting users is an important way to get in-depth understanding of customer needs, and also the starting point of good services and maintain stable cooperative relations. From 2011, Baosteel Co., Ltd. conducted systematic planning and management on users above the direct supply level, and developed the 2011 annual plan for user visits which covered all such users and the related implementation departments including the sales system, business divisions and regional/exclusive sales agencies throughout the world. Baosteel, taking the plan as the basis for user visiting activities of the entire sales system and marketing channels, established a liaison system for related enforcement departments to timely track and evaluate the implementation of the plan and make prompt feedback on the problems, needs and resolutions that user visits has revealed.

In 2011, more than 6,141 visits were paid to users above the direct supply level, accounting for 90.39% of all planned visits.

China's First Visual Auto-use Steel Demand Pulling System:

—A new marketing model based on VSS demand pulling system

The first domestic auto-use steel demand pulling system has made its debut recently. This system, jointly developed by Shanghai Baosteel International Economic & Trading Co., Ltd. (Baosteel International) and Shanghai General Motors Co., Ltd. (Shanghai GM), a strategic customer of Baosteel, has ushered in a new model of deepening supply chain cooperation between iron and steel companies and automobile enterprises in our country.

Both the automobile enterprises and Baosteel have their own independent supply chains, but independence of the chains hindered real-time information sharing. Information transfer between the two systems can only be done through manual input, which has a number of disadvantages such as high error rate, low efficiency and delay. The delay and the asymmetry of information between the two systems forced Baosteel to increase its inventory to avoid inadequate stock, causing high cost for stock management to both Baosteel itself and the user. In response, the project team formed by Baosteel International, Shanghai Bao-Mit, Yantai Bao-Mit, the car plate sales department of Baosteel Co., Ltd., Bsteel and Baosight worked together with Shanghai GM to build the information-based supply chain system. Through joint efforts, the visual auto-use steel demand pulling system was developed. The system has realized seamless connection of the whole supply chain from Baosteel to the automobile enterprises, enabling them to share visualized, real-time information in the procurement and supply links. With this system, automobile enterprises can inquire about and monitor its own material demand conditions and the production and stock conditions of Baosteel in real time so as to know each link well. Meanwhile, Baosteel can obtain the user's production information of each car model or each component more directly from the system prompt to generate the accurate material demand information of the user and arrange its own production plan. In this way, the material supply plan can be generated automatically based on car production scheduling, enabling Baosteel and its users to form an integrated whole.

The greatest feature of the VSS system is that it allows users to feel at ease. Its innovations are mainly reflected in: a) visualization: Direct-view and dimensioned management of the entire supply chain makes the whole process simple, efficient and accurate; b) early warning: this feature can significantly reduce the risk in the supply chain and avoid the logistics cost arising from emergency pull. The VSS system is our joint achievement, and also a starting point to direct both of us towards more comprehensive development.

—Zhang Qifeng, Senior Manager of the Procurement Department, Shanghai GM

Case

Awards by Customers

Honors and Awards	Customers	Awardees
Excellent supplier	Tebian Electric Apparatus Co., Ltd.	Baosteel Co., Ltd.
Strategic partner	Beijing Embraco Snowflake Compressor Company Ltd.	Baosteel Co., Ltd.
Award	Jiangsu GMO Hi-Tech Co., Ltd.	Baosteel Co., Ltd.
Golden supplier in 2010	Caterpillar Inc.	Baosteel Co., Ltd.
Strategic supplier	Xuzhou Construction Machinery Group (XCMG)	Baosteel Co., Ltd.
Best supplier in 2011	Gansu COFCO Coca-Cola Beverages Co. Ltd	Baosteel Can Co., Ltd.

"You are a reliable partner."

"BLHI took over the challenge of completing the delivery two months in advance and overcame it better than expected. Your ability is incredible. You are a trusted partner", Thomas Moline, general manager of the manufacturing department of I2S LLC, USA, wrote in his letter of thanks.

