

中国2010年上海世博会全球合作伙伴  
Global Partner of Expo 2010 Shanghai China

# Baosteel Group Corporation 2008 Corporate Social Responsibility Report

## Overview

### (1) About this Report

This is the first social responsibility report released by Baosteel Group Corporation (hereinafter as "Baosteel" or the "Company") to the public.

The report was compiled with reference to *the Guideline on Fulfilling Social Responsibility by Central Enterprises* (2008 No. 1 document of State-owned Assets Supervision and Administration Commission of the State Council), *the Guide to Sustainable Development Report GRI (G3 version)*, the Ten Principles of UN Global Compact, and the theoretical research results of Baosteel Economics & Management Research Institute, and the actual conditions of Baosteel.

### (2) Scope

Unless otherwise specified, this report mainly describes Baosteel's performance in personnel, community, environment, economy, and supply chain, etc. from January 1 to December 31, 2008, including a summary of important events and tasks before 2008. The report covers such business segments as Baosteel's iron & steel, resource development, and further processing of steel (see the appendix for details on subsidiaries).

### (3) Language and Publishing Form

The report is published in both Chinese and English. The Chinese version shall prevail in case of any discrepancy between the two versions. In the event that any question arises about this report, please contact us by phone or letter at the following address:

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The report is issued in the form of printing, electronic document and disc, where the electronic document can be downloaded from Baosteel's Website (<http://www.baosteel.com>).

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# Chairman's Message



On December 23rd, 1978, the second day after the conclusion of the Third Plenary Session of the 11th Central Committee of the Communist Party of China, the first steel tube pile was driven for the construction of Baosteel at Baoshan Shanghai on the coast of East China Sea. Ever since then, Baosteel has stepped on the sustainable development road to build a "green" Baosteel.

As the largest and most modernized steel complex with the widest geographic reach in China, Baosteel not only deems "maximization of investors' interests" as the goal for pursuit, but also takes "maximization of the long-term value of the enterprise" as the mission and considers social responsibility as an important part of the corporate strategy, in a bid to realize the dual corporate goals of win-win of corporate economic efficiency and social benefits. Baosteel actively carries out the state's industrial policies for steel industry, energetically promotes strategic reorganization and adjustment of industrial structure, and fully plays the exemplary role in enhancing the comprehensive competitiveness of steel industry. From the perspective of economy, environment and social harmony, Baosteel will carefully think the relationship between social responsibility and long-term corporate development, considering social responsibility not only as the obligation of an enterprise, but as an important opportunity of corporate development.

2008 is an unusual and extraordinary year for Baosteel, in which Baosteel experienced the most severe external environment and most complex situation for development so far. The impact of global financial crisis led to drastic fluctuations in domestic steel market. In the face of severe challenge and trial, Baosteel people united as one and fulfilled various social responsibilities to the best of their abilities. In economic aspect, the main steel business scored steady development with substantial progress achieved in Zhanjiang Project and the official unveiling of Baosteel Group Guangdong Iron & Steel Co., Ltd.; practical results were registered in new product R&D and market exploration, GO silicon steel was produced successfully; the competitiveness of related diversified business kept being enhanced and the restructuring of auxiliary business was carried out steadily, with a compensation management system established to facilitate the participation of diverse trades in industry competition. In environ-

mental aspect, Baosteel increased the inputs in environmental protection to effectively reduce the emissions, and received the glory as one of the first Chinese green enterprises for benchmarking. In social aspect, after "5.12" Wenchuan Earthquake, on the basis of responding quickly and donating money actively, Baosteel built one after another residential quarter of color-coated steel sheets housing for the disaster-stricken people, and actively participated in the post-disaster reconstruction projects to faithfully fulfill its social responsibilities.

The *2008 Corporate Social Responsibility Report* of Baosteel Group Corporation comprehensively introduces Baosteel's philosophy, system and practice in implementing its social responsibilities. We have recognized the possibility that the Global Financial Crisis may develop into a global economic crisis, which will bring real challenge of social responsibility to enterprises. Only through further enhancing our interactivity and cooperation with investors, government, customers, suppliers, employees and other stakeholders, can we successfully handle the toughest difficulty of the world. We will bring our thoughts into actions. This report explicitly expounds how we do things.

Chairman:

A stylized handwritten signature in black ink, consisting of several fluid, interconnected strokes.

# Overview

## Company Profile

Among the 2008 Fortune Global 500 companies, Baosteel took the 259th place. Baosteel has been on the list for five consecutive years. According to Standard & Poor's, Baosteel's long-term debt rating in 2008 was "A-", with a "stable" prospect. Baosteel was selected by Fortune Magazine as one of "the World's Most Respected Companies" from 1,500 world well-known corporate candidates.

December 23, 1978 marked the commencement of Baosteel construction in Shanghai. As the first national key industrial investment project commenced after the conclusion of the Third Plenary Session of the 11th Central Committee of the Communist Party of China and the important symbol that indicated China's marching into a new era focusing on the central task of economic construction, along with the thirty-year progress of reform and opening-up, Baosteel has always been undertaking the mission of striding towards a powerful iron and steel country, firmly sticking to the road of scientific development, and marching into the array of world first-class iron & steel manufacturers in firm and sound paces.

1998 witnessed Baosteel's joint reorganization with Shanghai Metallurgical Holding (Group) Company and Meishan Iron & Steel Group. In 2006, Baosteel reorganized Xinjiang Bayi Iron and Steel Works, unveiling the start of its cross-regional strategic reorganization. In 2008, Baosteel reorganized Guangdong Iron & Steel Group Corporation and Shaoguan Iron and Steel Group Co., Ltd. to establish Baosteel Group Guangdong Iron & Steel Co., Ltd. While eliminating the laggard production capacity, Baosteel actively prepares to construct the Zhanjiang Manufacturing Base. The implementation and fulfillment of Baosteel's strategic objectives allows it to rapidly develop into the largest, most modernized and most competitive super-large steel complex, and leap into a leading position in the world class iron and steel manufacturers.

In recent years, Baosteel has put emphasis on steel supply chain, technology chain, and resource utilization chain to enhance integration of internal and external resources, improve the competitiveness, and elevate the industrial position, and preliminarily formed the business structure comprising the main business of iron and steel and relevant diverse segments.

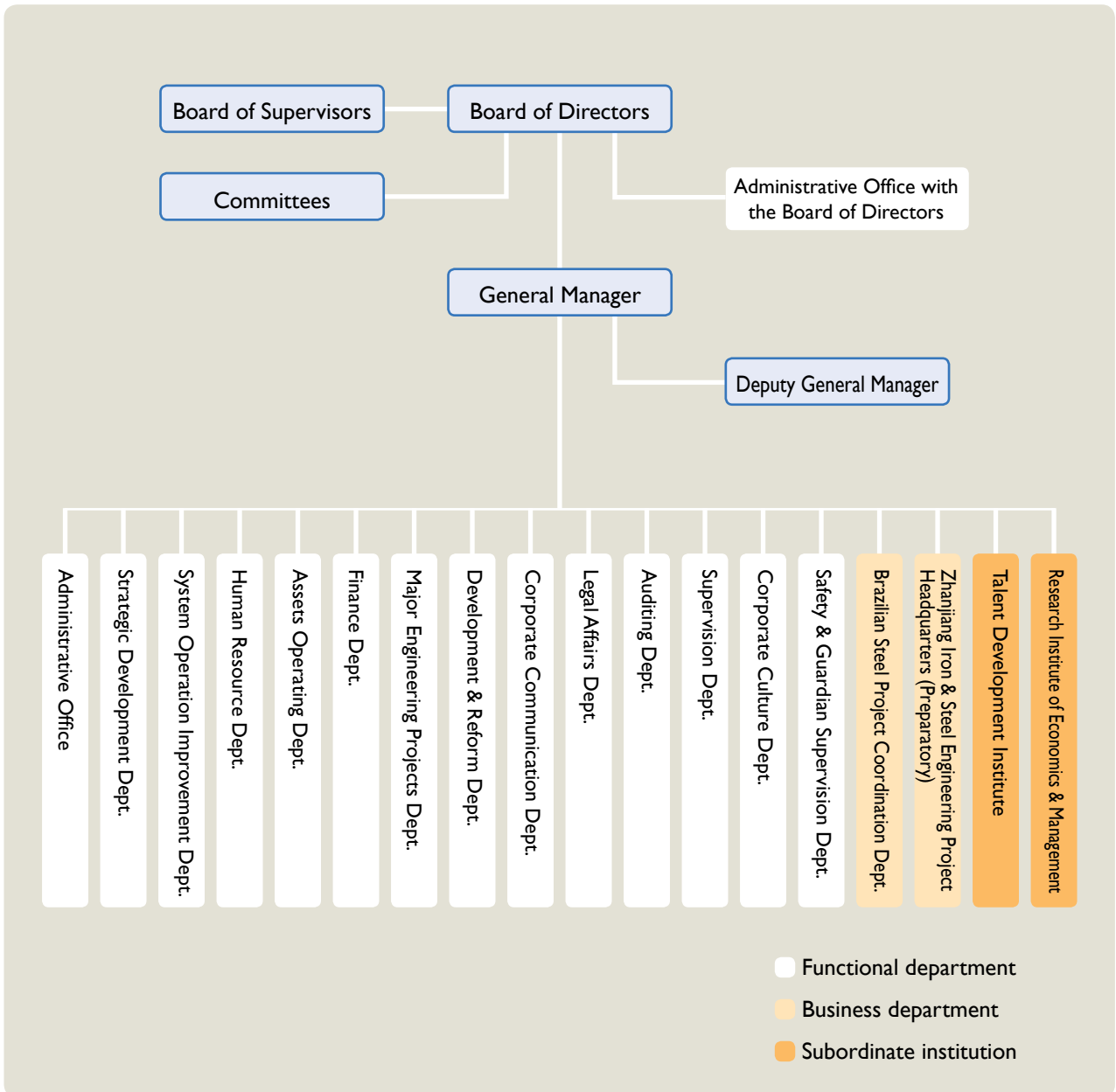
Baosteel's main business is dedicated to producing high value-added superior iron and steel products with high technology elements. It has an annual steel production capacity of around 30 million tons, and its products sell well in the domestic and overseas market. Up to now, it has developed three categories of products including plain carbon steel, stainless steel, and special steel, which are widely used in fields of automobile, household appliances, petrochemical industry, machinery manufacturing, energy and transportation, architecture and decoration, metal ware, aerospace, nuclear power, electronics and instruments, etc. While holding a leading position in the domestic plate market, Baosteel's products are also exported to over 40 countries and regions such as Japan, Korea, Europe and America.

The Company attaches great significance to environmental protection, has clean production practices, develops recycle economy and pursues sustainable development. It is the first enterprise in China's metallurgical industry to pass the ISO14001 certification, and the first one awarded the title of "national environment friendly enterprise" in Chinese metallurgical industry and Shanghai.

In 2004, Baosteel acceded to "Global Compact", being one of the first three enterprises to join this treaty in China. In 2006, Baosteel joined "World Business Council for Sustainable Development" (WBCSD), becoming the 2nd domestic enterprise which joined the organization, and is among the first who joined WBCSD in the global Steel and Iron industry.

Regarding the main business of iron and steel, Baosteel has developed three categories of products including plain carbon steel, stainless steel, and special steel, which are widely used in fields of automobile, household appliances, petrochemical industry, machinery manufacturing, energy and transportation, architecture and decoration, metal ware, aerospace, nuclear power, electronics and instruments, etc.

## Organization Structure



### Board of Directors



**Chairman:** Xu Lejiang



**Deputy Chairman:** Liu Guosheng



**Director:** He Wenbo

Chairman	Xu Lejiang
Deputy Chairman	Liu Guosheng
Director	He Wenbo
Outside Director	Feng Guojing
	Li Qingyan
	Wu Yaowen
	Yang Xianzu
	Xia Dawei
Employee Director	Wang Jinde





Outside Director: Feng Guojing



Outside Director: Li Qingyan



Outside Director: Wu Yaowen



Outside Director: Yang Xianzu



Outside Director: Xia Dawei



Employee Director: Wang Jinde

## Corporate Leadership

### Senior Management



**Chairman:**  
Xu Lejiang



**Deputy Chairman**  
Liu Guosheng



**General Manager**  
He Wenbo

Chairman	Xu Lejiang
Deputy Chairman	Liu Guosheng
General Manager; Member of CPC Standing Committee	He Wenbo
Deputy Secretary of Party Committee	Ouyang Yingpeng
Deputy General Manager	Zhao Kun
Deputy General Manager	Ma Guoqiang
Secretary of Discipline Inspection Commission	Liu Zhanying
Deputy General Manager	Fu Zhongzhe
Deputy General Manager	Dai Zhihao
Deputy General Manager	Zhao Xia
Chairman of Trade Union	Wang Jinde
Board Secretary, Chief Counsel	Chen Delin



Deputy Secretary of Party Committee  
Ouyang Yingpeng



Deputy General Manager  
Zhao Kun



Deputy General Manager  
Ma Guoqiang



Secretary of Discipline Inspection  
Commission  
Liu Zhanying



Deputy General Manager  
Fu Zhongzhe



Deputy General Manager  
Dai Zhihao



Deputy General Manager  
Zhao Xia



Chairman of Trade Union  
Wang Jinde



Board Secretary, Chief Counsel  
Chen Delin

Baosteel adheres to the mission of “Becoming a World-class Enterprise and Setting up World-class Level with a Foothold in the Main Business of Iron and Steel; Dedicated to Becoming a World-class Supplier of Steel Products, Technologies and Services” and upholds the core values of “Credibility, Cooperation, in Pursuit of Maximization of the Enterprise’s Values”.

Baosteel comprehensively advances its leap-forward development by following its development strategy under the new situation; directed by the Concept of Scientific Development and supported by the cultivation of soft power, Baosteel takes the road of new-type industrialization, develops cycle economy, and realizes overall upgrading of scale, structure, technology and efficiency, as well as joint development of the enterprise, the employees and the society.

The established strategic objective of Baosteel is “to become a world-class international public company possessing independent intellectual property rights and strong comprehensive competitiveness, receiving great respect from the society, and boasting ‘one extremely strong industrial sector with considerable development of relevant diverse segments’”.

Under the new situation, Baosteel’s development strategy for main business is optimized as “One Main Line”, “Two Transformations”, and “One Ultimate Goal”.

“One Main Line” is to focus on “scale expansion”, the main line of future development.

“Two Transformations” refers to the transformation of strategy from “superior products” to “superior products + scale”, and the transformation of expansion method from “focusing on new construction” to “combination of merger and reorganization with new construction”.

“One Ultimate Goal” is to energetically enhance Baosteel’s comprehensive competitiveness, allow it to lead the development of China’s steel industry. Baosteel will make efforts to fulfill the change from regional layout to nationwide layout and realize the breakthrough in international layout, so that its comprehensive competence may rank top 3 of the world steel industry.

“To become a world-class international public company possessing independent intellectual property rights and strong comprehensive competitiveness, receiving great respect from the society, and boasting ‘one extremely strong industrial sector with considerable development of relevant diverse segments’”

## Social Responsibility System

In 2008, based on reviewing and summarizing many years' practice and experiences in fulfilling social responsibilities, Baosteel proposed the guideline of "incorporating social responsibilities into the Company's routine business activities" and preliminarily established the Social Responsibility System.

Baosteel has set up the Corporate Social Responsibility Committee (CSR Committee) at top management level, for which General Manager Mr. He Wenbo acts as the Director; Deputy Secretary of Party Committee Mr. Ouyang Yingpeng assumes the office of Deputy Director; the leaders of functional departments and the heads of business segments serve as members. CSR Committee is the general coordinating organization for the Company's social responsibility affairs and the special committee responsible for construction of the Company's social responsibility system and working mechanism.

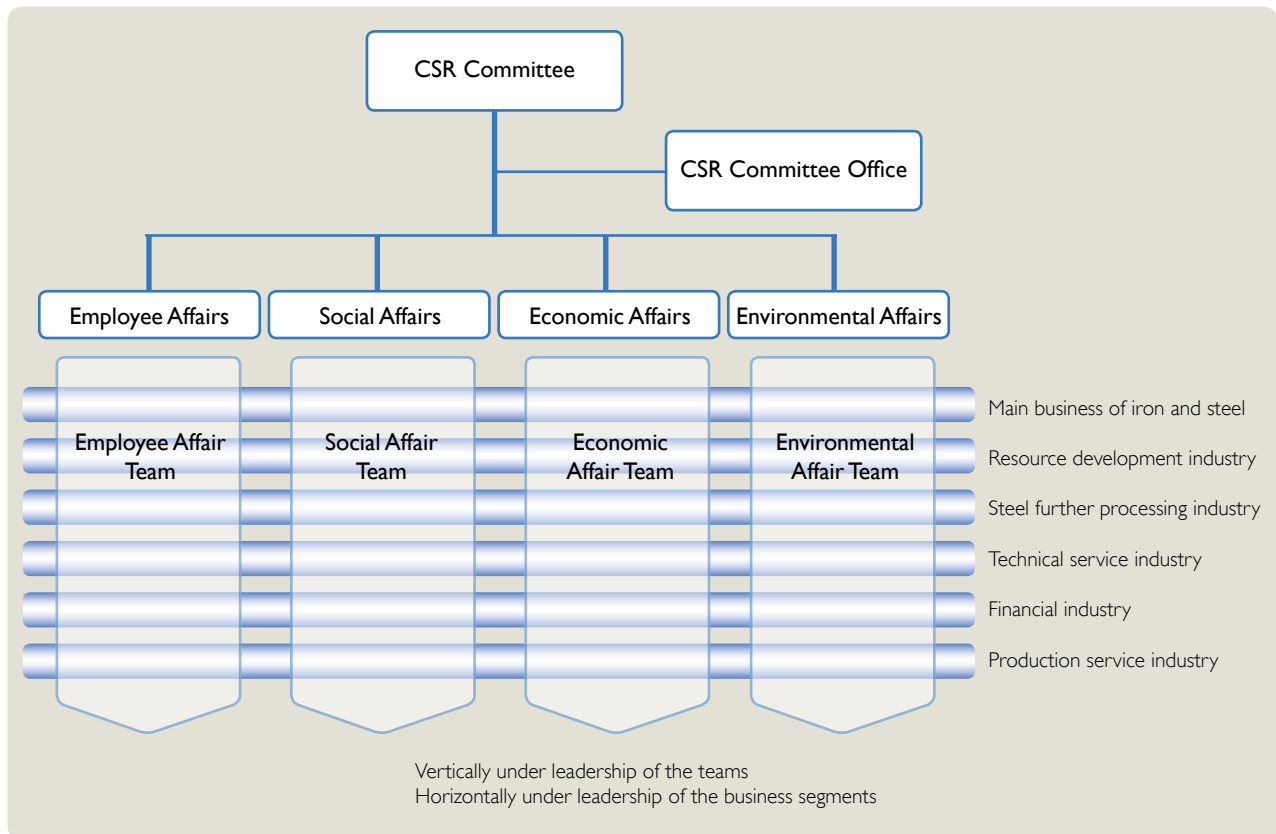
The Office of CSR Committee is set at the Corporate Communication Department, and responsible for organizing the development of CSR index system, arranging the preparation and issuance of CSR reports, and conducting routine affairs of the Committee.

Four teams for environmental, economic, employee and social affairs are set up beneath the CSR Committee, responsible for promoting respective fields under the framework of Social Responsibility System, thus forming a management system with Classified Management[Note] as focus and Hierarchical Management[Note] as supplement.

