

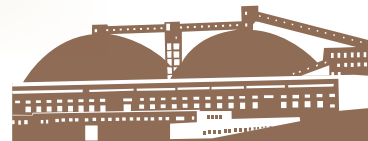
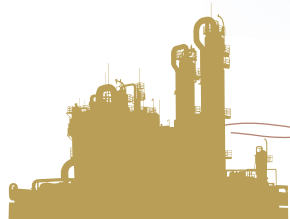


中国中煤能源股份有限公司
CHINA COAL ENERGY COMPANY LIMITED

2013

中煤能源社会责任报告

CHINA COAL ENERGY CSR Report 2013



Description for the Preparation of the Report

Summary of the report

China Coal Energy CSR Report 2013 is the fifth yearly CSR report published consecutively by China Coal Energy Company Limited. It focuses on the corporate mission which is to “supply quality energy and lead industrial development for a prosperous life”, systematically reviews the development opportunities and challenges faced by the Company during 2013 and fully discloses the Company’s philosophy of sustainable development, practices and results in performing its safety, economic, environmental, innovative and social responsibilities.

Major changes in this report:

- **Highlighted the interaction with stakeholders.** The Company conducted a survey on stakeholders and determined the major information to be disclosed based on the findings of the survey to enhance substantiality of the report.
- **Placed more concern on people’s livelihood and employee value.** On the premise that stability was maintained in the five areas of responsibility namely “safety, economic, environmental, innovative and social responsibilities”, two separate chapters on “employees” and “community” were added with rich content.
- **Applied the latest standards for the information disclosure of social responsibility.** The Company used Chinese Academy of Social Sciences’ “Guidelines on Preparation of Corporate Social Responsibility Report for Corporations” Version 3.0 published in February 2014 during the preparation of the report, and drew on main spirit of the G4 Version published by the Global Reporting Initiative (GRI) in May 2013.

Range of period

From 1 January 2013 to 31 December 2013. To increase the comparability of the report, certain content may date back to previous years when appropriate.

Scope of reporting

This report covers China Coal Energy Company Limited and its subsidiaries (branches).

Basis of preparation

“Guidelines on Fulfilling Social Responsibility by Central Enterprises” of the State-owned Assets Supervision and Administration Commission of the State Council;
“Guidelines on Preparation of Corporate Social Responsibility Report for Corporations in China” (CASS-CSR3.0) of the Chinese Academy of Social Sciences;
“Guidelines on Social Responsibility of China Association of Industrial Enterprises and Industries” of the China Federation of Industrial Economics;
“Sustainable Development Reporting Guidelines” (GRI G3.1) of Global Reporting Initiative;
“ISO 26000: Guidance on Social Responsibility” of the International Organisation for Standardisation.

Sources of information

The financial data in the report were extracted from the audited Annual Report of China Coal Energy Company Limited (in accordance with the PRC Accounting Standards), whilst other data came from internal data of the Company and other relevant statistics.

Description of references

For easy reference and reading, China Coal Energy Company Limited is also referred to as “China Coal Energy”, “The Company” and “We” in this report.

Frequency of publication

This report is a yearly report.

Inspection of the report

This report is prepared in Chinese. The electronic version of this report may be downloaded at the website of China Coal Energy Company Limited, www.chinacoalenergy.com

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Chairman's Statement



The coal market remained sluggish in 2013 due to the in-depth restructuring of global economy and the slowdown of China's economic growth. The domestic thermal coal prices lowered as compared with 2012, attributable to the rapid growth of coal production capacities, the slower growth in demand and the impact of coal imports, increased competition in the market and heightened the operating pressure of coal enterprises. In the face of these difficulties and challenges, China Coal Energy, as guided by its corporate development strategy, continued to seek progress in stability, developed in a scientific manner, seized opportunities in crisis and gained initiative in the competition, accelerated structural adjustment,

strengthened managerial innovation, enhanced safety controls, reinforced innovation-driven growth and proceeded with energy conservation and emission reduction so that the Company reaped better results from various tasks, therefore having laid a solid foundation for building itself into a world-class energy company.

Bearing in mind safety first so that safety situation remained stable. With a focus on "environment, quality and responsibility" as well as the closed-loop management and positive interaction of the three major systems for "technology, production and safety supervision", the safety system improved gradually for technology to be controlled

at its source, production to be carried out on the spot and safety supervision to be conducted during monitoring process so that production safety standards were enhanced steadily to achieve a long period of production safety. A new record was made for coal production safety for 32 consecutive months.

Coping with market challenges so that production and operation remained steady with a slight rise.

Having vigorously unleashed the advantages of its safe and efficient mines, organised production in a scientific manner, optimised system design and increased production efficiency, China Coal Energy produced 156.6 million tonnes of raw coal during 2013, representing a year-on-year increase of 7.7%. With a commitment to the “market-oriented and customer-centred” marketing concept, China Coal Energy improved the coordination mechanism, raised service quality and enhanced the ability to react to market conditions so that sales volume of commercial coal amounted to 161.01 million tonnes, representing a year-on-year increase of 7.7%. The Company stepped up cost cutting to increase efficiency, tightened up budget execution, deepened lean management, optimised system design, streamlined technological process and continued to build low-cost competitive advantages so that China Coal Energy remained as a leading player, in terms of cost control, in the coal industry in recent years.

Implementing strategic plans for restructuring industrial layout.

China Coal Energy continued with the strategic drivers, compiled a three-year rolling plan, conducted a dynamic evaluation of projects and optimised the investment structure and project construction schedule. Construction of mines proceeded steadily, with a batch of modern mines with capacity of ten million tonnes each to be completed and put into operation soon. A breakthrough was made in coal chemical projects after the

coke oven gas produced chemical fertiliser project in Shanxi commenced operation smoothly; Mengda Methanol Project and Phase 1 of Tuke Chemical Fertiliser Project turned into trial production. Significant progress was made in power projects as the low calorific value coal power project in Pingshuo Mining Area proceeded rapidly. The scale of coal conversion expanded gradually, the industrial layout was optimised and the risk resistance capacity was further improved.

Strengthening innovation drivers to lead the industry in technological development.

China Coal Energy vigorously promoted technological innovation, improved technology management system, prepared technically optimised formworks and carried out more than 30 technical optimisation projects so that increasingly rational equipment configuration and system optimisation were in place. Scientific and technological research was stepped up as new progresses were made in various areas such as large open pit mining, ten million-tonnes efficient fully-mechanised mining and automated mining in thin coal seams. The Company has built the only National Energy Coal Mining Equipment Research and Development Centre in the coal industry, and won a first class prize for technology in the coal industry, 18 provincial science and technology awards and was granted 224 patents.

Building itself as “Green China Coal Energy” to improve the quality of green development.

China Coal Energy was dedicated to building itself as “Green China Coal Energy” by optimising its standard system, raising the resource recovery rate, reducing energy consumption, taking an active part in launching a pilot energy management system and energy efficiency benchmarking so that energy consumption per RMB10,000 production output continued to decline, making itself top among the best in the evaluation of energy conservation and emission



reduction conducted by the relevant departments and ministries of the PRC. Five coal mines of the Company were designated by the Ministry of Land and Resources as the pilot green mines at the state level, attributable to the progress in the construction of ecological mines and beautiful mining areas.

Dedicated to people-oriented concept by building harmonious and happy China Coal Energy. China Coal Energy pursued the “harmony” cultural concept by promoting the establishment of a harmonious labour relationship, caring for the well-being of staff and enabling all employees to share the results of business development. The Company aimed to benefit people’s livelihood by taking a proactive part in undertaking social responsibility, promoting community development and progress. The Company spared no effort in participating in social welfare undertakings to contribute to the promotion of local economic and social development as well as to the building of a harmonious society. In 2013, the Company paid RMB12.664 billion in tax and donated RMB7.96 million to external parties. During its rapid development, the Company has been improving the working environment, employees have been leading an affluent and healthy life, and the environment for development remains stable and harmonious.

In 2014, the global economic development remains more challenging while the Chinese economy is undergoing a crucial stage of structural adjustment and change in development mode. How to resolve the problems regarding overcapacity and air pollution control will have a profound impact on the trend of energy consumption. China Coal Energy will inject the genes of social responsibility management into the whole process of business management. By making fundamental changes in the mode of management, the Company will inspire

and unite all stakeholders to pool their potential and unity to create a social value and effectively manage the impact on the society and the environment arising from its own operations, thereby maximising the integrated value of economy, society and environment for corporate development.

Responsibility leads the future while communications create value. We would like to make use of this report to further enhance open communication and sincere cooperation with our business partners at home and abroad to win a better future together!

Wang An
March 18, 2014

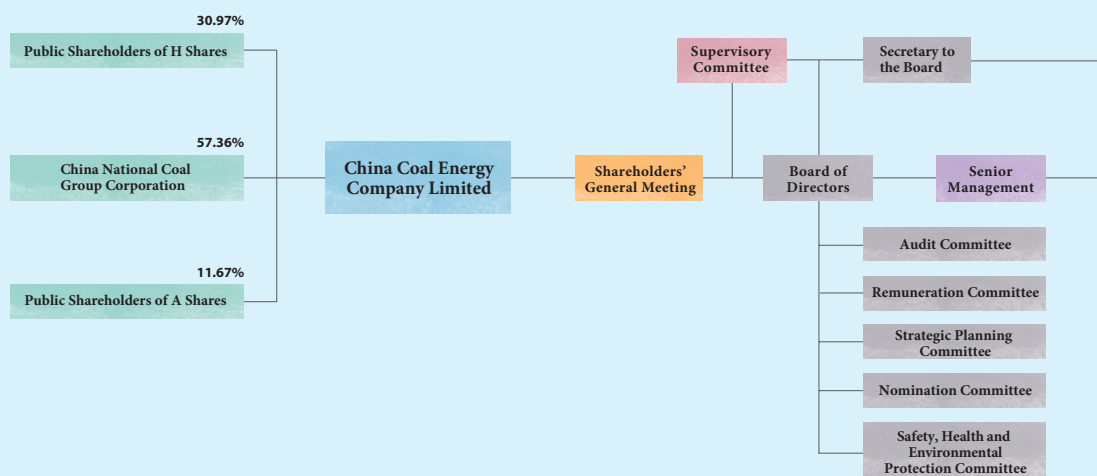
Company Overview

China Coal Energy Company Limited was solely established as a joint stock company by China National Coal Group Corporation on 22 August 2006. The shares of the Company have been successfully listed in Hong Kong since December 2006, while its A shares were issued in February 2008. The headquarters of the Company is located in Beijing, the PRC.

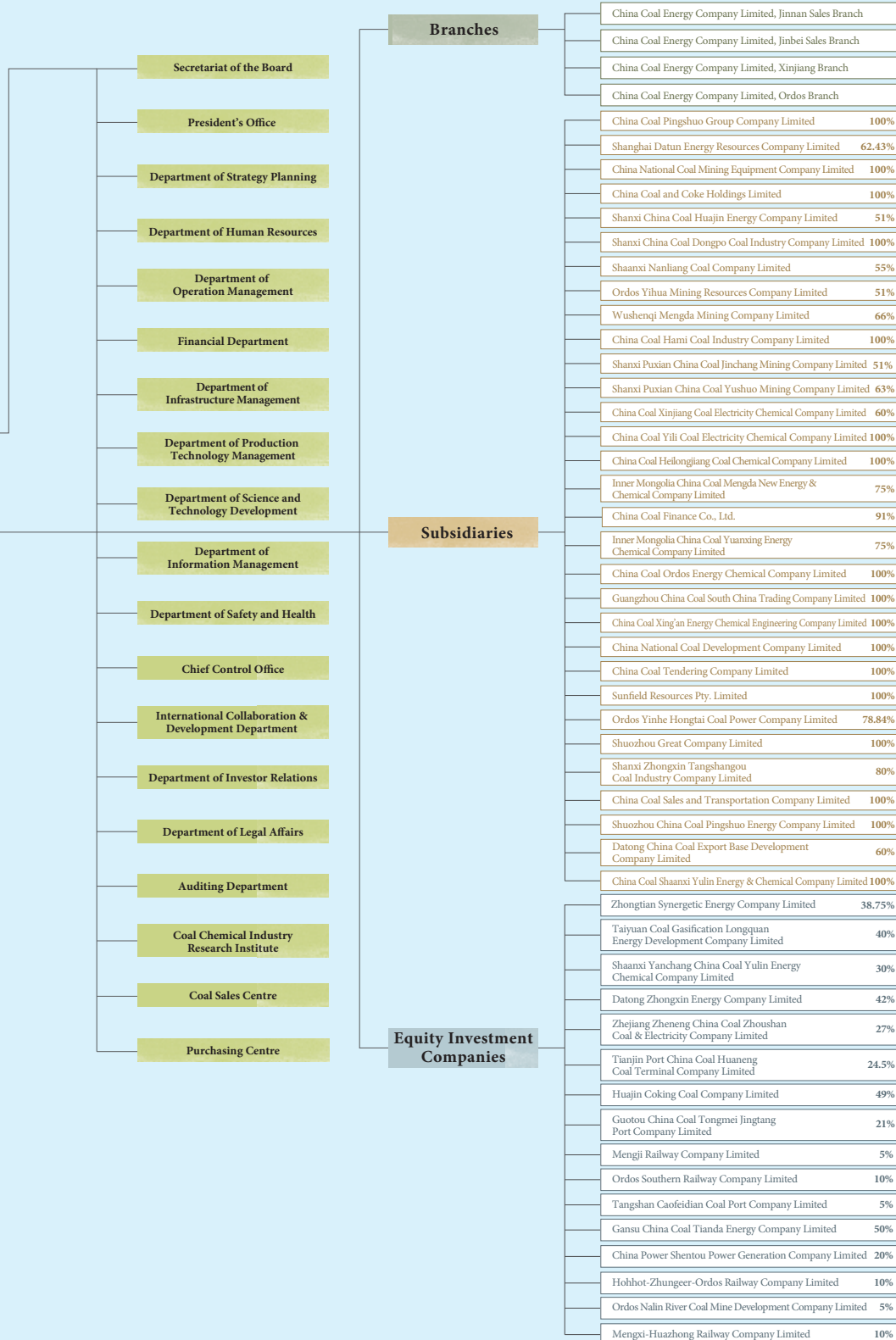
The Company is a large energy company with four core businesses including coal production and trading, coal chemical engineering, power generation and coal mining equipment manufacture. With ample coal resources, the Company has been ranked the fifth and the second among all listed coal companies in terms of coal reserves in the world and in the PRC respectively. In 2013, the volume of coal production of the Company was 156.6 million tonnes, and the Company was the second largest coal company in the PRC and the largest manufacturer of mining machinery in the PRC.

The Company boasts strong resource advantages, comprehensive business structure, advanced skills in mining and processing of coal, solid sales and customer service network, experienced management team and reputable brand name.

Company Organisation Chart of CHINA COAL ENERGY COMPANY LIMITED



Note: The equity interests of China National Coal Industry Qinhuangdao Import and Export Company Limited, China National Coal Imp. And Exp. Group (Tianjin) Company Limited, China Coal Shandong Company Limited, Shanghai China Coal East China Company Limited and Qinghuangdao China Coal Warehousing and Transportation Company Limited have been consolidated into China Coal Sales and Transportation Company Limited as third-level subsidiaries in terms of management.



Corporate Culture



China Coal Energy's logo consists of two letter "Cs" which denote "CHINA" and "COAL" respectively. The two "Cs" form the Chinese character "中", in which Chinese and English letters are joined together to create a vivid image. The combination of the trapezoidal C and the long circle C looks like a circle of light sent out from an old miner's lamp. The outer contour of the light forms a Chinese lantern which signifies auspiciousness, stability and dignifiedness with strong oriental charm. The base colour of the logo is purple blue, i.e. the colour when coal or gas or other energy is combusted in the fullest and the most environmental-friendly way. The logo integrates English, Chinese and a variety of patterns, reflecting the Company's style as a diversified and international conglomerate.

China Coal Energy's Vision: to Build itself into a World-Class Energy Company

Be stronger and excellent, ranking among the world's top energy companies.

China Coal Energy's Mission: to Supply Quality Energy and Lead Industrial Development for a Prosperous Life

To unleash industrial advantages, increase productivity, promote clean conversion and utilisation of coal; supply quality, abundant energy; and boost economic and social development.

Be dedicated to "large-scale production, modernisation of technology and equipment, specialisation of workforce and informatisation of management" as well as the "five-high" standards which are the standards for high starting point, high target, high quality, high efficiency and high benefits. To strengthen integrated innovation, enhance the core competitiveness of the Company, be a leading player in the industrial development and to contribute to the building of a new system for the coal industry.

To enhance corporate strength, build harmonious mining areas, protect the ecological environment for the benefit of staff and the public, serve for the building of a well-off society and promote human well-being.

China Coal Energy's Spirit: Dedication, Integrity, Innovation and Forerunner

Dedication – dedication to duties, accountability, passion for work and loyal service.

Integrity – be realistic and pragmatic, have a down-to-earth working style, industrious and thrifty, honest, do practical work and seek practical results.

Innovation – free the mind, be courageous to explore, committed to scientific thinking, enhance innovation capability and build an innovative enterprise.

Forerunner – pioneering, aggressive, be courageous to scale new heights, advanced benchmarking, excelling ourselves, establish the China Coal Energy brand and striving to be a role model in the industry.

