



鞍 鋼 股 份 有 限 公 司
ANGANG STEEL COMPANY LIMITED*

Stock Code: 00347

2017

**Environmental, Social
and Governance Report**

* For identification purposes only

Preface

SCOPE OF THE REPORT

Angang Steel Company Limited* (鞍鋼股份有限公司) (the “Company” or “Angang Steel”) is the reporting entity for the preparation of the 2017 Corporate Social Responsibility Report of Angang Steel Company Limited* (鞍鋼股份有限公司) (this “Report”), which discloses the performance of the Company in respect of social responsibilities in 2017 in an objective, true and systematic manner and acts as a platform for communication with all stakeholders, and under the supervision and inspection of the government departments and regulatory authorities while paying attention to the comments on the Company from the public and the media. This report is a yearly report.

MAJOR REFERENCE STANDARDS FOR THE REPORT

Guidance on Social Responsibility (GB/T36000–2015);

Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the Main Board (revised in 2015);

Environmental, Social and Governance Reporting Guide (Appendix 27 to the Listing Rules of Hong Kong Stock Exchange).

ASSURANCE OF THE REPORT

Unless otherwise specified, this Report describes the business performance of Angang Steel (including the headquarters located at Anshan City, the Bayuquan branch located at Yingkou City and all subsidiaries). The amounts are denominated in Renminbi (RMB) in this Report.

PUBLICATION OF THE REPORT

This Report is released to the public in an online version which is available at the websites of CNINFO and Hong Kong Stock Exchange.

In 2017, Angang Steel earnestly studied and implemented the guiding principle of the 19th National Congress of the Communist Party of China and the important speech on “three promotions” requirements as raised by Xi Jinping, the CPC Secretary General. Following the work idea of adhering to “one center”, focusing on “three critical elements”, and implementing “ten key aspects” as well as realizing “one goal”, the Company continuously enhanced corporate development vitality through further deepening reform; constantly beefed up the production management and control capacity through improving economies of scale; continuously intensified its competitiveness in the market through vigorously expanding profit margins; and strengthened cohesive force for innovative development through caring for the employees. In addition, the Company faithfully fulfilled its corporate social responsibility and proactively made contributions to the sustainable economic and social development.

Preface (Continued)

In 2018, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Angang Steel will thoroughly implement the guiding principles of the 19th National Congress of the Communist Party of China and the Central Economic Working Conference as well as the “three promotions” requirements so as to strengthen ideology to build the new pattern of revitalization and development; enhance strategic positioning to build the new pattern of coordinate development between the principal businesses and relevant businesses; intensify efficiency enhancement to build the new pattern of efficient management and control; strengthen brand upgrade to build the new pattern integrating production, marketing and research; level up management to build the new pattern of innovative management; reinforce talents team construction to build the new pattern of talents-driven enterprise development; and strengthen tenet consciousness to build the new pattern of green and shared development. The Company will continue to take initiative to honor its social responsibility and abide by social responsibility standards. It will proactively protect the rights of its shareholders, employees, suppliers and customers and engage in public welfare affairs such as community building in order to facilitate the coherent and harmonious development of the Company and the whole society while faithfully fulfilling its corporate social responsibilities and making contributions to the society.

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Chapter I Company Overview

Angang Steel Company Limited* (鞍鋼股份有限公司), established on 8 May 1997 by Anshan Iron & Steel Group Co. Ltd (“Angang Holding”) as its sole promoter, is listed on Hong Kong Stock Exchange and the Shenzhen Stock Exchange respectively. The registered capital of the Company amounts to RMB7,235 million. The Company possesses the whole production process for modernised steel and iron production, including coking, sintering, iron manufacture, steel manufacture and rolling operations, as well as the necessary ancillary facilities. The Company has advanced production technology and technical equipment in terms of international standards while its comprehensive competitiveness also took lead in the world.

The Company mainly produces 18 major types of steel, including steel for railway, heavy section steel, small and medium section steel, steel bar, rebar, wire rods, extra thick plates, thick plates, medium plates, hot-rolled sheets, cold-rolled sheets, medium-thick and wide steel band, hot-rolled thin and wide steel band, cold-rolled thin and wide steel band, galvanised steel sheets (band), coating plates (band), electrical steel plate (band) and seamless pipes with steel products divided into over 700 product categories, more than 2,000 steel grade numbers and over 60,000 specifications. These products are widely used in industries such as machinery, metallurgy, petroleum, chemical, coal, electricity, rail, ship, automobile, construction, home appliances, aviation and national defence. In addition, the Company, on the basis of EVI activities, optimises the marketing system and mechanism, strengthens the construction of marketing channels and deepens technical marketing to increase the regional sales efforts and speed up the transformation into a service provider.

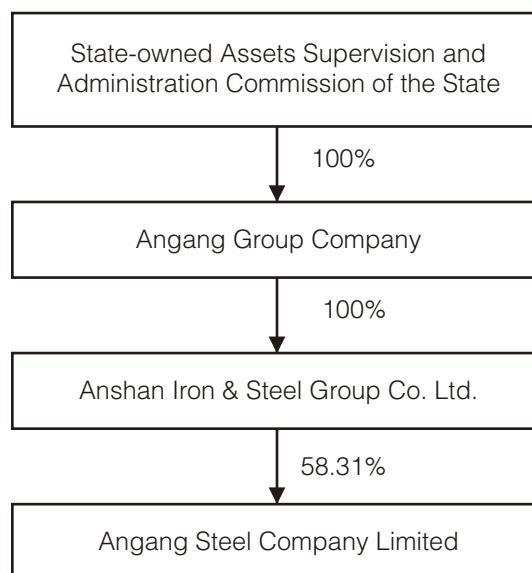
The Company has obtained certifications for the GB/T19001 Quality Management System, GB/T24001 Environmental Management System, GB/T28001 Occupational Health and Safety Management System and GB/T23331 Energy Management System. Its steel for shipbuilding was certified by the classification societies in 9 countries, namely China, the United States, Germany, the United Kingdom, Italy, France, Norway, Korea and Japan. Its steel for automobile was certified for ISO/TS16949. Its construction products exported to Europe have obtained CE certification. Its products exported to Japan have obtained JIS certification.

As at 31 December 2017, there were 34,876 employees in the Company. In 2017, the Company produced 22.0757 million tons, 22.5974 million tons and 20.6801 million tons of iron, steel and steel products respectively.

Chapter I Company Overview (Continued)

The controlling shareholder of the Company is Anshan Iron & Steel Group Co. Ltd. Angang Holding is an enterprise solely funded by the state. Its legal representative is Wang Yidong.

The following chart sets out the relationship between the Company and its de facto controller.



Chapter II Protection of Shareholders' Rights

I. CORPORATE GOVERNANCE

In strict compliance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies and the relevant requirements of the CSRC as well as the Rules Governing the Listing of Securities on Hong Kong Stock Exchange, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange and the relevant laws and regulations, the Company has formulated the Articles of Association, the Rules of Procedure for General Meetings, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Supervisory Committee, the Working System for Independent Directors and other rules and regulations, which have specified the duties and authorities, procedures and obligations of general meetings, the Board of Directors, the Supervisory Committee and the management in respect of decision-making, execution, supervision and other aspects, thereby forming a governance mechanism of reasonable division of labour, clear authorities and responsibilities and mutual balance among the authority body, the decision-making body, the supervisory body and the operation.

The Board comprises seven members including one chairman, three executive directors and three independent directors. The Board has established four special committees, namely the strategic committee, the remuneration and appraisal committee, the nomination committee and the audit committee, which are all comprised of directors. In particular, all of the members of the audit committee are independent directors while the majority of the members of the nomination committee and the remuneration and appraisal committee are independent directors who are also the conveners. There is at least one independent director who possesses professional qualifications in accounting in the audit committee. Each of the special committees is accountable to the Board and submits proposals to the Board for consideration and approval. The institutional arrangement of the Company provides full protection for the performance of duties of the independent directors and each of the special committees.

The Supervisory Committee comprises three members including one employee representative supervisor. The members of Supervisory Committee perform their duties and responsibilities in supervision under the Company Law, the Articles of Association and the authorization from the general meetings.

The management is responsible for the arrangement and implementation of resolutions approved at the general meetings and Board meetings, the production, operation and management of the Company and the daily operations of the internal control of the Company.

Chapter II Protection of Shareholders' Rights (Continued)

II. GENERAL MEETINGS

In order to protect the rights of its shareholders, the Company convenes general meetings at appropriate time and venue according to the relevant requirements and notifies its shareholders in a timely manner. The general meetings are convened by adopting way of poll combining on-site voting and online voting to ensure that the shareholders can exercise their rights.

In 2017, the Company convened two general meetings at which 11 proposals including the Proposal in relation to the Issue of the Medium Term Notes of RMB4 billion in the PRC Inter-bank Bond Market, the Proposal in relation to the Amendments to the Articles of Association, the Proposal in relation to the Grant of General Mandate to the Board of the Company Regarding Issue of H Shares and Other Transferable Rights at the General Meeting, and the Proposal in relation to Amendments to the Articles of Association.

III. INFORMATION DISCLOSURE

The Company performs the obligations in information disclosure in strict compliance with the relevant laws and regulations as well as the relevant requirements of the Shenzhen Stock Exchange and Hong Kong Stock Exchange. The Company has formulated a standardised internal review process for information disclosure to further improve the efficiency and quality of information disclosure and ensure the trueness, accuracy, completeness, timeliness and fairness of the information disclosed. The Company makes true and detailed disclosure of its business performance and various important matters to the investors via China Securities Journal, the CNINFO website and the website of Hong Kong Stock Exchange. In 2017, the Company published 4 regular reports and 39 extraordinary announcements to the public.

Chapter II Protection of Shareholders' Rights (Continued)

IV. PROFIT DISTRIBUTION

The Company attaches great importance to the investment returns to the investors and has formulated a long-term profit distribution policy in view of stability. In 2012, pursuant to the Notice regarding Further Implementation of Cash Dividends Distribution of Listed Companies 《關於進一步落實上市公司現金分紅有關事項的通知》 issued by the CSRC, the Company made amendments to the Articles of Association, which defined the basic principle of the profit distribution, the specific details of the profit distribution policy and the consideration and approval procedures for the profit distribution plan, and specified in the Articles of Association that “the profit distribution by way of cash shall be no less than 10% of the distributable profit recorded by the parent company for the year”.