Furthermore, Baosteel has set up a Sustainable Development Research Center under the Research Institute of Economics & Management, responsible for researching the national and international environment protection policies and agreements, analyzing the development trend and policy orientation of domestic and overseas energy industry, and studying the Company's sustainable development strategy, in order to provide far-sighted theoretic research for the Company to fulfill its social responsibilities and realize sustainable development.

[Note]

Classified Management means that the functional departments of headquarters vertically propel the social responsibility tasks for respective divisions of all subsidiaries; Hierarchical Management means that each business segment propels their internal social responsibility tasks.



## Stakeholders

### Stakeholders' Expectations on Baosteel

On its own initiative, Baosteel undertakes the social responsibility to promote coordination and harmonious development of social progress, employee development, economic growth, and environment protection. This is mainly reflected in the responsibility to stakeholders such as investors, customers, suppliers, employees and the community with a view to realizing joint development. Facing the requirement of China's modernization construction, as China develops from a large steel producing country to a powerful one, the Company takes the initiative to undertake the social responsibility as an industry leader by changing traditional high-pollution and high energy-consuming steel production modes, becoming a cyclic enterprise which integrates iron and steel products manufacturing, energy conversion, treatment and elimination of staple waste for the society, as well as energetically developing environment-friendly products. From the perspective of social, environmental and economic harmony, Baosteel will carefully think the relationship between social responsibility and long-term corporate development, translating social responsibilities into the momentum of corporate development and long-term benefits.

In the previous 30 years, Baosteel has been sticking to the "credibility centric" philosophy, paying close attention to customers' needs, making great efforts to enhance customer satisfaction, and wholeheartedly trying to maximize the values for customers; guided by the principles of "Benefit Sharing, Risk Pooling, and Mutual Development", Baosteel has always considered "building the most competitive supply chain" as the ultimate goal of supplier relationship management, and established cooperative, win-win and sustainable-development strategic partnership with major suppliers; at all times, Baosteel has kept improving the investor communication platform to communicate with investors in multiple channels and layers, and continuously strengthening its service to investors, making active contribution for achieving win-win results.

### Communication Methods with Interested Parties

Stakeholders	Communication Methods
Government, investors (State-owned Assets Supervision and Administration Commission of the State Council)	Laws and regulations; Issuance of policy directives; Meetings of the State and Ministries, and implementing spirit of the meetings; Distribution and implementation of documents; Regular work reports; Routine work-related communications; Reports and statements; Visits.
Strategic partners	Execution of contracts; Mutual visits and contacts between top management of the partners; Regular meetings.
Customers	Satisfaction survey; Customer symposium; Mutual visits between the top managements; Routine communications.
Employees	Labour contracts; Reasonable recommendations; Collective negotiation; Employee Forum; Employee Representative Congress.
Suppliers	Agreements and contracts; Regular visits; Meetings; Negotiations.
Community	Assist community construction; Support cultural, sports and art activities of the community; Protect community environment; Conduct volunteer activities.
Non-government organizations	Participate in associations and serving on them; Sponsoring; Actively organize and participate in activities.
Media and the public	Press release; Media briefing; Information communication activities; Phone calls, emails, and fax contacts; Routine letters, phone calls, visits; Website.

From the perspective of social, environmental and economic harmony, Baosteel will carefully think the relationship between social responsibility and long-term corporate development, translating social responsibilities into the momentum of corporate development and long-term benefit.

Stakeholders' Expectations of Baosteel	Baosteel's Practice	Major Indexes
<p>Persistence in legitimate business operation with honesty and trustworthiness;</p> <p>Constant enhancement of sustainable profitability;</p> <p>True improvement of product quality and service level;</p> <p>Reinforced resource saving and environmental protection efforts;</p> <p>Advancement of independent innovation and technological progress;</p> <p>Guaranteed production safety;</p> <p>Protection of employees' legal rights; and</p> <p>Participation in social public welfare cause.</p>	<p>Insists on human-oriented scientific development, responsible for stakeholders and the environment while pursuing economic efficiency, so as to realize the harmony between enterprise development and the society and environment.</p>	<p>Sales revenue;</p> <p>Profit;</p> <p>Tax;</p> <p>Employment volume; and</p> <p>Value maintenance/increment rate of state-owned assets.</p>
<p>Achievement of win-win results with Baosteel through tight strategic cooperation.</p>	<p>Extends the fields and depth of cooperation as Baosteel expands through merger and purchase.</p>	<p>Sales revenue;</p> <p>Return on invested capital;</p> <p>Market share; and</p> <p>Brand value.</p>
<p>Provision of continually improved quality products and services.</p>	<p>Conducts customer satisfaction survey; and</p> <p>Adopts the way of "in-advance intervention" to satisfy customers' needs.</p>	<p>Customer satisfaction; and</p> <p>Awards granted by customers.</p>
<p>Mutual growth of the enterprise and employees;</p> <p>Improved benefits and career opportunities; and</p> <p>Good working environment.</p>	<p>Career plans; and</p> <p>"Green Apple" and "Golden Apple" talent training plans.</p>	<p>Employee satisfaction;</p> <p>Turnover volume and rate; and</p> <p>Number of persons trained and expenses of employee training.</p>
<p>Establishment of long-term stable cooperation with Baosteel to obtain reasonable reward.</p>	<p>Implements "Under-sunshine" Procurement Plan to build long-term stable supply chain and create public and transparent procurement circumstances.</p>	<p>Number of suppliers; and</p> <p>Procurement policies.</p>
<p>Mutual development of the community and the enterprise; and</p> <p>Guaranteed provision of safe and health environment to the community.</p>	<p>Carries out Yunnan poverty alleviation and Tibet support efforts.</p>	<p>Inputs in community construction.</p>
<p>Playing an active role in all fields of the association or organization which actively fulfill social responsibilities.</p>	<p>Actively participates in environment protection, economic development and social progress efforts involving social responsibility.</p>	<p>Number of social organizations attended;</p> <p>Amount of annual fee; and</p> <p>Total amount of donation.</p>
<p>Sticking to the road of sustainable development and becoming a model of fulfilling social responsibility as a representative enterprise of China's steel industry.</p>	<p>Issues information related to the fulfillment of social responsibilities on a timely basis.</p>	<p>Number of press releases; and</p> <p>Collection and feedback of public opinions.</p>

# Employee Performance Report

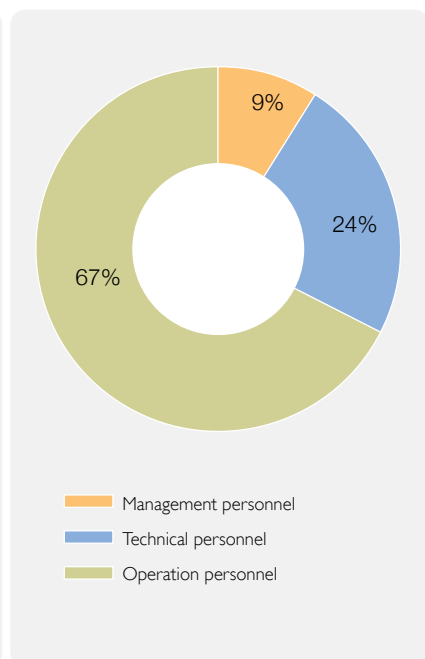
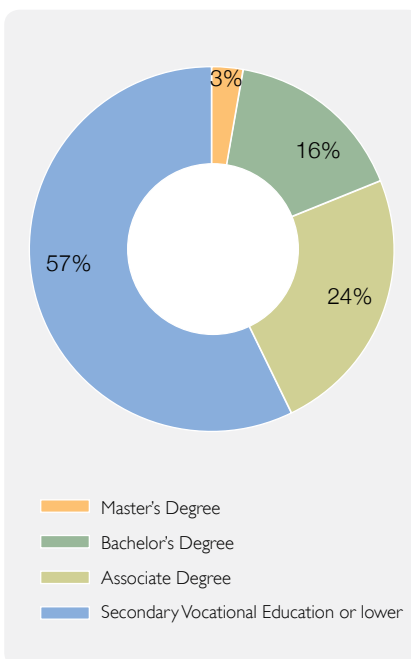
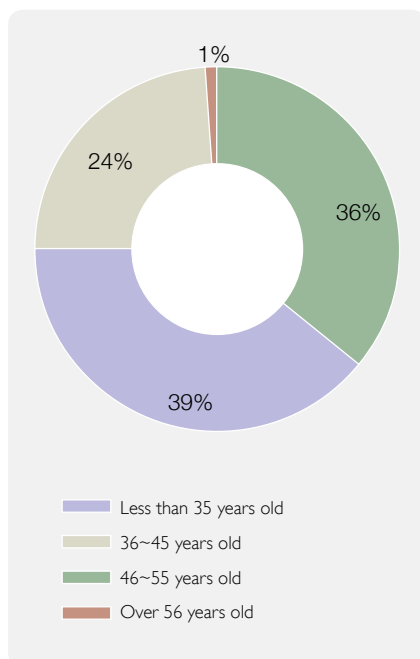
## Staff Composition

In recent years, with the Company's business expansion, the labor force has been continuously enhanced with the number of employees constantly increasing. In 2008, the Company totally has 108,914 employees, where the number of management, technical and operation positions respectively account for 9.1%, 23.5% and 67.4%. Among them, there are 28,336 female employees, accounting for 26.0% of the total employment.

Baosteel's overseas subsidiaries are spread in Europe-African, Asia-Australian, and American regions. By the end of October 2008, these subsidiaries totally had 230 employees, including 93 foreign employees.



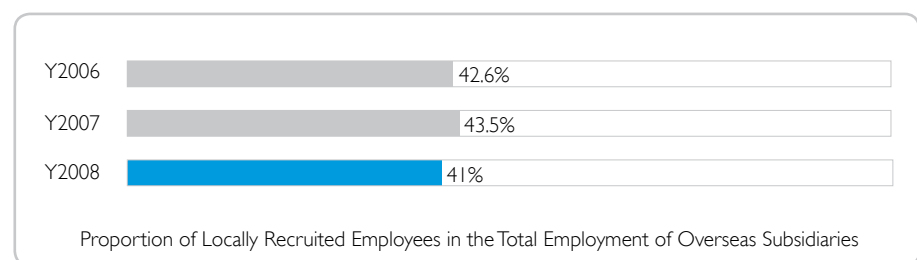
Year	Y2006	Y2007	Y2008
Number of employees	91,308	90,160	108,914





## Employment Offer

The Company protects the legal rights of local people in the places where it runs business, and properly handles the relations with local people. Employment of local people and promotion of excellent local employees into the management not only enhance the Company's labor capital, but also bring economic benefits to the local society and strengthen Baosteel's ability to learn the needs of local market. Baosteel has overseas subsidiaries in America, Europe and Asia, and employs local people as required by the business of subsidiaries and the rules of market-oriented allocation in accordance with the applicable laws, regulations and employment codes of the country in which it runs business. During the three years from 2006 to 2008, the number of locally recruited employees respectively accounted for 42.6%, 43.5% and 41% in the total employment of overseas subsidiaries.



The Company guarantees to protect the employees' free employment and labor freedom rights, and is dedicated to creating good working environment for them, encouraging their working enthusiasm, improving the system of talent retention through attractive benefits, caring hearts, and promising career development, and elevating the employees' satisfaction and loyalty. In this way, the employee turnover rate has been kept at low level in years. During the three years from 2006 to 2008, the turnover rate was respectively 0.6%, 0.9% and 1.1%; at average, the male-female ratio of employee turnover was 5:1; the rate of employee turnover under the age of 30 years old was 60%, and the rate within the age of 30-40 years old was 30% at average.

Baosteel has overseas subsidiaries in America, Europe and Asia, and employs local people as required by the business of subsidiaries and the rules of market-oriented allocation in accordance with the applicable laws, regulations, and employment codes of the countries where it runs business.

## Welfare

The Company determines the criterion of employee compensation based on job value, and insists on the performance-oriented principle, giving higher rewards to employees with better performance; it treats all employees equally and consistently without any gender difference; it is also dedicated to attracting and retaining the most excellent talents and providing market-competitive compensation. All employees' wage income is higher than the local minimum wage standard.

According to applicable policies and regulations, the Company fully pays legal social insurance and benefits for all in-service employees, mainly including basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund, etc, arranges other supplemental insurance like accident insurance for employees with consideration to the enterprise's characteristics, and provides such benefits as business meal, personal protection equipments, and paid annual leave. In 2008, the Company started to implement the Corporate Annuity Plan in order to improve the employees' post-retirement living standard, further enhance the corporate cohesiveness, and promote the enterprise's harmony and stability.

### Employee Health Plan

Baosteel pays close attention to the employees' health and growth at all times as it develops. In implementing the "prevention-based" health maintenance plan, the Company arranges physical examination for employees every year with 100% coverage; for the employees performing special jobs, it arranges special occupational physical examination; for female employees, it adds gynecological examination at least once every two years. Moreover, the Company has developed a health management information system covering most employees, for the convenience of employees to inquire their health information.

### Welfare of Female Employees

Baosteel has established *Working Rules for the Female Employee Committee of Baosteel Group Corporation Trade Union*, according to which all branches and subsidiaries must set up and build the Female Employee Committee of Trade Union and the Sodality of Female Professionals to guide the female employees in improving their qualifications from the perspective of production and business operation with a foothold in their own positions. The Company also makes efforts in perfecting the right protection mechanism for female employees to truly protect the female employees' legal rights and special interests, actively participates in collective negotiation, and provides the section of "Special Protection for Female Employees" in collective contracts signed with the Company. The Company has paid to enroll all its female employees in the Collective Special Medical Insurance for Female Employees launched by Shanghai Federation of Trade Unions. In 2008, totally 20,132 female employees participated in this insurance and many of them obtained compensation.

### Corporate Annuity Plan

In order to face the upcoming aging society, better undertake the enterprise's social responsibility for employee pension, improve the quality of employees' post-retirement living, eliminate their worries for old-aged pension, and encourage them to become fully engaged in Baosteel's business operation, production and construction activities, the Company has developed the Corporate Annuity Plan by following the principle of "old measures for aged employees, new measures for new employees, and steady transition for employees other than them" on the basis of organizing and integrating the original pension and benefits programs. The Corporate Annuity System adopts a "payment-based" method, where the payment is made by both the enterprise and employees every month as "saving" for employees' pension. The annuity fund consisting of foresaid payment is independent of the enterprise's assets, recorded as it actually accrues, and uniformly managed by the trustee, trustor, account manager, and investment manager. After retirement, the employees may draw accumulated funds from their personal accounts at one time or in different times.

The advantage of Corporate Annuity System also lies in its management mode of "payment-based system", which avoids the accumulation of enterprise's long-term invisible debt under the "treatment-based system". The independence of such fund ensures the safety of annuity assets and the safeguard of employees' interests.

The uniformity of Baosteel's Corporate Annuity Plan will effectively push the harmonious labor relationship forward to a new stage.

**The Company determines the criterion of employee compensation based on job value, and insists on the performance-oriented principle, giving higher rewards to employees with better performance; it treats all employees equally and consistently without any gender difference; it is also dedicated to attracting and retaining the most excellent talents and providing market-competitive compensation.**

## Employee Safety Protection

### The Company's Safety Protection Efforts

In 2008, great changes took place in the safety protection mechanism of Baosteel Group Corporation because fire safety, traffic safety, and security guard were included into the "general safety system". Starting from guaranteeing the employees' health and safety, the Company strengthens fulfillment of safety responsibility at different levels, reinforces basic safety management, empowers safety inspection, improves pertinence and effectiveness of safety education and training, and endeavors to explore and carry out the operation mode of "general safety system".

The Company implements the Safety Production Responsibility System at different levels. General Manager of the Headquarters has signed the *Safety Objective Management Responsibility Agreement* separately with the safety production primary responsible person of 34 branches and subsidiaries like Baosteel Co., Ltd., and business departments. The Responsibility Agreement specifies the responsibilities, safety production assessment indices and methods, and reward-penalty methods of the primary responsible person of each unit. The units will break down the safety objective responsibilities into different levels, and sign the Safety Objective Responsibility Agreement at each level, in order to thoroughly fulfill the safety responsibilities both horizontally and vertically.

In order to further heighten the safety responsibility awareness of management at different levels, Baosteel Manager Safety Practice Conference was held on January 3. At the conference, leaders of the Company took the lead in giving safety oath; there were more than 2,000 managers from different levels participating in the juration at the main and branch conference sites.

To make clear the safety management responsibilities of construction

projects, the Company mainly addresses their safety management processes and department responsibilities. It specifies the safety management processes and responsibilities of eight departments such as Investment Management Department, Safety Supervision Department, Project Owner (land plot, branch or subsidiary) at eight stages including preliminary planning, feasibility research, and preliminary design.

To strengthen the treatment of persons responsible for various accidents, the Company has developed *Baosteel's Guidelines on Accident Assessment based on the Interim Measures for Investigating the Responsibilities for Incompliance and Safety Production Accidents*, further specifying the requirements for assessment of accident responsibilities.

### 2008 Employee Injury Report

Number of Injuries (Number of injuries per million work hours)	Injury Frequency (Number of lost days per million work hours)	Rate of Severe Injury
31	0.13	61.54

### Employees Performance Report

Baosteel strictly follows the national regulations concerning labor safety and health. In order to further guarantee the employees' health and safety, the Company has developed the activity plan and evaluation methods with consideration to its actual situation by starting from establishment and perfection of the three-level network organization system, regulations and rules system, supervision and inspection system, and work processes system. It also fully implements four rules, namely *Baosteel Trade Union's Management Measures for Three-level Network Supervision and Inspection of Labor Safety Protection*, *Baosteel's Management Measures for Employee Occupational Health and Safety Representatives*, *Baosteel's Management Measures for Treatment of Employee Safety and Health Information*, and *Baosteel's Management Measures for Supervision, Compliant and Reporting of Labor Safety Protection*. In addition, the Company considers the construction safety "100<sup>[Note]</sup> Team" aiming at implementing standard operation and eliminating habitual incompliance as the basic condition for team upgrading and evaluation.

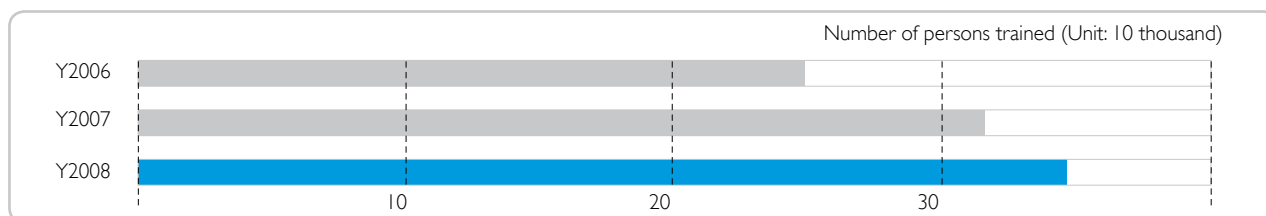
[Note]: "100" refers to put safety in the 1st place, keep peccancy and accident at zero.

## Keep enhancing the Company's core competence, and Speed up the building of first-class talent team adaptive to the Company's development strategy

### Training and Education

The Company has set the objective to "keep enhancing the Company's core competence, and speed up the building of first-class talent team adaptive to the Company's development strategy", actively explores the growth rule of management talents, technical business (skilled) talents, and other special talents, and perfects the dual career path for management talents and technical business (skilled) talents according to the "dual channel" concept, providing paralleled promotion ladders for both types of talents.

