

2015 Sustainability Report

BAOSHAN IRON & STEEL CO., LTD.



Sincerity, Friendliness and Creativity Building Shared Values



"Sincerity, Friendliness and Creativity" is the Company's core value.

"Sincerity" is a moral decree naturally followed by Baosteel. We serve sincerely, manufacture honesty, conduct ourselves in society simple, suit action to the word, and abide by the essential standard of humanistic society. "Friendliness" is a reasonable pursuit of Baosteel to go beyond ourselves. Based on coexistence and common prosperity and starting from heart and people orientation, we consciously pay back to society and nature and realize the meaning of self-existence while creating value for each stakeholder.

"Creativity" is a gene for Baosteel to exist, develop and make breakthroughs in the future. We uphold innovation instead of sticking to tradition and set foot in the international stage to promote technological advancing and reform of commercial model with wise operation idea and continuous new thinking.

The Company commits itself to building shared value for all stakeholders and through this to constantly boost its brand value.

Contents



1.

Message from Top Management	2
------------------------------------	----------

2.

About This Report	4
Our Commitments	4
Basis of the Report	4
Range of the Report	4
Language and Publishing Form	4

3.

Company Overview	5
Company Profile	5
Business Ethics and Value	11
Business Indicator	11

4.

Management on Sustainable Development	12
Management Mode	12
Supervision Information Disclosure	15
Honors and Awards	16
Social Contribution Value per Share	17

5.

Green Steel	18
Green Products	18
Green Manufacturing	21
Green Supply Chain	26

6.

Go with Trend	27
Major Acts	27
Results	29
Enterprise Competitiveness	31
Investor Relations	34

7.

Human as Treasure	36
Employee as Treasure	36
Community as Treasure	41
Shareholders as Treasure	42

8.

Urban Steel Mill	43
Mutual Construction in Urban Ecological Environment	43
Boosting Urban Industry Development	44
Co-building Good City Life	45

9.

Appendix	47
Interested Party Q&A	47
Reader Feedback Information Form	48

1

Message from Top Management

管理者致辞



Chairman:
Chen Derong



General manager:
Dai Zhihao

For Baosteel, 2015 is the thirtieth year when difference shall be made and also the very year with historical meaning. Zhanjiang Steel, aiming at building “dreamworks” with the highest efficiency worldwide, successfully ignited its blast furnace No.1 on Sep. 25.

While fully engaged market challenges and constructing Zhanjiang Steel, Baosteel got the big picture in mind, gave full play to core enterprise’s leadership, fully redeployed human resources to Bayi steel and Shaoguan Iron & Steel Co.,Ltd.(Referred to as SGIS), coordinated and supported the whole process and made enormous contribution to Group Corporation’s turnaround. Besides, Ouyeel Commerce, a shared service platform for steel jointly established by Baosteel and Group Corporation, through integrating original advantage capabilities and resources, swiftly built five modules, i.e. e-commerce, logistics, finance, materials and data. National internet layout of logistic and service sites was formulated basically with challengeable goal of double volume realized (even more than expected), which makes itself a core platform for strategical transforming in Baosteel.

The Company sold 22.1483 million tons of commercial billets, realized RMB 164.12 billion of gross revenue and RMB 1.85 billion of total profit in 2015. The Company continued its technical leadership in 2015, conducted premium product strategy and maintained to be leading in high-end product market. Both shares in domestic cold rolled auto sheet market and super-strength steel market have exceeded 50%. Market competitiveness of oriented silicon steel has been booting. The Company earned 45% market share in UHV AC/ DC engineering market, becoming the first domestic enterprise capable of manufacturing rolled clad plate in batches for accumulator at CAP1400 nuclear power plant. Meanwhile, the Company extended its overseas high-end product market, holding export ratio of 10% and more. Total energy consumption for the year was 13.256 million tons of standard coal, with 603 kg standard coal for comprehensive energy consumption per ton steel and 1.88 million tons of standard coal for total complementary energy recovery. The Company has achieved more than the goal in “12th Five Year” emission reduction plan given by Shanghai Municipality, with SO₂ and NO_x, the main pollutants, respectively exceeding 26% and 23%; constant improvement has been made in environment and afforestation in plants as well as in solid waste management.

Investment ratio of R&D, sale ratio of new products and pilot production proportion of new exclusive products were 2.1%, 21.0% and 69.8% respectively in 2015. The Company filed the application for 828 pieces of patents, among which the invention patents accounted for 73.4%.

As of December 31, 2015, Baosteel was closed at 5.58 Yuan/share, with a PB of about 0.8. The Company has been awarded China Enterprise Top 100 and China Star Enterprise, awarded class-A company in information disclosure of listed companies by Shanghai Stock Exchange, continued to be conferred as Most Admired Listed Companies Top 100 by Investors, and elected as Great China Best Investor Relations (Material industry) by IR Magazine, a celebrated institution.

In 2015, Standard Poor, Moody's and Fitch respectively granted the Company A-, A3 and A- long-term enterprise credit rating, with rating outlook of "stable", which allowed the Company to continue its best rating worldwide across the steel industry.

General principles for the Company's operation in 2016 would be "one body with two wings, three-place coordination, seeking development through innovation and reform, differentiated competition, cost improvement, and creating good performance through lean operation". General operation objectives: 50% market share in cold rolled auto sheet, the best performance among peers, RMB 4 billion of overall cost reduction, RMB 10 billion of net cash inflow arising from operating activities, and 3.8% more labor efficiency in regular staff.

2016 remains to be the first year for the Company to implement its new round of development planning while as a year for deeper revolution and significant cost reduction. Priority would be in the following work:

1. **Strict management for safety performance improvement.** Optimize safety management mode, focus on building employee-centered safety management mode, which takes safety behaviors of employees and safety status of materials as the story line, and effectively boost the safety capabilities of "management, employees and collaborative team". Enhance safety management basis and strengthen safety performance evaluation system to further gear up safety leadership of management of all levels.
2. **Push new product development and keep diversified competition advantages.** Make more efforts on R&D of differential variety, revolve around six strategic products of the Company, stick to development path of new differential products, enhance conceiving and R&D of new products with technical leadership, launch the third round of "Golden Apple", pay attention to the relations between proactive techs & products and urgent issued need to be settled in current production and operation, reinforce the match between input and output of projects to support the operation of the Company.
3. **Build stable, efficient and low-cost manufacturing system with multi-base coordination.** Take implementing new round of strategic planning as a method, vigorously expand market, make more efforts on cost improvement, deepen the reform in every aspect, attempt to reduce loss and increase profit, energetically improve and advance collaborative manufacturing among Baosteel Headquarter, Zhanjiang Steel and Meishan Steel, optimize variety management and division for the least stock, the lowest rate of waste and defective products, the best cost and manufacturing capabilities, complement each other among three places and maximize the Company's overall profit.
4. **Ensure a stable energy system with more efforts on environmental governance.** Guarantee a safety and economic opera-

tion of energy system with energy value management oriented and combining internal and external changes. Control emission of coal gas and oxygen, make energy cost refined, keep efficient operation of energy management system and reduce energy cost. Intensify control over environmental protection process and programs and emphasize on programs like standard governance as new environment protection law required, clean air plan supervision and urban steel mill planning as for such difficult technical problems as in sintering flue gas administration and odor removal in cold rolled and coking process.

5. **Dig up users' demand with innovated marketing mode.** Constantly push EVI (Early Vendor Involvement) forward, formulate progress modes for various industries, make business and technical breakthrough, secure market share and ensure capability reserve. Enhance overseas marketing and service capabilities. Come up with Zhanjiang Steel marketing scheme, ensure output-sales balance for all production lines of Zhanjiang Steel, complete smooth and efficient sale and maximize the value of spot products from Zhanjiang Steel.
6. **Reduce cost as special program in terms of every staff, every aspect and every process.** Give a strong push to "cost-side reform", strive for RMB 4 billion of cost reduction goal in 2016. Level up operating capital efficiency and advance technical cost reduction to lower investment cost.
7. **Intensify reform and revitalize teams.** Persistently improve efficiency, reinforce remuneration distribution reform, enrich talent cultivation styles, strengthen core staff management and push forward the professional development in production synergy.
8. **Speed up Zhanjiang Iron and Steel's transform from construction to operation.** Ensure smooth production, enhance variety quality and consolidate safety and environmental protection liability.
9. **Initiatively conduct pilot intelligential manufacturing program.** Select representative business with much improvement potential and somewhat sophisticated tech, automatize and intelligentize equipment, optimize plant management and pilot operation optimization.
10. **Advance implementation of new planning.** New planning still takes "becoming the most competitive steel enterprise and a listed company with most investment value across the world" as a strategic target, adheres to "One Body & Two Wings" strategy (steel as the Body and intelligential manufacturing & shared and service-oriented ecosystem of the steel industry as Two Wings) and focuses on developing the Company towards "cost transform, technical leadership, service comes first, intelligential manufacturing and urban steel mill".

Chairman:



General manager:



2

About This Report

关于本报告

Our Commitments

The board of directors of the Company and all its members guarantee that this Report is free from any false records, misleading statements or major omissions and hereby undertake individual and joint liabilities for the authenticity, accuracy and completeness of the information contained in The report.

Basis of the Report

The report is compiled mainly based on *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (Version G4)* and *Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises CASS-CSR2.0*. Meanwhile, The report have also been referred to documents including *2009 Report Work Memos of Listed Companies No.1-Compilation and Deliberation of Internal Control Report and Corporate Social Responsibility Report* issued by Shanghai Stock Exchange, the *Guidance for Compilation of Report of Company Performance of Social Responsibilities* and the *Notice on Strengthening Undertaking of Social Responsibilities by Listed Companies & Release of Environmental Information Disclosure of Listed Companies in Shanghai Stock Exchange*.

Range of the Report

From January 1, 2015 to December 31, 2015, unless otherwise specified, the report mainly describes business activities involving economy, environment and social work of each production unit included in main business of Baoshan Iron & Steel Co., Ltd. (including Company headquarters, Tube, Pipe and Bar Business Unit, Shanghai Meishan Iron & Steel Co., Ltd., Baosteel Zhanjiang Iron and Steel Co., Ltd., Baosteel Huangshi Coating & Galvanizing Co., Ltd. and Baosteel NSC/Arcelor Automotive Steel Sheets Co., Ltd., as well as Baosteel Research Institute, Shanghai Baosteel International Economic & Trading Co., Ltd., Shanghai Baosight Software Co., Ltd. and Shanghai Baosteel Chemical Co., Ltd.

CNY is adopted as the unit of the financial data in the report. For the purpose of convenient reference, you may use exchange rate of 1USD=6.4936CNY for calculation (pursuant to the benchmark exchange rate released by People's Bank of China on December 31, 2015). If euro is adopted, the Company recommends using the exchange rate of 1EUR=7.0952CNY for calculation under same standard.

Language and Publishing Form

The report is published in both Chinese and English. The Chinese version will prevail in the event of any discrepancy between the two versions.

The report is released to the readers by two means, i.e. printing material and PDF files. The PDF file can be downloaded and read from the website of Baoshan Iron & Steel Co., Ltd. (<http://www.baosteel.com/>). In order to reduce environmental influence, we advocate that readers may download and read electronic version as far as possible and we are going to reduce the quantity of printed version year by year.

Recycled paper is adopted for the printed version of the report. In order to save the use of paper, we are controlling the length of the report. For more information that is not included in the report, you may visit the website of Baoshan Iron & Steel Co., Ltd. or read the Company's annual financial statements.

In case of any question about the report, please contact us by phone or letter at the following address:

Baoshan Iron & Steel Co., Ltd.
No. 885, Fujin Road, Baoshan District, Shanghai, P.R.C
Postal code: 200941
Tel: 0086-21-26646114
Fax: 0086-21-26649000
E-mail: webmaster@baosteel.com

3

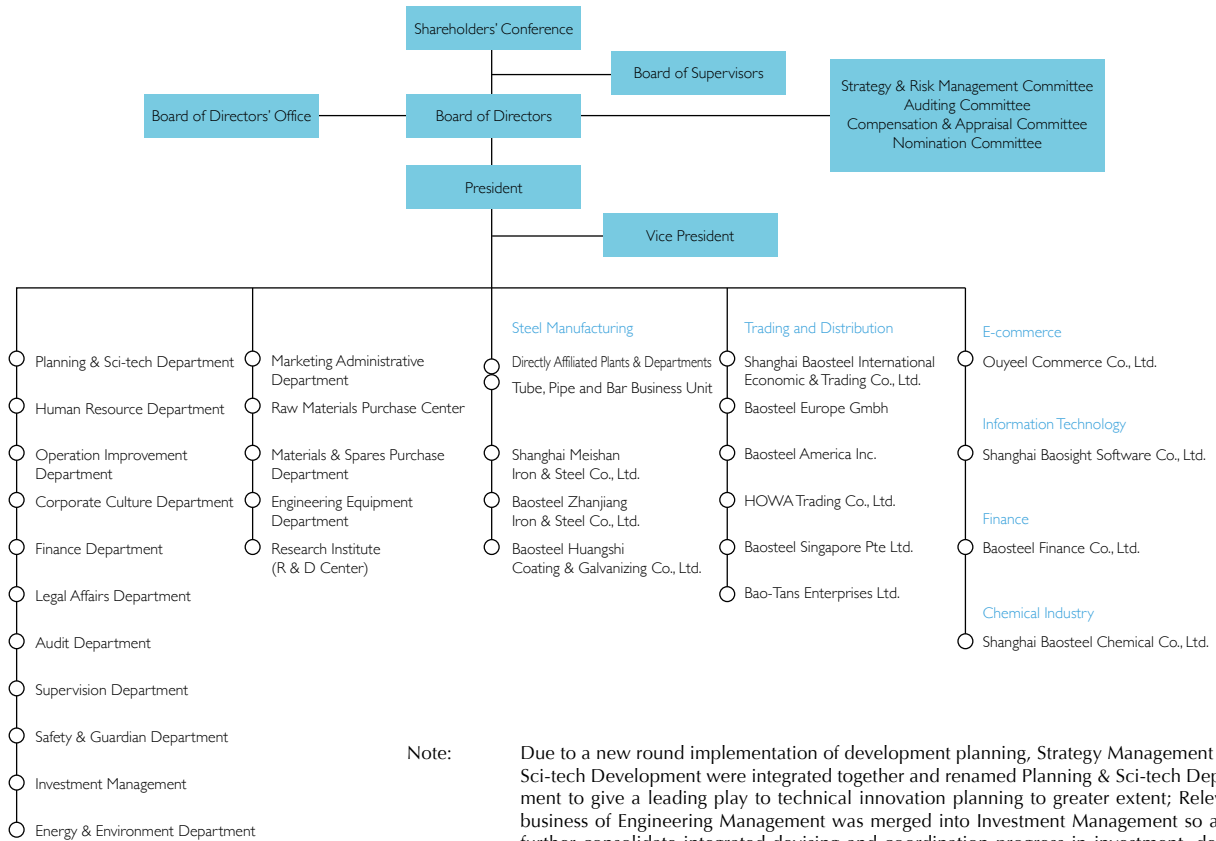
Company Overview

公司概况

- Company Profile 5
- Business Ethics and Value 11
- Business Indicator 11

3.1 Company Profile

3.1.1 Organization



Note: Due to a new round implementation of development planning, Strategy Management and Sci-tech Development were integrated together and renamed Planning & Sci-tech Department to give a leading play to technical innovation planning to greater extent; Relevant business of Engineering Management was merged into Investment Management so as to further consolidate devising and coordination progress in investment, design and construction management.

Cancel the organization of employee service center and move relevant business to H&R Department, Office and other departments to reduce administration level and further boost administrative efficiency.

3.1.2 Capital Stock Changes

Common stock changes

① Common Stock Changes

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio (%)	Shares newly issued	Bonus share	Share transferred from reserve	Others	Sub-total	Shares	Ratio (%)
I. Shares subject to conditional sales	46,747,200	0.284				-3,508,500	-3,508,500	43,238,700	0.263
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares									
Among which: domestic non-state-owned legal person shares									
Domestic natural person shares	46,747,200	0.284				-3,508,500	-3,508,500	43,238,700	0.263
4. Foreign shares									
Among which: foreign legal person shares									
foreign natural person shares									
II. Shares not subject to conditional sales	16,424,278,824	99.716						16,424,278,824	99.737
1. RMB ordinary shares	16,424,278,824	99.716						16,424,278,824	99.737
2. Domestic listed international investment shares									
3. Overseas listed international investment shares									
4. Others									
III. Total	16,471,026,024	100.000				-3,508,500	-3,508,500	16,467,517,524	100.000

② Notes for changes in common stocks

Proposal on *Adjusting Incentive Object of Restricted Stock Plan* was reviewed and approved at the 21st meeting of the fifth Board of Directors held between March 25 and 26, 2015. The Company repurchased 1,737,600 shares of restricted stock on May 26, 2015 failing to reach the unlocking conditions of the incentive object withdrawing from A Restricted Stock Plan, and completed cancellation on May 28, 2015.

Proposal on *Adjusting Incentive Object of Restricted Stock Plan* was reviewed and approved at the 2nd meeting of the sixth Board of Directors held on Aug. 24, 2015. The Company repurchased 793,500 shares of restricted stock on Nov. 12, 2015 failing to reach the unlocking conditions of the incentive object withdrawing from A Restricted Stock Plan, and completed cancellation on Nov. 16, 2015.

Proposal on *Adjusting Incentive Object of Restricted Stock Plan* was reviewed and approved at the 4th meeting of the sixth Board of Directors held on Nov. 27, 2015. The Company repurchased 977,400 shares of restricted stock on Dec. 21, 2015 failing to reach the unlocking conditions of the incentive object withdrawing from A Restricted Stock Plan, and completed cancellation on Dec. 23, 2015.

As of Dec. 23, 2015, the Company's total capital stock has reached 16,467,517,524 shares, including 43,238,700 shares of restricted tradable shares and 16,424,278,824 shares of non-restricted tradable shares.

③ Influences of common stock changes on the earnings per share, net asset value per share and other financial indicators in last year and period

During the reporting period, 3,508,500 restricted shares have been cancelled in total and there was basically no influence on current earnings per share, net asset value per share and other financial indicators.

Change of shares subject to conditional sales

 Applicable

 Not applicable

Unit: share

Name	Shares at the beginning of year	Shares released in the year	Shares added in the year	Shares at the end of the year	Reason	Releasing date
Stock incentive object	46,747,200	-3,508,500		43,238,700	Stock incentive	
Total	46,747,200	-3,508,500		43,238,700	-	-

- Note:
1. Please refer to “Notes for changes in common stocks” of the Report for reasons reducing shares subject to conditional sales in the year.
 2. Date of releasing restricted sales is upon the expiration of two years of restricted period and when the release conditions are met.