On 8 June 2017, the profit distribution plan for 2016 was considered and approved at the general meeting of the Company. In 2016, the earnings per share amounted to RMB0.223 and the Company distributed cash dividend of RMB0.067 per share, representing a cash dividend ratio of 30%. On 30 June 2017, the Company distributed the cash dividends with an aggregate amount of RMB485 million to all shareholders.

V. COMMUNICATION WITH INVESTORS

The Company has formulated the Management Measures for Investor Relations to regulate the communication between the Company and the investors. In 2017, the Company organised 23 activities on investor relations, where the Company communicated with the investors in respect of industry prospects, production and operation and other issues to deliver the valuable information on the Company. In addition, the Company also communicated with the investors by way of including answering enquires from the investors on the interactive platform and telephone enquiries from the investors through a hotline to answer questions for the investors and ensure an unimpeded communication channel between the Company and the investors. In strict compliance with the Guidelines for Fair Information Disclosure of Listed Companies, the issues communicated were based on the announced information of the Company.

Chapter III Protection of Employees' Rights

I. OVERVIEW ON EMPLOYEES

As at 31 December 2017, the Company had 34,876 employees with 28,829 on-the-job employees, among whom 23,480 were from production, 2,801 were from technical support, 377 were from services and 2,171 were from management. The Company had 2,938 on-the-job female employees, accounting for 10.19% of the total on-the-job employees, and 13,103 on-the-job employees under the age of 45, accounting for 45.45% of the total on-the-job employees.

As at 31 December 2017, the Company had 19,708 employees with an education level higher than technical secondary school, accounting for 68.36% of the total on-the-job employees, among whom 61 employees had a doctoral degree, accounting for 0.21% of the total on-the-job employees; 522 employees had a master's degree, accounting for 1.81% of the total on-the-job employees; 7,760 employees had a bachelor's degree, accounting for 26.92% of the total on-the-job employees; 8,164 employees were college graduates, accounting for 28.32% of the total on-the-job employees; and 3,201 employees graduated from technical secondary schools, accounting for 11.10% of the total on-the-job employees.

The Company had 4,480 employees with middle or senior technical titles, accounting for 15.54% of the total on-the-job employees, and 12,195 employees with high technical ability (senior personnel and above), accounting for 42.30% of the total on-the-job employees.

In 2017, the Company recruited 211 fresh graduates from colleges or above, accounting for 0.07% of the on-the-job employees as at the beginning of 2017, and terminated employment contracts for 178 employees, accounting 0.26% of the on-the-job employees as at the beginning of 2017.

Chapter III Protection of Employees' Rights (Continued)

II. PROTECTION OF EMPLOYEES' RIGHTS

Pursuant to the Labour Law, the Labour Contract Law, the Implementation Regulations of Labour Contract Law and other laws and regulations, the Company has formulated the Management Measures on Labour Contracts, which specify the rights and obligations of both the Company and the employees, and has strictly enforced such rules. In compliance with the relevant national laws and regulations, the Company protects the legitimate rights of its employees and prohibits the use of child labour and forced labour. The Company always adheres to the principle of making distribution according to work and implements an equal pay for equal work policy with equal employment opportunities. There is no discrimination policy towards gender, age, illness, race and religion. The Company has entered into labour contracts with all the employees with labour relations. On the basis of comprehensive analysis of the human resources of the Company in various businesses, an analysis report on human resources has been formed so as to optimise allocation of personnel and increase efforts for reserve of talents. The Company has prepared and issued the relevant measures and procedures for management of business secret-related personnel to practically fulfill the obligation of keeping national secrets and safeguard the relevant interests and rights of employees.

Pursuant to the requirements on insurance policies at the national, provincial and city level, the Company has established a comprehensive and sound insurance system for its employees and maintained basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and housing fund for all employees. In order to enhance the ability of its employees against illness and disease, the Company has established a supplementary medical insurance system, thereby forming a four-in-one medical protection system comprising the basic medical insurance, the over-limit medical insurance, the supplementary corporate medical insurance and the medical relief fund. The Company has actively participated in the corporate annuity scheme of Angang Group Company. The Company has made timely contributions to various insurance policies in a full amount and provided welfare expenses as stipulated to improve employee benefits. According to the law, the employees are entitled to paid annual leave, family leave, leave for marriage or funeral, maternity leave and other holidays. The pay for overtime and holiday work of employees is in compliance with the relevant policies of the government and the Company.

Chapter III Protection of Employees' Rights (Continued)

II. PROTECTION OF EMPLOYEES' RIGHTS (CONTINUED)

The Company always regards the Collective Contract and the Specialized Collective Contract for Protecting Rights and Benefits of Female Employees as the specific measures for maintaining a harmonious labour relationship as well as protecting legitimate rights of employees and special interests of female employees. In strict compliance with the Collective Contract and the Specialized Collective Contract for Protecting Rights and Benefits of Female Employees, the coverage of collective contracts has reached 100%. The Company has strengthened the inspection and supervision of the performance of collective contracts to ensure the performance of the legitimate rights of employees. In August, the special committee under the employee representative meeting and the employee representatives conducted special inspection of the performance of the Collective Contract and the Specialized Collective Contract for Protecting Rights and Benefits of Female Employees by grass-roots units in terms of labour deployment, remuneration, working hours and rest and leave, staff education and training, insurance and welfare benefits, protection of female employees' rights, occupational safety and health and other aspects and reported the performance of Collective Contract to the employee representative meeting. In strict compliance with the Special Rules on the Labour Protection of Female Employees, Rules on the Prohibited Scope of Labour of Female Employees and other requirements as well as the terms of the Company in respect of the management measures on the labour protection of female employees, the Company achieved equality between male and female in terms of equal pay for equal work, vocational education, technical training, promotion, participation in corporate democratic management and other aspects. The Company offered "two diseases" general examinations, with the coverage of 100%, and special physical examinations for all female employees to reduce the incidence of gynecological cancers of female employees and effectively maintain the physical health of female employees. The Company has also purchased "Ankang Insurance (安康保險)" for female group for 3,409 female employees. 3 female employees made claims and received RMB120,000 in total therefor.

Chapter III Protection of Employees' Rights (Continued)

III. RELATIONSHIP BETWEEN THE EMPLOYEES AND THE COMPANY

1. Unimpeded Channels for Employees' Participation in Corporate Management

The Company has implemented the Opinion on Establishing Harmonious Labour Relations issued by the central government and the State Council in a conscientious and consistent manner and strengthened the establishment of corporate democratic management system in a basic form of employee representative meetings. In particular, the Company focuses on the democratic management while deepening reform to ensure that the works are carried out according to the laws and regulations under standardised procedures without any flaws and mistakes. The Company convened the 14th meeting of the first session of employee representative meeting to consider and approve 12 items including the executive work report of the Company and the employee training scheme for the year 2017, 100% of which was considered. In particular, polls were conducted in respect of the items related to the vital interests of employees, including the Collective Contract (Draft), the Specialized Collective Contract for Protecting Rights and Benefits of Female Employees (Draft) and the Use of Welfare Expenses for the Year 2017 (Draft). The Company convened review meetings for the proposals from the employee representatives to review the proposals received and file such proposals for further handling and then give feedback to the grass-roots units and the relevant employees in a timely manner, while reporting the results at the annual employee representative meeting. The Company has handled all the proposals from the employee representatives as well as the opinions and suggestions. The Company fully implemented an open system for factory affairs to broaden the channel for disclosure of factory affairs. The Company also facilitated the disclosure of affairs of the basic working zones and teams. Upon the consideration and evaluation of the employee representatives, the satisfaction rate reached 100% in respect of the implementation of the open system of factory affairs. The Company conducted democratic consideration and evaluation on the performance of the leaders and cadres and the rate for democratic consideration and evaluation on the leaders at various levels reached 100%.

Chapter III Protection of Employees' Rights (Continued)

III. RELATIONSHIP BETWEEN THE EMPLOYEES AND THE COMPANY (CONTINUED)

2. Building a Company with Harmonious Labour Relations

The Company always focuses on the comprehensive development of corporate activities for labour relations to establish new-type labour relations which are standardised and orderly, fair and reasonable, mutually beneficial and harmonious and stable so as to protect the legitimate rights of the Company and its employees to pursue healthy growth of the Company. The Company has pushed forward the implementation of various works for establishing harmonious labour relations, including furthering disclosure of factory affairs, implementing collective negotiation and collective contract systems and strengthening the mediation mechanism for labour conflicts. The Company has conducted a special activity called "Online Questions for Company (網絡問企)" to open a channel for employees to give opinions, suggestions and appeals and motivate them to participate in democratic management. 39,822 opinions and suggestions were given by the employees via the "Online Questions for Company (網絡問企)" platform throughout the year, in which 22,502 passed preliminary approval and 15,967 were settled. The Company has made use of the labour dispute mediation committee to keep in touch of the development of labour disputes and strengthen the efforts in handling letters and visits of employees as well as labour disputes in order to maintain an unimpeded channel for the employees to express their opinions, mediate labour conflicts in a timely and effective manner, nip the conflicts in the bud and solve the issues at the basic level, thereby establishing harmonious labour relations. The Company has further strengthened its effort into the democratic management reception day, regular communication between the cadres and employees, inspection of employee representatives and other matters to have better knowledge of employees' needs, listen to employees' opinions and respect employees' aspiration. The opinions and suggestions proposed by the employees are studied and the existing problems are rectified and solved.

Chapter III Protection of Employees' Rights (Continued)

III. RELATIONSHIP BETWEEN THE EMPLOYEES AND THE COMPANY (CONTINUED)

3. Efforts in Enhancement of Working Environment for Employees

The Company has placed great emphasis on the labour protection for employees and thoroughly publicized and implemented the Labour Law, Trade Union Law, Work Safety Law, Law on Prevention and Control of Occupational Disease and other relevant laws and regulations. To strengthen responsibility fulfillment, the Company signed a letter of responsibility for production safety with 28 trade unions of grass-roots units. Intensified efforts were exerted for up-to-standard infrastructure construction for standardization of production safety of shifts. In the campaign themed by “delivery of coolness in summer”, the trade union of the Company, on the basis of survey on employees' demands, purchased electric fans, medicine cabinets, salt soda water and other heatstroke prevention products with a value of over RMB700,000 for front-line employees. Besides, the Company proactively collected the achievements made by work groups in safety standardization management, including 32 commendations and 14 excellent achievements. At the 33rd annual meeting of the League for Labour Protection of Trade Unions of National Iron and Steel Enterprises (全國鋼鐵企業工會勞動保護工作聯合會), Bai Wei, a shift leader of the Main Steel Making Plant of Angang Steel, announced the excellent achievements of work groups in safety construction.