Also, the Company has developed a classified and hierarchical training system and provides eight categories of training programs including leadership and management hierarchical training, education of party construction and corporate culture, special management training, engineering technology training, operation and maintenance training, computer and language skill training, network training, and degree and diploma training for different employees, in order to fully improve their job qualifications and abilities, and realize mutual growth of employees and the enterprise. In 2008, the Company totally carried out 6,388 training programs, up by 7.5% over the year 2007; from 2006 to 2008, the number of training persons trained increased year by year (see the following diagram for details); in 2008, each person received 3.2 times and 58.7 hours of training per year at average.



In the aspect of management talents, with decoding of strategies as the key point and seeking talent shortage as the starting point, the Company has developed the 2008 Backup Plan for "strategic insight based leadership talent development", forming the plan on leadership alternates, high-potential backup candidates, and talent introduction, and further heightening the pertinence of backup leadership talent training activities. Besides, the Company has established and improved the management hierarchical training system, deepened the concept of "Training before Going on Duty", and mainly pushed forward the qualification training for management personnel.

With respect to technical business talents, the Company has selected the fifth group of technical business experts, so far forming a team consisting of 9 permanent experts, 15 senior experts, and 82 technical business experts; by seeking approaches, carriers and methods for expert-type talents to share knowledge within the Group, and establishing relevant incentive mechanism, the Company has developed some brand items popular with the technical personnel, e.g. expert forum, expert blog; Baosteel has also planned and established the "Golden Apple" Plan, i.e. to build platforms for all core fields of Baosteel to train a batch of technical leaders who can take a walk on the international platform, and drive the technical progress and product competitiveness of Baosteel.

Regarding skilled talents, the Company proposed the objective of "Training a Thousand New Technicians in Three Years" and created the "1+X" training standard with Baosteel features in 2004. By the end of 2006, the Company accomplished the training of 1,798 technicians and 312 senior technicians from the steel metallurgy, steel rolling, mechanical, electrical, instrument, power and energy, water treatment, transportation, testing and assay, chemical, and building furnace and communication fields, where 814 technicians and 111 senior technicians were certified as qualified. From 2007 to 2009, a new cycle of "Training a Thousand New Technicians in Three Years" is smoothly under way, and it is reported that 875 technicians and 212 senior technicians were qualified.

With regard to young employees, the Company has developed the "role-based" training mode for newly-coming college graduates, i.e. allow the new-comers to become rapidly adaptive to the organization and their occupations through three stages including pre-job training, on-job internship, and on-job practice. The Company has also advanced basic talent training activities and implemented the "Green Apple" Plan, i.e. to select a batch of high-quality and high-potential talents from the newly-coming college graduates into the Company's basic talent database every year for the purpose of training future senior management and technical talents for Baosteel, and implement a 2-year comprehensive training plan to provide an acceleration raceway for backup young talents' career development.

As for international talents, in 2008, by excavating and extending the training resources like overseas institutions, enterprises and companies and for the purpose of enhancing "foreign language skills, information processing ability, cross-cultural communication ability and global perspective", the Company actively increased the employees' overseas training experiences and selected 312 persons to attend overseas special training and on-temporary-position training for core management personnel and backup talents, core technical business talents, talents reserved for overseas development, and the key functional management talents of the Headquarters and all industrial sectors. These trainings expanded the employees' global perspective and enriched their learning experiences.



## Legal Rights Protection

The Company strictly obeys the applicable national laws and codes as well as the enterprise's rules and regulations, observes and implements the international conventions, international labor standards and other applicable industry standards for which the Chinese Government has made commitment, keeps its promise to respect human rights, not to employ any minor worker; not to discriminate against any employee, and to protect the rights of local people, and uncompromisingly prohibits the employment of any minor worker. The Company adopts the employment mechanism of equal career opportunity for all employees and "same work same pay" for both male and female employees.

The Company has built a human resource exchange and allocation platform to promote re-employment of workers who have lost their jobs, instead of pushing redundant employees to the society. The Company considers it an important part of Baosteel's social responsibility to comprehensively implement *the Labor Contract Law*, persists in incorporating labor relationship into the enterprise's strategic management, and makes great efforts to build a harmonious labor relationship.

### Collective Labour Contract

The Headquarters and subordinate independent corporations of the Group plus the branches and subsidiaries with corporate capacity have established collective negotiation mechanism in compliance with *the Labor Law of the People's Republic of China*, *the Trade Union Law of the People's Republic of China*, and *the Collective Contract Provisions* issued by the Ministry of Labor and Social Security. Representatives of the enterprise and the Trade Union conduct equal negotiation regarding labor remuneration, working hours, rest and vacation, labor safety and health protection, vocational training, insurance and benefits, and regularly sign collective contract and submit it to the local labor administrative agency for review and archive. At present, Baosteel's collective negotiation mechanism and execution of collective contract covers 100% employees.

### Openness of Factory Affairs

Baosteel established the Open Factory Affairs Steering Team in 2000. Every year, the Party Committee, Administrative Office, and Trade Union issue a joint document to specify the key points of factory affairs openness and democratic management efforts. The Company has issued *the Opinions on Establishing and Perfecting the Factory Affairs Openness Responsibility System of Baosteel Group Corporation*, *Measures of Baosteel Group Corporation for Investigating the Factory Affairs Openness Responsibility (Trial Implementation)*, and *the Factory Affairs Openness Assessment Rules of Baosteel Group Corporation*, realized scientific management of factory affairs openness efforts, and facilitated the improvement of factory affairs openness quality. In 2003 and 2007, the National Factory Affairs Openness Coordinating Group granted Baosteel the title of "Advanced Organization of Factory Affairs Openness and Democratic Management".

**The Company persists in incorporating labor relationship into the enterprise's strategic management, and makes great efforts to build a harmonious labor relationship.**

### Alleviation Plan

"Baosteel will never let an employee live a hard life or fail to visit a doctor or let his/her child discontinue schooling because of poverty." This is a serious commitment made by Baosteel's leaders for all employees when perfecting the long-term alleviation and warmth delivery mechanism and implementation methods.

In September 2005, Baosteel issued the *Opinions on Establishing and Perfecting the Long-term Help-the-poor and Warmth Delivery Mechanism and the Measures for Implementation of Help-the-poor and Warmth Delivery Activities*, and actively built the multi-layer and all-sided long-term alleviation and warmth delivery mechanism.

In May 2008, in combination with the activities for further study and practice of Scientific Development Concept, the Company proposed the *Opinions on Further Perfection of the Long-term Help-the-poor and Warmth Delivery Mechanism, and made corresponding revision to the Measures for Implementation of Help-the-poor and Warmth Delivery Activities*.

According to statistics, in the previous 3 years, totally 51,918 employees of financial difficulty obtained subsidy of RMB 30.76 million; 4,474 families of financial difficulty obtained study grant of RMB 2.78 million for their children; medical aid of RMB 16.7529 million was provided. In 2008, 25,153 employees of financial difficulty obtained subsidy of RMB 9.45 million; 1,896 families of financial difficulty obtained study grant of RMB 1 million for their children; 2,360 sick employees obtained medical aid of RMB 5.21 million.

### Employee Representative Congress System

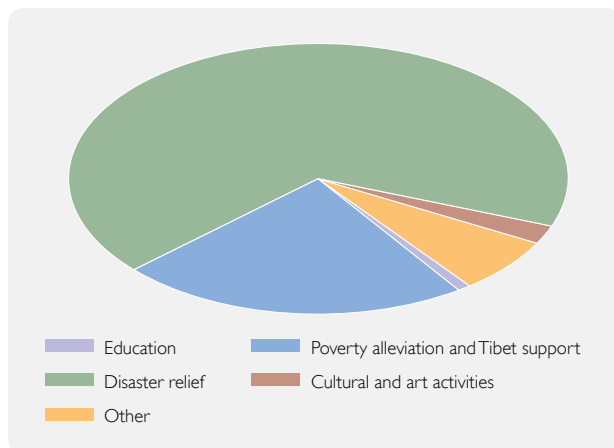
In January 2004, Baosteel Group Corporation held the first session of Employee Representative Congress, and issued *the Employee Representative Congress System of Baosteel Group Corporation*. In 2006, according to the management mode of subordinate organizations, Baosteel established the multi-level employee representative congress system. The Administrative Office and the Party Committee jointly issued *the Opinions of Baosteel Group Corporation on Standardizing the Employee Representative Congress System at Different Levels*. The Employee Representative Congress of Baosteel Group Corporation is divided into seven categories at three levels including the Headquarters, subsidiaries (branches), and subordinate factories, fully guaranteeing the democratic rights of employees.

# Social Performance Report

## Social Contribution

In previous years, Baosteel has always kept contributing and serving the society, supporting the charity and public welfare cause, protecting the weak group, and pursuing the harmony of economic efficiency and social benefits. According to incomplete statistics, Baosteel had accumulatively donated RMB 830 million since 2001, where the total amount of donation in 2008 mounted RMB 175 million. See the following table for details:

Category	Amount of Donation (RMB 10,000)
Total donation	17509
Education	165
Poverty alleviation and Tibet support	3185
Disaster relief	11998
Cultural and art activities	409
Other	1752



## Earthquake Relief and Rescue

On 12th May 2008, a M8.0 severe earthquake burst out in Wenchuan County, Sichuan Province. Two hours after the occurrence of earthquake, Baosteel made immediate response and carried out relief and rescue activities as quickly as possible under the principle of "Considering the Urgency of Disaster-hit Areas as Our Emergency". Baosteel organized a truck fleet to send tents, quilts, cans, color plate barracks and other disaster relief materials to Mianyang and Dujiangyan as one of the first donations delivered to the disaster-hit areas.

On May 14, in addition to the grant of RMB 10 million, Baosteel decided to fully exert its advantages by donating and building color plate barracks worth RMB 50 million in the disaster-hit areas, providing shelters for affected people. In a short period of one month, the Company built 6 villages including Xiangfengqiao Community and Junle Town for people afflicted by the disaster; accumulatively covering an area of 48,357m<sup>2</sup>. Ge Honglin, the Deputy Secretary of CPC Chengdu Municipal Committee and Mayor of Chengdu said at the hand-over ceremony of Baosteel color plate barracks: "the great love that Baosteel shows during the disaster relief and rescue wins the love and esteem of the Dujiangyan and Pengzhou people."

Moreover, the employees of Baosteel were also very generous to make several cycles of donation, totally RMB 44.20 million. Baosteel totally contributed grants and donations of RMB 117 million for the earthquake disaster:

But this was not the end of Baosteel's support to the disaster-hit areas. On 12th November 2008, Happy Home Yiyuan Steel-structure Residential Quarter – the first key comfortable housing project undertaken by Baosteel in the post-disaster reconstruction of Sichuan – officially laid the foundation stone. The steel-structure houses in this quarter apply the research results of International Iron & steel Institute obtained from its Living Steel Project in many years. Characterized by energy saving, environment protection, short construction period, occupying less resources, and good anti-earthquake performance, it is the ideal choice for post-disaster reconstruction comfortable housing projects. Baosteel is creating a promising future for disaster-hit areas by the support of its "steel backbone".



## Donation and Sponsorship

### Donating Color Plate Barracks for Heixiazi Island

Just before the return of Heixiazi Island to China in September 2008, Baosteel donated color plate barracks to the Heixiazi Island Garrison of Heilongjiang Provincial Military Command, totally covering building area of 1600m<sup>2</sup> and worth RMB 3.5 million. The donation of such barracks shows Baosteel's sincere support to the national defense of China.



### Constructing Antarctic Kunlun Station with Donation of Main Materials

Baosteel always supports the cause of polar scientific expedition and has participated in the construction and expansion of Antarctic Great Wall Station and Kunlun Station. In 2008, Baosteel donated main building materials worth RMB 4.5 million to Kunlun Station – the first Antarctic scientific expedition station of China and assigned 13 employees to the South Pole for construction tasks. Baosteel developed the new generation of PVDF color steel plate with strong resistance to extreme low temperature and UV radiation as well as high-performance fire and weathering resistant steel and new-type stainless steel.



**Heixiazi Island** On 14th October 2008, China and Russia held the “China-Russia Merestone Unveiling Ceremony” on Heixiazi Island, indicating that half of Heixiazi Island was returned to China. Situated in the border area, Heixiazi Island plays a very important strategic role.

**Kunlun Station** Kunlun Station settled down at Dome A of Antarctic Ice Sheet in January 2009 as the third scientific expedition of China in Antarctic area in succession to the Great Wall Station and Zhongshan Station. At the currently completed Phase I project of Hunlun Station, the main building is made of steel structure and covers a building area of 236m<sup>2</sup>.

## Yunnan Poverty Alleviation and Tibet Support

### Yunnan Poverty Alleviation Efforts

The Yunnan fixed-point poverty alleviation program of Baosteel has been launched for six year. The Company has accumulatively provided fund of RMB 40.9943 million to Ning'er, Jiangcheng, Mojiang, and Zhenyuan counties in Pu'er City, Yunnan Province.

The program mainly covers construction of hope elementary and middle schools and health centers, rebuilding of mud-and-straw huts and bamboo huts, construction of adequate food and clothing villages, and implementation of whole-village poverty alleviation advancement and education support, etc, greatly benefiting the poverty-stricken people in Pu'er City.

During the fixed-point poverty alleviation practice, Baosteel always sticks to the principle of “practicality”, aims at solving the most direct and realistic problems, and benefits the poorest areas and groups first; it persists in highlighting important points and integrating resources and implements whole-village poverty alleviation advancement and adjacent-area development, thus magnifying the multiplier effect of assistance and support; it adheres to the combination of “blood transfusion” and “blood formation”, emphasizes industrial development, and enhances the poverty-stricken areas' economic self-accumulation and self-development ability. Baosteel's poverty alleviation efforts in many years is fully recognized by the State Council Leading Group Office of Poverty Alleviation and Development and the Government and Poverty Alleviation and Development Office of Yunnan Province, and highly praised by the Government of Pu'er City and the four counties.

### Baosteel's Tibet Support Efforts

Since the start of fixed-point Tibet support program in 2002, Baosteel has assigned three batches of Tibet support cadres, input more than RMB 100 million, and undertaken construction of nearly a hundred Tibet support projects.

Baosteel has accurately found out the bottleneck that restricts the economic development of Zhongba County and input plentiful money in the aspects of road, traffic, and office facilities. For example, the farmer's market constructed with support from Baosteel has solved the livestock products circulation problem of Zhongba County. The construction of Farmers and Herders Vocational School, Border Trade Market, Zhongba County Employee Cultural and Entertainment Center and other projects leads to progress of local society. The herders' comfortable housing project supported by Baosteel is under construction, and has provided nearly 2,000 concrete houses.



## Baosteel's Hope Project Education Support

In 1996, Baosteel decided to save the anniversary ceremony expenses for a project named "Retracing the Long March", which intended to donate and build 10 hope schools along the route of Long March. Since then, the Company has started its close tie with the Hope Project.

In a period of over ten years, Baosteel has constructed and supported 64 hope schools distributed in many provinces including Yunnan, Hunan, Sichuan, Gansu, Shaanxi, Anhui, Guizhou, Jiangxi, Shandong, and Shanxi; along with the reform of education system, Baosteel still keeps in touch with 47 hope schools, and regularly exchanges correspondence and carries out student assistance, summer camp and other activities.

For example, every year Baosteel branches donate hope school study grant to Yunnan Youth Development Foundation for the purpose of assisting poor students in Baosteel hope schools. Baosteel Research Institute always keeps close contact with the Baosteel Hope Elementary School in Shangyou County Jiangxi Province, and often donates teaching tools; the summer camp jointly sponsored by Baosteel No. 1 Iron & Steel Company and Baosteel Stainless Steel Branch is the most exciting expectation of pupils of Suyu Hope Elementary School in Huitong County Hunan Province because students who has excellent moral and academic performance will be nominated for a summer camp in Shanghai; since 2004, Baosteel International has started to make donation for 100 poverty-stricken students in the schools of Jiangcheng County Yunnan Province, assisting them to accomplish their studies.

In 2008, the Hope Project Education Support Program of Baosteel selected 7 hope schools for trial implementation of Baosteel Hope Education Scholarship and Teaching Award System. There were 72 students winning scholarship, 72 students obtaining study grant, and 19 teachers attaining teaching award.

By now, Baosteel has accumulatively donated RMB 300 million to the Hope Project.



## Baosteel's Education Fund

In 1990, Baosteel Education Funds was set up, creating a precedent for enterprises to make contribution in establishing education funds. In 19 years, the amount of Baosteel Education Funds used to reward and support education has exceeded RMB 110 million, with 14,198 teachers and students winning awards. In 2008, 985 teachers and students from 100 higher education institutions throughout China and 18 institutes of Chinese Academy of Sciences successfully won Baosteel Education Awards. Among them, 9 teachers including Professor Tian Zuohua from Shanghai Jiao Tong University won 2008 Baosteel Excellent Teacher Special Award; 8 teachers including Professor Gao Song from Peking University were nominated for 2008 Baosteel Excellent Teacher Special Award; and 50 students including Wu Fufa from Chinese Academy of Sciences won 2008 Baosteel Excellent Student Special Award. Besides, there were 679 students and 239 teachers respectively winning Baosteel Excellent Student Award and Baosteel Excellent Teacher Award.

## "Everlasting Love, Eyesight Restoring Action"

Baosteel always cares for the disabled and weak group and has launched the project of "Everlasting Love, Eyesight Restoring Action"<sup>[Note]</sup> in Pu'er City Yunnan and Zhongba County Tibet since 2007. In 2008, 1,707 poverty-stricken cataract patients received eye operation and regained their visual functions. This truly achieved the goal of "Healing One Person, Liberating One Family, and Affecting a Large Group of People", and obtained great social repercussions. Hu Meiyu – a 97-year-old woman from Tongguan Town Mojiang County – who had suffered cataract for more than 20 years, came for the eye operation on a wheelchair pushed by her families. After the successful operation, the old woman happily saw her grand-grand-son. She was so happy that she said to everybody: "The Government and Baosteel are great."

"Everlasting Love, Eyesight Restoring Action" is so far the largest, widest and most effective cataract-patient eyesight restoring project in China. It is jointly launched by China Disabled Persons' Federation and China Foundation for Disabled Persons.



## Community Relations

Since its establishment, Baosteel has always been supporting the construction and development of places where it runs business, strengthening the interactive development of regional economy, participating in community activities of different forms, actively undertaking its social responsibilities, and making actual efforts in building harmonious community.

### Volunteer Activities

Baosteel has more than 10 volunteer service teams for co-construction with the community, regularly providing volunteer service for nursing homes and children welfare schools. Since the start of Help-the-Poor and Warmth Delivery Program at the end of 2005, nearly 5,000 young volunteers from the volunteer service teams of Baosteel have participated in volunteer services. They provide volunteer services to the society in more than 70 service forms closely connecting with the people's lives. They have accumulatively served over 10 thousand residents.

### Community Changes in 30 Years



Baosteel is located at the marine outfall of the Yangtze River in Baoshan District Shanghai City. During the thirty years' construction and growth, Baosteel has powerfully promoted the development of Baoshan District while obtaining great local supports. Relying on Baosteel, Baoshan District has shaped the industrial economy characterized by metallurgy and supporting extended industries, and formed the production bases for six categories of products such as container, steel structure, elevators, non-ferrous metals, metal container products, and steel products. The above characteristic industries account for 40% of the district's gross industrial output value. Furthermore, Baoshan District has become one of the largest steel trade centers in China. In the previous 30 years, Baoshan has seen significantly enhanced economic strength, great changes in visage of urban and rural areas, comprehensive social progress, and remarkably improved quality of living. The district has walked on a road of integrated development for both city and countryside.