China Coal Energy's Core Values: Scientific Development, Safety and Efficiency as well as Harmony and Win-Win Situation

Scientific development: be people-oriented and to make overall planning and consideration to achieve comprehensive, balanced and sustainable development of the Company.

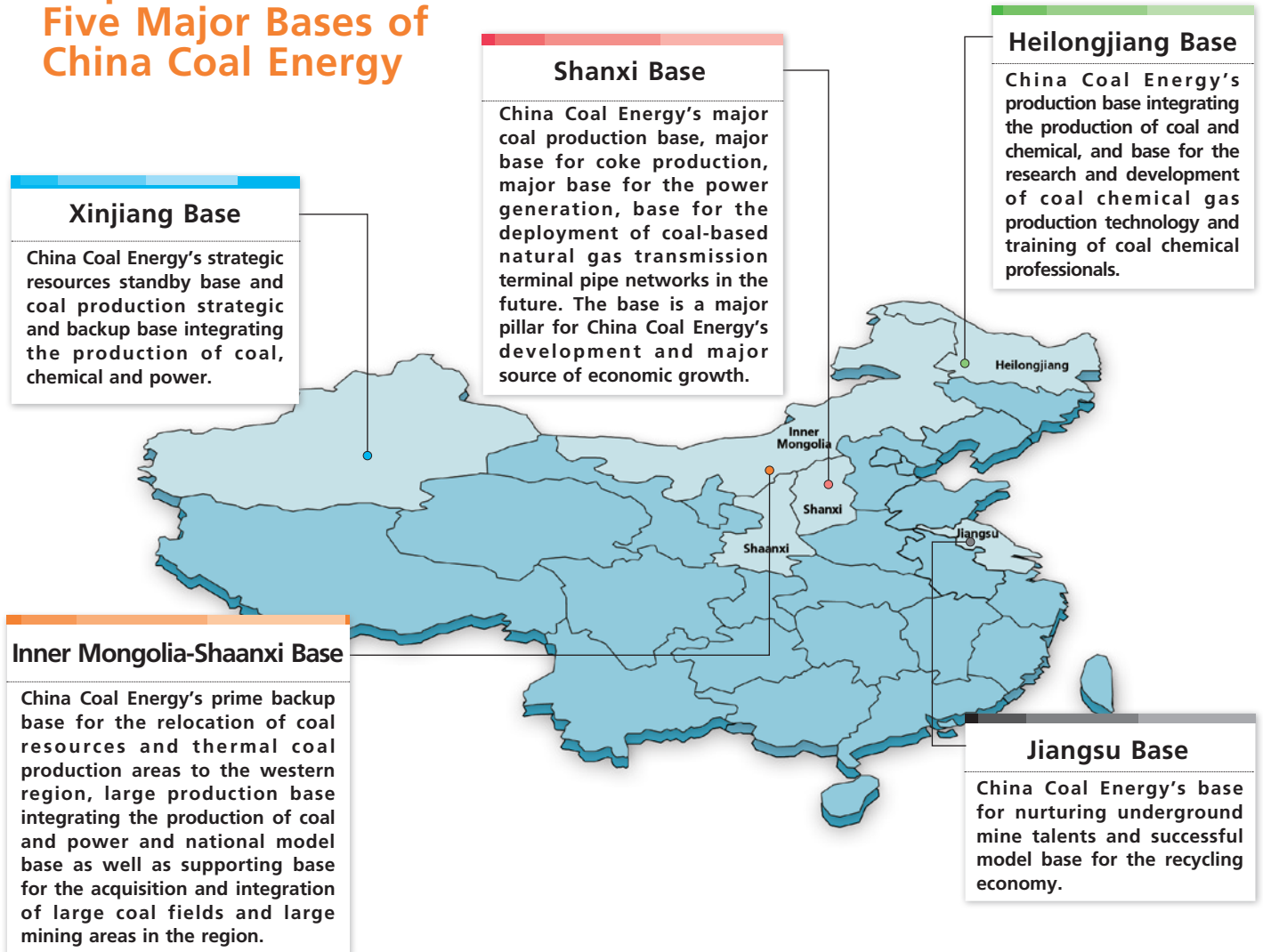
Safety and efficiency: be committed to safe development and to improving efficiency and effectiveness.

Harmony and win-win situation: be honest and trustworthy, and to achieve mutual benefit and win-win situation as well as harmonious coexistence and joint development between employees and the Company, between the Company and other enterprises and between the Company and society.



Strategies of the Company

Map of the Five Major Bases of China Coal Energy



During the period of the "Twelfth Five-Year Plan", the Company will uphold its market-oriented and customer-centred business philosophy, and follow the development directions towards large-scale production and operation, modernisation of technology and equipment, specialisation of workforce and informatisation of management. The Company will comply with the working standards for high starting point, high target, high quality, high efficiency and high benefits. The Company will strengthen and expand the core coal business, aggressively develop innovative coal chemical and power-related strategically extended business while optimising the coal mining equipment business, upgrading and reconstructing Shanxi Base, accelerating the construction of Inner Mongolia-Shaanxi Base, transforming the development of Jiangsu Base and Heilongjiang Base

and pushing forward Xinjiang Base steadily for creating an industrial structure comprising the coal, coal chemical, power generation and coal mining equipment industries as the four major pillar industries as well as a regional layout supported by the five major coal production and transformation bases. The two growth engines in Pingshuo and Inner Mongolia-Shaanxi will be prioritised to optimise and modify the layout as well as optimise and upgrade the industry while highlighting the large-scale, clustering, conserving and modernised 100-million-tonne production bases in Pingshuo, Inner Mongolia and Shaanxi. The Company will plan to achieve substantial growth in the production volume of major products, asset size, sales revenue and profit by 2015, with an aim to doubling the economic aggregate during the period of the "Twelfth Five-Year Plan".

Corporate Governance

Regulated Operation

Using the Articles of Association as the core, China Coal Energy has developed a comprehensive range of rules, regulations and systems, such as the rules of procedure for shareholders' meetings, Board of Directors, Supervisory Committee and the management, which form a management mechanism with well-defined rights and responsibilities, regulated operation, inter-coordination and check-and-balance among the organs of power, decision-making bodies, supervisory bodies and the management. The Company further improved the corporate governance system in 2013 by revising the "Measures of the Company Governing the Raising of Funds from A Shares" as well as revising and improving the processes for reporting and disclosing the Company's significant events and information, thereby having laid a foundation for ensuring the sustainable development of the Company.

Independent directors of the Board of China Coal Energy account for more than one third of the membership of the Board, which is higher than the requirements of regulators. A modern corporate structure with well-defined collaborative supervision and coordinated operation is in place among the Board, shareholders' meetings, Supervisory Committee and the management. The Company's major business matters are required to be submitted to a shareholders' meeting for voting after being discussed and voted by the Board. This institutional arrangement enables the Board to play a core role. The Board has overall responsibility for the remuneration and performance evaluation of senior management staff, and helps the Supervisory Committee play a key role as supervisors during the process of shareholders' meetings and in major issues. Under the Board, five specialised



Board meeting of China Coal Energy



committees are established, namely audit committee, remuneration committee, safety, health and environmental protection committee, nomination committee and strategic planning committee. Focus is placed on the role played by the specialised committees so that major decisions will be discussed first by the specialised committees before they are submitted to the Board for consideration. A work mechanism has been established for independent directors to conduct fieldwork research. The Board co-ordinates the arrangement of a yearly plan for Board meetings, and makes innovative methods for meeting arrangements to ensure independent directors can attend meetings timely and fully express their views.

In 2013, China Coal Energy organised and convened three shareholders' meetings, seven Board meetings and ten meetings of specialised committees and independent directors. 59 proposals in total were submitted for consideration, 22 special reports were heard, and proposals were 100% considered and approved, having met the Company's needs for production operations, reform and development. China Coal Energy's Board steps up scientific decision-making and supervision of the Company's major matters such as development strategies, investment plans, financial management and production operations, as well as guides and promotes corporate reform and development, thus having effectively enhanced the Company's core competitiveness and sustainability.

Internal Control

The Company took more efforts to enhance internal resource integration, shortened the company-wide management chains and systematically optimised management processes in order to further improve

its control and service capabilities as well as resource allocation and operational efficiencies.

Budget management. Based on its development strategy and with reference to macroeconomic situation and industry updates, the Company carried forward the full-participation, whole-process and all-dimensional budget management to promote the overall budget management system. Budgets were prepared on the market-oriented, business-oriented and project-oriented basis. The budget process reflected combinations in three aspects namely the close combination of financial budget and operating budget, the close combination of investment budget and capital budget, and the close combination of financial budget and risk management. The Company strengthened process control on budget execution, and timely reviewed and analysed its business operations based on consistent daily scheduling, monthly analysis, quarterly report and annual summary, thus ensuring the realisation of its production and business targets. Budget execution was ensured through standardised budget preparation, approval and adjustment process with a strict budget assessment system.

Management enhancement. The Company smoothly carried forward the campaign of "special enhancements, cost efficiency boosting, on-site review and diagnostics at grassroot units", and developed a number of management practice models to improve its corporate management performance. Focusing on 5 key areas namely safe production, cost reduction and efficiency enhancement, coordination among production, transportation and sales, infrastructure management and refined management, the Company reinforced the top-level design, incorporated management enhancement into day-to-day operations

and strengthened inspections and assessments, and breakthroughs and leap-forward improvements were achieved. While continuing to optimise ERP and other information systems, the Company pushed forward project construction and the integration of information and industrial technologies. A level of A-grade information technology application was maintained. Standard contract templates were established and the contract approval process was optimised to improve the efficiency of contract approval. Zhangjiakou Coal Mining Machinery Industrial Park explored on a new mechanism for industrial parks and undertook a pilot corporate management project of the Ministry of Industry and Information Technology to advance management model innovation.

Risk management. The Company deepened the construction of its overall risk management and internal control system, which were well established with continuously efficient operations across key business and management areas. Through risk assessments and updates in 2013, 5 major risk categories, 55 risk sub-categories and 488 risk events that the Company was exposed to during the year were identified. The Company developed management strategies and solutions on significant risks, and defined respective management duties, critical process control points and control measures to be well prepared for risk prevention in advance. Through in-depth risk management activities, the Company deepened the full-participation risk management concept and established a basic corporate risk culture to strongly support its sustainable and healthy development.

Cost efficiency boosting. With a focus on the target of “stabilised growth”, the Company implemented the objective-oriented cost accountability system and strengthened management quality analysis and monitoring under a well-established production model. Through strengthened on-site survey and supervision, the Company enhanced its centralised capital management and deployment while expanding the scale of centralised procurement. Meanwhile, the cost efficiency boosting programme was vigorously promoted and strict control

over costs and expenses was exercised. During 2013, the Company’s expenses on meeting, entertainment, travelling and overseas visits decreased by 49.2%, 28.9%, 16.2% and 54.3% respectively. Pingshuo Company developed 36 cost efficiency boosting initiatives, whilst China Coal Equipment Company adopted 32 measures including reducing management expenses and increasing material utilisation rate, resulting in optimised management and allocation and efficient cost control. Shanghai Datun Energy Resources Company Limited shut down 50,000 tonnes of aluminium production capacity, leading to a significantly reduced loss. China Coal and Coke achieved a turnaround from loss to profit making by co-production of coke and fertiliser.

Anti-corruption

Anti-corruption is an integral part of the Company’s business management. The Company pressed forward the missions of its anti-corruption campaign, and took anti-corruption as a key topic in controlling operating risk for sustainable development.

Fostering the culture of integrity. Through extensive anti-corruption education, the Company fostered an atmosphere of integrity and enhanced anti-corruption management capability. Executives and employees are organised to visit the warning education base and prisons each year, among other warning educational activities. Educational films for warning of duty crimes including “Choices” were played on the Company’s intranet, and procurators were engaged from the second branch of Beijing Municipal Procuratorate to host a seminar for prevention and warning of duty crimes. A case show on typical corruptions in construction projects was organised, where 50 typical cases were publicised in over 80 sessions with more than 3,900 attendees.

Increasing operational transparency. A pricing committee and a tender committee were established to review and endorse pricing of major products and tender results of major engineering and equipment procurement, thus avoiding individual decision on major



issues to prevent corruption. The Company amended the Tender Management Measures and formulated the Rules on Infrastructure Tender Management to standardise the review and approval procedures for tender schemes, facilitate the examination on bid documents and technical annexes and govern the bid review management, leading to a transparent and open tender process. A tender scheme review panel was established to govern the tender activities at the subsidiary level through strengthening control over preparation of their monthly tender schemes and procedure execution. To strengthen tender management, key tenders were authorised by the tender review committee pursuant to the Company's hierarchical review principle. The Management Measures for Materials Procurement were formulated and integrated into the ERP system for strict execution, thus strengthening the control over materials procurement and reducing procurement risk.

Regulation over powers. The Company established strict rules on business entertainment expenses and regulation

on post-related consumptions of management while advancing the construction of its monitoring system. To strengthen expenditure control, the Company established a monthly reporting system for management and utilisation of controllable expenses and post-related consumption of management at the subsidiary level, under which a series of monitoring and inspection programmes were carried out. To continuously deepen the performance monitoring with centralised project authorisation and deployments, the Company organised three performance monitoring programmes including tender management, key construction project management and cost efficiency management, paralleling its inspection and rectifications efforts to ensure project progresses. With a continual emphasis on departure audits of enterprise chiefs, the Company carried out audits on 19 independent accounting units and assets of RMB9.273 billion in total during 2013. Through an array of initiatives, the Company strengthened supervision with a focus on prevention to regulate the exercise of powers, building up a clean and sound environment for healthy development.



Journalist's interview on anti-corruption construction of the Company

Management of Social Responsibilities

Social Responsibility Work System

China Coal Energy is committed to in-depth implementation of the harmonious development strategy and promoting management of social responsibilities, with a focus on incorporating the concepts and requirements of social responsibilities into the current management system. The Company proactively explores on the social responsibilities management model suitable for itself, with “corporate mission” as the internal motive, “integration of corporate development strategies into day-to-day operations” as an effective path, and “enhancement of communications with stakeholders and research on social responsibilities” as a cornerstone. Through comprehensive social responsibility management enhancement activities, the Company seeks to continuously improve its capability to fulfil responsibilities in pursuit of the sustainable development goal of “realisation of an optimal integrated value of economy, society and environment”.

China Coal Energy has established a sound social responsibility work organisation. A leading team for social responsibility work led by Chairman with functional and

business unit chiefs as members has been set up and is responsible for leadership and decision-making of social responsibility work, under which an office of social responsibility work is established for handling specific matters of social responsibilities. Respective working teams have also been set up in each of the secondary enterprises, which are responsible for implementing and accomplishing the social responsibility work.

A social responsibility system comprising 6 types of indicators namely safety, economic, environmental, technological, personnel and social responsibilities has been preliminarily set up by the Company, and almost 100 specific indicators have been established. The system generated extensive historical data of social responsibility work, and secured the comparativeness of the indicators set out in the CSR report, laying an assessment foundation for incorporating social responsibilities into corporate management and operations.