In January 2011, after undertaking the entire arch project of the U.S. Olympic Steel, I2S LLC entrusted the processing task of two arches and two base anchors with a total weight of 125 tons to Changzhou Baoling Heavy & Industry Machinery Co., Ltd. (BLHI), a joint venture of Baosteel. The contract delivery date was July 25, 2011. However, as the project was to be put into operation ahead of time, Olympic Steel required I2S to complete the overall arch device processing two months earlier. Thus, I2S had no alternative but propose emergency consultation with BLHI.

In face of the customer's fervent expectations, BLHI decided to do its utmost to meet the requirements. The production units were pressing on with this project. They carefully set the corresponding tolerance scope, timely completed inch conversion of project drawings and strengthened process management and quality control. To ensure the paint may meet the U.S. standards, BLHI invited professionals to screen the paint varieties and conduct special tests. Taking into account the long cycle of sea transport in bad weather, BLHI added a layer of aluminum foil on the basis of original packaging to protect all equipment. On May 25, 2011, the arch equipment carefully manufactured by BLHI for the U.S. customer under the protection of dedicated packaging departed from the Shanghai Port.

Impressed by the high-quality services of BLHI employees, premium services, I2S LLC has carried out business meetings with BLHI on a number of follow-up projects.

I2S LLC
675 Main Street
Yamoubo, CT 06401 USA
Phone: +1 203 268 3888



Mr. Fan Bang Ren
General Manager
CHANGZHOU BAOLING HEAVY & INDUSTRY MACHINERY CO., LTD.
No. 100, No. 100, No. 100
No. 100, No. 100, No. 100

Dear Mr. Fan Bang Ren,

We are pleased to hear that you are satisfied with the service provided by BLHI. We will continue to improve our service quality and provide you with better service.

We will continue to improve our service quality and provide you with better service.

We will continue to improve our service quality and provide you with better service.

We will continue to improve our service quality and provide you with better service.