## Baosteel's New Countryside Development Project

On July 19, 2007, Baosteel Development Co., Ltd. and the Government of Baoshan District signed *the Agreement on Assistance and Support to Socialist New Countryside Construction*, which plans to provide assistance and support to three economically weak villages including Luodian Town Guangming Village, Luojing Town Xinlu Village, and Yuepu Town Juyuanqiao Village in Baoshan District in 3 years. In January 2008, the first batch of assistance and support projects was established, namely Luodian Town Guangming Village Vegetable Storage and Preservation Project, Yuepu Town Juyuanqiao Village Public Service Center Project, and Luojing Town Xinlu Village Residential Area Road Construction Project. The projects required total investment of RMB 2.4 million and agreements were signed for them. By the end of 2008, all of the three projects were completed.



Baosteel invested RMB 1.5 million in Luodian Town Guangming Village Vegetable Storage and Preservation Project. Now the cold vegetable storage house was completed and officially put into operation on October 5, 2008. This house effectively mitigates the problem that farmers sell excessive vegetable at low prices during peak season but have inadequate vegetable to sell during off season though the prices are high. The project facilitates counter-season sales of vegetable and increases the farmers' income. The house also provides cold storage service for over 300 Chinese acres of vegetable produced by 3 surrounding villages, i.e. Shuliqiao Village, Tianping Village, and Maojia Village.

Baosteel invested RMB 400,000 in Yuepu Town Juyuanqiao Village Public Service Center Project, which was completed at the end of December 2008. The center covers building area of 780m<sup>2</sup>. After being put into use, the center will provide convenience for villagers to handle community affairs, as well as enrich the villagers' cultural lives.

Baosteel invested RMB 500,000 in Luojing Town Xinlu Village Residential Area Road Construction Project, which was completed in May 2005. The project includes rebuilt and newly-built white cement road of 2.78 kilometers and covers area of 6,111.6m<sup>2</sup>. Now, the Xinlu Village has white cement road "toward any house and any family", very convenient for people's coming and going. Great changes have taken place in the visage of this village.

## Compliance

In 2008, the Company strictly followed the applicable laws, regulations and other normative documents. Therefore, there was no occurrence of administrative or juridical penalty as a result of incompliance with any applicable law, regulation or other normative document during routine business operation.

The Company requires its branches and subsidiaries to develop their management rules in accordance with the applicable national laws and regulations and other normative documents, in order to guarantee the legitimacy and compliance of their business operation. With regard to the provision and use of products and services, the Company insists on the corporate culture of "credibility and cooperation" and legally fulfills its

obligations specified in the contracts with partners. For this reason, the Company has been appraised by Shanghai Administration of Industry and Commerce as "a Contract Abiding & Trustworthy Enterprise" in consecutive 18 years; according to the contract credit rating conducted by Pudong New Area Enterprise Contract Credit Promotion Commission, the Company has been rated as AAA Grade enterprise (the highest credit rating) in each year since 2003.

## Anti-corruption

The Company attaches great importance to anti-corruption efforts and has perfected the organizational frameworks such as Baosteel Discipline Inspection Commission and Standing Committee of Discipline Inspection Commission. In order to strengthen the leadership over anti-corruption activities, the Company has set up the Party's Work Style Construction and Anti-corruption Responsibility System Leading Group, for which the Company's Vice Chairman and Secretary of Party Committee serves as the Director. The secondary subordinate organizations of Baosteel have all established their discipline inspection and supervision authorities, for which full-time (part-time) Secretary of Discipline Inspection Commission and Director of Supervision Office (Head of Supervision Department) are designated.

According to the uniform deployment of the Central Government, Baosteel has issued *the Measures for Implementing 2008-2012 Work Plan on Establishing and Perfecting the Corruption Punishment and Prevention System*. This document specifies Baosteel's objective of corruption punishment and prevention system construction in future five years, and proposes tens of tasks for seven aspects such as education, rules, supervision, source governance, and punishment. The Company has also finished responsibility breakdown, specified the responsible principal, work content and time-points of accomplishment, and ensured the fulfillment of key tasks through promotion and check.

In 2008, Baosteel carefully followed the "Seven Requirements" of Self-discipline and Clean Conduct that CPC Central Commission for Discipline Inspection proposed for leaders of state-owned enterprises, included anti-corruption education into the study of Party Committee Center Group and training of leaders, and carried out reporting of tendentious problems, analysis of typical cases, education of three "Do Not Let It Pass"<sup>[Note]</sup>, plus education activities such as counter signing of clean conduct and precautionary conversations. The Company also produced a vigilant education film named Track, and organized 281 sessions (times) of anti-corruption

theme education, from which 21,052 persons trained received education. A pre-job collective conversation related to clean conduct was made to 605 leaders, and precautionary conversations were made to 120 leaders, while 1630 agreements on Party's work style construction and anti-corruption responsibility were signed, thus creating a good circumstance for clean conduct. At the Company, 149 leaders directly responsible to the Headquarters made declaration of major issues; more than 4,500 persons made commitment to clean conduct; and 1,908 persons trained voluntarily handed in cash, gifts and negotiable securities, equivalent to RMB 1.9 million.

In 2008, in the experimental activities of learning and executing the Concept of Scientific Development, Baosteel presented and carefully executed the rectification plans such as *the Measures for Implementing 2008-2012 Work Plan on Establishing and Perfecting the Corruption Punishment and Prevention System, Supervision Procedures for Decision-making of Major Issues, Plan on Promoting the "Under-sunshine" Procurement Action, and Implementing Measures for Promoting "Double-Excellence" Project Construction* pertinent to significant problems encountered in anti-corruption efforts, further deepened the Party's work style construction and anti-corruption philosophy of "Focusing on Center, Included into Management, Incorporated into Processes, and Playing an Active Role", and effectively facilitated the systematic anti-corruption construction.

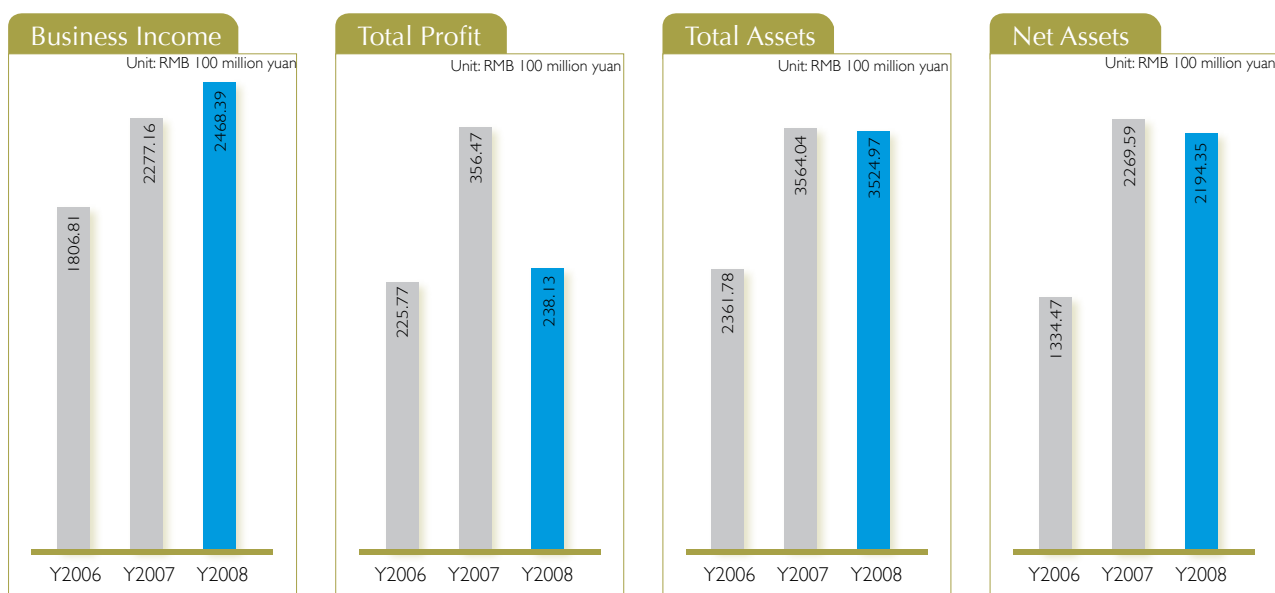
The Company revised and perfected the decision-making system of "three majors and one huge"<sup>[Note]</sup>, and further specified the supervision procedures for decision-making of major issues. It also developed the rules such as *Relevant Provisions on Optimization of Subsidiaries' Major Issue Decision-making Procedures, Eight Guidelines on Baosteel Remuneration Management, and Provisions on Management of Part-time Jobs Taken by Leaders of Baosteel Group Corporation*, enhanced its control over subsidiaries, and standardized the remuneration management, part-time job taking and part-time compensation.

Three "Do Not Let It Pass": Do not let it pass if the causes and responsibilities of a case have not been accurately investigated and determined; do not let it pass if the penalty receiver and other part members, cadres and employees have not learned lessons; do not let it pass if the corrective action has not been implemented and responsibilities not investigated.

"Three majors and one huge": Major issues for decision-making, appointment and removal of major employees, arrangement of major projects, and use of huge amount capital.

# Economic Performance Report

## Economic Performance



[Note] The Company has started to implement the new Enterprise Accounting Standard since January 1, 2007.

## Merger and Reorganization

Baosteel has actively participated in the merger and reorganization of domestic steel industry. In Baosteel's opinion, integration of steel industry can not only eliminate the backward steel production capacity and achieve the result of energy saving and emission reduction, but also promote the development of regional economy and regulate the market order. For many years, Baosteel has always considered "truly undertaking corporate social responsibility" as a principle to advance merger and reorganization, and made great efforts to realize the harmony of economic efficiency, environment protection and social benefits.



### Joint Reorganization of Steel Enterprises in Shanghai

In November 1998, Baoshan Iron & Steel Group united and reorganized Shanghai Metallurgical Holding (Group) Company (briefly "Shanghai Metallurgical") and Shanghai Meishan Group (briefly "Meishan") to be Baosteel Group Corporation. At that time, Shanghai Metallurgical and Meishan were suffering the difficulties of capital shortage and severe loss. For instance, in 1998 Shanghai No. 1 Iron & Steel (Group) Co., Ltd., Shanghai Pudong Iron & Steel (Group) Co., Ltd., and Shanghai No. 5 Iron & Steel (Group) Co., Ltd., the three subsidiaries of Shanghai Metallurgical totally registered loss of RMB 1.53 billion. After the reorganization in 1998, due to the significant increase of debts and employees, the public doubted whether the joint reorganization would drag Baosteel down. Therefore, in 1999 Standard & Poor's lowered the rating of Baosteel from BBB+ to BB+ with a negative prospect, i.e. there is the possibility of further degradation.

Facing the public's doubts and aiming at the market needs, Baosteel made re-allocation of corporate resources through the means of cultural amalgamation, strategic unification, business restructuring, processes rearrangement, split and reform, and debts reorganization, and therefore attained powerful strength and integrated operation its iron and steel main business. After the joint reorganization, the enterprise's economic efficiency was rapidly improved: the total capital increased from RMB 158.1 billion in 1999 to RMB 193.8 billion in 2004; the sales revenue grew from RMB 68.4 billion in 1999 to RMB 161.8 billion in 2004; the total profit increased from RMB 1 billion in 1999 to RMB 21.9 billion in 2004; the return on equity grew from 0.69% in 1999 to 12.77% in 2004. In December 2004, Standard & Poor's declared that the new credit rating of Baosteel was BBB+ with a "stable" prospect. This reflected that Standard & Poor's fully recognized the great achievement made by Baosteel.

During the integration, Baosteel uncompromisingly eliminated the high energy-consuming and high-pollution backward technologies and equipments, and made tremendous investment in environment control to improve the ecological environment. The Company totally eliminated 8 small blast furnaces and cupola furnaces with total iron smelting capacity of 1.88 million tons; 23 open hearth furnaces, small electric furnaces and small converter furnaces with accumulative steel smelting capacity of 3.75 million tons; 15 laggard rolling lines with total steel rolling capacity of 4.05 million tons.

Through reorganization and integration, the steel industry resources in Shanghai Area realized optimized allocation, laying a firm foundation for Baosteel to construct superior steel product base, and leading to the overall improvement of China's steel industry.

**Baosteel has always considered "truly undertaking corporate social responsibility" as a principle to advance merger and reorganization, and made great efforts to realize the harmony of economic efficiency, environment protection and social benefits.**

### Merger and Reorganization of Baosteel and Bayi Iron & Steel

On March 11, 2006, Baosteel and Xinjiang Bayi Iron & Steel Co., Ltd. entered into a framework agreement on strategic alliance. On April 28, 2007, Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. opened.

Soon after, Baosteel established the Bayi Iron & Steel Project Team to support the upgrade of management, technology and product, and shut down, suspended, incorporated and transformed Bayi Iron & Steel's plants of high energy consumption and severe pollution. With such efforts, Bayi Iron & Steel made remarkable achievements: the cold and hot rolling production lines have been completed; its continuous and steady production and the hot-selling products jointly pushed a boost to the performance of the enterprise. The constructions in New Zone of Bayi Iron & Steel had started and pressed forward. Thanks to the operation of No.1 blast furnace, two coke furnaces and one converter, its production capacity exceeded 5 million tons in 2008. The production process and energy structure were constantly optimized while outdated and high energy consuming products and equipments walked gradually to the end of their service life, including 100m<sup>3</sup> blast furnace, 1.5t converter, 5t electrical furnace, 500mm rolling mill, three 1500m<sup>3</sup> oxygenerators, hot-strip set, 250 set, 3×6.5t/h boiler etc.

### Baosteel Group Guangdong Iron & Steel Co., Ltd

In March 2008, the National Development and Reform Commission approved Baosteel to carry out the preliminary work of Zhanjiang Iron & Steel Base project. Baosteel will set up an iron and steel base with an annual steel output of 10 million tons on the basis of merger and restructuring of the current Shaoguan Iron & Steel Group and Guangzhou Iron & Steel Enterprises Group in Guangdong Province and elimination of low production capacity.

On June 28, 2008, Baosteel Group Guangdong Iron & Steel Co., Ltd, funded jointly by Baosteel, State-owned Asset Supervision and Administration Committee of Guangdong Provincial People's Government and State-owned Asset Supervision and Administration Committee of Guangzhou Municipality Government, was officially established.



# Environmental Performance Report

## It's Our Duty to Protect Environment



Guided by the deep concern for the society and the human beings, Baosteel always set high goal on environmental protection. It aims at "building up a world-top clean steel enterprise", and regard environmental protection as one of its basic business for the purpose of management.

Since it was established 30 years ago, Baosteel has always been in the leading position in environmental protection, setting a model for domestic iron and steel enterprises. In 2005, Baosteel was titled the "Environmentally Friendly Enterprise of China". In 2008, Baosteel was honored the "Model Enterprise for Clean and Environmentally Friendly Production" by China Iron & Steel Association. Baosteel continues its environmental protection proactively against the current severe macro-economic trouble, strengthens the environmental improvement for merged enterprises, improves the use efficiency of energy and recycling rate of wastes and reduces generation of wastes. It fulfills the scientific development concept and promotes the sustainable development of the society.

It observes law and discipline and formulates and enforces internal control standards for environmental protection which are even stricter than laws and regulations. The proportion of investment in environment of newly building, reconstructing and expanding projects should be no less than 5% in general, and in each year, a great deal of money is invested in technological transformation and daily maintenance of equipments for environmental process. Since its operation, there has no severe violation of laws and regulations concerning environmental protection, and all the indicators related to environment and energy consumption are in steady improvement.

Baosteel actively communicates and cooperates with domestic and foreign iron and steel enterprises; which enhances the environmental protection of the company, introduces the advanced energy-saving and environmental protection technologies and management experience of Baosteel into other domestic iron and steel enterprises, drives the overall improvement of energy-saving and environmental protection technologies in China's iron and steel industry and thus raises the environmental management level of iron and steel enterprises in China and even the world.

At present, China's iron and steel industry is in the key phase of industrial restructuring and rejuvenation. As the bellwether in this industry, Baosteel undertakes the glory mission of providing the country with well developed iron and steel industry. Baosteel will take this important historic opportunity to improve the equipments and technologies for energy-saving and environmental protection in the restructured enterprises and their indicators for environmental management performance based on the experiences in restructuring the former Shanghai Metallurgical and Bayi Iron & Steel so as to make great contribution in developing China's iron and steel industry.

## Building A World-Top Clean Steel Enterprise

## Management Mechanism

### Environmental and Energy Management of Baosteel Group Corporation

Baosteel Group Corporation entrusts Baosteel to manage its energy-saving and emission-reduction in accordance with the principle of streamline structure.

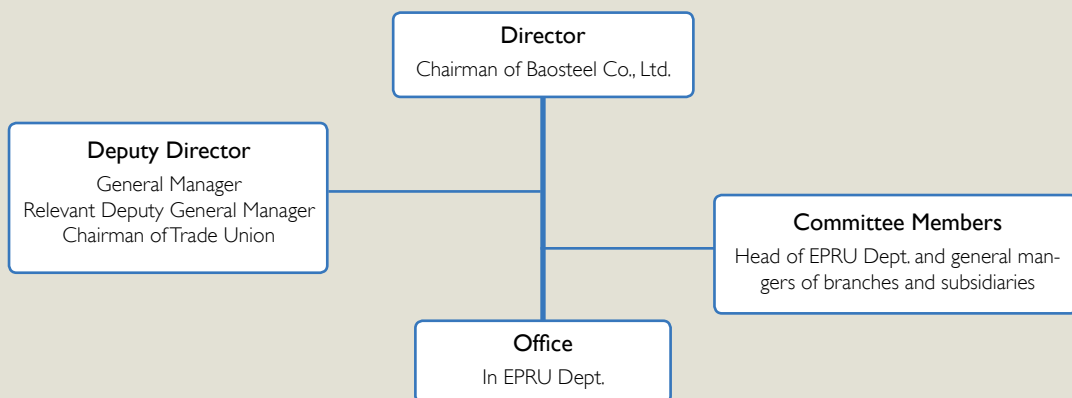
The Environmental Protection and Resource Utilization Committee is Baosteel's top administrative sector in environmental protection and resource utilization. It is responsible for formulating relevant policies, guiding, studying and determining relevant development proposals and plans, coordinating the relation and resource distribution between subsidiaries and branches and making decisions on relevant major projects.

Baosteel established the Environmental Protection and Resource Utilization Department (EPRU Department) to strengthen the integrated management of energy-saving, environmental protection and comprehensive utilization of resources. EPRU Department studies macroscopically and implements relevant laws, regulations and policies concerning environmental protection issued by governments, executes professional standards of national and local governments concerning environmental protection, energy-saving and comprehensive utilization of resources; formulates relevant rules of environmental protection and resource utilization from the perspective of professional management and competency management,

organizes, plans and formulates development planning and annual plan of Baosteel about environmental protection, energy-saving and comprehensive utilization of resources; organizes overall evaluation over Baosteel's environment, organizes and participates in the preparation of Baosteel's sustainable development report and Baosteel Group Corporation's social responsibility report; it is responsible for the centralized management of environment monitoring and environmental pollution control, organizes investigation and analysis of the company's major environmental pollution accidents; tracks the development trend of comprehensive utilization of domestic and foreign secondary resources, organizes and launches management improvement and scientific efforts of comprehensive resource utilization; organizes and convenes the annual and regular meetings of the Environmental Protection and Resource Utilization Committee, promotes and fulfills the administration of environmental protection and integrated resource utilization, and advance the construction of environment-friendly enterprises.

The subsidiaries and branches also established relevant administrative committees and departments of the same function to jointly promote the company's environment and energy management in accordance with the requirements of ISO14001 environmental management system.