The “Star of Mass Security(群安之星)” election was thoroughly implemented. The employees were commended for their prominent contributions in terms of prompt identification, screening and treatment of potential safety hazards in production, timely correction of unsafe acts of employees, proposal of suggestions on rationalization of safety, prevention of accidents, etc. and 31 front-line employees were commended or awarded throughout the year.

The trade union's participation function was strengthened. In the “Month for Production Safety”, the Company organized screening and rectification of accident potentials and occupational hazard factors. A total of 14,528 potential safety hazards were identified and 14,107 potential safety hazards were rectified. For the rest 421 hazards which cannot be rectified temporarily, appropriate protective measures have been taken. In addition, the Company organized blackboard newspapers on safety and pictorial exhibition as well as 1,915 education campaigns on safety. The competition of “rescue and fire extinguishing practices” further improved front-line employees' capacity of emergency response and practice. The trade unions at all levels, closely centering on “thorough fulfillment of corporate responsibilities in respect of production safety”, organized the employees at front line, in work groups and at different positions to earnestly learn knowledge on safety and occupational health in order to prevent production safety accidents and carried out activities of quizzes on safety and occupational health for work groups to greatly improve the comprehensive quality.

Chapter III Protection of Employees' Rights (Continued)

III. RELATIONSHIP BETWEEN THE EMPLOYEES AND THE COMPANY (CONTINUED)

4. Enthusiasm for Helping Employees Encountered with Difficulties

The Company has further enhanced the long-term mechanism for poverty relief. In accordance with the requirements of superior trade union, the Company redefined employees of exceptional poverty and needy employees of the Company, improved files for accurate identification and included the said employees in the assistance networks of the All-China Federation of Trade Union and governments to expand relief channels, increase relief efforts and ensure accurate poverty relief. The Company organised an extensive visit event which was called "Warmth for Thousands of Homes (温暖送萬家)". The cadres and party members paid 10,182 visits to model workers, employees encountered with difficulties and retired personnel in plight throughout the year and gave out relief funds of RMB5,289,500. Medical relief for critical illness was also provided to 829 individuals and medical relief funds of RMB3,139,900 were given out. The Company cares about the living of its employees and organised pragmatic activities including celebrating birthdays for employees, match-making parties, health lectures for female employees, legal counselling and giving of coolness to build a brand image for labour union services.

5. Helping Disabled Employees with Care

The Company has 483 disabled employees. In order to enhance the management of and services to the disabled employees, the Company has established a federation for disabled persons and commenced activities to care for the disabled employees. The Company paid over 365 visits to employees with difficulties or disabilities and gave out relief funds of RMB172,400 and comfort gifts amounting to RMB71,000 to those employees. In order to enrich the cultural and sports life for the disabled employees, the Company organised mountaineering, park tours, arts, photography, reading and other activities for them, and encouraging them to participate in table tennis and badminton competitions of above municipal level.

Chapter III Protection of Employees' Rights (Continued)

III. RELATIONSHIP BETWEEN THE EMPLOYEES AND THE COMPANY (CONTINUED)

6. Enrichment in Cultural Life of Employees

The Company gave top priority to the study, publicity and implementation of the guiding principle of the 19th National Congress of the Communist Party of China and regarded it as a primary political task. In addition to the educational practices themed by “Celebrating the 19th National Congress of the Communist Party of China, Following the Party Wholeheartedly” and “Study of the Guiding Principle of the 19th National Congress of the Communist Party of China, Be a Good Worker in the New Era”, the Company also carried out publicity and study campaigns in various forms on celebrating the 19th National Congress of the Communist Party of China, and study the guiding principle of the 19th National Congress of the Communist Party of China and Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era so as to fully understand and put them into practice. Taking account of the actual conditions of employees, the Company organised activities such as speech contest for employees, establishment of staff's reading room, etc., so as to integrate the education of socialist core values into the education of situation and task as well as reform and development. The Company organised a variety of cultural and sports activities suitable for employees. Placing great emphasis on the cultivation of cultural qualities of employees, the Company encouraged literary and artistic creation to explore and develop interests and hobbies for employees. The Company also organised activities including lantern riddle event, fun fitness classes, delivering culture to factories as well as badminton competition and mountaineering team competition, which were all welcomed by employees.

The men's team of tug-of-war of Angang Steel won two champions in men's 560kg and 600kg events in the National (Indoor) Tug-of-War Championship (全國(室內)拔河錦標賽) held in Fuyang, Zhejiang.

7. Caring for Physical and Mental Health of Employees

The Company arranges its employees to attend physical examinations every year with coverage of physical examination and health filing for employees reaching 100%. The Company also organised vacation for employees by batches and 26,684 individuals participated in the vacation throughout the year.

Chapter III Protection of Employees' Rights (Continued)

IV. TRAINING AND QUALITY IMPROVEMENT OF EMPLOYEES

In 2017, the education and training of the Company was closely connected with the production and operation as well as transformation and upgrading and focused on the fostering of talents. It carefully carried out the implementation plans for education and training of employees in 2017 at various levels, through different channels and from multiple perspectives. For the education and training of the employees, we focused on deepening reform, serving the overall situation, transformation and upgrading, law-based corporate governance and maintaining the sustainable and healthy development of the enterprise, thus significantly improved the innovation-driven development, talents cultivation, technology progress and the learning atmosphere among employees. The business capacity and comprehensive quality of the staff team have been further improved, providing solid talent guarantees and intelligent supports for the Company to become an iron and steel enterprise with strongest comprehensive competitiveness.

The Company conducted a forecast on training needs from top to bottom and from bottom to top and prepared scientific training plans for employees on the basis of sufficient research and study. Through highlighting the focus, being driven by thoughts and optimizing the structure, it promoted the improvement of professional capability, professional behaviors and professional quality of employees. It achieved three-dimensional management and control training through leaders' classes, online micro courses, orders learning, expert lectures, chief forums and foreign exchanges. Meanwhile, by integrating temporary remedial classes and long-term learning, it consistently enhanced the individual quality, teamwork capacity, business management and control ability and position competence of all employees.

In 2017, there were 17,597 participants in centralized training organized by the Company. In particular, there were 1,737 participants in the training sessions for political theory and core leadership on strategies and transformation for senior management; there were 7,992 participants in the training sessions on management knowledge and cutting-edge technology on iron & steel research and development for management and technical employees; there were 4,082 participants in the micro-class trainings on the innovation ability of high-tech talents; there were 8,881 participants in the training sessions for special operation safety and qualification; there were 348 participants in rounds of trainings for secretaries of Party branches; there were 4,701 participants in the training sessions for work group leaders; and there were 46 participants in further study for management and professional technical employees in colleges and universities. There were 68,048 participants in the training sessions on position knowledge and operation skills for employees at grass-roots units.

In 2017, the Company fully achieved its training objective with 97% of training plans and 98.3% training hours being completed. The training hours of employees were 1,545,600 hours in aggregate. The average training hours per employee were 55.2 hours.

Chapter III Protection of Employees' Rights (Continued)

V. PROTECTION OF OCCUPATIONAL HEALTH AND SAFETY RIGHTS OF EMPLOYEES

In 2017, the Company deeply implemented the 0123 safety management model for the new period with the standardization of production safety as the focus and the implementation of safety responsibility as the guarantee. It consistently strengthened the establishment of responsibility system, institutional system, cultural system and regulatory system and made remarkable achievements in production safety.

In 2017, there were two personal injuries in the Company, causing two persons slightly injured. The injury rate per 1,000 employees was 0.068‰, beating the target of 0.15‰ set at the beginning of the year.

1. Further Implementing Responsibility System of Production Safety to Consolidate Building of Safety Responsibility System

At the beginning of 2017, the Company convened the kick-off meeting on production safety in 2017 and entered into the Letter of Responsibility for Production Safety to assign the safety objectives and indicators to persons at various levels and achieve full coverage of production safety responsibility system horizontally and vertically.

The Company amended the Production Safety Responsibility System and carefully organized and improved the safety responsibility of all positions based on the organizational structure and positions to ensure the implementation of safety responsibility at specific position for specific person, eliminate blindness in safety management and achieve “responsibility corresponding to position (一崗一職責)”.

The Company continued to press ahead “inspection on safety management” and established a working mechanism with standardized, institutionalized and routinized “inspection”. It adopted the model and method featuring “determined positions, contents, time period, responsible person, quantitative indicators and appraisal and assessment results”, which effectively enhanced the safety responsibility awareness of management at all levels.

Chapter III Protection of Employees' Rights (Continued)

V. PROTECTION OF OCCUPATIONAL HEALTH AND SAFETY RIGHTS OF EMPLOYEES (CONTINUED)

2. Strengthening Identification and Revision of Safety Management System to Further Improve Safety System

Based on the actual conditions of the Company's reform, the Company has revised the Dangerous Chemical Products Management Procedures (《危險化學品管理程序》) and other safety management systems to continuously standardize and optimize the safety management procedures and improve the effectiveness and timeliness of systems. Meanwhile, the Company organized the identification of 101 national laws and regulations, department rules and standards on safety to ensure the effective operation of the safety management system of the Company.

3. Consistently Enhancing Sweep of Potential Hazards to Improve Intrinsic Safety

Based on its safety management information platform, the Company made a clean sweep of potential hazards on equipment, facilities and environment and realized information-based management on sweep of potential hazards. The Company further increased its expenditure in safety and spent RMB48 million in production safety expenses in 2017 to rectify the safety hazards, thus effectively improving the intrinsic safety.

4. Promoting Production Safety Standardization to Continually Carry out Performance Evaluation on Safety Management

- (1) The Company advanced the upgrade of production safety standardization. It issued the working plan for production safety standardization for 2017 and held promotion meetings regularly. After review by Sinosteel Corporation Wuhan Safety & Environmental Protection Research Institute, the 7 units including Main Coking Plant passed the evaluation and approval for Level-I enterprises in terms of production safety standardization.
- (2) The Company carried out performance evaluation on safety management. It conducted performance evaluation on safety management for 15 units of the Company, including the Main Iron Smelting Plant. It summarized and analyzed issues in the evaluation, proposed rectification suggestions, prepared evaluation reports and followed the closure and rectification of the issues in time.