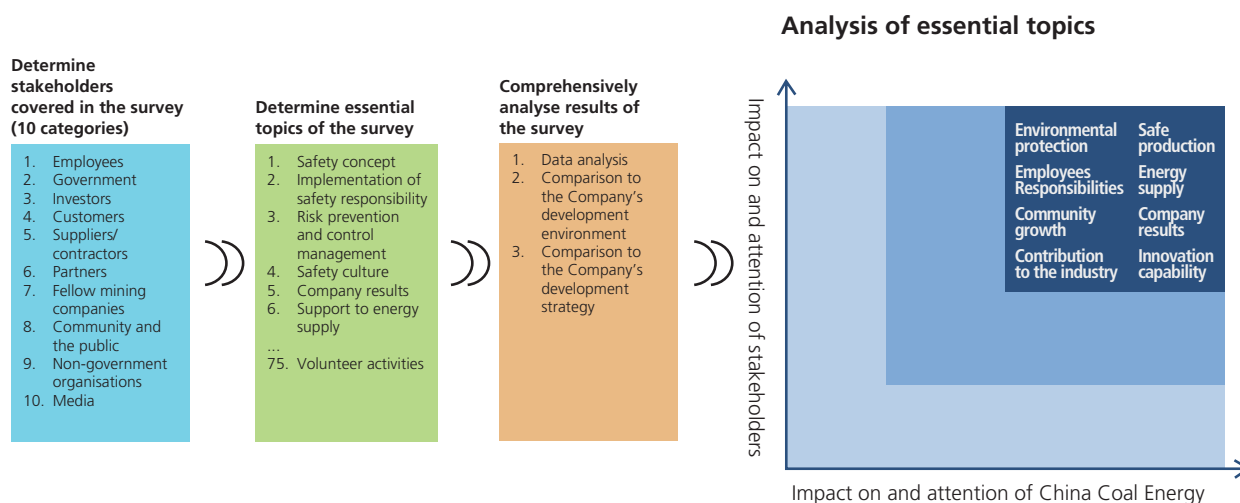


Stakeholder Communication and Participation

Stakeholder	Ways and channels for communication and participation	Essential topics	Feedback
Government	Regular work meetings, Report of information, Meetings for specific agenda	Tax contribution, Job creation, Contribution to social development	Operation in compliance with laws, Tax payment in compliance with laws, Promotion of economic development
Investor	Reports and notification, Regular visits, Road shows and reverse road shows	Business operations, Operational risks, Corporate governance, Sustainable operation, Information communication	Maintenance and appreciation of the values of the state-owned assets, Protection on investors' rights and interests, Capital appreciation
Suppliers	Disclosure of tendering procedures, Work meetings	Business ethics, Fair co-operation, Mutual development	Fair procurement, Performance of contracts in compliance with laws, Formulation of Management Measures for Materials Procurement, Name Lists of Qualified Suppliers and Name Lists of Key Suppliers
Customers	Service hotline, After-sales service, Seminars, Regular Visit	Product quality, Service quality, Business ethics, Satisfaction of individual needs	Provision of quality and customised products and services, Establishment of convenient sales network
Employees	Meetings with employees' representatives, Surveys on satisfaction, Seminars, Mails and visits, Online college	Basic rights, Occupational health, Remuneration and benefits, Working environment, Career development, Democratic management, Life cares	Staff training, Provision of good working conditions, Provision of good working environment, Provision of long-term career development opportunities
Fellow mining companies	Cooperation, Research and discussion on specific issues	Industry standards, Fair competition, Promotion of industry development	Cooperation, Experience sharing, Promotion of sustainable growth of the industry
Financial institutions	Meetings for specific agenda, Reports of information, Repayment of principal and interests in a timely manner	Business operations, Operational risks, Corporate governance, Credit facilities	Repayment of principal and interests in a timely manner
Media	Information transparency	Publication of reports, Multi-channel information disclosure	Regular disclosure of information on social responsibilities and material issues of public concerns
Community and the public	Community activities, Environment protection	Charity donations, Voluntary services, Community development	Disaster relief, Help for the poor and the needed, Environment Protection

The Company attaches great importance to the management of the essential topics of social responsibilities. To better understand stakeholders' expectations and requirements on corporate social responsibility, China Coal Energy organised a "stakeholders' survey" in 2013. A total of 75 topics were developed under a basic framework covering responsibilities in five aspects namely economy, safety, environment, innovation and society, with reference to industry standards, peer comparison, hot topics and enterprise conditions. Based on the analysis of 133 valid questionnaires returned from 10 categories of stakeholders including government, investors,

employees, customers, suppliers/contractors, partners, fellow mining companies, community and the public, non-government organisations and media, a matrix of essential topics for social responsibilities was established to define the importance of topics for the Company and stakeholders. Accordingly, the Company defined the extent of urgency for responding to such essential topics, which provided a fundamental basis for improving corporate social responsibility management and practices and determining the compilation framework of this report and the key information to be disclosed.



Progress of Social Responsibility Work

Top level design of social responsibility management: In preparing the "Twelfth Five-year Development Plan of China Coal Energy" and "Rolling Development Plan of China Coal Energy in 2013-2015", the Company incorporated the social responsibility concept into its development strategy through paralleled planning and implementation of social responsibility work, thus establishing the top-level design of social responsibility management.

Training on social responsibility: To build up an internal learning and communication platform for social responsibility, the Company carried out training activities in a systematic and hierarchical manner through various forms including intranet, meetings, invitation of experts and column for social responsibility. Externally, the Company actively participated in a range of professional training courses to broaden its horizons and raise awareness, including a social responsibility training session organised by the SASAC of the State Council, the Sino-Sweden corporate social responsibility training session jointly held by the Ministry of Commerce and the Embassy of Sweden in China, and the public lectures on corporate social responsibility for Chinese enterprises hosted by Social Responsibility Research Centre of Chinese Academy of Social Sciences.

Social responsibility working meetings: In early 2013, China Coal Energy held a working meeting for management enhancement of social responsibility, where social responsibility reports of the subsidiaries were heard and major social responsibility tasks for the year were arranged, and experts on social responsibility were invited to provide training.

Participation in formulation of industry standards on social responsibility: In 2013, China Coal Energy earnestly participated in the researches on the "Guidelines on Preparation of CSR Reports of Chinese Enterprises 3.0" and the "Indicator System for Social Responsibility Information Disclosure in the Coal Mining and Preparation Industry" as hosted by Social Responsibility Research Centre of Chinese Academy of Social Sciences. An expert panel was invited to conduct field research and seminars at China Coal Pingshuo Company and jointly prepare the "Guidelines on Preparation of CSR Reports of Enterprises in the Coal Mining and Preparation Industry 3.0", to actively promote the formulation of industry standards on social responsibility.



In 2013, the Company's social responsibility work was widely recognised by stakeholders and received a number of honours: The 2012 CSR Report of China Coal Energy was reviewed by PricewaterhouseCoopers which enhanced the credibility of the report. China Coal Energy ranked No. 34 in the "Chinese Top 100 Social Responsibility Enterprises 2013", and has been listed among the top 50 for three consecutive years.

Management of Investor Relations

Improving investor communication. Responding to the adverse coal industry and capital market environment in 2013, the Company positively refined its work strategy to promote communication with domestic and foreign investors through various means in the philosophy of "staying closer, caring for shareholders and enhancing feedback". During 2013, the Company held 419 investors' meetings with 1,510 attendees in total. These activities included 109 presentations of annual results and road-show meetings with 586 attendees, 3 reverse road shows with 32 attendees, 228 day-to-day receptions of investor visits and telephone conferences with 449 participants and attendees, and 79 forums organised by 18 domestic and overseas securities firms with 443 attendees.

Deeper and broader information disclosure. Attaching great importance to investor communications, the Company's management attended the presentation of 2012 annual and 2013 interim results and road shows in person, and visited substantial shareholders and potential investors at home and abroad, which was highly recognised by investors. Through actively participating in various investment forums, the Company made face-to-face communications with broader investor groups and patiently answered their inquiries in detail, thus further enhancing its influence in capital market. The Company invited domestic and overseas shareholders and analysts to visit Wangjialing Coal Mine and ancillary facilities, which deepened the investors' understanding of the newly operated coal mine project and achieved satisfactory results.

Attaching great importance to protection of rights and interests of minority investors. To conscientiously implement the requirements of regulatory authorities, China Coal Energy timely conducted a series of company-wide advocacy activities for the National Law Publicity Day, to earnestly publicise the significance of protecting the legitimate rights and interests of the investors especially minority investors. Based on its study on the "Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Minority Investors on Capital Market", the Company continued its efforts in strengthening and improving the protection of rights and interests of minority investors. To protect investors' right to know and improve the relevance and effectiveness of information disclosure, the Company further optimised its web user interface design to provide clearer and more reasonable classification of channels. Information such as Dividend Distribution History, Investor FAQs, PPT Material of Results Presentation and Investor Calendar were introduced into the Investor Relations channel, to provide investors an easier access to information. To further streamline the communication channels for minority investors and improve service quality, the Company formulated the "Management Measures on Maintenance of Investor Hotline", under which dedicated staff were appointed to answer investor calls in a timely manner to enhance the effectiveness of responding to investors' enquiries. While adhering to the practices of investor reception on Tuesdays and Thursdays, the Company appointed a dedicated officer for handling mails and facsimile, recording and maintaining of significant events, and reported the advices from minority shareholders to the management of the Company.

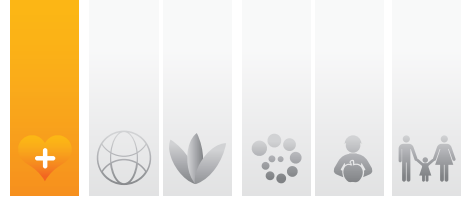


Safety Responsibilities

Safety Foremost, Reverence for Life



- Prelude Aiming at "Zero Fatality Rate" for Coal Production
- Creating a Safe Environment
- Enhancing Safety Awareness
- Implementing Safety Accountability
- Performance in Safety Responsibilities



Prelude



Aiming at “Zero Fatality Rate” for Coal Production

Hitting a new record in production safety

Following a “zero fatality rate” in raw coal production in 2012, China Coal Energy maintained the “zero fatality rate” in 2013, creating the longest safe production record of 32 consecutive months for coal producers. Safety performance achieved a domestically leading and internationally advanced level.

Safe development in light of new concepts

We took efforts to break the stereotype of “Coal mine is a high-risk industry” and abandon the passive thought of “unavoidable accidents”. The “zero fatality rate” objective-oriented management was adopted across all subsidiaries, reflecting the life-cherished and people-oriented requirement in the new era. With a high target for safe production, the long-established inertial thinking in safety management of coal mines was innovated, enabling us to gradually overcome the blind spots and misunderstandings in our minds. New concepts such as “implementing automation”, “good working environment plus regulated operation means safety” and “production safety can be realised with proper management” were implemented in a number of subsidiaries, thus promoting our mission of safety-based development.

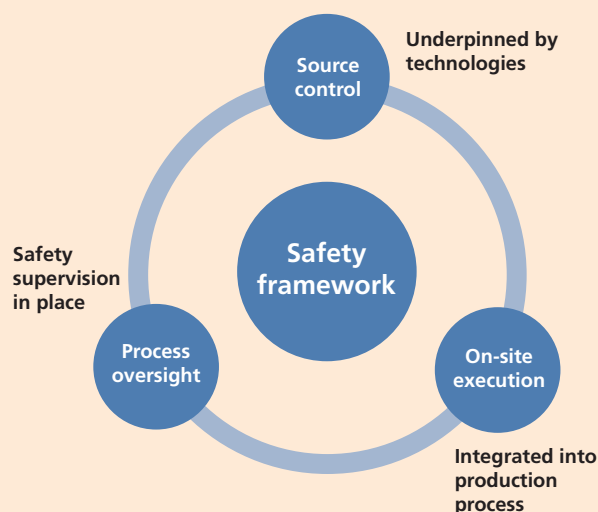
Creating a safety-assured enterprise

As a large-scale coal producer, China Coal Energy has a business system in place which covers coal production, coal chemical, coal mining equipment manufacturing and other sectors, where high-risk businesses account for a majority and dictate the demanding safety management. Responding to the challenging safety pressure, the Company started a three-year programme of creating a safety-assured enterprise in 2011, putting forward a goal of building itself into a safety-assured enterprise in three years. During the past three years, the safety work has been continuously strengthened, resulting in remarkable achievements.

Carrying forward the three tasks on “environment, quality and responsibility”

With a focus on “environment, quality and responsibility”, the Company strived to build up a hard environment with “reliable system, advanced equipment, competent staff and efficient management” as well as a soft environment with “well-established regulations, rational reward and punishment, proven qualities and strong teams”. Hence, a safe production management framework based on environment, backed by quality and linked to responsibility has been established, incorporating the soft and hard conditions to lay a solid ground for favourable interactions and mutual enhancements.

The safety framework was further improved and characterised by source control for technologies, on-site execution for production and process oversight for safety supervision.



Creating a Safe Environment

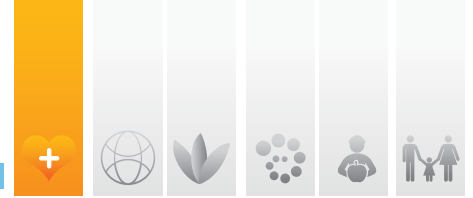
A safe environment is the cornerstone of safe production. Keeping safety-foremost in its mind, the Company spared no efforts in establishing a safe environment for the production links across its business chain, and achieved sound and improving safe production performance.

With an aim to lead the industry in safety technology advancement, the Company has promulgated and implemented the Technology Standards for Safe and Efficient Modern Mines, which is stricter than those of the industrial and national standards. The Company has set forth the standardised model for mine construction featuring centralised production, simplified system, automated equipment and intelligent management, seeking to shore up safety assurance capability from the source.

Adhering to the “five-high” standards of high starting point, high target, high quality, high efficiency and high benefits, the Company vigorously promoted the application of advanced technology and equipment, simplified its production systems and upgraded automation and

application of information technology at mines to promote fully-automated posts. As a result, the safety coefficient was increased and business security was strengthened with a lower accident rate. A flood control technology management system and a “ventilation and three preventions” technology management system have been established, and a mining gear manual has been prepared. Combining the latest, optimal, most advanced technical standards and management model, the Company improved safety assurance capability from the system level.

Through safety investment totalling RMB1.88 billion in 2013, the Company completed 785 renovation projects for “ventilation and three preventions”, mechanical and electrical transport, and power supply, and phased out and renovated 660 units (sets) of equipment while 10 mines were named “Safe and highly efficient pits”. The Company deepened the “Technical optimisation” campaign in 2013, under which the design plans for 16 mines were technically optimised. Meanwhile, mine technical optimisation templates based on different conditions, types and stages were prepared to provide guidance to design, construction and production of mines.



Illustrative Case:

Kongzhuang Mine of Shanghai Datun Energy Resources Company Limited optimised design to ensure safety

Kongzhuang Mine has the deepest and most complex production system in China Coal Energy. With a mining history of 35 years, Kongzhuang Mine gradually encountered a number of challenges such as two pits in a mine, multi-horizons, multi-mining areas, multi-processes, system complexity, multi-heads and multi-working faces, low efficiency, high cost and safety management difficulties. Following the principle of “boosting cost efficiency and safety” in 2013, Kongzhuang Mine implemented 7 special optimisations with a focus on optimising coal mining process mainly through simplified systems and equipment upgrades. With significant improvements in production, safety, economic and social benefits, Kongzhuang Mine established a role model for optimisation and upgrade of similar mines in the coal industry.



Safety and quality standardised coal mine



Illustrative Case:

China Coal Huajin Company carried forward the safety and quality standardisation

With a focus on “standardised regulations, standardised fields and standardised behaviours”, China Coal Huajin Company strengthened quality and model assessments on its business units and outsourced service providers, establishing normalised and institutionalised practices for safety and quality standardisation.

Standardised regulations. With a field checklist for safety and quality standardisation in place, China Coal Huajin Company prepared the annual safety and quality standardisation qualification plan and assessment measures, where the percentage of safety and quality standardisation in monthly assessments was increased to 20%.

Standardised fields. Underground pipes and wires and equipment were installed in an orderly manner, and pipes were painted with different colours for differentiated usages. Signs, mileage cards and escape routes were placed along the mining shafts. Important sites were equipped with standard fences and warning signs, and trackless rubber tyre vehicles were under quasi-military management.

Standardised behaviours. China Coal Huajin Company developed all-around post accountability systems and operating instructions, the patrol inspection and shift system and the emergency response plan. All operational personnel were subject to training and examination before serving at the posts with relevant certificates. A duty description approach of “operation skills showing by hands and explaining by words” was introduced for the unskilled new underground workers, together with a tutoring contract mechanism to boost post skills of all staff.

Deepening the campaign of safety and quality standardisation

Positioning itself at high level and high standards, China Coal Energy is committed to deepening the campaign of safety and quality standardisation through establishing a management platform focusing on details, strict process and dynamic control.

In 2013, the Company organised the on-site motivation conference for creating a safety-assured enterprise, revised and promulgated the safety and quality standardisation criteria for existing mines and the coal mines under construction. A standardisation framework covering all business segments of the Company has been established, while the standardisation assessment scope was further

expanded. Thanks to the efforts to deepen the campaign of safety and quality standardisation, 6 coal mines were named the “National Safety and Quality Standardised Coal Mines” and 5 enterprises were named safety-assured enterprises and superior standardised enterprises.

Strengthening safety risk control and identification of potential hazards

China Coal Energy continued to press forward its safety risk control management through system safety assessments and safety status reports. While strengthening risk identification, the Company developed preventive countermeasures to boost the overall prevention capabilities.

Management Supervision brought forward	Dynamic risk monitoring	A complete event database	Safety regular meetings	Safe production status report
Learn from experience of peers to consolidate the risk prevention management system, establishing a complete mechanism with specific safety management rules.	Engage professional experts to regularly identify and assess major hazard sources, establish a registration and archive system and develop the supporting surveillance measures. Analyse potential risks, define monitoring levels, and implement tracking with priorities.	Assess risks, establish a complete risk event database and develop practical preventive and control measures in order to strengthen safety management from the source to preclude accidents.	Analyse the existing safety risks, develop specific safety management measures and rules, and define the priorities.	Organise the coal mines (plants) to prepare production safety status reports to ensure that all safety risks are under control, being controlled and controllable.

Safety Risk Control Management Measures



<ul style="list-style-type: none"> Establish and improve the flood control post accountability system, technology management system, forecast and early warning system and potential hazard inspection and treatment system Adhere to the principle of “forecast and early warning, identification and treatment of every doubt before mining”, and adopt comprehensive measures including prevention, blocking, dredging, drainage and diversion Strengthen research and technological innovation and promote new technology, equipment and process to enhance technological level of flood control 	Flood control	<ul style="list-style-type: none"> Optimise and renovate the mine ventilation system and reasonably allocate air flow among different zones, to ensure stable and reliable operation of the ventilation system after connection Improve the monitoring and control system on a technology-oriented basis, enhance staff awareness of anti-gas, and implement reward and punishment and assessment measures Strengthen inspection and treatment, vigorously enhance mine ventilation quality standardisation, and carry out a comprehensive working face dust prevention activities <ul style="list-style-type: none"> Eliminate dead zone in fire management, reinforce fire prevention, and appoint dedicated personnel to detect and analyse key areas 	Ventilation and three preventions
<ul style="list-style-type: none"> Regularly analyse supporting quality for working faces, collect and process dynamic roof monitoring data, and develop improvement measures on technology, safety and materials Promote the application of new roof management technology, new supporting techniques and new materials; formulate management rules and establish the roof management accountability 	Roof management	<ul style="list-style-type: none"> Use safe, reliable, simplified and highly automated mine hoisting equipment Establish a system combining routine maintenance, periodic review and patrol inspection 	Transportation enhancements

Prevention and Control Measures on Potential Hazards

Enhancing Safety Awareness

Safety awareness and competence of the staff are cornerstones of safe production. Amid an active safety cultural atmosphere, China Coal Energy strove to improve the full-participation safety awareness in order to establish a high calibre team catering to its rapid business development.

