



重慶鋼鐵股份有限公司

Chongqing Iron & Steel Company Limited

(H Share Stock Code: 1053) (A Share Stock Code: 601005)

2016

2016

**ENVIRONMENTAL AND
SOCIAL RESPONSIBILITIES REPORT**

The board of directors (the “Board”) and all directors of the Company warrant that there are no false representations, misleading statements contained in or material omissions from this annual report and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the contents hereof.

In order to fully implement the Scientific Outlook on Development, build a harmonious society and promote sustainable economic and social development, Chongqing Iron & Steel Company Limited (hereinafter referred to as “the Company”) shall follow *Guidelines for the Preparation of the Report on Performance of Corporate Social Responsibilities* to prepare this report based on the specific performance of social responsibilities of the Company in accordance with the provisions of *Company Law* and *Securities Law*, and other laws and administrative regulations.

I. COMPANY PROFILE

Established on 11 August 1997, the Company issued 414 million H-shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 October in the same year and became a foreign-invested enterprise as approved by the Ministry of Foreign Trade and Economic Cooperation of the People’s Republic of China on 7 December 1998; the Company issued 350 million A-shares on Shanghai Stock Exchange on 28 February 2007, completed major asset restructuring by the end of November of 2013 and issued 2.696 billion RMB ordinary shares of non-public offering to Chongqing Iron & Steel Group and specific objects. Thus, the total shares of the Company reached 4.436 billion, among which Chongqing Iron & Steel Group held 2.1 billion shares, accounting for 47.27% of the total share capital of the Company. As at 31 December 2016, the Company recorded the total assets amounting to RMB36.4 billion and the total liabilities amounting to RMB36.2 billion, with the gearing ratio of 99.47%; the Company had 8,274 employees, six functional management departments including Office/Party Work Department (Board’s Office) and Human Resource Department; three operating centers including Operation Center and Technology Center; 11 production units and protection centres including coke-oven plants. The Company set seven regional sales branches in Beijing, Shanghai, Guangdong, Xiamen, Wuhan, Sichuan and Chongqing, respectively.

The main production equipment of the Company includes six 60-hole 6m coke ovens, two sets of 150 tons/annual CDQ system, three 360 square meters sintering machines, one chain grate machine-rotary kiln, three 2,500m³ blast furnaces, one 1750m³ blast furnaces, six sets of desulfurizers, three 210 tons converters, three 80 tons converters, six sets of CAS, two 210 tons LF ladle refiners, one 210 tons RH dry vacuum circulation degassers, two 80 tons LF ladle refiners, one 80 tons VD dry vacuum circulation degassers, two sets of 2–2 Flow Slab Caster, two sets of 1–1 Flow Slab Caster, two sets of 5–5 Flow Billet Caster, one set of 4–4 Flow Bloom Caster, 4,100mm wide and thick plate production line, 2,700mm middle and thick plate production line, 1,780mm hot rolled thin strip production line, high-speed wire rod, bar and section production line.

The quality, environment and occupational health and safety management system of the Company built according to ISO9001–2008, GB/T24001–2004 and GB/T28001: 2011 standards obtained the certification of China Classification Society (CCS), it was the first to obtain the safety quality exemption certification of General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (Boiler and Pressure Vessel Safety Supervision Bureau) for its 16MnR, 20g and 20R steel plates; its steel plates for ship plate, boiler and pressure vessel won the National Quality Award and national physical quality of metallurgical products Gold Award for many times; its steel plates for ship plate have passed the certification of ship classification societies in nine countries such as China, the United States, the United Kingdom, Germany, France, Norway, Japan, Korea and Italy, and its marine ball flat steel products No. 10–40 developed according to European standard have filled the gap in China.

II. PERFORMANCE OF CORPORATE SOCIAL RESPONSIBILITIES

1. Protection of shareholders and creditors' rights

The Company was actively in compliance with the Listing Rules of the Stock Exchange and relevant regulatory rules of A-share listed companies, while striving to build modern enterprise management system and improved the corporate governance structure and internal management system to effectively prevent business risks, protect the safety of assets, ensure the authenticity, legality and integrity of accounting information and other data, promote the Company to standardize the operation, and achieve sustainable development.

