

## VII. Incentive Measures

Due to active respond to national policies, the Company explored and innovated in the reform of state-owned enterprise and equity incentive to effectively push the marketization operation of the Company. With Chinese steel industry entering a micro-profit time, faced with growing fierce market competition, the Company has to establish a medium and long-term incentive system which is a guarantee to realize its long-term strategies, internal integration and complete the human resource mechanism.

Releasing restricted stock plan and capital management plan for staff in key positions facilitates the long-term effect of incentive system and enhancement of the Company's competitiveness in order to keep the interests of governors and shareholders aligned, realize the co-development between staff and the Company, promote the Company's long-term development of and the shareholder's value.

### Restricted A Share Incentive Plan

The Company awarded 47,4461 million shares to 136 administrative personnel on May 22, 2014, with repurchased stock as resource. The lockup period was 2 years, with three years of unlocking period starting from the next day of due day. When reaching the unlocking conditions, incentive objectives are able to apply for unlocking and transfer at a ratio of constant speed in any year during the unlocking period; when the Company performance or personal performance did not reach the unlocking conditions in that year, the Company would buy back corresponding lockup restricted stock per relevant rules.

#### Awarding conditions:

	Awarding conditions	Performance in 2013
Total profit	2.2 times than total average profit of domestic benchmark steel enterprises or more, Top 3 operational profit per ton among foreign benchmark steel enterprises, and the Company's EVA evaluation goals reached which were allotted from Baosteel Group given by SASAC	RMB 8 billion of total profit with loss of domestic benchmark enterprises; 456 (RMB/ton) of operational profit per ton, with Top 1 among six foreign peer benchmark enterprises; RMB 530 million of EVA goals allotted to the Company by the Group, with actual performance of RMB 1.63
Growth rate of gross revenue	a fixed ratio of 1.1% more than performance value in 2012, with reaching RMB 181.2 billion, and no less than the weighted average of gross revenue of domestic peer listed companies at the same period	RMB 190.0 billion of gross profit, 6.0% more than that in 2012; 1.8% growth rate of average gross revenue of domestic peer listed companies
EBITDA/ Operational income	no less than 9%, and the average value of domestic peer listed companies at the same period	10.5% of actual performance, exceeding the average 6.0% of domestic peer listed companies

## Unlocking conditions (2015-2017) :

	2015	2016	2017
Total profit	2.5 times than the average total profit of domestic benchmark steel enterprises at the same period	2.8 times than the average total profit of domestic benchmark steel enterprises at the same period	3.0 times than the average total profit of domestic benchmark steel enterprises at the same period
Operational profit per ton	Top 3 among foreign benchmark steel enterprises		
EVA	the Company's EVA evaluation goals reached which were allotted from Baosteel Group given by SASAC		
Operational income	2% of gross revenue rate more than allotted value year-on-year, reaching RMB 184.8 billion and no less than the weighted average of gross revenue growth rate of domestic peer listed companies with A share at the same period	3% of gross revenue rate more than allotted value year-on-year, reaching RMB 186.6 billion and no less than the weighted average of gross revenue growth rate of domestic peer listed companies with A share at the same period	5% of gross revenue rate more than allotted value year-on-year, reaching RMB 190.3 billion and no less than the weighted average of gross revenue growth rate of domestic peer listed companies with A share at the same period
EBITDA/ Gross revenue	No less than 10%, and no less than 75 tantile of EOS of domestic peer listed companies with A share at the same period		

Note: 1. Domestic peer listed companies with A share: refer to all 32 listed companies (Baosteel not included) in "Shenyin & Wanguo Primary Industry Index-Ferrous Metal" category edited by Shenyin & Wanguo Securities Co., Ltd., a large domestic security institution.  
 2. Domestic benchmark steel enterprises: refer to Top 8 domestic peer listed companies with A share in 2012 annual operation income (Baosteel not included), which are: Hebei Iron and Steel, Taigang Stainless Steel, Wuhan Iron and Steel, Anshan Iron and Steel, Maanshan Iron and Steel, Shansteel, Jiusteel Hongxing and Valin Steel.  
 3. Foreign benchmark steel enterprises: refer to POSCO, Nippon Steel & Sumitomo Metal, JFE Holdings, United States Steel Corporation, Arcelor Mittal and China Steel Corporation.

## Asset Management for Staff in Key Positions

The Company implemented asset management plan for staff in key positions in 2014. The participant objects were the staff in key positions confirmed by the Company, including staff in management position, chief technicians, specialists, core technology backbones approved by the company and other approved staff making outstanding contributions and winning award at provincial level and above. There are 1,100 employees participating in the plan.

The Company determined the standard of self-raised funds according to the importance of positions and contributions of individuals in key positions. The Company jointly constituted capital management special funds in proportion, and the employees subscribe the products entrusted by Ping An Annuity Insurance Company. 70% product capital will be used to buy the stocks of Baoshan Iron & Steel, and the rest 30% is used to invest in other liquid assets. The product terminates after 3 years. If the appointment period expires and the staff in key positions meets receiving conditions, the staff may receive one time.