#### Structure of EPRU Commission, Baosteel Co., Ltd.



## Management Measures

### Energy Center

Baosteel adopts centralized energy management. All key production units have established Energy Management Centers (EMS) with different sizes, and this is helpful for the company to comprehensively manage the energy, efficiently recycle energy as well as reduce the waste and fugitive use of energy.

Based on the 20 years' experience in operation of EMS, the branches of Baosteel, by upgrading the technologies and functions constantly, have become a model for modern energy management among the iron and steel enterprises. EMS makes the energy medium under unified balance and centralized adjustment, distribution and management. It coordinates the supply and demand of energy medium among all units at real time and effectively reduces the dispersion loss of energy medium, especially reducing the dispersion rate of blast furnace gas and emission rate of industrial wastewater. It reduces the comprehensive energy consumption of branches of Baosteel, improves the comprehensive utilization efficiency of energy and reduces the urban pollution.

Baosteel, after reorganizing the iron and steel enterprises under the original Baosteel's Joint Reorganization with Shanghai Iron and Steel Works and Meishan Iron & Steel Co., Ltd., makes technical reforms in such enterprises gradually and establishes EMS that makes contributions to energy saving and emission reduction of the enterprise. Baosteel, after reorganizing the Xinjiang Bayi Iron and Steel Works, is planning to establish an EMS in it.

The EMS technology of Baosteel has been promoted in and exported to other domestic iron and steel enterprises.

### Residual Energy Recycling

Baosteel reduces the consumption and emissions of primary energy via recycling of residual energy. The residual energy refers to the energy acquired from recycling of the residual heat and pressure (that are produced during the course of production) and input into the system. The reclaimed residual energy mainly includes electricity, steam and converter gas. The residual heat resources mainly refer to the sensible heat from red coke, crude gas, sintering ore, cinder and steel slag, fume of heating-furnace and steel feed (slab) and etc.

The key recovery plants and measures for residual energy and heat include: Dry Coke Quenching Technology (CDQ technology), technology for recovering waste heat from sintering process, technology for TRT residual energy power generation by blast furnace, recovering gas and steam from converter, recovering residual heat from circular furnace, recovering residual heat from cold-rolling process and evaporating and cooling in hot rolling process.

### Energy Monitoring

As energy saving and emission reduction become increasingly pressing, "end-of-pipe treatment" is far from our demands. Only when Baosteel realizes source control and put precaution crucial can it realize energy saving and emission reduction and further become a world-class clean iron and steel enterprise. Under such a situation, Baosteel strengthens monitoring of energy saving, establishes an inspection company, extends monitoring from emission monitoring to heat engineering inspection gradually and monitors the production process of all thermal kilns. Such efforts contribute to overall energy saving of Baosteel. Baosteel Inspection Company, after laboratory assessment and metrology accreditation, was authenticated as a qualified company for thermal inspection in 2008. Thermal inspection begun to be applied to branches of Baosteel and branches for stainless steel in the same year. In the following year, the thermal equilibration test was given to 2500-blast furnace, 100t electrical furnaces and 45t boilers in branches for stainless steel and to the steel-pipe circular furnaces and converters for steel-making and roasting in branches of Baosteel. In addition, 42 times of routine monitoring were given to 23 kilns of two branches. It provides technical reference to judge the energy utilization of kilns, equipment status and optimization of energy management by developing thermal inspection of industrial kilns and measuring the wall temperature, fume temperature and components of kilns and energy input and product output and heat process parameters. It enables the personnel to understand the operation, energy consumption and emission of kilns in site at any time. It facilitates the energy management center to establish a management index system for energy consumption of kiln and carry out standard and scientific management by accumulating and comparing the data from inspection.

In recent years, Baosteel also invited external units to inspect the industrial kilns and equipment of Baosteel for judging their efficiency, which lays a foundation for Baosteel to develop energy saving and emission reduction technologies.

### Energy Audit

In order to achieve energy saving and emission reduction, it is necessary to take measures with full understanding and purposes so that twice as much can be accomplished with half the effort. In recent years, Baosteel invited external bodies to carry out audit on energy consumption of Baosteel's scaled enterprises which consume energy. In addition, Baosteel Inspection Company, based on the experience in the energy audit, was authenticated for being qualified for energy audit and, according to *the General Principle of Energy Audit on Industrial and Commercial Enterprise*, carried out energy audit for subsidiaries of Baosteel Group in 2007. The inspection company improves the energy management system and gives advises on energy saving with regards to production process by conscientiously analyzing the status quo of equipment, energy consumption of sequences and energy cost in the process of enterprises and the energy consumption indexes of domestic peers.



### Cyclic Utilization of Water

Main measures taken by Baosteel in saving water include: recycling wastewater; applying a series of water saving technologies such as water resource distribution per quality, reasonable utilization and concatenated utilization, reducing fresh water use, and saving water resource as effectively as possible. Taking Baosteel branches as examples, they mainly adopt the following technologies:

**Concatenated utilization technology.** Circulating water system will first subject to reasonable distribution and water volume control so as to guarantee a balance in the whole water system and improve circulating rate for each system. Then, wastewater discharged from each system may be used in a concatenated manner; i.e., blowoff water of pure circulating water system will be replenished to waste circulating water system; blowoff water of waste circulating water system will be replenished to granulating slag circulating system, and then will be absorbed by slag and be vaporized. As a result, the whole water system will have no wastewater discharge and will impose no hazard to environment.

**Wastewater reusing technology.** According to actual situations, Baosteel develops Pinch technology, which is able to work out an optimum wastewater reuse solution based on adequate operations and reasonable arrangement of wastewater, and attains a wastewater reuse rate of above 75%.

**Neutralized water reusing technology.** Baosteel branches originally discharge domestic wastewater through sewage pipeline directly to municipal sewage pipeline network without any treatment. Since 1998, Baosteel branches gradually established more than 30 domestic wastewater treatment plants with capacity about 4 million tons/year, through which, wastewater are discharged to factory enclosing river in other routes. Since 2001, Baosteel has carried out studies on neutralized water reuse technology and successfully utilizes neutralized water in clean circulating cooling water system to replace industrial makeup water. Baosteel becomes the first enterprise which utilizes neutralized water in industrial system among domestic steel enterprises.



### Developing Cycle Economy

It is a long-term strategy to develop cycle economy for national economic and social development. Baosteel insists on sustainable development, spends efforts on saving resources, completely promotes clean production, doubles efforts to develop cycle economy and endeavors to create an ecological steel enterprise in harmony with city development and environmental protection.

Secondary resources (or "by product", commonly referred to "wastes") produced during the process of steel production mainly include blast furnace slag, slag, cinder, fly ash, iron containing dust and industrial refuse. Industrial solid resources of Baosteel feature large volume, diversified type and complex components. Most of such resources need to be treated and comprehensive utilized except a few of them can be directly returned to production system.

Baosteel adopts international and domestic advanced industrial solid secondary resources treatment process and facilities to make industrial solid secondary resources treated in a decremented, resource friendly and non-hazardous manner. In particular, through development in recent years, after constant promotion of new technology and process and gradual perfection of optimized configuration and reasonable distribution for resources, Baosteel has achieved remarkable results on circulation and utilization of industrial solid secondary resources, and has preliminarily formed resource integrated utilization industry, has innovated a series of self developed technologies, and is prepared for scale production in terms of management system, technology, human resource, process equipments and market sales, and especially is quite competitive in new building material and magnetic material field.

Treatment and utilization of Baosteel industrial sold secondary resources has been upgraded from original simple storage, disposal and transportation for utilization into current new technical treatment, return to production system and high added value utilization, which effectively prevents secondary pollution and turns wastes into wealth and saves a lot of raw sources. Baosteel has spent huge efforts to create an ecological system with beneficial cycle and is already rewarded with remarkable social benefits, environmental benefits and economic benefits.

## Environment Monitoring

Baosteel has established an independent environment monitoring organization to be responsible for monitoring and analysis of such items as factory environment quality, pollution source control effect and other environmental protection related items for Baosteel (Shanghai) Co., Ltd.

Baosteel environmental monitoring laboratory, with an area over 2000 square meters, is equipped with inductive coupling plasma emission spectrometer; gas chromatograph-mass spectrometer; atomic absorption (graphite furnace) spectrophotometer; FT-IR, smoke and gas tester; smoke and dust tester; and other large monitoring devices. The laboratory, in accordance with national standards, carries out monitoring of 15 categories and 297 items, such as water discharge, ground water, drinking water, industrial circulating water, air and exhaust, indoor air, biology, occupational health, noise, solid wastes, hot working and so on. Currently, monitored items have been expanded to ecological environment analysis for waters at Yangtze River Estuary.

Baosteel Co., Ltd. planned to establish an automatic monitoring system from 2005 and had completed Phase I of such system by the end of 2007. Phase I system allows for on-line automatic environment monitoring, monitoring information on-line inquiry function, and online reporting, statistics, inquiry of environmental protection data within the scope of Baosteel Co., Ltd., and inquiry and sharing of information regarding environmental protection laws, regulations and technology. In 2008, Baosteel Co., Ltd. initiated the Phase II construction of automatic environment monitoring system, with services covering Medium and Heavy Plate Branch and Nanjing Meishan Steel Company in addition to Baosteel Branch, Stainless Steel Branch, Special Steel Branch, Baosteel Chemical Co., Ltd. already included at Phase I. Phase II project is expected to be completed by June 2009.

## Improvement of Environmental Appearance in Factory

Baosteel always focuses on ecological environment construction of the factory area and surrounding areas. Baosteel Co., Ltd. carries out greening construction for the factory area and surrounding ecology on basis of new ecological garden theory, and endeavors to create an efficient and graceful modern chemical factory without any pollution or waste. Baosteel branches have formed a manmade plant community mainly with planted landscape to improve circulating function and landscape quality for the factory area and surrounding ecological environment. Since 1991, Baosteel Co., Ltd. has been awarded as national best trees-planting organization by National Afforestation Committee for many times, and been awarded as Shanghai "Garden Organization" by Shanghai Afforestation Committee, and been awarded as "the Best Greening Organization" by National Metallurgy Afforestation Industry.

Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd is located in Xinjiang, where the weather is dry and sandy, and clouds of dust are stirred up once it is windy. In order to improve the abominable ecological environment surrounding the enterprise where it is wild and no plant grows, all staff of Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd have planted more than 100,000 Chinese acres of trees voluntarily at weekends for years, and irrigate as well as protect those planted trees

## Ecological Rehabilitation

The factory enclosing river is a river enclosing the factory area of Baosteel branch. It has a total length of 20.7km and has a storage capacity (including storm collectors) about 1.5 million m<sup>3</sup>. The river mainly functions to collect stormwater and wastewater of the factory area and then discharge them to outside in a centralized manner; playing a role of adjusting pondage and preventing flood.

Water resource of the factory enclosing river is mainly from production wastewater discharged from production plants after appropriate treatment, domestic wastewater and stormwater. It is a natural water reservation river and a reusable water resource. In order to further improve surrounding environment, and make integrated use of river resource, Baosteel carries out studies on ecological treatment and comprehensive utilization of the factory enclosing river; and purifies water body of the factory enclosing river by means of subsurface-flow wetland technology.

Meishan Company of Baosteel Group invested RMB 16 million for ecological environment safety that might be caused by gangue site of mineral industries. From the second half year of 2005, environment of Hanfushan Gangue Site, which occupies an area over 350 Chinese acres, changed a lot after three year's integrated environmental treatment: weed and garbage within the area no long exist, but are replaced with meandering garden roads and lush green plants. The green belt area reaches more than 0.2 million square meters. It offers valuable references for integrated environmental treatment and utilization for later projects of Hanfushan Gangue Site. In 2008, Hanfushan Gangue Site reclamation is accepted by provincial and municipal national land resources authorities with positive praise.

with a lot of money and energy, which changes the naked ridge into verdant barriers and achieves to prevent wind, root sand, and purify air. Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd plans to plant another 100,000 Chinese acres of trees in future several years and tries to build Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd as a green steel enterprise in West China.



## Green Building

With increase of world population and acceleration of urbanization, human kinds impose more and more urgent demands on residences and environment. Therefore, International Iron & steel Institute has organized and initiated the LivingSteel Project, aiming to seek for efficient and economical solutions for global residential problems through sustainable residential design and architectural innovation.

Steel structure is awarded as the "green building" for 21st century due to its environment friendly and sustainable features. Compared with traditional concrete structure, steel-structure residential buildings are advantageous of its energy saving, environment friendly and 100% reusable features. In addition, steel-structure residential buildings can be prefabricated and assembled on site, which will greatly shorten construction period and effectively reduce foundation costs. Steel-structure residential buildings have a cost similar to concrete buildings, but are more catered to the positioning of economical house.

In 2005, Baosteel participated in the LivingSteel Project as the only authorized member in China Region. On March 5th 2008, the foundation stone laying ceremony of Baosteel steel-structure demonstrative residence project was held in Wuhan Huangjinkou Quarter. All steel columns of the demonstrative project are made of cold bending square steel pipe manufactured in Baosteel. Compared with traditional H-shape bar steel, square steel is more economical, and is the ideal product for steel used in residential purpose. This demonstrative project concerns about economical house, which aims to solve housing difficulties for most families with low income, and safeguards quality life for users.



living Steel

## Automotive Light Weight Techn

At the beginning of 2008, China Innovative Strategic Alliance of Automotive Light Weight Technology was founded. It is the first strategic alliance that the country integrates automotive industry and upstream and downstream resources for shared technical innovation and result share. Baosteel Co., Ltd. becomes the only steel enterprises among 12 member enterprise. The new founded innovative strategic alliance will carry out breakthroughs concerning automotive lightweight technology within three years so as to achieve weight for six models of self developed automobiles reduced by 8% to 10%.

Automotive lightweight is to reduce self weight of automotive under the condition of ensuring overall quality and performance of automobiles in order to make automotive energy saving, environment friendly and to improve controllability and safety. At present, such technology has become an important study subject for international and domestic automotive industry development.

For many years, Baosteel Co., Ltd. has always been keen on development trend of international steel industry and automotive industry, and has participated in the "Steel for Superlight Vehicle Body" project study organized by International Iron & steel Institute, and becomes the first to develop sheet steel laser joint welding technology. The quality of 20 new lightweight products in 3 categories independently developed by Baosteel is the same as that of foreign similar products. In addition, Baosteel has obtained 10 patents and more than 20 proprietary technical secrets. At present, Baosteel's laser joint weldments and dead-hard steel are in a leading position of market share in domestic market and already applied in more than 30 automotive manufacturers.

Hot forming technology is the advanced technology among auto sheet applications, and leads the trend of automotive manufacturing technology. This technology can greatly improve sheet steel strength and parts' dimension accuracy, and is in line with the demand of vehicle lightweight. In 2008, Baosteel Co., Ltd. provided hot forming vehicle body part sample for Chery Auto. The test results of Chery show that Baosteel's hot forming parts performance is superior to international standard, dimension accuracy is remarkably higher than original cold forming parts, and weight of partial vehicle body assemblies is reduced by 18%. Due to successful cooperation between Baosteel Co., Ltd. and Chery, many domestic auto manufacturers also signed sample part fabrication agreement with Baosteel.

In the future, Baosteel Co., Ltd. will continue to double efforts to apply self developed laser joint welding, internal high-pressure forming, hot press forming and other leading technology in self developed model of vehicles in order to give full play of sample and demonstration role and to promote common development of steel industry and automotive industry.



# Supply Chain Performance Report

Baosteel strengthened cooperation with users and other industries in each procedure of enterprise operation, from procurement of raw materials and equipment, to R&D, transport, usage and disposal of products, and enhanced communication with the society. Meanwhile, Baosteel endeavored to reduce the influence of production process and project construction on the environment, actively promoted the development and production of environmentally friendly products, and strengthened the publicity of "Green operation", so as to root the ideas such as green design, green manufacturing, green marketing and green products deeply in the mind of its employees.

## Green Procurement Chain

### Green Procurement

Baosteel is the first to launch "Green Procurement Action Plan" in the field of purchasing materials, goods and equipments in China's steel industry. By publicly releasing "Green Procurement Action Plan" on Baosteel E-business platform, Baosteel delivers its green procurement policies to the public and enhances the awareness of the public on "Green Procurement". In case of equivalent effectiveness, Baosteel will give priority to supplier's products which have been certified by ISO14001 environmental management system, so as to effectively ensure environmental protection, energy saving and reutilization of purchased materials and goods, and guide the procurement chain onto the way of sustainable development.

By sorting out the purchase catalogue, promoting the standardization of purchase for paint and other materials, and sorting out the environmental requirements of purchased goods, the company defined key categories for green procurement, and organized using departments and technical departments to optimize technical standards of procurement, and incorporated requirements on energy-saving and environmental protection into the standards. The company improved the management on recycling materials, integrated and optimized the management process, and improved the recovery proportion and efficiency of waste materials and packaging materials. The company also required its suppliers to gradually obtain the certificate of environmental management systems, and asked 107 suppliers in the industries of fireproof materials, chemical and nonferrous metal to pass ISO14001 certification by the end of 2009.

### Sunshine Procurement

With sunshine procurement, Baosteel optimized its procurement mode, and used differentiated procurement way for different goods according to the maturity level of market competition. Baosteel strengthened strategic procurement for bulk raw fuel materials, implemented high added-value raw material JIT model, tries consignment sales, prepared and released the "Measures for Administration of Bidding Procurement for Raw and Auxiliary Materials", and promoted standardization and transparency of procurement.

Baosteel deepened cooperation with suppliers: supplier management: By vigorously promoting Baosteel's culture which takes integrity and collaboration as core among vast suppliers, the company fully implemented the clean collaboration system with suppliers, positively guided suppliers to carry out legal competition in supply quality, price and delivery, and made vast suppliers deeply impressed with the commitment of Baosteel to build a fair, honest and standard procurement-and-supply environment. The company strengthened social accountability management on suppliers of bulk raw fuel materials, and required ISO9000 certification on production suppliers, and gave priority to suppliers with more consciousness of social responsibility if all conditions were equal.

Baosteel implemented E-procurement: As an important means of sunshine procurement, the company planed an overall functional framework of E-procurement and stably promoted its implementation step by step. E-procurement has not only enabled a standard and transparent purchasing process, but also become a platform for establishing harmonious relationships between Baosteel and its suppliers and improving procurement efficiency by creating value for the company with the collaboration of the suppliers and purchasers.

## Baosteel Strengthened Strategic Operation and Built a Long-Term and Stable Procurement & Supply Chain

In 2008, faced with the drastically changing external environment and based on further optimization of supplier's structure, the company, by signing long-term strategic cooperation agreements with suppliers, strengthened the control over resources risks and supply risks, promoted orderly competition on and normal development of the market, provided secure guarantee for production, operation and project construction of Baosteel, and realized a win-win situation between suppliers and purchasers. In order to better cultivate and deepen strategic partnership, the company strengthened reciprocal visit and communication between senior management of suppliers

and purchasers, established a mechanism for information exchange, and improved technical cooperation and subject training between suppliers and purchasers. In terms of strategic resources such as iron ore, coal and ocean shipping, Baosteel signed long-term strategic cooperation agreements with suppliers and obtained best procurement efficiency and maximized procurement benefits. Baosteel improved its production-supply-research mechanism, and kept improving resource adaptability and supply guarantee by promoting the production-supply-research projects such as the optimization of ore and coal proportioning structure.

## Environmentally Friendly Products

Baosteel is always market-oriented and pays great attention to customer's satisfaction. The company keeps optimizing its product mix, strives to improve the quality and grade of its products, vigorously develops environmentally friendly products, implements "Green operation" and insists on Green Development, hoping to build "Green Baosteel".