Improving safety competency of staff

Strategically attaching great importance to safety consciousness of staff, the Company issued the guidance on strengthening safety training to carry forward the standardised and systematic training work. Training effect was improved based on the resources including 8 training and drills bases at Pingshuo Company, a simulation training system at Shaanxi Company and a night school for staff at Huajin Company. In 2013, the Company provided safety training with participation of 94,000 attendees and organised 176 safety skill contests with participation of 16,834 attendees, leading to the improving staff quality and safety skills.

Enhancing emergency rescue capability

Pursuant to the safe production and accident response plans released and updated from time to time for its coal mine, coal chemical, coal mining equipment and power segments, the Company carried out full-scope emergency drills to further enhance the emergency rescue capability. On the company-wide basis, 435 plans were refined and 164 emergency response drills were organised with participation of 16,834 attendees, leading to the enhanced emergency response capability. All the “six systems” for mines in operation were accomplished as scheduled.



Emergency rescue drill for fire accidents



Illustrative Case:

The rescue team of Shanghai Datun Energy Resources Company Limited was named the Superior Standardised Rescue Team of Mines

Adhering to the principle of “strengthening combat readiness with rigorous drills, active prevention and proactive rescue”, the rescue team of Shanghai Datun Energy Resources Company Limited took continuous efforts in building itself into a specialised, normalised and standardised first-aid team, with a focus on steady improvements in management, equipment and operation levels. With excellent performance, it passed the acceptance inspection by the National Safe Production and Emergency Rescue Command Centre, and was named the Superior Standardised Rescue Team of Mines.

Creating a safety cultural atmosphere

Amid an active safety cultural atmosphere, the Company earnestly carried out a string of advanced safety concept advocacy activities with the themes of “implementing automation”, “safety is of vital importance, life is the most valuable” and “good working environment plus regulated operation means safety”. Efforts were focused on establishing a unique corporate safety culture to expedite the shift of staff awareness from “required safety” to “I want safety”.

Through the activities of “March Safety Warnings”, “Production Safety Month” and “100-day Safety” throughout 2013, the Company continued to step up its advocacy and guidance efforts including a team-building experience sharing seminar to arrange more than 200 representatives to visit the leading teams and groups at Pingshuo Company, 4 tour lectures on safety laws and regulations to provide safety training to over 3,000 managers and frontline workers, a “Reverence for Life” seminar and a “Rectification Campaign” knowledge contest with more than 50,000 attendees in total.

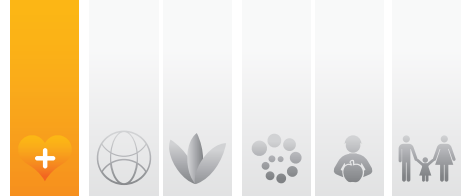
Implementing Safety Accountability

With a sound safety management system in place, China Coal Energy strictly implemented safety accountability under unified philosophy and practices to support its safety-based development.

Improving the safety rules and regulations

China Coal Energy places emphasis on improvement of its safety rules and regulations. In 2013, the Company improved the working mechanism of the safety committee under which 8 special committees were set up, published and revised 10 management rules covering inspection on potential hazards, safety training, safety red lines and safety supervision system, and issued the “ventilation and three preventions” technology system, demonstrating new progresses in system construction. A work follow-up mechanism was established and safety weekly publications were issued for tracking the progress of the scheduled priorities.

The Company actively promoted the safety reward and punishment focusing on positive incentives. In 2013, safety bonus of over RMB20 million were granted to subsidiaries. Shanghai Datun Energy Resources Company Limited introduced the safety account management for all its employees, and formulated the Long-term Incentive Measures on Safe Production to supplement its safety reward and punishment mechanism.



Strictly implementing the safety red lines

The Company subdivided the safe production ban and the “7 requirements and 7 initiatives” governing central enterprises into 61 safety management red lines, and further defined 2,250 post-specific safety red lines. To strictly implement the production safety accountability system, responsibility pledges were signed at each level to establish a full-participation, whole-process and all-dimensional safety red line network. Any party in breach of the management red lines was subject to production suspension for rectification, and anyone in violation of post-specific red lines was subject to termination of employment contract.

Sustaining the high priority given to safety

In 2013, China Coal Energy carried out incessant safety inspections to sustain the high priority to safety, hitting a record high in terms of strength, frequency, depth and coverage of safety inspections. In-depth front inspections were made, often led by the main leaders of the Company and supported by production, technology, infrastructure, scheduling, coal chemical and other business functions, including 5 inspections in critical periods, 6 special

inspections on flood control and “ventilation and three preventions” and 6 mutual inspections and dynamic sampling checks which covered all coal mines and chemical plants. A total of 58,161 potential hazards was identified and treated through various means such as surprise night inspection, review and field check, thus meeting the general requirements on “full coverage, zero tolerance, strict inspection and effectiveness focused”.



Wang An, Chairman, during a Underground Tour of Safety Inspection

Performance in Safety Responsibilities

Safety investment in 2011-2013

Name of Indicator	2011	2012	2013
Safe production expenditures (RMB100 million)	21.5	26.0	18.8

Fatality rate of raw coal production per million tonnes in 2010-2013

Category	2010	2011	2012	2013
Coal mines in China	0.798	0.564	0.374	0.288
China Coal Energy	0.041	0.08	0	0

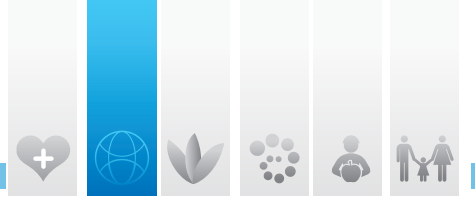


Economic Responsibilities

Optimising Structure for Sustainable Development



- Prelude Optimising Industrial Layout and Structure, Inspiring Vitality in Development
- Scheduling Efficient Production
- Improving Customer Services
- Speeding up Transformation and Upgrade
- Performance in Economic Responsibilities



Prelude



Optimising Industrial Layout and Structure, Inspiring Vitality in Development

With a commitment to integrated coal and power operations for recycling economy, the Company seeks to build up comprehensive strengths in layout, structure, scale, pattern, model, technology and system with an aim at an upgraded conglomerate.

On industrial layout, we rely on resource endowment to highlight the inter-regional comparative advantages, and seek to establish a regionally balanced growth pattern. For the Shanxi base, the mainstay of our business, we will speed up its industrial upgrade by aggressively developing coal and power integrated operations to establish a model mining area of recycling economy. For the Inner Mongolia-Shaanxi base with abundant resources and coal quality complementary to our Pingshuo Mining Area in Shanxi, we expect to expand the ancillary coal chemical and coal conversion projects in the principle of proximity upon opening of Mengji Railway and Menghua Railway to better draw upon our strengths in scale, intensive, specialised operations. The Company will accelerate the construction of the energy and chemical industry base with a capacity of 100 million tonnes in Inner Mongolia and Shaanxi to vitalise the whole business chain. For Jiangsu and Heilongjiang bases where depletion of resources is imminent, we will move faster under the strategy of "Going out", focusing on identification of resources with advantageous geographical location, mining conditions and coal quality to promote transformation and development. For the Xinjiang base with a long transportation distance and weak local consumption, we will stick to coal and power integrated operations to give full play to specialised strengths and optimise resource allocation. To conclude, through "Upgrade in Shanxi", "Rise in Inner Mongolia-

Shaanxi", "Transformation in Jiangsu and Heilongjiang" and "Advancement in Xinjiang", we seek to establish cross-region footprints with tiered and highly synergised industrial bases, transportation arteries and target markets.

The industrial restructuring will be pressed ahead in the general direction of "strengthening coal, optimising power, integrating coal chemical and upgrading coal mining equipment". To "strengthen coal", we will cling to scale and intensive operations to secure the core and fundamental position of coal operation, accelerate construction of new projects and expand production capacity to secure coal supply more effectively and reinforce the foundation for sustainable development. To "optimise power", we will aggressively develop pit mouth power plants and gangue-fired power plants to develop recycling economy. To "integrate coal chemical", we will optimise and integrate multiple coal conversion technologies for tiered utilisation in a closed-loop cycle to maximise the utilisation and value additions. To "upgrade coal mining equipment", we will focus on development of high-end coal mining equipment products with proprietary intellectual property rights in a complete-set, intelligent, green and international approach.

"Optimising industrial layout and structure is the strategic direction of China Coal Energy as well as one of the most important pursuits to benefit the staff."

—Wang An, Chairman of China Coal Energy Company Limited

Scheduling Efficient Production

Amid the domestic economic slowdown and the Company's production and operations were also seriously challenged by the structural overcapacity, depressed demand and overall price drops across the coal industry. Adhering to the strategy of "Quantity to compensate the low price, Quality to boost the sales", the Company took initiatives to stabilise growth, optimise structure and strengthen management. Both coal production and sales posted growths against the headwinds. The production volume of raw coal reached 157 million tonnes, representing a year-on-year increase of 7.7%; and the production volume of commercial coal reached 119 million tonnes, representing a year-on-year increase of 3.7%. Despite the plummeting coal prices, the Company's sales revenue and total profit amounted to RMB82.32 billion and RMB6.02 billion respectively.

The Company overcame numerous challenges from complex geological conditions, difficulties in production scheduling and intensified market competition to deepen the campaign of building safe and efficient mines. Through

simplifying systems and optimising layout, 16 coal mines accomplished technical optimisation. To upgrade the level of equipment, 142 small winches and 674 units (sets) of outdated equipment were phased out. Along with scientific production scheduling and less relocations and working face changes, production system maintenance and coordination were refined to maximise the utilisation of new production capacity, thus achieving growths both in coal production volume and quality.

Improving Customer Services

In 2013, China Coal Energy focused on securing market share and promoting sales under a market-oriented marketing and decision-making mechanism to respond to the adverse situation including higher speed of new production capacity releasing, an overwhelming oversupply and the coal price slumps. We improved the marketing system featuring "two levels, three regions and integrated management", delegated sales execution and brought forward the sales and service procedures, leading to a better capability for fast market responses. To improve the decision supporting system, we established a market



Illustrative Case:

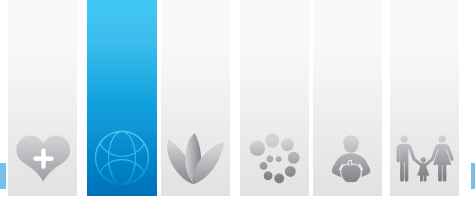
Pingshuo Company strengthened management on coal quality

To further strengthen management on coal quality, Pingshuo Company developed and implemented specific coal quality assurance measures according to different geological structural impacts on its coal mines in operation. To enhance acceptance inspection management on coal seams at open pit mines, it introduced coal quality-specific

utilisation measures including separate mining, stockpiling and transportation to maximise the recycling of coal sources qualified for the preparation procedures while ensuring the quality of raw coal for washing purpose. The coal preparation plant continued to optimise processing and preparation techniques for raw coal, and exercised stricter management on coal blending. The product mix of commercial coal was timely realigned with the changing market needs to meet customer demands, and the enhanced management on coal blending and loading led to higher passing rate of commercial coal and shipment of quality coal for external sales.



Coal Inspection



information monitoring system covering major production areas, transshipment ports and consumption regions to strengthen the integration of macro policy research and micro information flows, which led to continuous improvements in marketing strategies and market layout. To optimise the price decision-making mechanism, we established a pricing and adjustment mechanism on a market-oriented and product-specific basis. Based on a linear regression model, we enhanced analysis and forecast of coal price movements, while adopting a price adjustment mechanism accommodating both monthly and weekly long-term contracts. Price adjustments were made less frequently in the downward market cycles, making positive contribution to our overall profitability. A centralised management platform was established to strengthen internal collaboration, resulting in a mechanism of integrated production, transportation and sales to promptly respond to market changes. Addressing the funding constraints of users and the surging accounts receivable across the industry, we introduced a variety of settlement means including bank acceptances and domestic letters of credit, which ensured the recovery of receivables and supported our sales.

Speeding up Transformation and Upgrade

To vigorously promote its transformation and upgrading strategy, the Company seeks to optimise its industrial structure and layout by consolidating its businesses into bases and its projects into industrial parks on a prioritised basis with respect to business segments, bases and projects, so as to lay a healthier foundation for its development. In particular, the Company will take great efforts to develop the fundamental coal business through expediting the construction of large-scale and modern mines; give priorities to the two strategic pillars namely coal chemical and power segments; and seek innovation-based development in traditional advantageous businesses such as coal mining equipment with a focus on sharpening core competitiveness and upgrading the growth model.

Strengthening the coal segment

Under the direction of the national coal industry development plan and the relevant policies, the Company will optimise production layout, product portfolio and market structure, and further strengthen the core and fundamental position of coal business to enhance the overall competitiveness of its coal segment. Reflecting the strategy, the Company achieved rapid development of coal mines and further amplified the strength of its principal business. Wangjialing Mine successfully passed the completion acceptance



Illustrative Case:

Tianjin Company introduced an innovative logistics and distribution model

Tianjin Company introduced an innovative logistics and distribution model, allowing yard delivery at port and outbound road transportation to extend the coverage to major enterprises surrounding the port. Jidong Cement Group, one of the clients, experienced an impact on production as it could not source coal from the ports nearby to meet the monthly coal demand of 200,000 tonnes for its northern plants under its group-wide centralised procurement policy started in 2013. Adhering to the customer-centric concept, Tianjin Company took efforts in coordinating the stakeholders and developed an innovative logistics and distribution model for yard delivery. A total of 75,000 tonnes was delivered since a long-term contract was entered into in August 2013, which contributed to the solution of the client's difficulties in production and was appreciated by the client.



Coal Transportation

inspection and met its production targets during the same year. Construction of coal mine projects at Muduchaideng, Dahaize and Xiaohuigou was stepped up. Coal mines at Menkeqing and Hulusu obtained approval recently. Ancillary works for key projects were in rapid progress: the dedicated railway for Hujierte mining area broke ground, and the dedicated railways for Pingshuo East Open Pit Mine and Wangjialing Mine were basically completed.

Optimising the power segment

Adhering to coal and power integrated operations, the Company takes the power segment as an important pillar with a supporting role for its coal business in order to increase value additions and market share of its coal business chain. With a focus on comprehensive utilisation of resources and recycling economy at coal mining areas, the Company gives priorities to large-scale pit mouth power plants fuelled by washed middling coal, coal slurry and coal gangue to establish coal and power integrated energy bases. Meanwhile, power plants fuelled by comprehensive resources will be constructed to support coalbed methane exploitation, utilisation of coke oven gas and coal chemical projects.

Integrating the coal chemical segment

The Company is active in extending its business chain under the guideline of focusing on coal-based olefin,

prioritising coal-based gas and other new coal-based chemicals and prudently developing fertiliser and other advantageous coal chemicals. With faster paces in project construction, the coal chemical segment is taking shape. Both the Mengda Methanol Project and Phase 1 of Tuke Fertiliser Project accomplished commissioning in the first run and commenced trial production. The Yulin Methanol and Acetic Acid Deep Processing Project is to commence commissioning test run. The main work of Mengda Engineering Plastics Project is under construction in full



Contemporary coal chemical segment



Illustrative Case:

China Coal Pingshuo Company was active in developing low calorific value coal-fired power plants

China Coal Pingshuo Company has 4 power projects with a total installed capacity of 3,420 MW which have been included into the list of Shanxi provincial low calorific value coal-fired power plants with a total installed capacity of 19,200 MW. In particular, the Muguajie 2x660MW low calorific value coal-fired power plant with preliminary preparation authorised by the National Energy Bureau is the first low calorific value coal-fired power generation project in the world that adopts 600MW supercritical circulating fluidised bed boilers. With an estimated investment of RMB5.67 billion, the project will comprise 2x660MW direct air cooling supercritical generating units with circulating fluidised bed boilers. The project is jointly invested and constructed by China Coal Pingshuo Group Company Limited, China Datang Corporation and China Dongfang Electric Corporation. Upon completion, it will be able to generate 6.435 billion kWh each year with annual revenue of RMB2.533 billion, and provide approximately 1,000 jobs in related industries.



Illustrative Case:

Pingshuo Company kicked off the Inferior Coal Comprehensive Utilisation Project

The Inferior Coal Comprehensive Utilisation Project, the first large-scale coal chemical project of Pingshuo Company in the key project list of Shanxi Province, kicked off in March 2013. The project includes an ammonia facility with annual capacity of 300,000 tonnes (liquefied natural gas as by-product: 110 million standard cubic metres/year), two nitric acid facilities with annual capacity of 180,000 tonnes and two ammonium nitrate facilities with annual capacity of 200,000 tonnes, as well as the ancillary power supply, water, steam and other public facilities. The project is estimated to complete and commence operation in March 2015. Upon completion, it shall be expected to bring sound economic and social benefits.



swing. The Phase 1 of Coal Deep Processing Model Project of Zhongtian Synergetic Energy has been authorised.

