

## Chongqing Iron & Steel Immersed in Charming Landscape



# 2021 Environmental, Social and Governance Report

Chongqing Iron & Steel Company Limited

# Keep the Momentum Going for a Better Future

## About the Report ▶▶▶▶▶▶

### **Solemn Commitment**

The information and data disclosed in the Report are derived from the Company's statistical reports and official documents and have been audited by relevant departments. The Company guarantees that there are no false records or misleading statements in the Report and is responsible for the truthfulness, accuracy and completeness of the contents.

### **Basis of Preparation**

The Report is mainly based on *the Environmental, Social and Governance Reporting Guide and Related Listing Rules* of the Stock Exchange of Hong Kong Ltd., *the Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR4.0)* of the Chinese Academy of Social Sciences, *the Notice on Strengthening the Social Responsibility Commitment of Listed Companies cum Issuing the Guidelines on Environmental Information Disclosure for Listed Companies on the Shanghai Stock Exchange* of the Shanghai Stock Exchange, *the Guidance on Better Fulfillment of Social Responsibility by State-owned Enterprises* of the State-owned Assets Supervision and Administration Commission of the State Council, *the GRI Sustainability Reporting Standards (GRI Standards)* of the Global Reporting Initiative, and the United Nations Sustainable Development Goals (SDGs).

### **Scope of Report**

Unless otherwise specified, the Report mainly describes the economic, social and environmental performance of Chongqing Iron & Steel and its subsidiaries in terms of their practices in social responsibility fulfillment and performance during the period from January 1, 2021 to December 31, 2021. The currencies involved in the Report shall be in CNY.

### **Name Description**

"China Baowu" used in the Report is the shorted form of China Baowu Steel Group Corporation Limited. "China South Steel" used in the Report is the shorted form of "China South Steel Corporation Limited". "Chongqing Iron & Steel", "Company", and "We" are the shorted form of "Chongqing Iron & Steel Company Limited".

### **Preparation Process**

Investigation of the concerns of stakeholders–Report planning–Report framework construction–Report preparation training–Collection of materials–Report preparation–Internal discussion–Report design–Solicitation of opinions–Report revision–Management review–Board of Directors review–Release of the final draft.

### **Text Language**

The Report is available in simplified Chinese, traditional Chinese, and English. If there is any discrepancy between the three versions, the simplified Chinese version shall prevail.

### **Form of Release**

The Report will be published in printed version and PDF electronic version. The PDF electronic version can be downloaded in the social responsibility column (<http://www.cqgt.cn>) at the official website of the Company. To reduce the impact of printing on the environment, we encourage readers to download the electronic version whenever possible.

The Report is printed on recycling paper. To save paper, we will limit the length to the greatest extent. For more information, please visit the official website, WeChat official account or the annual financial report of the Company.

# Contents

<b>About the Report</b>	<b>01</b>
<b>Message from the Chairman</b>	<b>04</b>
<b>About Chongqing Iron &amp; Steel</b>	<b>06</b>
Company Profile	06
Organizational Structure	07
Corporate Culture	07
Big Events in 2021	08

<b>Topic I</b>	<b>10</b>
Green and Intelligent Manufacturing, Vigorous Efforts for Low-carbon Development	

<b>Topic II</b>	<b>12</b>
Technological Innovation for New Development	

<b>Outlook</b>	<b>53</b>
<b>Appendix</b>	<b>54</b>
Key Performance Indicators (KPI)	54
Index of Indicators	58
Feedback	60



## Integrity and Compliance for Smooth Reform and Development **14**

Consolidating Corporate Governance	<b>16</b>
Sharpening Bottom-line Awareness about Integrity	<b>18</b>
Strengthening ESG Management	<b>20</b>

## Technology Empowerment to Stimulate Vitality for Innovation **24**

Focusing on Innovation-driven Development	<b>26</b>
Advancing Intelligent Manufacturing	<b>28</b>

## Collaboration and Coexistence to Build a Dream-chasing Platform **30**

Joining Hands for Win-win Results	<b>32</b>
Providing Quality Services	<b>35</b>
Caring for Employees	<b>36</b>

## Greenness and Environmental-friendliness for a Shared Wonderful Life **44**

Practicing Green Development	<b>46</b>
Giving Back to Society	<b>50</b>



**Zhang Wenxue, Secretary of the Party Committee and Chairman of Chongqing Iron & Steel Co., LTD**

## Message from the Chairman

The year 2021 marks the 100th anniversary of the founding of the Communist Party of China. It is the first year for starting a new journey to build a modern socialist country in all respects, the first year of the 14th Five-Year Plan period for China Baowu, and a key year for the high-quality development of Chongqing Iron and Steel. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we forged ahead with the spirit of steel, achieved excellent business performance with a production scale and profit hitting record highs, and ushered in a new stage of green, low-carbon and high-quality development.

**This year, we focused on increasing quality and efficiency, and forged ahead with reforms.** In the face of the complicated and challenging external environment and the ongoing impact of the COVID-19 pandemic, we adhered to the production and operation pattern of “expanding scale, adjusting structure, and cutting costs”. Based on the management philosophy of “gap identification through comprehensive benchmarking, cost reduction, efficiency improvement, excellent management and consumption limit”, the Company has seen significant improvements in primary-level management and basic management, as well as in manufacturing capabilities, system capabilities, and management capabilities, improved efficiency in wharves, iron-making, steel-making and steel rolling, completed and put into production a number of technical improvement projects, obviously improved production efficiency, and optimized major technical and economic indicators under the strategic guidance of China Baowu and the overall planning of China South Steel.

**This year, we were committed to green and intelligent manufacturing to help reach the goal of carbon dioxide emissions peaking and carbon neutrality.** We actively applied Xi Jinping’s thinking on promoting ecological progress, adhered to the concept of green development, pursued man-nature as well as enterprise-society harmonious coexistence, and worked tirelessly to build an eco-friendly steel manufacturer surrounded by lush mountains and lush waters and create a “Chongqing Iron & Steel Immersed in Green and Charming Landscape”. We improved the energy management system to raise the bar for low-carbon development and energy conservation; promoted the “treatment of three wastes - waste gas, waste water and solid waste” and “cleaning, greening, beautifying and civilizing”, and rationally planned the implementation path of zero discharge of waste water, ultra-low discharge of waste gas, and zero solid waste outside the factory; increased the application of energy-saving technology to build environmentally friendly factory. We implemented 11 energy-saving renovation projects with a green development index of 66 points, which won the honor of “Benchmark Enterprise for Green Development”.

