

CSR2013

CSR Report

Baosteel Group Corporation



Key Performance Indicators

	2011	2012	2013
We are the leader in the Chinese iron and steel industry			
Output of Crude Steel (Million Tons)	44.27	43.83	45.04
Total Profit (RMB Billion)	18.15	10.42	10.10
Operating Revenue (RMB Billion)	316.25	288.23	303.10
Total Assets (RMB Billion)	467.3	498.44	519.46
Total Owners' Equity (RMB Billion)	266.24	277.13	273.86
We are a model enterprise for joint development of employees and the company			
Investment in R&D (RMB Billion)	6.35	6.04	5.88
Patent Applications (Accepted)	2,287	2,445	2,592
Total No. of Employees (Persons)	116,702	130,401	130,962
Total Employee Remuneration (RMB Billion)	10.94	11.52	1,491
Person-Hours Trained (Hour)	111	107	73
Structure of Professional Titles Among Intermediate & Senior Titles, Senior Skilled Workers' and Others:	13.9%\27.9%\58.2%	14.1%\29.5%\56.4%	14.5%\29.2%\56.3%
Employee Commitment	45.2%	52%	53.8%
Frequency of injuries (number of workers injured per million working hours)	0.15	0.18	0.78
We are the driver of the green industry development			
	Baosteel Co., Ltd. Raw Materials Suppliers 10%	Baosteel Co., Ltd. Raw Materials Suppliers 13%	Baosteel Co., Ltd. Raw Materials Suppliers 14%
Percentage of suppliers guided to pass ISO14001 or environmental management certification	Baosteel Co., Ltd. Materials and Spare Parts Suppliers 30%	Baosteel Co., Ltd. Materials and Spare Parts Suppliers 37%	Baosteel Co., Ltd. Materials and Spare Parts Suppliers 44%
	Bayi Iron & Steel Suppliers 10%	Bayi Iron & Steel Suppliers 10%	Bayi Iron & Steel Suppliers 6%
	Shaoguan Iron & Steel Co., Ltd. Suppliers 6.0%	Shaoguan Iron & Steel Co., Ltd. Suppliers 8.3%	Shaoguan Iron & Steel Co., Ltd. Suppliers 13.1%
Sales Rate of New Products	18.8%	18.1%	18.1%

Note 1: Senior skilled workers refer to the employees with senior workers titles and above.

Social Contribution to Green Industry

2012 Annual Energy Conservation – Through energy conserving services, we realized for our customer total annual energy conservation

70,000
tons of
coal equivalent

Recovery Volume of Solid Waste Resources

8.42
million tons

Industrialization Rate of Solid Waste Resources

53.8
%

2013 Annual Energy Conservation – Through energy conserving services, we realized for our customer total annual energy conservation

321,500
tons of
coal equivalent

Recovery Volume of Solid Waste Resources

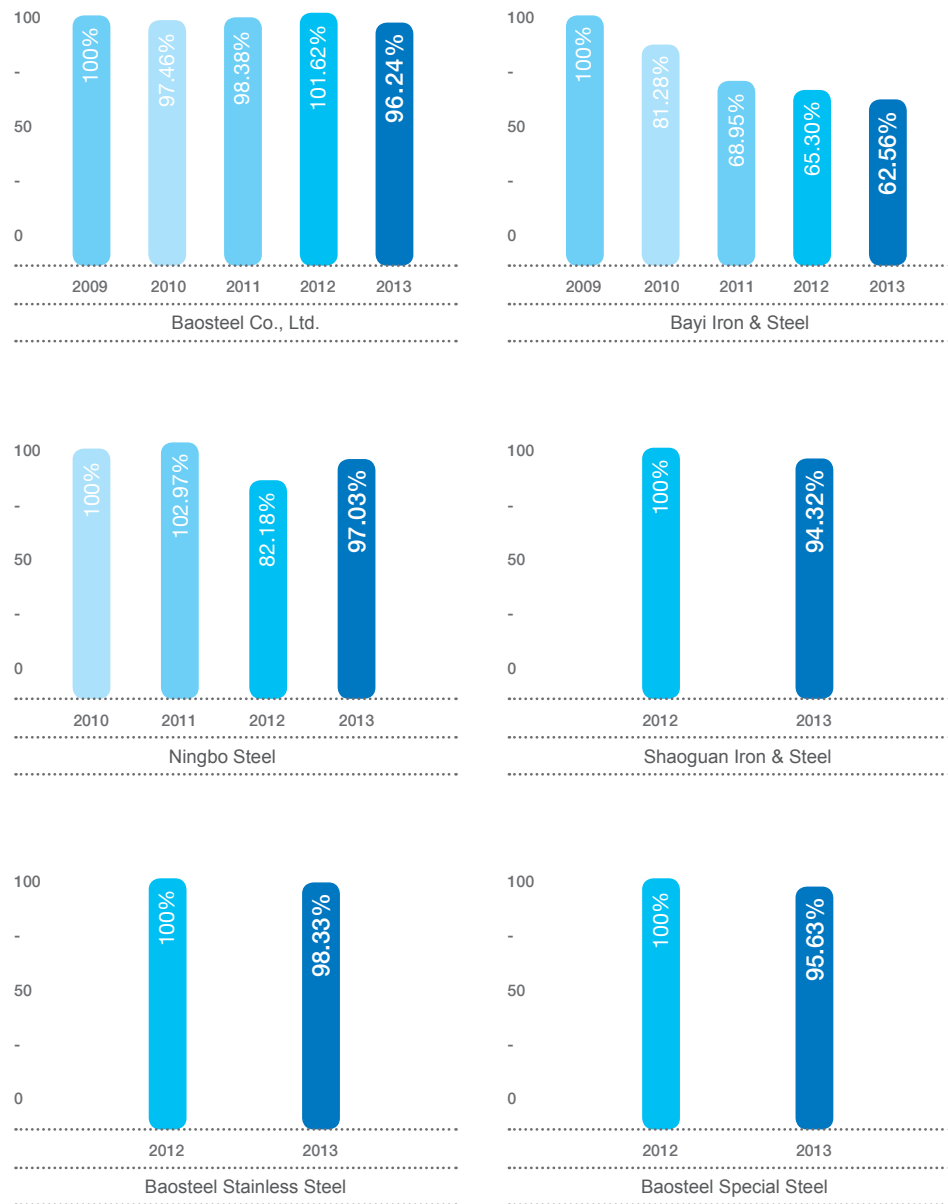
7.945
million tons

Industrialization Rate of Solid Waste Resources

59.7
%

We drive the development of green industry chain

New Water Consumption per Ton Steel



Note: New Water Consumption per Ton of Steel in Baosteel Co., Ltd. and Bayi Iron & Steel uses indicators in 2009 as benchmark.

New Water Consumption per Ton of Steel in Ningbo Steel uses indicators in 2010 as benchmark.

New Water Consumption per Ton of Steel in Shaoguan Iron & Steel, Baosteel Stainless Steel and Baosteel Special Steel uses indicators in 2012 as benchmark.



Overview

About This Report

This is the sixth Corporate Social Responsibility Report published by Baosteel Group Corporation (hereinafter referred to as Baosteel or the Corporation).

This Report has been drawn up in accordance with the “Guiding Opinions on the Management Enhancement in the State-owned Enterprises Directly Under the Central Government” (SASAC Document [2012] No. 23), the “Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities” (SASAC Document [2008] No.1) and the “Outline of Implementation of Harmonious Development Strategies for Central Enterprises during ‘Twelfth Five-Year Plan’” issued by the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC), the “Sustainability Reporting Guidelines” (G3 version) of the Global Reporting Initiative (GRI), the 10 Principles of the United Nations Global Compact and the theoretical research results of the “Guidelines of the Chinese Academy of Social Sciences for the Compilation of Social Responsibility Reports by Chinese Enterprises” and Baosteel’s unique understanding of social responsibilities and its practical conditions.

Coverage

Unless otherwise specified, this Report mainly describes Baosteel’s efforts in corporate governance, value creation, environment management, employees, and community and supply chain from January 1st to December 31st, 2013. This Report covers the iron and steel, resource development and logistics, secondary steel processing, engineering and technology services, coal chemical industry, financial investment and production services.

Language and Format

This Report is published in both Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail. For any question or suggestion regarding this Report, please feel free to contact us via telephone or mail at:

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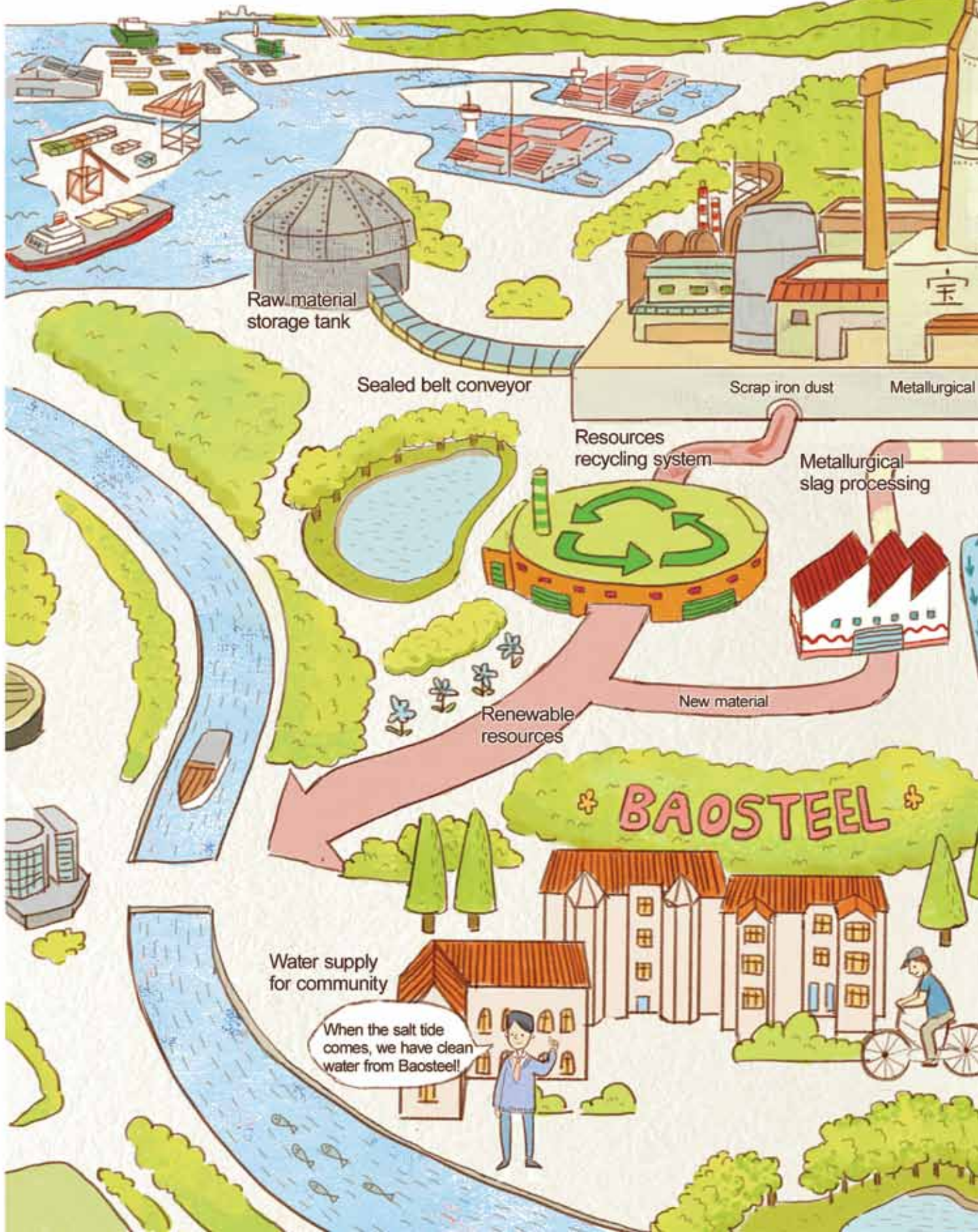
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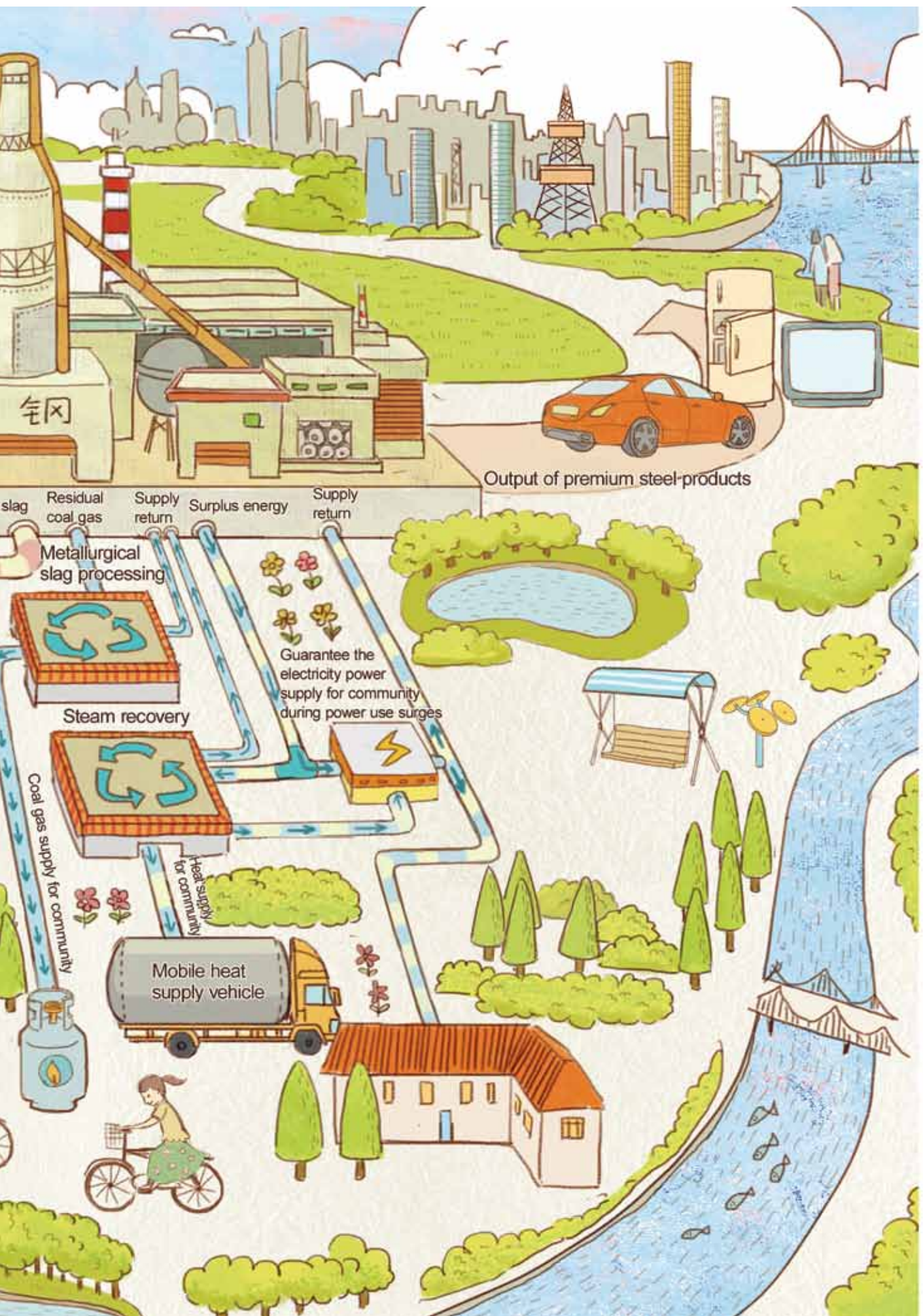
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Baosteel Makes Your Life More Valuable





01

Make Your Life More Valuable

Address by chairman



Where Is the Way out for the Iron and Steel Industry in China?

Although the world economy headed toward the recovery at moderate paces in 2013, there is no end in sight for the overall market slump. With the global iron and steel industry still haunted by overcapacity, widespread losses in the industry are ensuing. As for the economy in China, stabilizing over time, still remains in structural transformation, the era of razor-thin profit margin in the iron and steel industry keeps going and the industry enters "winter" time from "late autumn". However, as Chairman of Baosteel Group Corporation, I am very proud of our achievements in 2013. With joint efforts of 130,000 Baosteel people, the Corporation recorded total profits of over RMB 10 billion yuan, keeping the leading position in the global iron and steel industry. Furthermore, Baosteel still maintains the highest credit ranking among iron and steel enterprises around the world by the top three credit rating agencies, namely Standard & Poor's, Moody's Investor Service and Fitch Ratings. In such a depressed steel industry, all our achievements were hard-earned. However, since I was elected the new President of China Iron and Steel Association (CISA) in January of 2013, I have been pondering over the fulfillment of sustainable development in China's iron and steel industry, and I am also quite willing to share my thoughts with all friends caring for the industry.

Firstly, I would like to talk about the ties between the iron and steel industry and the manufacturing industry. The iron and steel industry to the manufacturing industry is just like what rice is to us, the Chinese people. Not only is the iron and steel industry a part of the manufacturing industry, but also it provides the most fundamental raw material for other areas in the manufacturing industry. Hence it is also referred to as the grain for the manufacturing industry. If we study the development of global iron and steel industry, we may discover its considerable integration with that of the manufacturing industry. At the beginning of the 19th century, the rise of railway drove the development of metallurgy, coal and automobile industry. The iron and steel in the UK took up over a half of the global iron and steel output in 1800. From 1910 to the eve of the Second World War (WWII), the USA became the biggest iron and steel-making power in the globe and maintained such superpower status till the 1970s with the maximum output exceeding 140 million tons. The output of iron and steel in Japan hit 120 million tons in the 1970s thanks to the rapid rise of the industry in the country after WWII. The situation was not that different for the iron and steel industry in Germany. Based on the fact, we can draw the conclusion that only after the iron and steel production reaches its peak and remains stable in a country will its manufacturing industry gradually start for a mature growth. At the current stage, the manufacturing areas in China, including the iron and steel, machinery and shipbuilding, are in difficult times. The real economy in China, represented by the manufacturing, is in face of daunting challenges and even the "hollowing out" crisis. Xi Jinping, Chairman of the State, also pointed out that China's prosperity should be reliant on the real economy, not on bubbles during his investigation in Wuhan in July of 2013. Such comment demonstrates the great significance that the sustainability of the iron and steel industry will have on the development of a country.

Secondly, I would like to brief on the development of the iron and steel industry in China. For a long term, it has been following a path of upgrading product structure and expanding the scale by virtue of equipment and technology upgrading. Driven by the interests of multiple parties, the extensive growth pattern featuring development in parallel in all regions, has led to overcapacity and cut-throat homogenized competition. Besides, with the emergence of long-term issues such as low concentration, lack of voices in iron ore negotiations and increasing difficulty in technological development, the profitability of the iron and steel industry in China is decreasing year by year. In spite of the massive economic stimulation conducted by the govern-

ment, the profit margin of the industry in 2008-2011 still dropped to 2%-3.5%. In 2012, the entire industry struggled in low cost operation with only 0.04% sales profit margin, and the figure was 0.5% in 2013. The authorities in charge of the industry have introduced numerous policies and measures to resolve the prominent overcapacity issue, but little effect is yielded.

Since we have fully understood the importance and the dire situation of the iron and steel industry in China at present, how can we fulfill the sustainable development of the industry and make breakthroughs? The Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform, approved at the third Plenary Session of the 18th CPC Central Committee, serves as a beacon for resolving the issues in the development of China's iron and steel industry as well as a guideline of action for fulfilling the dream of a great iron and steel power. The third Plenary Session of the 18th CPC Central Committee clearly put forward that market should play a decisive role in the resource allocation. In my point of view, only by deepening the market-oriented reforms in an all-round manner with the supplementation of necessary government intervention can the issues of overcapacity and razor-thin profit operation of the industry be resolved. For the state-owned enterprises (SOEs) in full competition, the development of a mixed-ownership economy constitutes the direction and path for the reform and development of SOEs. Development of such economy will be beneficial to both the reasonable flow and operation of the state-owned capital as well as the market-oriented resource and capital allocation so as to promote the preservation and appreciation of value in the state-owned capital. On the other hand, the development of a mixed-ownership economy certainly requires the building of a competitive environment featuring transparency, fairness and rule of law fundamentally with an improved corporate governance structure so that whosoever's capital may enter into or withdraw from such economy.

Last but not least, I would like to share the methodology of "PDCA plus Conscience" with everyone. The cycle of P (Plan), D (Do), C (Check) and A (Action), also known as the Deming Cycle, is a closed-end quality management tool to carry out continuous improvement through repeated use. I learnt the PDCA cycle when I was trained in Japan in the early 1980s. In my own practice, nevertheless, I always felt the result fails to live up to my expectation. Hence I added "Conscience" to the cycle. Once there was no conscience, the result of PDCA cycle would be different from what is expected, and our efforts would be only the window dressing. The extensive use of the PDCA plus Conscience in the Corporation has won wide recognition these years with some achievements recorded. Confronted with various tests and setbacks due to the bleak winter in the steel market and comprehensively deepened reforms, the whole industry not only needs good ideas, but also the methodology to translate these ideas into specific actions. Among others, PDCA plus Conscience stands out as a powerful tool.

As years have gone by in the blink of an eye, this is my sixth address for our CSR report, but maybe also the longest one with the least content concerning Baosteel. I hope that the address will serve as a modest spur to induce others to come forward with valuable contribution to the sustainable development of the iron and steel industry in China. As for the way out for the industry, I would like to quote a line of the famous romantic English poet Shelly, "If winter comes, can spring be far behind?"

Making a Difference to the World Iron and Steel Industry by Baosteel

Each year at this time, I will share with everyone our Baosteel's understandings of social responsibilities, our growth and experience in the year, our prospect for the future as well as our efforts to fulfill our dreams.

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair." Each time I read the aforesaid lines of Dickens, I cannot agree more that these lines particularly apply to our iron and steel industry today.

Despite the struggle of the industry these years, iron and steel enterprises are much criticized due to their widely-known adverse impact to the environment. Under such harsh circumstance, I especially hope to talk about Baosteel's sense of mission as an iron and steel enterprise.

Actually the sense of mission stands more of an ideal and pursuit than a value. To Baosteel, our mission is to achieve Three Visions: becoming the leader of iron and steel technology, becoming a driver of green supply chain and becoming a corporate model for joint development of staff and the Corporation. Three Visions have bound us together, and we are also full of passion about the career we hold dear and living with the ideal and faith from the bottom of our heart that building a career in the iron and steel industry is definitely worthy of full dedication. Our faith, not imposed by any others, constitutes obligations as well as spontaneous passion for further pursuit. We shall share the same vision as all great enterprises in the world that it will make a huge difference if we stand firm in getting through the tough times of our industry at current stage. The world iron and steel industry will see huge difference due to our dedication while we will also leave footprints in the history of world metallurgy development.

What shall we do as Baosteel people? Cutting-throat competition with our peers or winning the competition is by no means of our ultimate goal. Baosteel, committed itself to social responsibilities and devotion to the industry, is shouldering the critical mission to promoting the advancement of the iron and steel industry. In order to achieve the mission, Baosteel has to put innovation as top priority. The value of Baosteel in the past three decades, mainly manifesting in substitutes for imported goods, promoting the progress of technologies in the industry and driving the technology advancement in the related industries, is inseparable from innovation. Today our dedications to the innovation in technologies and business models have not only brought about more efficient business process and industry chains for the iron and steel industry, but also achieved a more environment-friendly manufacturing. All these constitute the DNA of Baosteel, the grounds for Baosteel to be in good standing and the value of Baosteel.

Baosteel always plays an active role in pushing the environment management strategy, which turns the environmental pressure to the motive of the Corporation management, keeps improving the energy and environment protection management system and promotes the construction of critical energy-saving and emission reduction model project and formulation of energy-saving standards. With all these efforts, Baosteel is able to enhance the overall green manufacturing, provide green products and give impetus to the green industry development. Besides equipment, technology and production process, the

Corporation has launched a handful of critical measures, such as the building of a green belt with 50 meters in width and 20km in length for the greening across the plants as well as the construction of centralized waste comprehensive disposal treatment plant.

Since Baosteel has the capability building the best and most environment-friendly plant in the globe, we are making every effort to build our under construction Zhanjiang Iron and Steel Company into a dream-like factory.

People were amazed by the vast greening coverage when they visited the factory of Baosteel on our regular Baosteel Open Day Program. Spring seems to be all year round in the plant area with singing birds and fragrant flowers everywhere. Visitors were glad to enjoy varying scenes with changing view-points. Baosteel also boasts a zoo founded in 1993 to monitor the environment in factory area. Now there are over 60 sika deer and 50 blue peafowls raised within. All that we hope is to build the plant into a park that the residents nearby may take a walk and enjoy the views.

Looking abroad, we also found that in the post-industrial Japan, quite a few of ten-million-ton steelworks within the Tokyo Bay were in harmonious co-existence with the surrounding cities. Such example gave us both confidence and faith that the iron and steel makers in China can also achieve such coexistence.

Baosteel, moving on the path to be both an outstanding employer among the Fortune 500 and an acclaimed employer across the globe, firstly has to acquire the recognition of the employees on the value of career in the iron and steel industry, then the love of the career and dedication to it. The second point is that the employees will have the remuneration and benefit packages matching their dedications so that all of them, playing a part in value creation, will be able to share the fruits of reform and development. The third is to provide employees with a safe and sound working environment.

A top class enterprise in the world must be backed up by the most powerful employees. A cohesive and differentiated enterprise can never be built without a staff team that comprised of loyal, diligent and well-trained people with strong sense of responsibilities and perseverance in the pursuit of dreams. No matter under whatever circumstances, such team will never stop advancing and wining

We are also witnessing more young forces joining Baosteel, and the headcounts of post 90s employees recorded 5,099 across the Corporation. With the start of construction of Baosteel Zhanjiang Iron and Steel Base, Baosteel will continue to embrace thousands of vibrant young employees. They stand for the future of the Corporation and they are the new blood to maintain the vigor of Baosteel. Baosteel is committed to building itself into a company that is loved by the youth, as only by being so will the Corporation be promising

We are pressing ahead so as to be the best iron and steel enterprise in the world and to make a difference to the world iron and steel industry by contribution of each member of Baosteel family. Trust us!

President of Baosteel Group Corporation and
Director of Baosteel CSR Committee

04

Make Your Life More Valuable

Address by president



05

Make Your Life More Valuable

Brief Introduction Company Profile



Baosteel Group Corporation (hereafter referred to as Baosteel) is a typical enterprise arising from China's reform and opening-up. With over 30 years of development since its commencement of formal construction on December 23, 1978, Baosteel has grown into one of the most competitive iron and steel company with the highest level of modernization. At the end of 2013, Baosteel had a total of 130,962 employees.

2013

At the end of 2013, Baosteel had a total of 130,962 employees.

130,962

06

Make Your Life More Valuable

Baosteel, with its iron and steel, has fostered three major product categories, namely carbon steel, stainless steel and special steel. These premium steel products are extensively applied in industries such as automobile, household appliances, petrochemical, machinery, energy, transportation, metalwork, aeronautics and astronautics, nuclear power and electronic instruments.

With focuses on the steel supply chain, technical chain and resource chain, Baosteel has also endeavored to develop a diversity of related industries. Now Baosteel has realized synergetic development between its iron and steel and several related business segments, namely resource development and logistics, secondary steel processing, engineering and technology services, coal chemical, financial investment and production services.

In 2013, Baosteel achieved total revenue of RMB 303.1 billion yuan and a total profit of RMB 10.1 billion yuan, ranking the third in the world's iron and steel industry in terms of earnings. This year, Baosteel recorded steel output of 45.04 million tons,

ranking the fourth among the world's iron and steel enterprises. Year 2013 witnessed it to be listed among the Fortune Global 500 by the U.S. Fortune magazine for the tenth consecutive year and stayed at the 222nd place. In addition, Baosteel has also been awarded the honor of the "Most Admired Chinese Company" for another year, the only Chinese iron and steel enterprise in such list. The Big Three credit rating agencies, namely Standard & Poor's, Moody's and Fitch Ratings, again gave the highest credit ranking among the world's iron and steel enterprises. Baosteel also won the China Charity Award, the top government award in Chinese philanthropy, for the fifth consecutive year.

In 2013, Baosteel implemented a new-round of development plan. Looking into the future, Baosteel will realize the strategic target of becoming the overall most competitive iron and steel corporation in the world and adhere to sincerity, endearment and creativity to be a highly respected and excellent global enterprise.



Core Values: Integrity and Synergy

Corporate Vision: Baosteel is dedicated to becoming "the leader in the iron & steel technology, the driver of green supply chain and a corporate model for common development of staff and the Corporation"

Development Path: Baosteel will continue to promote the strategic transformation "from iron and steel to materials, from manufacturing to services and from China to the world".

Capacity Building: Efforts are made in improving five capacities—"technical leadership, service foremost, environmental management, digital Baosteel and integration of production and financing".

07

Business Sectors

Make Your Life More Valuable

Iron and Steel

The iron and steel production bases of Baosteel are mainly distributed in three areas, namely the Yangtze River Delta, Pearl River Delta and Northwest borderland. With iron and steel as its main business, Baosteel presents three major product categories, namely carbon steel, stainless steel, and special steel. Presently, the arms of Baosteel engaging in the iron and steel business include Baosteel Co. Ltd., Ningbo Steel, Baosteel Stainless Steel, Baosteel Special Steel, Shaoguan Iron and Steel Group Co., Ltd., and Xinjiang Bayi Iron & Steel Co., Ltd.



	2013	2012
Operating Revenue (RMB Billion):	247.48	237.80
Total Profit (RMB Billion):	6.09	2.27
Number of Employees:	91,194	92,231

Resource Development and Logistics

The provider of integrated resource development, trade and logistic services for iron and steel and other industrial sectors



	2013	2012
Operating Revenue (RMB Billion):	44.9	34.06
Total Profit (RMB Billion):	1.43	1.36
Number of Employees:	761	756

Secondary Steel Processing

To specialize in the secondary processing of iron and steel materials, industrial gas operations and services and manufacturing and services of metal packaging and cultivation of new business.



	2013	2012
Operating Revenue (RMB Billion):	11.24	11.47
Total Profit (RMB Billion):	0.30	0.30
Number of Employees:	2,825	2,372

Engineering and Technology Services

The provider of international engineering and technology services for large industrial and urban construction projects



	2013	2012
Operating Revenue (RMB Billion):	15.89	16.42
Total Profit (RMB Billion):	0.19	0.75
Number of Employees:	11,156	11,665

Coal Chemical Industry

To provide high value-added coal chemical products for downstream fine chemical sectors and actively explore an environmental friendly, safe and efficient development approach of the coal chemical industry.



	2013	2012
Operating Revenue (RMB Billion):	10.93	11.54
Total Profit (RMB Billion):	0.77	0.73
Number of Employees:	1,357	1,380

Financial Investment

The provider of all-around financial solutions, including financing, M&A and asset management, within the Group and for social customers



	2013	2012
Operating Revenue (RMB Billion):	1.84	1.52
Total Profit (RMB Billion):	1.32	0.94
Number of Employees:	899	282

Note: According to requirements of relevant authorities, Hwabao Investment Co., Ltd. began to bring employees of Fortune SG Management Co., Ltd. and Hwabao Securities (567 people in total) under centralized management from 2013.

Production Service

The integrated provider of recycling and comprehensive utilization of resources, iron and steel logistics and trade as well as manufacturing services for iron and steel and other large industries and the urban system.



	2013	2012
Operating Revenue (RMB Billion):	11.42	15.99
Total Profit (RMB Billion):	0.21	0.04
Number of Employees:	13,877	19,504

Board of Directors



Xu Lejiang/
Chairman



Liu Guosheng/
Vice Chairman



He Wenbo/
Director and President



Gan Yong/
Outside Director



Wang Xiaoqi/
Outside Director



Kerwei (Buck) Pei/
Outside Director



Zhang Fusheng/
Outside Director



Jing Tianliang/
Outside Director



Zhu Yiming/
Employee Director

Note: Starting from February of 2013, Mr. Zhang Fusheng has been elected as outside director of Baosteel Group Corporation, and Mr. Victor K. Fung and Mr. Wu Yaowen have ceased to be outside directors of Baosteel Group Corporation.

Senior Managements



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



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



Fu Zhongzhe/
Deputy Secretary of the
CPC Party Committee



Dai Zhihao/
Member of the Standing
Committee of the CPC



Zhao Xia/
Vice President /Member of
the Standing Committee of
the CPC



Zhou Zhuping/
Vice President



Zhao Zhouli/
Vice President



Chen Ying/
Vice President and Secretary
of the Board of Directors



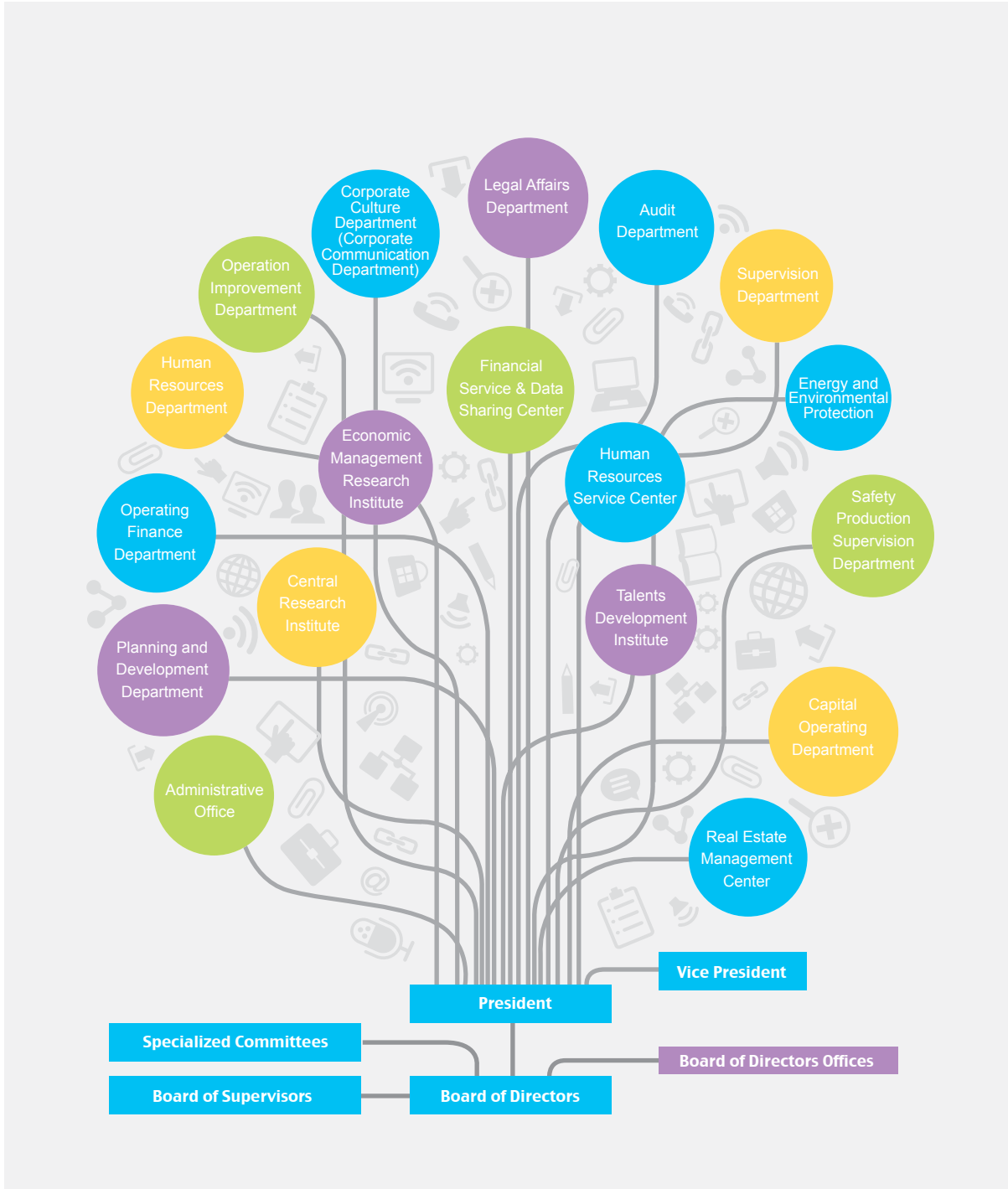
Chen Delin/
General Counsel

Note: Starting from July of 2013, Mr. Ma Guoqiang has ceased to be Member of CPC Standing Committee Baosteel Co., Ltd. Starting from September of 2013, Mr. Dai Zhihao has ceased to be Vice President of Baosteel Group Corporation. Starting from October of 2013, Mrs. Chen Ying held the post of Vice President of Baosteel Group Corporation.