Upgrading the coal mining equipment segment

With a commitment to serving the new coal industry system, China Coal Energy seeks to build its coal mining equipment segment into a business pillar based on three platforms namely manufacturing, maintenance and leasing services, and domestic and foreign trade. We expect to continuously secure and enhance our influence and leading position in the coal mining equipment industry, to achieve the strategic goal of “No. 1 in China and leading in the world”.

Addressing the grim challenge from slumps both in sales volume and product prices, China Coal Equipment Company stepped up the innovation-based restructuring in 2013, leveraging on new technologies and products to expand its niche and unswervingly push forward the transformation of the coal mining equipment segment. The total production volume of coal mining equipment reached 335,000 tonnes with production value totalling RMB6.48 billion for 2013, ranking No. 90 among the top 500 Chinese machinery manufacturers and No. 1 in China’s coal

mining equipment manufacturing industry while the peer ranking second in the industry was 50 positions behind. It played a prominent promoting and demonstrative role in upgrading equipment, safety performance, yield and efficiency in the coal industry in the PRC.

China Coal Equipment Company has been actively exploring overseas markets. With a “mega overseas” blueprint, it focuses on export expansion to continuously improve coal mining equipment trade performance, aiming to forge a renowned Chinese coal mining equipment brand. In 2013, its major products including armoured face conveyor, hydraulic roof support, roadheader, and Parsons chain respectively made new breakthroughs in Australia, Turkey, India, Israel, Czech and other overseas markets. A joint venture for manufacturing complete set key equipment for large-scale coal preparation projects has been jointly established with Elgin Mining Inc., and is expected to commence trial operation soon. Among the overseas contracts, the key equipment for an EPC project in Jhanjra, India with a contractual value of nearly US\$80 million has been secured, which is the largest coal mining equipment export order won by Chinese enterprises so far and became a strong driver to the confidence in “Going out” of China’s coal mining equipment industry.

Performance in Economic Responsibilities

Name of Indicator	2011	2012	2013
Production volume of raw coal (10 thousand tonnes)	13,061	14,537	15,660
Sales volume of commercial coal (10 thousand tonnes)	13,857	14,954	16,101
Production volume of coke (10 thousand tonnes)	206	170	191
Production volume of methanol (10 thousand tonnes)	15.3	13.4	12.4
Production value of coal mining equipment (RMB100 million)	81.5	85.0	64.8
Total assets (RMB100 million)	1,606.35	1,838.75	2,149.43
Net assets attributable to equity holders of the listing Company (RMB100 million)	819.00	861.12	874.27
Revenue (RMB100 million)	908.65	872.92	823.16
Total profit (RMB100 million)	138.51	134.12	60.22

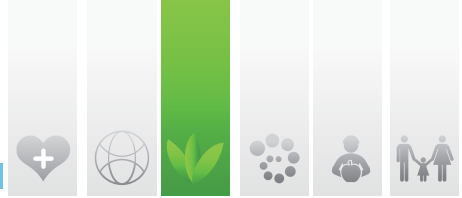


Environmental Responsibilities

Building a Green China Coal Energy to Sustain
the Ecological Balance in Nature



- Prelude Construction of Ecological Mining Areas in Full Swing
- Supporting Green Development with Environmental Management
- Promoting Energy Conservation, Consumption Reduction and Management of the “Three Wastes”
- Development of a Circular Economy
- Construction of Ecological Mining Areas
- Performance in Environmental Responsibilities



Prelude



Construction of Ecological Mining Areas in Full Swing

In the summer and autumn, when overlooking Pingshuo Mining Area, one sees tens of thousands mu of spectacular greens, with grass, bushes and arbours forming the sight of “mines among trees and trees among mines.” Waves of greens sway across the extensive mining areas. This is the achievement of China Coal Energy’s persistent efforts in realising the ecological concept that mining shall not destroy the environment so that mines would be covered in greens again. This green scene also reflects the Company’s ambition of – “building a green China Coal Energy to sustain the ecological balance in nature.”

The concept of innovative and green development of mining areas

Adhering to the concept of “mining black coal in a green manner”, China Coal Pingshuo Company insists on a sustainable and green mining model. With an aim to build natural, ecological, modern and harmonious mining areas in a comprehensive way, China Coal Pingshuo Company is committed to ecological restoration and treatment by adapting to the environmental characteristics of mining areas as well as sticking to the principle of “industrialised ecological building and ecological industry development”.

Industrialised ecological building

China Coal Pingshuo Company adheres to the practice of “industrialised ecological building and ecological industry development” and maintains balance in economic, social and ecological benefits. Building on the groundwork of coal mining and focusing on the comprehensive utilisation of coal gangue and coal-derived minerals, China Coal Pingshuo Company is dedicated to building the four pillars of industry – coal, power, coal chemical and ecology. The industrialisation of ecological building creates a platform that links the company with the government and farmers, which in turn supports the simultaneous growth of the company, as well as regional economic development and the establishment of new farming villages. It also demonstrates the determination of China Coal Pingshuo Company to carry out its corporate responsibilities.

Ecological industry development

China Coal Pingshuo Company insists on the synchronised planning, implementation and development of production, operation and environmental protection. During the ecological restoration process of mining areas, the company adopted a “stripping – mining – backfilling – reclamation” model, transformed hilly areas to plains, and wastelands to farmlands and forests. This, on one hand, preserved the nation’s farmland and forest resources, laid a solid foundation to “return land to its people”, effectively tackled employment and living standard issues for the local farmers; on the other hand, it utilised reclaimed mining areas for the development of agriculture, forestry, grassland farming, medicine and ecological tourism, drove industry restructuring and development while at the same time preserving the environment and maintaining economic growth. The aggregate investment in the various environmental protection and energy conservation measures, such as ecological treatments and energy-saving renovations, amounted to RMB4.3 billion. In 2013, the company spent RMB110 million in reclamation of more than 2,600 mu of land, land subsidence treatment of approximately 5,700 mu of land, and afforestation of 1,500 mu of land.

Creating a modern ecological industrial park

China Coal Pingshuo Company has completed the construction of 300 greenhouses producing primarily vegetables such as tomato, cucumber, chilli and leafy vegetables, and computerised greenhouse with an area of 16,000 m². The company created 80 jobs for local farmers through the construction of tourism facilities such as an ecological avenue, an artificial lake and an ecological restaurant. The industrial park was named an incubation centre for advancing modern agricultural technology by the People’s Government of Pinglu District.

China Coal Pingshuo Company has established itself as the role model for large coal enterprises in supporting green development and the construction of ecological civilisation. Relying on its wealth of experience, the company provided large coal enterprises with a new set of perspectives in the pursuit of a greener development. Whether in terms of scale or quality, China Coal Pingshuo Company’s relentless devotion to reclamation over the last 30 years is the most uniquely sophisticated project in environmental restoration and treatment in the era of industrialisation. It also highlighted the social responsibilities that state-owned enterprises had carried on their shoulders.

“By performing reclamation after mining, China Coal Pingshuo utilised biological resources in a sensible manner and realised the modernisation of agriculture.”

—Li Wuwei, Vice Chairman of the 11th CPPCC

Supporting Green Development with Environmental Management

Upholding the environmental concept of “building a green China Coal Energy to sustain the ecological balance in nature”, the Company takes resource conservation and environmental protection as its moral pursuit, makes green and sustainable development its corporate vision, sets efficient exploitation and scientific utilisation of resource and energy source, and environmental-friendliness as the basis of corporate growth, in a move to build a green China Coal Energy with century-old evergreen business and to achieve the harmonious co-existence with nature.

Establishing a standard system of “Green China Coal Energy”

China Coal Energy has established a standard system of “Green China Coal Energy” by adhering to the principle of “focusing on the future, taking the lead in the industry, starting with trial implementation and advancing deployment in phases”. In 2013, the Company organised selected subsidiary enterprises to conduct in-depth researches on national, regional and industry-related standards, actively carried out external studies, consulted experts and academics in the related field, made multiple opinion solicitations from the relevant entities and departments, and established four green standard and appraisal systems.



Strengthening risk management and control on energy conservation and environmental protection

China Coal Energy strictly evaluated its construction projects in terms of energy conservation and implemented an environmental impact appraisal system, and prioritised energy conservation and the protection of ecological environment in various stages of its projects, which included planning, surveying and design. By implementing feasible measures simultaneously and strengthening process management and control, the Company ensured that advanced energy conservation and environmental protection techniques were applied to construction projects. The Company also conducted evaluation on its ability to monitor the environment, strengthened the operation, management and deployment of environmental protection facilities and monitoring equipment. Furthermore, the Company bolstered its ability to manage and react to emergencies, and established an “Emergency Response Scheme”.

Disseminating the idea of greener offices and environmental protection

China Coal Energy is dedicated to enhancing the awareness of energy conservation and environmental protection among its employees. Holding on the idea that “small changes make big differences”, the Company promoted energy conservation and environmental protection through saving every kilowatt-hour of electricity, every drop of water and every piece of paper. During the Energy Conservation Week, National Low-carbon Day and other similar events, the Company engaged in promotional activities to popularise energy conservation and environmental protection so as to enhance employees’ awareness and foster a green, low-carbon and environmental-friendly culture.



Illustrative Case:

China Coal Energy rolled out promotion on energy conservation and environmental protection

China Coal Energy rolled out promotional activities for Energy Conservation Week: the Company collected nearly one thousand essays in total, selected and awarded first prize to 5 essays, second prize to 10 essays, third prize to 30 essays, all of which were then released in the Company’s internal publications. Shanghai Datun Energy Resources Company Limited broadcasted 72 news reports in relation to the Energy Conservation Week through cable television, introduced 300 articles related to knowledge in energy conservation and low carbon emission, erected more than 50 banners and digital placards to promote energy conservation, created 125 blackboard newspapers,

distributed 6,000 copies of proposals on energy-saving activities, organised 6 energy conservation exhibitions and symposiums with nearly 3,000 attendees to facilitate on-the-spot interactive knowledge exchange.

The Company rolled out a Low-carbon Day “Six one-less” campaign: “one less day of driving, one less day of air conditioning, one less day of lights, one less piece of paper consumed, one less day of elevator used, and one less disposable cup used”.

China Coal Pingshuo Company participated in the first Energy Conservation Knowledge TV Contest organised by Shuozhou City of Shanxi Province and achieved remarkable results; Beijing Coal Mining Machinery Company dispatched relevant personnel to visit the 2013 National Low-carbon Day in Response to Climate Change Exhibition – “A Beautiful Chinese Dream of Low-carbon Future”, which enhanced their understanding of the concept of ecological culture.

Promoting Energy Conservation, Consumption Reduction and the Management of “Three Wastes”

China Coal Energy actively promoted the adoption of clean production technologies, strengthened its capacity to innovate, reduced energy and resource consumption and improved the treatment of “three wastes”, strictly complied with the national reporting system of pollutant discharge and timely paid a pollutant discharge fee of RMB71.54 million in full in accordance with the relevant laws. In 2013, the Company invested RMB630 million in 56 projects in relation to wastewater treatment, smoke desulfurisation and denitration renovation, solid waste treatment and ecological construction, further improving environmental-friendly facilities and equipment in pursuit of a better regional environment.

Energy conservation and consumption reduction

Raising efficiency and conserving resources are not only long-term strategies of China, but also important measures for enterprises to lower operating expenditure. The Company actively rolled out efficiency benchmarking activities and conducted pilot testing of its energy management system.

The Company strived to bolster coal resource recovery rate so as to establish itself as a resource saving enterprise. It also optimised the design of underground mines, devised a reasonable production schedule, enhanced equipment quality and improved mining technologies. By boosting recovery of coal at boundaries and corners of mines, the Company was successful in refining its mining process.



Illustrative Case:

China Coal Shaanxi Yulin Energy & Chemical Company Limited implements multiple measures to save energy and reduce consumption

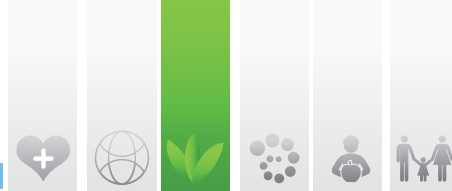
Energy Efficiency Benchmarking Activities Energy efficiency benchmarking activities have been initiated to assess the difference in energy efficiency between the benchmark level and the actual level, after which causes are analysed and corresponding measures are implemented to raise energy efficiency.

Study on Saving Water through Using Recycled Water A study on saving water through a recycled water system has been launched for coal chemical projects. Through the closed water-cooling small-scale recycling system, water usage is reduced by 40% to 60% compared with open water recycling system of the same scale. At the top of the cooling tower, a vapour recovery device is added to collect the saturated vapour through condensation, collecting 20% of the evaporated water.

Promotion of Electricity-saving Techniques The company promotes the variable frequency technology to successfully save energy and reduce consumption with the help of new and high technology. LED cold lighting is introduced in locations such as the underground central pumping room and central substation.

Strengthening of System Management Sophisticated electricity-saving and water-saving management systems are formed; energy-saving, water-saving and other energy-saving products are preferred when procuring office supplies; standards on energy consumption are set out and managed and assessed strictly; monthly inspections are conducted on ground water-saving and electricity-saving activities, cases of wastage identified will be handled and penalty will be imposed on the relevant parties; Energy-saving awareness among the staff is raised to implement the energy-saving measures thoroughly.

Reduction of Coal Usage The Hecaogou Mine uses four sets of ten-tonne assembled reciprocating grate steam boilers equipped with coal economiser, the combustion efficiency reaches higher than 80%, allowing the coal to be fully combusted and minimising coal consumption.



Illustrative Case:

Transforming the “three wastes” into resources, building a comprehensive industry chain for resources utilisation

Longhua Company has comprehensively managed the side products formed during the production and processing of coal and chemicals. Use of recycled resources which would have been discarded creates a comprehensive resources utilisation business chain to effectively reduce pollution brought by the “three wastes” and notably improves the regional environment, pioneering waste water processing for the coal chemical sector in technological aspects such as pre-treatment of biochemical waste water.



Waste water treatment

Waste water treatment: Industrial waste water and domestic waste water formed in the production process of Longhua Chemical Company contains substances that are difficult to deal with. Through self-initiated innovation and technological breakthroughs, the company has built a waste water biochemical treatment system so that the discharged waste water meets relevant standards. Such technique has successfully resolved problems encountered by enterprises at home and abroad.

Dust and waste gas management: Desulphurisation and dedusting system is installed in boilers of power plants to control emission of sulphur dioxide and dust. The company has introduced advanced foreign technology to transform the hydrogen sulphide formed during the purification process into usable substance. Recycling system is installed to manage coal gasification air; low-NOx denitrification device is installed in the pulverised coal boiler to reduce emission of NOx.

Solid Waste Management: Industrial solid wastes include gangue produced during coal production and washing; fly ash, slag ash and gasification waste generated in power plants, etc. Gangue and topsoil are stored in waste dumps; washed gangue is mixed with refined coal and used as raw material for generating electricity in power plants; and fly ash, slag ash gasification waste are used for paving roads, construction backfill and sale. The company has applied the technology of turning wastes into bricks to build two fly ash baking-free brick production lines with annual production of 48 million pieces of baking-free bricks.

Management of the “three wastes”

China Coal Energy insists on “resources recycling, waste reusing, comprehensive utilisation and environmental protection” policies to conduct graded utilisation of waste water, waste gas and solid wastes during the processes of coal production, coal chemical production and electricity generation so as to improve the management of the “three wastes”.

Development of a Circular Economy

Circular economy, as an advanced development model for facilitating the coordinated development of resources, the environment and economy, has become a necessary choice for coal industries to realise modernisation. With

abundant coal resources in western China, the respective regions are developing circular economies. China Coal Energy is highly aware of the notion of “circulation as potential, circulation as hope, circulation as development and circulation as cooperation”, and sets out development plans for circular economy and, more importantly, puts the plans into practice to advance the transformation of economic development models. The Company complies with the principle of “cleanliness and efficiency, recycling and utilisation, transformation of wastes into values” to develop circular economy with determination, achieving a coordinated development that is concordant with the economy, society and natural environment of the respective regions.



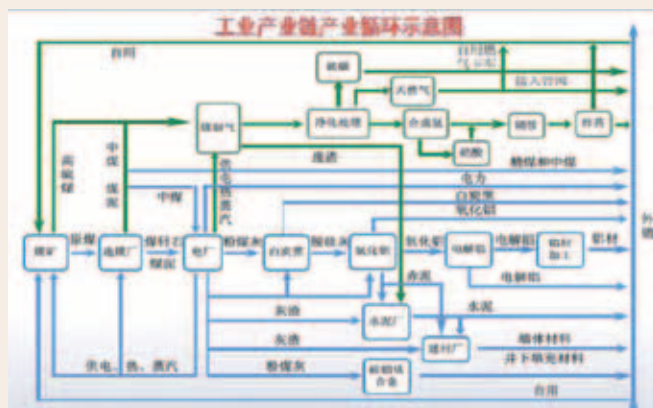
Pingshuo Company develops a circular economy

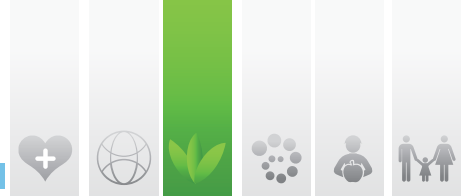


Illustrative Case:

Pingshuo Company develops circular economy

Pingshuo Company has formed an industrial chain based on coal-electricity-aluminium-construction materials, and an industrial chain of agriculture-forestry-grassland farming-medicine-ecological tourism with reclaimed land as the main theme. The company has accomplished significantly in coal mining technology, efficient and clean production, waste water and gas management, and ecological contributions, becoming the company with the highest resources recycling rate in the coal industries in our country currently.