Technological innovation is a key way of Baosteel to improve its core competitiveness. After years of efforts, Baosteel has developed a series of new products. The domestic market share of quality steel products such as automotive steel, household electrical appliance steel, pipeline steel, stainless steel, electrical steel and petroleum steel has greatly increased. Meanwhile, it has also promoted the development of downstream industries, and made contributions to vast users.

Downstream industry	Environmental benefits	Preventing global warming	Reducing risks in the management on environmental protection	Creating recycling society
		Saving energy and reducing CO <sub>2</sub> emission	Environmental protection and chemical management	Recycling and prolonging service life
Automobile	<ul style="list-style-type: none"> <li>■ <b>Light weight and high security</b> High-strength sheet, wire and bar materials</li> <li>■ <b>Simplifying user's processing technology</b> Laser tailored-welded blank</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Environmentally friendly materials</b> Lead-free hot galvanized steel sheet Lead-free easy-cutting steel Chromium-free galvanized sheet for automobile</li> <li>■ <b>Reducing noise and vibration</b> Vibration damping compound plate</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Prolonging service life and reducing rejects</b> Hot galvanized high-strength steel (DP) Electro-galvanized high strength steel (TRIP, DP)</li> </ul>	
Food & Beverages	<ul style="list-style-type: none"> <li>■ <b>Reducing the weight of beverage cans</b> Reducing the thickness of DI materials</li> </ul>			
Household electrical appliance	<ul style="list-style-type: none"> <li>■ <b>Simplifying user's processing technology</b> Color pre-coated steel used for household electrical appliance Self-bonding coated electrical steel Self-lubricating film hot galvanized steel sheet</li> <li>■ <b>Improving motor efficiency</b> High efficient and non-oriented electrical steel</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Materials containing no environmentally hazardous substances</b> Lead-free hot galvanized steel sheet Chromium-free hot galvanized sheet for household electrical appliance Chromium-free electro-galvanized sheet for household electrical appliance Chromium-free hot Al-Zn coated sheet for household electrical appliance Chromium-free color pre-coated sheet for household electrical appliance</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Prolonging service life and reducing rejects</b> Hot Al-Zn coated series products Hot galvanized series products Electro-galvanized series products Color pre-coated series products</li> </ul>	
Electrical power and energy	<ul style="list-style-type: none"> <li>■ <b>Improving the efficiency of power generation</b> High-temperature and high-pressure boiler pipe</li> <li>■ <b>Improving the efficiency of energy transport</b> High strength and high ductility pipeline steel</li> </ul>		<ul style="list-style-type: none"> <li>■ <b>Improving the efficiency of power generation</b> High-pressure boiler pipe High strength steel pipe</li> <li>■ <b>Prolonging service life</b> Steel for chemical storage tanks Steel for petroleum storage tanks</li> </ul>	
Building and Civil engineering	<ul style="list-style-type: none"> <li>■ <b>Improving the efficiency of construction</b> High strength and high ductility plate Steel plate for high heat input welding</li> </ul>		<ul style="list-style-type: none"> <li>■ <b>Prolonging service life</b> High strength enameled steel High strength structural steel for buildings High-tensile Strength wires Self-cleaning color pre-coated steel sheet High-ductility and high strength structural steel pipe High strength fire-resistant and weathering steel High-durability color pre-coated steel sheet</li> </ul>	
Others	<ul style="list-style-type: none"> <li>■ <b>Simplifying user's processing technology</b> Hot rolled high strength die steel for plastic materials forming</li> </ul>			

Baosteel actively takes appropriate measures to develop environmentally friendly products. During the process of production and operation, Baosteel gives full consideration to being harmonious with the natural ecosystem, tries its best to protect and improve people's living environment, and properly fulfills its responsibility to protect environment.

By centering on cleaner production, ecological construction and environmental governance, Baosteel makes every effort to develop new technologies, new process and new products for green environmental protection. Baosteel is the first one who has passed ISO14001 environmental certification in China's metallurgical industry.

Baosteel adopts internationally advanced quality management. In 1995, Baosteel took the lead in passing ISO9001 certification of British Standards Institution (BSI). Its main products have been recognized by international authoritative institutions. For instance, they have obtained US API emblem and Japan JIS certificate and have passed QS9000 certification of world-famous carmakers including GM, Ford and Chrysler. They have also been recognized by classification societies in seven countries: China, French, USA, UK, Germany, Norway, and Italy.

Baosteel carries out SGS <sup>[Note 2]</sup> environmental protection tests according to ROHS <sup>[Note 1]</sup> Directive, and improves products which fail to meet this Directive. Finally, Baosteel prepares SGS report and Letter of Undertaking for relevant products (including coatings of various colors for color pre-coated steel, A/H/K coatings for electrical steel, various post-treatment ways for hot galvanized and electro-galvanized products).



**宝钢汽车板**  
BAOSTEEL AUTOMOTIVE SHEETS

**宝钢彩涂板**  
Baosteel Color

**宝钢不锈钢**  
Baosteel Stainless

[Note 1] RoHS stands for Restriction of Hazardous Substances, and is also known as lead-free compliance. It is a directive issued by EU. As for the electronic industry, it mainly involves the Restriction of 6 kinds of hazardous substances.

[Note 2] SGS: SGS is the abbreviation for SGS-CSTC Standards Technical Services Co., Ltd, a joint venture established in October 1992 by SGS (Switzerland) and China Standards Technology Development Corporation (CSTC) subordinate to the original State Bureau of Quality and Technical Supervision. It is among the first JVs which legally provide inspection, testing, certification & verification services in China.

### Excerpts of Media Information on Baosteel Premium

- The corrosion-resisting property of Baosteel new martensite stainless steel products crossed the "Green Barriers" of EU.
- The Galvanized Steel Wire for dragline, which is 7 millimeters in diameter; 1770 Mpa, and independently researched and developed, by Baosteel won Major Innovative Project of China Industry's New Record jointly by CEC (China Enterprise Confederation) and CEDA (China Enterprise Directors Association).
- Baosteel became the only one enterprise in China which produces and offers high strength steel plates for 150000m<sup>3</sup> extra-large crude oil storage tanks.
- Baosteel nickel-base alloy oil tubing/casing and undersea pipeline tubes broke import monopolies and supported national strategy for energy security.
- The stainless steel pipe for ultra supercritical pressure boiler independently developed by Baosteel has filled the domestic blank.
- Baosteel developed successfully T24 high-pressure boiler pipes.
- Baosteel developed successfully extra-high strength hot rolled engineering machinery steel.
- Baosteel's environmentally friendly chrome-free electro-galvanized fingerprint proof steel sheet was awarded as "Second Prize of National Employees' Technological Innovative Achievements" issued by the Ministry of Science and Technology, Ministry of Labor and Social Security and National Federation of Trade Unions.
- Baosteel's chrome-free electro-galvanized fingerprint proof steel sheet (SECCN5\SECDN5) was listed among top 10 projects of transformation of new and high-tech achievements of Shanghai in 2007. Its "extra-deep draw formed high quality automotive steel" and "Pipeline steel (X70, X80)" were listed among top 10 in sales volume, and the chrome-free electro-galvanized fingerprint proof steel sheet was listed among top 10 in growth potential.
- Baosteel's environmentally friendly chrome-free phosphated and sealed electro-galvanized steel band was identified as Level A transformation of new and high-tech achievements in Shanghai.
- Baosteel successfully developed 600Mpa hot galvanized TRIP steel sheet, further enriching the automotive steel family of Baosteel.
- The steel for weathering train bogie produced by Baosteel according to European requirements successfully went aboard and was exported to be used on India's light rail.
- Baosteel developed successfully double-high surface fingerprint proof sheet, filling the domestic blank for this high value added and high technological content product. "Double-high surface" mainly means high surface quality and high surface property. Various properties such as corrosion-resistance and electrical conductivity are up to high application standards.

Baosteel considers customer's standard as its own standard; Baosteel considers customer's plan as its own plan; and Baosteel considers customer's interests as its own interests.

## High-Quality Service

Baosteel is always adhering to its commitment of "three considers": i.e.: Baosteel considers customer's standard as its own standard; Baosteel considers customer's plan as its own plan; and Baosteel considers customer's interests as its own interests.

### Customer Representative System

In 2004, Baosteel launched the customer technical service representative system in which customer representatives, coupled with Baosteel's marketing platform, would solve problems encountered by customers in using rapidly, reduce the period of customer service and dispute settlement, respond to customer's demand in an 24-hour and zero-distance way and provide "One-stop" one-on-one considerate service. It was highly praised by customers.

In 2008, Li Yongchun, an employee in Baosteel sales center, was employed as an expert of steel application by Qingdao Haier Co., Ltd, and became an honorary employee of Qingdao Haier Co., Ltd. During 3-year employment period, Li Yongchun will participate in procurement and usage of steel products of Haier. He will directly takes part in steel usage diagnosis in the procurement process of Haier; help to sort out existing steel products in Haier; and integrate Haier's steel supply resources and process, thus enhancing the substitutability of steel products and reducing procurement costs.

Insiders pointed out that this move showed customers gave full trust to Baosteel, and would have a far-reaching influence on improving the competitiveness of both Baosteel and its customers and leading joint development of upstream and downstream industries.

### Support Shanghai Expo

As a global partner of 2010 Shanghai World Expo, Baosteel provided high-quality steel products for World Expo in an effective and timely way.

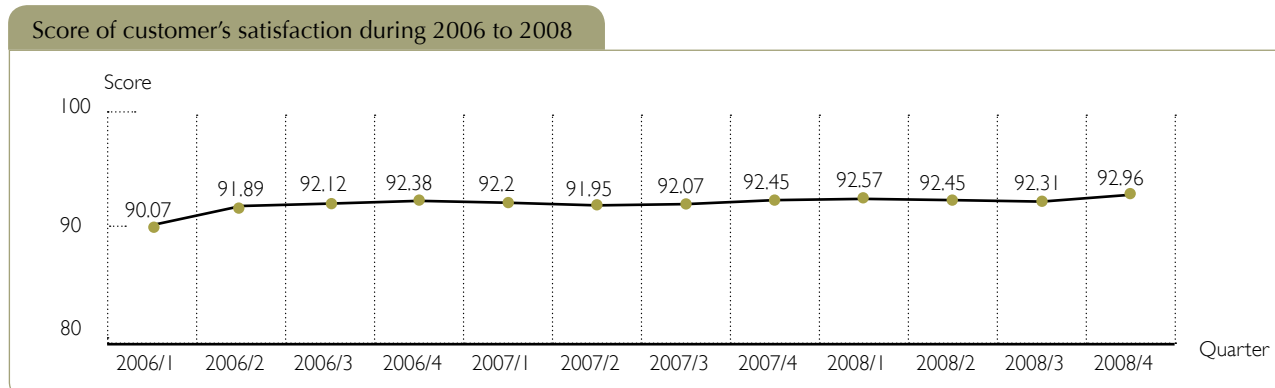
The pavilion construction of World Expo is of huge steel consumption, various specifications and comparatively short delivery term. Baosteel has then established the leading and working team for World Expo program to exert group synergy and integrated resource advantage so as to innovate the supply mode for key projects implement the package contractual execution for all steel demand and conduct one station service including production, batching, processing and shipping.

As of the end of 2008, Baosteel had supplied a total of 85,000 ton steel to World Expo, and propped up the steel ridge for the land marking building "one axis and four pavilions" including China Pavilion and the Performance Center:



### Customer's Satisfaction Program

Being listed among first winners of China Quality Management Award, Baosteel started the "Customer's Satisfaction Program" since 1994. Over years of accumulation, Baosteel have established a complete system for customer's satisfaction survey and improvement. By carrying out customer's satisfaction survey quarterly, Baosteel knows the details in the change of customer's satisfaction and learns customers demand and complaints timely, so that it can put forwards improvement plan and determine the improvement direction for products and services provided to customers. As survey findings show, Baosteel always enjoys a high level of customer's satisfaction. The score (100-score scale) of customer's satisfaction during 2006 to 2008 is shown in the following figure:





# GRI Indicator

Description of report indicators	Page	Description of report indicators	Page
1.1 Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	1	EC1	24
1.2 Description of key impacts, risks and opportunities	1, 8	EC2	32
2.1 Name of the organization	2	EC3	14
2.2 Primary brands, products, and/or services	2	EC4	-
2.3 Operational structure of the organization, including key departments, operating companies, subsidiary companies and JVs	3, 44	EC5	14
2.4 Location of the organization's headquarters	Back cover	EC6	32
2.5 Number of countries where the organization operates and name of countries	Back cover	EC7	12
2.6 Nature of ownership and legal form	2, 44	EC8	-
2.7 Market served	2	EC9	24
2.8 Scale of the reporting organization	2, 12, 24	EN1/EN2	32
2.9 Significant changes during the reporting period, including scale, structure and ownership	24	EN3-EN7	28
2.10 Awards received in the reporting period	38	EN8-EN10	29
3.1 Reporting period	Inside front cover	EN11-EN15	30
3.2 Date of most recent previous report	Inside front cover	EN16-EN25	28, 29
3.3 Reporting cycle	Inside front cover	EN26/EN27	31, 33, 36
3.4 Contact point for questions regarding the report or its contents	49	EN28	26
3.5 Process for defining report content	Inside front cover	EN29	32
3.6 Boundary of the report	Inside front cover	EN30	26
3.7 State any specific limitations on the scope or boundary of the report	Inside front cover	LA1	12
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	-	LA2	13
3.9 Data measurement techniques and the bases for calculations, including assumptions applied to complex indicators in the report and estimation	-	LA3	14
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and reasons for such re-statement	-	LA4	17
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement method applied in the report	-	LA5	17
3.12 GRI content index	37	LA6	15
3.13 Policy and current practices with regard to seeking external assurance for the report	9	LA7	15
4.1 Governance structure of the organization including committees subordinate to the higher government body and responsible for special tasks	3, 9	LA8	17
4.2 Indicate whether the Chair of the highest governance body is also an executive officer	6	LA9	15
4.3 State the number of members of the highest governance body that are independent and/or non-executive members	6	LA10	16
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	17	LA11	17
4.5 Linkage between compensation of highest governance body members, senior manager and administrative staff and the organization's performance	3, 14	LA12	14
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	14	LA13	12
4.7 Process for determining the qualification and expertise of highest governance body members	14, 16	LA14	14
4.8 Procedures in the highest governance body for overseeing the identification and management of economic, environmental and social performance, including relevant risks and opportunities, re-statement of or obedience to internationally recognized standards, code of conduct and principles	9	SO1	21
4.9 Procedures in the highest governance body for overseeing the management of economic, environmental and social performance, including relevant risks and opportunities, re-statement of or obedience to internationally recognized standards, code of conduct and principles	9	SO2	23
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	14	SO3	23
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization	14	SO4	23
4.12 Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes to or endorses	2	SO5	-
4.13 Memberships in associations and/or national/international advocacy organizations	2	SO6	-
4.14 List of stakeholder groups engaged by the organizations	10	SO7	-
4.15 Basis for identification and selection of stakeholders with whom to engage	10	SO8	22
4.16 Approaches to stakeholder engagement	10	PR1	33
4.17 Key topics and concerns raised through stakeholder engagement how the organization has responded	10	PR2	33
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		PR5	36
		PR6	22
		PR7	-
		PR8	36
		PR9	22

## Focus on 2008

### Awards

- (1) On January 5, 2008, Baosteel's stainless steel project won a gold medal of "2007 China Quality Construction Award" held by China Quality Construction Award Evaluation Committee.
- (2) On January 7, 2008, Baosteel's paper of "*Establishment and Application of Dynamic Auditing Decision-making Supporting System*" won the first prize of 2007 Shanghai Enterprise Management Modernization Innovation Achievements.
- (3) On January 8, 2008, "*A New Technology for Safe, Environmentally Friendly and Recycled Slag Granulation*" and "*Technology for High-strength, Fully-enclosed Straightening Machine Supporting Rollers*" mainly created by Baosteel's Chief Researcher Xiao Yongli and Chief Operator Wang Jun respectively won the second prize of National Award for Technological Inventions and National Award for Scientific and Technological Progress.
- (4) On January 22, 2008, Baosteel's five achievements won prizes of Shanghai Municipal Awards for Scientific and Technological Progress and Shanghai Municipal Awards for Technological Inventions. *A Technology of Self-Integration of Hot-dipping Al-Zn Coating Process* won the first prize of Shanghai Municipal Awards for Scientific and Technological Progress. *The Development of High-quality, Large-section, Non-Quenched/Tempered Plastic Die Steel Series Products* won the second prize of Shanghai Municipal Awards for Technological Inventions; *A new AOD Process for Stainless Steel Making and Research on New Process of Wide-spacing, Centralized Pillarless Mining* won the second prize of Shanghai Municipal Awards for Scientific and Technological Progress; and the *Development of Automotive 55SiCr and 55SiCrV High Strength Spring Wire Rod* won the third prize of Shanghai Municipal Awards for Scientific and Technological Progress.
- (5) On March 5, 2008, three subjects of Baosteel, i.e.: the *Application of Regenerative Ladle Preheating Technology*, *Water-Saving Program during the "10th Five-Year Plan" Period of Baosteel's Special Steel Branch* and *Application of Power-saving Technology in Water Pumps and Coating Process in Baosteel's Branches*, respectively won the first, second and third prize of Shanghai Energy Saving & Pollution Reduction Outstanding Achievements Awards.
- (6) On June 17, Baosteel won the title of "Advanced Energy Saving Unit of Shanghai 2007".
- (7) On July 10, 2008, Baosteel was conferred with "Corporate Social Responsibility Contribution Award" in the "Forum for Harmonious Society Construction and Corporate Social Responsibility (Pudong Shanghai) 2008".
- (8) On July 28, 2008, Baosteel Group Corporation and Shanghai Baosight Software Co., Ltd and other 89 companies were officially appointed by the Ministry of Technology, State-owned Assets Supervision and Administration Commission (SASAC) and All China Federation of Trade Unions (ACFTU) as the first batch of experimental enterprises for innovation in China.

- (9) On July 30, 2008, Baosteel was awarded the honorary title of "China Iron & Steel Industry Clean Production and Environment-Friendly Enterprise 2007" by China Iron & Steel Association(CISA) .
- (10) On August 30, 2008, China Enterprise Confederation and China Enterprise Directors Association jointly published the updated ranking of Top 500 Chinese Enterprises. Baosteel Group Corporation ranked first among Top 500 Chinese Manufacturing Enterprises. It was also the fourth time for Baosteel to top the list since the appraisal of Top 500 Chinese Manufacturing Enterprises was initiated in 2005.
- (11) On October 30, 2008, Shanghai Contract Credit Promotion Commission (SCCPC) announced the Shanghai 2006-2007 list of Contract-honoring and Promise-keeping Enterprises, and 13 companies of Baosteel were awarded as AAA-grade Contract-honoring and Promise-keeping Enterprises.
- (12) On December 3, 2008, the awarding ceremony of "The Corporate Social Responsibility (CSR) Ranking in China" sponsored by China Business News was held in Shanghai, during which Baosteel received "Outstanding Enterprises Award".
- (13) In December 2008, Baosteel received the special contribution award of "2006 China Charity Award" held by the Ministry of Civil Affairs of the People's Republic of China.
- (14) On January 9, 2009, The *Comprehensive Technology for Utilization and Emission Reduction of By-Product Gases of Steel Enterprises* of Baosteel's branch won the second prize of 2008 National Awards for Scientific and Technological Progress at the national scientific and technological awarding meeting. It was the first item winning such honor in domestic metallurgical industry.
- (15) In July 2008, Xu Lejiang, Chairman of Baosteel Group Corporation was honored to be one of "Top 10 Outstanding Figures in Chinese Economy 2008" jointly by the Association of China Economic Press (ACEP), China Economic Information Magazine Press of the Economic Daily, and China Industry and Commerce Times.
- (16) In October 2008, Baosteel won 5.12 Earthquake Relief Outstanding Contribution Award by Shanghai Red Cross.
- (17) In January 2009, Baosteel won the 2010 Shanghai World Expo Service Star Award by the Bureau of Shanghai World Expo Coordination.
- (18) In March 2009, Baosteel Group was listed among "World's Most Admired Companies" by American "Fortune" Magazine.
- (19) In March 2009, Baosteel won the title of "Top 10 Energy Saving and Pollution Reduction Enterprises in China 2008" jointly by ACEF (All-China Environment Federation) and China Enterprise Newspaper.

