

XIV. Operation Improvement

Optimizing Organization and Operation Management for Higher Operation Effectiveness

In order to bring the advantages in management and technology of the headquarters and the brand effect of the automotive sheet into full play, the Company transferred the management of the hot galvanizing production of the Stainless Steel Business Unit to the headquarters. The No. 4 sub-plant of coating and galvanizing was established by the cold rolling plant to be responsible for the production management of the regional hot galvanized products of the Stainless Steel Business Unit with a view to improve the general profitability of cold-rolled products. The Sheet and Strip Technology Center of the Research Institute was established with a goal to promote the organic connection between the R&D on one hand and the market and on-site solutions on the other hand and improve the R&D efficiency. The Company explored the management mode for heavy plate products by cancelling the Heavy Plate Product Management Department and setting up the Heavy Plate Sales Department to be responsible for the sales and management of heavy plate products. Changes were made to enable Meishan Steel to be in charge of its own hot-rolled product sales, and the sales department of Meishan Steel was approved to be established accordingly. The production management system of steel pipe and steel bar were perfected by integrating the management of steel pipe, steel bar blooming and wire products. Steel Bar Product Management Department was set up to exercise the decision-making power for the management of steel bar and wire products and take full responsibility of the production, sales, research and after-sales service of the steel bar and wire products.

The functional organization of the headquarters and the business units were further streamlined for higher efficiency and lower administrative cost. In view of the demand for management and business, the Company built an employee service center, providing consolidated, professional and standardized service to employees. The Stainless Steel Business Unit consolidated its sections for similar businesses, reducing the functional departments from 35 to 21, or by 40%, and achieving a higher management efficiency.

Performance Evaluation Focusing on Key Performance Indicators

Guided by the principle of "Simplification and focusing on key performance indicators," the Company focused on such key indicators as "Total profit," "Contract completion rate," and "Inventory capital occupation", promoted the further implementation of product operation responsibilities among all units, dealt with the weakness hindering the performance and raised the overall operational performance of the Company. In 2011, 15 key jobs were formulated in line with the three major tasks including "product management," "cost improvement," and "capacity advancement of the management system". By pushing forward the project for each job, the Company witnessed effective implementation of these projects. With a view to facilitate the Company's business development planning, pilot work was initiated for the objective responsibility system during the leader's term of office that involves "one plant, one department and one company". The Company guided the transition of the management mode in the pilot units by selecting the evaluation indicators and setting up targets for various performance indicators. In the meantime, the Company endeavored to optimize its system and maximize its value by promoting internal coordination and inter-department coordination among these pilot units.

Standard System Certification

In line with the Company's demand for organizational adjustment, risk and internal control, and system management, the Comprehensive Management Handbook of Baoshan Iron & Steel Co., Ltd. was revised and improved to extend the range and connotation of management system. Pilot work was conducted for standardized internal control to raise the awareness of risk control in the Company systematical operation and integrate the risk management into the Company's overall operation. Product planning management was further improved, with key products (such as GA exposed panels, etc.) as the focus, the Company promoted the substantial application of FMEA, and control planning in the carbon steel system, and enhanced product quality stability. The inspection and analysis labs of the Company passed related national certification. The promotion of energy management system gained quick response from all major steel units of the Company. The Company passed the review of clean production by enforcing the responsibility system, emphasizing the appraisal system, and promoting clean production review. Baosteel was approved by GM, and became one of the green suppliers of GM.

Risk Management and Control

In line with the general principle of "integrating the proactive risk estimation into the business operation and business procedures", the Company combined the risk management with the existing business operation mode, implementing the systematic procedures of risk identification, risk control and risk evaluation. For the 14 major risk projects such as bulk raw material procurement and credit, the Company improved the risk management strategies and solutions to optimize the risk monitoring indicators, and establish relevant rules and systems, setting up clear requirements on risk control and management. The Company organized relevant business departments to conduct an overall summarization of the risks and opportunities brought by Japanese earthquake and nuclear radiation on the Company's operations.

Sustaining the improvements in the fieldwork

The Company drafted and issued "2011 Promotion Plan for Functional Department to Intensify the Grass-root Management". It helped foreman to improve their abilities by applying the "Support and Guidance System," and compiling tutorials for foreman. The promotion of visualized management on site was sustained. The Company also enhanced the effectiveness of the 6 Sigma lean operation by focusing on the goal of finding fundamental solutions. The Company also promoted the publishing of JK achievements, making the JK activities an effective tool for fieldwork improvement.

Steadily advancing IT construction

The 9672 system cluster upgrading project and other IT projects were pushed forward in an orderly way, with tangible results achieved in the year. The Company implemented the national requirements on the information system as stated in the "Guideline for Enterprise Internal Control", and revised Company's system of IT construction. Measures were taken to strengthen the training and information security management for core systems. The asset management of the information system was perfected, and the authorization procedure management platform was constructed. The Company digested and transformed the relevant requirements in the "Lean Confidentiality and Secondary Confidentiality Qualification" and stepped up its confidentiality management. The Company respected the intellectual property rights and pushed forward the use of legitimate software.