(1) *Standardized operation of corporate governance*

The Company has developed a sound corporate governance system, which includes the following rules and regulations in terms of corporate governance structure, *Rules of Procedure for General Meetings*, *Rules of Procedure for the Board*, *Rules of Procedure of the Supervisory Committee*, *General Manager's Working Rules*, *Independent Director System*, *Investment Decision-Making Working Procedures*, *External Guarantee Decision-Making System*, *Detailed Rules for Connected Transactions*, *Working Procedure for the Review of the Annual Financial Report of the Audit Committee*, *Professional Committee Work Regulations* and others. The Company has also established a relatively mature checks and balances mechanism of "Three Boards and One Layer (i.e. shareholders' general meeting, the Board, the supervisory committee and senior management). The Company strictly complied with all rules and regulations mentioned above during the implementation, timely provided revisions and supplementations according to regulatory requirements, and effectively enhanced the company's governance level and effectiveness.

(2) *Sound financial management system with effective implementation*

The Company has developed *Financial Accounting System*, *Fund Management System* and other normative systems according to the relevant laws and regulations of the state, and has a relatively comprehensive institutional system. The Company actively promoted information technology engineering, strengthened the financial management of the Company, improved the quality of accounting information and effectively prevented and resolved business risks. The Company continued to resolutely implement the idea of taking capital management as the central thought and centralized the management and dynamic control of funds, and kept capital balance and financing in an active manner. The Company has built the complete accounting system and stipulated specific accounting methods according to the uniform accounting system of the state to standardize the accounting behavior, which empowers accounting personnel with higher professional quality. The principle of “Separate duties but mutual restraints” for the accounting personnel and their posts ensured a true representation of the Company’s complete financial accounting information, true and reliable regular report of data as well as the effective implementation of each section.

(3) *Establishing good relationship with investors with a focus on information disclosure management*

In order to enhance information disclosure management, ensure the proper performance of information disclosure obligations and protect the legitimate rights and interests of shareholders, creditors and other interested parties, the Company has developed *Information Disclosure Management System* and *Investor Relations Management*, defining the scope, contents, procedures, responsibilities and confidentiality measures of information disclosure and providing system guarantee for true, accurate, complete and timely disclosure of relevant information.

Considering different investors’ habits of obtaining information, the Company adopted a variety of ways to sufficiently disclose information: by print media (*China Securities Journal*, *Shanghai Securities News*, *Securities Times* and *Securities Daily* in China), and by Internet media (the website of Shanghai Stock Exchange (<http://www.sse.com.cn>), the website of The Stock Exchange of Hong Kong Ltd (<http://www.hkexnews.hk>) and the website of the Company (<http://www.cqgt.cn>)), sending Major Event Shareholder Circular to H-shareholders and trying to make relevant information disclosed cover and penetrate into every investor.

2. Effectively protecting the rights and interests of employees

(1) *Ensuring employees to enjoy the labor rights and fulfill their labor obligations according to laws*

In accordance with *Labor Contract Law, Measures for the Administration of Labor Contracts of the Company*, the text of the labor contracts and relevant management system, the Company continued to promote dynamic management of labor contracts, and established a sound assessment mechanism and improve the rules and regulations, so that there are laws to follow for the acts of the Company and rules to follow for the acts of the staff. The Company insisted on strict examination of employees whose labor contracts have expired, and determined whether to renew the labor contract or not according to the examination results and under the principle of “Equality, free will and mutual consultation”. The contract signing rate of the Company in 2016 was 100%.

Based on the skills and physical conditions of the staff, the Company made overall arrangements of work positions, actively advocated working to full capacity and strictly controlled overtime and overload work. If it was necessary to extend working time and to work on weekends, holidays and festivals due to exceptional cases, the consent from the employees and Labour Union must be obtained in advance and the employees should take deferred holidays timely or receive reward according to related rules and regulations.

The Company signed *2016 Collective Contract for Special Protection of Female Employees* with Labour Union, seriously fulfilled the terms and conditions and maintained and safeguarded the legitimate rights and interests of female employees institutionally.

(2) *Establishing a reasonable salary and performance appraisal system and caring about the direct interests of the staff*

The Company constantly improved the collective negotiating system of salary. The Administration Department of the Company and employee representatives mutually negotiated on the principles and methods of salary distribution, provisions for salary payment, rights and interests and obligations of both parties, and other salary distribution issues, and signed the collective salaries negotiation contract. The Company strictly followed the basic principle of “Benefits determine distribution” for salary distribution, reasonably arranged salary plan according to the enterprise benefits and payment by results, and properly adjusted salary level and progress based on production and management conditions of the Company to ensure synchronous fluctuations of salary with enterprise benefits. The Company strictly executed the system of separating salary distribution examination right and distribution right and insisted on distributing salary by measures, examination and procedures to ensure the income of employees.