Yours sincerely,

[Signature]
Name
Title
Company
Address
Phone

tenova

case



Highlights 2011

Awards

- On March 4, Baosteel Group Corporation was granted the Outstanding Contribution Award for Central Enterprises Participating in 2010 World Expo and was recognized by the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council.
- On March 16, Baosteel Co., Ltd. was selected as one of the Top 100 Chinese Corporate Social Responsibility Performers, which was released for the first time by Fortune (China), and ranked 5th among the top 50 local enterprises and 1st among the 12 selected local companies in the raw material industry.
- On March 18, Baosteel Group Corporation was listed among the "2010 Most Admired Companies of the World" by the American Fortune magazine and ranked 7th in the global metal industry.
- On April 28, Baosteel Group Corporation won the 2nd China Industrial Award, which is the highest and most influential award in the industry at home.
- On May 6, five projects of Baosteel received Shanghai Science and Technology Awards. Among them, three projects won the second prizes, including the development of high-performance enamel steel sheet, the advance of sintering flue gas desulfurization technology and the development of high sulphur resistant oil casing products; two projects won the third prizes, i.e. the research on surface quality control of 1800 cold rolled sheet, and the development and application of seawater corrosion resistant steel and supporting welding materials.
- On June 22, Baosteel won the award of "2010 Golden Bee • Leading Enterprise", the highest prize on the honor roll of the Golden Bee Corporate Social Responsibility • China List.
- On June 27, Baosteel Group Corporation was granted the Shanghai Municipal Special Award for Professional Ethics by Shanghai Federation of Trade Unions.
- On July 6, Baosteel ranked 18th on the 2011 List of 500 Brands with Most Values in China published by the World Brand Lab, with an increase of RMB11.563 billion in brand value.
- On July 7, Baosteel moved up to 212th on the Fortune Global 500 list from 276th in 2010.
- On July 22, Baosteel Group Corporation won the "2010 China Charity Award – Most Caring Domestic Enterprise". This is the third time that Baosteel was granted with the China Charity Award.
- On August 22, Baosteel swept 98 awards with its inventions at the 20th National Invention Exhibition and was granted the Excellent Display Award by the Organizing Committee of the Exhibition.
- On September 14, Baosteel Group Corporation won the honour of "2010 Leading Central Enterprise of Financial Management".
- On September 15, three projects of Baosteel were granted the 2010 China Quality Technical Awards by China Association for Quality, of which the "research on key technology of e-procurement and supply chain collaboration under game-based bidding model" got the first prize; the other two projects on "the control technology of large-scale hot dip galvanizing unit strip" and "outer plate quality improvement of cold-rolled high-quality home appliances" both won the third prizes.
- On September 15, Baosteel Co., Ltd. won the title of 2009-2010 Annual National Quality Work Advanced Unit, the highest honour in the field of quality management in China.
- On October 8, Baosteel Group Corporation was granted the honour of 2011 Advanced Unit for Statistics in Steel Industry and was cited by China Iron and Steel Association.
- On November 1, two achievements of Baosteel received the first prizes in the selection of 2011 Metallurgical Enterprise Management Modernization Innovation Achievements, i.e. the "Innovation and Practice of Management Auditing Mode for Large Transnational Companies" by Auditing Department of Baosteel Group Corporation and "Monitoring of Trade Friction Risk under Global Horizon and the Construction and Implementation of Response System" by Marketing Management Department of Baosteel Ltd.
- On November 5, Baosteel won the gold prize at the 2011 China International Industry Fairs with its project on "advanced high-strength strip products, processes and equipment".
- On November 15, Baosteel ranked 359 among the "2011 Global 500 Green Enterprises".
- On November 15, Baosteel Group Corporation won the title of 12th National Advanced Units for Professional Ethnic and won the National Labor Award.
- On November 16, five achievements of Baosteel won the 2011 China Metallurgical Science and Technology Awards, among which the project of "R&D on process and complete set of equipment for high speed pickling and rolling of ultra-thin steel strip" was awarded the only special prize.
- On November 22, the 2010 CSR Report of Baosteel was awarded with Excellent Innovation Award of Global Model Report in the selection of the UN Global Compact • Model Report Award of China Corporate Social Responsibility.
- In November, three world-renowned rating agencies gave Baosteel the highest credit rating in the industry. S & P's and Moody's rated Baosteel at "A" and "A3" respectively, both with outlook "stable"; Fitch Ratings affirmed "A-", with supply chain performance outlook "stable", enabling Baosteel to become one of the companies with the highest ratings in the global steel industry.
- In November, 8 projects of Baosteel won gold and silver prizes in the 63rd German Nuremberg International Invention Exhibition, accounting for half of the awards won by Chinese exhibitors.
- On December 2, Baosteel Co., Ltd. was selected as one of "China's Most Respected Knowledge-based Organizations" and won the individual award for "Best Knowledge and Technology Applications".
- On December 12, Baosteel Co., Ltd. was honored as the "Most Socially Responsible Listed Company" on the "2011 Reputation List of China's Listed Companies".
- On December 23, two management innovation achievements of Baosteel received the first prize and the second prize respectively in the selection of 2011 Metallurgical Enterprise Management Modernization Innovation Achievements, i.e. the "Democratic Employee Management based on Three Core Systems in Large State-owned Enterprises" by the Trade Union of Baosteel Group Corporation and the "Monitoring of Trade Friction Risk and the Construction and Implementation of Response System from a Global Perspective" by the Marketing Management Department of Baosteel Co., Ltd.
- On December 28, Baosteel was selected as one of China's Annual Top 10 Innovative Companies with its comprehensive advantages in innovation, management, technology and other aspects.



Major Events

January

Jan. 1 / Baosteel's long and mid-term human resources development plan (2010-2020) was formally released.

Jan. 11 / The 2011 Baosteel Annual Work Conference was held, which proposed to seriously implement the new round of development planning and make the company better and stronger.

Jan. 18 / The 2010 Baosteel Person of the Year awarding ceremony was held at the Opera Hall of Shanghai Oriental Art Center.

Jan. 20 / Baosteel Crade3 bearing steel, which included three product grades, passed the quality certification of the world's leading Sweden bearing manufacturer SKF. Crade3K is the highest level of high carbon chromium bearing steel.