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Organization Structure

Make Your Life More Valuable



12

Planning Status

Make Your Life More Valuable

The new round of planning

In 2013, Baosteel formulated and implemented the “2013-2018 Development Planning of Baosteel Group Corporation” based on the overall estimation of the development and changes of outer environment in the coming six years. According to the planning, up to 2018, the sales revenue of the Corporation is expected to reach RMB 540 billion yuan, about double of that in 2012; the Corporation will strive to rank top 100 among Global Fortune 500; the quality and vitality of employees will be further improved; and the growth rate of per capita income will remain relatively competitive in the local area and the industry. During the period, Baosteel will continue to stick to the established policies with iron and steel as the core business and synergetic development of relevant diversified industries, keep sufficient input in R&D, spare no effort to create highly-efficient iron and steel supply chain, systematically implement large-scale iron and steel asset replacement and cross-region adjustment of iron and steel production, resolutely eliminate low-efficiency and inefficient elements, create new production bases and construct new production systems with the goal of the highest efficiency in the world. Core enterprises should strive to realize the goal of the highest efficiency in the world, and regional enterprises should guarantee their comparative advantages in the regions. Besides, harmonious and healthy development of diversified industries should be accelerated to realize the strategic goal of the most competitiveness in the world in general.

As the bellwether of the iron and steel industry in China, Baosteel should not only shoulder the burden of guiding the development of iron and steel industry in China in such fields as industrial restructuring, technical progress and environmental management, but also propel the second round of pioneering work in an all-round way while remaining optimum in the industry. In the 6 years to come, Baosteel will deepen the transformations in three major aspects and create new business growth points to elevate the corporate competitiveness to a new step. In the period of the new round of planning, Baosteel should exert itself to build Baosteel Co., Ltd. into the most competitive iron and steel enterprise in the world and a listed company with the most investment value; construct well and operate well Zhanjiang iron and steel project; carry out restructuring of iron and steel industry in Shanghai region steadily and in order; continue to promote the healthy and harmonious development of diversified industries, vigorously develop emerging industries and cultivate healthy business portfolio, so as to propel “the second round of pioneering work” of Baosteel in an all-round way.

It is expected that in **2018**, the sales revenue of the Corporation will reach RMB **540** billion yuan.

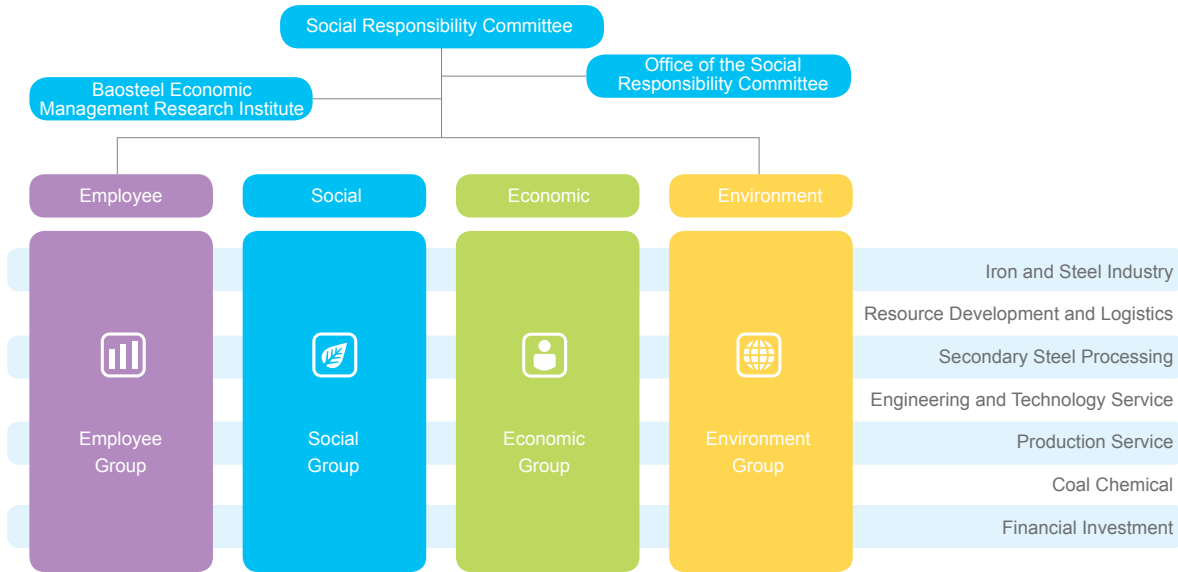
Progress under Planning

Business growth target	Planning target for 2013	Performance in 2013	Completion rate in 2013
Sales revenue (RMB Billion)	306	303.1	99%
Profit target	Planning target for 2013	Performance in 2013	Completion rate in 2013
Profit (RMB Billion)	9	10.1	112%
Asset efficiency target	Planning target for 2013	Performance in 2013	Completion rate in 2013
Net assets income rate	2.4%	2.64%	110%
Structured objectives	Planning target for 2015	Performance in 2013	Completion rate in 2013
Proportion of iron and steel to diversified business	70:30	74:26	87%
Proportion of domestic business to overseas business	80:20	86:14	70%
Proportion of manufacturing business to service business	66:34	74:26	76%

13 Responsibility Governance

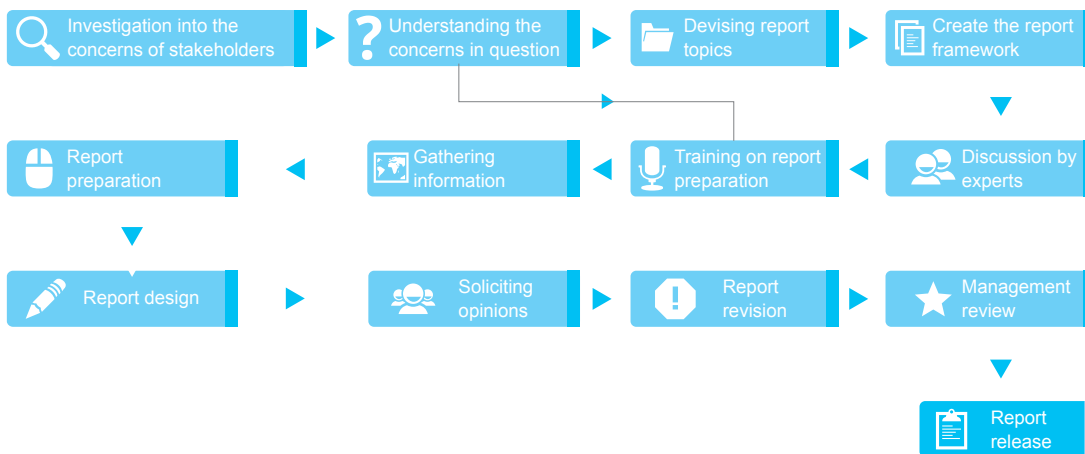
Make Your Life More Valuable

Organization Structure



Accept the leadership of various promotion groups in the longitudinal direction and being subject to the business block coordination in the lateral direction.

Process of CSR Report Preparation



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Responsibility Promotion

Make Your Life More Valuable

CSR Training

In December 2013, Baosteel opened a training course on preparation of CSR report. The training focuses on the topic of the social responsibility report of Baosteel – “Make Your Life More Valuable”. About 50 report compilers from the headquarters and subsidiaries of the group company attended the course, so as to improve their ability to prepare the CSR report. Mr. Chenfeng Deputy Director of No. 1 Research Division, State-Owned Assets Supervision and Administration Commission of the State Council interpreted the “New Drafting Standard for Preparing CRS Report”, and explained the progress of CSR Report preparation and CSR work of central enterprises with an easy-to-understand approach. Mr. Chen Jiangang, Chief researcher of Baosteel Talents Development Institute, made in-depth interpretation and analysis of CSR reports of Baosteel and other excellent companies in the perspective of targets. As the subsidiary which compiled CSR for the first time last year, Baosteel Engineering & Technology Group Co., Ltd. shared its experience in drafting CSR report.



Management Enhancement

According to the general thought of reform and development of central enterprises in the “12th Five Year” period, in order to further strengthen enterprise management and consolidate the foundation of development, State-Owned Assets Supervision and Administration Commission of the State Council (SASAC) decided that a two-year management improvement campaign would be carried out among central enterprises in an all-round way from March 2012. Baosteel Co., Ltd. profoundly interpreted the spirit and requirements of the “Guiding Opinions on the Management Enhancement in the State-owned Enterprises Directly under the Central Government” issued by the SASAC, elaborately planned and propelled the campaign in a steady and all-round way. In the aspect of the work of social responsibilities, guided by the corporate strategies, Baosteel, based on the practical situation, explored and formed a systematic Baosteel view of social responsibilities, and prioritized the work of harmonious coexistence, enhancement of influence of local communities and improvement of the positive image of the enterprise. Presently special planning of communities has been basically completed. The project will focus on the issue of social aging and launch pilot projects in Youyi Street and Yuepu Towns of Baoshan District, Shanghai.

CSR Research

In conformity with the general requirement for central enterprises to enhance management, Baosteel launched two research projects, namely, the “Analysis of Annual Performance of Environmental Management and Study on Direction of Enhancement” as well as the “Status Evaluation and the “Trend Analysis of Social Responsibilities of Major Domestic Steel Enterprises in 2012” in 2013.

Based on the actual performance of Baosteel during the implementation of strategies on environmental management in 2013, the “Analysis of Annual Performance of Environmental Management and Study on Direction of Enhancement” makes an overall evaluation of environmental management of Baosteel in two aspects, which are (1) 22 items of work in 7 aspects covered by 3 major tasks of environmental management, and (2) actual performance in accomplishment of the targets of the driver program in 2013. Problems were found, short slabs existing in the process of advance in work were pointed out, and detailed suggestions on work improvement were given. Besides, the study analyzed typical cases in two dimensions – green products and green value chain, which provided reference for advance of Baosteel in work relevant to environmental management.

In the “Status Evaluation and Trend Analysis of Social Responsibilities of Major Domestic Steel Enterprises in 2012”, an evaluation of the status quo of social responsibilities of major domestic iron and steel enterprises in 2012 was made, the latest trend of social responsibilities of the industry was analyzed, and suggestions on improvement of social responsibilities of Baosteel were put forward.

Job Qualification Training for Management

Management of Baosteel at various levels is required to attend the job qualification training for managerial staff before taking their posts. In 2009, Baosteel started to open a special course on social responsibilities among training courses for management. In 2013, lectures on philosophy of social responsibilities, the social responsibility system of Baosteel, practice of social responsibilities of excellent domestic and foreign enterprises, etc. were given to two Level-D training classes, so as to help management to establish the view of social responsibilities and apply the view to later routine operation and management.

Selection of Outstanding Cases on Social Responsibilities

The case named “Public Benefit Needs Trust and Entrustment” selected and sent by Baosteel was elected as a model case of excellent practice in social responsibilities of central enterprises in 2013 by the SASAC. In addition, in 2013 Baosteel carried out the 2nd Baosteel social responsibility case selection, and 12 cases recommended by various business units entered as excellent social responsibility cases of Baosteel after application, expert selection and online voting.

Baosteel Co., Ltd	VSS (visual supply chain management system) for automotive sheet
Baosteel Co., Ltd	Pursuing great harmony between people and environment
Baosteel Co., Ltd	Realize “full extraction” from steel slag
Xinjiang Bayi Iron & Steel	Stick to the low-carbon path of a high-carbon enterprise
Ningbo Steel	Build an environmentally-friendly image and fulfill social responsibilities
Baosteel Stainless Steel	Turn trash into treasure and pass “warmth of iron and steel”
Baosteel Resources	Build a green mine and fulfill social responsibilities
Baosteel Metal	In spring – “Family Day” activity of Baosteel Metal
Baosteel Engineering & Technology	Continue to write the story of predestined relationship between Baosteel and the Antarctic Pole with profession and wisdom
Baosteel Engineering & Technology	Implement energy management projects and improve social benefit substantially
Baosteel Chemical	Serve with absolute sincerity, devote with utmost efforts, and build a harmonious community
Baosteel Development	Make the city more environmentally friendly

Make Your Life More Valuable

Communication Channels for Stakeholders

Attending 2013 Summer Davos Forum

From September 11 to 13, 2013, Mr. Xu Lejiang, Chairman of Baosteel Group Corporation, attended Summer Davos Forum, and again took up the post of Co-chairman of Resource Summit, at which he discussed such topics as enterprise innovation, upstream and downstream of metal industry, and sustainable development with leaders of world-renowned enterprises, authoritative experts and guests from all circles.



Release of CSR report

On July 30, 2013, Baosteel held 2012 Baosteel Group CSR Report Launch & the debut Ceremony of 3G High-Strength Steel for Automobiles. Themed by friendly affection, the launch event presents practice of the Corporation in the following three fields: employee development, social benefit (community) and improvement of value-creating ability. The public were also invited to participate in the interaction in the following two ways: live broadcast at the official sina micro-blog of Baosteel, "Friendly Baosteel", and the big on-site micro-blog screen. Numerous netizens participated enthusiastically and the interaction content was presented on the on-site synchronized scrolling TV screen. Representatives of stakeholders attended the launch event.



Commemorative Activity on Company Day of Baosteel

On September 15, 2013, over 150 representatives of Baosteel employees performed a simple yet solemn "Company Day" memorial service at Dingjiaqiao, the place where the "Baosteel Dream" was born, commemorating the successful ignition of No. 1 blast furnace of Baosteel and that the phase-I project was smoothly put into production. At the commemorative ceremony, representatives of employees of Zhanjiang Iron & Steel Co., Ltd., Shaoguan Iron and Steel Group and Hwabao Trust represented the main business of iron and steel and diversified sectors respectively to make speeches and express their heartfelt wishes: Baosteel people will stick to and carry forward "85-9" spirit to commemorate the day with significant meaning; at the new starting point in history, Baosteel people will set about again for dreams, and strive to implement their new-round development plan, propel the second-round pioneering, and create another miracle.



Revamping of Baosteel History Museum

Around the 35th anniversary of commencement of construction of Baosteel, Baosteel History Museum underwent revamping to increase the content of the second-round pioneering, including implementation of front runner plan, driver plan, and shared growth plan, etc., and a theme pavilion was built in which multimedia were used to present the Baosteel's achievements which are the most advanced in China and even the world.



Exchange with POSCO on Energy Saving and Emission Reduction Technology

In November 2013, Baosteel –POSCO Technical Exchange on Energy Saving and Emission Reduction Technology was held. Revolving around the theme of sustainable development of enterprises, in-depth exchange and discussion were conducted about the following themes: environmental policies for iron and steel industry, R&D and application of afterheat recycling, improvement of energy efficiency in power plants, air cleaning technology and problem solving, and comprehensive utilization of solid waste. A consensus was reached. PM2.5 monitoring, carbon emission management, energy efficiency improvement, mid-low-temperature waste heat recovery, etc. were "hot words" in the bilateral exchange and discussion, which put forward new subjects and indicated new directions for bilateral technical exchange in future. Both parties indicated that they would jointly explore the path to sustainable development of iron and steel industry to build a bright future with more open-mindedness and stronger information linking.



Series Activity of "Family Members of Employees Visiting Baosteel"

To show humanistic care to employees and their family members, the Corporation planned and organized the series activity of "family members of employees visiting Baosteel". By visiting Baosteel Exhibition Hall, History Museum, Raw Material Wharf, hot rolling production line, and zoo, etc., the family members of employees had a taste of the style and features of the garden-like plants of a modern large-scale enterprise, and their sense of pride of being family members of Baosteel employees was inspired, so that they better understand and support their family members working in Baosteel.



Opinion Solicitation for 2013 CSR Report

In 2013, Baosteel launched another investigation into focus of attention of social responsibilities through its official website, paper questionnaires and telephone interviews and other channels so as to help stakeholders to know about the Corporation. Altogether 170 questionnaire or interviews were distributed or conducted during the survey and 138 responses were obtained.

Top 10 Issues in Focus

Contents	Number of People	Year-on-Year Change
Economic indicators such as profit and sales	132	▲
Environmental protection strategies and measures	126	▲
Corporate prospect	126	—
Employee recruitment and career development	114	▲
Compensation and benefits	114	▼
Safety and protection of rights and interests	108	▼
Various environmental indicators	102	▲
Progresses of key projects	93	▲
Philanthropy	90	▼
Merging, acquisition and restructuring and Elimination of backward production capacity	90	▲

Based the survey result, we actively responded to and satisfied the stakeholders' need for the information of focus by adjusting the proportion of information disclosure and increasing the amount of data disclosed.



A man with dark hair and glasses, wearing a dark suit, white shirt, and striped tie, is holding a blue folder. The folder has the Baosteel logo and text in Chinese and English. The background is a solid orange color.

Being Part of Trust

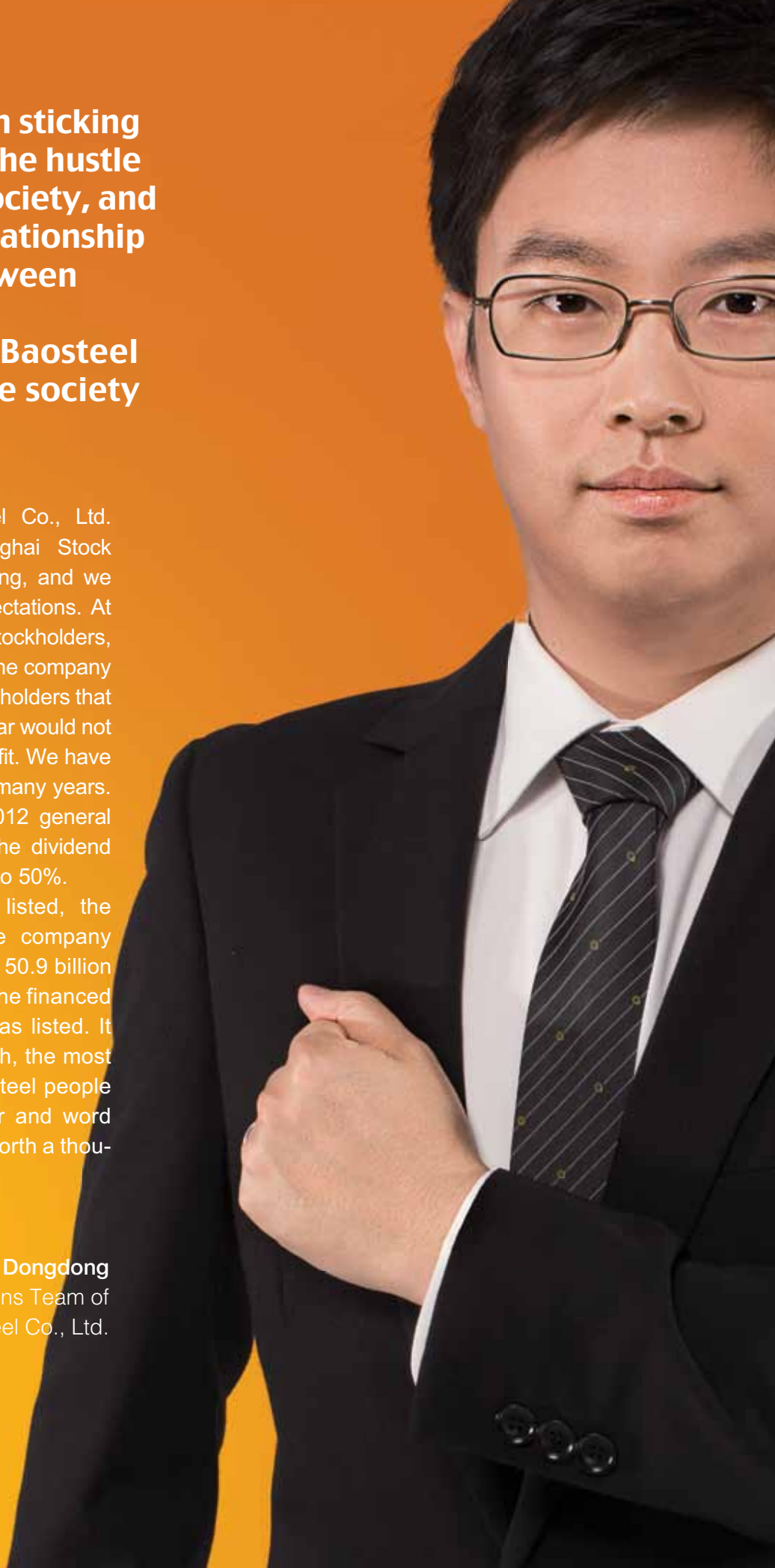


True integrity lies in sticking to self-restraint in the hustle and bustle of the society, and establishing the relationship of mutual trust between people
Positive energy of Baosteel progresses with the society together

“In December 2000, Baosteel Co., Ltd. was officially listed in Shanghai Stock Exchange. Our career is thriving, and we have lived up to people's expectations. At the 2004 general meeting of stockholders, to show gratitude to investors, the company openly promised to all the shareholders that the dividend proportion each year would not be less than 40% of the net profit. We have been honoring the promise for many years. It was announced again at 2012 general meeting of stockholders that the dividend proportion would be increased to 50%. For 13 years since it was listed, the accumulative dividend of the company has reached as much as RMB 50.9 billion yuan, accounting for 152% of the financed amount since the company was listed. It is an enormous number though, the most precious in the minds of Baosteel people are the trust of each investor and word of mouth of integrity which is worth a thousand ounces of gold!”

Pei Dongdong

Member of Investor Relations Team of
Baosteel Co., Ltd.



Modification and purpose of regulations of the Board of Directors and rules of procedure

In accordance with the constitution of the 3rd Board of Directors, structuring of special committees, and changes on adjustment of corporate registered capital, the Board of Directors deliberated and approved the "Articles of Association" after thorough revision and submitted it to the SASAC of the State Council. Officially approved in December 2013, it provides institutional guarantee for the compliance and efficient operation of the Board of Directors.

Members of Specialized Committees under the Board of Directors (up to December 31, 2013)

	Directors	Nominating Committee	Remuneration and Appraisal Committee	Audit Committee	Risk Management & Strategy Committee
Chairman	Xu Lejiang				● (Director)
Vice Chairman	Liu Guosheng	● (Director)			
Director and President	He Wenbo	●			●
Outside Director	Gan Yong		●	●	●
Outside Director	Wang Xiaoqi	●	●	●	●
Outside Director	Kerwei (Buck) Pei	●	●	● (Director)	●
Outside Director	Zhang Fusheng		●	●	
Outside Director	Jing Tianliang	●	● (Director)	●	
Worker Director	Zhu Yiming				

Number of meetings held by the Board of Directors and Specialized Committees and number of items discussed and deliberated

Year	Board of Directors		Specialized Committees	
	Number of meetings held	Number of items discussed and deliberated	Number of meetings held	Number of items discussed and deliberated
2011	10	63	10	18
2012	9	44	11	17
2013	11	55	10	15

Closing of "Research Report on Operation Practice of the Baosteel Board of Directors"

Till 2013, it had been eight years since Baosteel launched its pilot project of Board of Directors and became one of the first central enterprises to launch such a project. To summarize experience in the operation of the Board of Directors in the prior period, and provide reference for the next-step perfection of modern enterprise systems and improvement of the work concerning the pilot project, Baosteel established a research group, which drafted Research Report on Operation Practice of the Baosteel Board of Directors based on interviews with relevant leaders, inside and outside directors, and leaders of the Board of Supervisors of the SASAC of the State Council, as well as relevant leaders and department heads of Baosteel, and reference to and sorting of relevant data. On March 21, a seminar on the question for study was successfully held. Present at the seminar were Shao Ning, Deputy Director of the SASAC of the State Council, relevant leaders of Bureau of Enterprise Restructuring under the SASAC of the State Council, some of the present and former Chairmen of the Board of Directors and the Board of Supervisors of Baosteel Group Corporation, secretaries of Boards of Directors of some experimental units of central enterprises, and leaders of the SASAC of Shanghai Municipal Government. Based on the consensus reached at the seminar, the research group improved the research report. Relevant findings had been officially published at the end of October and favorable appraisal was received from the parties concerned.

Relevant Comments on Corporate Governance

"Baosteel improved the operation system of the Board of Directors, perfected its organization structure, specified relevant responsibilities and rights, and practically fulfilled its function of strategic decision-making. As the executing agency, managers effectively implement decisions of the Board of Directors, and the Board of Supervisors effectively exercises its function of supervision, reflecting scientific decision-making, efficient implementation and effective supervision. Meanwhile, Baosteel exerted the role of the Party organization of the enterprise as the political nucleus under the condition of modern enterprise system, and the Board of Directors of Baosteel actively explored the approaches to and ways of democratic management of employees and has achieved great results."

Li Rongrong
Former Director and Secretary of CPC Committee of SASAC of the State Council

18 Audit Framework

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Job objectives

Baosteel's internal audit department aims at promoting management and control, and improving efficiency and economic performance, promotes supervision and service simultaneously, and realizes "support of orientation to strategic management and control, standardization of operation and management behavior, evaluation of result management and control of investment, precaution of risks in internal control, authentication of efficiency of resource allocation, and provision of value-added services", which made positive contributions to the sustainable development of Baosteel.

System/Mechanism

Baosteel's internal audit established a working pattern of trinity – operational audit, investment audit and management audit. The operational audit focuses on strengthening economic responsibilities of managers; investment audit pays special attention to key links of management and control and effect of investment projects, and promotes further standardization and effectiveness of investment activities; management audit helps and guides relevant key functions and businesses to improve systematic capacities by focusing on procedures and key links of management and control, and internal evaluation of systems.

The audit system constructed an organization control pattern of "two-level setting, unified management and shared resources", and strengthened systematic capacity building through appointment of principals of audit organizations of subsidiaries, training of unified personnel of systems, and quality evaluation of internal audit system, etc., and realizes inter-system internal resource arrangement with BAMS (Baosteel audit management system) as the working platform.



Project Carrier

In 2013, Baosteel internal audit system completed 326 audit items, and found 3,634 problematic items, and put forward 3,668 pieces of audit recommendation.

Table of 2011-2013 Audit Project Completion

Unit: Item

Category of audit project	2011	2012	2013
Audit of financial revenues	22	26	19
Audit of economic responsibilities	98	89	76
Audit of net asset of property right alteration	32	36	33
Audit of final settlement at completion of invested projects	58	69	55
Audit evaluation of investment projects	16	12	10
Investment project cost auditing	14	12	48
Management audit	94	109	85
Total	334	353	326
Number of items of investment project cost for deliberation	506	391	758
Net project fund reduced after check	RMB 449 million	RMB 468 million	RMB 557 million

Anti-corruption Campaign

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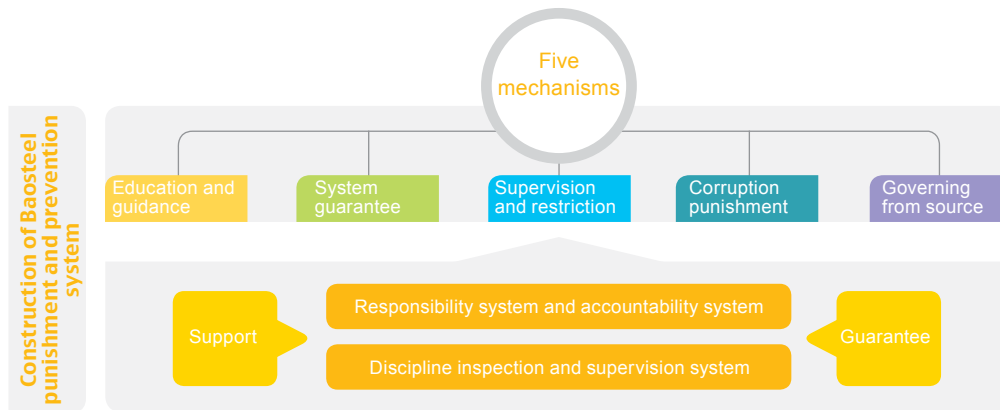
Job objectives

In 2013, Baosteel, by sticking to the central task of production, operation, reform and development, constantly strengthened entity responsibilities of the CPC Committee and oversight responsibilities of the discipline inspection commission, put the responsibility system of construction of the Party style and anti-corruption and advocacy of clean government into practice level by level, earnestly implemented the spirit of

the eight-point guidelines issued by the CPC leadership, continued to fight undesirable work styles, such as formalism, bureaucracy, hedonism and extravagance, strengthened incorruptibility of directing staff, carried out supervision and inspection and achieved new results, and deepened the construction of the punishment and prevention system combined with the modern enterprise system.

System/mechanism

Deepen the construction of the punishment and prevention system combined with the modern enterprise system



Focusing on the central tasks of reform and development stability and production and operation management, Baosteel implanted its punishment and prevention system into the corporate system of internal control and overall risk management, fused the system in the operation management system, included standardization of power operation into business process, and fixed it at operation steps, and created to the maximum degree a clean working environment in which staff are “unwilling, unable, and dare not to corrupt”.

Measures

Propel work style construction of directing staff

In 2013, Baosteel formulated and revised the “Opinions on Implementation of Improving Styles of Work and Maintaining Close Ties with the People”, established a leading group of supervision and inspection over implementation of the eight-point guidelines issued by the CPC leadership, and formed inspection teams to conduct special inspections of work style construction in subunits. Notices of criticism on subpar use of conference expenses, excessive position-related consumption, write-off costs which exceed the reimbursement standards by changing itineraries of overseas traveling and loose management of report of expenditure on business entertainment found in several units were released. Aiming at the problems, the discipline inspection commission had talks with major leaders of the units with identified problems, issued 16 notices on rectification, ordered to rectify 50 problems, warned

of 22 management risks, and transferred 12 items to relevant functional departments for study and handling. Besides, the commission strictly investigated and prosecuted typical cases in which the eight-point regulations and relevant regulations on incorruptibility were violated, and seriously handled personnel who violate regulations and disciplines. In 2013, the entertainment expense of the Baosteel Group Corporation decreased by 25% on a year-on-year basis, the expense on meeting affairs declined by 20% on a year-on-year basis, and the expense on foreign and outbound trips decreased by 16.25% on a year-on-year basis. The duty-related expenditures of top management, such as official business vehicles, travelling, communications, training, overseas business trips and hospitality programs, decreased by 14.1%.

Further improve the work of incorruptibility

Various ways were used in a comprehensive way, such as warning education, demonstration education and post risk disclosure education, so as to further improve the construction of incorruptible culture whose main content includes “operating by law, incorruptibility, integrity, diligence and efficiency, temperament, interest and health”. Aiming at the typical case in 2012, business process, systems, posts and external environment, etc. were analyzed, and relevant management systems and processes were perfected. Besides, a case library was enriched, a warning education film named “The Lost Happiness” was shot, and the education of newly appointed and promoted leaders, reserve cadres and personnel in key business areas on anti-corruption and advocacy of clean government was strengthened. Altogether there were 21 direct leaders and 1,094 management staff taking the conversation on incorruptibility before their tenure. The practice of promise observance was also reported and appraised through discus-

sion. Furthermore, regulations on report of relevant personal affairs of directing staff were implemented and spot checked. The standing committee of the Party Committee debriefed direct managers on relevant personal affairs.

Baosteel formulated and revised the decision-making system of “decision-making of major issues, appointment and dismissal of important cadres, arrangement of important projects, and use of large sum of fund”, 10 bans on operation risk control, method of examination and evaluation of implementation of accountability, and such systems as talk with directing staff on incorruptibility, reminding, and admonishing as well as correspondence on inquiry; improved internal control and management measures and relevant supporting systems such as position-related consumption and democratic supervision, so as to further restrict behaviors.

Working items of incorruption	2011	2012	2013
Number of education sessions of anti-corruption	1,064	1,506	2,251
Number of people (in 10,000) who has received education of anti-corruption and advocacy of clean government	4.5	5.5	7.5
Number of people making promises of incorruptibility	3,450	7,422	9,393
Amount of part-time remuneration turned in by directing staff (RMB 10,000)	237	238	147.8
Person-time of turning in of cash gifts, gifts and securities	2,071	2,245	2,493
Amount of cash gifts, gifts and securities turned in (RMB 10,000)	240	247.8	238

Seriously investigate and prosecute cases in violation of laws and discipline

Baosteel stuck to fighting against corruption with zero-tolerance attitude, continued to improve the punishment mechanism, and seriously investigated and prosecuted cases of bribery and corruption and violation of financial and economic disciplines. By accepting complaint reporting and investigating into cases, altogether 15 supervisory proposals were issued, 55 supervisory suggestions were given, 8 leaders from the units where illegal cases occurred were held accountable, 21 people were talked to and warned,

and 17 people were talked to and admonished. Besides, cooperation between the procuratorate and the enterprise was strengthened to propel precautions against crimes by taking advantage of duty. Baosteel was awarded the title of 2013 Advanced Unit for Precautions against Duty Crimes in Pudong New District. In addition, Baosteel continued to implement no-admittance system and released the 10th no-admittance list, on which there are 28 units and 380 people.

Working items	2011	2012	2013
Number of complaint reporting	109	106	121
Number of cases accepted	25	22	31
Number of cases closed	21	22	31
Number of people punished by Party discipline	4	9	6
Number of people punished by administrative discipline	18	13	21
Number of people with whom the labor contract was terminated	2	9	2
Number of people transferred to judicial offices for criminal punishment	1	8	6



Strengthen power supervision and risk prevention

Baosteel made walk-around inspections on such key work as working style construction, implementation of construction of the Party style, responsibility system of anti-corruption and advocacy of clean government, and improvement of weak links of operation and management. Besides, it dealt with problems such as violation of “8 bans” and setting up “private coffers”; strengthened improvement of audit, finance, law works and operation, and supervision of the Board of Supervisors and discipline inspection and supervision; coordinated to carry out various special examinations; established and improved supervisory managerial mechanisms of online auction of waste and old materials, authorization and credit extension, and receivables and prepayment; and propelled construction of internal control system. Furthermore, focusing on such key fields as risk prevention, management improvement, cost reduction and efficacy enhancement, and environmental management, Baosteel carried out efficiency supervision and completed 135 items of efficiency supervision, gave 518 suggestions on supervision, and promoted to have worked out and established 449 regulations, rules and systems.