**This year, we leveraged technology empowerment and promoted corporate innovative development.** With China Baowu’s Intelligent Operation Indicators as the benchmark, we upgraded to “Digital Chongqing Iron & Steel” and “Intelligent Factory”, launched a smart platform for intelligent operation management and control, and put into operation 25 intelligent manufacturing projects such as automatic casting of continuous casting steelmaking machines. Annual business plan tasks were fully completed. We comprehensively established a system of scientific and technological innovation. Technological innovation and technology-based cost reduction were made for new technology, new materials, new equipment and new processes management. Technological innovation capabilities were enhanced to promote the construction of digital Chongqing Iron & Steel. In 2021, the company saw 500% year-on-year increase in the number of patent applications, and implemented 12 scientific research projects. With a patent innovation index of 62.67, it ranked 40th among Chinese steel enterprises.

**This year, we continued to put people first and helped to build a harmonious society.** We hosted activities for 100% of Party members to learn the history of the Party. Party organizations at all levels completed 235 events under the “I do practical work for the masses” campaign, including 39 company-level projects. We enhanced the employees’ sense of identity, belonging and happiness through projects such as building “five rooms, one space, one hall”, improving the dining environment, increasing employee meal allowances, renovating the dormitory, and building parking spaces and charging piles for electric vehicles. We also helped create a harmonious social environment by hosting a slew of voluntary activities, donations, and serving rural vitalization.

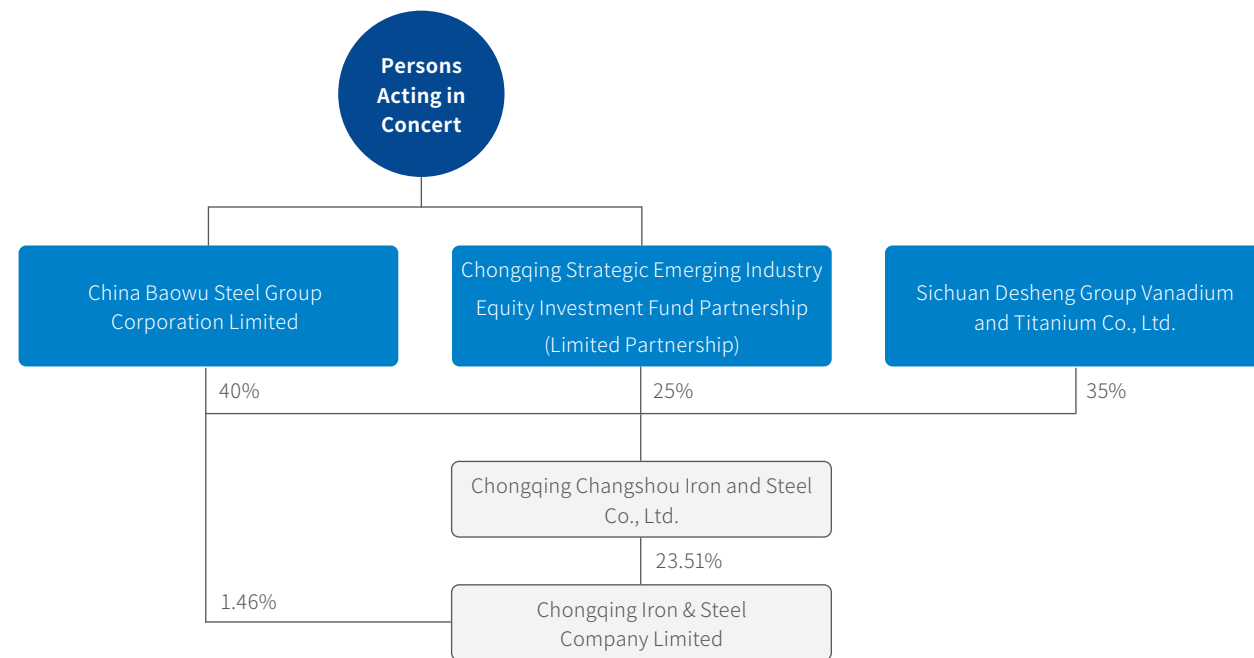
The road ahead is arduous and fraught with difficulties and doubled efforts are required. We will consistently uphold high-quality and low-carbon development, improve management efficiency with greater determination and commitment, and formulate strategies for keeping to the right path and innovations in order to make new breakthroughs. We will make tireless and courageous efforts to implement the decisions and plans made by China Baowu and China South Steel, seize market opportunities, move on steadily, and make greater achievements in the new period as a tribute to the 20th CPC National Congress!

# About Chongqing Iron & Steel

## Company Profile

Founded in August 1997, Chongqing Iron & Steel issued H shares (stock code: H1053) on the Stock Exchange of Hong Kong (HKEX) in the same year, and A shares (stock code: A601005) on the Shanghai Stock Exchange in 2007.