Jan. 28 / Baosteel successfully produced B96LX extremely high strength steel cord wire rod. According to inspection, the product performance has reached all the design requirements, which symbolizes that Baosteel's capability to manufacture steel cord has reached the international advanced level, and has covered all series of steel cord wire rod products.

January / The -50°C spherical tank slab independently developed by Baosteel was successfully put into application, breaking the foreign monopoly.

January / Baosteel Co., Ltd. passed the National Energy Management System Certification, becoming one of the first certified enterprises among domestic iron and steel peers.



February

Feb. 21 / Baosteel drill rod successfully drilled 8023 meters deep into underground in Tarim Oilfield, creating the new record of ultra-deep well drilling by China-made rod.

Feb. 25 / At the Appraisal Meeting of Central Enterprises Participating in the 2010 Shanghai Expo held by the SASAC of the State Council, Baosteel was granted the Outstanding Contribution Award of Central Enterprise Participating in 2010 World Expo; Baosteel Corporate Culture Department (World Expo Office) and World Expo CPC Working Group was honored as the Advanced Group of Central Enterprises Participating in 2010 World Expo; and five staff, i.e. Ouyang Yingpeng, Fu Shuizhong, Pu Kangguo, Jiang Qingdi and Zuo Sen, won the title of Advanced Individual of Central Enterprises Participating in 2010 World Expo.



March

Mar. 16 / Baosteel Human Resources Management Standards BS-HR8000 (Interim) was released, signifying Baosteel has entered into the stage of standardized and professional human resources management which allows independent innovation of departments and stimulates unified development of the Group.

Mar. 16 / The first session of Enhancing Professional Ability Training Program was held, unveiling the two-year training series aimed at enhancing the professional skills of employees at Baosteel Headquarters.

Mar. 16 / Baosteel continued to promote the building of green industrial chain and has been the first in the steel industry to release the Green Procurement Guideline.

Mar. 18 / Baosteel signed strategic cooperation agreement with Fujian province and took the opportunity of the restructuring of Fujian Desheng Nickel Industry Co., Ltd. to build a green manufacturing base of stainless steel.

Mar. 18 / Baosteel got the contract on 43,000 tons of sea pipe for the South China Sea deep-water natural gas pipeline, marking Baosteel UOE thick-walled pipeline has extended from the land toward the ocean.

Mar. 21 / Jointly funded by Baosteel Chemical, Bsteel and Wuhan Iron and Steel Joint Coking Company, Shanghai B-chem E-Commerce Co., Ltd. was set up, becoming the first online information and trading platform in China's coal chemical industry.

Mar. 27 / Baosteel, LanzaTech from New Zealand and Chinese Academy of Sciences jointly kicked off the world's first pilot project on using exhaust of steel plants to make ethanol in Luojing, Shanghai.

March / Baosteel Group Corporation was listed among the "2010 World's Most Admired Companies" by the Fortune magazine and ranked 7th in the global metal industry.

March / Baosteel Group Corporation ranked 3rd on the list of Global Top 20 Steel Enterprises.

April

Apr. 1 / Baosteel (Changshu) Leadership Development Center, also known as Baosteel Shanghu Village, was officially opened.

Apr.9 / Baosteel-Australia Joint R&D Center was established. It is the first overseas joint development center set up by Baosteel, and is an integral part of Baosteel's overall strategy of internationalized deployment of R&D resources.

Apr. 20 / Baosteel and China National Coal Group Corp inked framework agreement for strategic cooperation, ushering in the all-round cooperation between the two parties in trade, resources development and information communication, etc.

Apr. 27 / Three projects of Baosteel were granted the 2010 China Quality Technical Awards by China Association for Quality, of which the "research on key technology of e-procurement and supply chain collaboration under game-based bidding model" conducted jointly with Bsteel won the first prize.

Apr.28 / Baosteel Group Corporation won the 2nd China Industrial Award.