135 518 449

Focusing on such key fields as risk prevention, management improvement, cost reduction and efficacy enhancement, and environmental management, Baosteel carried out efficiency supervision and completed 135 items of efficiency supervision, gave 518 suggestions on supervision, and promoted to have worked out and established 449 regulations, rules and systems.



Promote “Five Transparencies” Construction in an In-Depth Way

1. Transparent selection and appointment: Efforts in competitive selection was stepped up. Various ways were used, including open competition and selection and open recruitment, so as to elect leaders at various posts, such as Investment Counseling Director of Baosteel Group Corporation, Management Audit Director, and Staff Development Director. Besides, complaint reporting from the masses was carefully checked during the publicity period.
2. Transparent salary administration: Baosteel strengthened enforcement of total wage bill budget and supervision over use and management of extra-wage income and welfare funds, seriously investigated and prosecuted cases in which third-tier companies violated the eight-point discipline on salary administration, and held relevant responsible persons accountable.
3. Transparent duty-related consumption: Baosteel strengthened budget management of duty-related consumption and strictly managed overseas trips and outbound trips; carried out special examinations of duty-related consumption; corrected and rectified problems of individual units in official business vehicles and communication allowance, etc. Work in such aspects as system establishment, filing, budget and utilization of budget, publicity of duty-related consumption was strengthened; the management mode of “one cost center for the same vehicle and management personnel” of official business vehicles of directing staff and business entertainment, so as

to promote the transparency of business-related consumption of directing staff.

4. Transparent purchases and sales: Baosteel Group Corporation improved such systems as Standard of Online Auction of Waste and Old Materials and Administrative Measures of Bidding, promoted unified code management of travelling merchants, and regulated urgent procurement, exclusive procurement, and competitive procurement through management of purchase and sales plan, inspection of invitation of tender, online transactions, enquiry and quotation, record of examination and approval, and supervision and random checking of trading results.

5. Transparent project construction: Baosteel promoted “Double Excellent” work and tendering and bidding in an in-depth way. In 2013, Disciplinary Committee and Ministry of Supervision of the Baosteel Group Corporation, in collaboration with relevant functional departments and units, carried out over 10 on-the-spot examinations of key engineering projects such as the building complex, found and corrected over 40 problems in EPC total-package contracting, subcontracting, design alteration, site visa, project tendering and bidding, and safety management of construction teams, disqualified a hoisting company for participating in bidding for Baosteel construction projects and put it on the blacklist due to the safety incidents caused by quality issues, supervised and urged to rectify, thus prevented, reduced and corrected problems of non-standardization and corruptibility.

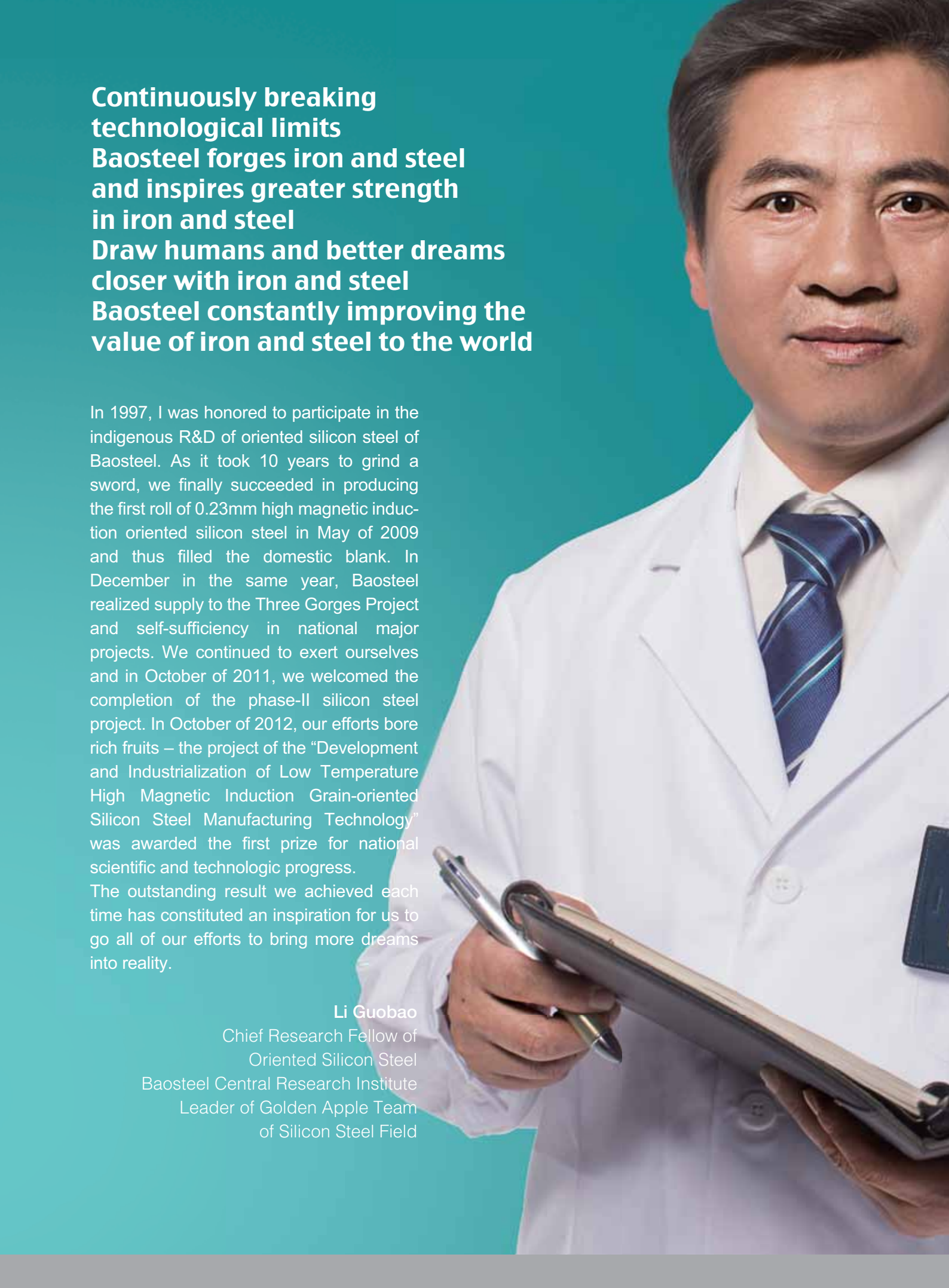


Tip: Eight Bans to Strengthen Clean-handed Conduct

1. Economic relationships are banned between production and operating activities (e.g. procurement, sales and projects) of spouses of leaders and managers at various levels and their near relatives and the units and departments of the directing staff and managers. Where business transactions are necessary because of open tendering and bidding, patents and franchise operation and so forth, the leaders involved shall report the information as "personal matters", and publicize the information at meetings of the unit and leading groups of the department; managers shall report the information to discipline inspection and supervision departments of the unit for the record.
2. It is banned to provide convenience and preferential conditions (such as recommendation, prior notice, and payment) for production and operating activities of specific related parties or to consume at business operation sites of specific related parties.
3. It is banned to go into business and set up businesses individually, in other's name or by joining capital; individuals and their spouses and children are prohibited to invest in capital (excluding portfolio investment) or accept performance shares in similar operation enterprises in the enterprise, affiliated enterprises or enterprises in business relation with the enterprise.
4. Individuals are banned to establish such economic relations such as debtor-creditor relationship and leasehold relation with clients in business relation with Baosteel or accept various convenience and preferential conditions from their business units in virtue of matters such as sale and purchase of houses or cars, house relocation or decoration, communications and transportation, and weddings and funerals; or admittance to colleges and schools, tourism, work arrangement, going abroad/outbound of the individuals, spouses and near relatives of both parties.
5. It is banned to go against regulations to accept cash, securities, payment documents (such as shopping card, consumer card, and redemption card, etc.), high-grade and valuable gifts and award and patronage in various names, or to gain illicit profits by revealing business secrets such as operation information and technical information of the Corporation (including design procedure, product formula, craftsmanship, production methods, management know-how, client lists, information about supply resources, production and marketing strategies, inside information, pre-tender and bidding document) or providing services such as consultation and guidance for business units without authorization.
6. It is banned to pay expenses on entertainment irrelevant to business with public funds, and go against regulations to play golf with public funds or in working time or accept invitations of subordinate units or invite each other to play golf (where the work requires to play golf, procedures shall be gone through in the office of the unit).
7. It is banned to have economic business contact with no-admittance units and personnel. Any economic business activities between Baosteel and business units and personnel will be immediately stopped once the business units and personnel were found conducting misconduct.
8. It is banned to cook the book and provide fake financial report or to incite, direct or compel financial institutions or personnel to do so; to forge, alter or set up "private coffers"; to destroy or dispose accounting documents, accounting books and other accounting data by melting or burning without authorization; to incite, direct or compel financial staff to set up "private coffers".



Being Part of Dream



**Continuously breaking
technological limits
Baosteel forges iron and steel
and inspires greater strength
in iron and steel
Draw humans and better dreams
closer with iron and steel
Baosteel constantly improving the
value of iron and steel to the world**

In 1997, I was honored to participate in the indigenous R&D of oriented silicon steel of Baosteel. As it took 10 years to grind a sword, we finally succeeded in producing the first roll of 0.23mm high magnetic induction oriented silicon steel in May of 2009 and thus filled the domestic blank. In December in the same year, Baosteel realized supply to the Three Gorges Project and self-sufficiency in national major projects. We continued to exert ourselves and in October of 2011, we welcomed the completion of the phase-II silicon steel project. In October of 2012, our efforts bore rich fruits – the project of the “Development and Industrialization of Low Temperature High Magnetic Induction Grain-oriented Silicon Steel Manufacturing Technology” was awarded the first prize for national scientific and technologic progress.

The outstanding result we achieved each time has constituted an inspiration for us to go all of our efforts to bring more dreams into reality.

Li Guobao

Chief Research Fellow of
Oriented Silicon Steel
Baosteel Central Research Institute
Leader of Golden Apple Team
of Silicon Steel Field

23

Direct Economic Performance

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In 2013, the gross revenue of Bao-steel was RMB 303.1 billion yuan, and the total profit was RMB 10.1 billion yuan. In the globe, we remained one of the top three among global iron and steel enterprises, and the gap between us and major competitors was further narrowed, and domestically we were still in the leading position in the industry.



	2011	2012	2013
Gross revenue (RMB Billion)	316.25	288.23	303.10
Total operating costs (RMB Billion)	305.69	293.21	300.41
Total profit (RMB Billion)	18.15	10.42	10.10
Total assets (RMB Billion)	467.30	498.44	519.46
Owner's equity (RMB Billion)	266.24	277.13	273.86
Crude steel output (Million tons)	44.27	43.83	45.04

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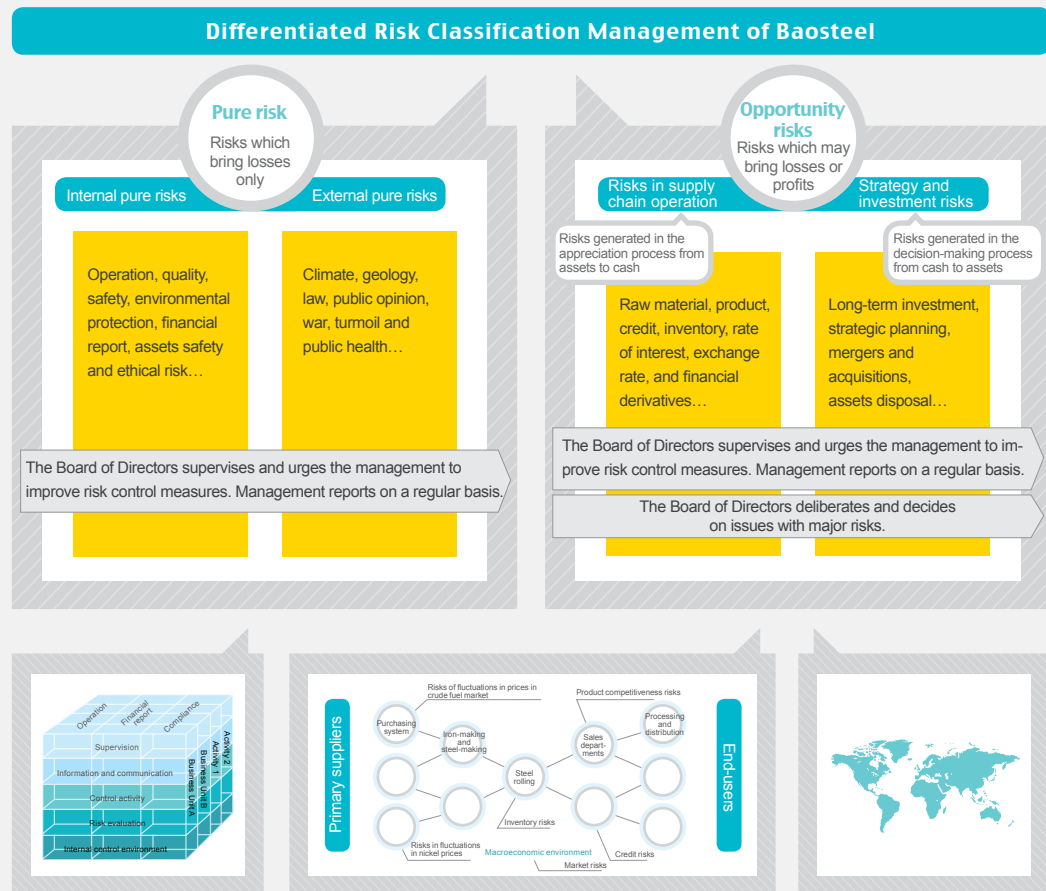
All-round Risk Management

Make Your Life More Valuable

The Corporation built a management frame of differentiated risk classification, which classified risks into opportunity risks (strategy and investment, supply chain operation) and pure risks (internal and external). Besides, targeted risk control strategies were generated for continuous improvement of capacity of management and control.

In 2013, through joint efforts of the Board of Directors, management and employees, major risks and important risks are controlled in general. Aiming at estate planning and major investment projects, an independent risk assessment mechanism was established, the uncertainty which affect goal attainment was disclosed, and suggestions on management and control were given. Confronted with changing market environment, Baosteel required business units to rapidly respond to market changes, actively carry out economic operation, strengthen control over operation risks in supply chains such as inventory, capital and

credit, and timely respond to emergencies. Aiming at high-risk matters during operation, Baosteel issued the "Ten Bans on Operation Risk Control" in which the red line of operation was drawn. Based on prediction of external environment in 2014 and production and operating plan of Baosteel, the Board of Directors identified 10 major risks and management and control requirements demanding significant attention in 2014, which cover various aspects, including market environment, transformation development, fund management, lean operation, security and environmental protection and compliance operation, to name just a few.



25

Key projects

Make Your Life More Valuable

Baosteel continues to stick to the established policies with iron and steel as the primary business and synergetic development of relevant industries, spare no efforts to continue to create a highly efficient iron and steel supply chain, systematically implement large-scale iron and steel assets reorganization and cross-regional adjustment of production distribution, decidedly eliminate low-efficiency assets and inefficient assets, and create a new production base and build a new production system with the most efficiency in the world. Baosteel aimed to put its diversified industries in the forefront of their respective industries in the world.

Zhanjiang Iron and Steel Project

In 2013, the realized investment in Zhanjiang Iron and Steel Project reached RMB 5.02 billion yuan.

To implement the “Adjustment and Revitalization Plan of the Iron & Steel Industry” of the country, and realize strategic adjustment of the iron and steel industry in Guangdong Province and Shanghai, production lines of iron-making, steelmaking, hot rolling and cold rolling, etc. were to be built on Donghai Island, Zhanjiang, Guangdong Province. The designed annual output of the Phase-I project of liquid iron, liquid steel, continuous casting, and rolled steel are respectively 8.23 million tons, 8.93 million tons, 8.75 million tons, and 6.89 million tons. Currently construction of the main part of the project has started in a comprehensive manner and is planned to be completed and put into production in September 2016.



Baosteel Pilot Project of 20,000-ton Granulated Mineral Wool Production Line from Hot Slag of Blast Furnace

Baosteel Mineral Wool Science and Technology (Ningbo) Co., Ltd. was jointly invested and constructed by Baosteel Development Co., Ltd., Ningbo Steel Co., Ltd. and Baosteel Engineering & Technology Group Co., Ltd. With its formal commencement of construction on March 18, 2013, it was put into pilot production in the first half of 2014. Its products can be widely applied to domestic large-scale steel structure factory buildings, residential steel-structure houses, and other industrial fields such as shipbuilding, chemical engineering, iron and steel and electricity generation. As one of the key projects of Baosteel to implement environment operation strategies and promote comprehensive utilization of renewable resources, the project adopts innovative technologies, and plays a demonstrative role in the aspects of environment operation, energy conservation and emission reduction, and comprehensive utilization of solid waste resources.



Tips

Characterized by light weight, durability, non-combustibility and anticorrosion, mineral wool is a kind of excellent material for heat preservation, thermal insulation, and sound absorption, and thus is widely applied to such fields as industrial thermal and cold storage equipment, and green buildings. The technology of slag wool production with hot slag directly uses hot slag produced by blast furnaces to produce mineral wool, which enables to save huge amount of energy resources, drastically reduce carbon emission, and mitigate damage to natural resources, etc.

For years, Baosteel fully exerted its own R&D advantages with no experience to draw on, and creatively carried out breakthroughs in the research project of the “Equipment of and Studies on Process Engineering of Mineral Wool Production with Hot Slag of Blast Furnace”, and has made major breakthroughs.

Phase-II Follow-up Silicon Steel Project of Baosteel Co., Ltd.

After two years of construction, the Phase-II follow-up silicon steel project of Baosteel Co., Ltd. was smoothly completed and put into production in July of 2013 as planned, which symbolizes that oriented silicon steel of Baosteel has had an annual production capacity of 300,000 tons. The completion of the project created conditions for Baosteel to exert scale effect, optimize production organization, reduce manufacturing costs, and optimize breed structure, and meanwhile made greater contributions to the green energy of the country.

Jiangsu Precision Steel Wire Project of Baosteel Metal Co., Ltd.

Phase-I project of Jiangsu Baosteel Precision Steel Wire Project located in Haimen, Nantong City, Jiangsu Province was completed and put into production in 2013. After reaching its designed capacity, the project will form a production capacity of 50,000 tons of precision steel wire. Baosteel will exert its late-mover advantages through linkage of industrial chains, and strive to build Baosteel Metal into one of the most competitive domestic manufacturing companies of wire rod products used for rubber and skeleton materials, such as auto tires and sebfic ducts, and the energy field.

Baosteel's Joint Venture Project of Korean Steel Processing and Distribution Center

BGM Co., Ltd., incorporated on April 16, 2012, is a limited liability company with designed annual capacity of 110,000 tons. It is the first joint venture steel processing and distribution center invested and operated by Baosteel abroad.

BGM Co., Ltd. was completed and put into operation at the end of 2012 and started providing Just-in-Time services such as auto sheet storage, cutting, distribution and delivery to customers such as GE (South Korea) from February of 2013. The establishment of the BGM Processing and Distribution Center has further improved the supply chain of Baosteel, which enables the provision of more convenient, rapid and comprehensive services to overseas users like GE (South Korea).

"Baosteel Cloud" Cloud Computing Data Center Project

In June of 2013, by taking the advantages of industrial resources and advanced technological strength, Baosight Software under Baosteel Group launched Phase I of the cloud computing data center project called "Baosteel Cloud" at Baosteel's plant in Luojing, which had been shut down. The Project generally consists of about 4,000 cabinets and will become the largest single cloud computing data center project in the history of Shanghai following the completion in 2014. After that, Baosight Software and Shanghai Telecom will jointly provide exclusive "green" computing data center services.

Phase I of the Project, as the benchmarking project playing a demonstrative role in regional market of Shanghai, will not only help to promote the upgrade of the cloud computing data center industry and eliminate enterprises with outdated production facilities in the regional market of Shanghai, but also effectively support the development of relevant industries such as big data, cloud computing and smart city as well as the development of the whole city. In the meantime, led by Phase I of the Project, Baosight is planning to build an industrial layout for industrial park relating to big data in Luojing.

South Xinjiang Steel Base Project

Bayi Iron & Steel South Xinjiang Steel Base and its supporting projects, with an annual productivity of 2.3 million rods and wires, was constructed and put into operation step by step in 2013.





Work Objectives

Baosteel aims to enhance the establishment of the technological innovation system to improve the overall technological capacity; to support green production, green products and green industry and practice environment-friendly operation; and to push forward the implementation of key technological and strategic projects to form the competitive edges of innovation.

Institutional Improvement

In 2013, Baosteel started to improve the R&D system. It focused on promoting the establishment of R&D sharing and supporting system of the Baosteel Central Research Institute, improved the steel and iron unit R&D supporting system through plant-institute cooperation and joint establishment of technological centers to respond the market demand rapidly and improve the efficiency of steel and iron unit R&D. Besides, the Corporation centered on the demand for multi-industrial technological support, made joint planning for engineering technology, further processing of metals and resource recycling, and launched a series of joint R&D projects.

The Group continued to carry out technological coor-

dination and successfully supported the middle-sized bar engineering hot firings and large bar production projects of Shaoguan Steel, the R&D of hot rolling plate with the size of X80 of Bayi Iron & Steel by building up relevant professional technological teams, accelerating technological advancement of all steel and iron units.

Baosteel continued to carry forward the "Golden Apple Initiative" as an important measure for the strategy based on leading technology. In 2013, the Corporation launched a new round of "Golden Apple Initiative" in auto steel, silicon steel, steel making and cold rolling, striding toward new R&D targets.

Technological Innovation (Front-runner Program)	2011	2012	2013
R&D Investment (RMB Billion)	6.35	6.04	5.88
Number of Patent Applications	2,287	2,445	2,592
Percentage of R&D Investment (%)	2.0	2.1	1.9
Economic Benefits of Scientific Research Projects (RMB Billion)	2.33	2.27	2.01
Amount of Technological Trading Contract (RMB10,000)	9,462	16,227	8,823
Number of Technological Trading	63	49	40
Sales of New Products (%)	18.8	18.1	18.1

Results of Technological Innovation

Carbon steel: Baosteel took the lead in launching the quenching ductile steel QP980GI over the globe, which further diversified high-strength auto steel, making itself the only company possessing the capability of producing the first, second and third generations of high-strength steel. The Company is also the first in the world in producing B50AE-2, a type of random silicon steel for ultra-high performance electrical machine use which has been used in electrical machines at the efficiency level of IE3. Besides, it also made great breakthrough in R&D of exquisite materials such as high-performance hot rolling wear-resistant steel, super 13Cr torsion resistance seal drill pipe, and high-strength and high-tenacity drive-pipes, further improving its differentiated competitiveness.

Stainless steel: Baosteel's technology of making ultra-pure ferrite stainless steel has been constantly improved. Ultra-pure ferrite stainless steel has been authenticated and supplied in batches in auto, building and home electrical appliance industries, with the annual production and sales volume in 2012 increasing by more than 50% compared with the same period of the previous year.

Special steel: Baosteel has acquired the technology of providing 690 alloy heat transfer tube for nuclear evaporators to CPR1000, "second generation plus" nuclear power stations. It realized complete coverage of variety, types and steel grades in series products such as nickel base/iron-nickel base alloy drive-pipes, and its ultrahigh alloy oil drive-pipes took a market share of over 70%.

Making great efforts for a decade, Baosteel has completed the thin-strip casting and rolling industrialized production line in Ningbo and is to be put into the heat load test and industrialized production.

The results of Baosteel's technological innovation gained recognition from the government and the society. The "Manufacturing Technology Development And Industrialization of Low-Temperature High Magnetic Induction Grain-Oriented Silicon Steel" was granted with the first prize of the 2013 National Scientific and Technological Advancement Award, the "Manufacturing Technology and Industrialization of Advanced High-Strength Thin Strip Steel" gained the special prize in metallurgical science and technology, and other results such as the "Key Technology and Industrial Application of High-Efficiency RH Vacuum Refining" and the "Research and Application of Steel Pipe for 600°C Ultra-Supercritical Thermal Power Unit" won the first prize in metallurgical science and technology award.

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"Manufacturing Technology Development And Industrialization Of Low-Temperature High Magnetic Induction Grain-Oriented Silicon Steel"

won the **first prize** of the **2013** National Scientific and Technological Advancement Award.



Technological innovation cases

Baosteel adheres to the technology-led strategy. It did not only develop exquisite iron and steel such as auto sheets and silicon steel but also make continuous long-term investments and R&D input in developing green iron and steel production technology. Thin-strip steel casting and rolling technology is a typical case of this.

Thin-strip steel casting and rolling technology is an energy saving and highly efficient near-net-shape processing technology, which directly teems molten steel into strip billets which then will be rolled into ultra-thin wide flat steel by one-rack or two-rack hot mills at the assembly lines. This technology integrates casting with rolling, which greatly simplifies the processes of producing strip steel, making the production procedure more efficient, energy-saving and environment-friendly.

Baosteel has started researches on thin-strip steel

casting and rolling technology since 2001, and listed this technology as its key research project. After a decade's consecutive and highly intensive input in R&D, it has set up a 1200mm thin-strip steel casting and rolling testing platform and realized continuous casting and rolling of low carbon steel, medium carbon steel and high silicon steel and stainless steel. Besides, it has acquired key technologies such as the quality control of the thin-strip steel continuous casting strip surface and rolling of cast strip and made great breakthrough in core technologies. Baosteel launched the casting and rolling industrialized demonstrative assembly line project with capacity of 500,000 tons in 2011 in Ningbo, and the project has been completed in 2013. It will start thermal load test run and industrialized production in 2014, which earmarked that Baosteel takes a further stride in the industrialized production of steel with the thin-strip casting and rolling technology.

Steel Union Research Foundation

Baosteel Corporation signed an agreement with National Natural Science Foundation of China, officially establishing Steel Union Research Foundation on August 28, 2000. The Foundation aims to provide subsidies to research on new metallurgical technology which is badly needed by China's iron and steel industry and basic research projects with scientific significance and value of application in processes, materials, energy, environment, equipment and information. It encourages innovation, interdisciplinary study and integration of industry, academy and research, prioritizing support to young talents in science and technology.

In 2013, Steel Union Research Foundation subsidized five key projects including the "Research on Detoxification Mechanism and Highly Effective Reclamation of Steel Slag Containing Chromium" and the "Research on the Mechanism of Producing Extra-Thick Steel Plates by Continuous Casting with Low Compression-Ratio Rolling" and six breeding projects such as the "Research on Nanometer Surface Alloying of Carbon Steel" and the "Research on Wrought Magnesium Alloy Low-Cycle Fatigue Microcosmic Damage Behavior Induced by Twin Crystal".

As of 2013, Steel Union Research Foundation has totally subsidized 245 projects of nearly 60 higher institutes in China with an amount of RMB122 million. Great results have been achieved in theories and applications with proprietary intellectual property rights. Over 100 patents for invention have been applied, and some of these results have been applied and promoted in relevant industries and even other industries. Besides, the Foundation also educated over 400 doctors and more than 700 masters for the iron and steel industry and other relevant industries.



As of 2013, Steel Union Research Foundation has educated over **400** doctors and more than **700** masters for the iron and steel industry and other relevant industries.

External Evaluation

On May 28, 2013, Liu Yandong, Vice Premier of the State Council of the People's Republic of China, spoke highly of the establishment of Steel Union Research Foundation by Baosteel and National Natural Science Foundation of China to explore an effective mode of connecting with other subjects of the national innovation system to support the integration of industry, academy and study and promote the opening and sharing of resources.





Being Part of Nature

**True love of environment
means reduction of resource
consumption
As well as offering nourishment
and feedback to nature
We abide by the symbiosis rule
of human and nature
A new and green Baosteel exhibits
the beauty of life harmony**

“To me, Baosteel is not hard and cold iron ores, but the China Pavilion and Shanghai Tower rising straight from the ground, as well as the energy efficient and environment-friendly cars speeding along expressways. “In recent years, Baosteel hasn’t only pursued quality mass production, but also energetically promoted the development of steel residential structure and lightweight steel for auto use. We devoted ourselves to research and development and adopted the approach of LCA (Life Cycle Assessment) to synchronize the progress of China’s iron & steel industry with that of the world. In December of 2013, we formulated the first national LCA standard related to the environmental feature of iron and steel products to quantitatively evaluate the influence of products on environment during their life cycle. “To us, employees of Baosteel, iron and steel are not cold, but animate, green, beautiful and flourishing!”

Liu Yinghao

Research Fellow of Baosteel Central
Research Institution
Head of Baosteel LCA Research





Baosteel proposed its environment management strategy in 2009. It reconsidered its original management philosophy from the perspective of environment, explored specific practice method that combined environmental benefit and competitiveness, implemented the “Full Life Cycle” operating management on products and carried out the new environmental management philosophy throughout all respects of corporate operation from raw material purchase to product design, production, marketing, consumption and waste recovery. Specifically, Baosteel’s environment management includes three integral parts, namely green manufacturing, green products and green industry.

Green Vision

Become a Driver of the Green Industrial Chain





Environmental Management System

Baosteel Co., Ltd. initiated ISO14001 certification for environmental management system as early as 1998 and was the first among Chinese iron and steel enterprises to pass this certification.

As of the end of 2013, all affiliated iron and steel production enterprises of Baosteel, except for Baosteel Desheng which joined Baosteel Group in 2011 and was subordinate to Baosteel Stainless Steel, have passed ISO14001 certification for environmental management system.

In addition, most of the industrial enterprises in the diversified industries of Baosteel have passed ISO14001 certification for environmental management system.

Clean Production Review

Clean production promotion and review has been one of the major management projects of Baosteel Group.

In 2013, it continued to organize and promote clean production review. Bayi Iron & Steel, Shaoguan Iron & Steel, Baosteel Engineering, Baosteel Metal and Baosteel Development all organized clean production review and completed the review of some of their industrial enterprises.

Energy Management System

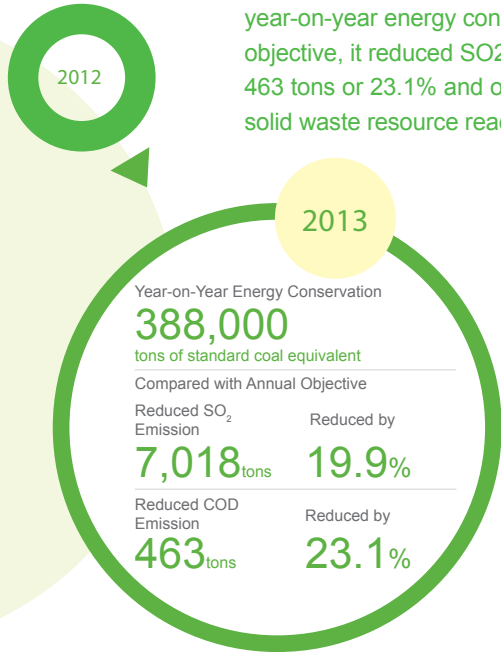
Baosteel is the first to initiate certification for energy management system in China's iron and steel industry.

In 2013, on the basis of continuous promotion of energy management system construction, it focused on the promotion of the energy management system construction of Shaoguan Iron & Steel. By strengthening training, establishing rules and regulations and rationalizing management, Shaoguan Iron & Steel rapidly improved its energy management system capacity and passed the on-site review of energy management system.

While studying the new standard of the "Energy Management System" (2012 Edition), factories and departments directly under Baosteel Co., Ltd formulated and improved their energy management performance appraisal methods, completed the identification of 56 new or changed national laws and regulations and standards, standardized the examination of system operation and implemented measures on 116 important energy consumption sources and 50 key energy efficiency factors, whose progress reached 66%, allowing its energy management approach to transform from management by objective to dual control that combined management by objective and process management.

Green manufacturing refers to the adoption of various management and technical measures in the iron and steel production process to maximize energy conservation and reduction of consumption and emission with the aim to realize clean production along with healthy economic returns and therefore harmonious co-existence with the environment of such production.

In 2013, in accordance with the new round of development planning, Baosteel actively promoted environmental management and green manufacturing. In comparison with 2012, Baosteel Group achieved a year-on-year energy conservation of 388,000 tons of standard coal equivalent. Compared with the annual objective, it reduced SO₂ emission by 7,018 tons or 19.9%, COD (chemical oxygen demand) emission by 463 tons or 23.1% and oxycarbide emission by 6,749 tons or 9.7%. The comprehensive utilization rate of solid waste resource reached 96.92%, an increase of 0.87% over 2012.



Baosteel Reinforces Energy Saving Management

- The “Special Plan of Baosteel Group Corporation for Energy Saving in 2013” and the “Plan of Environmental Management Driver” were formulated to propose specific objectives and measures for the energy saving of the group and its subsidiaries.
- Assessment objectives of energy saving performance targets for secondary units were set and included in the performance appraisal and assessment.
- Dynamic monitoring and tracking was conducted on a monthly basis and regular meetings on energy saving and environmental protection analysis and appraisal were held every quarter to ensure energy saving targets were all under control.

In 2013, energy saving targets was successfully fulfilled, including the corporation’s annual objectives and the objective within its duty for the energy saving of Shanghai. The National Low Carbon and Energy Saving Campaign of 10,000 Enterprises was conducted in a stable and orderly manner and Baosteel over-fulfilled its energy saving objective on schedule.

Relying on Scientific Progress Promoting Major Project Construction of Energy Saving

In 2013, the corporation utilized an accumulative investment amount of RMB 1.90 billion yuan in energy saving projects, among which RMB 858 million yuan was utilized on environmental protection projects and RMB 1.04 billion yuan on energy saving projects. The annual energy saving amount achieved through energy saving technology transformation projects reached 179,000 tons of standard coal equivalent.

A batch of major energy saving projects was put into production.

- Baosteel Co., Ltd utilized and transformed the waste heat emitted by the two heating furnaces of the 5-meter production line of Thick Plate Department. After the equipment was put into operation, the exhaust gas temperature was reduced to 160°C, 55,000 tons of steam was recovered annually and energy consumption was reduced by 5,178 tons of standard coal equivalent, producing RMB 7 million yuan worth of energy efficiency.
- By recovering waste heat through two sintering machines of 265 square meters and one of 430 square meters and putting into operation the steam electric power project at the beginning of the year, Bayi Iron & Steel reduced energy consumption by 4,000 tons of standard coal equivalent annually.

- By implementing energy conservation transformation project, Ningbo Steel reduced its energy consumption by 19,300 tons of standard coal equivalent annually. A batch of major environmental protection projects was put into production.
- Comprehensive transformation project of generator No.1 of the power plant of Baosteel Co., Ltd for energy saving and environmental protection and the (first-phase) comprehensive transformation project of slag processing of its No.1 steel-making converter furnace.
- Advance treatment and comprehensive utilization project of industrial waste water of the whole plant of Bayi Iron & Steel.
- The flue gas desulfurization project of sintering machine No.5 and No.6 of Shaoguan Iron & Steel.
- The projects of the new sintering technology of circulating exhaust gas approach and sintering pneumatic transmission transformation of Ningbo Steel.
- Projects of Baosteel Stainless Steel, including comprehensive improvement of finish rolling and dust elimination of stainless steel.