Chapter III Protection of Employees' Rights (Continued)

V. PROTECTION OF OCCUPATIONAL HEALTH AND SAFETY RIGHTS OF EMPLOYEES (CONTINUED)

5. Perfecting Emergency System to Improve Emergency Capacity and Level

The Company completed the filing of relevant emergency proposals for the Chemical Division and the Energy Control Center. It improved emergency response plans and emergency response cards for positions, further refined and optimized disposal processes and enhanced emergency ability. In a gas poisoning accident scenario, the Company conducted comprehensive emergency practical exercises. It also organized and conducted emergency competitions on "safety rescue and fire extinguishment practice". In 2017, the Company conducted 530 emergency exercises with 6,211 participants, which improved the safety rescue ability of all employees.

6. Consistently Reinforcing Building of Safety Culture to Improve Employees' Safety Awareness and Ability

The Company has consistently carried out activities which have "one theme and one class for each month" to continuously refine and optimize management procedures and improve the safety awareness and management in a continuous manner. It organized training courses for main responsible persons and safety management staff of Angang Steel and constantly intensified supervision and inspection on employment with certificate for special operations to ensure all special operators assuming positions with certificates. The Company conducted the activity of production safety month in four aspects, namely promotion, case training, safety culture and emergency exercises, to improve the safety awareness and ability of all staff.

7. Standardizing Occupational Health Management to Improve Prevention of Occupational Hazards

The Company arranged occupational health examination for employees exposed to occupational hazards and conducted tests on occupational hazard factors in operation places. It carried out "look-back" reviews on occupational health infrastructure of Angang Steel with occupational hazards factors and confirmed that all units have met relevant standards. It also made appraisals on the current prevention of occupational hazards at relevant grass-roots units.

Chapter IV Integrity Management and Protection of Suppliers and Customers' Rights

I. HONEST OPERATION IN COMPLIANCE WITH LAWS

1. Strengthening Internal Supervision to Ensure Normative and Orderly Exercise of Power

The Company has thoroughly implemented the Constitution of the Communist Party of China (《中國共產黨章程》) and played a leading role in complying with all regulations including the Code of Political Integrity of the Chinese Communist Party (《中國共產黨廉政準則》), the Code of Conduct for Intraparty Political Life under New Circumstances (《關於新形勢下黨內政治生活的若干準則》) and the Regulation of the Communist Party of China on Disciplinary Actions (《中國共產黨紀律處分條例》). It also ensures effective facilitation and strengthening of disciplinary review for commercial bribery in terms of key areas and crucial processes by virtue of mechanism innovation.

It followed the problem-oriented principle and solidly advanced the work on integrity map. It strictly conducted “three zero tolerances (三不放過)”, highlighted “five deepens (五個深化)”, determined the risk levels of all units and further specified the integrity risks on all units. It organized secretaries of the Discipline Committee to “give a description (畫像)” of leaders to systematically master the performance of “one position with dual responsibilities (一崗雙責)” by leaders at various levels. It established integrity archives for the leaders under direct management of the Group, leaders above the deputy-division-head level and employees at key positions of the whole Company to fully master the integrity status of employees of all categories at various levels. Based on the guideline of “politics-oriented requirements, management thoughts, IT-based means and modularized achievement” and following the working principles of “partial establishment and overall achievement”, the Company conducted the building of the supervision and prevention platform.

I. HONEST OPERATION IN COMPLIANCE WITH LAWS (CONTINUED)

2. Performing Discipline Supervision and Enforcement in “Four Forms” and Carrying out Discipline Inspection in a Standard Way

The Company focused on key areas in production and operation and strictly investigated cases concerning procurement and sale, projects construction, energy management as well as other key areas and sectors to prevent illegal suppliers from grabbing interests of Angang Steel through various channels. A total of 62 persons were punished in 2017, 38 of which were involved in the first form. It fully demonstrated our guideline of “learning from past mistakes to avoid future ones and helping someone mend his ways to save him”. The corresponding disciplinary and political effects were achieved, just like we treat the sick trees and uproot the rotten trees to protect the forest.

3. Conducting Special Inspection and Supervision

Focusing on key areas and weak sectors in production and operation management, the Company devoted efforts to organizing special supervision on spare parts management, raw materials, fuels and flux, as well as the implementation of major tasks in production and operation. In 2017, the Company conducted a total of 91 special inspections, came up with 131 management proposals and improved 95 rules and regulations.

4. Deeply Carrying out Themed Education Activities while Strengthening Discipline Education

The Company held a warning education meeting, at which 11 typical cases were reported. Meanwhile, it arranged trainings on Party's conduct and integrity for over 600 secretaries of Party branches , provided accurate education on tightening discipline and improving Party conduct for over 400 key personnel and organized over 1,900 members and cadres of the Party to visit exhibitions on anti-corruption and advocating integrity. It organized relevant units to enter into 2,636 cooperation agreements on integrity and honesty with suppliers and published over 60 articles on integrity through We-Chat.

II. RESPONSIBILITY FOR PRODUCT QUALITY

The Company focused on “subsistence and development” and continued to build the quality brand of Angang with the craftsmanship of a great country and a problem-oriented approach to improve the overall product quality. It optimized the product structure with demands as the driver. The Company steadfastly followed the path of pursuing high quality with differentiation, specialty and professionalism, centered on improving economic benefits and core competitiveness and focused on technical innovation and quality enhancement to generate more benefits. In addition, it prioritized users' experiences and promoted the development of new products towards steels with high benefits and technology to increasingly meet personalized demands of users. The customer complaint rate for the whole year decreased by 5.2% and the abnormal quality rate plunged 18.2% as compared with the corresponding period of the previous year.

1. Building a highly efficient R&D management system and conducting innovation in technology management

Through strengthening the building of technology R&D system, Angang Steel follows the green development trend featuring short flow, high efficiency, light weight, energy saving, cleanliness, high performance, and multi-functionality in steel materials production. The Company aims to meet the personalized needs of customers in terms of product varieties, center on the research and development of green technology and equipment, large-scale production capacity, precise control methods, digital design and development, and reliable operation of equipment, and focus on the full coverage of technology, technique innovation and products. On the basis of stimulating the enthusiasm, initiative, proactivity and creativity of technical employees and with technology management and innovation system as guarantees, it upholds the driving role of innovation in industrial development and gives priority to the transformation of innovation results during its transformation and upgrading. With energy saving, consumption reduction and green manufacturing as key drivers during its transformation and upgrading, the long-term development ability in technical innovation as strategic focuses and the system building as strong supports to technical innovation, the Company pursues the green value in the whole life cycle of iron and steel products covering the cycle of iron elements resources and energy, the cycle of water resources and the recycling of solid wastes. In particular, the Company will promote the full range of coverage and development of major products in the automobiles, railways, marine engineering, ships, and energy sectors, and continuously meet the new demands of downstream users, striving to build Angang Steel into a green manufacturer advocating resource conservation, environmental friendliness, and sustainable development.

II. RESPONSIBILITY FOR PRODUCT QUALITY (CONTINUED)

1. Building a highly efficient R&D management system and conducting innovation in technology management (Continued)

The Company strengthened the high-efficiency operation of scientific research and design units through careful organization and meticulous planning, strict design of the text of scientific research contracts, review methods of scientific research contracts as well as the payment under the scientific research contracts. Through operation of open topic projects, appointment of visiting professors in specialized fields, construction of joint laboratory, joint establishment of fund projects with colleges and universities, and organization of academic exchange activities, the construction of national key laboratory for metallic materials of marine equipment and its application (海洋裝備用金屬材料及其應用國家重點實驗室) was strengthened and the Industrial Technology Innovation Alliance of Corrosion Resistant Steel (耐蝕鋼產業技術創新聯盟) has been successfully elevated to a pilot alliance of China Iron and Steel Industry Association; meanwhile, through promoting the upgrading of important basic testing laboratories such as automotive steel laboratories, the Company comprehensively improved the level and capability of testing and experiment equipment; by strengthening awards in intellectual property, the Company enhanced control over the core, cutting-edge and unique technologies.

2. Standardized management

Angang Steel strives to improve the market influence of products through devoting more efforts to the formulation and revision of national standards. It completed the formulation and revision of 17 national standards, including the Alloy Steel Plate for Nuclear Power Stations (《核電站用合金鋼板》); successfully applied for the 6 group standards, including the Steel Plate with Variable Longitudinal Thickness (《縱向變厚度鋼板》); completed the formulation of 5 standards (English version), including the Steel Wire Rod for Steel Cord (《鋼簾線用盤條》) in the charge of Angang; and completed the identification, recognition and publication for implementation of 117 national and metallurgical industry standards and 47 overseas standards. It completed the review of 318 enterprise standards; completed 2 researches on national standards of countries along the “Belt and Road” initiatives, including the Research on Overseas Standard Systems on Coating and Plating Products (《塗鍍產品國外標準體系研究》); and published 319 enterprise standards and 13 technical specifications for implementation, including the Hot Rolled Steel Plate for Ordinary Structure (JIS) (《普通結構用熱軋鋼板(JIS)》). It completed the publication of 324 product standards on the self-declaration system of Liaoning Province and completed the publicity, discussion and recognition on the transformation of 28 compulsory national standards, including the Steel Plate for Boiler and Pressure Vessel (《鍋爐和壓力容器用鋼板》), into recommendatory national standards.

II. RESPONSIBILITY FOR PRODUCT QUALITY (CONTINUED)

3. Management of patents and proprietary technologies

In order to consolidate the basis of the intellectual property right work, the Company has formulated strategies on intellectual property rights and annual plans on the intellectual property right work and amended the Administrative Measures on Technology Export (《技術輸出管理辦法》) and the Administrative Measures on Patent Work (《專利工作管理辦法》). The Company strengthened the operation of intellectual property rights and the amount of patent application accepted was 577, of which 315 were invention patents, representing 54.6% of the patents and an increase of 1.7% from the previous year. It also completed recognition of 353 proprietary technologies. Angang Steel's 13 patents obtained the "Patent Awards of Anshan" and 33 proprietary technologies were granted incentives by Angang Group Company. The Company reinforced the training on intellectual property rights and organised 11 trainings during the year with a total of 380 participants, which enhanced the ability of technical staff on using patent information and mastering strategies on patents application. It deeply conducted trade on technology export and formulated the technology export planning of the Company through the establishment and improvement of the operation and management system on technology export to publicize and promote new technologies. It actively conducted technology export and entered into technology export contracts with an amount of RMB10.28 million.