## Highlights of the Year

- On Jan. 5 The 2007 National Quality Construction Award was announced in the Great Hall of the People. Both Baosteel's stainless steel project and the No. 4 Blast Furnace Project of Baosteel's Branch won the golden prize.
- On Jan. 8 Baosteel's "A New Technology for Safe, Environmentally Friendly and Recycled Slag Granulation" and "Technology for High-strength, Fully-enclosed Straightening Machine Supporting Rollers" respectively won the second prize of National Award for Technological Inventions and National Award for Scientific and Technological Progress at the 2007 national scientific and technological awarding meeting.
- On Jan. 9 Zhang Dejiang, Member of the Political Bureau of the CPC Central Committee, being accompanied by Yu Zhengsheng, Member of the Political Bureau of the CPC Central Committee and Secretary of the Shanghai Municipal Committee of the CPC, inspected Baosteel.



- In Jan. Baosteel won the title of "2007 Most Trustworthy Enterprise in China" jointly by China Association of Enterprises (CAE) and China Entrepreneur Association (CEA).

- On Feb. 4 2008 Annual Celebration of Baosteel Talent Award was held in Shanghai Oriental Art Center.
- On Feb. 7 Wang Lequan, member of the Political Bureau of the CPC Central Committee and Secretary of Xinjiang Uygur Autonomous Regional Committee of the CPC; Nur Bekri, Chairman of the Xinjiang Uygur Autonomous Region, Aligen Yiminbahai, director of the Standing Committee of the National People's Congress, Ashat Kerimbay, Chairman of the People's Political Conference of the autonomous region, and other leaders from the autonomous region visited Bayi Steel.



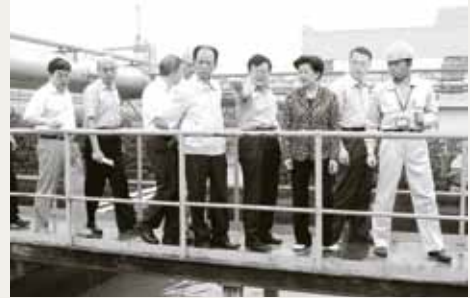
- On Feb. 27 The wide-plate rolling mill of Luoqing Project was completed and put into operation.
- On Feb. 27 The first 2500 m<sup>3</sup> furnace of Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd was put into operation.
- On Feb. 28 The Central Government designated Baosteel as one of pilot enterprises for study and practice activities among state-owned enterprises.
- In Feb. The first blue book for intellectual property strategy among Chinese enterprises-"Blue Book of Baosteel's Strategy for Intellectual Property" finished its compilation.
- In Feb. Baosteel's EG (electrolytic galvanized) products has passed the certification of the world famous German Mercedes-Benz.
- On Mar. 17 The National Development & Reform Commission (NDRC) approved the Development and Reform Commission of Guangdong Province and Baosteel to carry out the preparatory work of Guangdong Zhanjiang Iron & Steel Base Project. According to the state's requirements, Baosteel will build a 10 million ton steel base in Zhanjiang on the basis of merging and restructuring Shaoguan Iron & Steel Group (SGIS) and Guangzhou Iron & Steel Enterprises Group (GISE), the existing steel enterprises in Guangdong Province, to eliminate the outdated capacity.
- On Mar. 21 No. 4 Generator Set at Baosteel Power Plant-the first large-capacity, low-heat value gas Fully-Fired once-through boiler turbo generator set in the world-was successfully connected into the power grid.
- On Mar. 28 China State Shipbuilding Corporation (CSSC), Baosteel Group Corporation and China Shipping held the signing ceremony of a letter of intent for cooperation in shipbuilding in Longxue Shipbuilding Base.
- In Apr. The mobilization meeting of Baosteel's activities for in-depth study and practice of scientific outlook on development was held, symbolizing the formal launch of Baosteel's activities for study and practice.
- In April The cold-rolled sheet shape control technology independently developed by Baosteel has ascended to the world-leading level. Baosteel was capable of putting the system into the live production environment.

- In May After the Great Sichuan Earthquake, Baosteel immediately took actions to make various donations to the earthquake-stricken area, with a total amount reaching RMB 117 million Yuan.
- On May 15 Baosteel's oriented silicon steel line successfully produced the first roll of acceptable oriented silicon steel sheet.
- On May 28 Yu Zhengsheng, Member of Political Bureau of the CPC Central Committee and Party Secretary of CPC Shanghai Municipal Committee and Shen Jun, Vice Mayor of Shanghai went to the color coating workshop of Baosteel Branch's Cold Rolling Plant to learn about the production of color-coated sheets badly needed for the fabrication of light mobile houses for earthquake victims.



- On May 30 The thinnest and fastest lines for sheets in the world—the continuous annealing line and No.2 electrolytic tin plate line of Baosteel Branch's Cold-rolled Steel Sheets Plant successfully reached the designed indexes for output, quality, profit and energy consumption after 9 months and 7 months respectively since being put into production, breaking the fastest record of like lines in the world to reach these 4 indexes.
- In May Approved by the State Council, the 12th meeting of the first session of board of directors of Baosteel Group Corporation decided to employ He Wenbo as the General Manager of Baosteel Group Corporation.
- In May The result of appraisal of the first yearly Chinese benchmarking green corporations was announced. The appraisal was sponsored jointly by China Entrepreneur Magazine, Price Waterhouse Coopers and Climate Change Capital. Baosteel was one of the 20 benchmarking corporations due to its 3 leading indicators: environmental cognition and policy, environmental performance and social participation.
- In May The trial production of 1400 MPa level super high strength heavy plate, representing top world level, was successful in Baosteel. The product performances fulfilled all the technological design standards. Baosteel thus succeeded in filling the gap in domestic production of super high strength heavy plate.
- In May Baosteel finished *2008 Annual Report on Overall Risk Management of Baosteel Group Corporation*. In order to further promote Central Enterprises to deepen overall risk management, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) launched pilot projects of "2008 Annual Report on Overall Risk management of Central Enterprises", and Baosteel was among the first 31 pilot enterprises with the board of directors.

- On June 14 Jacob Zuma, South Africa's ruling African National Congress (ANC) visited Baosteel.
- On June 21 NPC environmental impact assessment law enforcement inspection group led by Chen Zhili, vice-chairmen of the NPC Standing Committee, came to Baosteel for inspection.



- On June 25 Baoshan Iron & Steel Co., Ltd. announced that the issuance of RMB 10 billion detachable convertible bonds approved by China Securities Regulatory Commission (CSRC) had been completed on June 20 with a coupon rate of 0.80%. On May 28, CSRC approved Baoshan Iron & Steel Co., Ltd to issue publicly RMB 10 billion detachable convertible bonds, with a par value of RMB 100 and a term of 6 years.
- On June 28 Baosteel Group Guangdong Iron & Steel Co., Ltd, with Baosteel as its biggest shareholder, was established. Wang Yang, Member of Political Bureau of the CPC Central Committee and Party Secretary of CPC Guangdong Provincial Committee attended the unveiling ceremony. This company is jointly invested by Baosteel Group Corporation, State-owned Assets Supervision and Administration Commission (SASAC) of Guangdong Province and SASAC of Guangzhou City, marking an interim achievement accomplished for the assets restructuring of Baosteel Group, Shaoguan Iron & Steel Group (SGIS) and Guangzhou Iron & Steel Enterprises Group (GISE).



- On July 4 The detachable convertible bond issued by Baoshan Iron & Steel Co., Ltd. was successfully listed on Shanghai Stock Exchange, with Ticker Symbol of "08 Baosteel Bond". "08 Baosteel bond" is traded by means of security account trusteeship. Underwritten by CITIC Security Co. Ltd., and guaranteed by Baosteel Group Corporation, the bond was given AAA rating by China Chengxin Security Rating Co., Ltd. the attached warrants were also listed at the same time.



- On July 5 In the "Forum for Harmonious Society Construction and Corporate Social Responsibility (Pudong Shanghai) 2008", jointly held by Chinese Association of Productivity Science(CAPS) and Pudong New Area, Baosteel was conferred with "Corporate Social Responsibility Contribution Award".
- On July 9 The American Fortune magazine issued the latest ranking of the World Top 500 Companies. With total operating revenue of USD 29.939 billion and a profit of USD 2.858 billion in 2007, Baosteel jumped 48 places from last year to rank No. 259.
- On July 13 Li Chaoyuan, a member of the Political Bureau of the Central Committee of the Communist Party of China, Secretary of the Secretariat of the Central Committee and Head of the Organization Department of the CPC Central Committee came to Baosteel to investigate the pilot work, and believed that Baosteel had implemented the overall requirements of the Central Committee on unifying understanding, improving capability, solving problems and innovation mechanism. The study and practice program lasted for five and a half months, and all talks were successfully completed on August 15.



- On July 24 Baosteel established a Steel Development Planning Committee. It is Baosteel's first special committee oriented towards unified planning of the compilation, argument at the earlier stage and evaluation of the implementation of steel development plan of Baosteel Group. Baosteel Group General Manager He Wenbo was appointed director of the Committee.
- On July 25 Baosight was honored one of China Top 10 Innovation Software Enterprises 2008 by China Software Industry Association (CSIA).
- On July 26 Xu Lejiang, Chairman of Baosteel Group Corporation was honored to be one of "Top 10 Outstanding Figures in Chinese Economy 2008" jointly by the Association of China Economic Press, (ACEP), China Economic Information Magazine Press of the Economic Daily, and China Industry and Commerce Times.
- On July 28 Baosteel Group Corporation, Shanghai Baosight Software Co., Ltd and other 89 companies were officially appointed by the Ministry of Technology, State-owned Assets Supervision and Administration Commission (SASAC) and All China Federation of Trade Unions (ACFTU) as the first batch of experimental enterprises for innovation in China.
- On July 30 In the 4th Session of the 3rd Executive Council of CISA, Baosteel was awarded the honorary title of "China Iron & Steel Industry Clean Production and Environment-Friendly Enterprise", and its high grade steel sheet for passenger car won "China Iron & Steel Industry Product Development and Market Pioneering Award".
- In July Baosteel took the lead in starting "Green Procurement Action Plan" on purchasing materials and spare parts in domestic steel industry. Baosteel will give priority to the suppliers who have passed ISO14001 environmental management system certification.

- On Aug. 28 The State-owned Assets Supervision and Commission of the State Council officially issued the operation performance assessment result of large state-owned enterprises in 2007, Baosteel Group, together with other 39 large state-owned enterprises, was rated Level A.
- On Aug. 30 On August 30th, China Enterprise Confederation and China Enterprise Directors Association jointly published the updated ranking of Top 500 Chinese Enterprises. Boasting the operating revenue of RMB 227.716 billion, Baosteel Group Corporation ranked 12th among Top 500 Chinese Enterprises and first among Top 500 Chinese Manufacturing Enterprises. Baosteel ranked 10th among the Best 200 Chinese Enterprises in Terms of Profit and 15th among the Best 200 Chinese Enterprises in Terms of Tax Paid.
- On Sep. 19 Baosteel Large Diameter Longitudinal Welding Pipe Production Line was officially put into production
- On Sep. 26-28 The third Baosteel Biennial Academic Conference was held. Xu Kuangdi, former vice chairman of Chinese People's Political Consultative Conference (CPPCC) and President of the Chinese Academy of Engineering attended this conference.
- On Oct. 7 After entering the fourth quarter, the global steel market turned down sharply due to the U.S. financial crisis. Baosteel held a mobilization meeting for Q4 operating situation, urging Baosteel people to take emergency actions to actively cope with the change on the market.
- On Oct. 18-20 The main construction materials worth RMB 4.5 million donated by Baosteel to "Kunlun Station", China's first Antarctic Inland Research Station, were loaded onto the "Snow Dragon".
- On Oct. 19 Baosteel's 84 items won prizes on the 6th China International Invention Exhibition, with a highest award-winning rate in the history, which exceeded 75%.
- On Oct. 31 Hua Jianmin, vice chairman of the Standing Committee of the National People's Congress, being accompanied by Yang Dinghua, Vice Chairman of Standing Committee of Shanghai Municipal People's Congress, came to inspect Baosteel.



- In Oct The stainless steel pipe for ultra supercritical pressure boiler independently developed by Baosteel successfully passed the technical review organized by Shanghai Power Equipment Research Institute (SPERI).
- In Oct the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) promulgated the evaluation outcome of the informationization application level of the central government-owned enterprises: the informationization application level index of Baosteel in 2007 is 92.28 reaching Level A.

- On Nov. 13 Yu Zhengsheng, a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee and Secretary of CPC Committee of Shanghai Municipality, Came to inspect Baosteel.
- On Nov. 22 Wen Jiabao, a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, premier of the State Council came down to Baosteel for an inspection. Being accompanied by Yu Zhengsheng, a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee and secretary of CPC Committee of Shanghai Municipality, Zhang Ping, Chief of National Development and Reform Commission of the State Council, Li Yizhong, minister of Ministry of Industry and Information Technology of the People's Republic China, Zhang Xuren, minister of the Ministry of Finance, Xie Fuzhan, chief of Research Office of the State Council, Liu Mingkang, chairman of China Banking Regulatory Commission, Han Zheng, Mayor of Shanghai Municipality, Premier Wen Jiabao gave a sufficient affirmative compliment on the methods and measures that Baosteel takes to deal with the marketing adversities in a calm manner and the decent spiritual features that Baosteel bears for uncompromising development of its own. Wen also encouraged Baosteel people to be more confident in coping with the ill economic decline to obtain a better development in deed.



- On Nov. 24 Baosteel set up a Social Responsibility Committee, which is a special committee responsible for overall coordination for the construction of Baosteel's system and working mechanism for performing social responsibilities. He Wenbo, Baosteel Group General Manager was appointed as the chairman of the committee.
- On Nov. 28-30 The Expert Committee of Guangdong Iron & Steel Group Corporation, with Xu Kuangdi, former vice chairman of Chinese People's Political Consultative Conference (CPPCC) and President of the Chinese Academy of Engineering as chairman, was established in Guangzhou.
- In Nov Haibao Shipping Company, co-invested by Baosteel and China Shipping held its unveiling ceremony.
- On Dec. 1 In order to reward foreign experts who has made outstanding contribution to Baosteel's project construction, operation management and R&D and technological innovation, Baosteel specially set up the Cooperation Contribution Award, which consists of the Award of Best Cooperation, the Award of Outstanding Contribution and the Award of Best Supervisor. 10 foreign experts have been selected as the first award winners.
- On Dec. 1 Baosteel won the title of Excellent Creation Corporation of China Industry's New Record jointly by CEC (China Enterprise Confederation) and CEDA (China Enterprise Directors Association). All the 30 items selected by Baosteel were nominated in China Industry's New Record.

- On Dec. 3 The awarding ceremony of "The Corporate Social Responsibility (CSR) Ranking in China" sponsored by China Business News was held in Shanghai, during which Baosteel received "Outstanding Enterprises Award".
- On Dec. 13 Li Keqiang, member of the standing committee of the Political Bureau of the Central Committee of the CPC and vice premier of the State Council came to inspect Baosteel, during his inspection, the vice premier called on Baosteel to play a leading role to make much more contributions for the development of national industries and causes of energy saving and environmental protection. Yu Zhengsheng, member of Political Bureau of the Central Committee of the CPC, Secretary of Shanghai municipal committee of the CPC, Han Zheng, Vice Secretary of Shanghai municipal committee of the CPC and mayor of Shanghai municipality, accompanied the vice premier during his inspection of Baosteel.
- On Dec. 22 Grand celebration was held for the 30th anniversary of Baosteel. Wu Bangguo, Member of the Politburo Standing Committee of the CPC Central Committee and NPC Chairman, and Zhang Dejiang, Member of the Political Bureau of the CPC Central Committee and Vice Premier of the State Council respectively sent a message of congratulation. Yu Zhengsheng, Member of the Political Bureau of the CPC Central Committee and Secretary of the Shanghai Municipal Committee of the CPC, Chen Jinhua, Former Vice-Chairman of CPPCC, Li Rongrong, SASAC Director and Party Committee Secretary attended the celebration. Han Zheng, Deputy Secretary of the Shanghai Municipal Committee of the CPC and Mayor of Shanghai Nur Bekri, Deputy Secretary of Xinjiang Uygur Autonomous Regional Committee of the CPC and Chairman of the Xinjiang Uygur Autonomous Region, and Huang Yunlong, Member of the Standing Committee of the Guangdong Provincial Committee of the CPC and First Vice Governor attended the ceremony. In the ceremony, Baosteel decided to award 6 comrades, including former Chairman of Baosteel Group Li Ming, the title of "Baosteel Merit Figure".
- On Dec. 26 At the 1st anniversary of the contract signed between the Bureau of Shanghai World Expo Coordination (BSWEC) and Baosteel. The latter's brand of color coated sheet stated its view at the ceremony. Deputy secretary-general of Shanghai government and director general of BSWEC, Hong-Hao, deputy director general of BSWEC, Chen Xianjin, deputy secretary of the CPC Baosteel committee, OuYang Yingpeng, vice president of Baosteel Co. Ltd, the unveiling ceremony for Baosteel's brand of color coated sheet was held, OuYang Yingpeng, deputy secretary of the CPC Baosteel committee, and Hong-Hao, director general of BSWEC started up the unveiling photosphere. The objective vision and connotation of the brand, namely, "construct a colorful life", as well as solutions of construction by steel structure were elaborated respectively by Zhou Shichun, general manager of Baosteel Sales Center, and Cao Ping, vice general manager of Baosteel Metals.
- In Dec. Despite of the abrupt change in market situation, Baosteel has kept its leading role in automotive sheet production and sales. The total sales volume of the whole year increased 9.7% over the same period of the previous year. The sales of high strength steel and outer panel increased 31% and 25% respectively than last year. The sales volume of each of these varieties for the whole year accounted for more than 60% market share.
- In Dec. Baosteel succeeded in production of top grade of silicon steel through its 1550mm-PL-TCM by "skipping level". Thanks to this, Baosteel became the very first steelmaker in China and one of few steelmakers in the world that possesses the technology of this process.

## Introduction to Business Segments

### Steel Industry

#### Baoshan Iron & Steel Co., Ltd

Baoshan Iron & Steel Co., Ltd. (Baosteel Co., Ltd.) has established its standing of the world-class steel complex in the global steel market, thanks to its comprehensive superiority in the fields of integrity, talent, innovation, management and technology. Its comprehensive competitiveness ranks third in the world steel industry, according to the assessment of the "Guide to World Steel Industry", and the company is taken as one of the most promising steelmakers rich in growth potentials.