3.1.3 Shareholders

Total shareholders

Total number of common stock holders at the end of the reporting period (people)	323,660
Total number of common stock holders at the end of last month before the disclosure date of the annual report (people)	309,970

Top 10 shareholders, Top 10 tradable shareholder (or holders of shares not subject to conditional sales) by the end of the reporting period

Top 10 shareholders

Unit: share

Name (Full Name)	Increase or decrease during the period	Shares at the end of the reporting period	Ratio (%)	Shares subject to conditional sales	pledged or frozen		Shareholder nature
					Status	Number	
Baosteel Group Corporation	1,440,000	13,130,265,267	79.734	0	None	0	State-owned
China Securities Finance Co., Ltd.	444,813,261	444,813,261	2.701	0	None	0	State-owned
Central Huijin Asset Management Co., Ltd	122,230,300	122,230,300	0.742	0	None	0	State-owned
Meng Lingcui	33,836,640	33,836,640	0.205	0	None	0	Natural person in China
Ping An Annuity Insurance Company, Ltd.-Ping An Annuity Fuying Life Pension Security Entrusted Management product and Fuying Stock-type Portfolio	-2,732,189	32,970,563	0.200	0	None	0	Unknown
Bank of China Limited-China AMC new economy flexible configured hybrid securities investment fund	30,593,576	30,593,576	0.186	0	None	0	Unknown
Bank of China Limited- E fund stable yield bond securities investment fund	23,999,808	23,999,808	0.146	0	None	0	Unknown
Hong Kong Securities Clearing Company Ltd.	-50,269,085	23,648,600	0.144	0	None	0	Unknown
China AMC-Agricultural Bank of China-China AMC & China Securities Financial Asset Management Plan	21,645,400	21,645,400	0.131	0	None	0	Unknown
ICBC Credit Suisse Asset-Agricultural Bank of China- ICBC Credit Suisse & China Securities Financial Asset Management Plan	21,645,400	21,645,400	0.131	0	None	0	Unknown
Dacheng Fund- Agricultural Bank of China-Dacheng & China Securities Financial Asset Management Plan	21,645,400	21,645,400	0.131	0	None	0	Unknown
GF Fund Management- Agricultural Bank of China- GF Fund & China Securities Financial Asset Management Plan	21,645,400	21,645,400	0.131	0	None	0	Unknown
Harvest Fund- Agricultural Bank of China- Harvest Fund & China Securities Financial Asset Management Plan	21,645,400	21,645,400	0.131	0	None	0	Unknown
Yinhua Fund- Agricultural Bank of China- Yinhua Fund & China Securities Financial Asset Management Plan	21,645,400	21,645,400	0.131	0	None	0	Unknown
E fund- Agricultural Bank of China- E fund & China Securities Financial Asset Management Plan	21,645,400	21,645,400	0.131	0	None	0	Unknown
CSAM- Agricultural Bank of China- CSAM & China Securities Financial Asset Management Plan	21,645,400	21,645,400	0.131	0	None	0	Unknown
Zhong Ou Asset- Agricultural Bank of China- Zhong Ou Asset & China Securities Financial Asset Management Plan	21,645,400	21,645,400	0.131	0	None	0	Unknown
Bosear Funds- Agricultural Bank of China- Bosear Funds & China Securities Financial Asset Management Plan	21,645,400	21,645,400	0.131	0	None	0	Unknown

Top 10 holders of shares not subject to conditional sales

Unit: share

Name	Number of shares not subject to conditional sales	Type and number of shares	
		Type	Number
Baosteel Group Corporation	13,130,265,267	RMB ordinary share	13,130,265,267
China Securities Finance Co., Ltd.	444,813,261	RMB ordinary share	444,813,261
Central Huijin Asset Management Co., Ltd	122,230,300	RMB ordinary share	122,230,300
Meng Lingcui	33,836,640	RMB ordinary share	33,836,640
Ping An Annuity Insurance Company, Ltd.-Ping An Annuity Fuying Life Pension Security Entrusted Management product and Fuying Stock-type Portfolio	32,970,563	RMB ordinary share	32,970,563
Bank of China Limited-China AMC new economy flexible configured hybrid securities investment fund	30,593,576	RMB ordinary share	30,593,576
Bank of China Limited- E fund stable yield bond securities investment fund	23,999,808	RMB ordinary share	23,999,808
Hong Kong Securities Clearing Company Ltd.	23,648,600	RMB ordinary share	23,648,600
China AMC-Agricultural Bank of China-China AMC & China Securities Financial Asset Management Plan	21,645,400	RMB ordinary share	21,645,400
ICBC Credit Suisse Asset-Agricultural Bank of China- ICBC Credit Suisse & China Securities Financial Asset Management Plan	21,645,400	RMB ordinary share	21,645,400
Dacheng Fund- Agricultural Bank of China-Dacheng & China Securities Financial Asset Management Plan	21,645,400	RMB ordinary share	21,645,400
GF Fund Management- Agricultural Bank of China- GF Fund & China Securities Financial Asset Management Plan	21,645,400	RMB ordinary share	21,645,400
Harvest Fund- Agricultural Bank of China- Harvest Fund & China Securities Financial Asset Management Plan	21,645,400	RMB ordinary share	21,645,400
Yinhua Fund- Agricultural Bank of China- Yinhua Fund & China Securities Financial Asset Management Plan	21,645,400	RMB ordinary share	21,645,400
E fund- Agricultural Bank of China- E fund & China Securities Financial Asset Management Plan	21,645,400	RMB ordinary share	21,645,400
CSAM- Agricultural Bank of China- CSAM & China Securities Financial Asset Management Plan	21,645,400	RMB ordinary share	21,645,400
Zhong Ou Asset- Agricultural Bank of China- Zhong Ou Asset & China Securities Financial Asset Management Plan	21,645,400	RMB ordinary share	21,645,400
Bosear Funds- Agricultural Bank of China- Bosear Funds & China Securities Financial Asset Management Plan	21,645,400	RMB ordinary share	21,645,400

Remarks on affiliation, alliance or collusion among the aforementioned shareholders

The Company is not aware of any connected relationship among other shareholders mentioned above or any parties acting in concert specified in *Measures for the Administration of Acquisitions by Listed Companies*.

Top 10 holders of shares subject to conditional sales, their share and the conditions

Unit: share

No.	Name	Shares	conditional sold shares available to be listed and traded		Conditions
			Date available to be listed and traded	Newly-added tradable shares	
1	Dai Zhihao	543,000			See notes
2	Zhao Zhouli	543,000			See notes
3	Zhu Junsheng	543,000			See notes
4	Li Yongxiang	488,700			See notes
5	Zhou Jianfeng	488,700			See notes
6	Wang Jing	488,700			See notes
7	Lu Rong	488,700			See notes
8	Chu Shuangjie	488,700			See notes
9	Zhi Xiwei	488,700			See notes
10	Sheng Genghong	434,400			See notes
11	Zhang Pijun	434,400			See notes
12	Zhang Dianbo	434,400			See notes
13	Zhu Kebing	434,400			See notes
14	Yao Linlong	434,400			See notes
15	Wei Chengwen	434,400			See notes
16	Xie Qi	434,400			See notes
17	Wang Qiangmin	434,400			See notes
18	Shi Bing	434,400			See notes
19	Zhong Yongqun	434,400			See notes

Notes on affiliation, alliance or collusion among the aforementioned shareholders

All aforementioned shareholders are the incentive subjects of first awarding scheme of 2014 A share restricted share plan. For the conditions, please refer to Baosteel first awarding scheme of restricted A share plan on the website of Shanghai Stock Exchange <http://www.sse.com.cn>

3.1.4 Controlling Shareholders and Actual Controllers

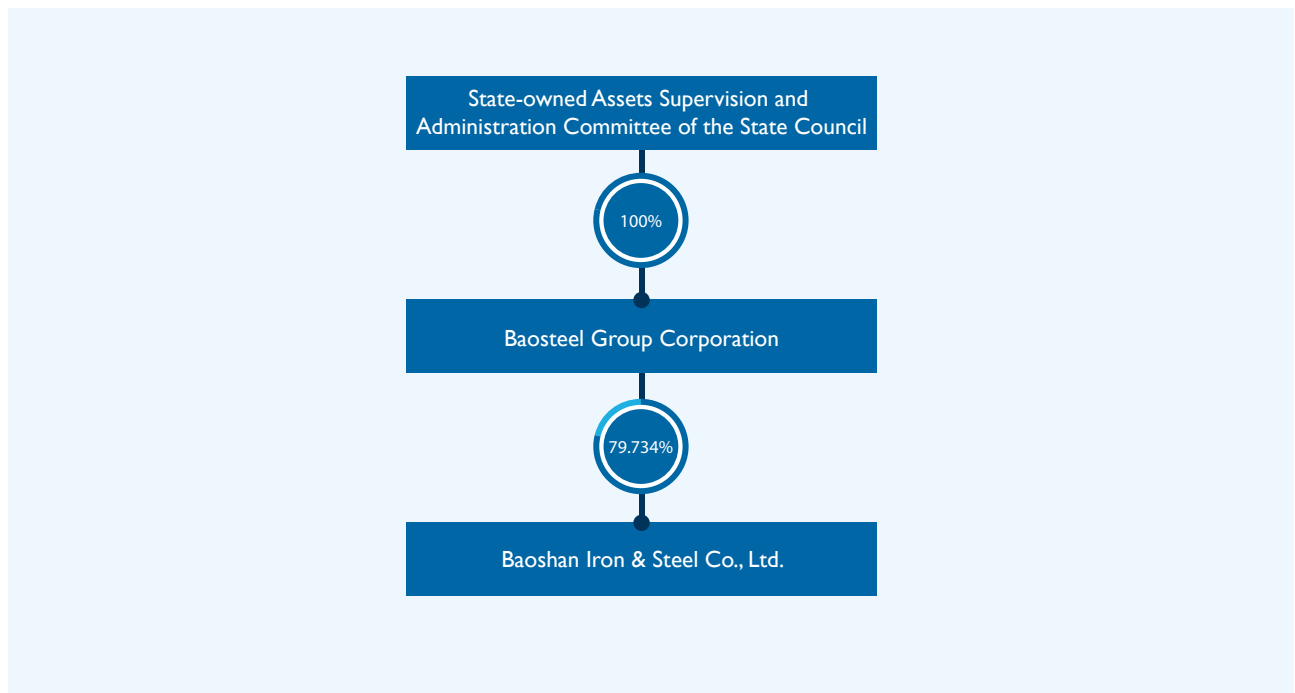
Controlling shareholders

Legal person

Name	Baosteel Group Corporation
Unit Leader or Legal representative	Xu Lejiang
Date of incorporation	Nov. 17, 1998
Principal businesses and operations	As a government authorized investment organization and a state-owned holding company, Baosteel Group Corporation mainly deals with state-owned assets within the authorized scope set by the State Council. The Corporation has also been involved in investments in areas of iron & steel, metallurgy and mineral products, non-toxic chemicals, electricity, piers, warehousing, transportation, and steel-related business, technological development, technology transfer, technical supporting, and technical management consulting, as well as in areas of import and export businesses approved by the Ministry of Foreign Trade & Economic Cooperation (MOFTEC), domestic and international trading (except specific regulations), and the trading service.
Shareholdings of other listed companies (controlling and joint venture) at home and abroad in the period	According to the 2015 Third Quarter Report of the listed company, direct or indirect holdings of over 5% equities by Baosteel Group Corp. in other listed companies were as follows: 50.02% A stocks of Bayi Iron & Steel Co., Ltd., 53.37% A stocks of SGIS Songshan Co., Ltd., 14.93% A stocks of China Pacific Insurance Co., Ltd, and 15.11% A stocks of New China Insurance Co., Ltd.

Actual controller

- ① Actual controller of Baosteel is the State-owned Assets Supervision and Administration Commission of the State Council (SASAC).
- ② The enterprise property rights and controlling relationship between the Company and its actual controller



3.1.5 Employment of directors, supervisors, and senior executives in service or leaving the Company during the period

Name	Title	Gender	Age	Beginning of office	End of office
Chen Derong	Chairman	Male	54	Oct. 30, 2014	Apr. 27, 2018
Chen Derong	Director	Male	54	Oct. 15, 2014	Apr. 27, 2018
Dai Zhihao	Director and General manager	Male	52	July 22, 2013	Apr. 27, 2018
Zhao Zhouli	Director	Male	59	Apr. 27, 2012	Apr. 27, 2018
Zhu Junsheng	Director	Male	55	Apr. 27, 2012	Apr. 27, 2018
Wang Li	Director	Male	59	Apr. 27, 2012	Apr. 27, 2018
Buck Pei	Director	Male	58	Apr. 27, 2012	Apr. 27, 2018
Mr. Yuh-Chang Hwang	Independent director	Male	60	Apr. 27, 2012	Apr. 27, 2018
Liu Wenbo	Independent director	Male	47	Apr. 27, 2012	Apr. 27, 2018
Xia Dawei	Independent director	Male	62	Apr. 26, 2013	Apr. 27, 2018
Li Li	Independent director	Female	62	Apr. 24, 2015	Apr. 27, 2018
Chen Ying ^(Note 1)	Chairperson of board of supervisors	Female	44	Apr. 24, 2015	Jan. 5, 2016
Zhou Zhuping ^(Note 2)	Chairperson of board of supervisors	Male	52	Jan. 27, 2016	Apr. 27, 2018
Zhang Yong	Supervisor	Male	54	Sep. 12, 2014	Apr. 27, 2018
Wu Kunzong	Supervisor	Male	44	Apr. 27, 2012	Apr. 27, 2018
Liu Guowang	Supervisor	Male	43	May 20, 2014	Apr. 27, 2018
He Meifen	Supervisor	Female	51	Mar. 19, 2013	Apr. 27, 2018
Li Yongxiang	Vice general manager	Male	55	Mar. 26, 2008	Apr. 27, 2018
Wang Jing	Vice general manager	Female	52	Aug. 27, 2010	Apr. 27, 2018
Chu Shuangjie	Vice general manager	Male	51	Aug. 27, 2012	Apr. 27, 2018
Zhi Xiwei	Vice general manager	Male	55	Feb. 10, 2014	Apr. 27, 2018
Zhang Dianbo	Vice general manager	Male	53	Aug. 28, 2015	Apr. 27, 2018
Zhu Kebin	Chief Accountant, Secretary of Board of Directors	Male	41	Aug. 27, 2012	Apr. 27, 2018
Ms. Wong Pick Kuen Helen	Resigned independent director	Female	54	Apr. 27, 2012	Apr. 24, 2015
Liu Zhanying	Resigned chairperson of board of supervisors	Female	60	Apr. 27, 2012	Apr. 24, 2015
Zhou Jianfeng	Resigned vice general manager	Male	52	Apr. 27, 2012	Jan. 9, 2015
Guo Bin	Vice general manager	Male	44	Apr. 29, 2014	Nov. 16, 2015
Hou Angui	Vice general manager	Male	43	July 22, 2013	Nov. 16, 2015

Note 1: Due to other work, Ms. Chen Ying resigned from the chairperson of board of supervisors and supervisor in Jan. 2016.

Note 2: As reviewed by the general meeting of shareholders on Jan. 27, 2016, Mr. Zhou Zhuping was appointed as the sixth chairperson of board of supervisors and supervisor.

Change in directors, superiors and senior executives

Name	Position	Change	Reason
Wong Pick Kuen Helen	Independent director	Leaving the Company	Expiry of term in BOD
Li Li	Independent director	Appointed	Newly appointed independent director
Liu Zhanying	Chairperson of BOS	Leaving the Company	Expiry of term in BOS
Chen Ying	Chairperson of BOS	Appointed	Newly appointed chairman
Chen Ying	Chairperson of BOS	Leaving the Company	Resign in Jan. 2016
Zhou Zhuping	Chairperson of BOS	Appointed	New appointment in Jan. 2016
Zhang Dianbo	Vice general manager	Appointed	New appointment in Aug. 2015
Zhou Jianfeng	Vice general manager	Leaving the Company	Resign in Jan. 2015
Guo Bin	Vice general manager	Leaving the Company	Resign in Nov. 2015
Hou Angui	Vice general manager	Leaving the Company	Resign in Nov. 2015

3.2

Business Ethics and Value

"Sincerity, Friendliness and Creativity" is the Company's core value.

"Sincerity" is a moral decree naturally followed by Baosteel. We serve sincerely, manufacture honestly, conduct ourselves in society simple, suit action to the word, and abide by the essential standard of humanistic society.

"Friendliness" is a reasonable pursuit of Baosteel to go beyond ourselves. Based on coexistence and common prosperity and starting from heart and people orientation, we consciously pay back to society and nature and realize the meaning of self-existence while creating value for each stakeholder.

"Creativity" is a gene for Baosteel to exist, develop and make breakthroughs in the future. We uphold innovation instead of sticking to tradition and set foot in the international stage to promote technological advancing and reform of commercial model with wise operation idea and continuous new thinking.

The Company commits itself to building shared value for all stakeholders and through this to constantly boost its brand value.



3.3

Business Indicator

Principal product data and operation revenue as of the end of 2015 is as follows:

Name	The Company's shareholding	Gross revenue (100 million)	Profit (100 million)
Baoshan Iron & Steel Co., Ltd.	100%	1641.2	18.5
Shanghai Meishan Iron & Steel Co., Ltd.	77.0%	196.3	-11.8
Baosteel Zhanjiang Iron Steel Co., Ltd.	90%	6.0	-3.2
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.	50%	99.1	2.6
Yantai Lubao Steel Pipe Co., Ltd.	100%	9.1	-1.8
Baosteel Huangshi Coating and Galvanizing Sheet Co., Ltd.	58.5%	16.0	0.3
Shanghai Baosteel International Economic & Trading Co., Ltd.	100%	1034.4	17.3
Shanghai Baosight Software Co., Ltd.	55.5%	39.4	3.8
Shanghai Baosteel Chemical Co., Ltd.	100%	76.3	0.4
Baosteel Nantong Iron & Steel Co., Ltd.	95.8%	0.4	-5.7
Baosteel Group Finance Co., Ltd.	62.1%	5.1	1.7
Yantai Baosteel Pipe Co., Ltd.	80%, Yantai Lubao Steel Pipe Co., Ltd. holding the remaining 20%	14.3	-4.4

4

Management on Sustainable Development

可持续发展的管理

Management Mode	12
Supervision Information Disclosure	15
Honors and Awards	16
Social Contribution Value per Share	17

4.1

Management Mode

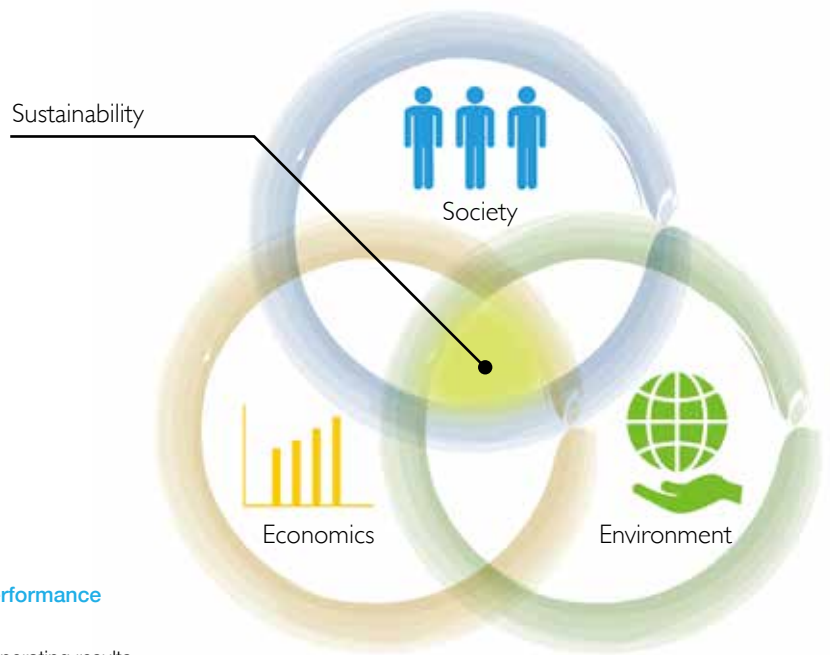
4.1.1 Corporate Mission

To be a world-class steelmaker and service provider for a better life

4.1.2 Vision

- Build a steel enterprise with the best performance
- Become the best environment-friendly practitioner
- Become an urban steel mill for a better life





4.1.3 Fundamental Connotation

Build a steel enterprise with the best performance

- ① Persistently pursue industry-leading operating results
- ② Maintain corporate brand with honest operation
- ③ Be responsible to investors with sustainable return