Cases

“Three-Year Environmental Protection Action Plan” of Xinjiang Bayi Iron & Steel”

With an input of more than RMB 3 billion yuan, Xinjiang Bayi Iron & Steel plans to improve its environmental protection and energy saving measures and its appearance and environment in three years. The plan includes shutdowns of inefficient production lines, dust control, air improvement, waste water treatment, noise abatement, resource utilization and environmental construction.

Flue Gas Waste Heat Recovery Project

There are many industrial furnaces in iron and steel enterprises, such as heating furnace and annealing furnace. The flue gas of these furnaces can have a temperature of 300-600°C after passing air pre-heater. If they are directly emitted without waste heat recovery, waste heat resources will be dissipated.

In recent years, through energy performance contracting, Baosteel Co., Ltd introduced external resources and conducted flue gas waste heat recovery and transformation. High-temperature flue gas from the furnaces is channeled out through the original flue pipe and channeled into the waste heat boiler through new flue pipe. The waste heat of flue gas, after recovered, produces

After its apparently effective implementation for more than two years, the factory acquired a completely new outlook with its total emission amount remarkably reduced. Its SO₂ and COD emissions were reduced respectively by 47.2% and 96.9% from 2011. The “Three-Year Environmental Protection Action Plan” was highly praised by government and employees.

low-pressure steam of 1.6 MPa and 260°C, which then enters the steam pipe network of the plant to be utilized by users. After waste heat recovery, the temperature of flue gas can be reduced to 160-180°C.

At present, Baosteel Co., Ltd has completed the flue gas waste heat recovery transformation projects of 11 large heating furnaces in HQ. With more than 50 tons of low-pressure steam generated per hour, the flue gas waste heat of heating furnaces has been effectively recovered and the average flue gas temperature of the large heating furnaces has been reduced to lower than 200°C, reaching internationally advanced level.

Application of New Energy Technologies

In 2013, Baosteel continued to develop its new energy projects. Following the implementation of “Golden Sun” solar power generation project of Baosteel Co., Ltd and propelled by energy performance contracting mode, Ningbo Steel, Ningbo Baoxin

and Baosteel Changzhou Rolling Company successively implemented their own “Golden Sun” solar power generation projects, which were successively completed and put into operation.

Cases

(First-Phase) Demonstration Project of Baosteel 50 MWp Golden Sun Photovoltaic Power Generation Was Completed and Put into Operation

On January 6, 2014, the roof photovoltaic power station of the ship sheet plant of Baosteel Co., Ltd was connected to the grid, signifying that (First-Phase) Demonstration Project of Baosteel 50 MWp Golden Sun Photovoltaic Power Generation, after 20 months of construction, was completed and put into operation. It is the largest roof photovoltaic power generation project in the world so far, as well as the first roof photovoltaic power generation project of large iron and steel enterprises in China. For the project, 206,000 PV panels were installed with an estimated annual power generation capacity of 45 million kw-hr, reducing the CO₂ emission by 30,000 tons. Not only is it a first for Baosteel in photovoltaic power generation, but also exhibits guiding and demonstration functions in the application of clean energy in iron and steel industry.

Demonstration Project of Baosteel Golden Sun Photovoltaic Power Generation, with an investment budget of RMB 500 million (including a state subsidy of RMB 250 million), was implemented by the Energy and Environment Department of Bao-

steel Co., Ltd in cooperation with Beijing Guofa, as was initiated by the former, through energy performance contracting project. PV power stations with a total installed gross capacity of 50 MWp were built on the 14 roofs covering 1.01 million square meters in the whole plant and the power generated by them was connected to the electric systems of the region where they were located. The project covered a wide area, required a large work amount, involved multiple units and suffered high construction risk with more than 20,000 times of aerial lifting. The project was officially launched in May of 2012. On November 2, the UOE plant, its first construction site, was connected to the grid and began to generate power. Subsequently 13 roof photovoltaic power generation projects, including HFW, Silicon Steel, Cold Rolling, Hot Rolling, Thick Plate and Baosteel-NSC/ Arcelor Automotive Steel Sheets, were successively connected to the grid and began to generate power. As of the end of 2013, they generated a total power amount of 15.83 million kw-hr.

**Tips**

The “Golden Sun Demonstration Project” is a policy implemented by China since 2009 to support the domestic promotion of the technological advancements and large-scale development of photovoltaic power generation and to cultivate strategic emerging industries.

Promotion of Energy Performance Contracting Project Construction

Baosteel pays full attention to the contribution of energy performance contracting to energy saving and actively promotes energy performance contracting. On the basis of the full launch of energy performance contracting in iron and steel enterprises, it takes as its priority the promotion

of energy performance contracting in diversified industries. In 2013, it basically achieved the full coverage of energy performance contracting in all industries of the group and implemented 47 new energy performance contracting projects in the whole year.



Tips: Energy Performance Contracting

Energy performance contracting (EPC): An energy saving service mechanism under which an energy saving service company and an energy consumption unit agree on an energy saving objective through contract, the energy saving service company provides the energy consumption unit with necessary services to achieve the objective and the energy consumption unit pays the energy saving service company for its input and reasonable profit with energy saving benefits.

Energy performance contracting project: Energy saving project implemented in accordance with energy performance contracting mechanism.

Energy saving service company: Professional company that provides services, such as energy consumption status diagnosis, energy saving project design, financing, transformation (construction, equipment installation and tuning) and operation management.

Implementation of Carbon Emission Deduction and Carbon Emission Right Trading Pilots

In accordance with the progress of China's emission management and trading pilots on greenhouse gas, especially CO₂, Baosteel established the Carbon Emission Deduction Office at the beginning of 2013 to implement convergence case-management and operational guidance on the carbon emission and trading of the corporation.

In 2013, the corporation tracked and analyzed international and domestic development trend and policy of carbon emission deduction and carbon trading, researched the management philosophy and methodology of carbon emission and carbon asset, provided pilot enterprises with guidance on the implementation of relevant works and began to formulate related management process and standard inside the corporation.

Shanghai was designated as one of the seven provinces and cities for the implementation of carbon emission right pilots by the National Development and Reform Commission. Eight enterprises, including Baosteel Co., Ltd, Bao-

steel Stainless Steel and Baosteel Special Steel, were listed as Shanghai's carbon emission right trading pilot enterprises.

Baosteel actively participated in the research of Shanghai's carbon trading pilot policy, organized the negotiation and coordination between carbon trading pilot enterprises and the government, completed the inspection on carbon emission from 2009 to 2011 of carbon trading pilot enterprises in Shanghai and exchanged views with Shanghai Development and Reform Commission and Carbon Trading Pilot Office on the allocation plan of carbon emission quota during the pilot period from 2013 to 2015.

In 2013, Shanghai's carbon emission right was open for trading at Shanghai Environment and Energy Exchange. As one of the pilot enterprises, Baosteel Co., Ltd received the certificate for carbon emission right quota in 2013-2015 on the day of opening.



Tips: Energy Performance Contracting

Carbon emission trading (carbon trading for short) refers to the market mechanism adopted to reduce global greenhouse gas emission and global CO₂ emission. After tough negotiation, the UN Intergovernmental Panel on Climate Change passed the "United Nations Framework Convention on Climate Change (UN-FCCC or the Convention for short)" on May 9, 1992. In December of 1997, it passed the

first supplemental agreement to the Convention, namely, Kyoto Protocol (Protocol for short) in Kyoto, Japan. The Protocol regards market mechanism as the new approach to solving the issue of greenhouse gas, represented by CO₂ emission reduction. In other words, with CO₂ emission right as a commodity, the CO₂ emission right trade, or carbon trade for short, was formed.

Implementation of New National Regulations and Standards on Environmental Protection

In 2013, in accordance with the “State Council Air Pollution Prevention Action Plan” and a series of new regulations and standards on environmental protection issued by the state, the corporation actively organized inspections on the benchmarking and compliance of its subsidiaries. In pursuance of the national standard featuring more strict requirement, larger scope and more systematic and regional management, it classified the pollutant discharge spots unable to meet the standards on a

regular basis and spots without supervision to screen for non-compliant spots and items and organized all the iron and steel production enterprises to make detailed analysis of countermeasures to respond to the new standard on environmental protection, formulate project plans and update their environmental protection plans around non-compliant spots and items to ensure their compliance with the requirement of the new national regulations and standards on environmental protection.

Cases

Baosteel Co., Ltd Published Online the Air Quality Index of the Plant of Its Headquarter Plant

To energetically promote the information application construction of environmental protection process and improve the environmental supervision level, Baosteel Co., Ltd launched the pilot run of the Air Quality Index (AQI) of the Headquarter plant from April. The monitoring system was funded by Baosteel. Thus the monitoring data of the Air Quality Index of the plant of Baosteel Co., Ltd Headquarter was included in the real-time monitoring of Baoshan District Environmental Protection Bureau. Apart from publishing on website, it also launched the mobile app of “Baosteel Air Quality” to allow the employees to pay attention to the air quality change of the plant at all times, execute real-time supervision over emission and show their concern for the environment.



Tips: Air Quality Index (AQI)

Air Quality Index (or AQI for short) refers to the dimensionless index that describes the air quality condition in a quantitative way. Major pollutants included in the air quality evaluation are fine particle (pm 2.5), inhalable particle (pm 10), sulfur dioxide (SO₂), nitrogen dioxide (NO₂), ozone (O₃) and nitric oxide.

Promote the Comprehensive Resource Utilization of Iron & Steel Solid Waste

In 2013, the comprehensive resource utilization rate of iron & steel solid waste of the corporation reached 96.92%, an increase of 0.87% over the previous year, and the house-service consumption rate of iron & steel solid waste was 21.37%, a year-on-year decline of 0.3 %.

Cases

Industrial Environment Protection Technology R & D Center Founded to Promote the Upgrading and Development of Green Industry with Science and Technology

In September 2013, Baosteel Development Co., Ltd. and Shanghai Academy of Environmental Sciences co-founded the Industrial Environment Protection Technology R & D Center. It was an important cooperative measure to accelerate the technology research and development and achievement transformation of the comprehensive utilization of renewable resources, promote industrial upgrading and structural adjustment and enhance the integrated development of iron and steel enterprises and the city.

Baosteel Development Co., Ltd is an industrial unit of Baosteel Group that specializes in the comprehensive utilization of renewable resources and environmental protection

service. The Industrial Environment Protection Technology R & D Center will conduct cooperation on five fields, namely, recycling solid waste, development of eco-friendly material, soil remediation, dangerous waste disposal and urban water utilization, for projects including the comprehensive utilization technology of slag, the recycling utilization technology of coal ash and other solid wastes, the research, development and application of shock-absorbing and noise-reducing materials, the saline-alkaline improvement technology of intertidal zone and wetland with de-sulfurized gypsum and the key technology research and development of contaminated site restoration.



In the springtime of March, everything came to life. In early March, Baosteel Co., Ltd held the tree planting event of the Tree-Planting Day and Tree Adoption Ceremony in the plant of its headquarter to spread the “Green Hope” together and express their heart-felt aspiration through action that “Everyone Can Share the Love of and Participate in the Protection of Greenland and Create a Beautiful Baosteel Together”.

In 2013, altogether 9 greening transformation projects were implemented in the plant of Baosteel Co., Ltd Headquarter and transformed an area of approximately 95,000 square meters. By focusing on strengthening the construction of shelter forest belt around the plant, Baosteel Co., Ltd will strive to transform itself into an eco-plant embraced by greeneries.

To build a “Capable, Beautiful and Glamorous Bayi Iron & Steel” and based on environmental protection and plant appearance and environment, the “Three-Year Environmental Protection Action Plan” was implemented by Bayi Iron & Steel. After its apparently effective implementation, the plant acquired a completely new outlook with the green coverage ratio of the plant increased to 48% and the green coverage ratio of the living quarters increased to 52% in 2013.

Baosteel Stainless Steel strived to construct an eco-garden enterprise embraced by greeneries in harmony with ecology and human and increased the green area of its plant to more than 920,000 square meters.

48%

The green coverage ratio of the plant of Bayi Iron & Steel reached 48%

Baosteel Stainless Steel increased the green area of its plant to more than 920,000 square meters.

920,000 square meters



The Green Manufacturing Performance of Baosteel Co., Ltd

Index	Unit	2009	2010	2011	2012	2013
Comprehensive Energy Consumption Per Ton of Steel	%	100	96.64	98.55	102.62	103.42
Total Amount of Recovered Surplus Energy	%	100	99.93	113.81	93.92	76.42
New Water Consumption Per Ton of Steel	%	100	97.46	98.38	101.62	96.24
SO ₂ Emission Per Ton of Steel	%	100	61.71	50.86	45.95	38.39
COD Emission Per Ton of Steel	%	100	88.84	83.74	90.32	85.79
Smoke Dust Emission Per Ton of Steel	%	100	91.65	88.75	92.31	89.95
Comprehensive Resource Utilization Rate of Solid Waste	%	98.26	98.58	98.81	98.9	98.82

Note: All indicators in the table, except for "Comprehensive Utilization Rate of Solid Waste Resources", use 2009 as the benchmark year.

The Green Manufacturing Performances of Bayi Iron & Steel

Index	Unit	2009	2010	2011	2012	2013
Comprehensive Energy Consumption Per Ton of Steel	%	100	89.85	88.42	86.87	85.69
Total Amount of Recovered Surplus Energy	%	100	146.21	159.75	190.91	211.11
New Water Consumption Per Ton of Steel	%	100	81.28	68.95	65.30	62.56
SO ₂ Emission Per Ton of Steel	%	100	73.50	69.17	54.69	34.33
COD Emission Per Ton of Steel	%	100	53.41	47.60	24.53	10.75
Smoke Dust Emission Per Ton of Steel	%	100	109.49	89.79	56.35	82.99
Comprehensive Resource Utilization Rate of Solid Waste	%	70.51	73.50	69.17	83.49	91.39

Note: All indicators in the table, except for "Comprehensive Utilization Rate of Solid Waste Resources", use 2009 as the benchmark year.

The Green Manufacturing Performances of Ningbo Steel

Index	Unit	2010	2011	2012	2013
Comprehensive Energy Consumption Per Ton of Steel	%	100	99.56	97.49	99.24
Total Amount of Recovered Surplus Energy	%	100	124.82	146.15	132.13
New Water Consumption Per Ton of Steel	%	100	102.97	82.18	97.03
SO ₂ Emission Per Ton of Steel	%	100	151.26	130.61	62.41
COD Emission Per Ton of Steel	%	100	129.88	78.95	117.04
Smoke Dust Emission Per Ton of Steel	%	100	83.33	93.48	64.70
Comprehensive Resource Utilization Rate of Solid Waste	%	90.33	93.77	91.95	96.58

Note: All indicators in the table, except for "Comprehensive Utilization Rate of Solid Waste Resources", use 2010 as the benchmark year.

The Green Manufacturing Performances of Shaoguan Iron & Steel

Index	Unit	2012	2013
Comprehensive Energy Consumption Per Ton of Steel	%	100	95.42
Total Amount of Recovered Surplus Energy	%	100	123.53
New Water Consumption Per Ton of Steel	%	100	94.32
SO ₂ Emission Per Ton of Steel	%	100	105.69
COD Emission Per Ton of Steel	%	100	122.04
Smoke Dust Emission Per Ton of Steel	%	100	90.18
Comprehensive Resource Utilization Rate of Solid Waste	%	99.75	99.74

Note: All indicators in the table, except for "Comprehensive Utilization Rate of Solid Waste Resources", use 2012 as the benchmark year.

The Green Manufacturing Performance of Baosteel Stainless Steel

Index	Unit	2012	2013
Comprehensive Energy Consumption Per Ton of Steel	%	100	102.04
Total Amount of Recovered Surplus Energy	%	100	120.40
New Water Consumption Per Ton of Steel	%	100	98.33
SO ₂ Emission Per Ton of Steel	%	100	57.97
COD Emission Per Ton of Steel	%	100	79.14
Smoke Dust Emission Per Ton of Steel	%	100	97.14
Comprehensive Resource Utilization Rate of Solid Waste	%	99.20	99.20

Note: All indicators in the table, except for "Comprehensive Utilization Rate of Solid Waste Resources", use 2012 as the benchmark year.

The Green Manufacturing Performance of Baosteel Special Steel

Index	Unit	2012	2013
Comprehensive Energy Consumption Per Ton of Steel	%	100	98.82
Total Amount of Recovered Surplus Energy	%	-	-
New Water Consumption Per Ton of Steel	%	100	95.63
SO ₂ Emission Per Ton of Steel	%	-	-
COD Emission Per Ton of Steel	%	100	88.07
Smoke Dust Emission Per Ton of Steel	%	100	87.88
Comprehensive Resource Utilization Rate of Solid Waste	%	97.00	96.82

Note: All indicators in the table, except for "Comprehensive Utilization Rate of Solid Waste Resources", use 2012 as the benchmark year.

In April 2012, Shaoguan Iron & Steel became an official member of Baosteel Group Corporation. In March of 2012, Baosteel Co., Ltd. sold its stainless steel and special steel operations to Baosteel Group Corporation. In April, Baosteel Stainless Steel and Baosteel Special Steel were founded.



For Baosteel, green products refer to the products that conserve energy, lower consumption and reduce emission of pollutants throughout their lifecycles of design, manufacturing, transportation, use, recovery and recycling and make contributions to improvement of environmental quality and reduction of damages to human health.

Classification of Green Products

In 2013, Baosteel Co., Ltd. confirmed the definition and classification criteria for Baosteel's green products and continued to classify all Baosteel products into three main categories. The first category includes basic products in compliance with the environmental regulations of various countries and regions (BASE). The second category includes superior products with excellent environmental performances (BETTER). The third category includes globally leading and cutting-edge products with outstanding environmental and economic performances and employing breakthrough technologies (BEST). It established operational objectives of green products and continued to provide the society with green products. In 2013, Baosteel Co., Ltd. sold 5.80 million tons of BETTER green products and 730,000 tons of BEST green products. For instance, the galvanized 980Q&P, third-generation ultra-high-strength steel, remarkably reduced the weight of automobiles and improved their energy saving performance in their full life cycle. For 1kg advanced high-strength steel applied in an automobile, its CO₂ emission can be reduced by around 8kg in its full life cycle.

In 2013, Baosteel Co., Ltd sold 6.53 million tons of green products, a year-on-year increase of 870,000 tons.

6.53 million tons

870,000 tons

The sales of superior green products (BETTER) reached 5.8 million tons, a year-on-year increase of 13.5%, and the sales of cutting-edge green products (BEST) reached 730,000 tons, a year-on-year increase of 32.7%.

13.5%
32.7%

Life Cycle Assessment Research

Life Cycle Assessment (LCA) is an approach to the quantitative assessment of the environmental load and impact of product's life cycle.

In 2013, Baosteel conducted its LCA research mainly centered on the formulation of national standard, typical cases of ecological product design, standardized approach of quantifying the environmental performance of green products and cases of green marketing support.

In December 2013, Baosteel formulated the "Technical Specifications of the Life Cycle Assessment of Iron & Steel Product Manufacturing (Rules of Product Types)", its first national standard related to the environmental characteristics of iron and steel products, which was published by the National

Standardization Administration through official announcement (Standard No.: GB/T30052-2013) in the same month.

The standard specifies the technology of the life cycle assessment of iron and steel products, fully embodies the characteristics of the iron and steel industry and describes the operability of key points of product life cycle assessment including the scope definition, calculation logics and approach and distribution method, exhibiting its progressiveness and applicability.

In 2013, Baosteel completed a sub-project of the sustainable development subject of the "Some Major Issues of China's Steel Industry in 2020" of China Iron and Steel Association, which focused on "the research of the contribution of iron and steel full life cycle assessment to society-wide energy saving".

Development of Responsible Products

Baosteel has been researching and developing products based on environmental design philosophy and approach in cooperation with customers to provide customers with green solutions. Baosteel has pioneered in China's research on Life Cycle Assessment (LCA) and has been engaged in the development and optimization of LCA models for iron and steel products, obtaining LCA results for a variety of products, including carbon steel, stainless steel and special steel. Baosteel has promoted the generalization and application of LCA in the upstream and downstream industry chains of iron and steel enterprises through channels such as release of environmental declaration, green procurement, ecological design, green manufacturing and green marketing and services and reflected the environmental benefits of iron and steel industry upgrading and category structure adjustment from the perspective of full life cycle.

In 2013, Baosteel Co., Ltd planned and organized the authorization and authentication of green leaf label for thin carbon steel plate products. Baosteel Co., Ltd certified the compliance of products with related regulations by applying to a third party for the application of green leaf label on the quality certificate and product label and conducted RoHs and REACH evaluation and test of the eight types of all thin carbon steel plate products (hot-rolled, acid-pickled, cold-rolled, hot-galvanized alloy, electro-galvanized, aluminum-zinc, tinned and electrical steel). The eight product types have all obtained the authorization for the application of green leaf label, which has been printed on their quality certificates and product labels.

Cases

1. The case of ecological design research of small B pillar assembly based on "full life cycle assessment"

With small B pillar assembly as a pilot and based on the approach of LCA, Baosteel completed the research on the ecological design approach and model of steel products for auto use and has released the achievements on the Baosteel EVI Forum of Steel for Auto Use.









2. The full life cycle assessment of the application of electrical steel products on industrial motor was completed

In cooperation with motor plants, Baosteel completed the life cycle assessment of IE1, IE2 and IE3 energy-efficiency-level motors of 0.75kW, 11kW and 55kW series. The assessment covered the environmental performance of B50AH600 and B50AH470 non-oriented products of Baosteel in its life cycle stages including electrical steel production process, motor manufacturing process and motor using process.

Promotion Status of Green Products

Baosteel Co., Ltd formulated the promotion plan of hazardous substance management system construction and improved the management of hazardous substance throughout the process of raw material procurement, product design, production organization and product delivery, which included the confirmation of the necessary work of each functional department to improve the management system of hazardous substance. This year, training courses respectively for managers, technicians and internal auditors of the corporation were organized inside the system to lay foundation for the effective implementation of the hazardous substance management system of the corporation. By now, all work has been progressing in an orderly fashion. Related work processes were established and improved: the "Administrative Measures of Iron and Steel Product Customer's Letter of Commitment and Compliance Declaration (2nd Edition)" was revised and released and the management process of green authentication of customers was included in the second-party authentication management process of the corporation and released. The third-party authentication of QC080000 Hazardous Substance Management System is planned to be officially launched in 2014.

Contribution to the Processing and End Use of Downstream Industries

Contribution to the Processing and End Use of Downstream Industries Downstream Industry	Improving Energy Efficiency and Resource Utilization Rate	Reducing Environmental Impact	Increasing Life Span and Facilitating Recycling
<p>Auto Industry</p> 	<p>High-strength auto steel, steel for auto friction disk, steel for double welded pipe, ultra high-strength auto steel, fine blanking steel, non-oriented electrical steel for high-efficiency motor and High Hole Expansion Steel</p>	<p>Hot galvanizing for auto and electro-galvanizing for auto</p>	<p>Abrasion-resistant steel, pre-phosphate exterior auto sheet and steel for armor protection</p>
<p>Light Industry and Home Electrical Appliance Industry</p> 	<p>Deep punching steel for home electrical appliance, high-strength glassed steel, hot galvanizing for composite board of elevator, aluminum-zinc alloy for electrical cabinet, thin aluminum-zinc steel for home electrical appliance, tin (chrome) -plating steel for electric component, high-efficiency and non-oriented electrical steel with low iron loss, ultra deep punching steel for home electrical appliance, steel for battery shell, ultra-thin aluminum-zinc steel for home electrical appliance and knurled and color coated product for home electrical appliance</p>	<p>Hot-galvanized steel for home electrical appliance, electro-galvanized steel for home electrical appliance, chrome-free and non-oriented electric steel with eco-friendly coating and deep-punching aluminum-zinc steel for home electrical appliance</p>	<p>Sulfate-resistant dew point steel, electro-galvanized steel for LCD module and OA steel</p>
<p>Electric Power Resource Industry</p> 	<p>High-strength pipe line steel, electromagnetic pure iron, high induction grain-oriented electrical steel, pipe line steel, top high grade oriented electrical steel and steel for low-temperature vessel/ storage tank</p>	<p>Steel for hydropower and key material for nuclear power.</p>	<p>Acid-resistant pipe line steel</p>
<p>Transport Industry</p> 	<p>Cold-rolled, high-strength and weathering resistant steel for transport, steel for coiled tubing, high-strength and hot-galvanized steel for container, thin and high-strength color coating for container, color coating for container decoration and tempered/low-temperature boat deck</p>	<p>TMCP boat deck</p>	<p>Electro-galvanized steel exclusively for gasoline tank, ordinary weathering resistant steel, steel exclusively for gasoline tank, high-strength weathering resistant steel, highly weathering resistant steel and corrosion resistant steel for boat</p>
<p>Architecture Industry</p> 	<p>High-strength aluminum-zinc steel for architecture, color coating products of high-strength substrate, deep-punching color coating products, color coating products with fluorocarbon coating and low-yield steel plate for seismic resistance</p>	<p>Color coating product with eco-friendly coating</p>	<p>Weathering resistant steel of hot-rolled/thick plate series for architecture</p>
<p>Metal Wrapping Industry</p> 	<p>DR material, ultra-thin DR material, oil drum plate with low inunction/ultra-low inunction, low-tin iron, high-end powdered milk tin, TFS and thinned and crown-capped tin plate</p>	<p>High-end eco-friendly tin plate and DI material tin plate</p>	<p>Tinplate for various steel cans</p>
<p>Construction Machinery Industry</p> 	<p>High-strength steel for construction machinery, ultra high-strength steel, tempered steel and high-strength structural steel</p>	<p>TMCP machinery structural steel</p>	<p>Thick-plate and abrasion-resistant steel</p>
<p>Marine Engineering Industry</p> 	<p>Structural steel for marine engineering and gear steel for offshore platform</p>	<p>Steel for welding with ultra-high energy input</p>	<p>Marine corrosion resistant steel</p>
<p>Other Industries</p>	<p>Mold steel/steel for textile machinery</p>	<p>Other low-alloy steel</p>	<p>Steel for knife mound</p>



Green Industry

Baosteel earned a total sales income of RMB

5.1 billion yuan from its energy conservation and environmental protection, comprehensive resource utilization and green architecture industries in 2013.

In 2013, Baosteel earned a total sales income of RMB 5.1 billion yuan from its energy conservation and environmental protection, comprehensive resource utilization and green architecture industries.

The green industry of Baosteel involves integrating energy-conserving and environmental friendly technologies, developing energy-conserving and environmental friendly industries, expanding the application of energy-conserving and environment-improving technologies accumulated by the iron and steel industry both internally and externally, conducting systematic commercial development of energy-conserving and environmental friendly technologies, fostering the capability to provide parties within and outside the industry with energy-conserving and environmental friendly solutions, providing the society with valuable products and services and at the same time realize both economic benefits and social benefits in the corporate.

In terms of promotion of green industry, Baosteel earned a total sales income of RMB 5.1 billion yuan from its energy conservation and environmental protection, comprehensive resource utilization and green architecture industries in 2013. Following the implementation of the "Golden Sun" Power Generation Project of Baosteel Co., Ltd, Baosteel Energy constructed 30MWp roof PV power stations in Ningbo Steel, Ningbo Baoxin and Changzhou Rolls Company with an annual green power capacity of 26.77 million kw-hr. As of the end of 2013, altogether 73 energy performance contracting projects had been signed. After completion, they can help save approximately 400,000 tons of standard coal equivalent per year. Following the implementation in Shanghai, the comprehensive resource utilization projects of Baosteel Development were successively implemented in Ningbo and Zhanjiang. Among them, the mineral wool project first included managers and technical experts as its shareholders, who fully aroused the enthusiasm and creativity of management, technical and R & D personnel and boosted the incubation and development of emerging industries.





Cases



Energy Conservation and Environmental Protection Industry—Solar PV Industry

Ningbo Beilun Photovoltaic Generation Project, as the first independently integrated EMC (Energy Management Contract) project of Baosteel Energy, was primarily for the installation of PV power generation facilities for two iron and steel enterprises, namely, Ningbo Baoxin and Ningbo Steel. With an installed capacity of 20 megawatts, the project is expected to generate over 18.66 million KWh of electricity every year, achieve energy conservation of 6,232 tons of coal equivalent and reduce the carbon dioxide emission by nearly 14,957 tons.

Technical Features: With a poly-silicon cell module whose module efficiency is no less than 14.5%, it satisfies the requirement of "Golden Sun Project". Its generating capacity was designed to decrease by no more than 10% in the first year and no more than 20% in 25 years.

Business Model: EMC with a contract term of 25 years.

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Green Industry

Make Your Life More Valuable

Comprehensive Resource Utilization

The project of the Iron & Steel Oddments Resource Recovery and Comprehensive Processing Center of the Intertidal Zone and Cofferdam of Baosteel Co., Ltd Plant integrates advanced technologies and mature techniques at home and abroad and positions its products as the two major series primarily for re-utilization in iron and steel production, i.e. raw auxiliary metallurgical materials and building materials for social utilization to achieve the overall upgrading of Baosteel's industry of comprehensive utilization of solid waste. It has achieved 100% comprehensive utilization of slag and iron-containing dust

slime. More than 564,000 tons of metal charge and more than 560,000 tons of iron element are recycled every year and the rate of solid waste re-utilized in production has been increased to over 30% from 28.8% in 2012, which has changed the original status of the intertidal zone where solid waste used to be simply stacked on the disposal field, upgraded the disposal approach of directly transforming the waste into products and industrial functions and ultimately completed the synchronous improvement of resource utilization and environmental protection. The project has been initiated.

Green Architecture

In 2013, Baosteel Construction earned an annual business income of RMB 337 million yuan and a total profit of RMB 1.58 million yuan. In terms of market development, in addition to the continuous reinforcement of the internal market of the group, it also achieved excellent results in exploring the civil design market outside the group. It undertook the project of Taishan Station, China's third-generation Antarctic scientific expedition station of particular significance and highly challenging in design and construction. In terms of technical innovation, it further improved its three major technical systems of steel-

structure buildings, i.e. high-rise residence, public building and light house, and made key breakthroughs in the theories and market of professional product research and development. In terms of team building, to strive for strategic transformation and development and energetically develop the cause of urban architecture, the Urban Architecture Department originally subordinate to Baosteel Engineering Designing Institute was incorporated into Baosteel Construction as a whole to further enhance the overall strength of Baosteel Construction.

Employee Green Concepts and Actions

Education and Training

In 2013, Baosteel conducted positive and effective educational training on energy and environmental protection management system capacity improvement, clean production promotion, energy saving project implementation, environment management promotion and energy and environmental protection team building. In this way, the philosophy of environmental management and green development, energy saving situation and policy and new energy and environmental protection technologies were timely included in the training and practiced in the training of personnel at different levels including management, technological and technical personnel to improve the application ability and management level of new energy saving and environmental protection technologies. Throughout the year, altogether 45 training courses of various types related to environmental management were held, adding up to 286 class hours in total and having trained 1,588 person-times. The training covered environmental management, environmental protection management, environmental protection technology, energy management, energy saving technology, carbon emission reduction and carbon management, social responsibility and staff quality improvement.



Throughout the year, altogether 45 training courses of various types related to environmental management were held, adding up to 286 class hours in total and having trained

1,588 person-times

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Green Harvest

Make Your Life More Valuable



	Name of Index		Statistics of 2012	Statistics of 2013
Green manu- facturing	Environmental Protection Project Investment		RMB 1.522 billion yuan	RMB 1.898 billion yuan
	Reduced Amount of Major Pollutant Compared with Annual Objective		SO ₂ : 166,000 tons COD: 701 tons	SO ₂ : 7,018 tons COD: 463 tons
	Total Amount of Saved Energy		483,000 tons of standard coal equivalent	388,000 tons of standard coal equivalent
Green Products	Ratio of Superior and Cutting-Edge Green Products		26.6%	33.86%
	Reduced Amount of Social Carbon Emission Achieved by Using Green Products		398,000 tons	2.33 million tons
	Number of Green Solutions Provided to Customers		9	11
	Ratio of Crude Fuel Suppliers with Green Certification		28%	29%
	Ratio of Material and Spare Part Suppliers Passing the Environmental Certification System		37%	47.65%
Green Industry	Social Contribution of Green Industry	Annual Energy Conservation	70,000 tons of standard coal equivalent	321,500 tons of standard coal equivalent
		Recycled Amount of Solid Waste	8.42 million tons	7.945 million tons
		Ratio of Industrialized Solid Waste	53.8%	59.7%



Being Part of **Growth**

**The greatest value lies not in material growth, but in the growth of personality
Baosteel aims to explore the potential of every employee
A diversified development brings in a wonderful future**

"I joined Baosteel family in 2006. In 2013, I had the honor of becoming a member of the "Daily Progress Boot Camp", a boot camp for future entrepreneurs. The most memorable experience we had is that Chairman Xu Lejiang brought us to the "Light Summit", headquarter of Alibaba in Hangzhou, to sit and talk with acclaimed entrepreneurs on April 24, 2013. In Baosteel, there are a lot of such customized boot camps. Thus it is a grand stage for people with dreams!"

Li Zhe

The youngest member of "Daily Progress Boot Camp" for entrepreneurs
Monitor of the second phase of "Green Apple" boot camp



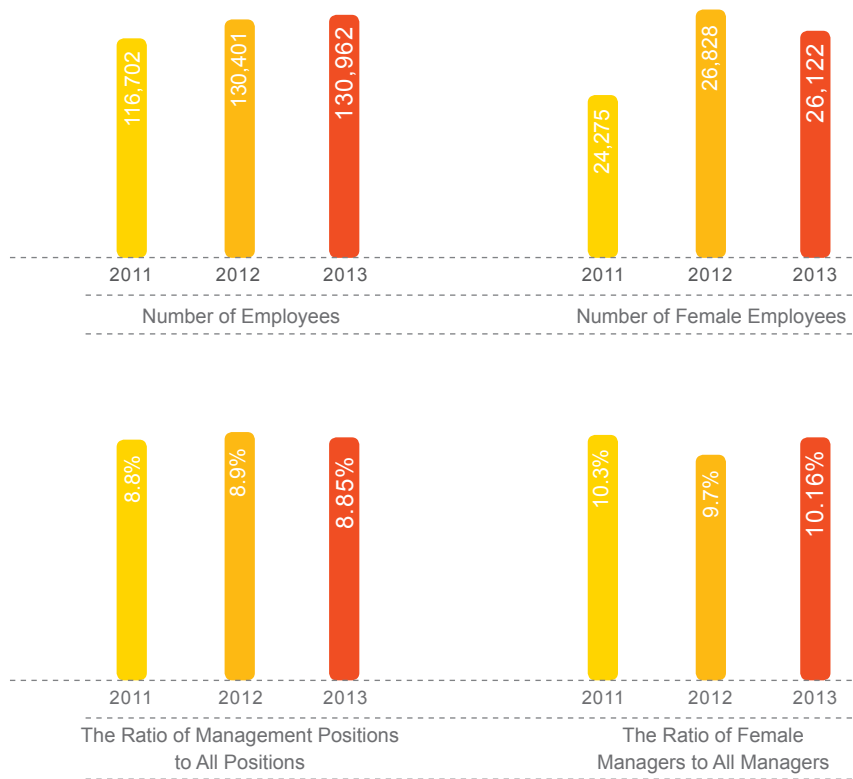
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Employee Development

Make Your Life More Valuable

“Becoming a corporate model for joint development of staff and the Corporation” is one of the three visions of Baosteel’s new round of strategic planning.