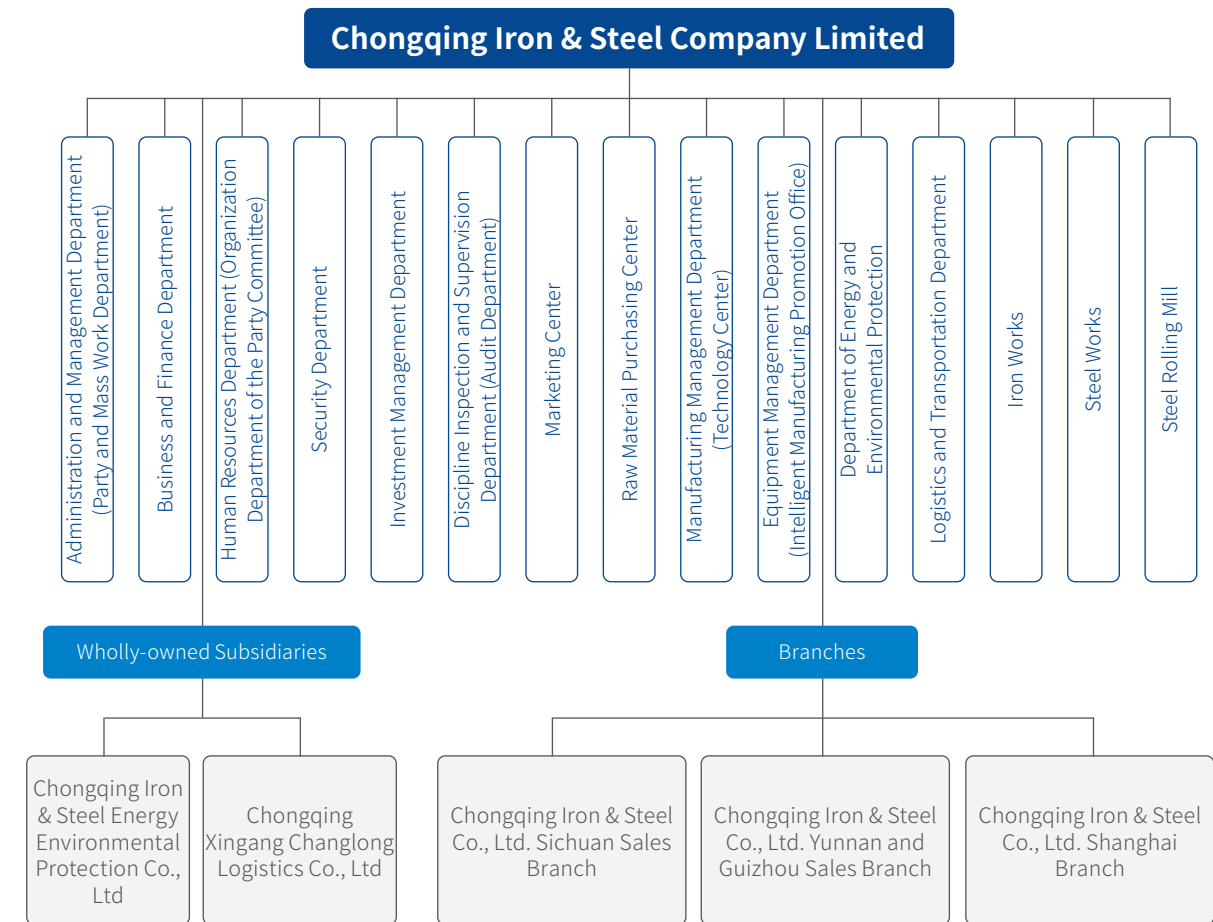
The predecessor of Chongqing Iron & Steel is Hanyang Iron Works founded by Zhang Zhidong, Viceroy of Hu-Guang, in 1890. In March 1938, Hanyang Iron Works moved west to Chongqing, and was completed and put into operation in March 1940. In January 2007, Chongqing Iron & Steel moved from Dadukou District to Changshou District of Chongqing. At the end of 2017, Chongqing Iron & Steel completed judicial reorganization, and in December 2020, China Baowu became the actual controller of the Company. Integrating into China Baowu, Chongqing Iron & Steel is resolutely striving towards the goal of high-quality development with a new outlook, and is committed to creating a Ten Million Ton Iron and Steel Complex and building a “Chongqing Iron & Steel Immersed in a Green and Charming Landscape”, to grow into a leader in the steel industry in southwest China.



Equity Structure Chart

In 2021, the Company produced 6,744,640 tons of pig iron, 7,115,511 tons of crude steel and 5,935,967 tons of rolled steel, with an annual operating revenue of CNY 39.85 billion and a total profit of CNY 2.26 billion. The Company has the following main product lines: 4100mm wide and thick plates, 2700mm medium plates, 1780mm hot rolled sheets, and high speed wire rods and bars, and the products are applied in machinery, construction, engineering, automobile, motorcycle, shipbuilding, offshore oil, gas cylinders, boilers, oil and gas pipelines and other industries. The Company's steel for hull structure, boiler and pressure vessel won the title of “China Famous Brand”, and four other products won the title of “Chongqing Famous Brand”. The Company has been awarded the National May Day Labor Certificate, National Advanced Enterprise for Implementing Excellent Performance Model, Chongqing Famous Trademark, Chongqing Quality and Efficiency-oriented Enterprise, Chongqing Contract Credit and Trustworthy Enterprise and other honorary titles.

## Organizational Structure



## Corporate Culture

Culture instills in us confidence. Chongqing Iron and Steel’s corporate culture is underpinned by our position and belief. Over the past 100 years, these position and belief have been translated into the mission, vision and value proposition of employees at Chongqing Iron and Steel. These are fused into our work and life, become our collective personality, and evolve into Chongqing Iron and Steel people’s commitment to the future vision.



### Mission

Keep the national strength of steel alive and build a green and wonderful life



### Vision

To become a leader in the steel industry in Southwest China



### Development goal

To create a high-quality green intelligent steel manufacturer with an annual output exceeding 10 million tons