It sped up in enhancing the scientific and technological innovation capacity and promoted the deep integration of production, learning, research and application and deeply conducted technical cooperation and exchange. Through signing strategic partnership agreements with the Institute of Metal Research (IMR) of Chinese Academy of Sciences (CAS), the Central Iron & Steel Research Institute, the University of Science and Technology Liaoning and other institutes and other methods, the Company realized application of over 100 achievements, reached over 50 cooperation intentions and signed 13 contracts on technical development and 48 contracts on technical services with the Central Iron & Steel Research Institute, the University of Science and Technology Liaoning, the IMR, Northeastern University as well as other universities and institutes. The EVI technology team on motor steel and a vehicle manufacturer conducted two rounds of lightweight analysis, proposed 37 concept technology plans and achieved a weight loss of over 11kg, which provided reliable technical basis in the selection of materials for new vehicles and was highly recognized by users.

II. RESPONSIBILITY FOR PRODUCT QUALITY (CONTINUED)

4. Maintenance and protection of intellectual property

Following the development concept of “Parallelized Technological Development, Production and Reserve”, Angang Steel promoted the protection of intellectual property rights into a virtuous cycle. It has established core technologies on the technology research and development on steel for automobiles and household appliances, Steel for engineering structure, steel for shipbuilding and marine engineering, composite plates, pipeline steel, steel for casing tubes for petroleum and steel for nuclear power, made breakthroughs in the research and development of technology on complex deoxidizer, alloying agent and rotary injection of molten steel and achieved significant progress in the treatment of solid waste in the environment and resources industries, which laid solid foundation for the Company to seize high-end markets and enhance the market controllability. In order to intensify the control over core technologies and on the basis of its research and analysis on “the production technology of medium-thick duplex stainless steel plates (中厚雙相不銹鋼板生產工藝)”, it applied for 13, 9, 8, 7 and 4 patents in technological areas including “technology of rotary injection” (旋轉噴吹工藝), “coal compaction technique” (煤壓實工藝), “manufacturing technology and application of complex deoxidizer” (複合脫氧劑的製造工藝及其應用), “hot rolled composite plate (熱軋複合板)” and “galvanized hot formed steel plate” (鋅系鍍層熱成形鋼板). As a result, a patent portfolio has been successfully built in key technological fields, laying a foundation for optimizing the Company's portfolio of key patented technologies.

5. Increase in the efforts of technology upgrades

Angang Steel continued to increase efforts in technology upgrades with the focus on key points in production and operation, breakthroughs in reducing losses and enhancing efficiency and focal points in environmental protection and emission reduction. In 2017, the proportion of technology input was 4.18%. Following the requirements on improving the product structure, meeting market demands and focusing on cost reduction and efficiency enhancement, it continually intensified technology development and released 4 batches of scientific research project programs of Angang Steel with 344 subjects during the year. It conducted research and development on 27 national subjects, 13 provincial subjects and 23 key subjects of Angang Group Company. It completed the formulation of functional planning for technology development (full coverage of products) of Angang Steel during the “13th Five-year Plan” period. It strengthened research and development of new products and deep engagement of downstream users to enhance results of research and development.

II. RESPONSIBILITY FOR PRODUCT QUALITY (CONTINUED)

6. Abundant research and development results

Some key technologies and products researched and developed by Angang Steel have made great contribution to national construction. The TWIP1180 hot rolled sheets and QP1400 cold-rolled ultra-high strong sheets for automobiles manufactured through the whole-process technology made their global debut. The extra-thick and ultra-high strong marine steel for “Blue Whale No. 1” (藍鯨1號) provided by the Company as an exclusive supplier facilitated the successful trial mining of combustible ice in the PRC. The weathering steel for railway vehicles covered all design specifications and the bogies of bullet trains led the development of the industry. The S32101 nuclear grade ultra-wide 4,000mm duplex stainless steel plate, which was successfully developed by the Company, had shored up the weakness in special steel plate in the PRC, and reached the world-class standard. The quality of the high-strong LX86B tire cord steel is comparable with the same product of POSCO. The new non-oriented silicon steel has been exported to European markets. The “new-generation controlled rolling and controlled cooling technology and its application for hot-rolled steel strips (熱軋板帶鋼新一代控軋控冷技術及應用)” won the second prize of National Scientific and Technological Progress Award (國家科技進步二等獎). Four achievements related to the “innovation and application of whole-process key technology for steels used in ultra-large container ships (超大型集裝箱船用鋼全流程關鍵技術創新及應用)” were awarded the Metallurgy Science Technology Award (冶金科學技術獎). Seven achievements related to the “key technology in the production of high alloy clean steel in converters and its integration and industrialization (轉爐流程生產高合金潔淨鋼關鍵技術及集成和產業化)” were granted the Scientific and Technological Progress Award in Liaoning Province (遼寧省科技進步獎) in 2017. 18 achievements related to the “study and application of the integrated metallurgical technology on the recycling and clean utilization of metallurgical dust of Angang (鞍鋼冶金粉塵再資源化清潔利用集成冶煉技術研究與應用)” obtained the Scientific and Technological Progress Award in Anshan City (鞍山市科技進步獎). Among four technological achievements related to the “innovation and application of the whole-process key technology on corrosion-resistant steel for the new-generation railway vehicles (新一代鐵路車輛用耐蝕鋼全流程關鍵技術創新及應用)”, two were certified as the internationally leading level and two were certified as the internationally advanced level. The “3G steel plates used for the safety vessel of nuclear reactor (三代核電反應堆安全殼用鋼)”, a new product program under the Ministry of Science and Technology (MOST), passed the final acceptance inspection. Two key programmes related to the “R&D for key technology of extra thick and extra wide steel plate for high-end equipment (高端裝備用特厚特寬鋼板製造關鍵技術研發)” of the Group passed final acceptance inspection. It completed reviews on the benefits of 133 subjects and determined a benefit amount of RMB380 million.

II. RESPONSIBILITY FOR PRODUCT QUALITY (CONTINUED)

6. Abundant research and development results (Continued)

In 2017, 14 projects (22 subjects) of Angang Steel were selected as key special projects for technological upgrading and industrialization of key basic materials under the 2017 National Key Research and Development Program. Angang Steel took the lead for 10 sub-subjects including “steel for high strength piping in low temperature and high pressure conditions” (低溫高壓服役條件下高強度管線用鋼) and “critical manufacturing and application technology of steel for high strength corrosion resistant auto body and bogie structure of high speed trains” (高強耐蝕車體和高鐵轉向架構架用鋼關鍵製造與應用技術).

7. More efforts in quality management and enhancement of quality awareness

In 2017, the Company convened the “3.15” quality meeting to raise the awareness of all staff on quality, find gaps, shore up weaknesses and steadily conduct the basic quality management.

The Company implemented strict management and control standards during the process. It completed the revision of over 140 procedures, with more accurate parameters in the full process of procedures. It focused on promoting the management on key process nodes in steel making and implemented management and control over the casting quality and component precision based on 26 varieties. With the continuous improvement in 157 indicators on over 20 elements for controlling purity, constant speed and constant temperature, the quality guarantee ability of the steel making system has been continually boosted.

The Company improved the functional precision of equipment. It promoted inspection of process and listing management of equipment, established 3-level inspection and listing systems of equipment, and completed listing and delisting over 500 times with a delisting ratio of 88%. It also aimed at key product varieties and quality issues to continuously promote the upgrading of process equipment and test equipment of the Company, enhance the quality guarantee ability of equipment and promote the improvement of product quality.

The Company conducted strict appraisal of product quality inspection. It implemented specific inspection on product quality based on monthly plans, covering process discipline, orders management, quality disputes, equipment listing, visual signage, quality of spot products, process nodes, seasonal quality risks prevention and review of issues rectification. The Company organised annual specific inspection of over 100 times, where over 330 problems were exposed and all of them have been rectified.

II. RESPONSIBILITY FOR PRODUCT QUALITY (CONTINUED)

7. More efforts in quality management and enhancement of quality awareness (Continued)

The Company conducted management and control over key orders. With users' experience as the center, the Company focused on the management and control of the whole process of key orders and raised the quality requirements on orders to control the success rate. It followed and appraised over 3,600 key orders during the year and 80.07% of key orders were completed based on the original variety plans.

The Company improved the execution of quality management. Based on the appraisal standards on the execution of quality management, the Company established 8 audit groups with all units to conduct special appraisal on nine aspects, including the leadership, the implementation of quality work and the operation of quality system. Through the ranking of appraisal results, the releasing of reports and continuous improvement, it effectively improved the execution of quality management in the Company.

The Company carried out special trainings on quality. It completed qualifications of responsible personnel for the South Korean KS quality management, Six Sigma quality project management, Six Sigma application by quality design personnel, which increased the Company's technical quality, and the quality and capability of key responsible personnel.

The Company promoted quality research and improvement. It released 156 quality improvement programs on key quality problems and convened routine meetings on system quality on a monthly basis. It has made breakthroughs in the defect ratio of highly-strong steel rolls, the yield rate of galvanized products and the difference of same non-oriented silicon steel. It launched the "One Theme in Two Months" campaign of quality research and gained satisfactory results with all of 8 programs achieving the expected targets. It successfully completed 21 Six Sigma quality management programs in the eighth issue and promoted the improvement in the yield rate of various products and created a benefit of over RMB28 million. 14 programs participated in the 2nd competition for the releasing of Six Sigma programs held by the Metallurgical Quality Alliance (冶金質量聯盟) and won 4 first prizes, 7 second prizes and 3 third prizes.

II. RESPONSIBILITY FOR PRODUCT QUALITY (CONTINUED)

8. Sticking to “quality-oriented for excellent brands” to enhance awareness of products

In 2017, the Company completed a total of over 60 certifications of domestic and overseas products, including motor steel, seamless special equipment steel, ship plate steel for production line 3,800mm, South Korean KS deformed bars, Japanese JIS and Indian BIS steel products, which effectively promoted the further expansion of sales channels for products and the development of markets for high-end products. Four products were awarded the “Golden Cup Prize” by China Iron and Steel Association.