Construction of Ecological Mining Areas

China Coal Energy observes the principle of “reasonable distribution, categorised management, situation-driven and harmony between local people and the enterprise” to actively conduct restoration and management work in subsided areas and dumps, spares no efforts in

land reclamation to protect biodiversity, and strives to develop a management model for eco-mining areas with characteristics of China Coal Energy. In 2013, the Company withdrew RMB753 million from the environmental restoration fund of mines, and utilised RMB782 million for the purpose of environmental management. At the end of 2013, the reclamation rate of Pingshuo mining area remained above 50%, and the dump vegetation coverage rate maintained at above 90%.



Illustrative Case:

Shanghai Datun Energy Resources Company Limited constructs eco-mining area

Pinpointing to land surface subsidence and farmland submergence problems during coal mining, and taking into consideration the practical situation of the relevant areas, Shanghai Datun Energy Resources Company Limited has reclaimed land for farming via padding shallow bed and filling mud. Currently, Shanghai Datun Energy Resources Company Limited reclaimed and is reclaiming land of 7,468 mu, an injection of specialised funds of about RMB130 million is needed to manage the subsided land. After reclamation, the annual saving on compensation for agricultural damage will amount to RMB6.7 million. Local villagers can have 7,468 mu of new farmland, with estimated annual wheat production of approximately 6.35 million jin, paddy production of approximately 8 million jin, and additional annual production value of RMB18.4 million. The reclamation

of the subsided mine areas allows local farmers to increase the area of farmland as much as possible and alleviates conflicts arising from a large population with scanty farmland in the local region. This policy solves the problem of food supply for farmers, improves the conditions for local agricultural production and the life quality of residents of rural villages, and promotes harmony among mining areas, government and villagers.



Ecological Mining Area

Performance in Environmental Responsibilities

Name of Indicator	2011	2012	2013
Integrated energy consumption per RMB10,000 production output (TCE)	0.404	0.468	0.463
Recovery rates of mining area of coal mine (%)	87.8	87.6	88.8
Utilisation rate of gangue (%)	97.1	97.7	96.3
Utilisation rate of mine water (%)	79.7	75.6	82.4
Emission of sulphur dioxide (tonne)	11,466	10,926	10,660
Emission of chemical oxygen demand (tonne)	949	1,079	817



Innovation Responsibilities

Innovation-driven Development to
Take the Lead in the Industry



- **Prelude Realising Automated Thin-seam Coal Mining to Fill Industry Gap**
- **Optimising Innovation Platform and Raising R&D Capacity**
- **Launching Technological Breakthroughs and Leading Industrial Development**
- **Performance in Innovation Responsibilities**



Prelude



Realising Automated Thin-seam Coal Mining to Fill Industry Gap

Reserves of thin coal seams account for around 20% of the total coal reserves of China, while the volume of thin coal seams mined represents only 10.4% of the total production of the nation. Confined working space, high labour intensity and low mechanisation level are main reasons for the low rate of thin coal seams mined. Therefore, the unmanned working face for thin-seam coal mining is the best way to ensure safe production and efficient mining of thin coal seams.

Although the five major coal bases of China Coal Energy in Shanxi and Inner Mongolia-Shaanxi regions possess rich coal resources, coal mining remains relatively difficult once the coal concentration is characterised with thin and hard coal seams. China Coal Equipment Company proactively dealt with the difficulties through self-motivated innovation. Setting automated mining as its goal, the company achieved technologies including accurate positioning of shearers, memory cutting, identification of upward or downward mining, performance monitoring and automatic remote control, filling the gap in automated mining with complete equipment for fully-mechanised thin-seam mining working face in the industry.

In China Coal Energy's Tangshangou Mine, where unmanned automated mining operations in thin coal seams is implemented, one can only see coal being mined out of the ground, but not a single miner. The hi-tech thin coal seam automated mining technology has been successfully applied in 8815 working face of Tangshangou Mine, where the seam is only 1.3m thick.

The complete automated equipment for fully-mechanised mining of thin coal seams developed by China Coal Equipment Company is the set of equipment having the largest installed power nationwide, which has achieved major breakthroughs including unmanned automatic mining at underground working faces and remote centralised monitoring of the complete equipment. The achievements of the project have reached international standards, improved the resources recovery rate of thin coal seams of China and ensured safe and efficient thin-seam coal mining. The achievements are of great importance to raise the global competitiveness of China in terms of coal mining equipment sector.

"Panning for gold in narrow openings, just like picking meat from bones, we guarantee all the coal resources would be extracted to benefit the public."
— Li Xiang, Chairman of Shanxi Zhongxin Tangshangou Coal Industry Company Limited

Optimising Innovation Platform and Raising R&D Capacity

Considering innovation as the core competitive edge for business development, China Coal Energy makes relentless efforts in establishing its technological innovation mechanism, continuously discovering new inspiration for technological innovation and dedicated to solving technological difficulties that are common to the enterprise and industrial development.

Perfecting the technological innovation management system

Following the “five-high” standards featuring high starting point, high target, high quality, high efficiency and high benefits, as well as the “four directions” to promote production with economies of scale, modernisation of equipment, specialisation of workforce and informatisation of management, China Coal Energy has gradually improved its management system and fully established a system for technological innovation management.

In 2013, the Company has established three technological innovation mechanisms: Safety Technology, Economic Technology and Development Technology, under the direction of identifying, studying and solving problems. The Company commenced trial diagnostic activities of technological innovation management at basic unit level, and systematically concluded typical experience and methods for technological innovation.

By holding technological work meetings, the Company organised naming activities of innovation studios at basic unit level for the first time, and provided commendations and awards for fruitful technological achievements, so as to further improve the incentive scheme for technological innovation.

Upholding the combination of technological innovation and position innovation, the Company launched the “three-one” activities for key engineers, “five-small” technological breakthroughs for employees, and activities such as spreading innovation methods, writing technological articles and achieving inventions with patent rights, so as to create a strong innovation atmosphere.

Enhancing the capabilities of the R&D team

Technology workforce is the cornerstone for enhancing technological innovation in the enterprise. China Coal Energy attaches great importance to cultivating self-initiated innovation among its workforce, and makes efforts in building a good environment that respects science, advocates technological skills, and encourages innovation. In 2013, with an aim to tackle technical difficulties arising from production sites of the Company’s subsidiary enterprises, the Company relied on technological innovation brought forward by production workers and organised activities designed to sparkle mass innovation. The Company exploited the innovative potential of worker models innovation workshop, skilled workers, QC teams, youth veteran innovation group and junior employees, overcame numerous technical challenges and reaped considerable economical benefits. The emergence of China Coal Zhangjiakou Coal Mining Machinery Company Limited’s Guo Yunpeng Innovation Workshop, Yaoqiao Mine on-site technological breakthrough model, innovation by the fully-mechanised coal mining team in Pingshuo No. 1 underground mine, Shanghai Datun Energy Resources Company Limited dream factory for youth, was an epitomisation of on-site innovation, on-site technological breakthrough and on-site application of new technology.

Nurturing talents – Promoting a seamless combination of self-motivated innovation and talent cultivation through regular training, specialised studies, training for important positions, the Company has improved the overall quality of technological team members and built a professional team of young talents with high calibre and innovative mindset.

Caring for talents – Practically caring for the technological workforce on political fronts, supporting them at work, cultivating them on the business front, and fully mobilising their initiatives, the Company has strived for motivating staff with prosperous career paths, enhancing the sense of belongings with harmonious co-worker relationships and retaining staff with a good environment.

Motivating talents – Strengthening the management system for technology awards and establishing incentive policies to gradually permeate the idea of technology and innovation into regional teams, workshops and groups, in order to stimulate proactive and self-initiated innovation among the employees at large.



Deepening the establishment of technological research institutions

China Coal Energy proactively cultivates its R&D capability in industry transformation and upgrade in order to raise the core competitive edge of the Company. China Coal Equipment Company has undertaken to establish a National Energy Coal Mining Equipment R&D Centre which will enhance the development of the laboratory test function, raise R&D quality and efficiency and set a solid foundation for the transformation towards world-class high-end mining equipment with its own intellectual property rights. The Company has formed a strategic alliance for technological innovation with China Coal Technology and Engineering Group, and collaborated with China University of Mining and Technology to build an innovation centre, striving to tackle the technological difficulties encountered by the enterprise and the industry with concerted efforts.

As at the end of 2013, China Coal Energy has further improved its R&D system which consists of 1 national energy resource research and development centre, 3 national technology centres, 6 provincial technology centres, 3 provincial engineering research centres, 8 state-certified laboratories, and 3 post-doctoral research centres, bringing continuous enhancement to its capabilities of self-initiated innovation.

Multi-channel cooperation and alliance

Focusing on consolidating the advantages and resources for global innovation and upholding the market-oriented philosophy, China Coal Energy continues to strengthen multi-channel cooperation and alliance for technological innovation by enhancing academic cooperation between R&D institutions, and conducts domestic and overseas technological exchanges and cooperation to optimise the deployment of technological resources and boost collaborative innovation.



Illustrative case:

China Coal Energy Coal Chemical Industry Research Institute to conduct academic exchanges proactively

China Coal Energy Coal Chemical Industry Research Institute carries out academic exchange activities in various ways and provides full technological support to projects currently underway. For new technology in gasification, the Institute has launched several technological exchanges and discussions with American companies, and conducted an on-site feasibility study on a pilot plant. For new kinds of high-efficiency chemical synthetic catalysts, the Institute

has promoted cooperation with Japanese companies. For technologies related to the treatment of sewage containing phenol as well as zero-discharge of highly concentrated brine in the coal chemical industry, the Institute has analysed the new technology of American companies, and conducted several technological exchanges with domestic environmental enterprises. As for carbon capture and usage, activities such as technological exchanges and on-site inspection have been carried out with tertiary institutions.

Through a wide range of domestic and overseas technological exchanges and collaborative researches, China Coal Energy Coal Chemical Industry Research Institute constantly optimises the key technological direction, core equipment arrangement and major product plans for coal chemical projects of the Company, and practically provides technological support and safeguard.

Launching Technological Breakthroughs and Leading Industrial Development

China Coal Energy focuses on major technological breakthroughs to meet national demand and solves key technological difficulties that hinder company development. Upholding its ambition to lead technological innovation development in the industry, the Company achieves substantive technological breakthroughs in the industry.

Undertaking state technology projects

Under the direction for technological development, China Coal Energy pairs up major technological research and development of the Company with the great demand for technology in the country in an organic way. The Company undertakes the responsibility to carry out national technological breakthroughs and fully promotes the technological advancement and industrial development of our country's coal energy.

In 2013, the Company undertook a total of 10 national key technology projects which included a new project named “Demonstration of innovation and industrialisation in key technologies related to ten million-tonnes efficient fully-mechanised mining” under the National Hightech Industrial Development Programme, a project regarding “Research, development and application of the complete equipment of fully automated coal plough for working face” under the National 863 Programme, and two projects under the National Key New Product Programme, taking the lead in all-round scientific development of the industry to scale new heights.

Implementing key technological projects of the enterprise

China Coal Energy focuses on tackling major technological difficulties hindering enterprise development, and speeds up the promotion of major technology projects. Following the principle of “launching, reserving and researching”, the Company proactively seeks to implement key technology projects to achieve breakthroughs in technological innovation. In 2013, the Company gradually established core technological advantages that offered supports

for transformation and upgrade of its main businesses, including semi-continuous manufacturing technology for open pit mines, safe and highly efficient technology on fully-mechanised top caving of super thick coal seams, automated thin coal seam mining, high precision 3D geological protection model for coal mines, technology for combined open pit and underground mining and ecological restoration in Pingshuo Mines, and comprehensive dust control systematic technology for mines. In 2013, the Company was honoured with 18 provincial technological improvement awards. “Research on Development Mode and Key Technology of Recycling Economy of China Coal Heilongjiang Coal Chemical Company Limited” was awarded the first prize in Coal Industry Technology Progress.

The Company made substantial efforts in implementing the strategic planning in relation to intellectual property rights according to the “Twelfth Five-Year Plan”, so as to further perfect the patent management model and mechanism. In 2013, the Company had 223 patent applications accepted, with 74 of them being patents for invention; and obtained 224 authorised patents, with 36 of them being patents for invention.



Illustrative case:

Semi-continuous manufacturing technology of Pingshuo Company reaches the world’s most advanced level

In 2013, Pingshuo Company of China Coal Energy installed its semi-continuous manufacturing system in trial production. With the main components gradually assembled, tested, relocated and installed, the system was put in commissioning trial run. Semi-continuous mining is so far one of the most advanced technologies for open pit coal mining worldwide. This system utilised by Pingshuo Company becomes the world’s first rock stripping system with capacity of 10,000 tonnes/hour, reaching new world record in several indicators and further improving the world’s most advanced mining technology standard.



Semi-continuous manufacturing equipment of Pingshuo Company



Taking the lead in the industry

Taking the responsibility to lead industrial development, China Coal Energy focuses on tackling and exploring technological difficulties in areas such as coal mining and coal machinery production. The Company strives to innovate and practise, and to promote development of both the enterprise and the industry.

Significant technological breakthroughs of China Coal Energy and the pioneering significance for the industry

No.	Technological innovation projects	Pioneering significance for the industry
1	"Technological Standards for Safe and Highly-efficient Modern Mines"	Conducive in eradicating potential safety risks and overcoming technological bottlenecks involved in the coal production and coal mine construction at source and has been evaluated, inspected and accepted by China National Coal Association.
2	Comprehensive dust control system for coal mines	Create favourable working conditions for miners by reducing the dust concentration and fugitive dust level in the area of coal mining face and return airflow.
3	High-precision geological modelling and early warning system for hazard sources for mines	Enable dynamic mining management and safety monitoring, and lay the groundwork for constructing a digitised mining site.
4	Full set of automated mining equipment based on thin coal seam drum shearer technology	Overcome the technical challenge posed by difficult thin coal seam mining, and improve yield and efficiency.
5	Pingshuo Mining Area ecological restoration and industrial chain establishment research and the relevant technology demonstration project	Conducive in optimising the structure of land use, the construction of a modern ecological industry and the green recycling utilisation of mining resources.

In face of the key technological difficulties in the industry, China Coal Energy proactively explores and changes the traditional technological operation mode to improve operation quality and efficiency, and offers further valuable and practical experience for industrial technological development. Dahaize Coal Mine under China Coal Shaanxi

Yulin Energy & Chemical Company Limited started research on the key technology used in congealment construction for super large shafts in relation to the characteristic frozen formations in the western regions, offering technological protection for safe operation of congealment shafts in the western region.



Illustrative case:

China Coal Equipment Company to lead in industrial development

As the “national team” in the coal mining equipment industry, China Coal Equipment Company bears the inevitable responsibility of relying on technological innovation to lead industrial development and to promote the domestication of major coal mining equipment. Through measures such as strengthening major technological breakthroughs, completing state technology projects with high quality attained, sustainably promoting technological innovation systems and establishing high-standard self-developed research platforms, the company speeds up the cultivation of technological leaders and innovative teams, motivates innovation initiatives among frontline workers, and enhances technological innovation capability comprehensively.

Advancement in capabilities

China Coal Equipment Company has strengthened the establishment of the technological innovation system comprising 1 national energy resource research and development centre, 2 state-certified technology centres, 2 state-certified laboratories, 3 post-doctoral research centres, 3 provincial technology centres, 2 provincial engineering research centres, 6 enterprise technology centres, 84 research and Development institutions, and over 2,600 professional technicians.

Advancement in achievements

A series of technological difficulties hindering the industrial development of coal mining machines have been solved. Researches such as “Research on Key Technology in the Complete Equipment for Fully-mechanised Top Coal Caving Working Faces of Coal Seam with High Inclination” and “Research on Technology of Coal Plough for Thin Seams and the Complete Equipment of High Power Shearers in Unmanned Automated Work Faces” have been honoured with the National Technology Progress Award, as well as Scientific and Technological Award by China National Coal Association.

Advancement in products

During the 15th China Coal Equipment and Mining Expo, China Coal Equipment Company showcased over 30 new self-developed innovative products, including a set of world-advanced complete equipment for fully-automated and fully-mechanised mining for extremely thin coal seams and a variable frequency armoured face conveyor, which fully reflected the company’s industry-leading, outstanding research and production ability, as well as product quality and team performance.