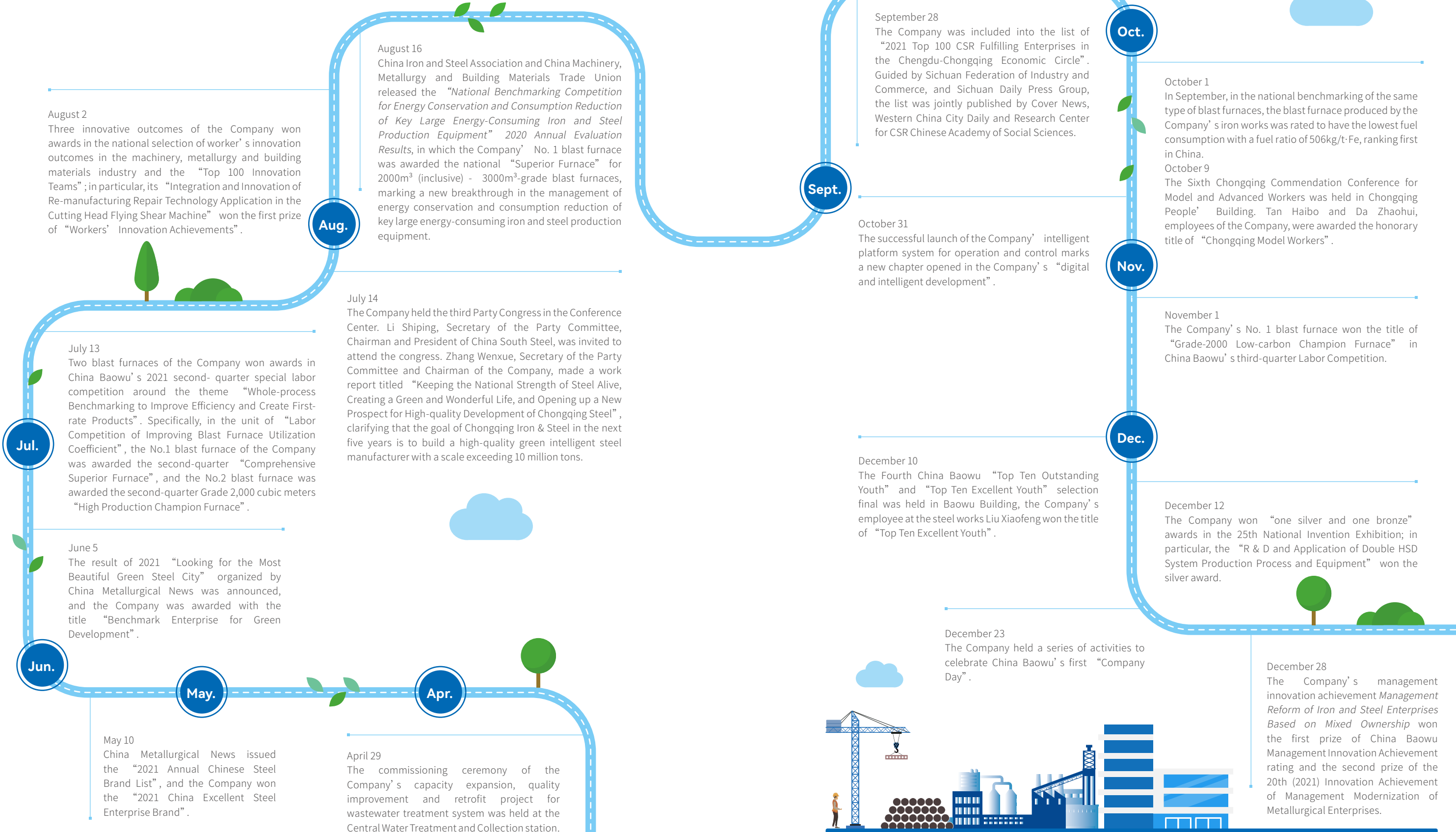


### Core values

integrity, innovation, collaboration and shared benefits



## Big Events in 2021



## Topic I

# Green and Intelligent Manufacturing, Vigorous Efforts for Low-carbon Development



At the general debate of the 75th session of the UN General Assembly held in September 2020, General Secretary Xi Jinping pointed out that China would increase its nationally determined contribution, and adopt more effective policies and measures to peak the carbon dioxide emissions by 2030, and achieve carbon neutrality by 2060. In 2021, the Central Committee of the Communist Party of China and the State Council issued the *Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy*, which calls for the accelerated formation of industrial structures and production modes that conserve resources and protect the environment. Bearing in mind its status and responsibilities as a central state-owned enterprise in key industries, China Baowu initiated the establishment of Global Low-carbon Metallurgical Innovation Alliance, formulated a carbon neutrality action plan, and set carbon emission reduction goals – strive to peak carbon emissions by 2023 and achieve carbon neutrality by 2050. Green low-carbon development, energy saving and emission reduction have become the benchmark of China Baowu’s all steel bases in China. As a model for the reorganization of China Baowu, Chongqing Iron and Steel, in response to China Baowu’s strategic plan, embraces green, low-carbon and circular development, and strives to demonstrate responsibility the well-recognized high-quality steel ecosystem created by China South Steel.

## Governance Structure

To strengthen top-level design and organizational leadership, and to advance scientific and technological innovation, technical cooperation, best practice promotion and the management of the Company’s carbon data and carbon assets in the field of green and low-carbon development in a coordinated way, in 2021, the Company established a Carbon Neutrality Promotion Committee supervised by key leaders and a Carbon Neutrality Office, which are responsible for researching and promoting green and low-carbon policies, developing green and low-carbon development plans, and advancing the carbon neutrality innovation project management, carbon neutrality management system, and carbon asset management.

## Strategic Planning

To effectively put the carbon emission peak and carbon neutrality efforts in place, the Company plans to prepare carbon emission peak and low-carbon development plans in line with the China Baowu’s master plan for achieving carbon emission peak and the dual carbon roadmap, while, at the same time, preparing action plans for blast furnace and converter processes to reach benchmark levels by 2025 according to the *Opinions of the National Development and Reform Commission and other Departments on Tightening Energy Efficiency Constraints to Promote Energy Conservation and Carbon Reduction in Key Areas*, with an aim to help the implementation of carbon emission peak and carbon neutrality targets.

## Carbon Emission Reduction Management

### Improving the Management System for Energy Conservation and Emission Reduction

The Company actively participated in the carbon emission management training and exchange activities sponsored by the government, industry associations and China Baowu, to absorb successful practices and management philosophies and continuously improves the Company’s carbon emission reduction management.

### Strengthening Carbon Emission Data Management

As one of the first pilot carbon emission enterprises in Chongqing, the Company actively carried out data management related work, compiled the Carbon Emissions Declaration, Carbon Emissions Report, Greenhouse Gas Emissions Report and Emissions Monitoring Plan for the period from 2013 to 2020, and cooperated with the government to conduct verification and re-inspection work. The company accelerated the approval process of the Smart Platform for Environmental Protection project, collected basic data, and built the information platform with reference to the China Baowu 1.0 Carbon Information-based System. The Company conducted a data analysis of the carbon emission structure based on the statistical statements, including monthly and annual reports, which are automatically generated by the system; established linkages with national and local filling systems to report relevant information in a timely manner; and connected with the carbon trading market to follow the real-time dynamics of the carbon market.

### Case Responding to the Carbon Emission Verification

On May 26, 2021, Chongqing Guozi Low Carbon Technology Consulting Co., Ltd. was entrusted by Chongqing Ecological Environment Bureau to verify the carbon emissions of the Company in 2020. After the verification, the total local carbon emission of the Company in Chongqing in 2020 was 6,111,553 tons and its total national carbon emission was 10,279,938 tons.

### Carbon Quota Implementation and Trading

To solve the shortage of carbon emission quota, the Company established the Working Group for Carbon Emissions Permit Trading in 2014. On February 3, November 2 and December 28, 2021, the Company spent CNY4.95 million, CNY68.3592 million and CNY30.5883 million on the carbon emission quota purchase to fill the quota gap in 2018, 2019 and 2020, respectively.

## Energy Conservation and Emission Reduction Efforts

### Energy Conservation and Carbon Reduction Projects

In 2021, a total of 15 energy conservation and carbon reduction projects were put into operation or promoted, of which seven have been put into operation and eight are being promoted according to schedule, all of which will be put into operation in 2022. When all the projects are put into operation, it can save 98,430 tons of standard coal/year and reduce the carbon dioxide emission by 281,900 tons/year.