(3) *Maintaining employees' occupational health and safety*

The Company proactively followed the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other related regulations, completed acceptance record of occupational health "Triple Synchronization" for construction projects and established a sound occupational health and safety management system. The Company strictly implemented occupational health standards, regulated occupational health surveillance, strengthened the monitoring of occupational hazards, and carried out the construction of occupational health infrastructure to protect and promote employees' health.

3. Supplier selection and related responsibility guarantee

The Company abided by the raw material bidding and purchasing system to continuously improve and perfect the purchasing work. In terms of raw materials within the bidding scope, the Company performed annual bidding, semi-annual bidding, quarterly bidding, monthly bidding and bulk bidding, and finished the bidding process of inviting, opening, evaluating and selecting under the principle of openness, fairness, impartiality and good faith. To raise the procurement transparency, the Company released tender notice and inquiry announcement via various information media, expanded the coverage of bidding information, and insisted on releasing tender notice and inquiry announcement on such websites as Custeel, Mysteel, China Metallurgical Furnace Materials, Steelhome, The Association of China Refractories Industry, CNFEOL, Chongqing Iron & Steel (Group) Co., Ltd. and OA of Chongqing Iron & Steel (Group) Co., Ltd. (Chongqing Iron & Steel Business Information newly added in the second half of the year) to attract more potential suppliers to take part in competition and achieve the goal of open and fair competition.

4. Attaching great importance to product quality and after-sales service and protecting rights and interests of customers and commitment to society

(1) *Improving the physical quality of products in all-around way*

The Company actively explored innovative quality management and quality supervision mode and improved quality control measures under the economic production. Through implementing the whole-process management including quality risk assessment, process quality tracking and final product quality evaluation, the Company improved and optimized the quality management system of the whole process, extended quality assurance system management and guaranteed the suitability, effectiveness and compliance of the quality system. The Company raised process control capability via implementing quality control for key processes, and ensured the stability of process quality by stabilizing process parameters. The Company actively promoted electronic quality certificate and met users' personalized needs through improving service quality and perfecting quality detection and judgment model.

The Company has established Quality Management and Quality Supervision and Inspection Department, which is independent from production units, and responsible for quality management, quality supervision, product appearance inspection, physical and chemical properties testing, quality decision and issuance of quality certificate and providing opinions and suggestions on quality improvement. Quality Inspection Department of the Company is responsible for inspecting the product quality from appearance, size, physical and chemical properties according to GB, YB, specification of products for related ship classification societies and internal quality control standards. In terms of key procedures of quality control (guarantee) during the production of each kind of products, the Company established key process control points in relevant units to strengthen production process control and ensure process quality in a stable state of control. The product quality of the Company throughout the years were stable, devoid of serious quality objection.

(2) Quality responsibility of after-sales service

The Company has established Customer Service Center and nine after-sales service networks in large and medium cities across the country, which strengthened contact with customers, carefully studied and answered all kinds of questions raised by customers, timely assigned professionals to communicate, negotiate and solve quality defects that affect customers' normal use on site. Customers' overall satisfaction with the company in 2016 remained at a higher level and customers' rights and interests were greatly protected.

(3) Quality responsibility for society

The Company has always attached great importance to product quality, developed sound quality management organization, perfect quality management system, effective quality assurance system and reliable quality inspection technologies, and obtained quality management system certificate and Laboratory Accreditation Certificate certified by China National Accreditation Board for Conformity Assessment. The Company provided the society and users with qualified products which completely conform to the requirements of the relevant product standards and contracts. In recent five years, the Company hasn't been punished by the Quality and Technical Supervision Department due to product quality problems. The Company got 100% qualified rate of products selected (or spot checked) for product quality supervision and inspection by the Quality and Technical Supervision Departments at various levels and has always remained stable quality.

Being responsible for the society and users, and in order to prevent products from being counterfeited, the Company mainly took the following measures: affixing a logo on the products, labelling, spraying characters, being stamped, marking the quality certificate with “Copying invalid”, etc. The stability of product quality and a large number of famous products raised the Company’s quality brand advantage and reputation in the society and customers and thus promoted product sales. Quality brand advantage has become the base of the Company to take part in market competition and the pillar to survive and develop.

5. Safety in production

The Company has always been adhering to the concept of safety in production, “Safe development & continuous improvement”, integrating the employees’ lives and health rights and economic and social benefits of the Company with greater sense of social responsibility, and making great efforts to safety in production from political, legal, livelihood, benefit and sustainable perspectives to protect employees and their lives.