Apr. 29 / The super-large ship "Baotan", with draught depth of 13.5 meters and load capacity of 115,000 tons, berthed at Baosteel Raw Materials Wharf carrying imported iron ores, setting a new record of draft depth in the deepwater channel of the Yangtze River and signifying the successful docking between Baosteel raw materials terminal and the deepwater channel of the Yangtze River.

May

May 16 / The X100 steel grade UOE longitudinal submerged welded pipe with the largest wall thickness and diameter in China was successfully tried out by Baosteel.

May 17 / Baosteel signed strategic cooperation framework agreement with Harbin Electric Corporation.

May 20 / Shanghai Federation of Trade Unions named the first 20 "Model Innovation Workshops in Shanghai", of which Baosteel Kong Liming Electrical Technology Innovation Workshop ranked first.

May 24 / Baosteel exclusively released the Green Declaration and Product Environment Statement in the steel industry, manifesting the company's firm determination to implement the scientific outlook on development and adhering to the road of green development. Meanwhile, it is also a major progress to disclose the environmental performance of the products in Chinese steel industry.

May 24 / China's first 840,000 kVA / 500 kV main transformer made of Baosteel oriented silicon steel with high magnetic induction was officially put into operation at the Three Gorges underground power station, breaking China's dependence on imports of high-grade oriented silicon steel for large transformers.

June

Jun. 1 / Baosteel Leadership, a book with Liu Guosheng, Vice Chairman and Party Secretary of Baosteel Group Corporation as the chief editor, was published.

Jun. 10 / Youth League School of Baosteel was reopened.

Jun.14 / Luo Huining, Governor of Qinghai Province and Deputy Secretary of Qinghai Provincial Party Committee, paid a visit to Baosteel.

Jun. 17-18 / In response to Baosteel leaders' requirement for brand building, Baosteel invited Chief Senior Consultant Dr. Philip Kotler and Global Chairman Milton Kotler of Kotler Advisory Group to give lectures on brand management.



July

Jul. 7 / Baosteel ranked 212th on the 2011 Fortune Global 500 list with revenue of RMB272.984 billion and net profit of RMB23.159 billion.

Jul. 15 / Baosteel Group Corporation won the "2010 China Charity Award – Most Caring Domestic Enterprise", the third time that Baosteel was granted with China Charity Award. This Award is hosted by the Ministry of Civil Affairs and is the highest government award in China's charity field.

Jul. 18 / Baosteel released the 2010 Corporate Social Responsibility Report, proposing to "implement the idea of environmental-friendly operations and embrace the new era of the steel industry".

Jul. 18 / Baosteel Environment-friendly Product Handbook was published. As the first steel enterprise publishing this handbook in the state, Baosteel is aiming to convey the concept of forging green industrial chain to the clients and pushing forward the development of environmental protection together with the clients.

Jul. 20 / Baosteel signed agreement with the government of Shanghai Municipality to become one of the first three central enterprises to settled in the EXPO Park.

Jul. 28 / Initiated by Baosteel Group Corporation, China's first fabricated steel civil industrial technology innovation strategic alliance was officially established in Shanghai, bringing together 23 industry-leading enterprises, higher education institutions and research institutions.



August

Aug. 8 / Baosteel Committee of China Democratic National Construction Association was established.

Aug. 18 / The laboratory testing and non-destructive testing of Baosteel Special Steel Business Unit passed the Nadcap certification (National Aerospace and Defense Contractors Accreditation Program) successively, the top standard in international aerospace field.

Aug. 22 / Baosteel swept 98 awards at the 20th National Invention Exhibition, including 25 golden prizes, 28 silver prizes and 45 copper prizes.

Aug. 25 / Baosteel held the 2011 Staff Economic and Technological Innovation Forum themed "position innovation and corporate competitiveness".



September

Sep. 7-8 / Baosteel Metal and Baosteel Resources held the signing ceremony to introduce the tenure system for leaders of Baosteel on a trial basis.

Sep. 18 / Baosteel donated millions to the earthquake-stricken area in Shigatse, Tibet.

Sep. 18 / Guinea's President Alpha Conde visited Baosteel.

Sep. 20-21 / National Conference on Production Safety Training and Talent Fostering was held in Baosteel.