National Energy Coal Mining Equipment Research and Development Laboratory Centre



Performance in Innovation Responsibilities

Investment in technological development by China Coal Energy for 2011-2013

Name of indicator	2011	2012	2013
Technological investment (RMB100 million)	19.2	19.4	18.2

Technological advancement awards for industrial enterprises above the designated size received by China Coal Energy for 2011-2013

Name of indicator	2011	2012	2013
Number of awards (items)	19	15	18

Patents authorised to China Coal Energy for 2011-2013

Name of indicator	2011	2012	2013
Number of patents authorised (items)	168	186	224



Responsibilities to Employees

People-oriented Spirit to Share Achievements



- Prelude Complete Change in Miners' Work and Living Environments
- Protecting Employees' Rights
- Supporting Staff Development
- Caring for Employees
- Performance in Responsibilities to Employees



Prelude



Complete Change in Miners' Work and Living Environments

When talking about miners, the general impression is they work in a dark, humid and dusty environment, dwell in simple sheds in remote areas, and live in a boring and isolated psychological state. Indeed, this was the vivid portrayal of how miners lived and worked in the past when work took priority. Now, with the implementation of measures to encourage "work-life balance," the work and living environments of miners from China Coal Energy have undergone drastic changes that subvert the stereotype.

Modern work environment

As a large state-owned energy enterprise, China Coal Energy has been pursuing technological advancements to lead corporate developments, while introducing new technologies and working methods to improve miners' work environment. Coal mining is mechanised with continuous investments in high-powered, intelligent extraction equipment. China Coal Energy has also adopted various cutting-edge healthy and safe protective measures to improve the work environment, increase production efficiency, reduce employees' work intensity, and completely change the old image in which miners were covered in dirty dust when they came out of pits.

Improved living environment

Most of the mining projects are located in areas where the natural conditions are relatively poor. China Coal Energy spares no effort in improving employees' living standard and providing convenience to their daily life. For instance, Shanghai Datun Energy Resources Company Limited built the New City Garden community covering an area of nearly one million square metres within the mining site, providing more than 6,000 housing units to the employees and significantly improving their accommodation and living standard.

Enhanced mental well-being through diversified events

In addition to the improvement in working and living environment, China Coal Energy also cares about the mental well-being of its employees. The Company organised a wide range of entertainment activities for its employees to enrich their spare time cultural life, and helped them to create a work-life-balance living style. For instance, the "Black Gold Cup" basketball competition held by Shanghai Datun Energy Resources Company Limited and the 55th anniversary photo exhibition held by Beijing Coal Mining Equipment Manufacturing Company both inspired employees' passion of work and gathered positive energy for the Company's development.

"We earn more and more every year. Since now we are better-off, we miners live a more confident life than before!"

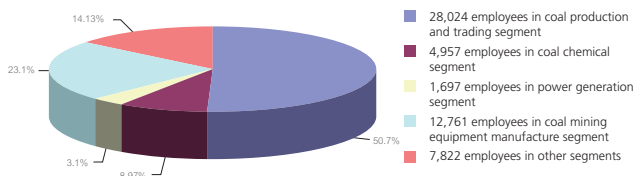
— Chen Aijun, chief of the No. 1 coal mining team in Kongzhuang Coal Mine of Shanghai Datun Energy Resources Company Limited

Protecting Employees' Rights

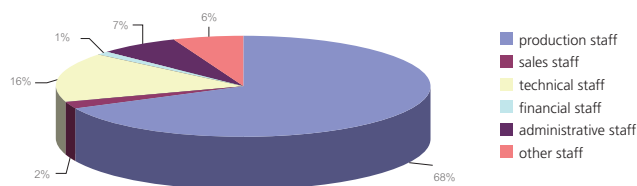
China Coal Energy upholds the "human-oriented" philosophy to protect the legitimate rights of its employees wholeheartedly. The Company is also actively building a harmonious and stable relationship with the employees by sharing the fruits of success of the Company with them.

As at the end of 2013, the total number of employees of China Coal Energy was 55,261, of which 18.7% were female, representing a more scientifically reasonable employee structure.

Composition of employees by segment



Composition of employees by profession



Employment management

The Company strictly abides by the Labour Law of the PRC and the Labour Contract Law of the PRC and other relevant laws and regulations to recruit employees in a fair and regulated manner. Announcements are made when candidates are selected to ensure visibility in information disclosure, recruitment process and result notification. The Company forbids all forms of work place discrimination and strictly prohibits child labour and all types of forced labour. We also actively provide employment opportunities for the disabled, ethnic minorities and veterans. In 2013, 100% of our employees signed employment contracts with the Company, and the employee leaving rate was 2%.

Facing labour shortage in the coal chemical industry, the Company attaches great importance to the recruitment of employees in the coal chemical segment. Aligning with the standards of advanced enterprises, the Company adopts simplified, efficient and stringent procedures for job deployment and recruits staff for different posts through public advertising. As at the end of 2013, more than 3,000 employees were recruited to the coal chemical segment, injecting new energy for the development of the Company.

Social security

China Coal Energy is committed to protecting employees' legitimate rights. The Company makes contributions to the social insurance scheme strictly according to the regulations, pushes forward the establishment of supplementary medical insurance system and promotes the development of corporate annuity in a steady pace. The Company also optimises the leave system and encourages staff members to take paid leave. Great efforts have been made by the Company to address the most pressing and practical concerns of our employees such as medical care, retirement plan and maternity leave.

Salaries and benefits

China Coal Energy appreciates the hard work of the employees and intensifies the management concept of "total labour cost" by consistently improving the performance assessment scheme and remuneration system, and attempting to include outsourcing staff, dispatched staff and staff from other segments into our regular management system. The Company strives to optimise the remuneration structure as well as establish a differentiated and market-oriented remuneration model, which focuses on frontline production staff, key posts, essential talents and most needed talents.

Occupational health

The Company continues to increase its investment in occupational health to build a clean working environment and an integrated personal protection system for occupational hazard control, and develops the construction of dustless mines by enhancing the control of dust level to achieve dustless mining sites and dustless factories. Pingshuo Company promotes the usage of dustproof machines such as new infra-red automatic air-flow purifying water curtain and ultrasonic atomiser spray so as to reduce the dust concentration level in mining working faces and stage loading points for better dust control. Shanghai Datun Energy Resources Company Limited has developed a series of dustproof machines such as wet spraying machine, dust blower, coal seam infusion pump



Employees' occupational physical examinations at mining area



and automatic dust control spraying device, increasing the dustproof efficiency of fully-mechanised mining face by 30% and reducing the dust concentration in fully-mechanised roadheading face by 77%. The Company also contributes to employment injury insurance and accident insurance for the staff in accordance with the regulations, and ensures that employees' occupational physical

examinations and evaluations are conducted properly. A total of 13,514 employees who are exposed to dust, heat and hazardous operations have received occupational physical examinations so far. In 2013, Shanghai Datun Energy Resources Company Limited was named "Advanced Unit in Occupational Disease Prevention" by Jiangsu Province Federation of Trade Unions and Centre for Disease Control and Prevention of Jiangsu Province.



Illustrative Case:

Dustless Kongzhuang Mine of Shanghai Datun Energy Resources Company Limited

Paying great attention to the occupational health of employees, Shanghai Datun Energy Resources Company Limited pushed forward the construction of dustless mining sites in Kongzhuang Mine and intensified the management of working environment, thus changing the general image of mine workers "who are covered with dust all over the body except their teeth".

Intensifying mechanism management

Kongzhuang Mine prioritised the construction of dustless mines by designating the respective responsible personnel from the top management team, and compiled and issued the Kongzhuang Dustless Mine Assessment Management System (Trial)", under which a dustless mine assessment management team was set up to identify the mission and responsibility of each division, as well as to refine all management systems, performance standards and the relevant assessment measures of various posts and operations.

Democratic management

Regarding the development of democratic management, the Company has formed labour unions, as well as the democratic corporate management system in the basic form of staff representative committee and a factory affairs disclosure system. By creating access to and enhancing the scope of democracy, such as coordinating elections, decision-making procedures, management and supervision in a democratic manner, the Company protects employees' rights to information, participation, expression and supervision in corporate management and consistently improves the standards of democratic management and democratic supervision.

By arranging staff representative meetings, democratic forums, open days for leaders and suggestion boxes, China Coal Energy has proactively developed multi-level

Strengthening source control

Kongzhuang Mine has installed intelligent inter-shelf spray and negative pressure secondary dust suppression device and dust traps for shearers to be used together with automatic air-flow purifying water curtains in all working faces. Automatic sprayers were installed 20 metres and 30 metres away from excavating faces respectively, which can operate for over 10 minutes non-stop to block the smoke and settle the dust aroused by blasting completely.

Increasing investment in technology

Kongzhuang Mine made significant investment in procuring advanced dust removing and dust suppressing devices. The existing automatic dust suppressant refilling pumps can effectively filter, adsorb and gather dust particulars so as to reduce dust at source. Kongzhuang Mine developed the wet spray system with Jiangnan University, launched the first dust blower and installed the dustproof pipeline water quality monitoring system to implement all-round dustless mines management throughout the whole production process.

communications and opinion exchange mechanism with employees to listen to their voices. In 2013, Shanghai Datun Energy Resources Company Limited was named "National advanced unit for factory affairs disclosure and democratic management" by the National Coordination Group for Factory Affairs Disclosure.

Supporting Staff Development

China Coal Energy implements the strategy of strengthening the enterprise with talents and highly emphasises staff cultivation and development. Adopting modern enterprise management principle, the Company adopts diversified talent development measures and provides ample room for development of employees by launching and optimising the employee training programme, talent development mechanism, and smooth career path development system.

Staff training

China Coal Energy insists on strengthening the staff training system with reasonable planning. To enhance the Company's capability in providing more effective training courses that cater to the specific needs of individual employees, the Company carries out in-depth research and sets up reasonable annual training schedules. Through centralised coordination, the Company managed to bring into full play the positive role of the two coal training bases comprising China Coal Energy Vocational and Technical College and Pingshuo Company Education and Training Centre. Focusing on key issues and identifying the requirements of safety training, the Company formulates relevant measures for all enterprises to provide safety training based on unified standards and methods. All key training programmes were conducted in a well-organised manner. In 2013, 168,000 attendees from different posts participated in the training programmes.

Career path

China Coal Energy is committed to the establishment of a reasonable internal promotion system, clearing the path to career development for all employees so as to allow them to make the most of their talents. 50% of the Company's units have set up or are setting up specific career development policies.

In 2013, under the working principle of "coordinated planning, pilot trial, progressive implementation, and steady promotion", the Company gradually promoted the development of an evaluation scheme for technical staff. During 2013, 10,487 employees from the coal

segment, power generation segment, specific posts in chemical segment, other segments and the general departments took part in the certification, and 8,241 were awarded certifications, representing a passing rate of 78.58%, of which 278 employees gained the qualifications of technician or senior technician. The total number of employee certification has exceeded 10,000 for two consecutive years. In addition, 2,036 employees participated in professional title evaluation, of which 1,720 passed, representing a passing rate of 84.47%.

Caring for Employees

Taking employees as the biggest asset of the Company, China Coal Energy cares about the working and living standard of each employee, and strives to provide them with support and care in all aspects. The Company constantly improves the working environment and life quality of employees by organising all kinds of activities to bolster the sense of contentment and coherence within the Company, striving for building an unparalleled China Coal Energy that brings deep contentment.

Support for needy employees

China Coal Energy cares about the livelihood of needy employees as well as the retirees and provides timely help for them when necessary. By organising activities to provide "face-to-face, heart-to-heart, pragmatic services to grass-root employees", the Company improves the mechanism for raising, managing and utilising charity fund, and helps to solve practical problems of employees, ensuring all employees can enjoy the fruits of success of the Company.



Training programme of China Coal Energy Vocational and Technical College



Work-life balance of employees

With the aim of building a harmonious enterprise, China Coal Energy organises a wide range of culture and entertainment activities for its employees, so as to enrich their spare time cultural life and facilitate them to strike a balance between work and life. Such policy helps to cultivate an enterprise culture with distinctive characteristics and uplift the well-being index of the staff.

In 2013, Shanghai Datun Energy Resources Company Limited Resources Company formed the "Employees Amateur Art Troupe" to uplift the sense of contentment of employees through entertainment and art activities. More than 10 art shows including vocal competition, annual spring gala and gathering at the summer night were arranged, and over 100 fantastic 3D movies were shown in 2013.



"China Coal Energy Cup" Employee's Table Tennis Tournament



Illustrative Case:

Assistance to needy employees in Heilongjiang Coal Chemical Company

Heilongjiang Coal Chemical Company devotes itself to the organisation of caring and supporting activities for those in need. In 2013, the company provided aids to 28 employees suffering from serious illness by donating RMB56,000 to them from the charity fund, organised 884 employees to raise more than RMB330,000 for those in need. A "one-on-one" pair-up supporting programme was introduced, through which consolation fund of over RMB253,000 was given out. The company also donated RMB26,550.20 and 581 pieces of stationery and leisure books to 36 children of the employees through the "Aid for education" activity.

Performance in Responsibilities to Employees

Name of indicator	2011	2012	2013
Number of existing employees (number of person)	52,024	54,964	55,261
Contract signing rate (%)	100	100	100
Rate of social security coverage (%)	100	100	100
Rate of labour union admission (%)	100	100	100
Employee leaving rate (%)	2	3	2

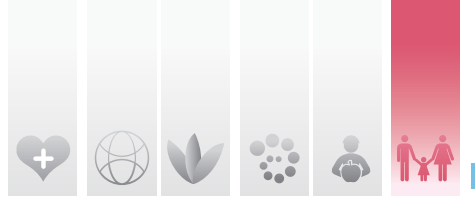


Community Responsibilities

Benefiting People's Livelihood and
Giving Back to Society



- Prelude An Enterprise Supporting a City
- Supporting Local Economy to Benefit Livelihood
- Launching Poverty Alleviation in Selected Areas and Devoting Passion to Charity Causes
- Performance in Community Responsibilities



Prelude



An Enterprise Supporting a City

In September 1987, Pingshuo Company opened the world's largest open pit mine at that time, the Antaibao Open Pit Mine, in Pinglu (Pinglu district of Shuozhou City today) and Shuo County (Shuocheng district of Shuozhou City today).

Shuozhou, located in the upstream of the Sanggan River in the northwest of Shanxi Province, was approved by the State Council in 1989 to establish as a provincial prefecture-level city. It is China's new energy and heavy chemical industry base, which prioritises in coal and electricity developments. It is also an ecological garden-oriented industrial city, rapidly rising in the north.

Supporting the half revenue of the city

Following 30 years of development, Pingshuo Company now owns three extra-large open pit mines, three underground mines with a production capacity of ten million tonnes for each underground mine, six coal preparation plants with annual washing capacity of 100 million tonnes, and four dedicated railway lines with a total transportation capacity of 100 million tonnes. It is the nation's important production base for thermal coal export and has been designated by the state as one of the 14 major coal production bases in China.

Shuozhou was upgraded into a city due to Pingshuo Company's booming development. Half of Shuozhou's local revenue comes from Pingshuo Company. Since it went into operation, Pingshuo has always contributed the largest share of tax payment in Shuozhou and been awarded the honour of "Shanxi Province's Meritorious Enterprise" for eight consecutive years.

Boosting economic development

In response to the national coal industry policy, the Company is building a major coal base in the northern Shanxi region. Pingshuo Company thrives as the benchmark company in the coal industry by transforming from an experimental coal field during the reform and opening period to a company with production capacity reaching 100 million tonnes. Pingshuo Company has five safe and efficient coal mines in Shuozhou currently with production capacity reaching 10 million tonnes, making significant contribution to the development of the major coal base in the northern Shanxi region.

The Company captured the opportunity arising from the local mine consolidation programme in Shanxi to accelerate the modification and upgrading of local mines, making rooms for industrial upgrade in terms of scale, integration and green mining.

Pingshuo Company has prepared the Master Plan for the Development of Circular Economy Demonstration Zone in Pingshuo Mining Area in order to step up efforts in promoting circular economy. The Company planned to develop a coal industrial chain to integrate the operations of coal, power, aluminium and construction materials; as well as an ecological industrial chain to integrate the operations of agriculture, forestry, grassland farming, medicine and ecological tourism with land reclamation as the backbone, in a bid to drive the transformation of Shuozhou's economic development.

Insisting on giving back to society

Upholding the philosophy of co-operation for mutual benefits of the locality and the enterprise, Pingshuo Company is dedicated to giving back to the society. The company subsidised over RMB200 million to upgrade the Qili River in Pinglu District and roads in Shuozhou City, renovate the Xishan Park and Shuozhou Sports Stadium. The company also facilitated the local government to establish new socialist villages and developed service industries in the mining areas to broaden the employment opportunities for local farmers. Through the development of reclaimed land cultivation, utilisation of stone from mining areas and stripping of topsoil in mining areas, the company created employment opportunities for excessive labours in the nearby villages and improved their livelihood.

As all previous and incumbent leaders of Shuozhou would have agreed, "Without Pingshuo, Shuozhou would not have been as successful as it is today". Pingshuo Company and Shuozhou are inter-dependent, mutually supportive and sincere to each other, manifesting the win-win relationship between the locality and the enterprise.

"Shanxi's transition and development relies on Shuozhou. Shuozhou's transition and development relies on Pingshuo!"