6. Environmental protection and energy saving and emission reduction

The Company strictly abided by environmental laws and regulations, developed environmental responsibility system, and further defined the principle of “One Post Responsible for Business Development and Party Conduct Construction”, which made management at various levels perform their own functions and takes their own responsibility. The Company also stipulated annual environmental target and implemented the same in each unit, signed environmental responsibility statement to ensure the completion of the target, developed and completed a self-monitoring program throughout the year, and regularly released monitoring data on the website of Environmental Protection Agency. Major pollutants of the Company met national standards and permit emission requirements. The Company fulfilled the target of clean production through the review of cleaner production audit by Chongqing Environmental Protection Bureau.

Wastewater Supervisory Monitoring Data

Outlet	Monitoring Time	Production Load (%)	Monitoring Project	Monitoring Value	Standard Limit	Unit of Measurement	Reaching Standard or not
Total wastewater outlet of Central Sewage Treatment Station	2017-02-15	85.0	Wastewater flow	7,160		Ton/day	
			Chemical oxygen demand	20.5	50	mg/L	Yes
			PH Value	8.01	6-9	non-dimensional	Yes
	2016-10-18	70.0	Ammonia nitrogen	4.02	5	mg/L	Yes
			Wastewater flow	19,200		Ton/day	
			Chemical oxygen demand	12.5	50	mg/L	Yes
			Ammonia nitrogen	2.6	5	mg/L	Yes

Exhaust Gas Supervisory Monitoring Data

Outlet	Monitoring Time	Production Load (%)	Monitoring Project	Measured Value	Reduced Value	Standard Limit	Unit of Measurement	Reaching Standard or not
1# Sintering machine head desulfurization	2017-02-15	76.0	Exhaust gas flow	1,220,000			m ³ /h	
			Particulate matter	19.3	19.3	50	mg/m ³	Yes
			Nitrogen oxide	158	158	300	mg/m ³	Yes
			Sulfur dioxide	73	73	200	mg/m ³	Yes
	2016-10-26	72.0	Exhaust gas flow	1,110,000			m ³ /h	
			Particulate matter	22.6	22.6	50	mg/m ³	Yes
			Nitrogen oxide	224	224	300	mg/m ³	Yes
			Sulfur dioxide	163	163	200	mg/m ³	Yes
2# Sintering machine head desulfurization	2017-02-22	76.0	Exhaust gas flow	1,390,000			m ³ /h	
			Particulate matter	24.7	24.7	50	mg/m ³	Yes
			Nitrogen oxide	91	91	300	mg/m ³	Yes
			Sulfur dioxide	45	45	200	mg/m ³	Yes
	2016-10-18	70.0	Exhaust gas flow	1,420,000			m ³ /h	
			Particulate matter	16.9	16.9	50	mg/m ³	Yes
			Nitrogen oxide	161	161	300	mg/m ³	Yes
			Sulfur dioxide	142	142	200	mg/m ³	Yes
1# Hot blast stove	2017-02-15	76.0	Exhaust gas flow	279,000			m ³ /h	
			Particulate matter	5.9	5.9	20	mg/m ³	Yes
			Nitrogen oxide	45	45	300	mg/m ³	Yes
			Sulfur dioxide	81	81	100	mg/m ³	Yes
	2016-10-18	70.0	Exhaust gas flow	253,000			m ³ /h	
			Particulate matter	13.7	13.7	20	mg/m ³	Yes
			Nitrogen oxide	191	191	300	mg/m ³	Yes
			Sulfur dioxide	55	55	100	mg/m ³	Yes
3# Hot blast stove	2017-02-15	76.0	Exhaust gas flow	168,000			m ³ /h	
			Particulate matter	5.28	5.28	20	mg/m ³	Yes
			Nitrogen oxide	107	107	300	mg/m ³	Yes
			Sulfur dioxide	69	69	100	mg/m ³	Yes
	2016-10-18	70.0	Exhaust gas flow	156,000			m ³ /h	
			Particulate matter	8.78	8.78	20	mg/m ³	Yes
			Nitrogen oxide	185	185	300	mg/m ³	Yes
			Sulfur dioxide	68	68	100	mg/m ³	Yes

In active response to the national call on environmental protection and energy saving, the Company conducted energy saving and consumption reduction by accelerating the elimination and scrapping of high energy consumption equipment, conducting the comprehensive energy conservation research and paying attention to the effective utilization of energy and reduced emissions of standard coal, CO₂, SO₂ and dust through optimization and reuse of key points with high energy consumption such as waste heat and residual pressure.