Baosteel has been specialized in the production of the high-tech and high value-added steels, including the automotive steel, shipbuilding steel, oil and gas mining steel, pipeline steel, appliance steel, silicon steel, boiler steel, pressure vessel steel, food and beverage packaging steel, metal product processing steel, stainless steel, specially alloyed steel and living steel as well. Not only has Baosteel taken the lead in the supply of a variety of steels in the home market, but its steel products also have been selling well to over 40 countries and regions such as Japan, South Korea, Europe and USA. Based upon the up-to-date technologies involving modern iron and steel metallurgy, hot rolling and cold rolling, hydraulic and sensing, electronic control, computer and information and communication, Baosteel's equipment is featuring the large scale and the continuous and automatic functions, and remains as modern as the world-class technology, by the means of continued technical revamping and upgrading. Baosteel Co., Ltd. applies the international advanced quality management practices, and got all its major steel products certified by the international prestigious authoritative institutions.

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Website: www.baosteel.com

#### Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd

Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd (with Xinjiang Bayi Iron and Steel Co., Ltd as its predecessor; "Bayi Steel") was first founded in September 1951. It was originally a backbone state-owned enterprise and key tax payer in Xinjiang. In late April, 2007, Baosteel acquired it and became its controlling share holder.

Bayi Steel now has an annual capacity of 7.45 million ton steel. In 2008, it produced 4.84 million ton steel. It plans to produce 5.50 million ton this year. After being acquired by Baosteel Group, its equipment level and production capacity have greatly increased as a number of new projects have been put into production.

Its products are dominated by construction steel products. Steel sheet and plate, high-quality steel and metal products also account for certain proportion. Its products have an important position in Xinjiang market. In addition to Xinjiang market, they are also sold to provinces such as Gansu, Shaanxi and Sichuan, as well as five Central Asian countries.

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Website: www.bygt.com.cn

#### Baosteel Group Guangdong Iron & Steel Co., Ltd

Baosteel Group Guangdong Iron & Steel Co., Ltd is an extra-large group corporation incorporated in Guangzhou City in June 28, 2008 jointly by Baosteel Group Corporation, State-owned Assets Supervision and Administration Commission (SASAC) of Guangdong Province and SASAC of Guangzhou City, with a registered capital of RMB 35.86 billion yuan. Baosteel Group Corporation contributes in cash and holds 80% shares. SASAC of Guangdong Province and SASAC of Guangzhou City contribute with the net state-owned assets of SGIS and GISE and hold 20% shares collectively

Baosteel Group Guangdong Iron & Steel Co., Ltd is leading in the steel industry in Guangdong province, and is responsible for guiding and driving the development of the steel industry in Guangdong Province, to build a world-class, green and environmentally friendly steel protection base and a R&D base for steel product application technologies and environmental protection and energy saving technologies, so as to create most value for shareholders.

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## Resource Development

### Baosteel Resources Co., Ltd

Baosteel Resources Co., Ltd. (Baosteel Resources), formerly Baosteel Trade Co., Ltd., is one of the Baosteel's wholly-funded subsidiaries. Founded on July 21, 2006, it is mainly engaged in the investment, trade and logistics for mineral resources including iron ore, coal, alloy, non-ferrous metal, stainless raw materials and scrap steel.

Baosteel Resources deals with iron ore and metallurgical auxiliary materials including fine iron ore, lump ore, pellet, limestone, dolomite, serpentine, olivine; coals including coking coal, rich coal, PCI coal, power coal, lump coal and metallurgical coke; stainless steel raw materials including nickel, nickel iron, chromium, chromium iron, ruddle nickel ore, chromium ore; and scrap steels including cut material, baled material, clean scrap.

Baosteel Resources is now building a comprehensive logistics service platform with power competitiveness to offers comprehensive logistics services such as shipment agent, forwarder, railway shipment, warehousing and storage, loading and unloading at port. It has logistics subsidiaries such as Qingdao Baohan Transport and Trade Co., Ltd. It has also expanded the ocean-going transportation through the strategic cooperation with China Shipping Group.

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Website: [www.baosteelresources.com](http://www.baosteelresources.com)

## Steel Processing

### Baosteel Metal Co., Ltd

Baosteel Metal Co., Ltd. (Baosteel Metal) is a Baosteel's wholly-funded subsidiary, which came into existence after Baosteel Group integrated its former business development company, steel products unit, automotive trade business and wire product business in order to vigorously develop the steel rolling and processing business by the end of 2007. It plays an important role of Baosteel's steel rolling and processing business.

Baosteel Metal's core business includes: steel structure, metal packaging materials and industrial gas.

The products and services of the steel structure business have almost covered all application fields of steel structure. The business scope includes: Class A architectural engineering design; Class A metallurgical engineering design; lump-sum contracting of architectural engineering and metallurgical engineering design; design, fabrication and installation of various steel structures; cold-rolled section steel; high frequency welded H steel; industrial door; light-weight steel-frame houses (including color plate houses); and cold-rolled ribbed rebar. It is already influential in the domestic and international markets and has achieved some achievements.

The metal packaging materials are dominated by steel two-piece cans and color coated tin-plates. The company has established long-term strategic partnership with world-famous enterprises including Coca Cola and Pepsi. By 2012, it will become the biggest maker of two-piece cans in China. Baosteel Metal also has a domestically-leading UV metallic color printing line, and is a leading enterprise in metallic color printing in food & beverage field.

Its industrial gas mainly includes oxygen, nitrogen, argon, hydrogen, and carbon dioxide. The business is dominated by the production of liquefied gas and bottled gas, completed by the development and production of hydrogen, carbon dioxide, medical gas, special gas and rare gas. These industrial gases are widely used in many fields such as metallurgy, steel & iron, petroleum, chemical, electronics, and medical care.

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## Technology Services

### Shanghai Baosteel Engineering & Equipment Co., Ltd (BSEE)

Founded in 1999, Shanghai Baosteel Engineering & Equipment Co., Ltd. (BSEE) is a wholly-owned subsidiary of Baosteel Group Corporation.

The company has national A-level qualification in metallurgical design, architectural design, project consultation, consultation of project cost and project supervision, and has rights to undertake operation of foreign (overseas) projects. It handles an extensive scope of business ranging from steel industry to non-ferrous industry, light industry, chemical industry, machinery, transportation, energy and environment. The company has 7 business departments with powerful capability in the design of metallurgical process and equipment and a dozen of subsidiaries that are able to provide the design and manufacture of top class metallurgical equipment. The company has more than 1000 full-time designers, and boasts of strong technological strength.

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Website: bsee.baosteel.com

### Shanghai Baosight Co., Ltd. (Baosight)

Shanghai Baosight Co., Ltd. (Baosight) is a listed software enterprise with Baosteel Co., Ltd. Controls as its biggest shareholder. The company was founded in April 2000, and was listed in April 2001, headquartered at Shanghai Pudong Zhangjiang High-Tech Park, with a register capital of RMB 262 million Yuan.

Baosight adheres to the operation philosophy of "IT service is intended to improve the value of information". With 30-year experiences in serving Baosteel, the company is capable of providing: information solutions, automation system integration and operation and maintenance for steelmaking enterprises, city intelligent traffic comprehensive solution and comprehensive monitoring for road, bridge, channel and track traffic, and the electro-mechanical package product and operation and maintenance as well. Its products and solutions are found in many industries such as metallurgy, traffic, equipment manufacturing (including shipbuilding), mining industry, finance, coal-chemical, and public service.

In recent years, Baosight has owned 150 patents, 143 registered software products, 261 registered software copyrights and 110 identified technological secrets. It has undertaken many key technological and product projects such as NDRC high-tech industrialization demonstration project, 863 Program of the Ministry of Science and Technology and electronic development fund project of the Ministry of Information Industry. In 2007 and 2008, Baosight was honored as one of China Top 10 Innovation Software Enterprises by China Software Industry Association (CSIA) for 2 consecutive years.

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Website: www.baosight.com

### Shanghai Baosteel Industry Inspection Corporation

Shanghai Baosteel Industry Inspection Corporation (BIC), the former Shanghai Baosteel Equipment Survey Company, was founded in 1994, and is Baosteel's wholly-owned subsidiary.

The business scope of BIC mainly includes: providing professional inspection and equipment diagnosis service with high-tech content and value-added to modern industrial enterprises, operational service backed up by professional technology, and value-added service for related technologies and equipment and products. BIC has internationally advanced instrument, relatively complete professional qualifications, as well as technologically advanced laboratory and strong R&D capability. Since its establishment, BIC has made significant contributions to Baosteel in terms of steady optimization for the production chain operation system, quality control system and scientific management system through effective application of inspection and diagnosis technologies.

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## Finance

## Fortune Trust &amp; Investment Co., Ltd

Founded in November 1994, Shanghai No.5 Steel Works International Trading Co., Ltd is the predecessor of Fortune Trust & Investment Co., Ltd (FTIC). In March 2007, Baosteel Group acquired its 100% stake by means of equity transfer, and changed its name into "Fortune Trust & Investment Co., Ltd".

Fortune Trust & Investment Co., Ltd is mainly responsible for optimizing the existing financial resources of Baosteel, improving the value of equity, and carrying on equity investment business by using the advantages of Baosteel in fund, scale, and synergy of upstream and downstream resources.

The business scope of the company includes investment in metallurgy and relevant industries, investment management, investment consultation, and business consultation. Its business is mainly oriented for: seeking investment opportunities in the financial industry; using its own funds to make long-term equity investment in the financial industry, upstream and downstream steel industries, new energy, etc; making mid-term strategic investment for Pre-IPO and private placement and new share placing of listed companies; performing cash management for its own funds by means of subscription of new shares, repurchase of treasury bonds, and bank deposit; and actively carrying on equity investment business. The currency market with a risk slightly lower than the capital market, and tries its best to become a new type finance investment conglomerate with strong competitiveness in China's finance market.

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## Production Services

## Baosteel Development Co., Ltd

Baosteel Development Co., Ltd (Baosteel Development) is one of Baosteel's wholly-funded subsidiaries, with Baosteel Group Enterprise Development Corporation as its predecessor. In October 2007, Baosteel Development Co., Ltd was founded by reorganizing Baosteel Group Enterprise Development Corporation, and was put into formal operation on January 1, 2008.

It has set up three divisions, i.e. Industrial Property Business Unit, Factory Operation Business Unit, Resource Recycling Business Unit, and 22 tier-I business units. Its business scope includes: Disposing wastes generated from steelmaking processes in a harmless way; comprehensive utilization of resources; manufacture and sales of new-type building materials, magnetic materials, and Slag Powder; productive operation outsourcing; equipment and facility maintenance and repair; steel product packing; manufacture of package materials; meal and beverage supply; property management; commuting bus; landscape and greening maintenance; road cleaning; warehousing; logistics; steel trade; die steel processing; distribution; further processing of steel; automotive repair; environmental protection, medical care; physical examination for employees; hotel management; tourism and labor protection services.

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## Baosteel Group Shanghai No.1 Iron &amp; Steel Co., Ltd

Baosteel Group Shanghai No.1 Iron & Steel Co., Ltd is a wholly-owned subsidiary of Baosteel. In May 2005, its core steel business was incorporated into Baosteel Group. The secondary lines of business and core business were separated successfully, and would develop together:

The business scope of the company is mainly intended for the stainless steel business unit. Currently it has 6 segments: (1) Furnace maintenance business: for building and maintenance of industrial furnaces of the stainless steel business unit, including 150T carbon steel converter; 100T electrical furnace, 120T stainless steel converter; ladle, refining ladle and 260T torpedo tank car; (2) Production supporting business: for supporting services for production, including steel packing, traveling crane, loading of raw materials, slag field, dephosphorization and desulphurization, pump house, wastewater treatment, preservation and maintenance for pipelines, as well as refrigeration and fire warning; (3) Transportation business: for transportation, loading and unloading of raw and auxiliary materials, in-process products and finished products; (4) Comprehensive utilization of resources: including disposal of carbon steel slag and stainless steel slag, scrap steel processing, processing of Ni-containing waste and sales of rejected materials and wastes; (5) Logistics services: including dining, greening, property management, sanitation work, bus commutation, and health care; and (6) processing and manufacturing business: mainly including mud milling, the processing of dust settling pocket and packing materials and the production of military bulb steel.

The company has set up an integrated management system of "quality, environment and occupational health and safety" according to GB/T 19001-2000, GB/T 24001-2004 and GB/T28001-2001, hoping to obtain continuous satisfaction of customers, employees, and the society.

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#### Baosteel Group Shanghai Pudong Iron & Steel Co. Ltd

Baosteel Group Shanghai Pudong Iron & Steel Co. Ltd (formerly Shanghai No. 3 Steel Works) was first founded in March 1913, and was reconstructed into Shanghai Pudong Iron & Steel (Group) Co., Ltd in May 1996. In November 1988, after the great alliance of steel enterprises in Shanghai, it joined Baosteel Group, and became a wholly-funded subsidiary of the latter.

In order to meet the requirements of World Expo and the urban construction and development of Shanghai, Pudong Iron & Steel Co. Ltd made the plan to move its factory to Luojing according to the overall plan of Shanghai urban construction and the strategic orientation of Baosteel Group. In October 2007, the Phase I project was completed and put into operation. On April 1, 2008, Luojing assets of Pudong Iron & Steel Co. Ltd was acquired by Baosteel Group, and Baosteel Heavy Plate Mill was set up. The secondary lines of business and relevant functional departments of the original Pudong Iron & Steel Co. Ltd were reorganized into the existing Baosteel Group Shanghai Pudong Iron & Steel Co. Ltd.

The business scope of the company mainly includes production supporting services and logistics services. In particular, it includes: supporting services for the production areas for ironmaking, steelmaking, steel rolling and energy; supporting services in warehousing, traveling crane, invoice issuing and certificate making, weighting, fuel filling, sample processing, fire fighting and air conditioning, municipal maintenance, waste utilization; logistics services such as dining, property management and buses; and sales of wastes.

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#### Baosteel Group Shanghai No.5 Iron & Steel Co., Ltd

With Shanghai No.5 Steelworks, which was founded in 1958, as its predecessor; Baosteel Group Shanghai No.5 Iron & Steel Co., Ltd is a large state-owned enterprise specializing in development, production and sales of special steel production. It joined Baosteel Group in November 1998. In May 2005, the steel business of the company was acquired by Baosteel Group, and the company became a wholly-owned subsidiary of Baosteel, with a registered capital of RMB 781 million.

The business scope of the company includes production services, logistics and warehousing, scrap steel processing and living services. While sparing no efforts to support the development of steel business, the company strives to make it bigger and stronger. In 2008, the company built 2 modern indoor warehouses, with a total floor area of 50,000m<sup>2</sup>, and an outdoor yard with an area of 80,000m<sup>2</sup>. Its subsidiary- Baosteel Group Shanghai No.5 Iron & Steel Logistics Co., Ltd has 195 vehicles, an inland terminal depot with a length of 155m, 13 railway lines with a total length of dedicated railway line of 6 kilometers, and 2 internal combustion locomotives. Currently, it has become the transaction warehouse designated for national steel futures (ferrous metal). Baosteel Group Shanghai No.5 Iron & Steel Co., Ltd (including its subsidiaries and entrusted companies) has 3773 service and management staff for production and logistics. The quality of employees has been overall improved through, for example, competition in job skills. The company has 1.04 million m<sup>2</sup> stock land and 450,000m<sup>2</sup> stock houses to develop and utilize. In addition, the metal products, and steel products for bridge cables entrusted by Baosteel Group Shanghai No.2 Iron & Steel Co., Ltd to this company are also leading in the same industry, and win praises. Baosteel Group Shanghai No.10 Iron & Steel Co., Ltd, subordinate to this company makes most use of the existing resources, and spares no effort to build the new innovative industry cluster area, and achieves business revenue of more than RMB 75 million.

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#### Baosteel Group Shanghai Meishan Co., Ltd.

Baosteel Group Shanghai Meishan Co., Ltd (Baosteel Meishan) is a wholly-owned subsidiary of Baosteel group. In 2005, it started to operate independently, being completely separated from the main business of steel.

The business scope of Baosteel Meishan include: Mining; ore dressing; metallurgy; smelting; rolling and processing of ferrous metal; lifting machinery installation and maintenance of lifting machinery; production and transport of slag and chemical products (excluding hazardous substances); comprehensive utilization of resources, collaborative services for steel. Currently it has more than 10 professional qualification certificates, including: Level-A qualification of Shanghai City on Class I and III 0equipment maintenance and level-A license of the People's Republic of China on special equipment installation and maintenance. In addition, the company has 4 key repairing technologies, i.e.: submerged arc overlay welding, Open Arc Overlay Welding, Oxygen-acetylene spray welding and laser remelting and 13 overlay welding lines independently designed and installed. It is capable of testing and monitoring the whole production process of raw materials and steel products.

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## Reader's Feedback Information Form

Thank you for reading this *Baosteel Social Responsibility Report 2008*. Baosteel is greatly concerned about your comments and opinions, so that we can improve the report accordingly.

Please fax the form to +86-21-68403773 after filling the questionnaire.

Or, please mail it to: Public Relations Department, Baosteel Tower 1101, Pu Dian Road 370, Pudong New District, Shanghai

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**Corporate Communication Department,  
Baosteel Tower 1101, Pu Dian Road 370,  
Pudong New District, Shanghai**

Follow the fold line (1)

This report is released after seeking opinions from stakeholders through many ways including the internal 4D system, the website for customer satisfaction survey and the company website. Stakeholders all respond positively to this report. However, due to the limit of time, we have yet not collected enough opinions from stakeholders when the report is printed. Your opinions are welcomed, so that we can improve this report accordingly. Here is some feedback form our stakeholders:

This is the first social responsibility report of Baosteel Group, which is a good beginning. The report discloses key responsibility practices desired by stakeholders in an all-around, objective and timely way. This report provides full and accurate data, with good format and clear structure. The column "Highlights of the Year" is well designed, and helps readers to fully know the social responsibility work of Baosteel... It is preferable if each section is properly distinguished according the logics of target, institutions, measures, performance and typical cases.

——Zhong Hongwu, director of the corporate social responsibility research center of the Chinese Academy of Social Sciences

With this report, we can fully and systematically understand the efforts and achievements made by Baosteel Group in terms of social responsibility. We are proud to have such a partner!

——Liu Li, deputy general manager of Guangdong Galanz

This report fully and clearly shows the efforts and achievements made by Baosteel in performing social responsibilities, greatly promotes the setup of a good corporate image of Baosteel. Meanwhile, Baosteel incorporates the ideas of "performing social responsibilities" into its management practice, which meets the requirements of scientific outlook on development on sustainable development.

——Hong Zengli, Director of the head office of procurement of Dongfeng Commercial Vehicle Company

Baosteel not only considers social responsibility as an obligation of the enterprise, but also considers it as a big opportunity for the development of the company. It shows that Baosteel aims at both the economic benefits of the enterprise and social benefits, and sets up an example in improving the comprehensive competitiveness of the steel industry. This report enables us to fully know the efforts Baosteel makes to fulfill social responsibilities, and is worth reading.

——Shao Zhimin, director of the Office of General Manager of Shanghai Heavy Machinery Plant Co., Ltd

It is suggested that Baosteel make a statistic on the proportion of employees from minorities, overseas returnees, female employees and the disabled accounting for the total number of its employees, so as to show the harmony of all nationalities, and diversification of the enterprise. This is paid increasing attention in advanced enterprises in other countries, and is considered as a symbol of being liberal, open, humanistic and people-oriented. It is also suggested to add more information on the establishment of Baosteel driving the development of Baoshan community, For example, comparing old and new photos and various data. In addition, the information on Baosteel directly participating in the "development of the West Regions" should also be added, such as acquiring Bayi Iron & Steel Co., Ltd, and establishing Chengdu Baosteel Can Making Co., Ltd and Chongqing cutting center.

——Jia Yanlin, General Manager of Baosteel Metals



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