— Yuan Chungqing, Secretary of Shanxi Provincial Committee of the Communist Party of China

Supporting Local Economy to Benefit Livelihood

The development of an enterprise is closely related to the long-term support and help from the locality where the enterprise operates. China Coal Energy highlights the socio-economic development in places where it operates by actively shouldering social responsibilities. While safeguarding the development of its business, the Company thrives with the local community, endeavouring to realise mutual benefits with the locality.

Bringing wealth to the local community

China Coal Energy sets out an integration development plan for the locality and the enterprise to underpin local project construction. The Company prioritises products from local entities in the course of procurement, thus extensively drives up the related industries through its operations in coal production, sales and utilisation. Total tax paid by the Company in 2013 amounted to RMB12.664 billion.



Illustrative Case:

Huajin Company maintained harmonious and win-win relationship with local community

Facing new situations and new challenges when settling down in the local society, Huajin Company has developed a philosophy of “getting to the point, staying calm, handling with sincerity and benefiting the local people” to master the relationship with the locality, and transformed the relationship between Huajin Company and local community from “self-interest” into a “win-win situation”.

The company overcomes difficulties and seizes opportunities to integrate itself into the local economy by actively creating employment opportunities for the local farmers. Supported by Wangjialing Coal Mine, Guzhen village managed to set up its own logistics and cleaning companies to improve the living standard of the local people and improve the relationship between the company and the villagers.

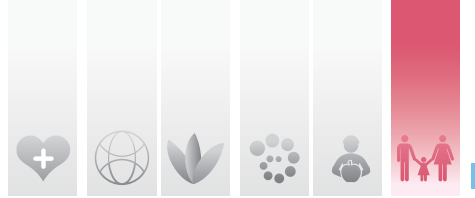
The company strengthens communication with the government with integrity to optimise the interests of various parties and bring benefits to the local people. With support from the government, the relocation of three nearby villages where the coal mines of Huajin Company are located and the construction of a dedicated railway line have been carried out in an orderly manner. Meanwhile, the Wangjialing Coal Mine Project serves as a model project in the government promotion programme, elevating the image of enterprises.

Huajin Company initiates the corporate social responsibility concept of “bringing wealth to the local people through the construction of a mine”. It prioritises the supply of coal to local coking enterprises and effectively drives the development of the local economy, which is highly appraised by various local parties. In 2013, 52% of the company’s coal production was sold to local coking enterprises.

During the recent two years, no significant obstruction happened during the construction process of the company’s project, demonstrating the full support from local parties to our project development.

Creating employment opportunities

China Coal Energy insists on open recruitment and labour dispatch to actively create jobs in places where it operates. In addition, the Company provides vocational trainings for the local veterans in its training bases. In 2013, the Ordos branch actively helped the local government to alleviate employment problem by recruiting 60 local university graduates, and providing training opportunities for 156 people delegated by other organisations. The Company insists in employing local workers for service-oriented auxiliary and back-office posts which involve manual labour and material supply. The average per capita income of people living in nearby villages increased by over RMB8,000.



Illustrative Case:

Shaanxi Company contributed to local employment

In the course of its development, Shaanxi Company also performed its social responsibility actively to foster local employment. Shaanxi Company has registered staff of 993 people, of which more than 500 are from Shaanxi Province, including more than 400 from Yulin City and 208 university graduates. Dahanu Coal Mine has project staff of 1,396 people, and more talents will be recruited as project

construction continues to progress, helping to relieve the pressure on local employment. Coal chemical projects recruited 47 local veterans as well as collage and secondary graduates, accounting for 82.5% of the total. Seven outsourced contractors and maintenance teams recruited 470 staff which accounted for no less than 40% of local employment population. In addition, the back offices have recruited 197 labour staff from Yulin. Shaanxi Company also contributed to indirect employment by way of spurring employment through the construction of large projects, and more than twenty thousand people were recruited by different participating units to work for the projects, in which more than one-third of the labour force came from Shaanxi province and the peripheral areas.

Contribution to local livelihood

China Coal Energy concerns about the livelihood of people in the areas in which it operates. The Company leverages on its strengths to cater for the needs of the local population and contributes to the improvement in livelihood. In addition to ensuring sufficient supply of coal to local area, it also gives out coal to people in poverty and charitable organisations. In 2013, Dongpo Mine and Tangshangou Mine of the Company provided low-income farmers in Shuocheng district of Shuozhou City with approximately 30,000 tonnes of coal. Huajin Company provided coal to people in poverty in its surrounding areas, while sending its regards to around 80 poor families, senior party members and cadres by giving out more than 400 bags of rice and noodle and more than 300 buckets of edible oil. It also helped villagers nearby to solve their problems in more than 50 cases.

Supporting local construction

China Coal Energy has been showing great concern about the impacts of its constructions on the neighbourhood. Proactive measures have been taken to support local construction and development with an aim to achieve win-win development. Shanghai Datun Energy Resources Company Limited stepped up its efforts in local procurement of materials and procured materials of over RMB700 million in 2013, providing strong support to the local economic development.



Illustrative Case:

Contribution of the Ordos Branch of China Coal Energy Company Limited in road construction

Knowing the needs of and caring for the local community, Muduchaideng Coal Mine project under the Ordos Branch of China Coal Energy Company Limited contributed RMB1.12 million to reconstruct an 8-km primitive country road, the only road connecting the village committee where the mining area is located with its four agricultural and farming co-operatives. Problems involving roadbed collapse, potholes and dustiness were fixed, and potential hazards caused by the road condition were eliminated, which brought convenience to the daily life of local people.

Launching Poverty Alleviation in Selected Areas and Devoting Passion to Charity Causes

China Coal Energy is committed to sharing the enterprise's development achievements with society. Taking the initiative to fulfil its corporate social responsibility, China Coal Energy brings into full play its advantages to carry out poverty alleviation projects in selected areas, support border developments, participate in disaster relief works, organise volunteer activities and boost charity undertakings to contribute love and warmth to society.

Poverty alleviation in selected areas

China Coal Energy is devoted to helping reduce poverty with the help of science and education. It has made long-term efforts to promote economic and social development in impoverished areas. In 2013, the Company donated RMB1.727 million to three poverty alleviation areas.

China Coal Energy has selected Yu County and Zhaojiapeng district in Zhangjiakou City, Hebei, as well as Yinjiang County of Guizhou, as its poverty alleviation beneficiaries. Since 2002, China Coal Energy has dispatched three groups of cadres, six senior officials each time, to take up temporary poverty alleviation posts in these impoverished areas. The Company's delegated cadres integrated into local people's work and daily life and frequently visited residents for investigative research to thoroughly understand local situations and help local governments draw up plans to boost industrial development. The delegated cadres submitted a variety of valuable suggestions regarding coal development, product deep processing and compulsory education. Since 2002, China Coal Energy has contributed over RMB10 million in the form of cash and materials to the selected poverty alleviation areas.



Illustrative Case:

Launching poverty alleviation and educational programmes in Yu County

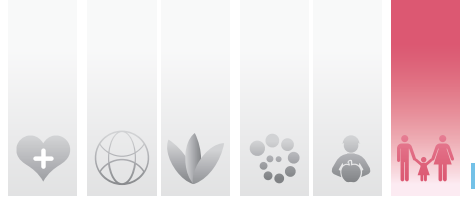
On April 27, 2013, with the May 4 Youth Day around the corner, China Coal Energy organised its employees to launch an educational programme, themed "Pass on China Coal Energy's Positive Energy; Join Hands to Build China Dream," in Hebei Province's Yu County, one of the Company's poverty alleviation areas. The delegation visited Huangmei Township Centre School to replace 150 sets of dilapidated desks and chairs and donated 150 school bags to the deprived school. They also supported 37 extremely poor children's living costs for the entire year.



Poverty alleviation and educational program by China Coal Energy

Supporting Xinjiang

In response to the government's appeal, China Coal Energy makes continuous efforts to support Xinjiang Uygur Autonomous Region. In 2013, the Company donated RMB1 million to the local government and RMB0.5 million to the Xinjiang Production and Construction Corps to support educational development in Xinjiang. The Company insists on the local hiring policy and recruits full-time workers in Xinjiang to promote local employment.



Illustrative Case:

Working group on horseback

The working group dispatched by China Coal Energy to carry out poverty alleviation works in Xinjiang has won the nickname, the “working group on horseback,” among herdsmen of Boer Bosong Village. They have overcome numerous difficulties including language barriers and challenging living conditions to visit local residents and conduct in-depth research works. With solid support from the Company, they deliver warmth to the impoverished herdsmen.

Poverty alleviation: Purchased a solar-powered facility to resolve daily lighting and other electrical problems on the herdsman who lost his hands in a high-voltage line electric shock accident in his childhood.

Warmth delivery: Presented RMB10,000 of consolation money to old Party members, old cadres and seniors who have dedicated their entire life to grassroots works.

Village construction: Donated over RMB20,000 to repair water-damaged roads, 15km long in total, in Boer Bosong Village; donated RMB9,000 to instal wrought iron

fences along the roads of the new village; and installed water pipes, circuits and storage facilities in the village’s kindergarten to help improve the village’s environment.

Coal: Distributed more than 30 tonnes of coal to meet impoverished herdsmen’s heating need.

Drinking water: Visited the local water department on various occasions for consultation and conducted field research works; completed relevant report on the village’s drinking water project for human beings and livestock; and provided technical support for the village’s drinking water and drilling projects.

Special report: Conducted investigation on the village’s eight key poverty alleviation projects and produced the “Special Research Report on Accelerating Development in Subutai Township’s Boer Bosong Village,” which lays a solid foundation for a systematic follow-up to the poverty alleviation works in the village.

“China Coal Energy’s working group is the first group to report on our conditions and the group which implements the best system and regulations and conducts work in the most proactive way.” – CPC Committee’s Grassroots Office in Xinjiang Uyghur Autonomous Region.



A working group on horseback visits local residents to alleviate their living difficulties

Disaster relief

China Coal Energy pays close attention to emergencies and disasters. By upholding the principle of helping those in need, China Coal Energy strives to deliver warmth to people in disaster-stricken areas as soon as possible and make the greatest efforts to reduce losses of people's lives and property. The Company is committed to helping disaster victims rebuild their homes, fully demonstrating its social obligations and deep feelings towards people.

On April 20, 2013, a 7.0-magnitude earthquake jolted Lushan County in Ya'an City of Sichuan province. China Coal Energy immediately mobilised its employees to organise a donation campaign, known as "Care for

Disaster Areas; Contribute Our Love." The initiative raised over RMB180,000 in donations to contribute the love and concern of the entire staff and management of China Coal Energy and help disaster victims weather the difficulties to our greatest extent possible.

Volunteer activities

China Coal Energy is devoted to charity causes and exerts great efforts in promoting the volunteer spirit of "Dedication, Friendship, Cooperation and Progress." The Company encourages its employees to participate in volunteer service projects, organises diversified volunteer activities, and makes contributions to facilitate harmonious community building and support disadvantaged groups.



Illustrative Case:

Revive Lei Feng Spirit; Demonstrate Moral Strength

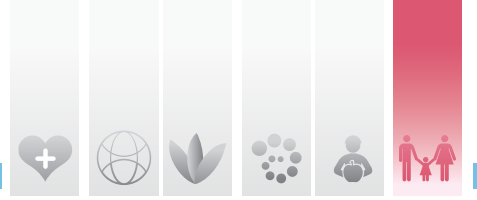
Shanghai Datun Energy Resources Company Limited is devoted to charity causes. In addition to donating RMB300,000 to Feng County every year, it organised employees to carry out the youth's "Warm winter" initiative to donate 65 bags of rice to 142 elderly people in the Weimiaozen Nursing Home, who were covered by the state's "five guarantees" system. Meanwhile, the company launched a volunteer initiative, themed "Revive Lei Feng Spirit; Demonstrate Moral Strength; Make Datun a Beautiful Place," to encourage the public to donate blood and hematopoietic stem cells. As of the end of 2013, the initiative collected nearly 100,000 ml of blood. Of the 715 donors in the China Marrow Donor Program, 27 people saw compatibility in their confirmatory tests and four successfully donated their bone marrow.



"Warm winter" initiative by Shanghai Datun Energy Resources Company Limited

Performance in Community Responsibilities

Name of Indicator	2011	2012	2013
Taxes paid (RMB100 million)	135.9	157.9	126.64
Amount of donation (RMB10 thousand)	1,202	1,564	796
Social contribution per share (RMB)	2.47	2.51	2.09



2014 Outlook

Currently, the growth in domestic energy demand is affected by constraints imposed by the factors such as the environment, consumption, transportation. Overcapacity in coal consuming industries such as steel and cement as well as the pressure of air pollution treatment directly constrain the growth in coal demand, leaving the coal industry far from out of the woods. As the second largest coal company in the PRC, China Coal Energy is always committed to its corporate mission to “supply quality energy and lead industrial development for a prosperous life”. On the one hand, by developing combined open-pit and underground mining as well as manufacturing high-end coal mining equipment, the Company will focus on advancing the reform on coal production mode, aiming to increase safe and efficient production capacity so as to better support the development of industrialisation and urbanisation as well as to create social value. On the other hand, the Company will actively promote the revolution on coal consumption, carry out the construction of power generation and chemical model projects, develop circular economy in mining areas and foster an ecological culture under the guidance of high starting point, high target, high technology, high efficiency and high benefits, so as to enhance the level of clean coal utilisation, reduce the impact on the environment and create a beautiful life together with our staff, communities, customers and all related parties.

Focusing on market expansion to improve overall efficiency. The Company will organise high-quality and high-efficiency production, steadily raise the coal quality and production volume so as to stabilise the price and boost the sales by quality. To enlarge its sales scope and market share, the Company will actively secure railway transportation capacity and expand sales channels. The overall efficiency will be maximised through the establishment of a more flexible pricing mechanism, optimisation of supply chain management, advancing improvements in management, furthering the progress to lower cost and enhance efficiency, and enhancement of the performance assessment system.

Strengthening safety responsibilities to ensure safe production. Centring upon building a safety-assured enterprise with a particular emphasis on the establishment of safety and quality standards, the Company will adhere to the target of “zero fatality” and continue with the advancement in technological safety, on-site execution and safety supervision system establishment, ensuring stable safety control and eradicating major or even serious accidents by reinforcing risk prevention and identifying and rectifying potential hazards with a focus on safety control over weaknesses in key business segments such as the


coal chemical segment. The Company will carry forward innovation in safety concepts, and facilitate the steady and smooth development of safe production by taking occupational health as an important part of safe production work and insisting on both occupational casualty control and occupational hazard prevention.

Accelerating structural adjustment to facilitate transformation and upgrading. In line with the measures taken by the government, the Company will actively carry forward the transformation towards clean and efficient coal utilisation and the reduction in pollutant emissions to address air pollution in a concerted way. By further developing the power generation and chemical sectors and constructing model projects of high efficiency, energy conservation, near zero emissions and advanced technology, the Company will achieve clean coal utilisation to effectively address the crisis of structural oversupply in coal and meanwhile ensure the sustainable development of the Company.

Building “Green China Coal Energy” to promote green development. To establish and improve the “Green China Coal Energy” system, the Company will advance the standardisation of green coal mines, coal mining equipment and chemical projects, formulate and implement corporate environmental contingency plans, and conduct assessments on the environmental safety risk system and emergency drills. The Company will strengthen the energy conservation and environmental protection plan and projects supervision and management, and intensify its work on energy preservation and consumption reduction. The Company will also study the overall management plan of energy performance contracting, take measures to build green mines and complete some projects that can highlight energy conservation and environmental protection.

Enhancing technological breakthrough to further motivate innovation. Aiming to develop capacity in a scientific, safe and efficient manner, the Company will reinforce the integration of technological optimisation and technological innovation as well as the integration of scientific innovation and scientific development, strengthen breakthrough in major special technological projects and enhance the capability of self-initiated innovation so as to provide technological support for corporate transformation and upgrading.

Being committed to win-win development and creating a harmonious environment. Adhering to its social responsibility concept of benefitting local people and returning the favour to society, the Company will focus on its own development as well as the healthy development of its staff in all aspects, and meanwhile support and facilitate local social and economic development for the benefit of the local people, achieving harmonious and win-win development of the enterprise and its staff, and of the enterprise and the locality. In order to let its staff live in happiness and dignity, the Company will further optimise



the remuneration system, strengthen education, training and skill enhancement of the staff, emphasise on the improvement in their living and working conditions, and carry on with the caring activities to help its staff resolve difficulties and relieve poverty. The Company will continue to focus on supporting the development of the local economy and society, intensify its support to charity causes and seek to provide more job opportunities, so as to create a harmonious environment for development.

The future is underpinned by our responsibility, and our motivation is inspired by our mission. Committed to its corporate mission of “supplying quality energy and leading industrial development for a prosperous life” and adhering to its corporate spirits of “dedication, integrity, innovation and forerunner”, China Coal Energy will incorporate the social responsibility concept and sustainable development requirements into its corporate development strategy and daily operations to enhance its capability in creating comprehensive value for the economy, society and the environment, improve its transparency of operations and reputation, and achieve harmonious development with stakeholders such as the government, customers, staff, partners and the community. China Coal Energy will take steady steps towards its corporate goal of becoming a world-class energy enterprise with global competitiveness and make newer and greater contributions in securing domestic energy supply and serving the development of the domestic economy and society.



中煤能源欢迎您对报告提出建议和意见
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