Holding in esteem the philosophy that human resources are the primary resources, Baosteel has continuously increased investment, actively fostered a healthy growth environment under which talents are assigned to the most appropriate positions and constantly improved the employee growth and development system. Driven by employees’ terminal experience and terminal test and through various talent development projects and employee service projects, Baosteel has been providing employees with “people-oriented” service to enhance the joint growth and development of the enterprise and its employees.

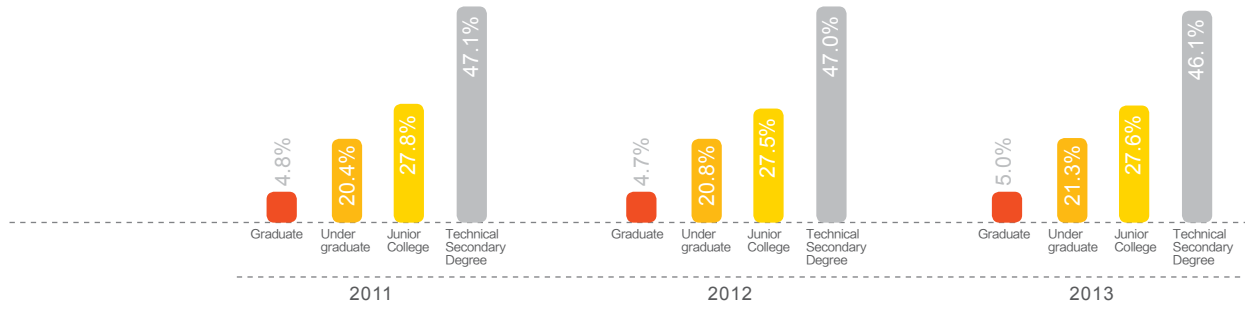


	2011	2012	2013
The Number/Ration of Newly On-board Employees	4,684/4.5%	6,893/5.3%	6,720/5.2%
The Number/Ration of Resigned Employees	1,414/1.4%	1,912/1.6%	3,649/2.9%
The Ratio of Local Employees to All Employees in Overseas Subsidiaries	42.0%	65.3%	67.1%
Number of Dispatched Personnel	17,455	19,607	8,712
Training Investment (RMB Million yuan)	136.249	141.823	131.992
Training Hours per Capita (Hour)	111	107	73
Training Investment per Capita (RMB yuan)	1,317	1,287	1,008
Total Remunerations of Employees (RMB Billion)	10.94	11.52	14.91

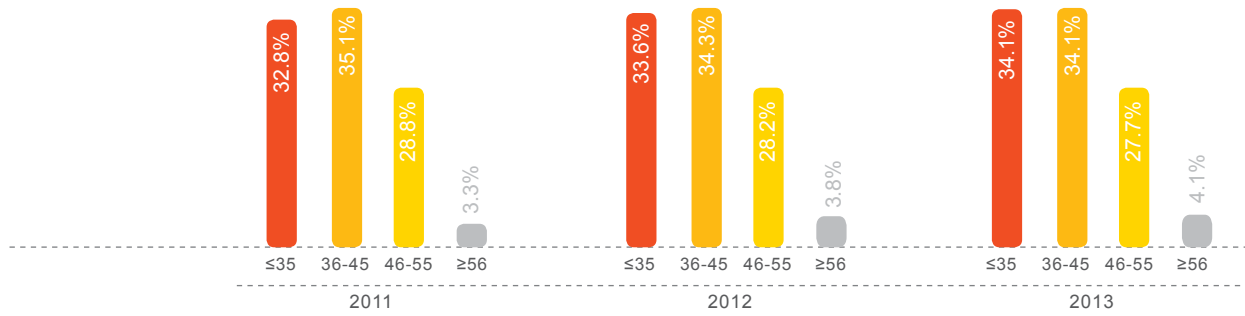
Note: The 63 units whose budgets were singled out originally with the approval of the department in charge, has been included in the statistical range of total remunerations of employees since 2013.

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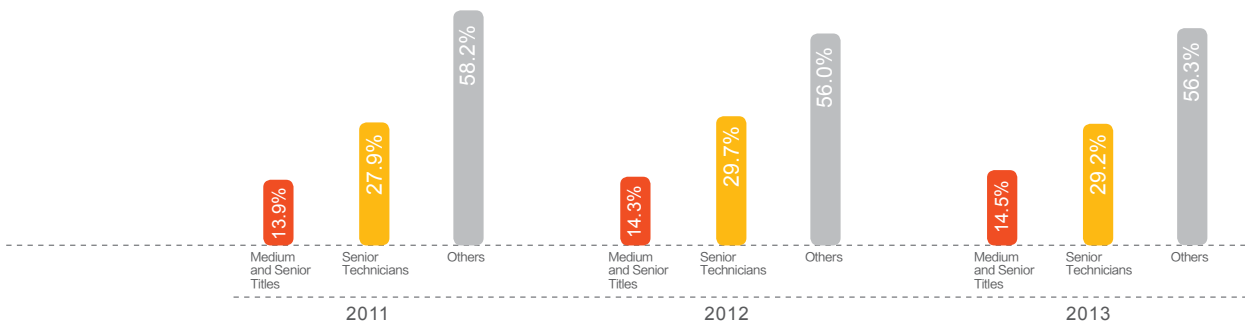
Make Your Life More Valuable



The Ratios of Employees with Graduate Degrees\ Undergraduate Degrees\ Junior College Degrees\ Technical Secondary Degrees



The Ratios of Employees Aged below 35, 36 - 45, 46- 55 and above 56



The Ratios of Employees with Medium and Senior Titles\ of Senior Technicians\ of Others

Note: Senior technicians refer to personnel with senior skills or above



Leading Technologies and Prioritized Experts

In Baosteel's Leader Program, the team of technologists is regarded as a vital force for us to stand out in the competition.

Inviting in: Listen to the Wise Masters and Learn from Best Practices

Around the expansion of technology innovation and leadership capacity, Baosteel organized a "Technology Innovation Vitality Camp" customized for its technologists.

Gan Yong, Outside Director of Baosteel Group Corporation and vice-president of Chinese Academy of Engineering hosted a seminar on "The Development of China's Manufacturing Industry and Industrialized Technology of Crucial Materials in Majors Projects".

Experts from Technology-To-Business Center (TTB) of Siemens CT shared the R & D and innovation experience and practice of Siemens.

Hi-tech experts from GE China Tech Center shared GE's technology innovation strategies.

Researchers from the Development Research Center of the State Council shared national and international industry policies and advised the experts of Baosteel to understand the macro situation of industry development.



Going Out: Create Platforms with Top Academic Resources and Encourage Experts to Take Academic Vacations Overseas

In June and July, He Yonghui and Li Shanqing, experts from Baosteel Central Research Institute took a two-week academic vacation in Massachusetts Institute of Technology, U.S.A. Through the short-term courses and laboratory practices led by the world's top professors and full access to academic information and the library resources, they kept abreast of cutting-edge thoughts and technologies, which brought in innovative thinking to their routine work.



He Yonghui: My routine work is online inspection of steel strip surface quality, a minority profession in Baosteel, while the high speed imaging laboratory at MIT is already more than 70 years old. Its transient synchronized imaging technology and high speed continuous imaging technology have high potential to be widely applied in Baosteel sites and the industry. I am determined to integrate high speed imaging technology into my profession and strive to make a greater contribution to the company.



Li Shanqing: Every year, more than 800 professionals from industrial, business and academic circles around the globe attend the quality academic courses in MIT. The training propels the professionals to think outside the box and maintain their creativity, and more importantly, helps them to construct a NETWORK inside their respective circles. This time, my major course is the latest machine design, especially the concepts of precision machinery and flexible machinery, which inspire me a lot and can be applied in the development of new technologies and equipment in the future.



The Golden Apple Initiative

The aim of Golden Apple Program R & D team is to bring up leading technological innovation talents with international influence who can create proprietary innovative technologies that will leave Baosteel's mark in the development history of the world iron and steel industry in 8-10 years. In April of 2013, Baosteel initiated the new round of "Golden Apple Initiative" and assembled four field teams and six project teams, all of which are headed by expert teams. Through the implementation and expansion of the initiative, Baosteel hopes to focus on major innovation fields and technology issues and encourage scientific and technical personnel to embrace challenges, make innovations and put them into practice and achieve major technical breakthroughs.



Technical Talents

A proficient and well-trained technical talents team is indispensable to Baosteel's development. As a new round of planning has been implemented, a greater demand for hi-tech talents has to be met through immediate training.

- Technical experts are elected once every four years;
- Technical competitions are held once every two years;
- The "Technician Training Centre" and "Occupational Skill Testing Centre" are developed and optimized and training and certification of technicians and intermediate and senior skilled talents are conducted;
- 1 State-Level Skill Master Studio and 5 Shanghai Skill Master Studios have been constructed, dozens of employees are rewarded with funds from One Thousand Talents Recruitment Program of Shanghai Chief Technicians and more than 100 employee innovation studios are built.

Dual System

In terms of highly skilled staff training, subsidiaries have also undertaken explorations and practices on technical talents team training models in accordance with their own actual circumstances and have been increasing input into skilled talents training. Among them, Baosteel Co., Ltd. and Ningbo Steel implemented the "Dual System" training after drawing on the experience of German enterprises in such talents training.

Baosteel Co., Ltd. is exploring a new technician training model based on school-enterprise cooperation and is trying new models, including "dual system", to train technical staff. It adopts a training model with four weeks as a cycle, among which three are for field position probation and the rest one is for expertise learning.

Ningbo Steel moves up the on boarding training to the stage of school education before recruitment. The training is included throughout the whole process of vocational high school enrollment, training and recruitment based on performance and its curriculum consists of Ningbo Steel's production technology, corporate culture, safety education, etc. The courses are given by experts and teachers assigned by the Corporation.



Tips

Dual System vocational education is a type of vocational training model based on school-enterprise cooperation. It includes vocational schools as one participant and enterprises as the other. Enterprises and schools share the responsibility of talent training, and teaching activities and job training are organized in accordance with enterprises' requirement for talents. Under the dual teaching system, 60% to 70% courses are given in enterprises and the rest 30% to 40% in schools.

Employee Development

Make Your Life More Valuable

A Year of Management Trainees

Management Trainees is a talent development program of Baosteel launched in 2012 to build up a strategic talent pool. After the trainees' first year in Baosteel, the development of the strategic talent pool is notable: They are growing, gaining and binding themselves with the future development strategy of the company.



Han Bin - Transformation from manufacturing to service is one of Baosteel's new strategies, as well as the track of my job rotation in this year. I tried to incorporate the philosophy of flexible client service into rigorous manufacturing management process and my analysis report inspired my leaders and colleagues to think and change. In half a year that I spent in the sales system, I participated in the exchange visits with more than 10 strategic clients from different industries, including Sany Group, Siemens and Xingxing, which allowed me to work close to the market and understand clients' needs. I'm ready for the transformation from production to market!



Liu Chang - In the past year, I participated in the inspection and evaluation of more than 30 resource projects within and without the borders, the promotion of 5 subsidiary corporations' management matters, the construction of 3 data bases and the launch of one management subsystem. During the year, starting from scratch, my colleagues and I planned and promoted the asset reorganization and listing program of resource companies, two major overseas mergers and several overseas resource investment and capital operation programs. I independently designed and completed the "2007-2012 Project Report of the Allocation Efficiency, Risks and Cost-benefit Analysis of Baosteel's Resources and Properties", which systematically analyzed the nine sections of the company and more than 70 listed companies and compared them with benchmarks.



Wu Zheyang - From bio-fuel to water treatment, from new energy development to stored energy, from metallic material to composite material, the new business incubating platform, with increasing focus on materials, has been a fertile ground for me to grow in the past year. I realized profoundly that there are so many things to learn to transform an excellent technology into an excellent project. Practically, I had to master one cutting-edge technology every two days, or even several new technologies in a single day if the schedule was tight. On average, I conducted one industry analysis per month. I have been in close touch with experts, scholars and businessmen from home and abroad. I encountered great challenges on every step forward.



Feng Yutao - As one of the two persons in charge of the steel slag water treatment program under Baosteel's "Green Driver Program", I feel I have been assigned with great responsibility. The program replaces the traditional technology of activated carbon absorption with Baosteel's steel slag, as a means to deal with the 1.1 billion tons of dyeing wastewater and more than 20 million tons of heavy metal wastewater generated every year in China and as a contribution to Baosteel's industrial structure transformation and the development of sustainable and recyclable economy. There were surprises and anticipations, as well as challenges, in the process of environment management.



Liu Tong - In the past year, I completed three research reports with more than ten thousand characters in each report and published two papers in the Times Finance and other professional journals. I worked close to the market by promoting the sales of RMB 30 million yuan's worth of "Xianjinbao" product and RMB 1 million yuan's worth of "Xinghui" product. I devoted myself to the practice of industry-finance combination by participating in the Baosteel Development Open-Book Credit Mortgage Capital Management Program and leading the Zhenjiang Transport Investment Bank-Securities-Trust Cooperation Program. Today, after one year, I am about to begin my new work at the Beijing Office of Hwabao Securities. As an employee of Baosteel, I will spare no effort to "create shared values". As an employee of Hwabao, I will "explore all potential wealth".

A Blue Force Taking Shape

To implement its strategic plan of globalization, Baosteel has initiated the public election of major overseas training programs inside the group based on further integration of the training resources of prestigious overseas universities and under the principles of openness, fairness, transparency and education-employment combination since 2012. Every year, a group of employees with high potential is selected and sent to prestigious overseas universities for ongoing and short-term training courses to be trained into talented managers with globalized mindset and vision who are familiar with international rules, as a means of building up a talent pool for strategy implementation. In 2013, 22 persons were selected for major overseas training programs and sent to Harvard Business School, Missouri State University and University of California-Berkeley in the U.S.A and University of Twente and Maastricht University in Europe to receive training. To meet the demands of overseas business expansion, subsidiary corporations have also initiated their overseas talent training programs:

Baosteel Co., Ltd. Deep Blue Program - As is planned, a group of managers with internationalized attainment and vision who are attuned to the company's demand of internationalization will be trained in three to five years. In 2013, totally 28 online courses on international competence promotion were developed; 5 functional leaders worked for 4 overseas companies as interns, 90 persons received intensive English training courses provided by Zhejiang University, Web International English, EF, etc. and 21 trainees of internationalization talent pool took part in the "Deep Blue Boot Camp". Altogether 13 department

leaders and their substitutes went to West Virginia University, U.S.A. for short-term courses. The trainees who had been abroad expressed unanimously that through the training they mastered cutting-edge professional management knowledge, understood regional and cultural differences and witnessed the management methods and means of leading international enterprises, which are helpful to business development.

Baosteel Resource Double Eagle Program - The Eagle Program focuses on global manager training with present managers and high-potential substitutes as its targeted participants. In this respect, in 2013, 24 persons received foreign language training, training at prestigious overseas universities, on-the-job training, etc. The program also focuses on international business manager and functional manager training with internationalization talent pool as its targeted participants. In this respect, in 2013, 28 persons received foreign language training or worked as interns at the Hong Kong headquarter or overseas branches.



The Ongoing "Green Apple Initiative"

It is a demand of Baosteel's strategic talent pool construction, as well as a demand of the joint growth of employees and enterprises, to discover, develop and retain a group of high-potential youths for its future development. Since the implementation of the "Green Apple Initiative" in 2009, with training senior management and technical talents for the future as its target and around the five core elements of moral cultivation, strategic thinking, internationalization capacity, creativity and influence, Baosteel has selected more than 270 high-quality and high-potential young employees in four groups into the "Green Apple Initiative" for four years. In addition to targeted and centralized training, trainees have also been selected in each phase to receive overseas training and work abroad in shifts, as a means to expand their vision for inter-

nationalization and familiarize them with Baosteel's overseas business. Altogether there have been 30 excellent trainees receiving training abroad and 6 have worked as interns at Baosteel America Inc. and Baosteel Europe GMBH.

Regarding "Green Apple" trainees as major candidates for substitutes or technical team leaders, all departments have designed and implemented targeted and personalized training programs to enhance the growth of "Green Apple" trainees through job and project practice. By now, dozens of Green Apple trainees have made rapid progress, shown outstanding comprehensive capacity and been assigned with important responsibilities at key positions.

Trainees' Views on "Green Apple Initiative"

Lu Xiaoliang - General Manager of Hwabao Trust
Product Innovation and R & D Center

Career Record: Product manager of Fund and Trust Department, legal specialist of Compliance Risk management Department, senior product manager of Product Planning Department, chief product manager, vice-general manager (in charge of its operation), general manager of Innovation and R & D Center of Hwabao Trust Co., Ltd.



Motto: You will not go far if you do not see far enough

When I was included in the "Green Apple Initiative", I was just a clerk. After joining the program, I improved my all-round capacities through the training courses and more importantly, I expanded my vision through the program and had a new understanding of my position and career planning, which exerted a great influence on my later progress.

As a trainee of "Green Apple Initiative", I entered the sight of managers through "Online with Senior Leaders" and was offered the opportunity to take part in many important programs. The company has created an environment where young talents are appreciated. "Green Apple" trainees established a convenient exchange platform where they were able to discuss their overlapping business and perceive the corporate culture of the whole group. When I began my business of "industry-finance combination" later, I was able to discern my direction and find correspondent contacts through my fellow classmates within a short period of time.

Wang Xu - Vice-General Manager of Baosteel
Chemical Sichuan Daxingbaohua Chemical Co.,
Ltd.

Career Record: Researcher of the Chemical Research Institute (formerly known as Technical Center) of Shanghai Baosteel Co., Ltd., engineer and technical group leader of the second chemical products plant, vice-director (on probation) of the first chemical product plant and vice-general manager of Sichuan Daxingbaohua Chemical Co., Ltd.



Motto: "Green Apple" has been with me along my growth

From a junior technician to a vice-general manager of a regional company, I could never achieve such transformation without the help of "Green Apple Initiative". Three years after I joined the company, the program appeared timely like a "friend in need" and scientifically analyzed my advantages and disadvantages in career development. Based on the analysis, the company formulated a detailed training plan for me, through which I was able to progress and develop. During the training, I became acquainted with a host of outstanding youths inside the group. Working with them, I felt responsibilities on my shoulders and set up higher goals for myself.



Open Employment Competition

Baosteel welcomes more positive and open competition into its many steps of talent introduction. It will continue to keep some of its positions open for competitive selection among candidates enlisted openly, invited or recommended by organizations to allow a group of proficient talents into its senior positions.

Daily Progress Boot camp

The Daily Progress Boot camp for Baosteel's future entrepreneurs supports Baosteel's development of new industries, new businesses and new products with the training and reserve of a group of entrepreneurial talents with both entrepreneurial spirits and capabilities. In 2013, the boot camp, focusing on business mind training, invited prestigious masters to provide courses on "Sun Tzu's Art of War and Business Strategies" and "From Strategies to Business Models". In the section of "Face to Face with Entrepreneurs", after face-to-face exchanges with Zong Qinghou, Lu Guanqiu and Li Shufu, the camp members went to Hangzhou to talk with Ma Yun, the legendary entrepreneur in Internet industry and then Board Chairman and CEO of Alibaba.

"Office Term System" for Leaders

In 2013, Baosteel implemented Office Term System for Leaders. Based on the progress of the system in pilot units in early phase of the evaluation, an implementation plan of Office Term System for leaders from 2013 to 2015 was formed. The plan highlighted that appointment of management personnel should comply with the operation plan, adhered to the thorough integration of Party's governance of the management personnel and the appointment of such personnel by the operators in pursuance of laws, emphasized the guiding responsibility of the operators, requested for simple and straight-forward office term performance indicators, stressed management expectations, encouraged challenges and sought to inspire initiatives and talent achievement. In 2013, in accordance with its access mechanism, 7 subsidiaries of Baosteel adopted Office Term System. Based on the goals of the new plan, office term goals and team composition advices were drawn up. After mutual negotiation, the contracts were signed and the subsidiaries formally established the Office Term System.

The system propels leaders to actively cope with the difficult market climate, focus on the development of the internal motivation transmission mechanisms and continuously improve their soft strengths, achieving not only satisfactory operating performances but also desirable changes in the management approaches and morale of the management teams as well as the congeniality among employees.



Assessment of Satisfaction on Employee Development

Baosteel has opened up to opinions and suggestions through research and survey, assessment of the satisfaction of employees, in particular field employees, at all positions and all levels on employee development efforts, on-site releases at all entities and face-to-face dialogue between HR management staffs and employees. The employee development efforts at all entities have been constantly improved in light of the voice of the end “users”.

In the past three years, the employee development efforts made by all units of Baosteel have been progressing, steadily promoting the degree of satisfaction. In 2013, the average score for satisfaction on employee development was 81.54, an increase of 3.2% over 2012 (78.98). 10 of the 15 companies that participated in the survey raised their scores. Thus, all units’ scores exceeded the satisfactory line and two of them exceeded the highly satisfactory line for the first time.

Employee Devotion Assessment

After continuous implementation, milestone achievements on employee devotion survey and improvement have been realized: employee devotion have been enhanced by 17% since 2010. The ratio of totally devoted employees keeps rising, while the ratio of employees that are seldom devoted or not devoted at all keeps falling. Five first-class subsidiaries are graded as “high-performance companies” and none of the units is graded as “companies in critical situation”.



Tips

Employee devotion assessment, a third-party assessment approach insisted by the company, measures the level of dedication to work of employees. In 2013, altogether 35,000 employees were randomly selected for the survey. The driving factors behind employee devotion and the order of priority of such factors are identified through statistical analyses to reveal the driving factors that are most likely to boost level of devotion and channel attention to the unfavorable factors that may pose threats to employee devotion.

Compensation and Benefits

In 2013, Baosteel's total employee remuneration continued to increase and the total remuneration paid was RMB 14.92 billion yuan for the year. The company motivates its talents in various fields in a performance-oriented manner. In 2013, the company implemented performance related pay system and increased the flexibility of remuneration to allow performance play a greater role in determining remuneration. Through innovative ways of motivation, such as allowing individuals to buy shares, the company gave six managers the opportunity to partake of the profits of industrial development. In 2013, Office Term System for leaders was implemented in all subsidiaries, optimizing the motivation and restraint mechanism for leaders and inspiring their entrepreneurship.

Corporate Annuity

There are a total of 164 independent entities under Baosteel Group participating in the Baosteel annuity plan, covering 122,572 employees. Baosteel annuity officially commenced investment operations on March 25th, 2009 under the guidance of the reasonable and prudent investment strategy of the annuity management organization. As of December 31st, 2013, the cumulative rate of return was 23.19%, outperforming Thomson Reuters China Pension Index and the cumulative interest rate of resident personal deposit over the same period and thus ensuring reasonable returns for the employee annuity investment.

Flexible Benefits

To further improve Baosteel's remuneration and benefits system, give full play to the effectiveness of benefits and enhance employees' perception and experience, the human resources department of the group formulated after research the "Ai Li (Present of Care)" Flexible Benefits Program on the basis of summing up the experience of pilot programs and integrating health insurance programs. The program, with all sorts of options, suits employees at all ages and of different characters and allows them to better enjoy the gains from the company's development. The employees are satisfied with the benefits program that has options for them to choose according to their needs and believe choice brings happiness. Next, the company will make further adjustments to the option list and suppliers in accordance with employees' feedbacks to satisfy their diversified needs for benefits.

Low-Rent Apartments

According to the survey results of "Questionnaire for Baosteel Managers" and the results of the pilot programs in Baosteel Co., Ltd. and other units, Baosteel implemented the program of Transitional Low-Rent Apartments for Youths in 2013 and encouraged its subsidiaries to implement low-rent house programs in different manners in accordance with their own circumstances to help young employees find residence. As the first pilot unit, Baosteel Co., Ltd. confirmed the basic rent number according to the average rent of apartments (of 60 to 70 square meters) with two bedrooms and one living room in Shanghai and set its rent subsidy at RMB 1,200 yuan per month. Under the principle of "subsidy after rent and no subsidy for those who haven't rented a house", it subsidized young employees who rented houses with money. In total 29 young employees have been successfully admitted for the subsidy.

In April of 2013, Baosteel Special Steel Co., Ltd. inaugurated 119 "Hope Buildings". They are mainly comprised of one-bedroom and two-bedroom apartments of 37 to 59 square meters with access to Internet, security windows, coal gas and many other living facilities. By now, altogether 28 young employees have begun to live there. They said that as the company helped solve their residence problems after marriage and removed their worries over their families, they would make practical efforts to the utmost for the development of Baosteel Special Steel.

Ningbo Steel constructed 376 public rent apartments of 45 to 60 square meters and 140 dormitory rooms with a raised fund of RMB 150 million yuan. In this way, it satisfied the housing demand of its unmarried employees and the transitional housing demand of 60% of its married employees. After visiting the sample houses, the young employees expressed unanimously that in spite of a depressed steel market, the company built such decent public rent houses for its employees, embodying its "people-oriented" development philosophy, increasing their sense of belonging and propelling them to work with more passion to return the favor.



Tips

"Ai Li (Present of Care)" Flexible Benefits System was formally implemented on April 1, 2013 with 10 open services for employees to choose, including body building, physical examination, travel, recreational and sports events, insurance and bathing and haircutting. All tier-one subsidiaries but Shaoguan Iron & Steel and Ningbo Steel have implemented flexible benefits system. By the end of December, 145 units have implemented flexible benefits system, covering 93,000 employees with a total consumption amount of RMB 189 million yuan.



Cases

“Good Life” Platform and Its Operation

Baosteel established a service platform for the flexible benefits management system (also known as “Good Life” Platform) to offer benefits consumption network management, upfront consumption management, disbursement and settlement center management, numerical statement and operational analysis, employee service management and other applicable functions to units that have implemented flexible benefits system.

Through “Good Life” Service Platform, all units may monitor dynamically their benefits consumption status, generate account balance reports and analysis reports and know employees’ preferences and service assessments, while employees can choose benefits options, check up their benefits credits consumption status, benefits options and supplier information to improve their perception and participation experience of benefits.

By now, the platform has served 64,533 employees, among which 45,874 have been activated. As of December 31, 2013, the average daily user volume is 3,730 person-times.

Employees’ Artistic and Hobby Group Activities



In 2013, in the purpose of “showing humane care, improving physical and mental health, enriching spare time life, relieving the pressure from work and optimizing the quality of life”, the Corporation kept innovating the employees’ recreational and sports activities in forms and contents and received wide acclamation.

- In the 9th Employees’ Sports Meeting and the 8th Sports Meeting for Elderly People that spanned 5 months, all matches were concluded safely, and the participants hit a record high of 90,000 person-times.
- Baosteel’s art groups for employees organized a series of cultural activities, including “Cultural Journey”, “Cultural Service in Baosteel” and “Songs for Motherland in Baosteel” Employees Chorus Joint Performances, and received honorary titles and awards including “Shanghai’s Top 10 Choirs”, “Shanghai’s Top 100 Cho-

ruses” and “Shanghai May Day Cultural Award”.

- Part-time training courses for employees in 20 subjects, including badminton, vocal music and hosting, and 89 seminars were organized and participated by 2,132 person-times.
- More than 2,000 employees took health tests and the *Analysis Report of the Physical Fitness of Baosteel Employees* was completed.
- The 1st Employee Forum on Physical and Mental Health and Employee Development was held to actively promote public cultural and sports activities. In 2013, the employees’ cultural and sports associations increased to 422 from 169 in 2012, allowing more employees to participate, and their members exceeded 20,000 from over 9,000.

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Employee Health Plan

Make Your Life More Valuable

Baosteel Employee Health Plan has been implemented by 14 entities and covered approximately 65,000 employees. Taking Shanghai for instance, there are 54 gymnasium facilities in total offering service to Baosteel employees. In accordance with the Baosteel employees distribution, these facilities are located in Baoshan, Xuhui, Hongkou, Putuo, Changning, Yangpu, Pudong New District, Jiading, Songjiang, Chongming as well as other districts and counties. They cover sports disciplines such as swimming, basketball, football, badminton, table tennis, tennis, billiards, body building and angling. In 2013, the expense of Baosteel's employees in all of these places reached RMB 144 million.



In 2013, the expense of Baosteel's employees in all these places reached RMB 144 million.

Expense for Physical Exercise:	18.25	million yuan (12.7% of the total expense)
Expense for Artistic Appreciation:	46.27	million yuan (32.1% of the total expense)
Expense for Health Care:	9.95	million yuan (6.9% of the total expense)
Expense for Vacation and Recuperation:	64.63	million yuan (44.9% of the total expense)
Expense for Other Ends:	4.99	million yuan (3.4% of the total expense)



Baosteel's Measures for Safety in Production in 2013

Theme: Improve the capacity of safety management system

Core: Transform the philosophy and approach of safety management

Management Philosophy: The life and health of employees are more important than profits. Safety risk is preventable and controllable and accident avoidable. All employees should be involved and fulfill their duty, and safety management should be detailed in the whole process

General Goal: Reverse the Corporation's passive status in safety management

Measures

- The Corporation have reinforced accountability, strengthened hazard sources control, hidden risk investigation and control, safety management of high-risk operations and other fundamental management works and enhanced stringent regulations.
- The "Guiding Opinions on the Optimization and Improvement of Safety Management System" have been formulated to vigorously promote the transformation of the philosophy and approach of safety management. It is also proposed that safety work as a whole be transformed from remedial management to preventive management and the priorities of safety management be transformed from accident management to hidden problems control as well as from emergency management to precaution management. With the emphasis placed on the on-site safety and risk pre-control of hazard sources, the main responsibilities and one post, double duties have been strengthened, the capacities for safety management have been gradually develop and enhanced while and the transformation of work style from the safety in production has been initiated.
- The awareness of safety responsibility and the capacity of duty fulfillment for management at all levels have been developed. In order to improve the capacity for grass-root safety management, heads of the safety department and safety groups and other personnel related to safety management have received intensive training. In accordance with the need of on-site safety, the self-complied teaching materials have been completed with training courses delivered and arranged at subsidiaries outside Shanghai. Leaders of 1,200 factories (workshops) received special trainings on systematic knowledge and capacities.
- The Corporation-wide safety inspection has been organized. In line with the deployment of the Work Safety Committee of the State Council and in accordance with the general principles of "full coverage, zero tolerance, strict supervision and emphasis on concrete results", the goals and inspection priorities have been confirmed. From June to September, the inspection of safety in production was conducted. Since late July, led by the Corporation leaders, a joint inspection group formed by relevant departments in charge has been supervising and inspecting the development of the safety production inspection in all subsidiaries.

Employee Work Injury Statistics in the Past Three Years

Year	Number of injuries	Frequency of Injuries (Number of injuries every working Hours)	Severity of injuries (Number of working days lost every million working hours)
2013	210	0.78	211.40
2012	47	0.18	106.53
2011	37	0.15	243.74

In 2013, there were 210 work-related injuries of various sorts among Baosteel employees. There were 7 died, 27 severely injured and 176 slightly wounded. Due to changes of requirements for accident statistics, the year-on-year growth is quite large.

Communication with Employees

Bilateral Employees-Baosteel Interaction

Publicity of Factory Affairs and Democratic Management

With the implementation of the “Basic Democratic Employee Management System of Baosteel Group Corporation”, the Corporation further reinforced the publicity of factory affairs and democratic management.

- The office term change and all agendas of the first session of the third Employee Representatives Congress of the Corporation were successfully concluded.
- The “Priorities of Publicity of Factory Affairs and Democratic Management of Baosteel in 2013” was formulated with the focuses on such priorities as the Sunshine Initiative of factory affairs publicity and democratic supervision of safety production management to help the effective implementation of the publicity of factory affairs.
- In accordance with the requirements of “Two-Three-Two” Democratic Employee Management System, the management of multi-tiered Employee Representatives Congress was standardized to cover all companies of the Corporation.
- With the roll-out of online democratic evaluation of leaders, altogether 3,278 employee representatives filled in 17,865 valid questionnaires to evaluate 157 direct leaders of the Corporation. The Trade Union of Baosteel Group Corporation also analyzed the results of such democratic evaluation before issuing the “2012 Analysis Report on the Democratic Evaluation of Baosteel Leaders”.
- Activities of factory affairs publicity were conducted, such as the “Three-tier Dialogue System”, “Briefing of Factory’s Situation” and “Employee Representatives’ Views on Baosteel”.
- The 1st professional training session for employee directors and supervisors was held, during which leaders of relevant departments of Shanghai Federation of Trade Unions were invited to deliver lectures, exchange views and discuss with trainees.

Baosteel was highly appraised by All China Federation of Trade Unions for its innovative practice and awarded the title of “National Model Enterprise of Factory Affairs Publicity and Democratic Management”.

Employees’ Top Concerns

The programs of Employees’ Top Concerns (top concerns of the employees that are most realistic and closely-related to their work and life) have been implemented in a conscientious manner. This year, the Corporation confirmed three programs of Employees’ Top Three Concerns, namely, the “Program of Preparing and Constructing Baosteel Employees’ Cultural Center”, “Promotion of Baosteel Ai Li (Present of Care) Flexible Employee Benefit Program” and “Program of Promoting Transitional Low-Rent Houses for Young Employees”. A total of 124 practical programs of Employees’ Top Concerns confirmed by various field units have been completed by now.

Engaged in Collective Consultation and Standardized Collective Contracts

In 2013, Baosteel signed collective contracts with all independent employer parties through equal consultation on issues concerned by broad range of employees such as labor safety and hygiene programs, grass-root team building, health plans and physical examination, aid for the impoverished. The contracts covered all employees and all c terms have been honored effectively. Collective consultation has played a significant role in building up a harmonious labor relation and safeguarding employees’ legal rights and interests across Baosteel.

Cases

Collective Consultation at the Corporation Headquarter

On January 24, 2013, Baosteel Headquarter held the 2013 Collective Consultation Meeting at Baosteel Tower with the representatives of enterprise party and those of employee party attending. President He Wenbo and Chairman Zhu Mingyi represented enterprise party and employee party respectively. Enterprise party delivered a report on the headquarter performance of collective contracts in 2012 and briefed on the “Collective Contracts of Baosteel Group Corporation in 2013 (Draft)”. After full consultation, both parties reached consensus on the adjustment of 7 clauses, including working hours, special protection of female employees, labor safety and hygiene programs as well as insurance and benefits.



Safeguarding the National Unity

Bayi Iron & Steel of Baosteel Group Corporation has the national unity take the root deep in the hearts of employees and upholds it as an action guideline and requirement of work, study and life of employees of all ethnic groups to create a united, harmonious and stable social and work environment and facilitate the construction of a “Capable, Beautiful and Glamorous Bayi Iron & Steel”. On the symposium on “Maintaining the Stability of the Overall Situation and Promoting the Development of Enterprises” held on July 4th, heads of subsidiaries, branches and departments in charge, representatives of employees of all ethnic groups and retired comrades of Bayi Iron & Steel attended and denounced the violent and terrorist incidents that broke out successively earlier in Xinjiang. By enhancing national unity, Bayi Iron & Steel has developed a sound atmosphere that encourages mutual help, respect, understanding and appreciation.