### Technology Exchange on Energy Conservation and Carbon Reduction

Conducted technology exchanges with energy-saving and carbon-reducing entities on CO2 capture and storage, technical demonstration on CO2 tempering combined production for building materials processing, and process discussions on the feasibility of project implementation. This project has been included in the Company’s 2022-2024 plan.

### Green and Low-carbon Clean Transportation

Expedited clean transportation, planning to transform 20 heavy-duty trucks into electric new energy transport vehicles by 2022.



## Topic II

# Technological Innovation for New Development

In 2021, Chongqing Iron and Steel strengthened technology research and development as well as product development based on its main responsibilities and businesses, and made breakthroughs in many key core technologies and products.

### Trial Production of Ultra-low carbon, Low Sulfur, Low Aluminum Non-oriented Silicon Steel Hot Coils

By making full use of China Baowu Innovation Collaboration Platform, the Company carried out systematic benchmarking in terms of chemical composition control, cold rolled finished electromagnetic performance, key process parameters control, physical quality control, etc. At the same time, during the control of the production process, based on its own process characteristics, the Company paid attention to independent innovation, broke through the conventional process design path, and solved the process carbon increase, sulfur control, aluminum control difficulty and other problems, to finally achieve successful trial production, with the product chemical composition and hot coil dimensional accuracy fully meeting the standard requirements.



### Product Technology Research of Weather-proof Steel and Steel Plates for Bridges

Trial-produced Q390MD, Q420MD low-alloy high-strength steel plates, Q420qENH weather-proof steel plates for bridges; carried out research on the production technology of high phosphorus steel, and trial-produced SHA-H, the hot-rolled steel plate for containers with high weather resistance. The products meet the standard requirements in each indicator and are widely used in various important projects.



### Trial Production of the Atmospheric Corrosion Resistant Steel Belt SPA-H

Aligned to the customer demand, the holt-rolled production, marketing and research team utilized China Baowu's Technology Platform for New Product Research and Development, overcame difficulties to make new breakthroughs in expanding hot-rolled varieties, and successfully trial-produced the SPA-H weather-proof steel belt.



### Technology Research of the converter Short-cycle Generated Slag Washing Technology

To alleviate the impact of high sulfur in the molten iron on production and quality, the Company carried out trials of the slag washing and desulfurization process and explored two slag washing modes with significant desulfurization effect and a desulfurization rate of 15-25%, which provided strong support for on-site production, while simplifying the steelmaking process to meet the short-cycle production requirements, which is significant for reducing energy consumption in steelmaking and practicing green production.







## CHAPTER ONE

# INTEGRITY AND COMPLIANCE FOR SMOOTH REFORM AND DEVELOPMENT

Integrity and trustworthiness are fundamental to the survival and development of an enterprise. Chongqing Iron & Steel consistently operates in good faith according to laws and regulations. It strengthens honest corporate governance, keeps a bottom line for clean operations, tightens ESG management, and creates win-win value with a responsible attitude towards all stakeholders.



- Consolidating Corporate Governance / 16
- Sharpening Bottom-line Awareness about Integrity / 18
- Strengthening ESG Management / 20

# Consolidating Corporate Governance

## Improving the Governance Structure

The Company strictly complies with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies and other relevant laws and regulations and has established a corporate governance structure with a clear division of labor and mutual checks and balances among the General Meeting of Shareholders, the Board of Directors, the Supervisory Committee and the General Manager level, to ensure science-based and rational decision-making and efficient operation of the Company. 2021, the Company held three shareholders' meetings, 17 meetings of the Board of Directors, 10 meetings of special committees of the Board of Directors (four Audit Committee meetings, two Nomination Committee meetings, three Audit and Evaluation Committee meetings, one Strategy Committee meeting).

The Company continues to improve the executive compensation allocation mechanism, fostering a distribution system composed of annual salary for the post, annual salary for the term and special incentives, so that the executive compensation is compatible with the development strategy of the Company and the performance of the Company's sustainable development, giving play to the incentive function of compensation and supporting the sustainable and sound development of the Company.

## Standardizing Information Disclosure

The Company adheres to true, accurate, complete, timely and fair information disclosure. In 2021, the Company disclosed a total of 254 announcements on issues closely related to production and operation, including the 2020 Annual Report, the First-quarter Report, the Semi-annual Report and the Third-quarter Report of 2021, the amendment to the Articles of Association, the Employee Stock Ownership Plan, the change of management personnel, related party transactions and abnormal fluctuations of stock transactions; specifically, four periodic reports and 123 interim announcements were completed in Shanghai Stock Exchange, and four periodic reports and 123 interim announcements completed in HKEX.

During the reporting period, the Company's information disclosure was standardized and orderly, and there was no case of failure to disclose information that should be disclosed. In August 2021, after the comprehensive evaluation of the Shanghai Stock Exchange, the Company's information disclosure work during the 2020-2021 period maintained the B-level rating.

## Paying Attention to the Rights and Interests Protection

### Shareholders' Rights and Interests

The Company formulated the Articles of Association to set detailed provisions on the basic principles, forms, conditions, scheme research and demonstration procedures, decision-making mechanism and policy adjustment of profit distribution, to provide institutional guarantee for shareholders' rights and interests. Meanwhile, the Articles of Association clearly grants rights to small and medium-sized shareholders, especially when it comes to profit distribution, and provides full protection for their rights and interests.

### Investors' Rights and Interests

The Company formulated Management Measures for Investor Relations to strengthen two-way communication with investors and potential investors, enhance investors' understanding of the Company, and maximize the interests of shareholders, including the majority of small and medium-sized investors.



### Improving the Voting Mechanism for Small and Medium-sized Investors

The Company abides by the Opinions of the General Office of the State Council on Further Enhancing the Protection of the Legitimate Rights and Interests of Small and Medium-sized Investors in the Capital Market and other relevant laws, regulations and normative documents, and has established and improved the voting mechanism for small and medium-sized investors. On-site voting and network voting are adopted during the general meeting of shareholders; when major matters affecting the interests of small and medium-sized investors are deliberated at the shareholders' meeting, the votes by small and medium-sized investors are separately counted in accordance with regulations, and the separate vote counting results are disclosed to the public in a timely manner and submitted to the securities regulatory authority.