Become the best environment-friendly practitioner

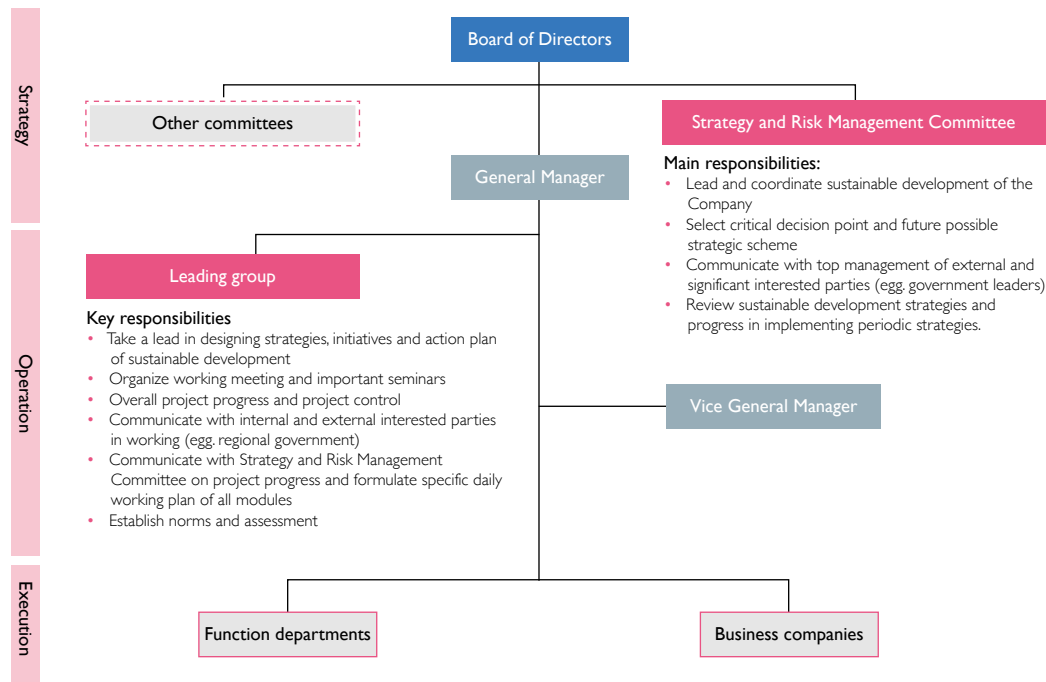
- ① It is our minimum standards to strictly abide by national laws, regulations and standards on energy conservation and environmental protection (ECEP), fulfill international environmental conventions and meet the requirements of environmental protection regulations;
- ② Implement the strictest internal control standard, improve production process, optimize energy structure, lower energy cost and constantly reduce energy consumption and environmental impact bought by enterprise and product using process;
- ③ Assure that no substance harmful to environment and health and forbidden by laws and regulations is added on purpose in manufacturing and that harmful impact of products in service life on environment shall be reduced;
- ④ Strive to reduce and reuse industrial waste by turning it into resources and facilitate to recycle urban waste.
- ⑤ Prefer to collaborate with suppliers and sub-contractors with good environmental protection performance, promote suppliers' awareness and performance in sustainable development while providing clients with green solutions and devote itself to building green industry chain together;
- ⑥ Encourage partners to constantly improve their management and performance in ECEP, release LCA-based product environment statement, publish environmental performance of core products and facilitate clients and other related parties to compare impacts of different product life cycles;
- ⑦ Develop and promote products and systems with high energy efficient and high resource efficient, advance R&D and promotion of ECEP technology, share advanced environment design philosophy and technology with users and provide products and service with excellent environmental performance for society;
- ⑧ Pay attention to climate change, actively participate in domestic and overseas ECEP exchange and collaboration and improve ecological environment of the Earth; energetically engage in collaboration with government and enterprises, as well as international cooperation, promote and apply international research results and keep the same pace with international ECEP improve technologies;
- ⑨ Enhance employees' awareness in environmental protection and ecological harmony and promote their environmentally friendly behaviors in work, life, social participation and others.

Become an urban steel mill for a better life

- ① Positively respond to urban ecological essential line protection and planning & implementation and steadily promote ecological landscape in industrial zone and improve regional environmental quality in synergy;
- ② Initiatively respond to development strategy of urban resource conservation and environmental protection and adopt positive total resource conservation and pollutant reduction control mechanism;
- ③ Actively engage in urban ecological civilization construction to become organic composition of urban service function and industrial culture;
- ④ Actively engage in community construction and pay attention to opinions and requirements of related parties for a harmonious development.

4.1.4 Relevant Professional Systems

(I) Organization system of sustainable development management



(II) Professional supporting systems for sustainable development management

① Environmental management system

Baosteel is the first enterprise to implement ISO14001 environmental management system among national iron and steel enterprises. The Company passed the first certification in 1998. At present, iron & steel manufacturers of Baoshan Iron & Steel passed ISO14001 Environmental Management System Certification. 21 processing and distribution centers subordinate to Baosteel International, Shanghai Baosteel Chemical Co., Ltd. and other non-steel production units also passed ISO14001 Environmental Management System Certification.

② Energy management system

Baoshan Iron & Steel (headquarters) took the lead to pass National Energy Management System ISO 50001(GB/T23331) Certification among national iron and steel industry in 2010. The Company was the first iron and steel enterprise to meet GB/T23331-2012 *Energy Management System Requirements* in 2013.

③ Quality management system

Baosteel passed ISO 9001 quality management system certificate in Jan. 1995. Baosteel Auto Sheet passed ISO 9000 quality management system certificate in 1999. Baosteel quality management system passed ISO/TS 16949 certificate in 2003.

④ Occupational health and safety management system

In 2004, Baosteel passed OHSAS 18001 (GB/T 28001) occupational health and safety management system certificate and realized integrated certification in quality, environment and occupational health and safety management systems.

⑤ Measurement management system

Measurement management system of Baosteel passed "Perfecting Metrological Measurement System" ISO10012-1 certificate in 1998. Baosteel passed laboratory certificate of ISO/IEC Guide 25 in chemical, mechanics and physical detection in 2000. Measurement calibration lab of Baosteel passed ISO/IEC 17025 certificate in 2003.

⑥ Hazardous substance process management system

Baosteel passed QC080000 (IECQ_HSPM):2012 Third Party certificate for the very first time in 2014; Baosteel Headerquarter successfully passed the second verification of hazardous substance management system in 2015 with stable and well organized operation in hazardous substance management system.



7 Pilot carbon trading

As one of pilot enterprises with carbon emission permit trading in Shanghai, Baosteel started its carbon emission permit trading in Nov. 2013.

Some redundant carbon emission quota were listed and sold in Shanghai Environment and Energy Exchange in Apr. 2014 by Baosteel who gained the first profit from carbon trading.

Baosteel accepted enterprise annual carbon emission spot inspection from ESER in 2015 and completed its 2014 quota.

8 Supervision and credit management system

In order to reinforce anti-corruption system construction, the Company formulated and distributed such significant systems as *2013-2017 Work Plan & Task Distribution for Baosteel Earnestly Implementing Baosteel Punitive and Preventive Corruption System*, *Opinion on Baosteel Implementing Party Conduct and Anti-Corruption Construction with Entity Responsibility from Party Committee and Supervision Responsibility from Discipline Inspection Commission (Pilot)* and *Opinion of Baoshan Iron & Steel Co., Ltd. on Responsibility System in Further Constructing Clean and Honest Company (Pilot)*, with "Responsibility List" defining specific responsibility and specifying responsibility distribution, to facilitate the implementation of responsibilities.

9 Clean production auditing system

In 2005, Baosteel won the title "National Environmentally Friendly Enterprise" among national iron and steel industry.

In 2007, Baosteel was among the first batch who won the title "Clean Production Environmentally Friendly Enterprise" conferred by CISA.

In 2011, Baosteel Headquarter, BNA and Baosteel Chemical among Shanghai enterprises applied for clean production review and passed.

In 2012, Baotong Iron & Steel and Yantai Baojing, Shanghai Packaging Steel belt and Shanghai High-strength Steel subordinate to Baosteel International passed clean production review and acceptance. Yantai Baojing was awarded excellent "Clean Production Enterprise" in Shandong Province.

In 2014, Baosteel Headquarter passed the second round of clean production evaluation.

In Dec. 2015, Baosteel Headquarter and cold rolled thin sheet plant passed another round of clean production evaluation and acceptance.

4.2

Supervision Information Disclosure

In 2015, it is not any serious violation of environment laws and regulations in Baosteel Iron & Steel Co., Ltd.

4.3 Honors and Awards

Below are some honors granted by all sectors of society to Baoshan Iron & Steel Co., Ltd. in 2015:

Award	Issuing authority
26th of 2015 Chinese Listed Company Top 500	Fortune (Chinese version)
Most Admired Listed Companies Top 100 by Investors	Securities Daily
Baosteel won China Enterprise Top 100 and China Star Enterprise	Warton Economic Institute, Shanghai Services Federation, Shanghai-Pacific Regional Economic Development Institute
600°C Ultra-supercritical Thermal Power Unit Steel Tube Innovative Development and Application won first prize of national science and technology progress award. It was the third time that the Company has won the honor since automobile sheet and oriented silicon steel product.	State Council
"Three Flow & One Status" Energy Value Management among Modern Iron and Steel Enterprises won the first prize of 2014 national business management modernization innovation achievement	China Enterprise Confederation, State-owned Assets Supervision and Administration Commission of the State Council, Ministry of Industry and Information Technology
Invention patent of "Galvanized Steel Sheet with Excellent Alkali and Solvent Resistance" applied by Baosteel won 16th China Excellent Patent	State Intellectual Property Office
Cr-Mo Steel with High-performance Structure and for Pressure Vessel (12Cr2Mo1R, SA387Gr.22Cl.2, 15CrMo, 12Cr1MoV, 15CrMoR(H), 15CrMoR, 14Cr1MoR, 12Cr1MoVR) was recognized as "Shanghai Municipality Hi-tech Product"	Shanghai High-tech Achievements Transform Center
Martensitic Stainless Steel Corrosion and Application Technology Research of Gas and Oil Field with Super-Depth and High Temperature & Pressure and Corroded Well Condition led by Research Institute and jointly developed by PetroChina Tarim oilfield won the second prize of CSCP science and technology progress award	Chinese Society For Corrosion And Protection (CSCP)
"Galvanized Steel Sheet with Excellent Alkali and Solvent Resistance", as the first one at home reaching international advanced level and led by Ni Furong, Chief Marketing Officer of Baosteel, won 16th China Excellent Patent	State Intellectual Property Office and World Intellectual Property Organization
9 innovation achievements presented by Baosteel won 1 golden award, 2 silver awards and 4 bronze awards at 114th International Exhibition of Inventions of Paris held in Paris Expo Porte de Versailles	France Association of Inventors and Manufacturers
R&D on X65&X70 Pipeline for South Sea Liwan Project, Iron and Nickel-based Alloy Oil Casing Products and Manufacturing Technology Development and R&D and Industrialized Application of Green Manufacturing Technology in Hi-quality Iron Oxide Red won the second prize of 2014 science and technology progress.	Shanghai Municipal People's Government
High-strength Beam Steel Plate (QStE600TM, QStE650TM, QStE700TM, B700L, B750L, ZQS700L) was recognized as "Shanghai Municipality Hi-tech Product"	Shanghai High-tech Achievements Transform Center
Steel Sheets for Low Alloy Plastic Molds from Quenching and High Temperature Tempering (1.2311, 1.2312, P20, 1.2738, 718) was recognized as "Shanghai Municipality Hi-tech Product"	Shanghai High-tech Achievements Transform Center
Iron and Nickel-based Alloy Oil Casing Critical Process Technology and Product Development, R&D and Application of Customer-driven Process Synergy Manufacturing System among Metallurgy Enterprises, Technical Development on Acid Continuous Rolling Process of Non-oriented Silicon Steel with High Grade and Its Application won the first prize	China Iron and Steel Association, The Chinese Society for Metals
Management Practice on Rapid Overhaul of Baosteel Large Blast Furnace won the first prize of innovative achievement in modern management	CISA
Special Thread Joint Oil Casing with High Air Sealing for Deep Well and Super-deep Well (BGT2) and Steel Sheet for Special Protective Vehicle (22SiMn2TiB, 616) were recognized as "Shanghai Municipality Hi-tech Product"	Shanghai High-tech Achievements Transform Center
Baosteel was awarded "2014 Excellent Development Supplier" by Leopaard	Leopaard
Baosteel has won "Best Supplier" for consecutive three years	SAIC-GM
Baosteel has been awarded "Excellent Supplier" for the consecutive eighth time since 2006	Changan Auto
Baosteel was awarded "Best Supplier Top10"	BYD Auto
Baosteel and BNA were awarded "Excellent Quality" and "Special Award for Supply and Support", the sole exclusive one for steel industry from GAC Toyota Motor	GAC Toyota Motor
Baosteel and BNA won 2015 Excellent Supplier of the Year	Dongfeng Nissan
Baosteel has won the highest award of Great Wall Automobile supplier—"Sincere Partner Award" for successive 3 years, becoming the sole steel supplier among Great Wall's partners winning this	Great Wall Automobile
Non-oriented silicon steel of Baosteel won BYD new energy auto certificate, replacing imported materials to be used in manufacturing driving motor of new energy automobiles	BYD Auto
Baosteel has won 2015 "Best Localization Support"	Volvo
Baosteel won 2015 Excellent Supplier title	Dongfeng Liuzhou Motor
Baosteel won Annual Best Business Partner	Ford China
Baosteel won "2015 Excellent Supplier of the Year"	JAC
Baosteel won the title of 2015 Excellent Supplier of the Year	Electrolux
Baosteel has won another "GAC FIAT Excellent Supplier" since 2013	GAC FIAT
Baosteel has won 2015 "Excellent Supplier" for consecutive fifteenth year	Jiangling Motors

Award	Issuing authority
Michelin conferred "2014 Michelin Supplier Progress Award" on Baosteel	Michelin
Baosteel was conferred with "Golden Cube Award", the sole steel supplier worldwide winning this award	Haier
Daikin (Shanghai) conferred 2014 "Partner of the Year Award" on Baosteel, which is the first time for Daikin to grant this award to domestic raw material supplier	Daikin (Shanghai)
Baosteel won "Global Excellent Supplier" for the first time	EATON
Baosteel UOE product passed supply qualification review of Petroleum Authority of Thailand	Petroleum Authority of Thailand
Electronic power plant of Baosteel won honorary title of "Environmental Protection Benchmark" for 2014 technology supervision quality trial evaluation	ECEPTRI
Bsteel has been listed in 2015-2016 "E-commerce Model Enterprise" for the consecutive three years	Ministry of Commerce of the People's Republic of China
Though 3 enterprises has been on the shortlist, Baosteel as the sole steel enterprise finally won Great China Best Investor Relations (Material industry) and was awarded excellent investor relations certificate.	IR Magazine
Manufacturing management department of Baosteel was conferred with the title of 2013-2014 Shanghai Standard Work Advanced Group	Shanghai Municipal Bureau of Quality and Technical Supervision
Transportation department of Baosteel was awarded 5-star transportation safety credit enterprise, the highest level in Shanghai	Shanghai Municipal Transportation and Port Bureau, Shanghai Municipal Greening and City Appearance Bureau, Shanghai Municipal Supervision Administration of Work Safety, Traffic Police Group of Shanghai Municipal Public Security Bureau and others
Baosteel won the title of "advanced port operators"	Shanghai Port Management Center

Meanwhile, as an important holding company of Baosteel Group, Baoshan Iron & Steel Co., Ltd. has made tremendous contributions to the honors obtained by Baosteel Group:

Award	Issuing authority
Granted with "Chinese Charity Award · Most Caring Donation Enterprise" (Ninth) for the sixth time	Ministry of Civil Affairs
218th place in Fortune 500 (11 higher) and 5th Place in Iron & Steel Enterprises for 11 consecutive years	Fortune USA
35th place of 2015 Top 500 Chinese Enterprises	China Enterprise Confederation and China Entrepreneur Association
Highest Credit Rating among Global Iron & Steel Industry	Standard Poor, Moody's and Fitch
2015 "China Most Admired Company"	Fortune (Chinese version)
2015 "500 Most Valuable Brands in China"	World Brand Lab
3rd of "Top100 Shanghai Enterprises"	Shanghai Enterprise Confederation, Shanghai Entrepreneur Association, Shanghai Federation of Economic Organizations

4.4 Social Contribution Value per Share

In 2015, the social contribution value per share of Baoshan Iron & Steel Co., Ltd. was RMB 1.355 Yuan:

Basic earnings per share:	RMB 0.060 Yuan/share
+ Revenue created for the country:	RMB 0.650 Yuan/share
+ Salaries paid to the employees:	RMB 0.570 Yuan/share
+ Interest on borrowings paid to the banks and other creditors:	RMB 0.074 Yuan/share
+ Outward donations and other values created for other stakeholders:	RMB 0.001 Yuan/share
- Other social costs caused by environmental pollution and other causes:	RMB 0.000 Yuan/share
Social contribution per share:	RMB 1.355 Yuan/share

Special note: the item "Outward donations and other values created for other stakeholders" only involves outward donation.

5

Green Steel

绿色钢铁

Green Products 18
 Green Manufacturing 21
 Green Supply Chain 26

Three major iron and steel manufacturing base



Shanghai Baoshan
 Multiple varieties and high-end steel grades manufacturing base

Nanjing Meishan
 Hot rolling, acid pickling and tinplate manufacturing base

Guangdong Zhanjiang
 New constructive carbon sheet manufacturing base

5.1 Green Products

5.1.1 Green steel products

Baosteel sticks to the path of sustainable development, attaches importance to innovation capability and initiatively seeks green development and low-carbon solution for the whole industrial chain. The Company specializes in such premium steel as hi-tech and high value-added thin carbon steel sheet, heavy plates and tubes & pipes and formulates strategic product group represented by high-grade auto sheet, efficient non-oriented silicon steel with high grade, low temperature and high magnetic induction grain-oriented silicon steel and tin plate packing timber while dominating five carbon steel product markets, namely domestic cold rolled, hot





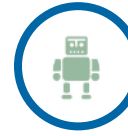
rolled, heavy plate and pipes & tubes.

Baosteel has been put into operation for 30 years as of 2015 and over the years Baosteel has accumulatively sold 63.94 million tons of auto sheets; Baosteel commits itself in developing green products like high-strength steel and green manufacturing. Baosteel has accumulatively sold 14.18 million tons of high-strength steel since 2003, with reduced carbon emission equal to that of 96 Jiuzhaigou National Forest Park.

New BCB spotlighted 3rd Baosteel Automotive Sheet EVI Forum

In November 2015, BCB (Baosteel Car Body), under Baosteel independent R&D, as the first complete car body product released by a domestic steelmaker, launched 3rd Baosteel Automotive Sheet EVI Forum and adopted such steel categories as Baosteel high-strength automotive steel I, II and III, covering the latest developed 1180QP, 1500MS, 950TWIP new materials, with 78% application ration of high-strength steel and 75% of galvanized sheet, and applied such advanced technologies as thermoforming, hydroforming, roll forming, VRB and laser tailor-welded blank, with safety and comfort reaching international advanced level, which represented a milestone in exploration when Baosteel met global requirements on green, low carbon and environmental protection.



- 
Pipeline steel
- 
Steel for vessels
- 
Vehicles and household appliances
- 
Ocean platform
- 
Construction steel
- 
Pressure vessel
- 
Container
- 
Engineering machinery
- 
Railway steel

Product structure

Baosteel led domestic market of such products as auto sheet, electrical steel, tin plate, steel for energy and tubes & pipes, steel for high-grade vessels and maritime work and other high-end thin sheets, among which, self-developed new high-strength auto sheet, oriented silicon steel, high-end steel for household appliance, oil-gas pipe and other high-end products have reached international advanced level. Zhanjiang Steel base under the construction of Baosteel shall be built as a premium base for carbon steel with the highest efficiency worldwide. It is estimated that Baosteel shall reach the capacity of 34 million tons by 2018.