Baosteel Persons of the Year Awarding Ceremony

In Baosteel Persons of the Year Awarding Ceremony held on January 24, 2014 with “Seeking for Baosteel’s Dream Team” as its theme, model employees and employee representatives reviewed the wonderful moments along their path to dream in 2013 at the ceremony, which was a also vivid playback from different perspectives of the journey to dream of Baosteel employees who showed their “dream team” spirit of innovation. Moreover, all participants at the ceremony focused on a new round of planning and looked ahead together in spite of a distressed industry as well as the pressure of transformation and upgrading.



Communication Sessions with Employees

By combining physical meetings with virtual ones and “face-to-face” communications with “back-to-back” advice, the “Zero Distance and Cohesion” communication sessions of employees at Baosteel Headquarters were held twice respectively in February and September with one theme of “Dynamic Headquarter—Environment, Behavior and Status” and the other “Run for Visions”. During the sessions, employees at Baosteel Headquarters spoke their mind freely, shared their views directly with management. Meanwhile, the sharing platform of the Headquarters has been improved to further create the atmosphere that encourages communication and coordination among departments.





Best Practice of On-the-Job Innovation of Female Employees

The on-the-job innovation achievements of female employees were released on the subject of “Igniting the Light of Wisdom and Beauty and Shining Glamour of Intelligence”. Leaders of the on-the-job innovation of female employees spoke freely of their stories and experiences of innovation, exhibited the inventions and developed a professional status and attitude towards life of “Love, Creation and Growth”. Leaders of on-the-job innovation of female employees worked in pairs with female employees as tutors and apprentices and provided effective help to them in on-the-job innovation and enhancing their capacities for knowledge inheritance, innovation practice and collaboration on tackling key issues. In the symposiums in respect of the on-the-job innovation of female employees, there were some well-known innovation volunteers of Baosteel invited to advise as experts regarding the enhancement of on-the-job innovation of female employees, discovery of the best practice in the process and promotion of its balanced development inside the group. Representatives of female employees were also arranged to visit the innovation studio to learn such best practice.

Full Coverage of Quick Contact System for Youths

In 2013, Baosteel completed the cloud app of “Bridge” forum, one of the most important communication channels for Baosteel’s youths. Through the app, the response of the forum was accelerated with its capacity enhanced. New functional sections of “Bridge” were developed to facilitate information release and searching and construct a preliminary credit rating system. Linking channels were established between 54.baosteel.com and the websites of the Communist Youth League (CYL) organizations in the secondary entities to achieve automatic information circulation. The official Weibo (Micro-blog) account of Baosteel Group Corporation’s CYL Committee was operated and maintained, through which Baosteel Youth League and CYL organizations in the secondary

entities posted more than 5,300 micro-blogs and were followed by approximately 10,000 fans.

With the launch of official Wechat account of Baosteel Youth League, more than 150 illustrated or text messages were posted and read by 16,000 person-times according to the research results. CYL organizations of all levels also opened accounts in 73 new media platforms such as Wechat, websites and MMS newsletters, through which more than 600 issues of E-bulletins of CYL were released. All Youth League organizations were able to extend its quick contact system to all the 40,000 young employees across Baosteel by virtue of such multiple channels as SMS, QQ group and Fetion group.

2011-2013 Employee Aid Statistics

Year	Living Allowance		Education Grants		Medical Relief	
	Amount (RMB Million)	Person-Time Aided	Amount (RMB Million)	Person-Time Aided	Amount (RMB Million)	Person-Time Aided
2011	17.32	24,647	1.05	1,190	8.65	3,683
2012	21.16	32,903	1.17	1,251	9.46	2,744
2013	19.02	30,546	1.09	1,186	8.45	2,217
Total	57.50	88,096	3.31	3,627	26.56	8,644



Being Part
of **Love**

**The true essence of Iron and Steel
Lies not in how much pressure it
can cope,
But in how much love and
responsibility it can carry
Baosteel takes delight in
conveying the power of love
It is devoted to social welfare
And benefits its surrounding
communities and human and
nature beyond**

“On December 4, 2013, my companions from Baosteel and I once again embarked on the journey to the Antarctic to build Taishan Station, the fourth of its kind in Antarctic.

“For 45 days, we worked in minus 40 to build a station of 410 square meters...We had to cope with unimaginable pressure and challenges every day. It was an extreme construction in harsh weather and of urgency. We had been working for 13 hours per day and each of us lost 7 kg of body weight on average by the time the project was finished. But all the efforts paid off. When the national flag was raised at Taishan Station on February 8, 2014, we were all filled with pride.

“The completion of Taishan Station signifies not only Baosteel’s rise to world leading position, but also Baosteel’s social responsibility!”

Ye Chao

Marketing Director

Baosteel Construction System Integration

Co. Ltd. of Baosteel Engineering

Deputy Chief of Antarctic Taishan Station



General Information on Donations

Make Your Life More Valuable

In 2013, Baosteel conducted its donation management in strict compliance with the “Administrative Rules for Donations and Sponsorships of Baosteel Group Corporation (Second Edition)”. On March 20, the “Notice of Strengthening Donation Management” was issued to standardize donation approval process and reinforce donation project tracking. Baosteel’s donations to external parties during the year totaled RMB 68.59 million. The Corporation also won China Charity Award, the top government award in Chinese philanthropy, for the fifth consecutive year.



Type of Donation	Amount (RMB Million)	Percentage
Public Relief and Donations to Public Welfare	9.55	13.9%
Aid for the Impoverished and Disadvantaged and Baosteel-aided Construction	13.44	19.6%
Donation Construction of Public Infrastructure	36.36	53%
Donations to Education Sector (Education Grants)	0.90	1.3%
Donations to Medical and Health Sector	0.12	0.2%
Donations to Cultural and Sports Sector	1.00	1.5%
Other Donations	7.23	10.5%
Total	68.59	100%

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Relationship with Communities

Make Your Life More Valuable

Shanghai

New Countryside Project of Baoshan

Baosteel Development and Baoshan District government have been conducting the second round of Baoshan District Socialist New Countryside Development Pair-up Aid Project over a three-year period since 2011 to provide such aid to three economically underdeveloped villages, namely, Huahong Village and Haixing Village of Luoqing Town and Lianhe Village of Luodian Town.

In 2013 Haixing Village of Luoqing Town reconstructed Hetang Road and Jiangchen Road with the aid, which facilitated the travel of villagers. Huahong Village of Luoqing Town completed the reconstruction project of closed-off management with the aid, which played a positive role in safeguarding the village in the process of security construction. The plant in Lianhe Village of Luodian Town for Yucai Teaching Aids Factory construction built with the aid has been put into operation by now, contributing RMB 650,000 yuan per year of stable income to the village.

Yuepu Community

To improve the living environment of residents in its surrounding communities, Baosteel Group Corporation has been actively funding the environment improvement of Yuepu for years. In 2013, more than RMB 400,000 yuan were invested for projects including flat-to-sloping roof conversion, landscape engineering of residential areas and living facilities expansion. All these efforts remarkably improved the environment of the community and brought about impressive co-construction and win-win achievements.

New Countryside Project of Jinshan

In 2013, in accordance with content of the "Pair-up Aid Agreement between Urban and Rural Party Organizations", Baosteel Metal continued the aid to Jiulong Village of Shanyang Town, Jinshan District. During the Spring Festival of 2013, Baosteel Metal extended sincere regards to 15 university undergraduates excelling at study but facing family financial stress, and subsidized them with RMB 15,000 yuan. Baosteel Metal also extended its regards to 20 households in need with a total amount of RMB 10,000 yuan as allowance to help them improve their living.

In addition, Baosteel Metal helped boost the agricultural produce sales of Shanyang Town and Jiulong Village through group purchase. In the summer and autumn of 2013, it purchased various agricultural products such as muskmelon, grape and rice from Shanyang Town with a total amount of over RMB 90,000 yuan.



Supporting Home-Based Care for the Elderly in District Neighborhoods

On the request in a letter from Wusong Sub-district Office of People's Government of Shanghai Baoshan District, Shanghai No. 5 Steel offered assistance by providing houses for dining of the aged to help satisfy the demand for dining of the low-income elderly in the district who were at venerable age, living alone, from families solely comprised of the elderly or having difficulties in independent life. Given that some retired workers of Shanghai No. 5 Steel lived near Haibin New Village, Shanghai No.5 Steel leased some of its houses along Tongji Road to Wusong Sub-district Office with zero rental charged for three years as the dining places for the elderly receiving home-based care. Such measure signifies Baosteel's care for the retired workers and the willingness to perform social responsibility and repay the society.

Anhui

In the past ten years from 2003 to now, Baosteel Stainless Steel Co., Ltd. has been subsidizing impoverished students so that they are able to continue the study. In total, there have been 72 participating in the voluntary student aid campaign to fund more than 70 impoverished students. Representatives of volunteers visited the impoverished students in Chuzhou and sent stationery, books and school supplies to them. As the influence of the campaign grew, the volunteer team was gradually expanded to the whole Baosteel Stainless Steel Co., Ltd. and extended its reach from the original Chuzhou No.2 Middle School to Chuzhou No.1 Middle School, Chuzhou Model Middle School, Wuyi Middle School and other schools. In this way, a positive climate for voluntary student aid was formed.

Zhejiang

To perform its corporate social responsibility, Ningbo Steel has donated RMB 2 million yuan in total as a relief fund for juveniles with serious diseases to Ningbo Beilun Charity Federation. The donation was paid RMB 400,000 yuan per year in total five years to help the aforementioned juveniles in Beilun District. Since the donation program was rolled out in 2010, Ningbo Steel has donated RMB 1.6 million yuan in total to Ningbo Beilun Charity Federation to fund 20 cases or 25 person-times of juveniles with serious diseases.

Relationship with Communities

Make Your Life More Valuable

Guangdong

In 2013, Shaoguan Iron & Steel Co., Ltd. specifically donated RMB 519,800 yuan as assistance fund to Bailong Village of Wujing Town, Nanxiong and RMB 100,000 yuan to Zhengzi Village of Huilong Town, Xinfeng County to subsidize the children from the impoverished families for their study, the road and bridge construction in the village, the renovation of fundamental water conservancy facilities for farmlands, to name just a few.

Xinjiang

Bayi Iron & Steel funded the project of Balehanake Reservoir of Altay, Xinjiang through the donation of RMB 35.76 million yuan in total in 2013. The reservoir, as a critical water conservancy project for Altay, will remarkably improve the local conditions for agriculture and animal husbandry upon the completion so as to promote the development of local economy. In accordance with the arrangement of Xinjiang Autonomous Region, Bayi Iron & Steel has been providing targeted aid to Jialunkule Village, Kalasu Township of NilKa County, Ili Kazakh Autonomous Prefecture for years. In 2013, the company donated RMB 800,000 yuan in total for the construction of settlement houses, remarkably improving the living of local farmers and herdsmen. Bayi Iron & Steel Yamansu Mining Co., Ltd. has been providing targeted aid to Wulong Development Zone and Yamansu Town of Tianshan County, Hami City where it is located. In 2013, it donated RMB 120,000 yuan to boost the development of local economy. The company also has been donating education grants and scholarships to Northeastern University and other partner institutions. In 2013, the company donated a total amount of RMB 550,000 yuan in this regard. As for the persistent regard paid to the station troops and the armed police forces for years, the company donated a sum of RMB 410,000 yuan in 2013.

Australia

Funds to support the Chinese language education in the remote areas of Western Australia

In April 2013, Bao-HI Ranges and Western Australian Department of Education signed the agreement on the sponsorship of Paraburdoo Elementary School's Chinese language education. The Paraburdoo community where the school is located is in the remote area of Western Australia. The local elementary schools always want to teach Chinese language as students' second language. Baosteel, along with partners of Bao-HI Ranges Joint Venture, is planning to help the local department of education and Paraburdoo Elementary School recruit a mandarin teacher. Both parties of Bao-HI Ranges Joint Venture have undertaken to donate approximately AUD 350,000 in five years, of which AUD 175,000 will be donated by Baosteel to support the Chinese language education of Paraburdoo Elementary School.



The open cinema funded by Bao-HI Ranges has been put into operation

Cases

Industry Stimulation Is More Important Than Donation for Poverty Alleviation—— Report of the Poverty Alleviation Efforts of Shaoguan Iron & Steel Group, in 2013

Bailong Village of Wujing Town in Nanxiong, Shaoguan governs 9 villager groups, comprising of 313 rural households and a population of 1,137. The villagers depend on yellow tobacco and peanut cultivation for their livelihood. Only a year ago, it was still an impoverished village living on the aids from government and enterprises. Now it has developed into a planting base of “Bailong Rice”, a quality eco-rice species of Shaoguan, and a supply base for the fast food center of Shaoguan Iron & Steel to rice redemption.

What exactly enabled a remote and underdeveloped impoverished village to revive and flourish in only one year?

1. Poverty alleviation through industry development enabled Bailong to revive

At the beginning of 2013, the new round of “Double Assignments” campaign began across of Guangdong Province. Shaoguan Iron & Steel Co., Ltd. has, in pursuance of the poverty aid and development work plans of Guangdong Provincial Party Committee and the Provincial Government, paired up with Bailong Village of Wujing Town in Nanxiong, Shaoguan to provide poverty aid.

To facilitate the poverty alleviation, Shaoguan Iron & Steel Co., Ltd. set up a leading group for poverty alleviation and proposed the guiding principle of poverty alleviation through industry stimulation. Cadres of the village, selected and sent from Modern Industrial Company - a newly founded flagship diversified subsidiary of Shaoguan Steel, were required to identify the breakthrough points of industrial assistance, innovate poverty alleviation philosophy and integrate assistance with corporate industrial development to transform the impoverished village into a base of green eco-industry of Shaoguan Iron & Steel Co., Ltd.

The leading group discovered during survey that in spite of its remote location and mountainous landform, the village boasted a good eco-environment in which the peanuts, yellow tobacco and other crops suffered little plant diseases and insect pests. Hence the group set the first project of poverty alleviation through industry stimulation as rice planting, formulated the alleviation plan of developing quality green eco-rice in Bailong Village and allocated RMB 528,500 yuan as the first installment of special fund for poverty alleviation.

2. Water conservancy renovation enabled “Bailong” to be irrigated

To develop a quality rice industry, the poverty alleviation group of Shaoguan Iron & Steel Co., Ltd. firstly invested assistance fund into the renovation of farmlands infrastructure. Renovation included the dredging of some hilly ponds, dikes and dams reinforcement and culvert pipe dredging. The effective capacity of hilly ponds was expanded by 20,000 square meters to satisfy the need for irrigation of more than 400 mus of farmlands. To make full use of the efficiency and advantage of agricultural machinery, the group also organized the construction of a tractor road 600 meters in length and 3.5 meters in width with a tractor bridge as auxiliary. In addition, an 800 meters long village road was expanded, and a new 4 meters wide bridge was newly built to meet the demands of mechanized farming and facilitate the travel of villagers.

3. Brand marketing enabled “Bailong” to flourish

After the rice was harvested, how would the quality rice of Bailong Village be transformed into products and sold in the market in a short time? The poverty alleviation group of Shaoguan Iron & Steel Co., Ltd. delivered the processed rice to Modern Industrial Com-

pany, a subsidiary of Shaoguan Iron & Steel Co., Ltd., took advantage of its personnel, technology, and equipment and leveraged its management advantages to exercise strict control over product quality to meet the demand of market sales.

To facilitate the sales of the green eco-rice of Bailong Village, the poverty alleviation group of Shaoguan Iron & Steel Co., Ltd. firstly branded the rice as the “Bailong Fragrant Rice” and presented the village as a dynamic and vigorous green eco-village to the world through visiting and inspection solicitations, media promotion as well as other means.

On December 28, 2013, a special launch ceremony was held to introduce the “Bailong Fragrance Rice” produced by Bailong Quality Rice Professional Cooperative. The ceremony was attended by Zhao Kun, Vice President of Baosteel Group Corporation and Chairman of the Board of Shaoguan Iron & Steel Co., Ltd., who tasted the “Bailong Fragrance Rice”, along with leaders of Shaoguan Iron & Steel Co., Ltd. and factory and department heads. They were deeply impressed by the rice’s fragrant, sweet and creamy flavor.



On January 1, 2014, the “Bailong Fragrance Rice” was officially launched in Shaoguan and Guangzhou respectively. The fragrant eco-rice won the favor of consumers and its sales kept rising every day, producing real and considerable profits for Bailong villagers.

The poverty alleviation project of Bailong Village proves that by exploring energetically the approach of poverty alleviation through industry stimulation, Shaoguan Iron & Steel Co., Ltd. has discovered a new path of mutual benefits for enterprises dedicated to poverty alleviation and social responsibility performance. As the proverb says, “Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime.” To alleviate poverty, enterprises need to do more than capital investment. Philosophy introduction is more effective than capital investment—one can only rely on oneself for development and it is more important to create an income source than capital input.

Walk for an Egg

In 2013, Baosteel cooperated with NGO Shanghai United Foundation for the second consecutive year in organizing the campaign of "Walk for an Egg" for Baosteel employees. There were 126 people in 21 teams participating in the campaign and raised a total donation of RMB 148,700 yuan, which could be used to purchase 186,000 eggs and provide eggs for more than 2,000 children in poverty-stricken area for one semester.



Aids for Tibet and Qinghai

In 2013, the fifth batch of cadres sent to aid Tibet went to the Shigatse region of Tibet to perform their duties. All batches of cadres made their own contribution to the improvement of the life of local herdsmen, promotion of local economic development and social stability. Meanwhile, the first batch of cadres sent to aid Qinghai also went to Tongde County of Hainan Tibetan Autonomous Prefecture of Qinghai Province to perform their duties. Baosteel's cadres sent for this round will serve for three years from August 2013 to July 2016.



Poverty Alleviation Project in Yunnan

In 2013, Baosteel invested a total amount of RMB 8.8 million yuan in its paired up aid recipient - the four counties of Pu'er in Yunnan Province, implemented 17 entire village development projects and 3 industrial projects, constructed a health center and a training center, subsidized 230 impoverished students and offered guiding training to 250 person-times. On the basis of the summary of the paired up assistance achievements and experience in the past decade after in-depth survey and full research on assistance task in the new phase, the "Baosteel's Plan of Pair-up Aid for Poverty Alleviation of Yunnan from 2013 to 2017" was formulated in a rational manner with the combination of the poverty alleviation and development outline of Yunnan Province and Pu'er City and in consideration of the entire village development as well as improvement of poverty-stricken villages and impoverished people's quality of life as the breakthrough.

Hwabao Benevolence Trust

"The Benevolence Trust Program of Hwabao Trust" (hereinafter referred to as the "Hwabao Benevolence Trust") kicked off in 2013. As the trustee of Hwabao Benevolence Trust, Hwabao Trust Co., Ltd. accepted donations from clients. With its initial capital comprised of voluntary donations from the financial subsidiaries, trade unions and employees of Baosteel, it is open for a long term to social organizations that approve of charitable ends and programs and individuals living up to certain conditions. The funds are solely raised for charitable programs, mainly including poverty relief, aids for sudden disasters, education development, cultural and health-care undertakings and other charitable ends.

The operation mode of Hwabao Benevolence Trust is innovative in many aspects. It integrates public welfare with trust and introduces market mechanism into public welfare. In the implementation of public welfare programs, it gives full play to the efficiency of charitable capital through cooperation and mutual supervision with trust, charitable funds and custodian banks and auditing institutions by the conclusion of contracts. In accordance with the agreement of trust scheme, it reveals the operational status of the trust to clients on a regular basis. Once the conditions are in place, it may set up a management committee for decision making in terms of operation and management, prescribe supervisors for special approval over trust and charitable projects and apply to concerned public welfare management organs for charitable trusts. The first batch of charitable programs of Hwabao Benevolence Trust has been implemented for charitable projects in underdeveloped areas, including school construction, student education and teacher training.

One-Day Donation

In April 2013, Baosteel Trade Union donated RMB 996,600 yuan to Ya'an earthquake-stricken area of Sichuan, of which RMB 983,200 yuan was donated by employees in "One-Day Donation" and RMB 13,500 yuan was raised through the "Charitable Baosteel Cares for Ya'an" Donation Channel set up on the portal of Baosteel.

Foundation of Baosteel Young Volunteers Association

On September 15, 2013, the founding ceremony of Baosteel Young Volunteers Association and the charitable flea sales event were launched in the basketball hall of Baosteel Sports Center. The hall that day was crowded with compassionate young people, and their faces were glowing with confidence. They exhibited their donations for charity, expressed their honest sentiments and demonstrated their willingness to devote. The benefactions of Baosteel volunteers and employees converged into an ocean of love, exhibiting the charitable spirit of Baosteel.



Case

I Feel Happy to Help Others

Story of You Wenjin - An Employee of Baosteel Engineering Donated Her Hemopoietic Stem Cells to a Leukemia Patient

"When I knew my stem cells matched to a patient's, I was excited. I felt happy to helping others," She said with smile on her beautiful and young face when she walked out of the bone marrow collection room.

You Wenjin, a regional engineer of Environmental Monitoring Office of Baosteel Technology Baoshan Branch of Baosteel Engineering & Technology Group Co., Ltd., is the backbone of her department. In the eyes of her colleagues, she is an optimistic, cheerful and beautiful woman with benevolence. On October 17, 2013, You Wenjin donated her hemopoietic stem cells in a collection room of No.1 Hospital Affiliated to Fudan University to save a leukemia patient in Beijing and thus became the fifth Baosteel employee that had donated hemopoietic stem cells.

"But for an accident, this would have been my second donation," she said with ease after donation. On October 17, 2013, You Wenjin registered at Shanghai Blood Center after deciding to donate her hemopoietic stem cells. A year later, she received a call from the Red Cross saying that her stem cells matched to a patient's. But a week before she checked in the hospital, the patient's condition deteriorated, making him or her unsuitable for transplantation. Today, she still thinks it was a lamentable matter, which reinforced her determination to save other's life. Nine years later, her stem cells matched to another patient's. To her leaders and colleagues that went to visit her, she, being considerate as always, said jokingly, "it's a rare chance to save a life in one's lifetime, but my chance has come again."

The staff of the Red Cross was deeply impressed by her determination. Zhou Xianglan, a director of the Red Cross, said, "You Wenjin is the 285th donor of hemopoietic stem cells in Shanghai. Not every volunteer could make it to the end and some of them may quit midway or even shrank back at the last moment. Miss You could not have made it to the end without her optimism and the support of her family and company. Encouraged by unremitting publicity of the society, more and more volunteers have joined the donor base of bone marrow. By now, more than 120,000 volunteers have joined in Shanghai, many of whom are Baosteel employees. Among all major enterprises in Shanghai, Baosteel boasts one of the largest donor populations, which signifies the conscientiousness of Baosteel employees."



Baosteel Education Foundation

Baosteel Scholarship was set up with RMB 2 million in 1990 and renamed Baosteel Education Foundation in 1994. In 2005, after the official registration in the Ministry of Civil Affairs, the Baosteel Education Foundation was established with the registered capital of RMB 50 million yuan. In September of the same year, the capital increased to RMB 100 million yuan. Baosteel Education Awards scholarship, funded by Baosteel Education Foundation, is comprised of five awards, namely Baosteel Outstanding Student Award, Baosteel Outstanding Student Special Award, Baosteel Outstanding Teacher Award, Honorable Mention 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 pursue higher education in mainland China.

As of 2013, altogether 20,029 teachers and students from over 100 universities and colleges had received Baosteel Education Awards. Among them, one teacher received Baosteel Outstanding Teacher Grand Award, 217 teachers received Baosteel Outstanding Teacher Special Award, 46 teachers received Honorable Nomination for Baosteel Outstanding Teacher Special Award, 4,259 teachers received Baosteel Outstanding Teacher Award, 361 students received Baosteel Outstanding Student Special Award and 14,372 students received Baosteel Outstanding Student Award, including 400 from Taiwan and 373 from Hong Kong and Macau. Over the past twenty-four years, over RMB 170 Million of Baosteel Education Fund has been contributed to educational awards and funding.

Baosteel Education Awards have built its sound image across all universities, colleges and the whole society. The fund is recognized as one of the national awards boasting broad coverage, abundant prize amount, high degree of honor and respect from teachers and students in the high institutions across the country. For the past 24 years, quite a number of the outstanding teachers and students who received the fund have been active in management and scientific research positions.

Case

My Story with Baosteel

Yan Chunhua

Winner of 2013 Baosteel Outstanding Teacher Special Award

Academician of the Chinese Academy of Sciences and Professor of Peking University

I have been studying and working in Peking University all the years since Baosteel was founded. When Baosteel began its operation by Yangtze River, I left Shanghai for Beijing to begin my study in Peking University. As the largest and most modernized iron & steel enterprise in China, Baosteel has been bestowed with good fortune as it was born in China's Reform and Opening-up. As a university teacher, I have also been bestowed with good fortune because I live in the good time after reform and opening-up.

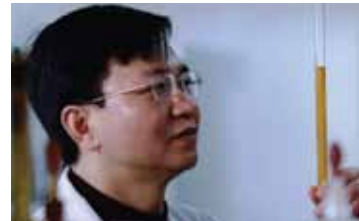
In 1978, I was lucky enough to be admitted by Peking University where I trained myself into a teacher from a student under the care and guidance of my teachers. My study and life in campus allowed me to draw positive energy from the time-honored culture of Peking University, from the diligent, conscientious, assiduous and innovative teachers and students as well as from the "Scene of a Tower by Lake" which signifies the spirit of the university. Prof. Xu Guangxian, my respected teacher, though at the venerable age of 94, still discussed tombar thite technology with me recently when I visited him. Prof. Li Biaoguo, another teacher of mine, has met his untimely death for overwork, dedicating his life to the undertaking of tombar thite. Recalling my predecessors who had devoted their life to China's scientific and educational undertakings, I am well aware that only by making greater efforts can I inherit the outstanding tradition of Peking University lasting more than one hundred years and assume the responsibility as a teacher of the university.

Honestly, I am far less experienced than many of my senior or peer colleagues in teaching. My honor of winning the Baosteel Outstanding Teacher Special Award shall be firstly attributed to the fine tradition of Peking University in focusing on basic education and development of students' mind and personality. During the past 20 years, I worked as a teacher on basic subjects for undergraduates and postgraduates. I believe that a teacher should do more than imparting scientific knowledge and that great learning makes a teacher, while moral integrity makes a model, which means that a teacher

should convey morality and professionalism to students through verbal instruction and personal example inside and outside classroom to develop them into talents that the country and the society need, just as our teacher did to us.

Apart from intense research and teaching, I have been active in participating in scientific counseling activities for teenagers to bring up excellent middle school students. In fact, it is also an approach to express my gratitude, a duty of university teachers to serve the society, just as what Baosteel has been doing to perform their social responsibility to repay the society. I often think that taxpayers and the whole society have provided Peking University with such advanced conditions for research, but we return so little. We are responsible for opening our laboratories to the society and allowing middle school students with spare time to "enjoy" the laboratories and witness the process of scientific researches, through which they will understand the preciseness of scientific researches and experience the hardship and fun in the process. The activities, not designed to cultivate them into future professors or scientists, is more a type of education for personality development. I hope children can understand early in their life that scientific research is an undertaking mostly ending up with failure. What they realize through scientific research will be their life experience, with which they will be able to stay calm in face of success or frustration in their life or career.

For your award and for our shared social responsibility, I have come once again to visit Baosteel. For all these years, with the Corporation's pooling of talents, technology innovation and advanced management and against a depressed global economy and domestic iron & steel industry, Baosteel has been developing steadily and devoting itself to public welfare and has become a model of China's advanced industries in introduction, assimilation, integration, innovation and the road to leadership after reform and opening-up. Touched by that, I will convey the Baosteel spirit in my courses to my students to share the inspiration with more.



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Make Your Life More Valuable



Baosteel Continued to Explore the Boundaries of the Antarctic Pole

Following the projects of Antarctic Kunlun Station and providing the station with supplies in 2012, Baosteel continued to explore the boundaries of the Antarctic Pole.

On July 31, 2013, Baosteel Engineering & Technology Group Co., Ltd. and State Oceanic Administration Polar Research Institute of China signed the general contract of the main structure design, purchase and construction of the Antarctic Princess Elizabeth Land Station (later renamed as "Taishan Station"). For this project, by integrating design, purchase and construction and drawing on the basis of international vanguard technologies and the experience of previous station constructions, Baosteel Engineering & Technology Group Co., Ltd. constructed the Antarctic Taishan Station in cooperation with State Oceanic Administration Polar Research Institute. Its core concepts for planning and design are technology, low-carbon, eco-friendliness, security and user-friendliness. In accordance with its orientation, the new station will enhance the automation and the research and application of more high

technologies as well as consume a larger proportion of clean energy so as to make it the model of high technology and eco-friendliness among Antarctic stations.

Located between Zhongshan Station and Kunlun Station, Taishan Station is 520 km away from Zhongshan Station and 2,621 meters high above sea level and serves as an inland expedition station in summer. Upon completion, the station would become a frontier supply for scientific expeditions of Kunlun Station and have a radius that covers Grove Mountains and other key areas in Antarctic for scientific expedition. The construction of the station was a priority among many missions of China's 30th Antarctic expedition team. In the project, altogether 16 Baosteel Antarctic rangers were in charge of the construction of the whole Taishan Station. Prior to that, the steel structure of the station's main building was put into production on August 13, and its pre-assembly was completed successfully on September 14 in Shanghai. Afterwards, the structure travelled with China's 30th Antarctic expedition team to Antarctic along by vessel.

Remarks from the Third Party

When the Antarctic Taishan Station of China was completed and put into operation, Xi Jinping, General Secretary of the Communist Party of China, President of China and Chairman of the Central Military Commission, sent his warm congratulations on Taishan Station through letter. In the letter, Xi Jinping wrote that the completion of China's Antarctic Taishan Station had facilitated long-term and continuous scientific expedition of China's scientists in Antarctic, the expansion of the territory and scope of China's Antarctic expedition as well as the development of the strategic space of China's marine business. The Antarctic Taishan Station, along with the completed Great Wall Station, the Zhongshan Station, the Kunlun Station in Antarctic and the Arctic Yellow River Station, serves both a platform of scientific expedition for China's scientist in the Polar Regions and an important medium of outbound scientific exchange for China.



**Being Part
of Success**

**Product improvement,
Means a giant progress for us
towards the demand of partners
Baosteel establishes a brotherly
and win-win industrial chain
The success of partners,
Is the real success to Baosteel**

“Baosteel further deepened cooperation with SAIC Motor and became the first steel supplier of SAIC Motor’s proprietary brand in 2005. As technical service representative, I also formed close ties with SAIC Motor. With the successful implementation of Baosteel EVI mode (Early Supplier Involvement), not only did we provide normal technical service, but also constantly paid attention to users’ need through in-depth participation in the R & D and material selection of their new cars. A batch of high-end steel, including Ultra High Strength Steel and advanced coating for zinc-plated material, was applied in new car models and recognized by users.

“Now the ‘stationed’ service team of Baosteel has become an indispensable part of the R&D team of new car models in SAIC Motor!”

Mei Jie

Engineer of Automotive Sheet Sales
Department of Baosteel Co., Ltd.
Serving for SAIC Motor



Joint Development with Suppliers

Make Your Life More Valuable



As of the end of 2013, altogether 964 materials and spare parts suppliers of Baosteel Co., Ltd. HQ (excluding Meishan Iron & Steel, Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd., Yantai Baosteel Pipe Co., Ltd., Baotong Iron & Steel and other subsidiaries) were qualified, among which 425 passed the environment management system certification.

Sunshine Procurement

To prevent risks and implement the Sunshine Procurement, the Materials and Spare Parts Procurement Department of Baosteel Co., Ltd. HQ catalogued approximately 10,000 types of goods in small quantities and invited outstanding suppliers in the industry to participate in the bid by observing the principles of “Open and Fair”, matching appropriate packages with bidding rules and opening the procurement to the whole society.

In 2013, through the industrial product supermarket platform established in the previous year, the suppliers of over RMB 100 million worth of goods in small quantities were sought and signed contracts. There were 184 suppliers signing up for 621 times in total, 139 of whom were verified and made 440 bids.

The Materials & Spare Parts Procurement Department of Baosteel Co., Ltd HQ purchased RMB 362 million yuan worth of steels, steel pipes, cables, tubular piles, cable bridges and other engineering materials in an open manner and in accordance with law in 2013, among which RMB 270 million yuan was purchased by invitation to bids and RMB 8.54 million yuan was purchased from industrial product supermarkets.

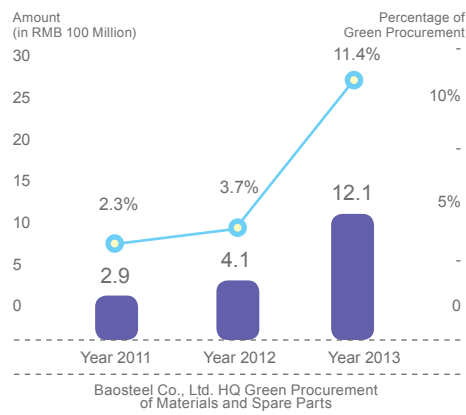
Procurement Status of Green

As of 2013, Baosteel has conducted Green Attribute Identification for approximately 180,000 varieties of materials and spare parts (over 150,000 in 2012), accounting for 52% of all such varieties procured by Baosteel Co., Ltd. HQ. Procurement status of green products (identified) over the past three years are illustrated in the following figure.

Green Procurement

The following green procurement measures in the “Green Procurement Guideline (Version 1.0)” of Baosteel Co., Ltd. have been implemented: the procurement of green products shall be improved mainly from the purchasers. Green products manufactured with green process shall be purchased to enhance the environmental management capacity of suppliers.

With a view to formulating effective policies and effectively promoting green procurement, Materials & Spare Parts Procurement Department of Baosteel Co., Ltd. successively learnt from and exchanged with procurement peers from domestic and foreign established enterprises, including POSCO of ROK, General Electric of U.S.A., Total S.A. of France, Shanghai GM, Changan Ford, Ricoh of Japan, Mitsubishi Heavy Industries of Japan, Aluminum Corporation of China and Qingdao Haier, on how to promote green procurement.



Percentage of Suppliers Passing Environment Management System Certification

The priority lies in the promotion of system certification for manufacturing suppliers with heavy environmental load. Over the past three years, the percentage of the material and spare part suppliers of Baosteel Co., Ltd. HQ passing the environment management system certification is illustrated in the following figure:



Percentage of Material and Spare Parts Suppliers of Baosteel Co., Ltd. HQ Passing the Environment Management System Certification

Helping Medium-Sized and Small Suppliers Implement Life Cycle Assessment (LCA) Evaluation

After completing the two LCA projects, namely, the “Research and Application of Refractory Materials LCA” and the “Research and Application of Accessory LCA”, Materials & Spare Parts Procurement Department of Baosteel Co., Ltd. HQ initiated the full life cycle assessment of non-ferrous products, electrodes, rolls and other products.