### Multi-channel Two-way Communication Platform

The Company managed investor relations in various forms through communication platforms such as shareholders' meetings, performance presentations, investor group receptions, creditor shareholder groups and "005 Steel Wire Community" to build a bridge of trust between the Company and investors and raise investors' awareness about the Company. Investor communication covers macroeconomic environment, medium-industry development, micro-enterprise operation and other aspects, with a focus on the Company's development plan, competitive strategy, corporate culture building and other aspects, to enhance diversity and effectiveness of the communication content. In 2021, the Company handled a total of 33 times of telephone communication with investors, answered 70 questions asked by investors through the interactive platform, and responded to six investor inquiries via IR email.





## Building a Strong Defense Line of Compliance

Chongqing Iron & Steel adheres to law-based corporate governance and operational compliance. By Improving Institutional Building, carrying out risk assessment and organizing compliance culture training, we pay close attention to internal and external risks in the development of the Company, strengthen risk prevention and control, and improve the level of risk control.

### Institutional Building

The Company developed the Compliance Management Measures to standardize the basic content of compliance management; formulated the Management Procedures for the Compliance Evaluation of Laws, Regulations and Other Aspects Required for Collection and Application to standardize the workflow for identification, observation and evaluation of external compliance obligations. In the meantime, each functional business department of the Company formulated (revised) the management system of each professional field in conjunction with the external compliance requirements and the management situation of the Company to regulate various production and operation behaviors.

### Risk Assessment

The focus compliance risks for the Company include civil liability arising from the signing and performance of economic contracts, administrative liability and criminal liability arising from violations of laws and regulations relating to safety, environmental protection, energy and other requirements, labor disputes arising from labor employment, and other compliance risks such as goodwill and economic losses arising from failure to comply with laws, regulations and related requirements in production and operation. The Company has intensified efforts to rectify various risk incidents. In 2021, the Company received one administrative penalty for a fire accident and has completed the rectification.

### Compliance Culture

The Company attaches great importance to compliance training and compliance culture education and has organized training activities including management of IPR-related legal risks, performance of duties by directors, supervisors and senior managers, compliance management system and contract management, to enhance compliance awareness of managers and employees. In 2021, the Company carried out compliance training and compliance culture education 13 times.



On December 2, 2021, the Company organized training on the compliance management system.



On December 16, 2021, the Company held a special training on "Changes and Application of the General Principles of Contract Section of Civil Code".

## Sharpening Bottom-line Awareness about Integrity

### Implementing the Integrity Culture

The Company strictly abides by the Supervision Law of the People's Republic of China and other anti-corruption related laws and regulations, and adheres to putting prevention first while integrating punishment with prevention. It has formulated and implemented the Provisions of the Responsibility System for Improving the Party's Work Style, the Implementation Opinions on Strengthening the Party Style and Clean Government Education for Leading Personnel and Ten Prohibitions Concerning Clean Practice and other internal rules and regulations, to enhance the leaders and employees' awareness of integrity, discipline and rules, and advance the Company's endeavor to improve the Party's work style, build a clean government, and combat corruption with high quality.

## Carrying out Publicity and Education on Clean Practice

Carried out warning education activities through cases of violation of rules and regulations, compiled the Collected Typical Cases of Chongqing Iron & Steel 2020 and other materials, and distributed them to each unit in the form of case notification by periods, to promote rectification of dishonest practices through cases.

At the same time, the Company organized directors, managers and employees to learn the Notification on Six Typical Cases Violating the Eight-point Regulation of the Central Committee of the CPC issued by the Central Commission for Discipline Inspection and State Supervisory Commission, Notification on Five Cases Violating Rules, Regulations and Discipline During Operation Process, Warning against the Three Operation Risks Concerning Encounters with "Cyber Fraud", "Duty-related Crimes by Purchasing Staff" and "Financing Trade" issued by China Baowu and other documents, to heighten employees' awareness about clean and honest practice.

### Case Donating Books as "Mental Nourishment" for Clean Operations

The company's raw material procurement center creates an environment in which clean operations, high ideals and morality are promoted through reading. Books such as Party Member Handbook, Integrity, Self-discipline and Red Line for Party Discipline and Yan'an Spirit are donated to promote the concept of lifelong learning among all Party members, raise the awareness of Party spirit, rules, integrity and self-discipline, and build a working environment free of corruption.



## Strengthening Prevention and Control of Integrity-related Risks

Arranged for all units to sign the Chongqing Iron & Steel Integrity Risk Prevention and Control Form, effectively conveyed the integrity requirements to employees so that they can fully understand the responsibilities and obligations of clean and honest practice. In 2021, a total of 626 integrity commitment letters were signed by employees at sensitive positions in various units of the Company.



In February 2021, the Company held a work conference on improving the Party's work style and combating corruption. The Company leaders took the lead to make a commitment to honesty.



## Keeping an Unblocked Reporting Channel

With great attention paid to the collection of clues for solving problems, the Company has set up a total of 20 anti-corruption reporting boxes in each key sector, the reception window area and other areas publicized the hotline for reporting corruption behaviors. At the same time, it went deeper into the community to collect clues, to push forward anti-corruption and integrity endeavors in an in-depth and solid way.

## Strengthening ESG Management

### ESG Statement of the Board of Directors

Chongqing Iron & Steel recognizes the importance of ESG issues to the Company's risk management and sustainable development. The Board of Directors is the highest leadership body for the Company's ESG efforts and has full responsibility for the Company's ESG strategy, management, performance and reporting. The Board is committed to ensuring that the Company's ESG efforts comply with legal, regulatory and standard requirements, controlling ESG-related risks, and ensuring that the Company's ESG objectives and implementation processes are effective. The Strategic Development Committee of the Board of Directors is responsible for the ESG work of the Company and makes relevant recommendations to the Board of Directors.

The Board of Directors continues to identify and assess important ESG topics, employs various channels to communicate with key stakeholders, and determines the priority of ESG topics of the Company based on the external economic and social environment and the Company's strategy, to provide references for the Company's ESG information disclosure.

The Board of Directors attaches great importance to achieving important ESG goals such as workplace safety, energy and environmental protection, and has set a number of indicators to review the progress of relevant goals. In 2021, the Company kept its overall safety work and the energy consumption of each production line process within the controllable range, and its pollutant emissions met the required target, which laid a solid foundation for the Company to achieve green, low-carbon and high-quality development.

This Report details the progress and effectiveness of Chongqing Iron & Steel's ESG work in 2021. The Board of Directors and all directors of Chongqing Iron & Steel guarantee that there is no false record, misleading statement or material omission in this Report, and undertake individual and joint liability for the authenticity, accuracy and integrity of the content.