The Company's Resource Consumption Scale:

Resource Category	Unit of Measurement	Total Consumption	Consumption per RMB ten thousand
Electricity	Kilowatt hours	944,100	
Natural gas	Cubic metre	6,326,700	
Fine washed coal	Ton	2,629,300	
Anthracite	Ton	599,500	
Oil	Ton	6,100	

7. Further improving the punishment and prevention system

The Company fully implemented the responsibility of "Strictly administering the party", and in combination with thematic education of "Three Stricts and Three Steadies", formulated and earnestly implemented the construction of ethical party and Government and anti-corruption responsibility system; strictly carried out the main responsibility of Party Committee and supervisory responsibility of the Commission for Discipline Inspection for the construction of ethical party and Government, persistently enhanced work style construction, strengthened supervision and accountability and further improved the system of punishing and preventing corruption; with proper integration of management team, Party Committee and listed companies as the focus, the Company strictly carried out implementation measures of collective decision-making for "Three Importance and One Greatness"; conscientiously carried out clean risk prevention and control work; strengthened the construction of the system of combating corruption and building a clean government, actively explored effective mechanisms to strengthen the probity and self-discipline of leading cadres and key positions in order to develop and improve the feasible honest system; promoted anti-corruption propaganda and education, upheld and deepened multiple, regular and diverse pattern of honesty education and developed ideal and belief education, legal education, warning education, special warning education for prevention of duty crime and others; as for the difficult and key points in production and operation, the Company carried out solid performance monitoring and initiated 24 projects throughout the year to bring in better economic and social benefits as well as better management and anti-corruption

results; monitored and tracked the whole-process of tender for equipment repair, engineering and spare parts projects, and production, maintenance, logistics outsourcing pricing and sales pricing, and put forward suggestions and opinions; strengthened anti-corruption supervision and investigation of petition cases, and for key regions and post, carried out monthly surprise checks and visited customers, opened report box and strengthened reporting clues collection via such channels as visits and letters. The Company continuously improved through punishment and prevention system, built the ideological moral bottom line that one wouldn't, couldn't and shouldn't commit corruption, developed prevention, protection and disciplinary mechanism, and tried to create clean atmosphere for corporate reform and development.

8. Concerned about the difficulties of workers and promoting enterprise harmony

Labour unions of the Company at various levels have always been taking “wholeheartedly serving workers and safeguarding the interests of workers” as the starting point and ultimate goal of all work, fully exerted the role of the responsibility system for caring about difficult workers of the Company, plants (departments), workshops, teams and groups, respected, understood, cared and helped difficult workers, and thus enhanced corporate cohesion. The Company strengthened the assistance to difficult workers, providing more assistance, expanding assistance scope, improving assistance mode, raising assistance level, building assistance mechanism, applying assistance fund and realizing institutionalization and standardization of assistance. The Company adopted the dynamic management of files of exceptionally difficult workers, accurately and timely filled in the files of all difficult workers, set up files of exceptionally difficult workers and regularly provided assistance to them. The Company carried out “heart-warming activities” in a deep-going way, institutionalized visiting difficult workers, model workers and production backbone during holidays and festivals, and visited model workers, advanced production workers and difficult workers. The Company developed Helping Students in Autumn and helped difficult workers' children in attending colleges. Labour unions of the Company at various levels carefully performed the “Celebrating, Talking and Visiting” system, actively organized the related activities and made greater efforts indeed in helping difficult workers and safeguarding employees' rights and interests, which were taken as major events of maintaining stability and promoting harmony, to strengthen the enterprise cohesion.

III. SELF-ASSESSMENT ON PERFORMING SOCIAL RESPONSIBILITIES

The Company has made great efforts in corporate governance, employees' rights protection, environmental protection, safety in production and maintenance of public relations in 2016, and assumed the corresponding social responsibilities with some achievements obtained. However, the Company should continue to enhance its performance of social responsibilities. In 2017, the Company shall continuously improve the construction of corporate social responsibility management system, further deepen the concept of corporate social responsibilities, improve the implementation mechanism of corporate social responsibilities, actively repay shareholders and protect the legitimate rights and interests of creditors and employees. The Company shall also treat suppliers and customers with integrity, actively participate in social welfare undertakings and ecological environment protection, continue to enhance the image of listed companies and make due contributions to a harmonious society.

Board of Directors of Chongqing Iron & Steel Company Limited

31 March 2017