Application of Information Technology in Procurement

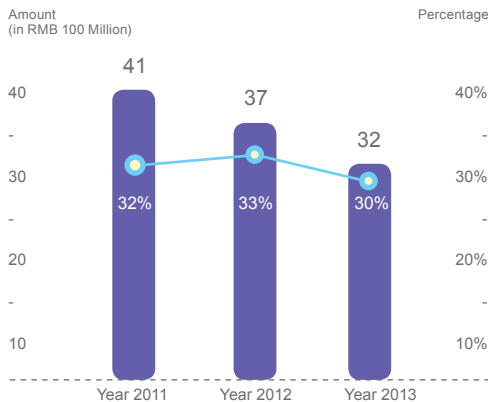
In 2013, online cooperatives accounted for 98.5% of materials and spare parts procurement of Baosteel Co., Ltd. HQ while e-contracts accounted for 81.5%.

In 2013, Baosteel Co., Ltd. HQ openly procured steels, cables, hydro-cylinders, valves, bar grates and other materials and spare parts through Oriental Iron & Steel E-Commerce Platform with 129 contracts signed for 3,578 items totaling RMB 92.05 million yuan.

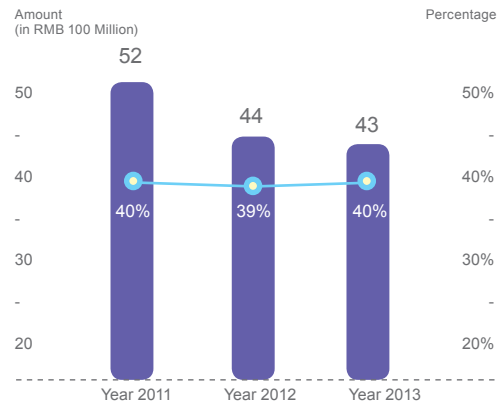
Status of Procurement from SMEs and Local Procurement

In pursuance of the “Classification Standards of SMEs (MIIT and Enterprises [2011] No. 300)”, SME suppliers are defined as enterprises with registered capital of no more than RMB 10 million yuan (foreign currency will be converted into RMB). The actual statistics of materials & spare parts that Baosteel Co., Ltd. Headquarter has procured from SMEs in the past three years (excluding import procurement) are illustrated in the following figure.

Local suppliers refer to the manufacturing enterprises registered in Shanghai (excluding trade companies, agents and foreign-invested Chinese companies). The actual statistics of materials & spare parts that Baosteel Co., Ltd. HQ has procured from local enterprises in the past three years are illustrated in the following figure.



Baosteel Co., Ltd. HQ Procurement of Materials and Spare Parts from SMEs



Baosteel Co., Ltd. HQ Procurement of Materials and Spare Parts from Local Suppliers in Shanghai



Procurement Quality Management

In 2013, in accordance with the annual plan, Materials & Spare Parts Procurement Department of Baosteel Co., Ltd. Headquarter conducted a random inspection of key materials and spare parts with high added-value, high adulteration rate, unstable quality and direct influence on products through incoming inspection and unannounced inspection of quality in the purpose of improving the actual quality of materials and spare parts. Meanwhile, technical department and application department were also organized to run unannounced inspection over key materials and spare parts. The actual quality control performances of supplementary materials for steel-making, coatings of coil steel, packing materials and other key materials were tracked and analyzed on a monthly basis, and the results were reported back to suppliers in written form requiring them to formulate and implement improvement measures to effectively monitor the product manufacturing process of suppliers. In September, European Chemicals Agency (ECHA) published the 10th batch of substances of very high concern (SVHC). Among the 7 items it is comprised of, the direct production materials that Baosteel Co., Ltd HQ is using for cold-rolled products meet the requirements of ECHA as is confirmed by the agency after evaluation.

Procurement Contract Management

The procurement contract template for materials and spare parts procurement of Baosteel Co., Ltd HQ has been upgraded in terms of comprehensive management guideline, i.e. user-orientation, environmental management, innovation as driving force, risk prevention, accuracy and efficiency, continuous improvement, security and health and harmonious development to build a constructing the most competitive iron & steel enterprise and the listed company with the highest investment value in the world.

Cases

Case 1 of Joint Development with Suppliers

In September of 2013, the procurement supply chain study and training event (Symposium for Refractory Supplementary Materials) was held in Baosteel Talent Development Institute with 31 refractory supplementary materials suppliers invited to participate. The event focused on briefing suppliers on Baosteel's goal of procurement supply chain construction, conveying Baosteel's demands, reaching consensus on development, seeking long-term mutual benefits, enhancing the overall competitiveness of procurement supply chain and establishing the "clean, open and win-win partnership with long-term stability".

Case 2 of Joint Development with Suppliers

Ningbo Steel has been attaching importance to achieving win-win situation with suppliers in the cooperation. Its steel scrap procurement is managed in an increasingly detailed manner. Starting with the conduct assessment of suppliers, the company initiated such advanced management approaches as detailed material type management and information transmission and continued to come up with new demands for suppliers. Under the circumstance that steel scrap was in short supply, many suppliers, thinking that Ningbo Steel was too demanding and had a high supply threshold, elected to quit or reduce the supply. Yet, excellent suppliers like Xingfa Company stood out. To proactively satisfy the management demands of Ningbo Steel, they discarded their traditional extensive supply mode. In recent years, Ningbo Steel has been committed to the development of steel scrap base. With its advantages in reputation, site, capital and management, Xingfa Company fully guaranteed a part of the supply of Ningbo Steel and has become an indispensable link of its steel scrap supply chain. With an annually increasing supply, the company has become the No.1 supplier of Ningbo Steel in terms of monthly supply of steel scraps. It is now applying for the title of "Metal Scrap Processing and Distribution Centre Demonstration Base" conferred by the Ministry of Industry and Information Technology.

Value Creation through Services

Make Your Life More Valuable



The construction and improvement of differentiated services mode guided by customer value, the improvement of technical service capacity and the promotion of early involvement of EVI technical service are important measures to reinforce customer orientation, achieve service transformation and exhibit services' function of value creation.

By virtue of intensifying the management of customer value and based on the analysis of customer value, customers were re-classified for Baosteel to formulate correspondent customer service strategies. The differentiated management targeted at different customers ensures that high-value customers receive more efficient service.

Moreover, the thorough implementation of key account director (manager) system provides the safeguard from the organization for the transformation of client services. Experience has proved that the sales management organization mode integrating product sales management, regional sales management and client management can effectively enhance the exchange and cooperation with major clients.

By promoting the construction of the three-tier technical service system, technical service capacity has

been improved. In pursuance of the designed objective of the technical service system "Focusing on Both Ends (Market and Site) and Covering the Whole Process (Pre-sales, Sales and After-sales Stages), the three-tier technical service system of the company was integrated and constructed to enhance direct service capacity on the basis of regional and overseas companies as subjects and the construction of regional virtual teams, shorten the processing time of clients' complaints, lower the overall service cost and reinforce the foundation of technical service.

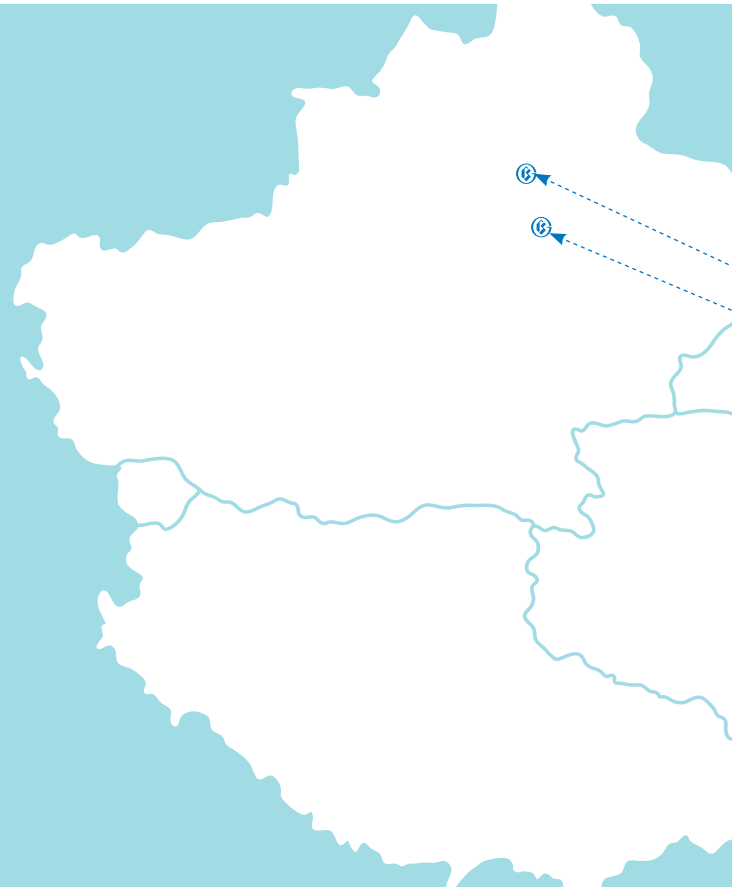
Through continuous reinforcement of EVI technical service and based on the success of auto sheets EVI, new modes of integrated solution were explored for iron & steel materials other than auto sheets. In the cooperation with Haier, Baosteel took the lead to establish the "Baosteel-Haier Laboratory of Steel for Home Electrical Appliances" where 14 "Haier-Baosteel Strategic Cooperation Projects" were selected, covering multiple aspects such as new product replacement, material replacement and logistics and distribution, and were in steady progress. Through project cooperation, Baosteel further promoted its comprehensive technical service capacity for major home electrical appliances clients.

Providing Customers with Quality Services

Domestic Sales Network

In China, Baosteel has basically completed a steel sales service network with full range of products and numerous outlets distributed in multiple regions, as well as a steel processing and distribution service system with the largest steel processing volume, cutting-edge processing techniques and processing outlets covering major regions in the country.

As of the end of 2013, Baosteel had 101 marketing outlets in China, including 6 regional companies, 6 franchisees, 3 other trading companies, 10 branches, 18 representative offices and 58 steel service centers with a cumulative processing capacity of 7.6 million tons, tailored blank laser welding capacity of 26.7 million pieces, 10.5 million wheels, 1.2 million strokes of hot pressing, 880,000 strokes of hydraulic pressing and 7 million sets of parts assembly.



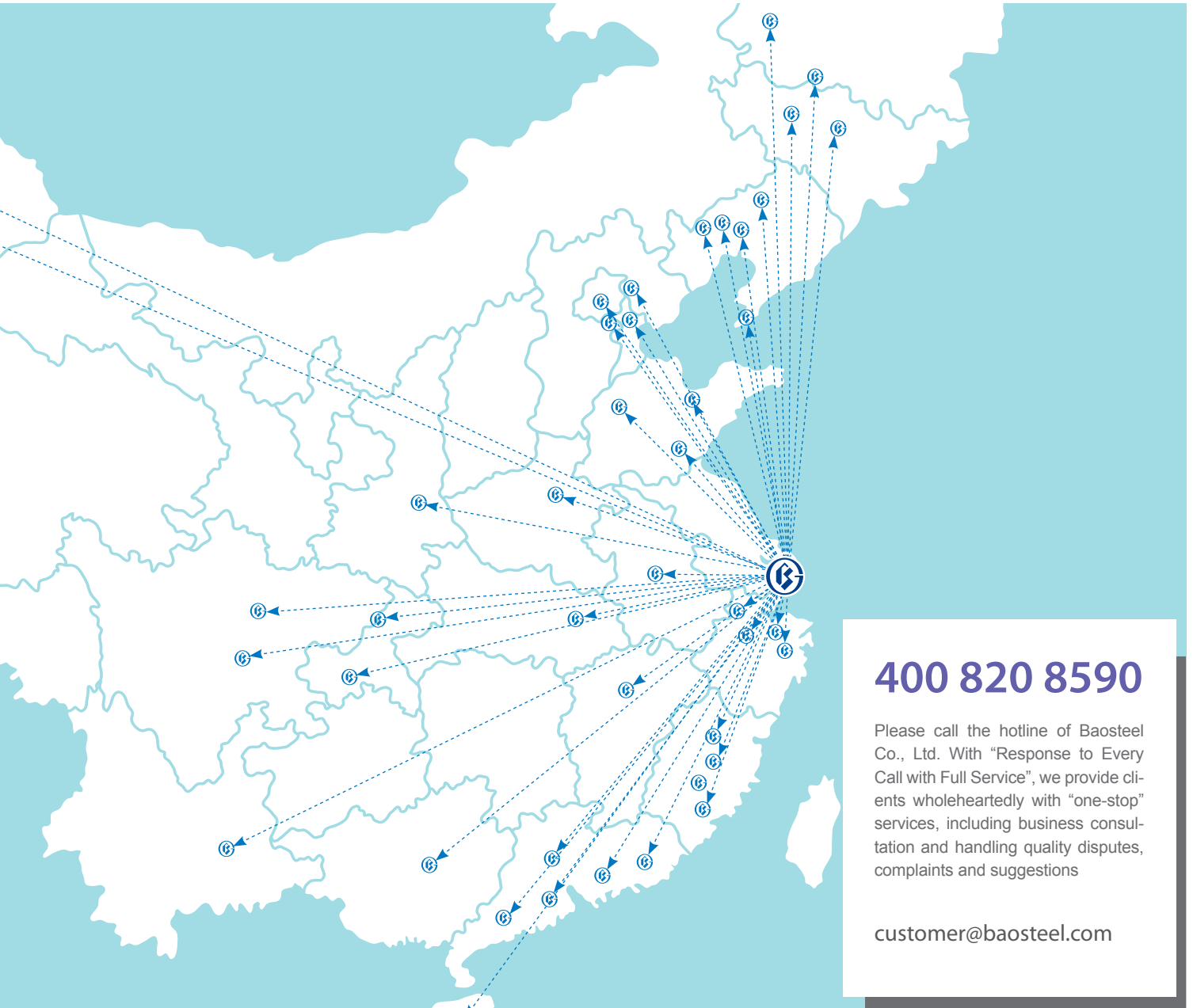
East China

Shanghai Baosteel Steel Products Trading Co., Ltd.
Wuxi Branch
Nanjing Branch
Zhenan Branch
Xuzhou Branch
Shanghai Bao-Mit Steel Distribution Co., Ltd.
Baosteel High-Strength Steel
Hangzhou Bao-Mit Steel Processing & Distribution Co., Ltd.
Nanjing Baosteel & Sumitomo Steel Products Co., Ltd.
(Nanjing Baozhu)
Anhui Baosteel Steel Distribution Co., Ltd.
Wuxi Bao-Mit Steel Distribution Co., Ltd.
Shanghai Baosteel-Arcelor Laser Tailor Welded Blanks Co., Ltd.
Ningbo Baosteel Stainless Steel Co., Ltd.
Ningbo Representative Office
Hangzhou Representative Office
Wenzhou Representative Office
Ningbo Bao-Mit Steel Processing & Distribution Co., Ltd.
Shanghai Baosteel Hot Stamping Parts Co., Ltd.
Shanghai Baosteel Hydroforming Parts Co., Ltd.
Wuxi Baomeifeng Metal Products Co., Ltd.
Shanghai Baosteel Stainless Steel Trading Co., Ltd.
Wuxi Branch
Wenzhou Branch
Nanjing Representative Office
Putuo Representative Office
Ningbo Representative Office
Shanghai Baosteel Pudong International Trading Co., Ltd.
Taizhou Branch
Changzhou Representative Office
Baosteel Baoshan Steel Trading Co., Ltd.
Wuxi Branch
Ningbo Branch
Jiangwan Representative Office

Baosteel Ship Plate Processing & Distribution Co., Ltd.
Baosteel Economic & Trading Co., Ltd.
Wuxi Branch
Xinjiang Representative Office
Xi'an Representative Office
Songyuan Representative Office
Puyang Representative Office
Dagang Representative Office
Shanghai Baosteel Steel Pipe Plant
Shanghai Baosteel Wheels Co. Ltd.

South China

Guangzhou Baosteel Southern Trading Co., Ltd.
Guangxi Representative Office
Baosteel Guangzhou International Trading Co., Ltd.
Jieyang Baosteel Stainless Steel Trading Co., Ltd.
Xiamen Baosteel Precision Metal Products Co., Ltd.
Liuzhou Baosteel Auto Steel Parts Co., Ltd.
Guangzhou Huadu Bao-Mit Auto Steel Parts Co., Ltd.
Dongguan Baosteel Metal Products Co., Ltd.
Chang'an Representative Office
Foshan Baosteel Stainless Steel Co., Ltd.
Shenzhen Representative Office
Jiangmen Representative Office
Fuzhou Bao-Mit Steel Co., Ltd.
Guangzhou Baosteel Fengjing Auto Steel Processing Co., Ltd.
Guangzhou Baosteel Jingchang Steel Distribution Co., Ltd.
Guangzhou Bao-Mit Steel Processing Co., Ltd.
Haikou Baosteel Materials Co., Ltd.
Foshan Sanshui Baosteel Steel Parts Co., Ltd.



400 820 8590

Please call the hotline of Baosteel Co., Ltd. With "Response to Every Call with Full Service", we provide clients wholeheartedly with "one-stop" services, including business consultation and handling quality disputes, complaints and suggestions

customer@baosteel.com

North China

- Baosteel Northern Trading Co., Ltd.
- Tianjin Baosteel Industrial & Trading Co., Ltd.
- Tianjin Bao-Mit Steel Distribution Co., Ltd.
- Yantai Bao-Mit Steel Distribution Co., Ltd.
- Jinan Baosteel Steel Processing & Distribution Co., Ltd.
- Tianjin Baosteel Chuling Material Distribution Co., Ltd.
- Tianjin Baosteel
- Qingdao Bao-Mit Steel Distribution Co., Ltd.
- Yantai Baosteel Wheels Co., Ltd.
- Shandong Baohua Wear-resistant Steel Company Limited

Central China

- Wuhan Baosteel Central China Trading Co., Ltd.
- Zhengzhou Baosteel Steel Processing & Distribution Co., Ltd.
- Nanchang Baojiang Steel Processing & Distribution Co., Ltd.
- Changsha Baosteel Steel Products Trading Co., Ltd.
- Hunan Baosteel Wheels Co., Ltd.
- MI BAO Metal Processing Zhengzhou Co. Ltd.

West China

- Baosteel Western Trading Co., Ltd
- Chongqing Branch
- Kunming Representative Office
- Xinjiang Representative Office
- Lanzhou Representative Office
- Chengdu Baosteel Western Trading Co., Ltd.
- Xi'an Baosteel Steel Processing & Distribution Co., Ltd.
- Chongqing Bao-Mit Steel Distribution Co., Ltd.
- Chongqing Baosteel Auto Steel Parts Co., Ltd.
- Chongqing Baosteel Wheels Co., Ltd.

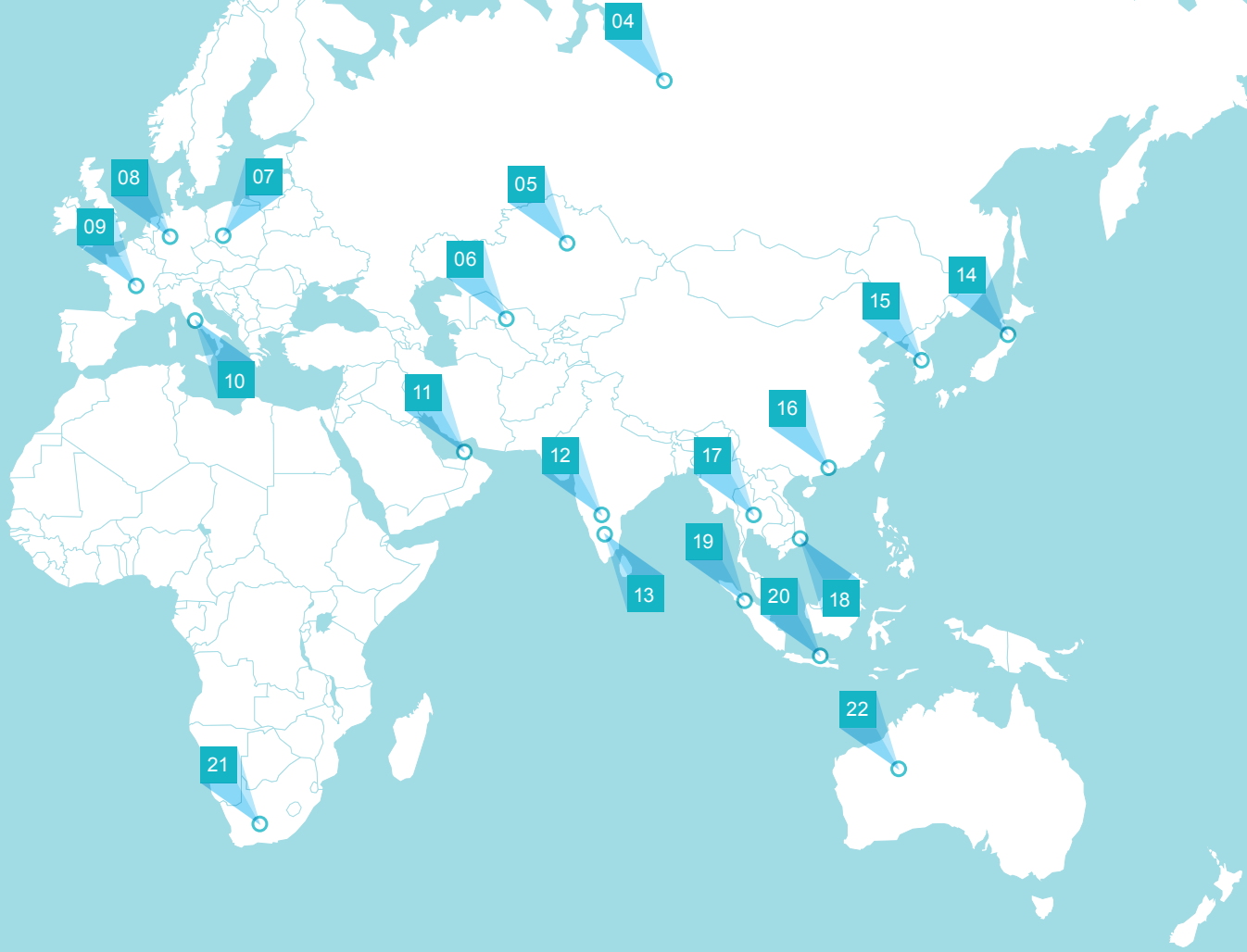
Northeast China

- Baosteel Northeastern Trading Co., Ltd.
- Tiexi Representative Office
- Dalian Representative Office
- Harbin Representative Office
- Changchun Baosteel Steel Products Trading Co., Ltd.
- Changchun Faw Baoyou Steel Processing Delivery Co., Ltd.
- Jilin Faw-Baosteel Auto Steel Parts Co., Ltd.
- Shenyang Baosteel Steel Products Trading Co., Ltd.
- Dalian Bao-summit Metal Products Co., Ltd.

Value Creation through Services

Make Your Life More Valuable

Providing Customers with Quality Services



01 Baosteel America Inc.

02 Los Angeles Representative Office
Houston Representative Office
Detroit Representative Office

03 Baohuarui Mining Ltd.
Baosteel Brazil Trading Co., Ltd.

04 Russian Representative Office

05 Baosteel Kazakhstan Trading Co., Ltd.
Tianshan Grant Pipe Co., Ltd.

06 Uzbekistan Representative Office

07 East Europe Representative Office

08 Baosteel Europe GMBH

09 Baosteel España, S.L.

10 Baosteel Italia Distribution Center S.P.A.

11 Baosteel Middle East FZE

12 Mumbai Representative Office
Indian Representative Office

13 Baosteel India Trading Co., Ltd.

14 Baosteel Japan Trading Co., Ltd.

15 Baosteel Korea Trading Co., Ltd.

16 Baosteel Singapore Trading Co., Ltd.

17 Baosteel Indonesia Trading Co., Ltd.

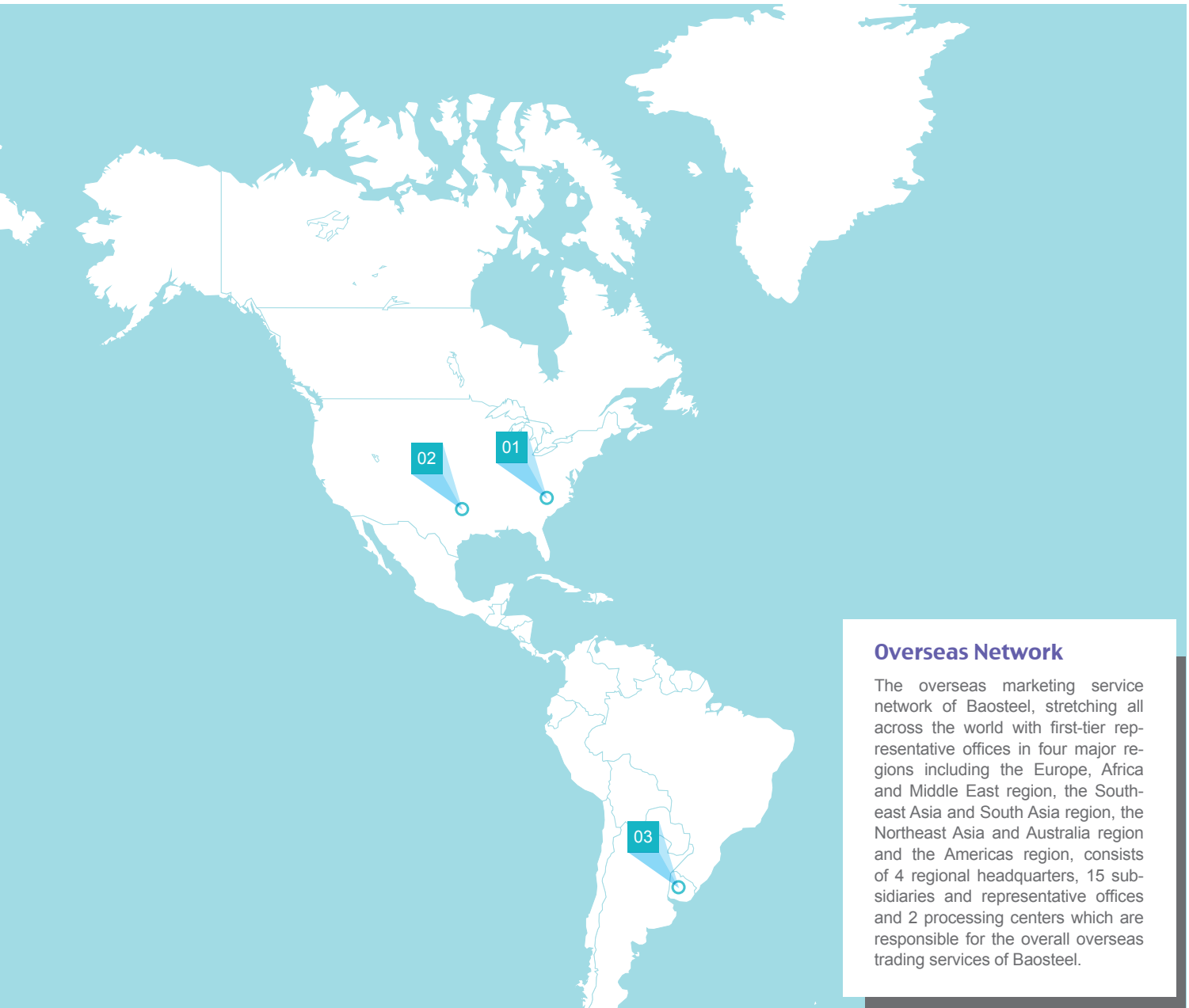
18 Baosteel Thailand Trading Co., Ltd.

19 Baosteel Malaysia Trading Co., Ltd.

20 Baosteel Philippines Trading Co., Ltd.

21 Baosteel South Africa Trading Co., Ltd.

22 Baosteel Australia Trading Co., Ltd.



Overseas Network

The overseas marketing service network of Baosteel, stretching all across the world with first-tier representative offices in four major regions including the Europe, Africa and Middle East region, the Southeast Asia and South Asia region, the Northeast Asia and Australia region and the Americas region, consists of 4 regional headquarters, 15 subsidiaries and representative offices and 2 processing centers which are responsible for the overall overseas trading services of Baosteel.

13 Burwill Holdings Limited

14 Howa Trading Co., Ltd.
Baosight Japan Co., Ltd

15 Seoul Office
BGM Company

16 Baosteel Resources (International) Limited (Hong Kong)
Baosteel Transportation Co., Ltd. ("Baoyun")
Baosteel Metal Co., Ltd. ("Baojin")
Hong Kong Haibao Shipping Co., Ltd.
Hong Kong Baosight Co., Ltd.

17 Thailand Representative Office

18 Vietnam Representative Office

19 Baosteel Singapore PTE LTD.

20 Baosteel Resources (Indonesia) Co.

21 Baosteel Resources South Africa Pty Ltd.
(Johannesburg)

22 Baosteel Australia Mining Pty Ltd.
Baosteel Australia Pty Ltd.
Baosteel Glacier Valley Pty Ltd.

Value Creation through Services

Make Your Life More Valuable

The Production-Marketing-Research Operation Model

In 2013, on the basis of improving “Marketing-Research Operation Model Targeted at Solving Customers’ Problems”, Baosteel focused on quick response to market demands externally and continuous improvement of product competitiveness centered on “product management” internally. The eight promotion teams of production-marketing-research integration promoted three major aspects, namely, “profit status”,

“solutions to all types of customers’ problems” and “growth-oriented products”. Through all the efforts, the Corporation achieved great results in the promotion of production-marketing-research integration in 2013, contributing considerably to the enhancement of profitability, the solution to all types of customers’ problems and the optimization of product restructuring.

Key Account Director (Manager) System

For the purpose of realizing the transformation towards customer-oriented operation, fully noticing and satisfying customers’ demands, Baosteel has been exploring the key account director service model and improving and expanding its service scope since 2009. At present, the key account director system has been implemented in auto, power transmission and distribution, and shipping industries with key account managers assigned to more than 20 major customers in auto,

home electrical appliances, energy, transport, architecture, packing, construction machinery, marine engineering and other related industries. By means of key account directors (managers) and cross-department key account service teams, resources inside the system are mobilized efficiently to provide major customers with solution packages, implement customer care programs and fully satisfy the specific needs of major customers.

Customer Satisfaction Survey

The overall ratings for domestic customer satisfaction in 2013 were satisfactory. From the feedback information of customers and ratings of all sub-indexes, Baosteel still needs to pay

attention to and improve its product quality and supply capacity.

Quarterly Ratings for Domestic Customer Satisfaction in 2011-2013

	Objective	Q1 Performance	Q2 Performance	Q3 Performance	Q4 Performance
2011	90	90.5	90.1	89.9	90.8
2012	90	90.5	91.0	90.8	91.0
2013	91	90.6	90.2	91.1	91.9

Service Hotline

In 2013, Baosteel Co., Ltd. Call Centre launched several “Customer Care” services, such as sending greeting messages (such as holiday greetings, birthday wishes and e-cards), reminder messages (such as acceptance of quality complaints and business enquiries) and other information push services to gain better understanding of and tighten the connection with customers, forge excellent customer relation management capacity, continuously improve the customers’ awareness of Baosteel Call Centre so as to enable the center to be a multi-functional and integrated customer interaction center. Meanwhile, for the purpose of improving customers’

experience of interactive service, the service model based on traditional voice service was transformed into Internet service mode with low cost and high efficiency to satisfy customers’ need for Internet access to service, improve their satisfaction and loyalty and give full play to the value of service marketing.

In 2013, the call center received 15,951 calls from customers with the completion rate of 98.63%. During the 249 working days, around 64 customer incoming calls were answered on daily average and the on-the-spot satisfaction rate of the Call Centre hotline was 98.03%.

Fulfillment of Customer Visit Program

In 2013, the annual visits program was implemented successfully with a total of 3,604 visits to customers at direct supply and above levels, including 2,977 planned visits with 100% fulfillment and 627 out-of-plan visits. The overall completion rate of the annual customer visit program was 125%.

During the year, altogether 70 top management visits and exchanges as well as 62 senior management visits of all departments were carried out with an overall annual program completion rate of 88.5%. In addition, multiple strategic cooperation agreements were signed.

The Customer Visits System and Its Implementation

1. After the classification and optimization of customer visits program initiated by the Customer and Product Service Department, the 2013 Customer Visits System was formulated as the basis of customer visits tracking and management in 2013.

2. After overall consideration, the annual visit plan of top management was prepared.

After taking into consideration the contributions of customers and strategic significance of products from the perspectives of key accounts and products as well as scheduling visits appropriately in accordance with each leader's assigned responsibility, Baosteel has formulated the Top Management Visit Plans in 2013, constituting a system of annual customer visit plans with multiple dimensions implemented in a hierarchical order.

3. The plans of top management visits and exchanges in 2013 were formulated and implemented.

The increasingly frequent visits and exchanges between the top management and customers have made positive contributions to the promotion of exchanges and cooperation between Baosteel and its customers. In 2013, by virtue of top management visits and exchanges, Baosteel signed strategic cooperation agreements with China International Marine Containers (Group) Co. Ltd. and Shanghai Electric, further deepening their key customer partnership.



4. Plan completion tracking and control were reinforced and institutionalized.

The implementation of visit plans were tracked and controlled on a real-time and monthly basis and the visits and plan implementation of departments in charge were evaluated on a quarterly basis to ensure their implementation on schedule and form the "monthly tracking and quarterly evaluation" management mode.

The Project of Shanghai Steel Trading Center

Coordinated by Baosteel Group Corporation and initiated by Shanghai Baosteel International Economic & Trading Co., Ltd., the project of Shanghai Steel Trading Center was officially inaugurated on May 31, 2013. In accordance with the principles of "Government Promotion, Social Participation, Corporate Operation and Multifaceted Cooperation", Shanghai Steel Trading Center, designed as an online CBD of spot transactions of steel, can provide upstream and downstream customers with full-process and one-stop services including online transaction, capital, logistics, processing, technology and information and strives to be a leading third-party B2B e-commerce platform for steel transactions in China. Its service products include intelligent e-transaction service, and supply chain financing service targeted at SMEs, information consultation service centered on Transaction Price Index and one-stop storage, transport and processing service with a view to propelling the upgrading of China's iron and steel circulation industry through e-commerce.

After operation for half a year, the trading volume of the center platform exceeded 1 million tons, attracted more than 26,300 customers and had 523 registered suppliers, among which 32 were steel mills.

With highly efficient operation mechanism, Shanghai Steel Trading Center helps boost the transformation and upgrad-

ing of Baosteel. As the "e-commerce" wing of the "one system with two wings" proposed in the new round of development strategy of Baosteel, the trading center combined the e-commerce system of Baosteel with the supporting services including logistics, processing and finance, integrating manufacturing industry and service sector. By energetically developing the industry platform economy, it helps boost the industry upgrading of Baosteel, constructing a digitalized and green Baosteel.

In the future, Shanghai Steel Trading Center will set up "Shanghai Price" and "Shanghai Standard" for iron and steel trading and service based on large-scale firm bargain, strive to construct modernized iron and steel supply chain service system, guide the transformation of iron and steel circulation and enhance its efficiency, improve the iron and steel service industry, accumulate industry, resource and location advantages more efficiently, give full play to its demonstration role, propel the combination of manufacturing and service through innovative business model to establish the linkage between the secondary and tertiary industries and lead China's iron and steel industry into transformation and upgrading.