## ESG Governance Structure

The Company keeps to the green development philosophy as "Chongqing Iron & Steel Immersed in Charming Landscape", and incorporates social responsibility into corporate development strategies and routine business activities. In 2021, the company drew on advanced ESG management experience at home and abroad to improve the company's ESG management system, and formed an ESG management structure with vertical implementation and horizontal coverage. All departments and organizations of the company act in concert, maintain close communication with stakeholders, and work to create an influential and sustainable responsible brand in line with the company's sustainable development strategy.

Board of Directors	The top leadership organization for the Company's ESG work
The Strategy Committee of the Board of Directors	Responsible for the Company's ESG work and making suggestions to the Board, including: <ul style="list-style-type: none"> <li>Review the Company's ESG policies and strategies to ensure compliance with relevant laws, regulations and standards;</li> <li>Assess and review the Company's ESG risks and opportunities, and make suggestions to the Board;</li> <li>Review the Company's ESG management and internal control systems and make suggestions to the Board on their adequacy and effectiveness;</li> <li>Evaluate, review and supervise the Company's ESG goals and implementation;</li> <li>Review the Company's disclosed ESG reports;</li> <li>Guide the formulation of ESG management vision, objectives and strategies;</li> </ul>
ESG Working Group	Responsible for providing professional support to the Strategic Development Committee of the Board, including: <ul style="list-style-type: none"> <li>Develop specific ESG policies and action plans in line with the Company's strategy and development goals;</li> <li>Manage ESG related risks in the daily operation of the Company;</li> <li>Communicate with all departments and subsidiaries of the Company to coordinate and promote the implementation of ESG matters;</li> <li>Collect, collate and compile the Company's public disclosures on ESG matters and performance.</li> </ul>

## ESG Capacity Building

### Responsibility Indicator System

In 2021, the Company set up a complete indicator system composed of five dimensions of report preface, responsibility management, market performance, social performance and environmental performance, to standardize the Company's ESG management and ESG report compilation.

### Building of Capacity for Responsibility

The Company takes the initiative to strengthen its own capacity building, enhance the sense of social responsibility, and cultivate a responsible corporate culture. In 2021, the company invited experts from third-party institutions such as the Chinese Academy of Social Sciences to conduct systematic training on ESG theory and practice for heads and staff in charge of ESG work in various departments and subsidiaries of the Company.



CASS experts were invited to conduct systematic training on ESG work

## Communication with Stakeholders

The Company has established an efficient stakeholder communication mechanism to actively identify and respond to the expectations of various stakeholders and enhance their understanding of and trust in the Company.

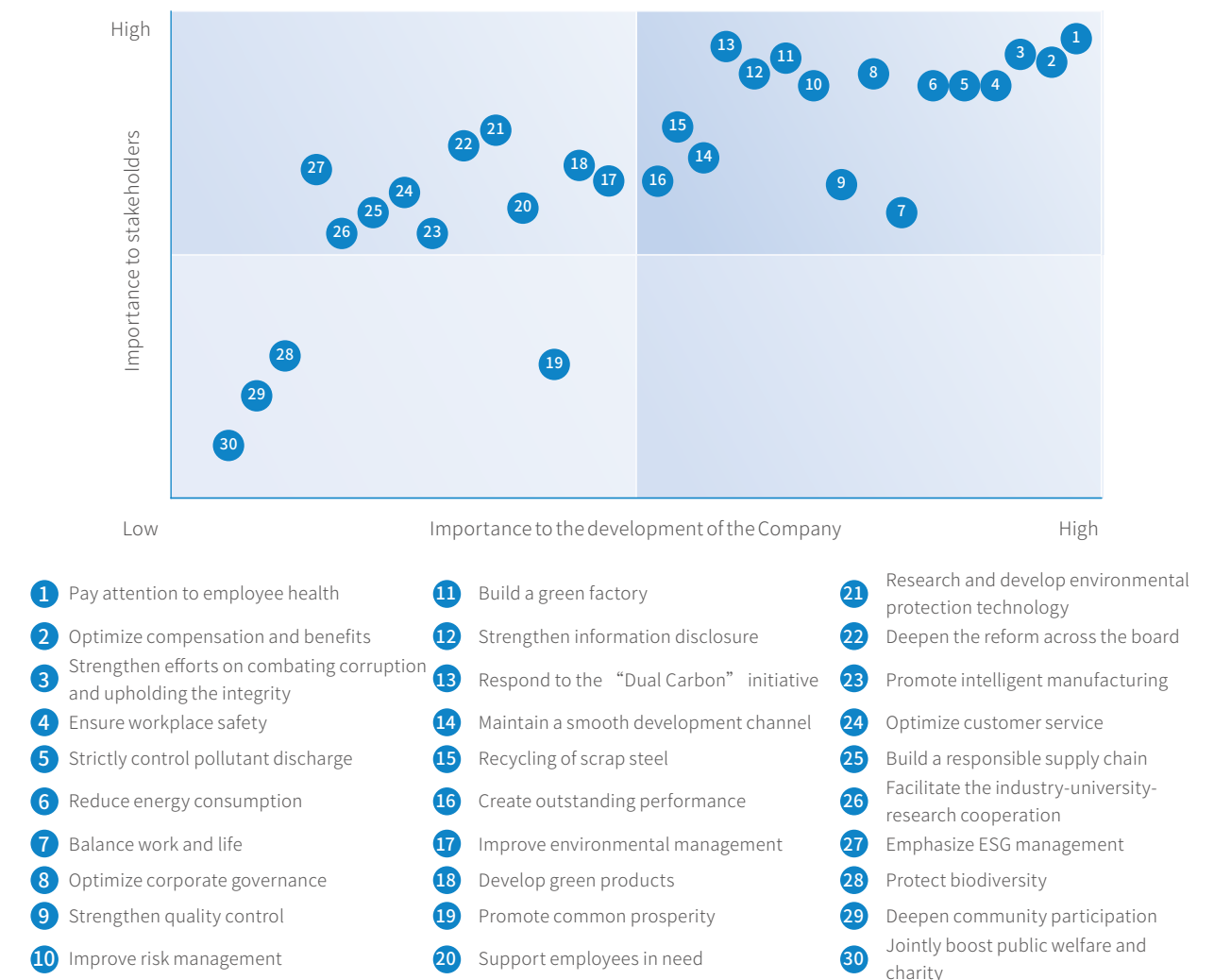
Stakeholders	Expectations and Demands	Communication and Responses
Government	<ul style="list-style-type: none"> <li>Observe discipline and law</li> <li>Pay taxes according to law</li> <li>Support local development</li> </ul>	<ul style="list-style-type: none"> <li>Integrity and compliance management</li> <li>Pay taxes proactively</li> <li>Provide jobs</li> <li>Respond to major policies</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>Protect shareholders' rights and interests</li> <li>Improve corporate governance</li> <li>Strengthen risk control</li> </ul>	<ul style="list-style-type: none"> <li>Improve business performance</li> <li>Enhance information disclosure</li> <li>Raise internal control level</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Protect the rights and interests of employees</li> <li>Help employees grow</li> <li>Balance employees' work and life</li> <li>Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Improve the level of salary and welfare</li> <li>Pay attention to the physical and mental health of employees</li> <li>Enhance the training and promotion mechanism</li> <li>Organize cultural and sports activities</li> <li>Strengthen employee communication</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Protect the rights and interests of customers</li> <li>Improve customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Attach importance to scientific and technological innovation and management innovation</li> <li>Strengthen product quality and service management</li> <li>Adhere to integrity management</li> </ul>
Partners	<ul style="list-style-type: none"> <li>Drive industry development</li> <li>Collaborative partnership for win-win results</li> </ul>	<ul style="list-style-type: none"> <li>Adhere to business ethics</li> <li>Build a responsible supply chain</li> </ul>
Community	<ul style="list-style-type: none"> <li>Actively integrate into the community</li> <li>Help people in need</li> </ul>	<ul style="list-style-type: none"> <li>Carry out public welfare projects</li> <li>Build a volunteer service team</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Protect the ecology</li> <li>Make rational use of resources</li> <li>Respond to climate change</li> </ul>	<ul style="list-style-type: none"> <li>Promote energy conservation and emissions reduction</li> <li>Advance green manufacturing</li> <li>Develop new environmental-friendly products</li> </ul>