Ratio of new product sale reached 21.0% and 659,000 tons of new products were developed in 2015. Pilot production proportion of new exclusive products was 69.8% with 459,000 tons of new exclusive products. Such five products realized world premier as efficient oriented silicon steel B18R065, 1180MPa medium manganese steel (HC800/1000MTRD+Z), non-oriented silicon steel for electro mobile B27APV1400, hot rolled automotive axle case BQT800 and high strength and tenacity casing BG155V.

Green principal products

Baosteel applies management method of steel product life circle, initiatively develop "environmentally friendly products" represented by oriented silicon steel, high strength steel and other efficient steel, reduce steel consumption of downstream users, extend steel service life and improve utilization efficiency of social resources. Products are extensively applied to such green energy field as solar power, nuclear power and wind power generation.

Baosteel Appliance Steel surprised Haier Appliance Technical Innovation Interactive Forum

Baosteel energetically developed its "Internet +" mode by continuously exploring integrated solution for materials and wisdom supply chain to facilitate more, faster and better application of Baosteel new product and process for better user experience.

Baosteel was invited to "2015 Haier Appliance Technical Innovation Interactive Forum" in October. Baosteel in its showcase displayed new appliance steel in a comprehensive way developed based on technology exchange platform of "Haier-Baosteel lab" and user demand. In addition to traditional product sample introduction, Baosteel even adopted Internet new media technology as carrier to systematically present a number of Baosteel appliance steel integrated solutions ranging from "SGLC refrigerator backboard scheme" to "integrated solution of shell and rack".

Baosteel 3rd generation automotive steel - medium manganese steel realized world premier

Another wing - medium manganese steel was added to Baosteel 3rd generation automotive steel in June 2015. This serial covers cold rolled CR980Mpa, galvanized GI980Mpa and GI1180Mpa. Medium manganese steel falls in revolutionary steel category combing super high-strength and good plasticity with breakthrough process and is more extensively applied in such car body structure as A pillar, B pillar, anti-collision beam and rocker panel reinforcer than normal super high-strength steel. It has now been applied for the first time in industrial trial production of "rear floor connector".

① Oriented silicon steel: reduce loss and save energy

Oriented silicon steel is the ideal shank for producing transformer with low energy consumption. As one of steel products with greatest difficulty in production, oriented silicon steel serves as a significant symbol for measuring manufacturing technology level of a steel enterprise. Meanwhile, as energy conservation policy advances, steelmakers are tending to manufacture transformers with oriented silicon steel of high magnetic induction and high energy conversion efficiency.

After a decade of hard working and exploration, Baosteel has basically grasped critical process technology in manufacturing oriented silicon steel and been able to produce qualified silicon steel coil in batches. In the meantime, Baosteel has successfully trial-produced oriented silicon steel with low temperature and high magnetic induction in small batches and been able to produce those with high grade in batches and supply efficient non-oriented silicon steel in stable batches to the market.



② High-strength steel plate: reduce weight and save energy

High-strength steel plate is green product featuring high strength, long service life and sustainable development. It is used in auto manufacturing to not only save materials, but also improve passive safety performance in crash, which makes it the first choice for auto to reduce weight and save energy.

High-strength steel plate for auto has covered tensile strength from 340MPa to 1500MPa, which makes Baosteel able to supply it to all kinds of vehicles worldwide. Baosteel has now launched over 200 specifications in high-strength steel product ranges, developed serial environmental protection products with proprietary intellectual property rights and meeting ROHS Directive, successively supplied "light weighted" materials to such domestic proprietary brands as Geely, Chery and Brilliance to reduce weight and save oil; sophisticated manufacturing technology like hydroforming and thermoforming has been applied to auto parts, which facilitated users to reduce cost with science and technology.

Baosteel promote EVI work, continue to meet customer demands

Baosteel proposed 7 schemes for stock utilization improvement, 3 thermoforming programs and 16 blank layout schemes for 34.6Kg of weight reduction for SGW. The Company joined hands with SGW to design independent suspension sub-frame parts through hydroforming, which enables 13.6% of weight reduction and utilization up by over 20%.



5.1.2 Green solution for customer

The second verification of hazardous substance management system

It is a normal and continuous job to optimize system guarantee capability of the whole process from raw material purchase, manufacturing, product to delivery. The Company examined and perfected the relevant business processes and passed QC080000 Third Party Certification in 2014 for the first time, based on which, Baosteel's hazardous substance management system started to extend to processing & matching in 2015, Baosteel Headquarter successfully passed the second verification and hazardous substance management system was operating in a stable and well-organized manner.



Practice of sustainable development

Baosteel continuously followed up the updating and changes in national and foreign environmental protection laws and regulations and user green demand development, organized internal evaluation and made statements and commitments to the society and users. The Company updated and published Baosteel products REACH (Regulation concerning the *Registration, Evaluation, Authorization and Restriction of Chemicals*) compliance statements. Meanwhile, the Company grasped user customized dynamic demand, properly organized 2nd Party Certification and made commitments to users in following industries: metal packaging and container, household appliances and electronics energy.



Baosteel initiatively published 118 copies of third party detection reports involving all carbon steel products. The reports showed that all products conformed to RoHS Directive (*Restriction of Hazardous Substances*), REACH regulations and other requirements. Simultaneously, eight categories of products successfully passed the second verification for authorization by a third party Green Leaf mark.

Active exploration in new steel solution for household appliances for wisdom supply chain

Through cooperation with downstream users to set up joint labs, Baosteel successfully conducted R&D on steel for household appliances and came up with steel solution for such Baosteel household appliances as backboard, shell and rack of SGLC refrigerator and materials for electric water heater with high durability and for stainless steel washer. Meanwhile, the Company made active exploration in wisdom supply chain system to realize systematic interconnection, factory cooperation and distribution targeting at post. Baosteel is expected to bring better use experience to users in virtue of Internet.

Green marketing

Relevant departments of Baosteel were in act, with environment operation as core and user demand oriented, formulating action plan for technical marketing of green products.



5.1.3 Customer service improvement

Measures to improve service

In 2015, the Company accelerated its construction in service system, conducted service qualification certificate and constantly advanced service program management. Based on summarizing marketing mode of auto EVI (Early Vendor Involvement), the Company actively explored and expanded non-auto EVI program and enlarged EVI achievements in several fields. In pursuant with EVI annual plan and dynamic demand, the Company in 2015 advanced 31+11 non-auto EVI programs. Meanwhile, the Company enhanced demand - complaining management, facilitated rapid solution to problems at user end, applied several platform instruments to track implement progress of measures and level up user satisfaction. For the sake of meeting product demand at user end, the Company faced urgent demand straightforward, optimized identification management on user demand and promoted new product R&D and sales of new carbon steel sheet in trial production with 587,000 tons sold in the year.

User satisfaction survey

Actual performance of user integrated satisfaction in 2015 was 92.17, with annual objective accomplished.

Actual performance of user satisfaction from 2012 to 2015:

Year	2012	2013	2014	2015
Customer satisfaction (%)	90.8	91.0	91.7	92.2



User integrated satisfaction in 2015

92.2%

5.2

Green Manufacturing

The Company stuck to priority of resource utilization efficiency and 3R principle (Reduction, Reuse and Recycle) to reduce energy and emission in steel production process, represented by a production process with the least energy consumption and emission. In the meantime, the Company combined pilot system of carbon emission reduction and attempted to figure out sustainable way to improve low carbon process.

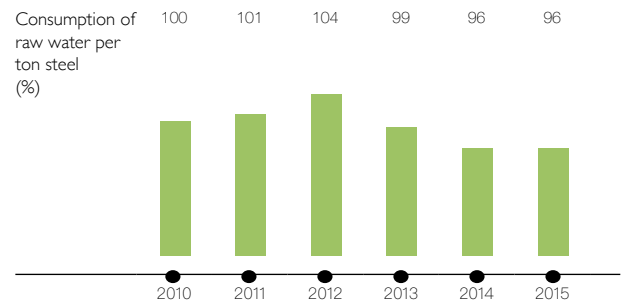
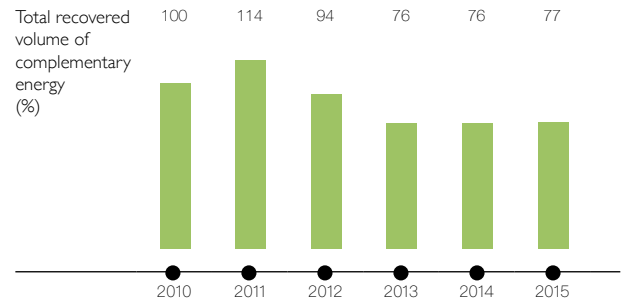
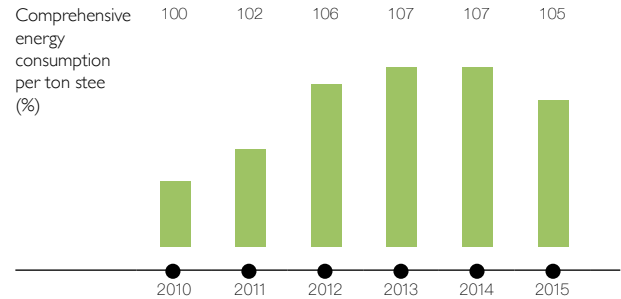
5.2.1 Resource utilization efficiency

Consumption of resources and energy

The Company delivered advanced resource and energy index in 2015. Comprehensive energy consumption per ton steel was 603 kg coal, better than expected. 370,000 tons of coal was saved in comprehensive energy conservation and total recovered volume of complementary energy was 1.88 million tons of coal.

Consumption of Main Resources in 2015

Resource type	Unit	Consumption
Finished iron ore	10,000t	2303
Waste steel	10,000t	274.5
Coal	10,000t	1124
Natural gas	100,000,000m ³	2.117
Purchased electricity	100,000,000kWh	30.32
Raw water	10,000m ³	6249.2



Energy Management Indexes in 2015

Name	Unit	2010	2011	2012	2013	2014	2015
Comprehensive energy consumption per ton steel	%	100	102	106	107	107	105
Total recovered volume of complementary energy	%	100	114	94	76	76	77
Consumption of raw water per ton steel	%	100	101	104	99	96	96

Note 1: In 2012, Baosteel Stainless Steel Co., Ltd. and Baosteel Special Steel Co., Ltd. were transferred from Baoshan Iron & Steel Co., Ltd to Baosteel Group, and the production in Luojing Area was stopped.

Note 2: All above indexes are based on corresponding value in 2010.

Comprehensive energy consumption per ton steel

603 kg coal

Better than expected

Be saved in comprehensive energy conservation

370,000 tons of coal

Total recovered volume of complementary energy

1.88 million tons of coal

Comprehensive utilization management indexes of by-product resources

As for by-product resource utilization, industrial solid waste utilization and disposal progressed as planned in source reduction, reproduction utilization, terminal selection and compliance disposal. Comprehensive utilization rate of resources reached 99.4% and reproduction utilization rate of by-product resources was 26.9%.

Output of Each Solid Secondary Resource of Baosteel in 2015

Item	Output (10,000t)
Blast furnace slag	567.4
Steel slag	292.5
Furnace slag and pulverized fuel ash	29.9
Iron-containing dust mud	161.1
Dangerous waste	1.71
Others (Industrial refuse and construction waste)	252.6
Industrial solid waste	1365.9

Comprehensive utilization rate of resources reached

99.4%



Reproduction utilization rate of by-product resources reached

26.9%



List of Comprehensive Utilization Management Indexes of Secondary Resources

Item	Unit	2010	2011	2012	2013	2014	2015
Comprehensive utilization rate	%	98.6	98.8	98.9	98.9	99.2	99.4
Reproduction utilization rate	%	26.0	27.3	27.9	27.4	26.8	26.9

Compliance of disposal of dangerous wastes

The main dangerous wastes were generated during production process of Baosteel include: Waste oil (barrel), oily waste, oily wastewater, oily hard waste, chromium containing waste liquor, chromium containing waste, chromium containing sludge, phosphating sludge, organic waste, waste desulfurizer, water containing naphthalene slag, tin containing waste liquor, waste acid/alkali liquor, waste emulsion, waste modulator tube, waste photographic fixing developing liquid, dead catalyst, etc.. In 2015, the headquarters of Baoshan Iron & Steel Co., Ltd generated 8,461 tons various dangerous wastes in total. The Company entrusted units with dangerous waste disposal qualifications to dispose such wastes.

The Company has continuously strengthened the management of dangerous wastes. All dangerous wastes have been reported to environmental protection authority of local government for filling to ensure the traceability of safe disposal of all dangerous wastes. Meanwhile, benefiting from policies for compliance disposal of dangerous wastes and survey over disposal units, the Company accordingly changed its partner in its dangerous waste disposal, conducted R&D, experiments and disposal of social dangerous waste, endeavored to figure out how to properly dispose of dangerous waste with steel melting equipment and exploited the potential in urban mill's function of waste disposal for harmonious co-existence between city and steel mill.

Safe Disposal of Dangerous Wastes

Item	Unit	2010	2011	2012	2013	2014	2015
Safe disposal rate of dangerous wastes	%	100	100	100	100	100	100

Compliance of disposal rate of dangerous wastes

100%

5.2.2 Low carbon process

The Company closely followed the cutting-edge technologies in low carbon process of steel industry and stuck to sustainable improvement methods for technical energy conservation throughout the process, optimization in energy structure and productization of coal chemical. The Company also adopted a number of sophisticated technologies including heat transfer enhancement, low-grade complementary energy recovery, fluid system optimization and energy conservation of industrial furnace. New energy application (photovoltaic power generation) and low-carbon fuel ratio (natural gas) were increasingly expanding.

① Baosteel 90MWp Golden Sun photovoltaic power generation project

Photovoltaic power generation is one of main green energy supported by China and Baosteel has abundant available rooftop power generation. 70MWp Golden Sun photovoltaic power generation project (Phase I) was completed at the end of 2014. Now, Baosteel 20MWp Golden Sun photovoltaic power generation project (Phase II) is about to finish and is expected to realize grid-connection by the end of the first quarter in 2016. Installed capability of Baosteel PV project shall reach 90MWp with expected annual capability of over 70 million kWh.



② Frequency conversion and energy conservation renovation of large fan in power plant

Fan is the principal auxiliary engine in the power plant. Domestic thermal power plants have been focusing on energy conservation renovation of fan to save energy and optimize, with frequency conversion as main methods and changed from throttling adjustment. Baosteel has put three energy conservation projects for large fan into operation with expected annual capacity of 32.46 million kWh and 97.38 million tons of coal saved, equivalent to about 21000 tons of CO₂ emission or over 1.7 million trees.

③ Energy conservation renovation for silicon steel, cold rolled and hot rolled compressed air system

Externally heated blower purge regenerative desiccant air dryer without any loss in air and automatic condensate eliminator with electronic level controls were able to reduce loss in compressed air and present good energy conservation. Energy conservation renovation for silicon steel compressed air system was put into operation in the first quarter and that for cold rolled and hot rolled compressed air system were in the second quarter. Equipment was in stable and continuous operation, with expected energy conservation effect presented. Three projects were estimated to save 43.65 million kWh of annual electricity and 13,095 tons of coal, equivalent to about 30000t of CO₂ emission or 2.5 million trees.



④ Zhanjiang Steel desalination

Zhanjiang Steel made the best of its geographical advantage to establish low-temperature and multiple-effect distillation desalination devices which was powered by waste stream (0.7MPa/250°C) and electricity. Desalination projects supplied pure water to power plant, sintering, coking, steelmaking, cold rolling and other units, thus realizing the production-supply between water and electricity and gradient utilization of energy.

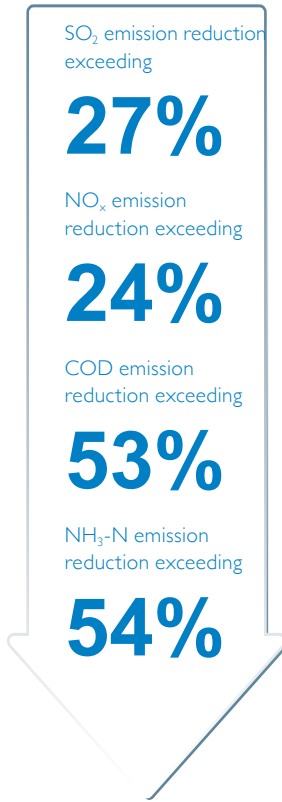


⑤ Baosteel "Three Flow & One Status" energy and value management system

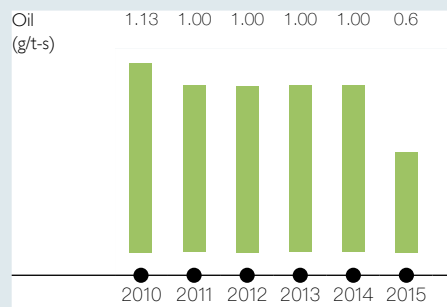
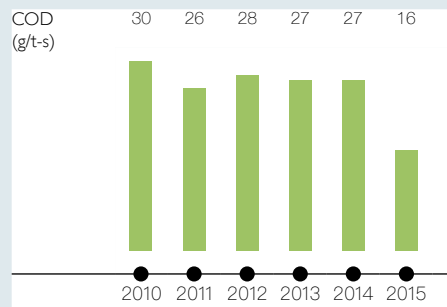
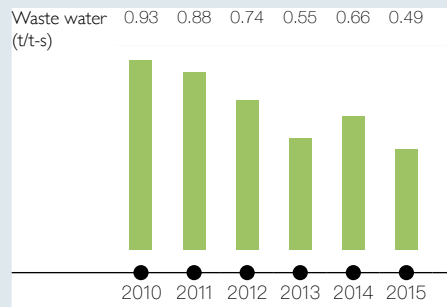
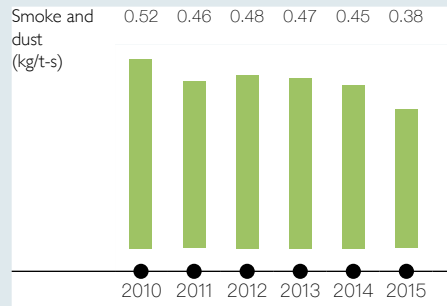
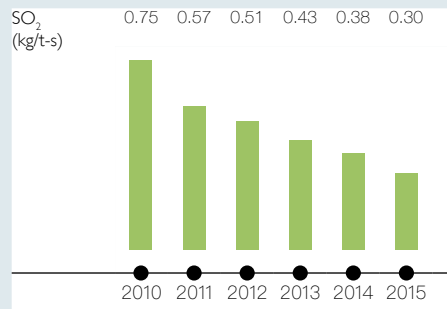
Baosteel initiated energy and value management system for "Three Flow & One Status" (Energy flow, manufacturing flow and value flow and equipment status) has effectively improved energy management performance, which made Baosteel to become the first domestic enterprise passing the certificate. This system was recognized by steel industry and authorities concerned and even incorporated into national standards, which were promoted inside the Group and among domestic steel industry. Baosteel "Three Flow & One Status" won the first prize at 21th National Business Management Modernization Innovation Achievement in Jan. 2015.

5.2.3 Industrial environment governance

New *Environmental Protection Law* has taken effect since 2015. The Company's production and operation baseline was to fully meet environmental protection standards and compliance requirements throughout the process. The Company has been sticking to the strictest control over all process and aspects, gave active response to action plan for regional air and water pollutant governance and accelerated the implementation of major environmental protection projects despite of "Winter Normal" in steel industry and increasingly greater operation pressure. Through such measures as emission reduction in terms of engineering and management, process improvement and classified management of environmental protection equipment, the Company continuously improved technical indexes for environmental protection, made continuous reduction in total pollutant emission and achieved more than local goal in "12th Five Year" emission reduction plan, with SO₂, NO_x, COD and NH₃-N respectively exceeding 27%, 24%, 53% and 54%. Compared with 2014, the total emission volume of SO₂ and the total emission volume of COD in wastewater of the Company fell by 8.4% and 6.5% year-on-year respectively in 2015.