Sep. 26 / The BG2250-125 BGC nickel base alloy casing products with the domestic largest specification and highest grade was successfully developed in Baosteel.

Sep. 28 / Younglim Choi, member of the Standing Committee of Political Bureau of Labour Party and Prime Minister of DPRK, visited Baosteel.

Sep. 29 / Baosteel Group Corporation was listed among the "Most Admired Companies" by the Fortune magazine.

Sep. 30 / The 2011 China Metallurgical Science and Technology Award was unveiled, and Baosteel's project of "R&D on process and complete set of equipment for high speed pickling and rolling of ultra-thin steel strip" won the only special prize.



October

Oct. 7 / "Baoshipping 18", the first ship manufactured by Baosteel Shipping, berthed at Baosteel Co., Ltd. Raw Material Wharf safely, signifying the smooth completion of its maiden voyage.

Oct. 17 / Baosteel ranked 359 on the list of "2011 Global 500 Green Enterprises" released by the U.S. News Week.

Oct. 29 / Baosteel won 3 golden prizes and 1 copper prize at the 63rd International Innovation Exhibition in Nuremberg, Germany.

Oct. 31 / The Trade Union of Baosteel Co., Ltd. was selected as one of the National Ten Red Flag Units by the All-China Federation of Trade Unions (ACFTU).

October / Baosteel Children's Welfare Institute in Yushu Tibetan Autonomous Prefecture, Qinghai, was completed and put into operation.



November

Nov. 5 / Baosteel won the gold prize at the 2011 China International Industry Fairs with its project on "advanced high-strength strip products, processes and equipment".

Nov. 6 / Baosteel exhibited 8 projects at the 5th International Warsaw Invention Show and won 7 golden prizes and 1 silver prize.

Nov. 8 / The Corporate Social Responsibility Bluebook 2011 released by China's Academy of Social Sciences rated Baosteel at 7th in terms of the Social Responsibility Development Index.

Nov. 15 / Baosteel Group Corporation won the title of 12th National Advanced Units for Professional Ethnicity and won the National Labor Award.

Nov. 17 / The hot load test of Baosteel oriented silicon steel phase II project was conducted, marking that the phase II project was completed and put into production comprehensively.

Nov. 22 / The 2010 CSR Report of Baosteel was awarded with Excellent Innovation Award of Global Model Report in the selection of the UN Global Compact • Model Report Award of China Corporate Social Responsibility.

Nov. 24 / The awarding ceremony of 2011 Baosteel Education Award was held.

Nov. 25 / Baosteel successfully issued 3.6-billion offshore RMB-denominated bonds in Hong Kong. It is the first time that Chinese mainland non-financial enterprise has issued bonds directly in Hong Kong.

Nov. 28 / Experience Exchange of Central Enterprise Employees on Economic and Technological Innovation was held in Baosteel.

December

Dec. 2 / The "Zhaobao Action Plan - Comprehensive Strategic Cooperation Framework Agreement" was signed by and between Baosteel and China Merchants Group.

Dec. 5 / The Sixth Plenary Session of the Third Committee of Baosteel CPC Branch was held, at which the Opinions on Further Strengthening the Construction of Corporate Culture and the Opinions on Further Strengthening the Building of Party Branch (Interim) were deliberated and approved.

Dec. 18 / All formalities for the steel bases of Bayi Iron & Steel Co., Ltd. in Baicheng county, Aksu and Yili city were completed, marking the strategic development planning of Bayi Steel has entered a substantive stage.

Dec. 27 / The new product of one-time dry powder enamel steel developed by Baosteel passed the certification of Howden UK, the world's largest manufacturer of electric environmental equipment. This product, the first of its kind in China, will be widely applied to the flue gas desulfurization and denitrification at thermal power plant.

Dec. 28th / At the 2011 China Independent Innovation Annual Meeting, Baosteel was awarded as one of "China's Top Ten Innovative Enterprises".



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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, 200122 Shanghai

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

2. Your comments and opinions:

Personal information:

Name: _____ E-mail: _____

Title: _____ Tel.: _____