9. Improving quality of product packaging to further enhance presence of Angang products

Specific review on product packaging quality, transportation and storage quality of over ten units, including all finished products warehouses, logistics parks, ports and off-port warehouses, was conducted on a monthly basis. Over 70 times of inspection were conducted with over 120 issues of packaging being rectified, hence the working quality in all processes of the packaging and storage of products was significantly improved and there was 15% reduction of discontent over packaging of the Company. Over-packaging was avoided as operating standards and methods of packaging were optimised through designing for transport characteristics and catering for customized needs. The Company advocated energy-saving, emission reduction and green development. In 2017, total amount of packaging materials used by the Company was 58,276.3 tons.



III. FORGING A RESPONSIBLE SUPPLY CHAIN

1. Deepening construction of system and procedures and continuously optimising purchase rules and regulations

The Company constantly improved the raw materials and fuels purchase system to provide the system with a clear framework, standard structure and practical contents and further amended the Procedures for Supply Management of Raw Materials and Fuels (《原燃料供應管理程序》), the Detailed Rules on Management of Suppliers of Raw Materials and Fuels (《原燃料供方管理細則》), the Detailed Rules on Implementation of Purchase Management of Raw Materials and Fuels (《原燃料採購管理實施細則》) and other important purchase systems. Meanwhile, the Company set up the work mechanism of meeting for preparing the policy on purchase price of raw materials and fuels, in which the purchase strategy for bulk raw materials and fuels is determined in a reasonable way based on information in terms of market, purchase and production, to provide scientific decision support for the “low-cost, high-safety and high-benefit” system for purchase management of raw materials and fuels.

2. Refining entry conditions and evaluation methods of suppliers

The Company continuously refined entry conditions and evaluation standards of suppliers and expanded purchase channels for key varieties including scrap steel, to enrich and optimise the existing team of qualified suppliers. The focus was placed on increasing management efforts on general suppliers. Throughout the year, the Company amended the supplier management related system for several times based on the market and company conditions, and supervised the supply quality of suppliers through compliance inspection. In the year, a total of 83 suppliers were eliminated and 107 were increased through the relevant evaluation system in the principle of survival of the fittest for effective implementation of dynamic management of suppliers.

3. Regulating management of bidding of raw materials and fuels

The Company regulated bidding of purchase and promoted green and open procurement. It ensured open, fair and transparent purchase procedures by insisting on giving priority to open bidding for purchase. Based on such principle, the Company vigorously promoted the bidding for purchase of all raw materials and fuels. In 2017, open bidding rate of all varieties of raw materials and fuels bid amounted to 87.65%, which represented a relative increase in performance and efficiency of purchase bidding as compared to last year.

III. FORGING A RESPONSIBLE SUPPLY CHAIN (CONTINUED)

4. Reinforcing management of quality acceptance of raw materials and fuels

The Company placed its work focus on quality acceptance and continuously reinforced supervision over quality acceptance to ensure acceptance of materials in strict accordance with relevant standards. In addition, the Company analysed the overall quality condition monthly, identified issues and developed measures for improvement to ensure the quality of raw materials and fuels fully satisfies the Company's production needs. The Company enhanced interaction with suppliers in quality management and feedback, therefore continuously increasing levels of quality management of both supply and demand sides. In accordance with relevant provisions under the Measures for Supervision and Management of the Quality of Class A Raw Materials and Fuels and the Inspection and Acceptance Thereof (《A類原燃材料及其檢驗驗收工作質量監督管理辦法》) and the Measures for Supervision and Management of the Quality of Class B Raw Materials and Fuels and the Inspection and Acceptance Thereof (《B類原燃料及其檢查驗收工作質量監督管理辦法》), the Company increased effects on spot check for the quality of raw materials and fuels purchased in a centralized way. Throughout the year, 126 spot checks were conducted, which effectively enhanced purchase quality and no quality accident occurred.

5. Preventing social risks of procurement

The Company strengthened market analysis and forecast and multidimensional benchmarking to grasp external market information in a timely manner so as to provide reliable support for decision on purchase. According to market dynamics, the Company adjusted its purchase strategy, reinforced the weaknesses and optimized measures. The Company calibrated, managed, prevented and controlled significant and material sources of risks during procurement of risk materials and fuels in further detail. A sound risk control and alert mechanism was established adhering to the core of management of significant and material risks. The Company also conducted real-time and active identification and management of risks, and provided early warning of risks and timely delivery of risk-related information. Risk control measures effectively and maximally prevented significant impacts on the Company's production and operation from significant risks of procurement, which continuously enhanced the Company's anti-risk capability. Moreover, the Company continued to foster purchase channels for ores, scrap steel and coal, consolidated its partnership with existing strategic suppliers and looked for new suppliers with strength for cooperation.

IV. MANAGEMENT OF PRODUCT SALES SERVICE

1. Beefing up construction of marketing management system

(1) Promoting reform of marketing system

Centering on “market, customer, product and service”, the Company has built a marketing service system subject to uniform management with management and practice separated. Through strengthening “operation” capacity and enriching “marketing” means, the industrial marketing was reinforced and the regional marketing of regional companies was refined. The marketing decision support platform takes the variety department as the planner of product marketing and supporter of product technology marketing with the stress mainly laid on business condition research, marketing planning, marketing evaluation and other marketing management aspects, and is responsible for maintenance, marketing, development and service in respect of strategic industry customers. In the regional marketing service platform, regional companies are in charge of development and maintenance of customer channels and implementation of customer services. The leading role of regional companies is proactively exerted to develop channels and promote products, and regional companies take charge of marketing management and services for regional customers and include the processing lines in regional integrated management.

(2) Increasing direct supply and prioritizing key projects

The Company built a “trinity” (leadership + technology + marketing) marketing model and improved the representative system of the industry to give full play to the role of technical director. In addition to enhancement of EVI services, the Company improved the service efficiency of the whole supply chain of research, production, distribution and operation to build the brand of Angang Steel. The marketing management and service level was also promoted for strategic industrial customers and the Company also increased the proportion of direct supply and the share of key engineering projects.

(3) Strengthening corporate brand construction

The market influence of the products of Angang Steel was constantly enhanced through product launch and promotion conferences for automobile steel, steel for railway and other advanced and unique products.

IV. MANAGEMENT OF PRODUCT SALES SERVICE (CONTINUED)

1. Beefing up construction of marketing management system (Continued)

(4) Adjusting marketing strategy

The Company proactively implemented the expected contract organization model to shorten the product supply cycle.

(5) Speeding up transformation towards a service provider

The Company prepared service standards and standardized service behaviors to achieve rapid treatment of customers' dissents and rebuilt the marketing image of Angang Steel. With the introduction of "designation port" delivery service, the service scope of "final 1 km" service was expanded, thus fulfilling the demands of clients.

(6) Strengthening synergy between domestic and international markets and leveraging the opportunities arising from the "Belt and Road" initiative to increase export efforts

Giving consideration to both international and domestic markets, the Company allocated resources in a reasonable way based on market demands and stabilized overseas direct supply and main marketing channels to ensure stable growth of high-benefit varieties and seize market opportunities to hedge risks arising from fluctuations of domestic market price.

2. Reinforcing the construction of an after-sales service system

The Company conducted reform for the marketing system and established a customer service department to be mainly in charge of customer complaints management, customer satisfaction measurement, customer service management, technical support coordination, etc. to continuously improve the quality and efficiency of after-sales services.

IV. MANAGEMENT OF PRODUCT SALES SERVICE (CONTINUED)

3. Perfecting the protection system of client information and related measures

Establishing the protection system of client information, the Company strictly observed the confidentiality system in accordance with the principle of "Person in charge responsible for confidentiality (業務誰主管・保密誰負責)". To effectively protect client information, the Company adopted certain measures including limiting permission of client management and disallowing the connection between the sales management system and the Internet. In 2017, no incidents in respect of leakage of client information occurred.

4. Managing client satisfaction, addressing complaints and visiting clients

- (1) Further improvement of customer complaints management system, enhancement of the quality and efficiency of complaints treatment

By closely centering on the goal of enhancing customer satisfaction and with the stress laid on the quality and efficiency of complaints treatment, the Company comprehensively utilised various management tools to efficiently improve the response speed for treatment of customer complaints and service quality. Throughout the year, the Company received 1,832 customer complaints, of which 1,772 were addressed, respecting an addressing rate of 97.2%.

- 1) Optimising system and measures, striving to promote enhancement of service efficiency

In order to satisfy the requirements of market competition, the Company amended the Procedures for Management of Customer Complaints to further expand the limit and scope of business authorization and provide system guarantee for service efficiency. The sales, finance, logistics, product technology and other departments were organized and coordinated to make quantized marketing service commitments to the society in terms of focus and key factors of customer complaints.

IV. MANAGEMENT OF PRODUCT SALES SERVICE (CONTINUED)

4. Managing client satisfaction, addressing complaints and visiting clients (Continued)

- (1) Further improvement of customer complaints management system, enhancement of the quality and efficiency of complaints treatment (Continued)

- 2) Integrating elements and comprehensively catering for clients' requests at various levels

For customers' service complaints, the Company has established and implemented the mechanism for mutual cooperation and interaction among sales departments (including regional sales branches and processing lines), customer service department, plants, technical departments and logistics departments, and comprehensively prepared and executed service programs to vigorously promote the development of refined services.

- 3) Paying attention to customers' concerns, advancement of service

The Company provided on-site services for key clients in order to gain timely understanding of product quality, promptly respond to clients' requirements. The objection handling was improved and conducted in a way following closer to the conditions of market and customers and regional branches were authorized to handle customer complaints to a certain extent. To facilitate communication with clients, the management of the Company regularly visited certain strategic cooperative enterprises including GAC Group, CNPC, FAW Group, Zhuhai Gree, Midea Group and CIMC, and listened to clients' opinion.

IV. MANAGEMENT OF PRODUCT SALES SERVICE (CONTINUED)

4. Managing client satisfaction, addressing complaints and visiting clients (Continued)

- (1) Further improvement of customer complaints management system, enhancement of the quality and efficiency of complaints treatment (Continued)

- 4) Adopting a question-oriented approach to implement closed-loop management

The Company regularly summarised and concluded representative issues and their orientation as reflected in client complaints. It also collected company-wide feedback messages of product quality on a daily, weekly, monthly and quarterly basis. Production and technology departments actively responded to all queries and requirements from clients, and examined, formulated and implemented corresponding corrective and preventive measures.