List of Various Pollutant Emission Indexes during "12th Five Year"





Major governance measures

- ① Baosteel Headquarter has started to upgrade such equipment as blast furnace, coke oven, sintering units without capacity changes, through the latest update and renovation in process and equipment, totally applied BAT and the latest and strictest industry technology as well as ECEP standards with energy consumption and emission control leading the industry. Blast furnace renovation has now adopted the strictest dust control stipulated in new national standards; three coke ovens have finished renovation, meeting new national standards and making industrial breakthrough in flue gas cleaning; sintering units renovation has been implemented in stages and shall be equipped with flue gas desulfurization and denitration system of the highest efficiency across the industry.
- ② The Company fully responded to requirements on atmospheric governance action with a deadline and regional clean air action plan in Yangtze River Delta and Baosteel Headquarter invested over RMB 4.2 billion to conduct closed renovation of over 170 transfer belts and raw material stock yard with 1.48 million sq., fundamentally resolving regional random dust-raising. RMB 1.6 billion has been invested now, accounting for about 40% of total investment.
- ③ Baosteel Headquarter and Meishan Steel achieved industry-leading fuel gas cleaning efficiency through gradient control and lean operation of major environmental protection facilities. As for coal-fired boiler at self-owned power plant, desulfurization efficiency reached over 97% and denitration efficiency was over 82% with desulfurization efficiency of sintering units over 92%.
- ④ Zhanjiang Steel adhered to construction with high starting point and high standard for environmental protection. All environmental protection facilities have fully met strict emission restriction in new national regulations for environmental protection with closed design for raw material system. The Company has taken lead to realize super-clean emission of coal-fired units at power plants and fuel gas cleaning of coke over.
- ⑤ Baosteel Headquarter was the first in Shanghai to be able to present real-time environment quality data and release ambient air quality of “8+2” major industrial zones. Engineering construction came with Zhanjiang Steel major polluters and online monitoring system for ambient air quality.
- ⑥ The Company vigorously carried forward reproduction utilization of metallurgical solid waste inside the factory and gave full play of sintering burdening to remove metallurgical dust mud and improve factory logistics. Baosteel Headquarter has finished overall upgrade and renovation of steel slag disposal, without allowing any slag in the process falling to the ground, and energetically advanced solid waste reduction from the source through sludge dehydration, recycling of desulfurated plaster and lime accessories inside the factory.
- ⑦ The Company has made continuous efforts to promote ecological environment in plants and push forward shelter forest construction and afforestation renovation across the factory. Baosteel Headquarter has conducted afforestation renovation projects to constantly perfect afforestation environment including shelter forest construction and afforestation improvement in smelting zone, along main roads and in centralized green and staff area, with 405,000 m² of afforestation renovation and 139,000 m² of new afforestation.



5.3

Green Supply Chain

The Company attaches importance to authentication and evaluation against sustainable development of partners, encourage partners to put the idea of sustainable development in place through a range of direct or indirect measures and promote the economic, social and environmental harmonious development where the partner is located.

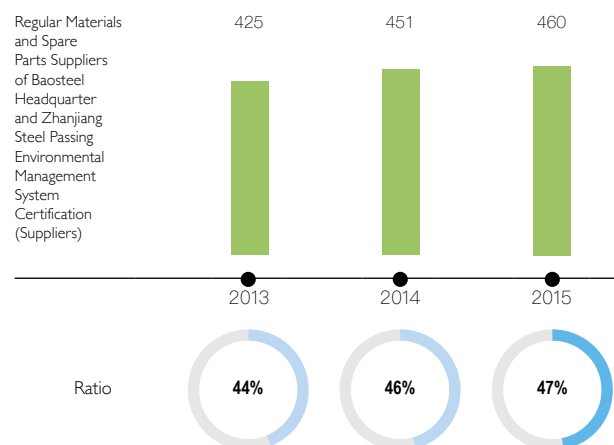
5.3.1 Promotion of green development among partners

Raw material supplier management

Baosteel has been constantly pushing the suppliers to adopt environmental management system (ISO14001) certification, through supplier evaluation, access, contract signing and other parts, guiding and encouraging all suppliers to advance ISO14001 certification. The Company preferred new suppliers who have passed environmental management system certification. Baosteel had 336 qualified suppliers and the rate of suppliers passing ISO 14001 system certification reached 18% in 2015. When the Company was selecting ship carriers, the carriers were required to pass ISM/NSM system certification or the ships should be in the charge of ship management companies passing ISM/NSM system certification. In 2015, every single major carrier of the Company passed ISM/NSM system certification.

Materials and spare parts supplier management

In 2015, the Company has significantly boosted its product quality control through cooperation with international well-known certification companies as well as internal improvements in evaluation contents for product quality. For example, failure rate of coating down by 52% and accident rate of refractory for stopper, long nozzle and immersion nozzle due to manufacturers down by 2/3. Meanwhile, the Company initiatively guided suppliers to conduct environment management system certification, with more and more suppliers passing environment management system certification in past three years.



E-commerce development

On account of business feature of Zhanjiang Steel's materials and spare parts purchased, supplied and managed solely by Baosteel Headquarter, Baosteel has made the best of its existing resources to make system process support function available for deliveries to Shanghai and Zhanjiang under the same procurement set. The Company has developed an app for approval module in procurement information system to facilitate efficient and convenient business approval, which satisfied the demand of business personnel in Shanghai and Zhanjiang for mobile working. RFID in 2015 has been applied to 42% goods and materials, with total electronic contracts accounting for over 90%.

Baosteel green procurement platform

Baosteel dynamically identified and preferred to purchase green articles, maintained and specified management over parties for green article approval (governmental organization, non-governmental organization and Baosteel) and green article category (more service life, less consumption, energy conservation, emission reduction, recycling, etc.). Identified green articles would be released on green procurement website of e-commerce platform for Baosteel procurement.

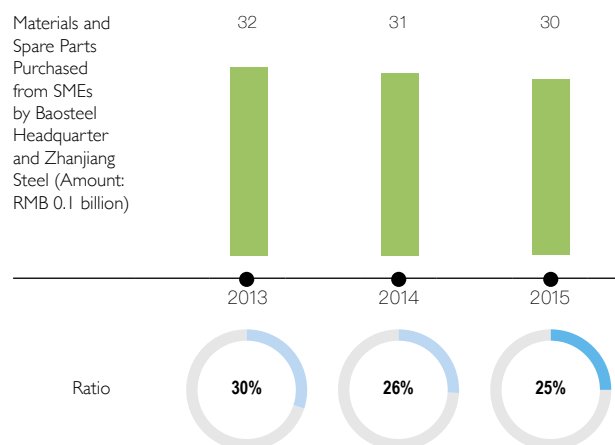
5.3.2 More economic benefit for partners

Actively promoting the supply chain management without purchasing mineral products in conflict areas, and meeting users' demand

Baosteel has actively moved on CFSI certificate among raw material suppliers and put an end to purchasing and using mineral products and derived materials from conflict areas. Conformity statements have been made based on review of supplied material information. Baosteel not only boosted supply chain management to prevent market risk, but also cleared a way for Baosteel material's application in law-applicable countries and regions. Baosteel initiatively fulfilled its social responsibilities in green supply chain while expanding market and increasing benefit for partners.

Supporting SMEs

Baosteel attaches importance to sharing economic development results, supporting SMEs through more purchase from them.



Note: Refer to Regulations for Classification Standard of SMEs (GX-BLQY [2011] No.300) and SMEs suppliers are defined based on the standard (registered capital ≤ RMB 10 million Yuan).

6

Go with Trend

顺时而动

Major Acts	27
Results	29
Enterprise Competitiveness	31
Investor Relations	34

6.1

Major Acts

Baosteel urban steel mill development planning 2016-2021 has been established, focusing on the Company's survival and sustainable development restricted by complicated regional environment resource risk in metropolis, defining the planning objective of "building upgraded green factory with premium steel manufacturing as core and constructing example urban steel mill with ecological harmony as basis" and implementation path of "over 100 projects and 10 billion investment". The Company committed itself to matching regional 13th Five Year planning and reached wide consensus with local government in sharing resources, connecting urban industries and building ecological environment.

6.1.1 Baosteel working on carbon emission permit trading

As one of pilot enterprises of carbon emission permit trade in Shanghai, Baosteel, through referring to international experience as the main think tank, cooperated with relevant authorities of municipal government to formulate carbon emissions accounting method and determine united "weights and measures" of carbon emission for Shanghai iron and steel industry. In 2015, permit for about 0.12 million tons of carbon emission was listed and sold with over RMB 1.839 million profit. Baosteel's carbon emission was 4.10 million tons less than Shanghai rated carbon emission in three-year trial period.



6.1.2 Acceleration in R&D of new products and technologies

Continuous optimization in R&D management process and system for better R&D performance

Through focusing on market and site, closely combined product operation planning, emphasized the conversion from technical innovation planning to market demand, proposed product premier goals, defined missions of product technical innovation and cost reduction in principal products; focused on solution to major difficulties on site, required technical capabilities for cost reduction in process, specified technical innovation and cost reduction objectives in process and equipment and ensured new technologies were actually supporting operation objectives of the Company.

Accelerating technical innovation in ECEP to support urban steel mill construction

As frontrunner of ECEP across domestic steel industry, Baosteel stick to green manufacturing and sustainable development. Baosteel has made continuous progress in a range of researches over and industrialization of ECEP and resource recycling technologies, including sensible heat recovery from coke oven gas, resource recycling of picking and oil-containing waste water and odor gas removal in steel rolling, which have promoted environmental protection of traditional manufacturing and made huge contributions to sustainable development of steel industry.

6.1.3 Strengthen industry-university-research cooperation

In terms of higher starting point and higher lever, revolving around cooperation demand, Baosteel and a CSIC institution joined hands in maritime work and corrosion concerning six cooperation directions; focused on development in online cooling equipment and automation control system of seamless tube together with Northeastern University and constructed corresponding control cooling system for hot rolled seamless tube; highlighted iron making, energy and environment along with Anhui University of Technology and initiated programs on low-nitrogen fuel selection, R&D on inhibitor for NO_x generation and simulation study on hearth value; concentrated on ore proportioning with Central South University, took into consideration of change from fluxed pellets to acid pellet and organized experimental research on related physical properties. Moreover, combining R&D strengths in overseas universities and research institutions, the Company launched international science and technology cooperation program with University of Cincinnati and others universities and expanded knowledge source and science and technology cooperation network outside the Company.

Highlighting customer demand and vigorously developing new products for different competitive advantages

The Company in 2015 combined preparation in technical innovation planning to devise high-level "reserved" new product schemes involving automotive steel with high strength and grade and low-density steel. Oriented silicon steel with high magnetic induction and thin gauge, B18R065, realized premier worldwide. At the same time, the Company dug up customer potential demand and succeeded in developing boxboard II. DI material for food cans passed Ardagh certificate for trial use and was qualified to supply, laminated steel base plate was qualified to supply in stable batch to major customers like Origin Agritech Limited; Crankshaft steel for Benz, 38MnVS6, was supplied in stable batch. In addition, Casing with super high tenacity, 16CrMoVnB (BG155V), was successfully developed with international advanced performance.



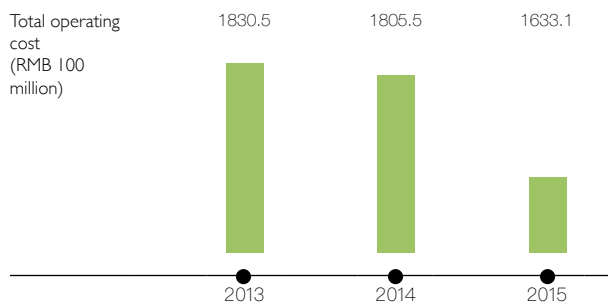
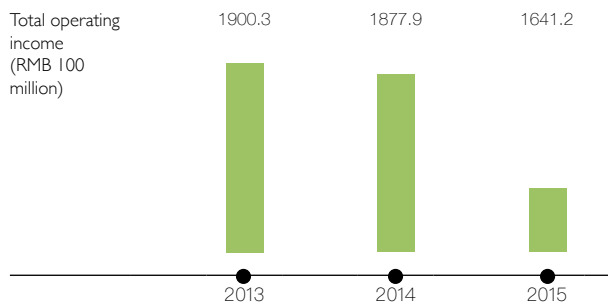
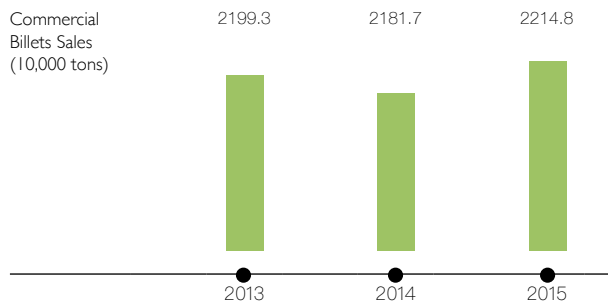
6.2 Results

6.2.1 Operating income and cost

Due to unexpected global economy recovery and greater downward pressure of China's economy, steel downstream industries were slowing down growth rate, including architecture, machinery and automotive in 2015. National crude steel output was 804 million tons, down by 2.3% year-on-year, the first annual drop since 1981.

For upstream, CIF of imported iron ore (62 grade dry powder ore) dropped to 38.68 USD/ ton on Dec. 15 from 70.74 USD/ ton on Jan. 4, breaking 40 USD/ ton, decreasing by up to 45.3%. For downstream, steel price continued slump, with CSPI from CISA dropping by 27.3% on average quarter-on-quarter than last year. Steel price had much more impact on income than that of raw material on cost, which was narrowing the Company's profit.

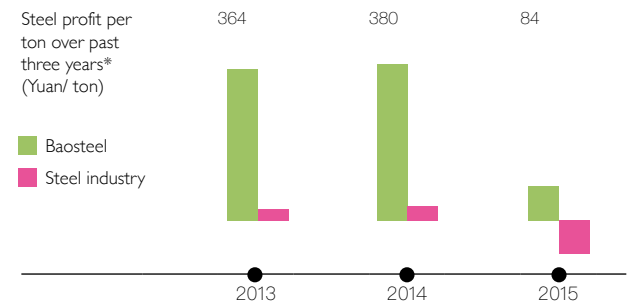
Average steel price in 2015 (steel price index of steel home) dropped by 27.3% than last year while Baosteel outperformed the market with its steel price dropping by 17.3% than last year.



6.2.2 Profit

Large- and medium- sized steelmakers have even incurred their first loss as a whole since reform and opening up policy, which led the steel industry into a new era of output reduction development.

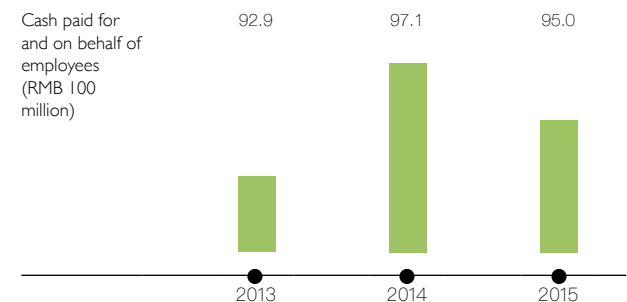
Annual profit has decreased significantly thanks to continuous depression in downstream market demand, slump of RMB against USD after RMB central parity regime reform and double operation of internal production and construction, economic operation in Baosteel Nantong and other negative impact. Through boosting synergy between output and sales, intensifying coordination among three places, reducing cost and improving efficiency across all systems, the Company has gone through severe external environment and realized RMB 1.85 billion of total annual profit.



* Report from CISA

6.2.3 Employee remuneration

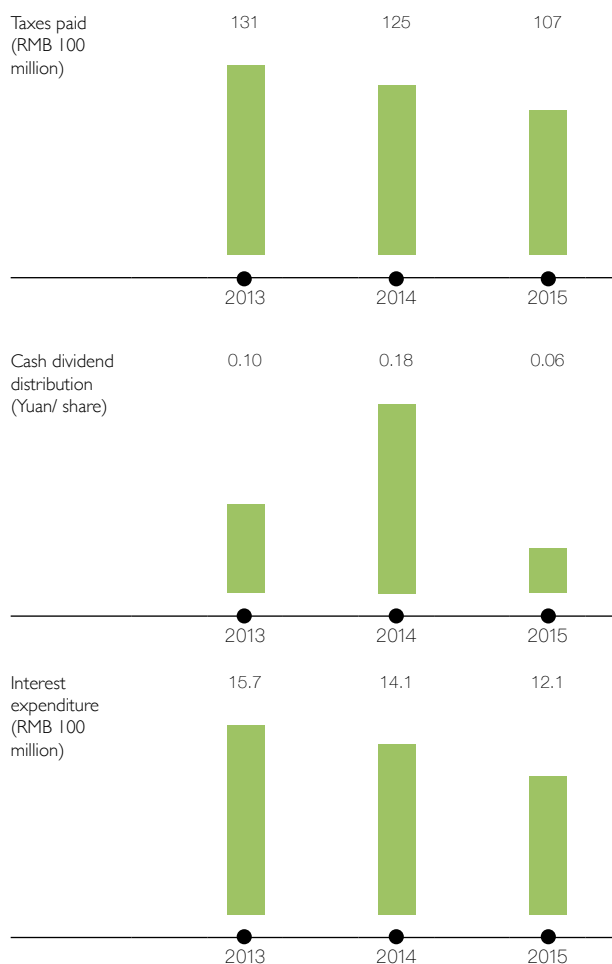
Cash paid for and on behalf of employees by the Company in 2015 was RMB 9.50 billion.



6.2.4 Retained income and dividend distribution

It is stipulated in articles of association that the distribution order of after-tax profit is as follows: covering the deficit, withdrawing statutory reserves, withdrawing discretionary reserves and paying common stock dividends. The legal accumulation fund amounts to 10% of after-tax profit of the Company. When the accumulative amount of statutory reserves reaches above 50% of the registered capital, the Company may not withdraw it anymore. The board determines the specific scheme of withdrawing discretionary reserves and paying common stock dividends according to the national laws, administrative regulations, operation conditions and development demands, and implements the scheme with approval of stockholders' meeting. Dividend shall not be distributed before deficit covered or before statutory reserves withdrawn.

In 2015, the Company realized RMB 3.327 billion net profit. In order to realize the long-term sustainable development, and better repay the investors, according to the articles of association, ten percent of the net profit, or RMB 333 million Yuan, was allocated as statutory reserves for the year 2015; ten percent of the net profit, or RMB 333 million Yuan, was allocated as discretionary reserves for the year 2015; In consideration of slump in net profit attributable to shareholders of the parent company in 2015 consolidated statements and in view that the Company always attaches importance to rewarding shareholders and adheres to the long-term cash dividends policies, the Company intended to allot the cash dividend at RMB 0.06 yuan/per share (incl. tax) to all shareholders registered on the equity registration date recognized in the Dividend Payout Announcement, accounting for 97.55 % of the net profit attributable to the parent company shareholders in consolidated statements.



6.2.5 Capital supplier

The Company proactively coped with the changes in financial environment, expanded direct financing channels, researched and judged interest rate and exchange rate tendency and continued promoting debt structure optimization scheme.

The Company in 2015 adopted financing strategies dominated by "basket of currencies" and further expanded direct financing in China, with primary initiatives including:

- ① Bao-Trans issued 500 million Euro bonds at the beginning of 2015;
- ② Baosteel Headquarter successfully issued 2 billion medium term note and 10 billion short-term financing bonds;
- ③ The Company adjusted financing currencies and added JPY and EUR circulating fund loan.