Impressive Results of Auto Sheet EVI

EVI (Early Vendor Involvement) refers to the early involvement of suppliers. While Baosteel provides customers with raw materials of auto sheets, its auto sheet technical service capacity has made great progress. With the capacity to provide a package of technical solutions to body-in-white of automobiles, it can work in coordination with automobile factories to conduct researches and provide technical support in car body design and material selection of new cars, weight reduction of materials and structure, mold design and acceptance support. With the advanced lightweight forming technique further improved, it now possesses forming techniques, including auto laser welding, hot stamping forming, pipe hydro-forming, roll forming, laser pipe-welding and spinning forming, and packages of technical support, including parts design and manufacturing, mold design and support and failure analysis.

In 2013, Baosteel's sales of cold rolled auto steel sheets reached 5.36 million tons, an increase of 10.8% over last year and accounting for more than 50% of market share of the domestic cold rolled auto sheet market. Baosteel possesses the supply capacity of auto sheets of all types and steel grades. In terms of R & D, its high-strength steel research and development is progressing well. It has been supplying its first-generation advanced high-strength steel to domestic and foreign auto enterprises in volume and has held a global launch ceremony for its third-generation advanced high-strength steel (QP steel) successfully in July, which has been put into industrial production for the first time by now. The research on the application technique of ultra-high strength steel has also made great progress.

Through all-round technical cooperation with auto corporate customers, Baosteel conducted synchronous and targeted material development and application technical support. By close cooperation with customer supply chain, it produced sustainable added value to achieve mutual benefits for auto and steel industries.



Tips

The Full-Process Technical Support of Baosteel Auto Sheet EVI (Early Vendor Involvement) from Design to Mass Production:

1. Support in auto design material selection and synchronous parts development to control cost and quality through design
2. Support in mold design and acceptance technique to achieve the best match of mold and steel
3. Continuous optimization of auto material and structure to reduce cost through technology
4. Recommendation and application of new materials and techniques to improve the competitiveness of auto products

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Highlights 2013

Make Your Life More Valuable

Awards

Awards for Honest Business

In March, the State-Owned Assets Supervision and Administration Commission of the State Council nominated 30 enterprises for the title of "Model of Corporate Culture among Central Enterprises". Baosteel Resources Co., Ltd. affiliated to Baosteel Group Corporation was the only enterprise in the iron and steel industry who had such honor.

In April, Ningbo Steel Co., Ltd. was awarded by Zhejiang Association of Corporate Counsel with the title of 2011-2012 "Model Unit of Zhejiang in Managing Corporate Affairs by Law".

In July, Baosteel Education Foundation was named a National 4A-Level Foundation, serving as the only one among the all kinds of foundations of central enterprises.

In August, Shaoguan Iron & Steel Co., Ltd. was awarded the title of "Enterprise Honoring Contracts and Values Credibility" in Guangdong Province.

In November, Baosteel won the medal of "National Demonstration Unit in Publicity of Factory Affairs and Democratic Management".

Awards for Value Creation

In January, three trademarks of Baosteel were re-elected as the "Well-Known Trademarks of Shanghai". They are respectively the "Baosteel" trademark of Baosteel Co., Ltd., the "Baosight Software" trademark of Shanghai Baosight Software Co., Ltd. and the trademark of Shanghai Baotian New Building Material Co., Ltd. composed of "patterns and Chinese pinyin letters".

In February, "Baosight Enterprise Information Platform Software V3.0", a basic platform software independently developed by Baosight Software, was listed into the National Key New Product Program.

On February 27, the "Continuously Cold Rolled High Strength Steel Sheet and Strip for Automobile" and the "Continuously Hot Rolled High Strength Steel Sheet and Strip for Automobile", two standards directed and drafted by Baosteel, won the second prize of 2012 Shanghai Outstanding Achievements of Standardization.

In March, in the 2013 TOP100 Chinese Companies' CSR Rank published by the Fortune China, Baosteel Co., Ltd was included for the fifth consecutive year and ranked the 5th.

In April, five products of Shaoguan Iron & Steel Co., Ltd., including "steel for hull structure", "hot-rolled ribbed steel bars for steel reinforced concrete", "low-alloy high-strength structural steel", "low-alloy hot-rolled steel wire rod for pre-stress concrete steel bar" and "hot-rolled steel sheet made of quality carbon steel", were honored by Guangdong Brand Name Products Evaluation Center with the title of "Famous-Brand Products in Guangdong Province".

In April, the "Golden Steel Awards" Projects of Shanghai in 2012 were unveiled. Two projects of Baosteel Engineering & Technology Group Co., Ltd., namely, "Life Circle" of Shenfu New City and the second-phase component assembly plant of large passenger aircraft development guarantee condition construction project, won the special prizes.

On April 19, in the 2012 Shanghai Science and Technology Awards Conference, six projects of Baosteel won the Science and Technology Progress Award. Among them, the "Development and Industrialization of Low Temperature High Magnetic Induction Oriented Silicon Steel Manufacturing Technology" was awarded the First Prize of Science and Technology Progress Award.

In May, the subject titled the "Research and Development of Multifunctional Flexible Single/Dual-rack Leveling Core Technology" completed jointly by Baosteel Cold-rolled Sheet Plant, Equipment Department and Baosteel Central Research Institute won the silver medal in the 7th National Invention Exhibition.

In May, the three subjects – Reducing the Baking Furnace Gas Ignition Time of Q018 Unit of Baosteel Silicon Steel Mill, Reducing the Failure Frequency of Ore Blending and Chute Feeding System in Phase I and II of Baosteel Iron-making Plant and Reducing the Scale Defect Rate of 304 Stainless Steel of Baosteel Stainless Steel Plant won the first prize in the 6th Haiyangwang-cup National QC Group Achievement Competition.

In July, Hwabao Trust Co., Ltd. won the title of "the Best Trust and Financial Institution in China" and the "Honest Trust and Leading Innovation Award". Hwabao Securities Co., Ltd. was honored the "Most Innovative Service Security Broker in China".

On July 8th, Fortune released "Global 500". With the sales revenue of \$45.6827 billion and the net profit of \$918.8 million, Baosteel ranked the 222nd, it is the tenth time for Baosteel to enter this list consecutively.

In July, 10 types of products of Bayi Iron & Steel were re-awarded the title of "Famous Brand of Xinjiang". There were 6 normal products, including hot-rolled rod, spring flat steel, pre-painted steel sheet, galvanized steel sheet, cold-rolled steel sheet and steel band while the rest four were metal works, including cold-drawn steel wire, galvanized steel wire, cold-rolled ribbed steel bar and spiral welded pipe.

On July 16, Fortune China released the "2013 China 500". With the sales revenue of RMB191.512 billion yuan and the net profit of RMB10.386 billion yuan, Baosteel ranked the 22nd and maintained the best operation performance in the same industry of China.

In August, nine projects of Baosteel won the prize of "2013 Metallurgical Science and Technology Award", including the only special prize, two first prizes, four second prizes and two third prizes. Hereinto, Manufacturing Technology and Industrialization of Advanced High-strength Thin Strip Steel won the only special prize.

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Highlights 2013

Make Your Life More Valuable

Awards for Value Creation

In October, the “Baosight Enterprise High-performance Real-time Database Software V2.0” was listed as the 2013 National Key New Product Program in the Notice on National Science and Technology Program Project issued by the Ministry of Science and Technology.

In November, the calcium carbide project designed by Baosteel Engineering & Technology Group won the “Outstanding Engineering Design Award” of China Metallurgical Construction Association.

In December, the appraisal result of “15th China Patent Award” was announced. The three invention patents of Baosteel – “A

Grain-oriented Silicon Steel and Its Production Method and Equipment”, “A Flexible Strip Steel Processing Line for Various High-strength Steels Production” and “Cold Rolled Enamel Steel with High Fish-scaling Resistance and Extra Deep-drawing Property and Its Manufacturing Method” were honored with the “Excellent Patent Award”.

In December, the new building of China Central Television whose steel structure was designed and manufactured by Baosteel Steel Structure Co., Ltd. won the “China Building Construction Luban Awards”.

Awards for Environment Management

In March, Bayi Iron & Steel Co., Ltd. was awarded the title of “Model Unit for Water Conservation in Urumqi”.

In June, Baosteel Co., Ltd was awarded the title of “Model Group for Energy Saving in Shanghai’s Eleventh Five-Year Plan”.

Awards for Employees

In March, the Sunday School for female employees of Baosteel Co., Ltd was named the National Demonstration School of Female Employees.

In April, the “Baosteel Training” magazine won the first prize of 2012 “Excellent Magazine” of China Brand Company Publication.

In June, on the 112th Concours Lépine International, Baosteel won 2 gold awards, 5 silver awards and 3 copper awards with 10 innovative projects of Baosteel’s frontline workers, making the best performance among all exhibitors for China. Among the awards, the “Rolled Delivering and Conveying Appliances for Double-Roller Seamless Steel Tube Cold Reduction Mill” by Chen Tao from Baosteel Special Steel Co., Ltd. and the “Online Filtration Method and Device of Internal Defect of Ultra-Fine and High-Strength Steel Wire” by Hu Donghui from Baosteel

Metal won the gold awards.

In July, the two projects named “Reducing the COD Over-proof Rate of Waste Water Bio-system

in Phase III of Baosteel Cold Rolling Plant” and “Improving the Arrival Temperature Accuracy of Tin Plate Continuous Casting” of Baosteel Steel-making Plant won the first prize in the 7th Haiyangwangcup Self-management Achievement Competition.

In August, the self-management project of “Improving Qualification Rate of Paper Corner Protector” by Baosteel Development won the first prize of the 7th Haiyangwang-cup National QC Group Achievement Competition.

In August, the trade union of Baosteel Group Corporation was awarded the title of “National Model Home of Employees”.

Awards for Social Achievements

In January, the project of “Baosteel Top 10 Subject Researches” won the title of “2006-2012 Branded Project of Lifelong Education” in Shanghai.

In January, Baosteel Co., Ltd was nominated a finalist for the global award of Most Admired Knowledge Enterprise. It was the only finalist from China.

On March 1st, the “Fortune” released the “2013 World’s Most Admired Companies”. Baosteel was nominated as one of the world’s most admired companies, ranked the seventh in global metal industry

In September, the “Baosteel Yearbook” won again the grand prize, the top prize, of the 7th Editorial Quality Inspection and Assessment sponsored by the Publishers Association of China. Since 2005, the “Baosteel Yearbook” has won the Grand Prize 7 times in a row, a unique achievement among all professional yearbooks in the whole country.

In October, the results of the Asia’s Most Admired Knowledge Enterprise were announced. Baosteel Co., Ltd emerged victorious from more than 50 organizations and institutions and won again the Award of Asia’s Most Admired Knowledge Enterprise (Asia MAKE Award).

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Awards for Supply Chain Performance

Beijing Embraco Snowflake Compressor conferred the 2013 Excellent Supplier Quality Award on Baosteel Co., Ltd.

Huayi Compressor and Embraco Compressor jointly conferred the 2013 Strategic Supplier title on Baosteel Co., Ltd.

Dongfeng Liuzhou Motor Co., Ltd. conferred the title of Excellent Supplier on Baosteel for the 14th consecutive year.

FAW Haima conferred the title of Excellent Supplier on Baosteel for the 10th consecutive year.

SAIC-GM-Wuling conferred the honor of "Road to Tens of Millions" and 2013 Excellent Supplier Award on Baosteel.

Chang'an Motors conferred the title of 2013 Excellent Supplier on Baosteel.

China Export & Credit Insurance Corporation Shanghai Branch conferred the honorary title of "2013 Excellent Partner" on Baosteel Co., Ltd.

Jiangling Motors conferred the title of 2013 Excellent Supplier on Baosteel.

Zhengzhou Nissan conferred the title of 2013 Excellent Supplier on Baosteel.

GAC Fiat conferred the title of 2013 Excellent Supplier on Baosteel.

Brilliance China Auto conferred the title of 2013 Excellent Supplier on Baosteel.

JAC Motors conferred the title of 2013 Excellent Supplier on Baosteel.

Eaton Corporation conferred the 2013 Best Asian-Pacific Supplier Award and the Best Quality Award on Baosteel Special Steel.

Dongming Group conferred the title of 2013 Best Supplier on Baosteel Special Steel.

Shanghai GKN Drive Shaft Co., Ltd. conferred the title of 2013 Best Supplier on Baosteel Special Steel.

Zhangjiagang Furui Special Equipment Co., Ltd. conferred the Annual Supplier Special Contribution Award on Baosteel Special Steel.

Liuzhou Iron & Steel Co., Ltd. conferred the title of 2013 Strategic Partner on Baosteel Chemical.

Nanjing Iron & Steel Co., Ltd. conferred the title of 2013 Gold Supplier on Baoling Heavy & Industrial Machinery Co., Ltd.

Baosteel Bayi Iron & Steel has won the title of Xinjiang Famous-Brand Product, the Gold Award for Metallurgic Product Quality and the title of China's Honest Member Enterprise on Quality for several years running.

Baosteel Bayi Iron & Steel won the titles of First-Level Supplier and Excellent Supplier of China National Petroleum Corporation Xinjiang Branch (Karamay), Tuha Oil Field, Tarim Oil Field and Tahe Oil Field.

Baosteel Energy won the title of Brand Enterprise of China's Energy Conservation Service Industry.

Baosteel Steel Structure was named the Recommended Brand of China's Construction Steel Structure Industry.

The entrusted overseas financial business (QDII Business) of Hwabao Trust was awarded by Standard Chartered Bank (China) Limited with the "Operating Capital Management Award".

On the National Promotion Conference of Customer Satisfaction Project Implementation convened by China Association for Quality and National Customer Committee, Guangdong Shaoguan Iron & Steel Songshan Co., Ltd. was awarded the title of 2013 National Enterprise of Customer Satisfaction".

Chronicle of Events

January

On the 2012 National Science and Technology Awards Conference held on January 18, the "Safe and Efficient Development Technology and Industrialization Application for Super-large Ultra-deep High-sulfur Gas Field" jointly developed by Sinopec and Baosteel received the Grand Prize of National Awards for Scientific and Technological Progress, the Advanced High-Strength Thin Strip Flexible Manufacturing Technology and Equipment independently developed by Baosteel received the second prize of National Awards for Science and Technology Invention and the "Research, Development and Innovation Platform for Modern Rolling Technology, Device and Product" jointly developed by Northeastern University, Baosteel and Angang Steel received the second prize of National Awards for Scientific and Technological Progress.

On January 30, the 273 mm seamless steel pipe group of Baoli Steel Pipe co-founded by Baosteel Co., Ltd and Zhejiang Jianli Company completed the whole line including piercing, pipe rolling and sizing and rolled the first red tube. It demonstrated that Baosteel Steel Pipe had taken an important step forward to internationalized development strategy.

In January, the "Development and Industrialization of High-Level Non-Oriented Silicon Steel Manufacturing Technology", the Key Technology and Industrial Application of High-Efficiency RH Vacuum Refining and

the "Development of Ferrite Stainless Steel Product Series for Automobile Emission System" received the first prize of 2012 Baosteel Technological Innovation Achievement Award.

In January, BTW new high manganese wear-resistant steel plate developed by Baosteel Special Steel broke foreign enterprises' monopoly in China's mining high-end wear-resistant material and enhances mining equipment service life by more than twice.

In January, the results of the 3rd "Baosteel Worker Inventors" were announced. There were 9 employees awarded the title of "Baosteel Worker Inventors", including Xing Lijun, technical expert of the hot rolling plant of Baosteel Co., Ltd, Zhang Renqi, chief operator of the hot rolling plant of Baosteel Co., Ltd, Chen Jie, senior spot inspector of the cold rolling plant of Baosteel Co., Ltd, Zhang Rongkang, technical expert of the silicon steel department of Baosteel Co., Ltd, Song Jun, chief operator of the silicon steel department of Baosteel Co., Ltd, Ji Yilong, workstation director of the steel plant of Meizhou Iron & Steel, Lu Jiangmei, spot inspector of the iron melting factory of Baosteel Stainless Steel, Wang Jing, spot inspector of the bar steel plant of Baosteel Special Steel and Yu Haiming, senior steelmaker of the 2nd steel plant of Bayi Iron & Steel.

February

On February 25, the "Application and Engineering Development of High-Precision Optical Comb Coherent Imaging Analyzer", a special national key project of scientific instrument and equipment development funded by the country and approved by the Ministry of Science and Technology, was officially initiated in Baosteel. Initiated by Baosteel Central Research Institution and participated by more than 10 enterprises and research institutions including East China Normal University, University of Shanghai for Science and Technology, Shenzhen University and Shanghai Langyan Science and Technology Company, the project conducted researches on iron and steel test and fine processing monitoring.

On February 26, Baosteel Co., Ltd and SAIC Motor Corporation estab-

lished technical and strategic cooperation on auto weight reduction. Giving full play to its advantages in the research, development and manufacturing technology of auto high-strength steel, Baosteel Co., Ltd will spare no effort to support SAIC Motor Corporation in the weight reduction of the cars of its self-owned brands, ensure steady supply of Baosteel high-strength steel to the corporation for the weight reduction and achieve a win-win situation in their technical and strategic cooperation in weight reduction.

In February, He Wenbo was elected as deputy to the 14th People's Congress of Shanghai.

March

On March 1st, the "Fortune" magazine published the 2013 World's Most Admired Companies. Baosteel was once again included in the list.

On March 21, as one of the first batch of seven central enterprises where pilot programs for board of directors were carried out, Baosteel Group Corporation held the Baosteel Symposium on the Operational Practice of Board of Directors in Shanghu Village of Changshu to summarize the operational experience of the previous two boards of directors and provide lessons and inspirations for further improvement of the board of directors and reinforcement of state-owned enterprise reform.

On March 26, the Joint R & D Center for Comprehensive Resource Utilization of Baosteel Central Research Institution and Baosteel Development Co., Ltd. was founded.

On March 28, the Baosteel Joint Roller R & D Center created by Bao-

steel Central Research Institution and Baosteel Engineering & Technology Group was founded.

On March 28, the trial run of the South Xinjiang Project of Bayi Iron & Steel was successfully completed, signifying that the iron & steel project with the largest one-time investment and construction scale and the highest automation level in Xinjiang's industrial construction history began to have production capacity.

In March, the Baosteel Cloud Service for Online Video Conference was officially put into operation. It enables Baosteel employees to attend cross-regional conference, have interview, receive training, address quality complaints and make remote diagnosis by turning on the computer and signing in the Baozhiyun (Cloud of Baosteel) Conference Service System.

April

On April 10, the No.1 blast furnace of Bayi Iron & Steel South Xinjiang Branch produced its first barrel of molten iron.

On April 12, Baosteel Co., Ltd held the New "Golden Apple" Team Signing and Awarding Ceremony in Baosteel Central Research Institution. As the commando and pioneer of making scientific and technological breakthroughs in iron & steel industry, representatives of 4 industry-focused teams and 6 project teams received the team plaques from He Wenbo, Chairman and party committee secretary of Baosteel Co., Ltd, and Ma Guoqiang, President of Baosteel Co., Ltd, and signed the Three-Year Goal Liability Statement.

On April 15, the blasting and dehumidification energy conservation technology transformation project of No.8 blast furnace, the first contract project of energy management of Shaoguan Iron & Steel, was completed. The assembling unit was put on trial.

On April 19, the 2012 Shanghai Science & Technology Awards Conference was held in the Youyi Auditorium of Shanghai Exhibition Center. Zhang Zhongye, chief researcher of Baosteel Central Research Institution, won the Outstanding Scientific and Technological Contribution Award for Youth. Six projects of Baosteel won the Science and Technology Progress Award. Among them, the "Development and Industrialization of Low Temperature High Magnetic Induction Grain-oriented Silicon Steel Manufacturing Technology" was awarded the first prize of Science and Technology Progress Award.

On April 21, the first-phase coking furnace of Baosteel Co., Ltd retired.

In April, the material for the plunger of auto engine manufactured by Baosteel Special Steel was authenticated by U.S. MAHLE Engine Components Co., Ltd.

May

On May 3, Baosteel Technical Expert Symposium was officially founded at Baosteel (Changshu) Leadership Development Center. The symposium was designed to establish an open and sharing platform for self-directed study, unbounded communication and interactive research, inspire the innovation of experts through exchange and collision of ideas and promote common development of each other.

On May 17, as the construction of No.1 Blast Furnace Project of Zhanjiang Iron & Steel commenced, Baosteel Zhanjiang Iron & Steel projects were under all-round construction. Meanwhile, the common auxiliary projects for main construction projects, including iron making, steel making, hot rolling, cold rolling, energy and logistics, were also under construction.

On May 18, stage I of the first-phase coking furnace transformation project of Baosteel Co., Ltd was initiated.

On May 23, Baosteel Co., Ltd released a public announcement that its repurchase plan had been implemented with a total expense of RMB 5 billion yuan (including commission). Its accumulative repurchase scale had reached 1.04 billion shares, accounting for approximately 5.9% of

its original total equity (before some of its repurchased shares were cancelled).

On May 23, the first-phase project of Jiangsu Baosteel Fine Wire & Cord was constructed and put into operation in Haibao Metal Industrial Park in Haimen City, Nantong of Jiangsu Province.

On May 30, the all-time dock for finished products of Baosteel commenced construction. Once completed, it will be open for shipment handling in rainy days and accept 50,000 tonners of incoming vessels for operation, which will have great significance for improving the finished product throughput capacity of Baosteel docks, reducing the present energy consumption need of transport, strengthening Baosteel's overall shipping capacity and service level, accommodating itself to the need of Baosteel's new round of development planning and ensuring the success of Baosteel's logistics.

In May, Baosteel was awarded the title of China Charity Award - Most Caring Donor Enterprise. This was the fifth time in a row Baosteel received the honor.

June

On June 17, Xu Lejiang, Chairman of Baosteel Group Corporation, announced the decision to adjust the leadership of Bayi Iron & Steel on the Cadre Convention of Bayi Iron & Steel. Chen Zhongkuan was appointed Chairman of Bayi Iron & Steel and Xiao Guodong, General Manager. Afterwards, Xu Lejiang and the leadership of Bayi Iron & Steel signed the contracts of office term.

On June 19, Wang Yu, Secretary of Baosteel Group Corporation Youth League, was elected the member of the 17th Central Committee of the Communist Youth League.

On June 24, Baosteel Group Corporation and Shanghai Electric Group signed agreement for new strategic cooperation.

Baosteel Co., Ltd was awarded the title of "Model Group for Energy Saving in Shanghai's Eleventh Five-Year Plan".

In June, Hwabao Trust won the title of the "Best Trust and Financial Institution in China" and the 7th "Honest Trust and Leading Innovation Award".

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Highlights 2013

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July

On July 8, Fortune released "Global 500". With the sales revenue of US\$45.6827 billion and the net profit of US \$918.8 million, Baosteel ranked the 222nd, it is the tenth time for Baosteel to enter this list consecutively.

On July 15, Baosteel and Mitsubishi Heavy Industries signed the 2030 cold rolling mill equipment contract of Zhanjiang Iron & Steel. The 2030 cold rolling project, as one of the main constructions of Zhanjiang Iron & Steel, specialized in high-end auto sheet and home electrical appliance sheet production, including hot-rolled low-carbon steel, ultra-low carbon steel (IF steel) and high-strength steel, with a designed annual capacity of 2.2 million tons.

On July 16, Fortune China released the "2013 China 500". Recording the sales revenue of RMB191.512 billion yuan and the net profit of

RMB10.386 billion yuan, Baosteel ranked the 22nd, maintaining the best operation performance in the same industry of China.

On July 23, the 9th Conference of the 5th Board of Directors of Baosteel Co., Ltd released a resolution announcement stating that Dai Zhihao was employed as President of Baosteel Co., Ltd.

On July 30, Baosteel released its CSR Report of 2012.

In July, the third-phase oriented silicon steel project of Baosteel Co., Ltd was completed, signifying that Baosteel had an annual oriented silicon steel production capacity of 300,000 tons.

In July, Hwabao Securities won the award of "China's Most Innovative Securities Brokerage House in Service".

August

On August 8, Baosteel Group Corporation and Tebian Electric Apparatus Stock Co., Ltd. signed the agreement for new strategic cooperation at Baosteel Tower and had in-depth discussion about product research and development, domestic and overseas cooperation, to name just a few.

On August 11, the continuous casting project and hot rolling project of Baosteel Zhanjiang Iron & Steel were simultaneously put into construction.

On August 21, Baosteel and Jinneng Group Co. Ltd. signed a strategic cooperation agreement and expressed unanimously that both parties would take further advantage of their respective edge in iron & steel manufacturing, resource development and other fields, constantly reinforce and promote all-round cooperation and achieve mutual support, complementary advantages, long-term cooperation and common development.

On August 31, on the 2013 China's Top 500 Enterprises list published by China Enterprise Federation, Baosteel Co., Ltd. ranked the 30th with a business income of RMB 288.226 billion yuan.

In August, the "Manufacturing Technology and Industrialization of Ad-

vanced High-Strength Thin Strip Steel " of Baosteel was the only winner of the grand prize of Metallurgical Science and Technology Award; the "Research and Application of Steel Pipe for 600°C Ultra-Supercritical Thermal Power Unit" and the "Key Technology and Industrial Application of High-efficiency RH Vacuum Refining" won the first prize of Metallurgical Science and Technology Award in 2013; the "Research, Development and Integration of Systematic and Efficient Energy Conservation Technology for Large-Scale Heating Furnace", the "Development of Ferrite Stainless Steel Product Series for Automobile Emission System", the "Research and Development of the Core Technology of Multifunctional and Flexible Cold-Rolling Leveling Mill of High-Quality and Ultra-Thin Band Steel" and the "High-Quality Hot-Rolling Coiling Control Technology" won the second prize of Metallurgical Science and Technology Award in 2013; the "Development of Heat Resisting Tubing and Casing" and the "JYB11- Supply Support System Based on Automobile Parts" won the third prize of Metallurgical Science and Technology Award in 2013.

September

On September 3, the 2030 cold rolling project of Baosteel Zhanjiang Iron & Steel was put into construction.

From September 11 to 13, the 2013 Summer Davos, an international conference on economy that attracted global attention, was held in Dalian, China. At the forum with "Meeting the Innovation Imperative" as its theme, heads of states, government members and entrepreneurs from multiple countries gathered in Dalian to jointly address the issue of global economy. Xu Lejiang, Chairman of Baosteel Group Corporation, attended the forum and was invited to act as co-chairman of the Resource Summit. At the forum, he discussed with world-renowned business leaders, leading experts and distinguished guests from all circles about corporate innovation and other topics.

On September 14, on the product identification conference co-chaired by NDRC Energy Administration and China Machinery Industry Federation, the identification committee thought that the 690 alloy U-shaped heat transfer tube for the third-generation ACP1000 nuclear power steam generators jointly developed by Bao-Yin Special Steel Pipe Co., Ltd. of Baosteel Special Steel and Nuclear Power Institute of China, with technical performance equivalent to or even partly better than that of its advanced overseas counterpart, can be put into industrial and quantity production and applied to ACP1000 nuclear power generation units.

On September 17, Shanghai Magnolia Award was announced. Wang Wei, a New Zealander Chief Researcher of Baosteel Central Research Institution, received the award.

On September 26, the "Fortune" magazine released the 2013 Most Admired Chinese Enterprise. Baosteel was once again included in the list as the only iron and steel enterprise.

On September 26, BGM Co., Ltd., a steel processing and distributing center jointly funded and established by Baosteel Howa Trading Co., Ltd., Baosteel International and GNS Automotive Co., Ltd., a local enterprise of South Korea, held its completion ceremony in Gyeonggi-do, South Korea. BGM Co., Ltd., as the first joint capital steel processing and distribution center invested, constructed and operated overseas by Baosteel, signified a step forward of Baosteel in terms of practice to the improvement of the overseas supply chain system construction of Baosteel, promotion of overseas customer service and acceleration of internationalized operation.

In September, Baosteel Co., Ltd., Ltd, Songshan Co., Ltd of Guangdong Shaoguan Iron & Steel and Ningbo Steel Co., Ltd ranked respectively the 21st, 395th and 454th on the list of the "Fourth China's Top 500 Foreign Trade Enterprises".

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October

On October 18, Baosteel Special Steel and Hebei Hongrun Heavy Industry Group Co., Ltd officially signed a strategic cooperation agreement in Cangzhou of Hebei Province. Through communication and cooperation of their business, both parties achieved information exchange, resource sharing, complementary advantages and common development in terms of the research, development and manufacturing of large-diameter and high-level steel pipe.

On October 18, Shanghai Baosight Software and Shanghai Telecom signed the agreements for cooperation on Data Center (IDC) and communication service integration at Baosteel Tower. Shanghai Telecom would lease the data center resources of the Baozhiyun IDC first-phase project of Baosight Software and take the opportunity to promote their all-round coordination in cloud computing business.

On October 20, Zhu Yiming, trade union chairman of Baosteel Group Corporation, was elected the member of the 16th executive committee of the All-China Federation of Trade Unions.

On October 22, on the Safety Committee (Enlarged) Conference con-

vened by Baosteel, the new "Production Safety Accident Accountability Regulations" was published, stipulating that in terms of management, managers of all levels shall be responsible for production safety, or they shall be held accountable with more severity for the accidents of production safety inside their jurisdictions.

In October, Baosteel Special Steel and Xi'an Sunward Aeromat Co., Ltd. officially signed an agreement for strategic cooperation in the joint development of compound nickel-based layer material for gathering and delivering pipeline of oil and gas.

In October, the hot rolled pipeline plate, thick pipeline plate, UOE pipeline tube, HFW pipeline tube and coating products for pipeline were accredited by Royal Dutch Shell plc. Thus, the plate and tube products for the five major pipelines of Baosteel had all been granted for global purchasing supply of Shell.

In October, on the 14th World Knowledge Forum, Baosteel Co., Ltd. was named again Asia's Most Admired Knowledge Enterprise (Asian MAKE Award).

November

On November 3, the No.3 blast furnace of Baosteel Co., Ltd entered the pre-heating stage.

On November 6, stage I of the first-phase coking furnace transformation project of Baosteel Co., Ltd was officially put into construction.

On November 13, the comprehensive transformation project of the agglomeration system of Baosteel Co., Ltd for energy conservation and environmental protection was put into operation.

On November 16, Baosteel held the 2013 Baosteel Education Awards Ceremony, in which 706 students, such as Huang Xiangwei, received 2013 Baosteel Outstanding Student Award, 50 students, such as Wang Tiange, received 2013 Baosteel Outstanding Student Special Award, 96 students, such as Qin Zihong, received 2013 Baosteel Outstanding Student Award (for students from Taiwan), 96 students, such as Lin Yao, received the 2013 Baosteel Outstanding Student Award (for students from Hong Kong and Macau Regions) and 247 teachers, such as Xu Shiyang, received the 2013 Baosteel Outstanding Teacher Award. In addition, 10 teachers, such as Zhao Xianzhong, were nominated for the 2013 Baosteel Outstanding Teacher Special Award and 8 teachers, such as Yan Chunhua, received the 2013 Baosteel Outstanding Teacher Special Award.

On November 16, the No.3 blast furnace of Baosteel Co., Ltd completed its overhaul and was put into operation.

On November 20, the construction project of No.4 GA production line of Baosteel-NSC auto sheet of Baosteel Co., Ltd was officially put into construction.

On November 28, the joint laboratory of steel for automobile of Chang'an and Baosteel was inaugurated in Chongqing.

On November 29, Baosteel announced that it was awarded with highest credit rating among global iron and steel enterprises and had begun to issue overseas USD bonds. Standard & Poor's, Moody's and Fitch, the three major international credit rating agencies, respectively set the long-term corporate credit rate of Baosteel Co., Ltd as A-, A3 and A- and its rating outlook unanimously as "stable".

On November 29, the coking and jet project of Zhanjiang Iron & Steel base was put into full-scale construction. The project consisted of 4 coke ovens, 4 coke dry quenching systems and one gas refining system, among which the No.1 coke oven was constructed in advance.

In November, after the approval of China Iron and Steel Association and the Corporate Management Modernization Innovation Achievement Evaluation Committee of Shanghai Federation of Industrial Economics, the "Auto Early Involvement Service Model Practice Oriented to Object Cost" by Baosteel Co., Ltd and Baosteel Central Research Institution and the "Application Research and Practice of Big Customer Channel of E-Commerce System" by Baosteel.com of Baosteel International received the first prize of 2013 Metallurgical Corporate Management Modernization Innovation Achievement; the "Systematic Integration of Large-Scale Enterprise Management Oriented to Strategy" by Baosteel Engineering and Technology Group and the "Construction and Operation of Green Manufacturing Chain Based on the Full Life Cycle of Products" by Baosteel Metal received the first prize of Shanghai Corporate Management Modernization Innovation Achievement.

In November, the All-China Federation of Trade Unions awarded the trade union of Baosteel Group Corporation with the title of "National Model Home of Employees".

In November, the Ministry of Human Resources and Social Security, together with State-Owned Assets Supervision and Administration Commission, released a joint announcement to confer the title of Model Unit of Central Enterprises on Baosteel Metal Shanghai Baosteel Packing Co., Ltd, Baosteel Co., Ltd, C102 Rolling Mill Class B of the cold rolling plant of Baosteel Co., Ltd., Qingdao Baohan Transport and Trade Co., Ltd. of Baosteel Resources, the Ammonium-Benzene Operation Zone Class C of the jet mill of Baosteel Chemical Meishan Branch and Unit No.2 of the Continuous Casting Class C Operational Zone of the continuous casting branch of the steel plant of Baosteel Meizhou Iron & Steel Co., Ltd. They also conferred the title of Model Workers of Central Enterprises on Zhang Wenxue, Zhou Hui, Wang Li, Yang Baoquan, Zhang Lihong, Zhuang Huaming, Wang Jiangtao and Zhao Gangshan.

December

On December 7, Baosteel Co., Ltd announced that it had successfully issued USD 500 million's worth of five-year debenture bonds with interest of 3.75%, which will mature on December 12, 2018 with interest paid every six months. The bonds will be listed in Hong Kong Stock Exchange.

On December 13, Baosteel Group Corporation and China International Marine Containers Co., Ltd held the event of top management exchange year to allow the conventioners to have in-depth exchanges in their cooperation in all fields. The two sides unanimously expressed that against the environment and challenges of the future market, they should develop their partnership in an all-round manner during reforms, continuously and profoundly explore their cooperation mode and achieve mutual benefits and common development.

On December 18, Baosteel held the 3rd Congress of Science and Technology Association and the 7th Congress of the Baosteel Metal Institute. On the congress, the 3rd Committee of Baosteel Science and Technology Association, comprised of 61 members, and the 7th Board of Directors of Baosteel Metal Institute, comprised of 65 members, were elected. The 3rd Baosteel Science and Technology Association was comprised of 4 work committees, 9 professional societies and 9 science and technology association branches. The 7th Metal Institute was comprised of 7 professional committees and 5 academic groups.

On December 19, the sintering project of Zhanjiang Iron & Steel base was put into full-scale construction.

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Survey for Stakeholders' Issues of Concern

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Thank you for reading this Baosteel CSR Report 2013. Baosteel greatly values your comments and suggestions so that we are able to make improvements accordingly. Please feel free to scan the following QR codes and log on to our official website to fill out the "Survey Form for Stakeholders' Issues of Concern".





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