- (2) Management of customer satisfaction

The Company highly values and continuously regulates the management of customer satisfaction and conducts survey and evaluation of customer satisfaction twice a year by industries and categories of customers. The survey covers 10 critical elements including product quality, marketing policy and service conditions of 14 key industries including petrochemical industry, automobile making, home appliances and shipping. The survey indicates that the score of customer satisfaction has maintained over 90 for a number of years. In particular, the score of customer satisfaction for 2016, the first half of 2017 and 2017 was 92.43, 93 and 93.53, respectively.

Chapter V Environmental Protection and Green Development

I. ENVIRONMENTAL PROTECTION MANAGEMENT SYSTEM AND MECHANISM

1. Environmental Protection Management Principle

In respect of environmental protection, the Company duly implements the requirements under PRC laws and regulations, promotes the construction of ecological civilization and builds green plants to facilitate a circular economy and clean production. In order to control pollution through governance and management at source, the Company adopts new work process and new technology which will have no pollution or less pollution. With the improvement of environmental protection management system and comprehensive environmental management platform, our works on environmental protection have achieved good result.

2. Improving environmental protection system

The Company organised significant environment factor identification and evaluation, conducted laws and regulations identification and compliance evaluation, and continuously improved the environmental management system as to ensure effective operation. In addition, the Company further improved the overall framework for environmental management, and optimised the three major systems (namely the environmental protection indicator system, the environmental protection supervisory system and the environmental protection accountability system) and the six major factors (namely comprehensive indicator, management and control indicator, supervisory indicator, environmental protection supervision, accountability mechanism and appraisal mechanism). The environmental management rules and regulations were amended in accordance with the newly published national environmental protection laws and regulations. It also formulated the pollutant emission indicators and dust fall quantity and emission indicators for plants, and gradually implemented the indicators into the work flows of different units, thus achieving double control over total emission and emission concentration, which secures the overall emission control and dust governance of the Company.

3. Maintaining the Registered Qualification for Environment System Certification

In 2017, the environmental management system of the Company successfully passed the audit conducted by Beijing Grand Honor Certification Co., Ltd. and obtained the qualification for ISO14001 environmental management system certification.

II. PERFORMANCE OF ENVIRONMENTAL PROTECTION WORK

In 2017, there was no significant pollution accident and public-related environment incident. Radioactive sources were safely used and hazardous wastes were treated in compliance with regulation; the execution of environmental management improved significantly. The outlook of our plants improved greatly, and the preliminary construction of ecological garden in plant area was completed. Air quality continued to improve, and the air index for SO₂, NO_x and PM₁₀ was in compliance with the PRC standard. Overall pollutant emission continued to reduce, with total emission for sulfur dioxide, nitrogen oxide, particles and COD of 11,685.7 tons, 22,058 tons, 10,832.9 tons and 278.8 tons, respectively. The Company organised the implementation of the relevant deployment of the provincial NDRC for construction of national carbon emissions permit trading market and organised relevant units to collect and conduct accounting for relevant basic data and provide training on the basic knowledge of carbon emissions permit trading, carbon emissions accounting and report, and carbon assets management.

1. Continually Leveling up Comprehensive Environmental Management

The Company prepared and issued the 2017 Plan on Self-monitoring of Pollutants, Standards on Internal Control of Pollutants Emission and Total Quantity Control Indicators of Pollutants to track the internal pollutants emissions of the Company, so as to ensure rapid rectification in case of abnormality. The Company continued to enrich the contents of Environment Monthly Report (《環境質量月報》), aiming to reflect the condition in environmental supervision, pollutant emission and management, environmental management etc., which will provide a basis for decisions of the Company in relation to environmental protection. With the establishment of comprehensive environmental management and information platform, the Company further improved different functions of the “information platform” to achieve networking between Bayuquan and the head office of the Company, thus greatly improving the environmental protection informatisation management.

II. PERFORMANCE OF ENVIRONMENTAL PROTECTION WORK (CONTINUED)

2. Strengthening environmental supervision over construction projects to prevent new pollution

In 2017, Angang Steel completed environmental protection filing for construction projects which previously violated environmental protection regulations as well as completion acceptance on environmental protection for projects previously completed but subject to environmental protection acceptance, and obtained governmental environmental protection filing and environmental protection approvals for the aforesaid projects, radically eliminating the potential environmental risks and providing guarantee for smooth production. In addition, environmental management was reinforced for construction projects and the Company resolutely executed the “three-simultaneous” environmental protection system to prevent additional projects from violating regulations. Environmental impact assessment was successively completed for 34 construction projects including the desulfurization and denitrification project of 7# coke oven, overhaul and reformation project of 1# casting machine of the Main Steel Making Plant, the clay tower of the chemical division, and the desulfurization upgrading and reconstruction project of the third branch of the Main Steel Making Plant.

3. Intensifying the maintenance of environmental protection facilities, and implementing renovation to improve efficiency and meet the standards

In 2017, the advanced wastewater treatment facilities of the newly constructed Xidagou Wastewater Treatment Plant operated stably, which ensured that the treated wastewater discharged through the main drain met the overall emission standards of Angang Steel. Online automated monitoring of pollutants was performed for 15 key stacks, including chimney at the front-end of sintering machine for iron melting, pellet chimney and chimney of power generating boiler. 51 online monitoring devices were added in accordance with the new national requirements to strictly control the emission of pollutants; the Company prepared and strictly implemented the pollutants monitoring plan and adopted manual monitoring as a supplement to online monitoring to ensure full coverage of pollutants monitoring; large scale renovation was conducted in terms of flue-gas treatment, peculiar smell, noise control, and stock ground dust control and the Company implemented 14 key environmental protection projects including the primary dedusting transformation for converter, sintering activated carbon desulfurization transformation at Bayuquan, and dust suppression net at Lingshan stock ground. The special dust rectification at plant areas resulted in obvious improvement of environment, significant drop in dust fall quantity indicators in the plant areas. The outstanding rectification achievements indicated preliminary completion of milestone objectives.

II. PERFORMANCE OF ENVIRONMENTAL PROTECTION WORK (CONTINUED)

4. Actively Carrying out Clean Production Review

In 2017, as requested by environmental protection authorities of Liaoning Province, the Company commenced clean production review on key production procedures in six operating units, including the Main Steel Making Plant, the Cold Roll Plant, the Medium and Thick Plate Plant, the Wire Rod Plant, the Heavy Section Plant and the Seamless Steel Pipe Plant, and successfully passed the review by governmental environmental protection authorities at the end of October.

5. Disposal of Wastes in Compliance with Laws and Regulations

In 2017, the Company disposed of solid wastes in accordance with laws and regulations. Water slag of 5.05 million tons produced by blast furnaces was all sold to external parties. Fly ash of 186,000 tons and slag of 30,000 tons produced in power generation area were fully delivered to third parties for comprehensive utilisation. The Company duly conducted inspection and verification of hazardous waste and strengthened management of temporary storage to improve the standards of hazardous waste supervision. The Company engaged qualified entity to conduct hazardous waste disposal in accordance with relevant regulations. It formulated administrative procedures for hazardous waste transfer and strictly implemented the Administrative Measures for Hazardous Waste Transfer Manifests. During the year, used mineral oil of 3,627 tons, waste packaging container of 1,120 tons, chromium-containing waste of 61 tons, waste liquor of color coating of 128 tons, used packing of desulfurizing tower of 210 tons and contaminators of 46 tons were transferred and disposed.

6. Preparing Emergency Plan for Heavy Pollution Weather

In 2017, Angang Steel prepared the Emergency Plan for Heavy Pollution Weather in accordance with the requirements of the Heavy Pollution Weather Headquarters of Anshan to refine the production reduction measures in case of heavy pollution weather and the plan passed the review by relevant governmental department at the end of the year; the Emergency Plan for Radiation Accidents was formulated to enhance radiation management and eliminate radiation risks.

III. STRENGTHENING ENERGY MANAGEMENT

1. Optimising Energy Management System under the Guidance of Energy Operation Concept

In 2017, the Company, in adherence to the concept of comprehensive energy operation, continued to strengthen the basic management works on energy conservation and facilitate management and technology innovations. It kept on organising the “three-dimension” energy benchmarking, which meant to carry out special benchmarking exchanges on energy conservation management with peers such as BaoSteel, Shagang, Shougang, Tanggang and Baogang externally, arrange crosswise alignment among the Anshan, Bayuquan and Chaoyao production bases internally and work on internal process and production line benchmarking at the same time. By enhancing the energy utilisation supervision and evaluation, the Company tapped energy utilisation potentials on an ongoing basis, having efficaciously improved the energy indicators. In the energy consumption special oversight over steel industry carried out by Liaoning Province Energy Conservation Supervision Centre, energy consumption of all the six major processes of the Company were compliant with standards and the Company was hence accredited as the “2017 Leader in Energy Efficiency at Provincial Level of Liaoning Province and Energy Measurement Demonstration and Cultivation Unit of Liaoning Province (2017年度遼寧省省級能效领跑者、遼寧省能源計量示範培育單位)” by the expert panel from Provincial Industry and Informatization Commission, Liaoning Bureau of Quality and Technical Supervision and Provincial Development and Reform Commission.

2. Policy and Administrative Measures for Effective Utilisation of Resources including Energy, Water and other Raw Materials

Pursuant to the national energy conservation plan under the “13th Five-Year Plan” and relevant policies of the Company, the Company continued to advance the effective implementation of energy conservation and consumption reduction and adopted differential pricing for energy utilisation, and energy utilisation mechanism such as operation in power valley-value period instead of peak-value period and regular pressurised supply of domestic water. In 2017, the electricity consumption of the Company was 12,528,290 MWh, with electricity consumption of 554.4 kWh/t per ton of steel. The consumption of coke oven gas, blast furnace gas and converter gas was 56,280,042GJ, 97,767,356GJ and 12,018,972GJ, respectively. Fresh water consumption was 61,660,200 tons with 2.73 t/t per ton of steel. Recycled waste heat and surplus energy was 1.13GJ per ton of steel.

III. STRENGTHENING ENERGY MANAGEMENT (CONTINUED)

3. Implementation of energy conservation projects and results therefrom

Thanks to the efforts on facilitating the implementation of energy conservation projects and seeking benefits via energy conservation, the Company recorded 246,200 tons of standard coal in energy conservation in 2017, increasing by 110,700 tons of standard coal in the regard as compared to 2016. In addition, the Company also shouldered its social responsibility in a proactive attitude. It adopted low vacuum heating for 3 sets of generators and implemented the project about heating with waste heat of slag washing water from 2# and 3# blast furnaces and fulfilled its initial goal of supplying heating for new districts of Anshan covering an area of 5 million square metres in the year, having made significant contributions to energy conservation and emission reduction of Anshan.