As for risk management, the Company paid continuous attention to exchange rate and interest rate risks, strengthened price risks management in iron ores, and dynamically adjusted the risk strategy. The main measures included:

- ① Formulated exchange rate control strategies at the very beginning of the year and conducted currency conversion in strict compliance with management policies after "second exchange rate reform";
- ② Studied and predicted trend in exchange rate and interest rate as soon as possible and manipulated financial derivatives to reduce the risk of financing cost increasing due to exchange rate changes.

The Company selects cooperative financial institutions based on comprehensive conditions including credit status of financial institution, business strength and market credibility and plans and coordinates the partnership with financial institutions as a whole. The Company has always attached importance to the development of partnership between bank and enterprises. Currently, the Company has signed bank-enterprise cooperation agreements, overall credit extension agreements, borrowing and repaying agreements, etc. with major commercial banks, thus guaranteeing financing channels and limits.

The amount of consolidated interest expenditure was RMB 1.21 billion in 2015.

Tax Deduction and Exemption:

The Company strictly abides by laws and regulations concerning each tax of the state and reasonably applies relevant preferential policies. In 2015, the Company enjoyed the following national tax deduction and exemption preferences:

- Enjoyed resource comprehensive utilization income reduction policy. In 2015, the Company enjoyed the exemption of income tax amounting to approximately RMB 26 million Yuan.
- Enjoyed technical research and development fee deduction policy. The Company enjoyed the deduction of income tax amounting to approximately RMB300 million Yuan in 2015.
- Enjoyed investment of special equipment (involving environmental protection, energy and water saving and safety production) offsetting corporate income tax policy. In 2015, the Company enjoyed the exemption of corporate income tax amounting to approximately RMB 10 million Yuan.
- Enjoyed handicapped employee wages deduction policy. In 2015, the Company enjoyed the exemption of corporate income tax amounting to approximately RMB 1 million Yuan.
- Enjoyed special fund supporting policy of Shanghai high-tech achievement transformation project. In 2015, the Company obtained financial aid amounting to RMB 35 million Yuan.

Note: Various taxes paid to the state include customs VAT and tariff.

6.3

Enterprise Competitiveness

6.3.1 R&D input

Ratio of R&D investment, ratio of new product sale and pilot production proportion of new exclusive products were 2.07%, 21.03% and 69.78% respectively in 2015. 5 new products and major technology realized world premier and 5 hi-tech achievements were recognized. The Company filed the application for 828 pieces of patents, among which the invention patents accounted for 73.4%. Also, the Company applied for 25 international patents.

Index item	Unit	2010	2011	2012	2013	2014	2015
1. R&D input rate	%	2.08	2.34	2.13	1.92	2.11	2.07
2. Applied patent	Piece	873	1051	1126	1093	939	828
Among which: invention patent	Piece	375	452	509	602	628	608
3. Licensed patents	Piece	716	808	797	728	643	532
Among which: invention patent	Piece	176	241	226	243	258	296

6.3.2 Environmental protection input

In 2015, environmental protection cost of the Company included two parts, i.e. expenditure cost and capitalized cost which amounted to RMB 2.464 billion and RMB 1.374 billion respectively. Though power plants have totally finished denitration transform and have been put into operation, the ratio of sum of the environmental protection facility operation cost and depreciation fee in expenditure items continued to be high and reached 75.4% in 2015.

6.3.3 Technical leaderships

The Company has been targeting at the goal of technical leadership, increasing R&D investment and improving R&D system integrating production-marketing-research and industry-university-research. Engineering integration system taking combination of production, R&D, design and equipment as carrier and continuous perfection system emphasizing production site and featuring stable improvement & lean operation have gave strong support to technical progress in product management, production operation, environment resource protection and others.

Several science and technology achievements won industry science and technology awards in 2015: *Iron and Nickel-based Alloy Oil Casing Critical Process Technology and Product Development*, *R&D and Application of Customer-driven Process Synergy Manufacturing System among Metallurgy Enterprises* and *Technical Development on Acid Continuous Rolling Process of Non-oriented Silicon Steel with High Grade and Its Application* won the first prize of 2015 metallurgical science and technology progress; *Iron and Nickel-based Alloy Oil Casing Products and Manufacturing Technology Development*, *R&D on X65&X70 Pipeline for South Sea Liwan Project*, and *R&D and Industrialized Application of Green Manufacturing Technology in Hi-quality Iron Oxide Red* won the second prize of 2015 Shanghai Municipality science and technology progress.

Product design

The Company continued its premium product strategy featured by technical leadership. In 2015, the Company focused on world premiere and in the year super high strength medium manganese steel and other 4 new products has been realized. Multiple scientific achievements won "science and technology progress award" of the state, Shanghai and metallurgical industry, including *600°C Ultra-supercritical Thermal Power Unit Steel Tube Innovative Development and Application* winning first prize of national science and technology progress award; *Technical Development on Acid Continuous Rolling Process of Non-oriented Silicon Steel with High Grade and Its Application* and other two achievements winning the first prize of metallurgical science and technology progress award.

Process innovation

- 1 Baosteel enamel steel ranges and critical technology research: stabilized process and performance of five types of cold rolled enamel steel, with all comprehensive performance equal to similar products, which extended the use in tablet, heater tank and other industries.
- 2 Critical technology research, equipment R&D and industrial application program for auto sheet laser blanking: Critical technologies have made breakthrough, realizing first trial run, feeding and dynamic cutting technologies of elastic magnetic belt, designing and finishing operation of real-time following on cutting and waste removal, with simulation and control design completed.
- 3 Successfully developed super-strength and tenacity casing 16CrMoVNb (BG155V), with international advanced performance.
- 4 Oriented silicon steel with high magnetic induction and thin gauge, B18R065, realized premier worldwide.

Energy saving and consumption reduction

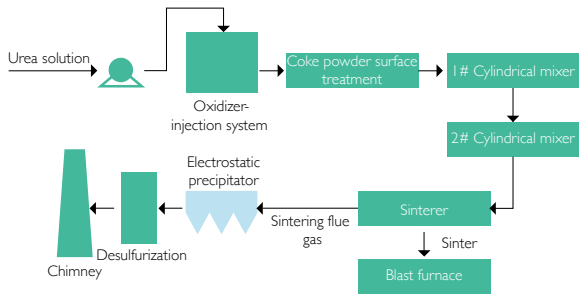
Baosteel has successfully developed international advanced technology of coke oven ascending tube high-efficiency heat exchanger (CATHE) with independent intellectual property rights, broke through the technical bottleneck of coke oven crude gas sensible heat recovery industrial application, which was equipped with technical capability of crude gas recovery to reduce energy consumption of coke oven process by 6.9 kg ce/t.

Environment protection and resource utilization

① Dioxin source control technology development and application

In order to prevent sintering dioxin pollution at the source, Baosteel plant has developed dioxin source control technology independently which can inhibit generation of dioxin in sintering process through addition of inhibitor (urea). Reduction rate of sintering flue gas dioxin can be up to 92.2% with this technology which has been applied in Baosteel sintering process.

② Flue efficient dust removal technology and equipment



Baosteel has successfully developed a set of flue integrated fine dust electric coagulation technology and equipment through cooperation with industrial scientific research units. Field application results showed that PM1 emissions fell by 91.2%, PM2.5 fell by 51.9%, PM10 fell by 48.9% and total particulate matter fell by 22.6% which will be beneficial to improve the plant environment and reduce dust pollution, especially inhibition of fine dust pollution.



③ Industry-leading flue gas treatment technology

In September 2015, Zhanjiang Steel No. 1 blast furnace was officially ignited and put into operation. Strict requirements on environmental protection were put forward before construction of Zhanjiang Steel and all emission standards could conform to the latest and most stringent standards. As large emitters in iron production, sintering and coking have always been the main targeted objects of green transformation. Baosteel has established first domestic independently integrated sintering nose activated carbon flue gas purification system through cooperation with other units and reached the international advanced level. The system can simultaneously remove SO_2 , NO_x , dioxin, heavy metal, dust and other contaminants with desulfurization, denitration and dioxin removal rate above 98%, 40% and 97%, and can recycle sulfur resources to prepare concentrated sulfuric acid products which is a resource recycling and comprehensive flue gas treatment technology.

In November of this year, coke oven flue gas and desulfurization as well as denitration system of Zhanjiang Steel was officially put into operation which marked the official establishment of first set industrial demonstration devices worldwide for coke oven flue gas low temperature desulfurization and denitration. Operation of equipment after commissioning was stable and coke oven pollutants emissions could conform to specific emission limits specified in *Coking Chemical Industrial Pollutants Emission Standard*. Multiple new energy saving and environment protection

technologies are applied in the project without waste water discharge in the whole technological process and by-products of desulphurization can be recycled by the related chemical manufacturers which is in line with the current most strict environmental protection requirements and the most cutting-edge development trend of flue gas treatment technology.



④ Disposal of sewage and coking wastewater with artificial wetland

Zhanjiang Steel is the first domestic corporation to dispose of coking wastewater with artificial wetland. Two artificial wetlands built in the plant have been under stable operation after the commissioning of system which can improve the ecological environment and add plant landscape facilities, meanwhile, the processed water can satisfy the requirements of reuse water and all disposed water can be recycled to realize wastewater zero discharge.



⑤ Air quality characteristics research on local regional scale

In order to study relations between various steel production and surrounding environment air quality, and then guide the production department to focus on pollution process, improve the production process and reduce pollution, Baosteel has taken the lead in conducting research on steel process fine particulate matter source and environment pollution characteristics in the industry which has realized unorganized emissions quantitative management of raw materials, sintering, coking and other processes. Meanwhile, Baosteel actively carried out technical cooperation with the local professional departments, made full use of online air quality monitoring system to promote trend management and objective management of regional environment air and provided the surrounding community with environmental quality data services on regional scale through APP software and other ways.

⑥ Emulsion concentrated alkali biochemical system improvement in wastewater station of the cold rolling plant

In 2015, Baosteel cold rolling plant carried out improvement transformation on the emulsion concentrated alkali treatment facilities in wastewater stations. This wastewater biochemical system receives wastewater from emulsion treatment system and concentrated alkali system. Due to equipment aging of emulsion system, disposal rate is declined which resulted in standard-exceeding of incoming water quality at biochemical treatment stage and serious affected the follow-up system processing efficiency, and reduced the wastewater circulation rate. To ensure the subsequent efficiency and stability of the water treatment at biochemical treatment stage and satisfy the recycling requirements after water treatment, emulsion wastewater was treated separately with gas flocculation technology and progressive air floating technology.

6.3.4 Domestic and overseas technology exchange and industrial cooperation

Baosteel has expanded communication with counterparts both at home and abroad through constructing multi-channel academic exchange platform, "Inviting" and "Going out" to better fit the big family at home and abroad. Scientific and technical personnel in Baosteel can be more familiar with domestic and foreign counterparts, master the latest technology development trends. Meanwhile, foreign counterparts can know more and understand Baosteel. Enhance the academic level of the scientific and technical personnel and promote enterprise technology innovation through mutual exchange. In 2015, the Company organized international communication with a total of about 30 groups and 50 persons.

In 2015, Baosteel first cooperated with Chinese Society for Metals to jointly organize. The 10th China Steel Annual Meeting and Sixth Baosteel Academic Annual Meeting which was highly praised by the industry. In the same year, it successfully hosted "Baosteel - China Steel 16th science and technology exchange and 20th anniversary celebrations".

Meanwhile, Baosteel actively participated in activities at all levels organized by IISI with stable participant number and staff. In 2015, 20 groups and 26 persons were sent aboard for communication. Two Fellows were sent respectively to participate in "Stainless Steel Ferrochrome Market Research Project" and "Project on Restructuring Transformation Research after Peak Period of China Steel Industry".

The 10th China Steel Annual Meeting and Sixth Baosteel Academic Annual Meeting

The 10th China Steel Annual Meeting and Sixth Baosteel Academic Annual Meeting were solemnly held in Shanghai on October 21-23, 2015, along with the 18th Shanghai International Metallurgical Industry Exhibition. The annual meeting took Better Steel, Better Life as the theme and focused on industrial structure adjustment and transformation, metallurgical industry technology progress and innovation, metallurgy ecological civilization and other industrial hot points. A total of 850 external delegates from more than 20 countries and regions registered to attend, including 132 foreign guests.



The annual meeting set up 16 technology parallel sessions including iron-making and raw materials, steel-making and continuous casting, rolling and heat treatment, surface and coating, steel deep processing, automotive steel, electrical steel, pipeline steel and line pipe, stainless steel, special steel, energy and environmental protection, metallurgy analysis, metallurgical equipment and engineering, metallurgical industry automation and intelligent control, informational intelligence and steel near-net-shape continuous casting, accepted 1033 papers and published 494 oral articles, including 150 special reports. The annual meeting was with high internationalization level, high-quality theme report and under warm communication atmosphere. In addition, the annual meeting was held jointly by the Chinese Society for Metals and Baosteel firstly in the form of "conference, enterprise" union, and presented brand superimposed effect of "premium + scale". Websites of more than 10 international associations including IISI and American Iron and Steel Technology conducted propaganda on the annual meeting.

Communication with Taiwan Chinasteel

On April 20-24, 2015, The 16th Baosteel – Chinasteel Scientific and Technical Communication was held at Taiwan Chinasteel, along with Baosteel -Chinasteel Science and Technology Communication - 20th Anniversary Celebration. Baosteel delegation led by Baosteel chairman of BOD, Chen Derong, was warmly welcomed by high-level management and technological personnel in Taiwan Chinasteel and science and technology personnel of both sides conducted in-depth exchange on iron-making and steel-making technologies. To celebrate the 20th anniversary of communication between both parties, communication review movie was made and book donation ceremony of *Festschrift* prepared by Baosteel was arranged in the celebration. Both parties have successfully signed *Energy and Environmental Protection Research and Development Technical Cooperation Agreement*, which was a milestone from exchange to cooperation.



Baosteel actively participated in conferences at all levels organized by IISI

In March 2015, economic committee spring meeting of IISI was held in India. Baosteel released the report of China Urbanization Process and Trend, reviewed and shared the Chinese urbanization trend from 2014 to 2020.

In April 2015, TECO meeting of IISI was held in Linz, Austria. Baosteel submitted corporation highlight report which gave a brief introduction of major project conditions conducted in technology innovation, product application and other areas. Topics of the meeting included steel manufacturing process, product and application and energy conservation and environmental protection, etc.

In October 2015, Baosteel participated in IISI council annual meeting with theme of Role of Steel Industry in Recycling Economy, was invited to attend Regional Chief Executive Group Discussion as a representative of China, and gave opinions on regional economic and market prospects.

In June 2015, environmental committee conference was held in Turkey. Relevant staff of Baosteel attended the conference. The conference focused on compliance issues including new environment standards and new laws and regulations, emission standards of atmospheric pollutants NO_x and SO_2 , disposal of by-products (steel slag) and other problems, and discussed hot topics in LCA (life cycle assessment), strived to focus on contribution of steel on whole value chain of products, and enhanced industry status and competitiveness through effective B2B communication means and operation strategies.

6.4 Investor Relations

In 2015, the Company's work and effort on investor relations won widely recognition in the capital market. The Company not only owned the highest industry attention and best rating of industrial institution analysts, investor relation work also won the recognition of the society from all walks of life. The Company website was selected Most Welcomed Listed Company Websites sponsored by Securities Times by investors for two consecutive years, consecutively awarded most admired listed company top 100 by investors, and won best investor relations award and certificate of outstanding investor relation management in material industry by world famous magazine IR Magazine.



Positively respond to investor demand, strengthen organization and planning, and initiatively deliver the company value to the capital market

"Most admired listed company top 100 by investors"

1

"Best investor relations award" in material industry by world famous magazine IR Magazine

1

Certificate of outstanding investor relation management

1

In 2015, iron and steel industry experienced the severe winter and the capital market also went through two different worlds of fire and ice. The Company always kept an honest and positive attitude in the face of the capital market, further studied business opportunities, analyzed and interpreted in a professional perspective and timely and objectively shared professional point of view and delivered market information. The Company received institutional investors for research with a total of 66 batches and 375 persons, arranged investors for factory visit with a total of 11 batches, 187 persons and held 13 teleconferences. The Company selectively took part in 16 investment summit and strategy analysis conferences at home and abroad and held 69 one-on-one meetings and group meetings in the meantime. In addition, the Company communicated with small and medium-sized investors organized by Guangdong Radio and TV Station *Investment Express*, as well as teachers and students from New York University, University of Dublin and other universities to vigorously advocate the value of the Company.

The Company grasped Internet +, wisdom manufacture, supply side reformation and other opportunities to actively deliver value information of the Company to capital market. In 2015, the Company successively held its annual (semi-annual) performance conference in Shenzhen and Zhanjiang and held 4 online roadshow; Around the Zhanjiang project construction, electric business development, wisdom factory construction and other topics, comprehensively display the Company strategic measures of continuously strengthening main business competitiveness, and transforming development from manufacture to service and building the Company's good image in capital market.





Strengthen disclosure of voluntary information, promote information correlation and readability

The Company regular reports conform to the requirements of the format guidelines, and continuously increase disclosure of voluntary information at the meantime. The Company gradually added shareholders and other stakeholder concerned information in regular reports, including company development strategy, business philosophy, and proportion addition of production and operation condition introduction, addition of detailed product profitability, market share and other operating information to meet the information demand of investors. Meanwhile, the Company continuously increased information disclosure by means of data, forms and graphic methods to improve readability of regular reports.

Promote fair and efficient information disclosure and optimize the information communication channels with new media platform

In order to ensure fair and efficient information disclosure, the Company actively promoted the construction of network platform. Through continuous adjustment and improvement for years, website of the Company investor relations is now with integrated structure and substantial content. The Company made full use of network channel: upload company annual reports, company records, announcements, regular reports, playback of performance presentation conference and PPT materials to the special column of the Company investor relations for investors to browse and download; For investors who subscribe to corporate information, the Company sent electronic version of *Steel and Iron Information Abstract* to them via E-mail, including weekly industry and company news, and weekly industry data update; For international investors, the Company prepared and sent English electronic monthly magazine- (Information Express) specially for foreign investors.

With the emergence and spread of new media, the Company actively has established close contact with investors through Wechat public account and Wechat communication group maintained good interactive communication and timely shared corporation investment value. Compared with traditional media, phone and other communication methods, new media helped the Company to deliver dynamic information and investment value timely, and brought investors a better experience and interactivity. With the operation of new media platform, the Company further deepened the relation and interaction with capital market.

7

Human as Treasure

以人为宝

Employee as Treasure	36
Community as Treasure	41
Shareholder as Treasure	42

7.1

Employee as Treasure

7.1.1 Employee Profile

The Company had 38,089 in-service employees at the end of report period including 21,809 operation and maintenance personnel, 12,941 technical personnel and 3,339 management personnel.

29,341 employees (77.0% of total employees) owned junior college education background and above.

7,554 employees owned intermediate professional title or above, accounting for 46.4% of technical business personnel and administrative staff.

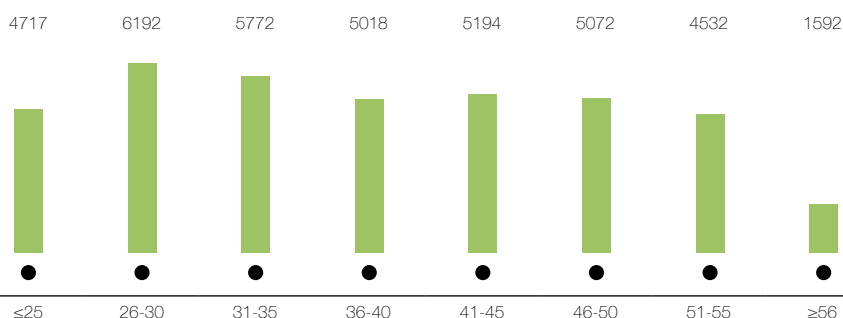
12,073 employees acquired certificate for advanced worker and above, accounting for 55.4% of operation and maintenance personnel.

The employees of the Company were mainly distributed in provinces and regions like Shanghai, Jiangsu, Guangdong, Shandong and Hubei as well as some overseas regions.

The Company provided equal employment opportunities for male and female employee at different ages. Due to the features of iron and steel industry, the male-female ratio is 6.6:1. Female employees mainly were engaged in management and technical business posts.

The Company owned young and energetic employees. The age structure was rational. Most employees were aged 45 and below, accounting for 70.6% of total employees.

Distribution Diagram of Employee Age (People)



7.1.2 Safety and Health

Staff Safety

In 2015, the Company adhered to the theme of improving weakness in safety management and enhancing the capacity of safety management system, took principle line of consolidating safety work effective approaches, strengthening site safety management and improving safety management level, according to the requirements of Five Implementation, Five Tasks, comprehensively implemented safety responsibility of “Equal Responsibility between Party and Government, One position Two Responsibilities, Joint Efforts for Management”, and steadily promoted all staff participation safety management work mechanism; Orderly boosted and deepened special measure of cooperation safety management and frontline staff post safety training, implemented safety supervision and diagnosis in key areas and key fields and strived to enhance company whole security system management ability; Systematically boosted hidden perils identification and analysis and hazard identification improvement and achieved continuous improvement of safety management.

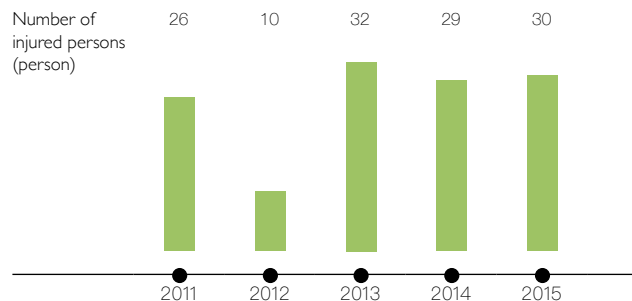
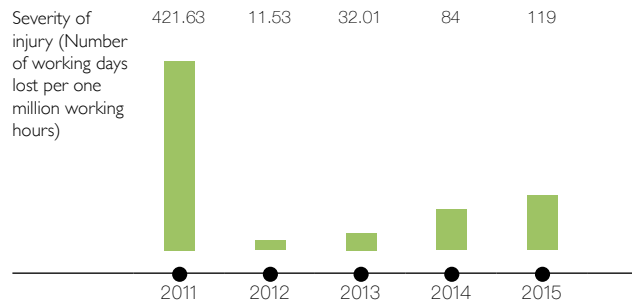
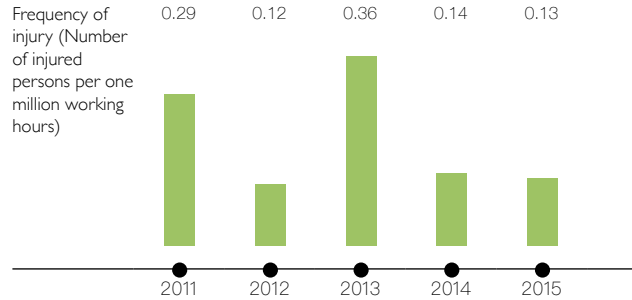
Physical and mental health

In order to satisfy employees’ demands for physical and mental health, and enrich and optimize employees’ health security plan programs, the Company has provided employees with diversified health security service programs. Employees may select different service programs on their own based on individualized demands. Meanwhile, employees enjoy rest days, holidays, paid annual leave, home leave and other various holidays stipulated in national laws and regulations as well as the company system. The wages of the employees during overtime and various holidays shall be executed in strict accordance with the national policies and the company system.

7.1.3 Harmonious Labor Relations

The Company abides by relevant laws and regulations including *Labor Law of the People’s Republic of China*, *Labor Contract Law of the People’s Republic of China*, *Trade Union Law of the People’s Republic of China* and *Social Insurance Law of the People’s Republic of China*, respects employees’ human rights, care about the employees, practically safeguards employees’ interests and signs labor contract with employees and performs the contract according to law.

The Company earnestly executes all staff labor contract system, collective contract system and system of workers and staff congress, gives full play to the “platform” advantages of completed workers’ congress system, and deeply and solidly promotes equal negotiation and collective contract work by establishing and perfecting trade union organization, labor dispute mediation organization, labor law supervision organization and labor protection supervision and inspection organizations, thus guaranteeing stability of employee team and promoting harmonious enterprise construction.



7.1.4 Benefit Package

Providing Competitive Remuneration Treatment

The Company builds an “Externally Competitive and Internally Fair” remuneration distribution system by borrowing market remuneration management experience and based on the internal post value to make sure the income of employees is competitive in the industry and in the local region. Also, the Company dynamically adjusts remuneration according to employees’ performance, ability and quality improvement, as well as business performance to enable the employees to realize personal value and promote enterprise value, so as to attract and retain various talents required for strategic development of the Company and realize effective combination between income and contribution, and harmonious development of employees and the Company.

Implementing Performance Oriented Remuneration Motivation Policy

The Company continuously strengthens “efficiency and benefit-oriented” principle in remuneration distribution, optimizes salary amount budget management mechanism, continues to implement “personnel reduction without reducing bonus” policy and relentlessly lets the vast employees share the achievements in promoting labor efficiency; links bonus increment and profit contribution based on the principle “more benefit, more bonus; less benefit, less bonus”.

Complete Insurance and Welfare System

In order to inspire employees’ initiative and creativity and improve cohesion and solidification, the Company performs the social responsibilities of the enterprise according to law, maintains legitimate rights and interests of employees and pays various social insurance expenses in full amount as scheduled, including basic endowment insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance as well as housing fund to solve worries of the employees during retirement, resignation from office or accident. On this basis, the Company has also provided employees with enterprise welfare programs like corporation pension plan, supplementary housing fund, health security plan, physical examination and free working lunch.

In order to relieve the house purchasing pressure of youth staff, solve the temporary difficulties in house after marriage and stabilize the youth staff team, the Company provided monetary renting subsidy for the youth staff meeting application conditions. Meanwhile, the Company initiatively tackled the most direct and most realistic profit problems which employees most concern and provided preferential borrowings (first installment of first house) for the employees meeting application conditions to solve the teething troubles in collecting first installment and promote common development between employees and the Company.



7.1.5 Emotion and Belonging

Employee Relationship

To motivate vitality of employees, joint-stock labor union exerted sports and recreation associations to play its role in spreading and leading, organized fishing contest, table tennis, table tennis contest, tennis match, billiard points race, vocal music training class, Xinyi-LiuHe boxing training, hiking and other activities with a total of more than 10, staff participation was extremely high. Taking sports and recreation association as the platform, labor union of Meishan Steel organized and held Meishan Steel 11th Staff Sports Meeting which enriched the culture life of the Company and boosted morale of the staff. Energy and environment protection department, offices, Huangshi Company and other trade unions also carried out winter exercise, life cultivation and health preservation lecture, hiking, baking and other activities welcomed by the staff according to the local circumstances, and cooperated with other departments to organize activities which enhanced the friendship between departments. 15000 employees participated in the recreation and sports activities throughout the year.

The Company formulated rules and regulations and encouraged mutual assistance to ensure steady progress of poverty relief work. By further perfecting *Poverty Relief and Warm Delivery Management System*, properly adjusted the standard for poverty relief work to ensure steady thought of needy worker; By formulating *One Day Donation Utilization Management Method*, allocated 15% of current year staff donation to the trade union and increase support to needy worker; By organizing staff to attend Shanghai worker safeguard society insurance, increased staff safeguard efforts.

Balance between work and life

To further create a good working environment, the Company followed the principle of “Necessary, Feasible, Reasonable” and combined with the actual situation of each unit to promote the construction of practical engineering renovation project classification by layer and classification. 430 practical projects of the Company this year were all completed on schedule. Organized and carried out “Most satisfying” series campaign, and around “Staff rest room, operation room, dressing room, toilet ” and other main sites, assessed from four aspects including “hardware facilities, daily maintenance, system normativity, management characteristic”. To fully support operation of Zhanjiang in 15.9 and solve the behind worries of Zhanjiang staff, relative service mechanism for Zhanjiang support staff was established and implemented. “Family database” was established and “Six ones” activity plan was implemented. Boosted the construction of living and logistics facilities for staff in Zhanjiang, participated and supported construction of sports venues, swimming pool, dining room, bachelor quarters and other living and logistics facilities in Zhanjiang Steel to realize complete coverage of staff health security benefit plan.



7.1.6 Respect Staff

Diversification and equal opportunities

The Company followed the principles of equity and fairness when establishing various policies and schemes, advocated the idea that everyone is equal, and strictly forbade discrimination of gender, age, ethnic group, religious belief, and political attribution when recruiting, promoting and appraising employees, and implemented equal pay for equal work irrespective of sex. Meanwhile, the Company encouraged overseas returnees to work in Baosteel, tracked the information of overseas personnel and actively launched the introduction of overseas high-level talents.

The Company attached great importance to employees from ethnic minorities and offered certain allowance to some of these employees. Some of them assumed important posts of the Company. The Company showed consideration to Hui staff, illustrated by building Hui canteen due to their diet habit. Hui canteen was equipped with special kitchen, chef, tableware and others, offering multiple meals delivered to workplace. In addition to that, the Company listened to appeals of catering firms and collaborated with them on presenting service.

Meanwhile, the Company paid close attention to special groups. To be specific, the Company cared about the physical and mental health of female employees, learned about their appeals as soon as possible, increased physical examination providers for their convenience with quicker and speedier service; offered holidays to female employees during pregnant period, perinatal period and suckling period and established the first "Mum Care" of the Company.

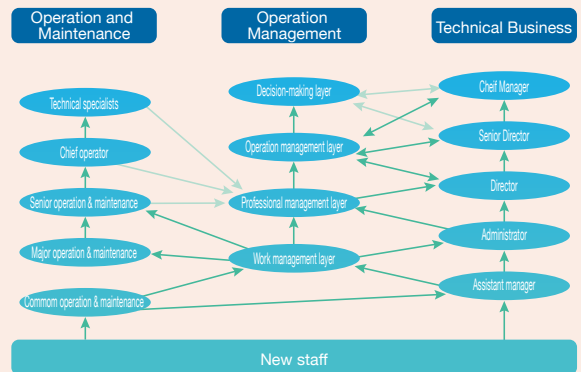


Employees' participation in corporate governance

The Company attaches great importance to the democratic management and implements workers democratic management through works congress, plant condition briefings to ensure proposals involved with the vital interests of employees. Perform democratic process to ensure the participation right and right to know of staff representatives. During program performance of various proposals in 2015, more than 10 symposiums of staff representatives were organized and opinions were gathered repeatedly. Related department modified and improved the scheme to make policies issued by the Company widely recognized and accepted by the staff.

Baosteel "three channels" staff career development path

Baosteel attaches great importance to the staff personal career development and offers diversified channels of career development to its staff. Based on individual learning background and personality characteristics, Baosteel provides its employees with three position systems of operation and maintenance, operation management and technical business. Employees can choose development in depth and breadth or interdisciplinary horizontal development.



Properly served youth and focused on youth "most direct, most concerned and most realistic issues"

- 1 Presented excellent reply work of "bridge" BBS and focused on youth "most direct, most concerned and most realistic issues". Up to December, 217 hotline questions and suggestions were received and all was replied timely. Meanwhile, special public opinion report work was performed well.
- 2 Cooperated with hospitals, schools, government and other agencies and organized blind date activities for the single marriage-aged youth.
- 3 Solidly carried out "Poverty relief and warm delivery", "Family letter to warm heart" and other activities. Throughout the year, poverty relief money of more than 20,000 Yuan was distributed, "Family letter to warm heart" activity was carried out in 170 league branches and 4266 family letters were sent out with Awarded of "Best family letter" for excellent organization in group activities.
- 4 League organizations at all levels widely carried out various sports and recreation activities according to the needs and characteristics of youth.



7.1.7 Needs for Self-actualization

Career Development

The Company provides diversified personal career development ways while keeping in mind employee's personal conditions and interests. In 2015, around the staff capacity building, the company improved professional ability of employees from four aspects including "leadership", "technical force", "field force" and "internationalized competence".

In terms of "leadership" promotion, scheme practical rehearsal was planned for management personnel at all levels with close attention on "equipment management, basic management, wisdom manufacture" and other hot and difficult problems; To absorb and learn external experience, Zhi Yuan legion project was launched to help managers adapt to new situation and new requirements of reform and development.

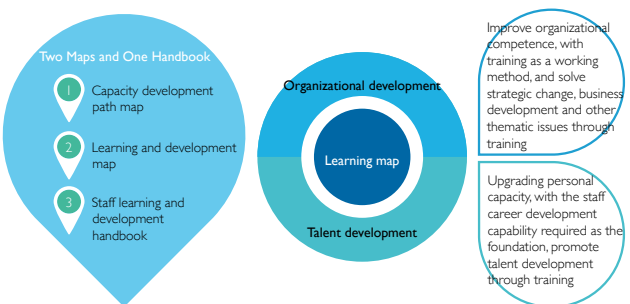
In terms of "technical force" promotion, focused on quality and technology problems urgently needed to be solve or paid special attention to and golden apple group training and TOP10 scheme training were organized. Steadily advanced Whole Process Engineer and Technical Team Leader projects and Meishan Steel carried out Flying Eagle Plan Training; Baosteel International implemented training program of EVI Business Manager.

In terms of "field force" promotion, expanded "dual system" cooperation class scale and professional fields, and opened the first "Anhui University of Technology - baosteel bliss"; Meishan Steel continued special training camp of skilled talents.

In terms of "internationalization competence" promotion, steadily advanced deep blue plan and selected excellent business managers and technical business backbone for overseas studies, rotating internship and short-term training.

Staff learning map

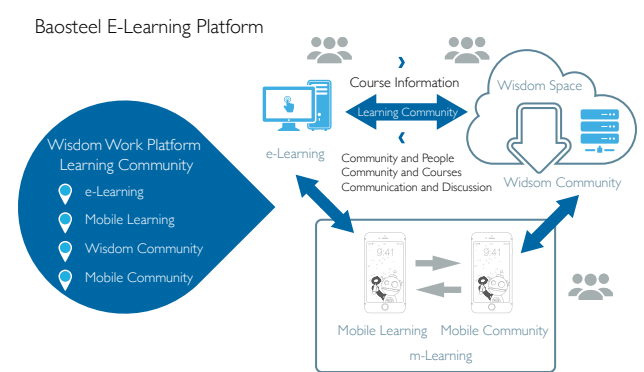
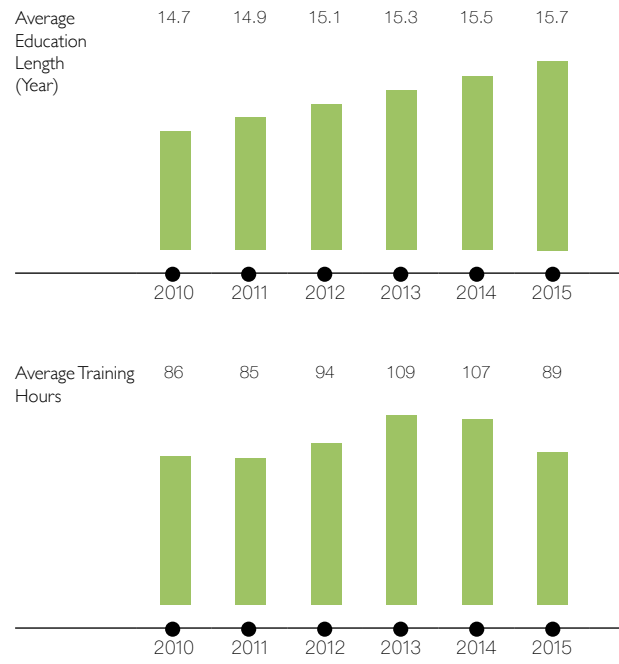
On account of capacity requirements of staff at various career development stages, Baosteel provided learning path diagram to help employees quickly be competent to their positions which was called "learning map" by Baosteel staff. Learning map was also the learning path diagram for each employee to achieve personal career development and the planning blueprint learned by all employees. Through clearing capacity requirements of staff career development at each stage and matched with specific learning curriculum and the practice, staff learning map will effectively and rapidly improve the staff professional ability and lay a solid foundation for Baosteel core competence and effective improvement of talent team ability.



Training

Baosteel attaches great importance to the staff ability construction and is committed to continuously providing diversified training opportunities and multiple and flexible education platform for staff through various channels. In 2015, various training courses with a total of 70 were held through organic combination and application of face-to-face instruction, remote real-time video, e-Learning, action learning and MOOC throughout the year, with trainees of 13,190 and total hours of 385. Staff average training was 89 hours and total participation number was 157,000 persons. Average education length of staff increased year by year with 15.7 years by final report.

In terms of curriculum provision, the Company combined with national and local published new regulations and policies for energy and environmental protection, a series of topics including environment protection laws, regulations, policies and standards, energy and environment protection management, environment management and social responsibility, environment monitoring management, energy conservation and environmental protection technologies, carbon emissions reduction and carbon trading and green products and marketing were planned. Whole staff training was organized against three various professional channels including decision-making and management, technical business and production operation.



7.2

Community as Treasure

The Company upheld concept of "Integrated into Local Ecology and Coexist with Community", actively performed due corporate social responsibility, strived to return to the community and did its best to create and consolidate stable and harmonious relationship between community and enterprise.

The Company donated to surrounding communities in form of special funds and party membership dues to support communities for environment renovation, public facilities reconstruction and fund social vulnerable groups, brought surrounding residents with welfare of Baosteel, further strengthened interaction with local government departments through participating in Yuepu Town Congress, regional party construction league of Yuepu town government and other forms, to achieve mutually support and benefit and common goal of co-construction, sharing and seeking common development which received consistent recognition from government departments and surrounding residents.

The Company vigorously carried out activity of "Going outside, inviting inside", visited neighboring communities and folk organizations door to door, sincerely communicated with resident committee, owners committee and resident representatives with an open mind, gathered true opinions of residents, introduced the Company management situation and environmental protection practice, pushed the Company development plan and the production and operation dynamic to further eliminate environmental concern of residents and show attitudes and assumption of the Company. Meanwhile, the Company insisted on construction platform interaction mechanism with paired community, regularly communicated and launched environmental improvement and humanistic care as required. Normalized organization area, town



NPC members, representatives of local residents and youth league member launched "Plant Open Day" activity, designed visit route according to the requirements of different levels and on-site experienced and shared development achievement of Baosteel in production, environment protection, ecology and other aspects from various perspectives. In 2015, 13 batches and about 500 persons were organized to participate in plant visit activities.

Walking into Community, Listening and Feedback

"How large-scale metallurgical industrial park lives in harmony and jointly develops with the local community" is the problem must be faced with on enterprise developing stage. Community public opinion supervision provides direction for our continuous improvement and serves as motivation to assist us to achieve reform. Meanwhile, community residents also expect to be the first to know enterprise related practice. In 2015, the Company specialized departments successively visited Yueye, Yuepu Second village, Zhongyeshangyuan, Baohua Shengshi Park and other surrounding communities, frankly communicated with residents committees, owners committee, and residents representatives, understood community wishes and requirements, introduced the Company environmental protection practice, meanwhile, enhanced normalized communication with the community through *Baosteel Paper*, "Hello, Baosteel" Wechat platform promotion and popularization of plant environment real-time air quality software and other methods to show openness, tolerance and social responsibility of the enterprise.