In 2017, the Company conducted exchange programme and application of energy conservation technology with domestic and international leading energy conservation companies and technology companies. On the basis of sufficient demonstration, the Company invested 21 energy conservation projects at approved plant level in two phases, with planned investment of RMB33,438,700 and estimated annual energy conservation benefits of RMB21,666,300. So far, two projects have been completed while the rest are in progress. There were 5 approved contracts in relation to energy projects, with total investment of RMB150.70 million and estimated annual economic benefits of RMB66,984,000. Construction of such projects has been commenced in succession. In 2017, gains generated from contracted energy management projects amounted to RMB232.08 million.

III. STRENGTHENING ENERGY MANAGEMENT (CONTINUED)

4. Energy Utilisation Efficiency Plan and Results therefrom

The Company conducted its energy conservation management work around its production and operation goals through intensifying basic energy management, refining energy indicator management, enhancing specific energy benchmarking and incentive mechanisms and deepening systematic energy conservation and cost reduction. It managed the energy by every means, such as the wise, reduced and effective use of energy, expansion of energy sale channels tapping additional income from external sale of heating with waste heat water. While optimizing systematic measures for energy cost reduction, it implemented energy conservation and cost reduction projects and exploited potential for consumption reduction to drive up the energy indicators of different units. Meanwhile, the Company strengthened its energy saving supervision and management, and encouraged all employees to participate energy saving supervision and management, thereby facilitating rational and effective energy consumption and in turn effecting energy conservation. In 2017, considerable progress and improvement were made in respect of comprehensive energy consumption per ton of steel, fresh water consumption per ton of steel and recycled waste heat and surplus energy as well as other energy indicators and some were their historical best. Comprehensive energy consumption was 575.6kgce/t per ton of steel, basically flat year on year. Fresh water consumption was 2.73 t/t per ton of steel, which reduced by 15.2% year on year, representing the leading standards among key steel enterprises in China. Self-generated power was 3,969 million kWh, which increased by 190 million kWh as compared with the prior year. Costs for external purchased energy amounted to RMB274/t per ton of steel, which reduced by 2.8% year on year, and costs reduced by RMB136.80 million. The result is satisfactory.

III. STRENGTHENING ENERGY MANAGEMENT (CONTINUED)

5. Water Utilisation and Result of Water Utilisation Efficiency Enhancement

The Company devoted greater efforts to arranging water supply of the water system, having achieved notable results in water saving and drainage reduction. To be specific, domestic water consumption was further reduced as a result of the intermittent operation at reduced pressure based on the water consumption pattern and water consumption reduced by 20% year on year as compared to the preceding year; water saving in each process was consummated, clean recycled water was used instead of fresh water for certain systems where stepwise water utilization was not available yet, and a number of water saving projects including the upgrade of 2150 water system and the water system of 2# blast furnace were implemented, thus effectuating fresh water saving of 300 m³/h; the Company tapped the potentials of the water treatment system and relieved the drainage reduction pressure of the system through load-up operation of advanced treatment system in Xidagou and the desalted water station; it also enhanced management over concentration times of circulating water and improved the same by over 20% year on year, resulting in reduction of fresh water consumption and having realized a cyclic water utilization rate of more than 98%; besides, the Company emphasized management and regulation over internal users. While implementing timed and quantitative management and control over water replenishment and drainage for systems of the units, the Company strengthened anticipation of changes in water drainage due to overhaul and planned management in each production line so as to ease the impacts of water utilization fluctuation and heavy water drainage on the systems and reduce outward water discharge.

The Company consolidated the basic management over water systems through advancement of technological innovation. Faced with the adverse impact on water quality due to water saving and drainage reduction, the Company took systematic measures to maintain dynamic water balance, carried out data analysis on a regular basis and guided the economical operation of the systems by establishing data base, measurement model and other innovative methods, thus guaranteeing the quality and safety of water supplied. Besides, the Company made necessary arrangements for future water safety and further water saving and drainage reduction in virtue of technological innovation. In addition, it conducted two scientific research projects, i.e., “Development and Utilization of Non-traditional Water Resources in the Western Area of Angang based on the Concept of Sponge City” and the “Research and Practice on Control over Leakage and Damage in the Water Supply Network of Angang”.

Chapter VI Public Relations and Charity Activities

In adherence to the philosophy of “serving the community in the capacity of enterprise (立足企業、面向社會)”, the Company repaid the society with love and care and shouldered its corporate responsibilities. In order to fulfil the value of youth and undertake social responsibility, the Communist Youth League organizations at different levels of the Company reached out to the local communities where the Company carried out business operation and proactively participated in charity tasks through various measures so as to facilitate the construction in community environment, education and other aspects. The Company also bolstered up the harmonious development of local economy and community, aiming to create better social environment.

1. BUILDING A VOLUNTEER SERVICE TEAM

In the name of “Gou Mingyi Youth Volunteer Team (郭明義青年敬業奉獻團隊)”, Youth League organisations at different levels of the Company conducted extensive voluntary activities under the theme of “willing to develop the merit of Mingyi and brave to pass on Leifeng Spirit” and “League flag speaks for who we are and a tribute to youth is instantiated by what we do”. Over 110 youth volunteers were organized to conducted sanitation work at Angang Elderly Cadre Service Center (鞍鋼老幹辦迎賓服務中心) and Angang Elderly Cadre University (鞍鋼老幹部大學) and over 40 Youth League members were organized to cleaning up the adlets on the wall of Sankong Bridge at the front gate of Angang and paint the wall afresh. In 2017, a total of 531 voluntary activities were carried out with youth participation of 8,271 person-times. The Company strove to improve the vitality, charisma and influence of the volunteer service team in virtue of the professional, regularized and branded functioning model.

2. CREATING A BEAUTIFUL COMMUNITY

Bayuquan Branch Company arranged two visits to the Bayuquan Furuiyuan Elder's House Department II for over 80 youth volunteers to develop the activities of “entering the community, making contribution, promoting positive tendency (進社區、做奉獻、揚風尚)”. During the visits, while cleaning the community, members of the service team also extended their regards to the elderly by presenting rice, flour and oil as well as other provisions, thereby promoting the civilization concept of “creating harmonious neighbourhood (同住社區共建和諧)” was promoted through physical action.

Chapter VI Public Relations and Charity Activities (Continued)

3. CONDUCTING CARING CIVILIZATION ACTIONS

The primary Youth League committee of the Company established the relationship of “joint development with Leifeng spirit” with Guangming primary school, Angang No. 7 kindergarten and other schools. It levelled out play grounds of over 10,000 square metres for these schools and purchased more than 100 books and over 120 pieces or sets of toys for the kindergarten in aggregate. It also carried out charity activities for the municipal welfare house, donating over 400 items including books, toys and clothes as well as a donation amount of over RMB10,000 in aggregate. League cadres of the Company and League members launched voluntary donations to set up the special charity fund which has benefited 7 needy employees so far. The caring civilization actions of the League committee of the Company were warmly received and demonstrated the dedicated, amiable, obliging and progressive deportment of young employees of Angang.

4. PROMOTING JINQIU EDUCATION

In 2017, the Company provided Jinqiu Education grants of RMB66,500 to 50 students from poverty-stricken families via the “Jinqiu Education” activities.

5. PROCEEDING WITH TARGETED POVERTY ALLEVIATION

In 2017, in close compliance with the targeted poverty requirements of the central committee of the Party and the State Council, Angang Steel Company Limited pushed ahead the targeted poverty alleviation and removal work to assume its corporate social responsibility as a central enterprise in an orderly manner at a politicised level in consideration of the actual situation of the enterprises and the aiding areas according to the integrated plans and arrangements of Angang Group Company and Anshan Iron & Steel Group Co. Ltd. As a result of the impact of flood in August 2017 on its age-old ill-functioned roads, bridges and other infrastructure, Jianchang County in Huludao, the assigned aiding target of the Company, was faced with more abominably inadequate infrastructure in regard of roads and bridges, the inconvenient traffic its dwellers faced further worsened, and over 200 bridges needed repairing or reconstructing which would involve plenty of steel. Given such circumstances, the Company contributed 180 tonnes of deformed steel bars worth of RMB861,300 to Jianchang County for the construction of the livelihood project based on the requirements of Jianchang County. In 2018, the Company will map out long-term plans to support the leading enterprises in Jianchang County and Shihuiyao Town, Xiuyan County. The Company plans to prefer purchasing silicon-manganese products from the two enterprises in Jianchang County to other enterprises at the same quality and price based on the procurement bidding price of the Company, which could increase the working population in Jianchang County, thereby indirectly advancing the poverty removal process. It also intends to enhance geared cooperation with Xinhua Iron Mine and prioritize products of such enterprise under the premise of quality assurance based on the market principle, thus facilitating the growth of the backbone enterprise of Shihuiyao Town, increasing the fiscal income of the town and rejuvenating the development of local economy.

Conclusion

Since 2008, the Company has been publishing annual social responsibility reports, which truly, objectively disclosed the Company's performance in fulfilling its social responsibilities in respect of earnest adherence to the tenet and idea of assuming social responsibility, safeguarding interests and rights of the shareholders, debtors, employees, suppliers, customers and consumers, environmental protection and sustainable development as well as public relations and philanthropic causes. The Company strived to promote the coordinated and harmonious development together with the entire society. For problems discovered when preparing the report, the Company will seek for solutions in the course of work in future and improve the preparation standard of the report on a consistent basis with the hope of presenting reports with more fulfilling and systematic contents. In 2018, the Company will continue to improve its work regarding social responsibility and duly perform corporate social responsibility in adherence to its consistent social responsibility philosophy. Meanwhile, the Company will insist on carrying out practices and pressing ahead work under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the guiding principles from the Party's 19th National Congress and strive to establish the "seven new prospects" through the "seven enhancements" with entrepreneurship spirit and painstaking efforts so as to form new rejuvenation and development status of Angang Steel Company Limited and thereby make new contributions to the continuous and healthy development of the economy and the society.





鞍 鋼 股 份 有 限 公 司
ANGANG STEEL COMPANY LIMITED*