Co-construct Community and Spread Positive Energy

On the basis of "society and enterprise co-construction framework agreement for 3 years (2014-2016)" signed between the Company and Yuepu Town in 2014, Baosteel steadily promoted and refined detailed contents of framework agreement into practical and good things for people, and transformed the agreement into small highlights for harmonious development of social and enterprise. In early 2015, the Company signed *Directional Donations Tripartite Agreement* with Yuepu town in the presence of charity foundation Baoshan branch, launched annual targeted donations and launched donations with love to needy residents in Yuepu.

Be Aware of the Company Environment Actual Performance on Open Day

To enhance mutual understanding and close the distance, Baosteel organized NPC members in Baoshan district and resident representatives in Yuepu district to design visiting activities on the open day with all-round perspective in accordance with the requirements of various groups. Representatives deeply experienced the practices and efforts of Baosteel.



7.3

Shareholder as Treasure

Innovate communication model, focus on hot and central topics and enhance service level of shareholders

In 2015, The Company focused on planning of Innovation Annual Report, Semi-annual Report and Analyst Performance Presentation, took the Company development strategy and management highlights as recommendation subject, combined with concerns in daily communication with investors, determined deployment and development of E-business and ignition and putting into operation of Zhanjiang Steel project as the theme of the two meetings separately and organized preparation of subject information and theme promotional materials. Meanwhile, accelerated planning and preparation of the activity, perfected and refined various works and enhanced service levels of investors. At the end of April, Baosteel held 2014 Analyst Performance Presentation Conference, 53 investors from 45 investment agencies and four media were invited to be present. News reports and analyst reports were reprinted by major media and Baosteel acquired highest attention and best rating of industrial analysts.

Focus on various investment groups, display annual report in an innovative way

Regulators prepared clear specifications and requirements for preparation of regular reports. Annual report of 2013 had 158 pages which made it time-consuming and laborious for ordinary investors to read and understand company regular reports. In order to facilitate and guide investors to master key information of the reports, from annual report in 2013, the Company listed operation highlights within reporting period in the opening section of regular reports, and introduced diagrams for description of accounting data and financial indicators, to visually reflect the change of the Company operating performance within the reporting period and be convenient for investors reading.

In annual report of 2014, the Company first substituted traditional "To investors" in words with "One chart to understand annual report". Company management performance was listed on homepage of annual report to give investors a clear glance and help investors to know annual operation situation with fastest speed. "Core data" chapter was added in the text to highlight key indicators with easy-to-read diagrams.

Prepare *Fact Book* and timely disclose operation data

Year of 2015 had been the 12th year for continuous preparation of *Fact Book* since the Company became the first domestic listed steel corporation and prepared *Fact Book* in 2004. The information material included operation data and introduction of the Company in production, sales, procurement, investment, research, development and other aspects which played an significant role in assisting investors to understand and master the Company overall situation and was widely welcomed by institutional investors. *Fact Book* was one of the Company products attached great importance to by investors as showed in questionnaire on the Company investors relations.



8

Urban Steel Mill

城市钢厂

Mutual Construction in Urban Ecological Environment	43
Boosting Urban Industry Development	44
Co-build City Good Life	45

8.1

Mutual Construction in Urban Ecological Environment

8.1.1 Local ecological environment construction

Coal in shed and ore in storehouse

Baosteel made active response in implementing pollutant governance program of *Shanghai Municipality Clean Air Action Plan* and Shanghai 6th round of “Three-Year Action Plan for Environmental Protection”. Through closed renovation in raw material plant, the Company was able to progress “coal in shed and ore in storehouse” program, reduce dust-raising pollutant in material yard, enhance environmental quality in plants and lower environmental impact on surroundings. Programs have been progressing as planned since 2014, with closed renovation finished in some material yards. All programs are expected to be completed in 2018, when certain raw material yards would be replaced by shelter forest in addition to further improvement in regional environment. Similarly, Zhanjiang Steel attached importance to planning on sources, scientifically designed material yard layout and adopted new initiatives like “totally closed + dust screen” to control environmental impact of random particles from the source.



Emergency system for heavy pollution weather

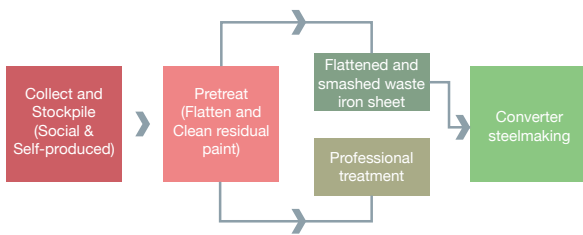
The Company paid close attention to emergency warning and environmental control for heavy pollution weather, formulated Fall&Winter environmental control scheme and enhanced on-site control. Baosteel Headquarter put Shanghai Municipality Temporary Control Measures for Air Pollution in place and guaranteed winter air quality. Meishan Steel responded to and implemented all environmental control requirements during public Memorial Day and marathon.



8.1.2 Resource sharing and recycling

Better disposal of urban hazardous waste with recycling in waste paint

Urban solid waste, especially hazardous waste, is a problem which restricts the development of the city. From the perspective of urban steel plant serving urban development, Baosteel gave full play to the function of Steel Plant Urban Solid Waste Absorption, and actively explored and implemented disposal measures of steel plant “recycling, harmless, reduction” against waste paint bucket which belongs to urban hazardous waste hard to dispose of. Actively carry out research, test and disposition work on social hazardous waste. Process site construction for social waste paint bucket was launched by Baosteel since October 2015 on the basis of 113 tons of paint bucket in converter for incineration emergency disposal in the early stage. The Company advanced harmless utilization of waste paint bucket as a long-term and scale work,



with 8,000 tons capacity of social waste paint bucket scheduled for the project, accounting for 40% of Shanghai annual waste paint bucket capacity. Baosteel upheld the principle of enterprise harmonious coexistence with the city, performed the corporate social responsibility, continuously improved the efficiency and safety level of environmental protection and further optimized related process and perfected the relevant rules and regulations to ensure smooth disposal work of waste paint bucket.

Waste heat water, a bond to connect enterprise and community

In 2015, Baosteel continuously advanced transformation and utilization of low temperature waste heat and waste heat, provided clean energy for society, strived to cooperate & support government department to launch coal (heavy oil) boiler clean energy substitution project and annually offered 5 million tons of heating water to surrounding communities, which realized the enterprise energy conservation and emissions reduction and cost decreasing and benefits increasing. Furthermore, enterprise resources were given back to society to further strengthen the close links with the community, which achieved organic integration of city steel plant and the city.



8.2 Boosting Urban Industry Development

8.2.1 Baosteel Carbon Emission Trading in Act

As one of pilot enterprises of carbon emission permit trade in Shanghai, Baosteel, through referring to international experience as the main think tank, cooperated with relevant authorities of municipal government to formulate carbon emissions accounting method and determine united “weights and measures” of carbon emission for Shanghai iron and steel industry. In 2015, permit for about 0.12 million tons of carbon emission was listed and sold with over RMB 1.839 million Yuan profit. Baosteel’s carbon emission was 4.10 million tons less than Shanghai rated carbon emission in three-year trial period.

8.2.2 Regional taxes

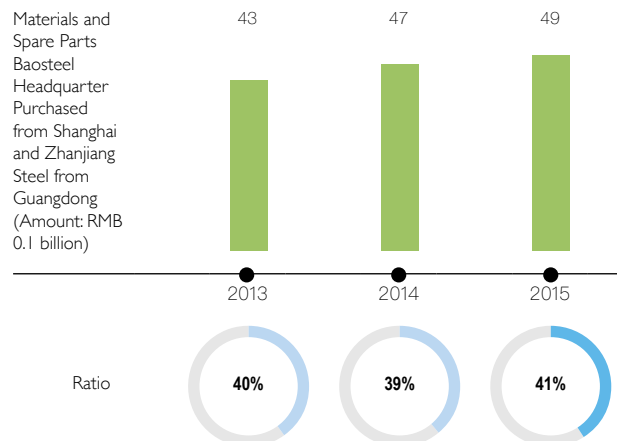
The Company pays back to society with honest operation and good performance.

In 2015, the Company merge-caliber paid various taxes and fees with a total of about RMB 10.7 billion Yuan. Paid-in tax of Baosteel and its subordinate company in Shanghai Baoshan district in 2015 was RMB 5.019 billion Yuan, including value added tax of RMB 2.173 billion Yuan, business tax of RMB 36 million Yuan, enterprise income tax of RMB 1.342 billion Yuan and other taxes and fees of RMB 1.467 billion Yuan; Paid-in tax of subordinate Meishan Iron and Steel Co., LTD in Nanjing area was RMB 729 million Yuan, including value added tax of RMB 475 million Yuan, business tax of RMB 15 million Yuan and other taxes and fees of RMB 730 million Yuan. Good tax credit won "Taxpayer Credit Rating of Class A in Shanghai" for the Company.

The Company paid RMB 12.5 billion taxes in 2014. With good tax-paying credit, the Company has won “Shanghai class-A taxpayer credit rating” for successive years..

8.2.3 Support for local enterprises

The Company paid attention to joint development with the place where plants are located by endeavoring to allocate resources purchased from local. The actual performance of Baosteel Headquarter and Zhanjiang Iron & Steel purchasing materials and spare parts from local in past three years is shown in the following figure. (If the manufacturers registered in Shanghai from which the Company headquarters purchased and the manufacturers registered in Guangdong from which Zhanjiang Iron & Steel purchased were defined as local suppliers)





8.3

Co-build Good City Life

8.3.1 Local culture

Walking into World Top 500 and Experiencing Baosteel Green Development

On May 19, 2015 and during Shanghai science and technology activity week, invited by Shanghai science and technology committee, Baosteel actively cooperated with the "walking into top 500" enterprise science popularization specific activities, and was open to the college students in Shanghai and mainstream media. More than 50 students and media reporter organized a group to visit Baosteel to on-site learn latest development of science and technology in Baosteel and status and positive role of Baosteel in the construction process of Shanghai to be technical innovation center with global influence.

During visit and exchange, under the guidance of Baosteel volunteers, Shanghai college students and media representatives arrived at Baosteel blast furnace memorial square, zoo and HFW workshop roof photovoltaic power station successively and acquired detailed conditions of cleaner production of Baosteel, transformation and application of innovative achievements, environment management strategy advancement and other aspects. Visitors showed strong interest on various programs of Baosteel, and gave high recognition and appraisal on actual actions of Baosteel in establishing "Green Baosteel, Beautiful Homeland" and efforts in promoting harmonious development between steel plant and the city.



"Cast Steel with Heart, Repay Society with Green"

To further enhance enterprise culture construction and publicity of environmental protection concept and mobilize the enthusiasm of whole staff to participate in the Company environmental protection work, energy environmental protection department in conjunction with the Company culture department launched activity of "Baosteel Environmental Protection Slogans Collection" towards all staff. The activity issued environmental protection slogan collection notice through collaborative platform, public Wechat account including "Baosteel Direct Train", "Hello, Baosteel" and "Xinxinbao", and Baosteel Daily and other channels which received strong response by the employees. 904 environmental protection slogans were collected during the activity and "Slogans Top 10" was elected after several rounds of selection and public vote on Wechat platform. "Cast Steel with Heart, Repay Society with Green" created by power plant employee was selected to be the best slogan and published on the Company sustainable development report release conference held on world environment day of June 5th.

8.3.2 Public Welfare Activities

Baosteel has always attaches great importance to the corporate image and social responsibility and pursues return and contribution to the society and investors. The greatest social responsibility of Baosteel is to produce more steel products with higher quality to support construction of the national economy. In addition, return to stakeholders and society also plays an important role in social responsibility of Baosteel. Leopard in a hole, minor cases of return to society by Baosteel for a year are captured hereby to show love in the minds of Baosteel staff from several aspects.

Baoshan Iron & Steel donated and sponsored RMB 11.5569 million Yuan in 2015, including RMB 11.30 million Yuan from Headquarter and RMB 256,900 Yuan from subsidiaries. The donations and sponsorships mainly were used in helping and supporting the poor, new rural construction, environmental overall improvement projects, etc.

- In 2015, the Company donated RMB 9.5 million Yuan to Yunnan. The donation was mainly used to support the poor in four counties of Pu'er, Yunnan Province. To be specific, 16 anti-poverty projects were launched in Zhenyuan, Mojiang, Jiangcheng and Ning'er including entire-village advancement, paired study aid, township hospital construction, rural applicable technical training and industrial development. Also, 1 education training project was launched in Pu'er, Yunnan Province. Through the implementation of oriented anti-poverty projects, the Company improved the living and production level of local people.
- In 2015, the Company donated RMB 1 million Yuan to environmental comprehensive administration project of Yuepu town, Baoshan district to improve surrounding community environment. RMB 30 thousand was donated for programs like site construction for children events in surrounding community, improvement of library facilities in residential areas and buying more books.
- The Company donated RMB 500,000 Yuan to 9th Shanghai Baoshan International Folk Arts Festival in 2015, took part in and supported culture events and cultural development in Baoshan district so as to facilitate joint construction of neighborhood and the Company.
- In August 2015, Zhanjiang Steel donated RMB 186,900 Yuan to six primary schools in Dongjian Town through the Red Cross in Zhanjiang which helped to solve the problem of old school desks and chairs, refreshed run-down basketball backboard, let students use new desks and chairs in the new semester and provided excellent facilities for students to hold various sports activities.
- In 2015, Huangshi Coated and Galvanized Sheet Co., Ltd. donated RMB 70,000 Yuan in total to support new rural construction and help poverty-stricken citizens improve their lives.



Children's Playground of Fuhao Garden (adjacent target community) donated by Baosteel



Love Donation, Comfort Heart of the Elderly

In series of activities for celebrating 94th anniversary of CPC, Energy and Environment Protection Department of Baosteel organized all party members to launch "Heart Donation" for senior citizens in Yuepu district. Part members actively participated in the activity and tens of thousands Yuan were raised. Facing with the present from "neighbors", senior citizens lighted up with pleasure, and slight cool were felt in the hot summer. Party members hoped that senior citizens in Yuepu district could keep smiling and enjoy later life through their acts of kindness. Furthermore, charitable actions of each party member better highlighted the own social values of Baosteel party members and improved the good enterprise image.

Young technician keen on public warfare: Dong Ming

Dong Ming is an ordinary post-80s staff of Baosteel. After graduation in 2006, Dong Ming started his career in Baosteel. Young Dong Ming was diligent and hardworking, cautious and conscientious, and quickly became an outstanding gross-roots staff after induction. While doing well his own work, Dong Ming was keen on social public welfare charity. In August 2009, he and a group of like-minded young people established public welfare charity called "Concentric circle", made full use of every weekend to go to Zhikang Child Healthcare Garden located in Xuhui district to help the cerebral palsy children, taught cognitive courses and offered massage service to the children, organized regular bazaar, travels and other activities. By now, the team size has grown from 10+ when established to more than 300 people. In April 2015, the team was officially approved by civil affairs bureau and became registered NGOs. For years, he led the team from serving nursing homes, orphanages to being dedicated to serving cerebral palsy children. They built a "Warm wall" with love heart to warm these special groups in the society.

Actively guide employees to participate in public welfare activities

Youth League Committee of Baosteel well launched "hand in hand" public welfare volunteer activities, and donated to students in three primary schools located in the counterpart anti-poverty country in Yunnan province to improve the local school running conditions.



Q&A

Interested Party Q&A



What are reforming thoughts of our company under the background of vigorous state-owned enterprise reform?

State-owned enterprise reform is one of key reform points deployed in 18th party congress. For reform: 1, Further perfect modern enterprise management, including researches on introducing strategic investors, diversifying equities, etc., to solve the dynamic mechanism; 2, Further perfect mechanism innovation and form value community of enterprise, managers, employees benefit sharing and risk sharing, to solve the dynamic mechanism; 3, Reform and innovate, further intensify enterprise operating mechanism with customer as the center. Regardless, creating value is the starting point and foothold of all works. Therefore, steady operating performance, focusing on major business and achieving sustainable value creation shall be the guiding ideology of the Company operation.

When will Zhanjiang Steel make profits?

Considering that Zhanjiang Project is in the process of climbing step-by-step, we expect that the project will acquire positive contribution margin in the first year of production in 2016, achieve positive business activities net cash flow in 2017 and full-year profit in 2018. We have confidence in the prospect of Zhanjiang Project.

In all kinds of information and company introductions, high-end brands such as Mercedes, BMW and Audi cannot be found. Does this mean these high-end brands are never supplied among our auto plate? These brands have been produced in China for a long period. However, they still go after the far-away at the expense of the near-at-hand. Does this mean that gaps still exist between auto plate produced by our company and world first-class level?

Domestic market share of the Company cold-rolled auto plate is 50%. Vast majority of domestic automobile vehicle and parts enterprises are users of Baosteel. Baosteel serves as the largest localization material suppliers of FAW-VW, Brilliance and other European manufacturers.

What is the proportion of Baosteel staff with pay cut? How much will be cut?

Performance is linked up with payment, so all staff will be affected. Top management personnel declined by 20% in 2015, and various levels will be assigned with corresponding amount of decline. Specific staff number and amount of decline can refer to disclosure on executive compensation in annual report.

Performance is linked up with payment, so all staff will be affected. Top management personnel declined by 20% in 2015, and various levels will be assigned with corresponding amount of decline. Specific staff number and amount of decline can refer to disclosure on executive compensation in annual report.

Mergers and reorganization are important means of industrial upgrading and structural optimization. Operating pressure will force the China steel industry to restructure and integrate in the future. Started from systematical reconstruction with Shanghai Steel in 1998, Baosteel group successively reconstructed with Bayi Steel, Shaoguan Steel, Ningbo Steel and Fujian Desheng. As the central enterprise and leading the company of China's steel industry, Baosteel will actively participate in the industry merger and reorganization process. However, specific decisions will comprehensively consider market opportunity, government will, strength of Baosteel, layout strategy and other factors.

Among the steel industry, why share price of Baosteel is always the first to fall below net asset with largest amplitude?

Scale of the company circulating stock may be too large. The Company stocks are with good liquidity. The Company is also helpless with some market choices. However, striving to be ourselves is the consistent choice of the Company.

Under the background of poor operation situation of industry and the company, what are the considerations for upgrading investment in billions energy conservation and environmental protection equipment?

Level of energy conservation and environment protection will determine the basic living conditions and sustainable competitiveness of steel plants in the future, is the need of a new round of national local laws and regulations and strategic measures for the Company self-pressured to achieve consistent leading in the industry, and is also the fundamental demand of urban steel plant development and community will. Current business performance and capital level of Baosteel can fully support implementation of series planned project.

Reader Feedback Information Form

Baoshan Iron & Steel Co., Ltd. cares much about your opinions on this sustainable development report. Please kindly offer your opinions and suggestions concerning The report and feed them back to us, and then we can continuously improve the report.

Please answer the following questions and fax the tables to +86-21-2664 9109.

You may also answer questions through network (<http://www.baosteel.com/>).

1. Did you find any content you need in The report? Please write down contents you need if you didn't.

.....
.....
.....
.....
.....
.....

2. Which part of the report are you most interested in?

.....
.....
.....
.....
.....
.....

Please inform us of your information if you are willing to:

Name	.....	Occupation	.....
Organization	.....	Address	.....
Postal code	.....	e-mail	.....
Tel	.....	Fax	.....

You may contact us:

Energy and Environmental Protection Department
Baoshan Iron & Steel Co., Ltd.
Yuepu Town, Baoshan District, Shanghai, P.R.C
Postal code: 200941
Tel: +86-21-26648698
Fax: +86-21-26649109
E-mail: tangxf@baosteel.com





<http://www.baosteel.com>