## Identification of Major Issues

In order to accurately present the ESG performance and work progress of Chongqing Iron & Steel, the Company has established a standard process of issue identification and evaluation, built a substantive issue matrix, identified important ESG issues and disclosed them in the Report.

### Substantive Issue Identification and Evaluation Process

<b>Issue Identification</b>	Through the analysis of macro policies and industry policies, authoritative ESG standard research at home and abroad, benchmarking of excellent ESG reports in the industry, sorting out the key points of corporate strategy, etc., identify and establish the corporate ESG issue database.
<b>Issue Evaluation</b>	The ESG Working Group and external experts jointly select the substantive issues that need to be highlighted and disclosed, and establish a matrix of substantive issues from two dimensions of "importance to stakeholders" and "importance to the development of the Company".
<b>Review and Confirmation</b>	The Company's Board of Directors and the Strategic Development Committee of the Board of Directors conduct the final review.





## CHAPTER TWO

# TECHNOLOGY EMPOWERMENT TO STIMULATE VITALITY FOR INNOVATION

Innovation is the primary force for development. In keeping with the innovation-driven development strategy, Chongqing Iron and Steel improves the innovation system, moves faster to promote smart manufacturing, creates an atmosphere conducive to innovation, and earnestly improves its innovation capability and development quality.



- Focusing on Innovation-driven Development / 26
- Advancing Intelligent Manufacturing / 28



## Focusing on Innovation-driven Development

### Supporting Scientific and Technological Innovation

In 2021, the Company revised the Management Measures for Technology Innovation, Management Measures for Scientific and Technological Achievements, Intellectual Property Rights Incentive Management Standards and other systems to implement various support measures for scientific and technological innovation, improve the management system for scientific and technological innovation, and continuously enhance its capacity for independent innovation.

#### Top-level Design and System Layout

Accelerated the development of an integrated science and technology management system, realized online operation of the science and technology innovation system, and strengthened overall planning and resource sharing for science and technology management; took the opportunity of completing the national high-tech enterprise certification to increase investment in research and development.

#### Overall R&D Planning

Focused on strategic products and key technologies, push forward technology promotion efforts; focused on “ground-breaking, disruptive and forward-looking” technology research and implementation, and strive to achieve major key technology breakthroughs in certain areas.

#### Tackling Key Difficulties Closely Related to Production

Pushed for organic combination between advancing scientific and technological innovation and post benchmarking and improvement, post gap searching, etc., so that the majority of employees can effectively output results in solving actual problems.

#### New Product Development Management

Redesigned the new product development process, simplified the management process, and established a flat mechanism for fast response to the market.

#### Technical Backbones Taking the Lead

Gave play to the bellwether role of the staff above the director level and the backbone members of the Innovation Workshop, and carried out activities such as teacher-apprentice cooperation and partner assistance, so that innovation would become a common presence in each unit.

#### Selecting Scientific Research Papers

Carried out the selection of excellent scientific and technological papers in 2021 to drive the development of enterprise innovation.

## Protecting Intellectual Property Rights

Possessing a certain number of intellectual property rights reflects the soft power of enterprises, and protecting intellectual property rights is protecting innovation. Through benchmarking with the outstanding enterprises under China Baowu, the Company has established the management standard of IPR rewards, significantly improved reward levels, and taken multiple measures to protect intellectual property rights to push for a leapfrog advancement in scientific and technological innovation. In 2021, the Company filed 274 patents, including 104 invention patents, the total number of invention patents filed up nearly ten times from 2020, which added strong momentum to the quality development of the Company.

### Case Selected into the List of Enterprises with IPR Advantages in Chongqing

In recent years, with more and more employees taking the initiative to join the sci-tech innovation campaign, the Company has seen a significant improvement in its scientific and technological innovation strength. On September 17, 2021, the Intellectual Property Office of Chongqing Changshou District, where the Company is located, issued the Notice on Declaring the 2021 Annual Enterprises with Intellectual Property Advantages in Chongqing. The Company set up a candidate application team and formulated an application plan to strive for the selection. After two months of expert evaluation, the Company was officially selected into the List of Enterprises with IPR Advantages in Chongqing in 2021. This honor is a recognition of the Company’s IPR protection work, marking a new level up in the quality, quantity, protection, application and standardized management of the Company’s intellectual property.



Enterprises with intellectual property advantages refer to enterprises in industrial fields for national and municipal key development which are in a position to undertake major and key industrial development projects in the country and local city, and which have independent intellectual property rights, protect and utilize intellectual property rights, have comprehensive intellectual property management systems and mechanisms, and have comprehensive strengths in intellectual property rights. This title can be used as an evaluation indicator for applying for municipal high-value patent cultivation, technological innovation patent navigation and other projects. It is also an important reference condition for applying for national-level enterprise with intellectual property advantages and China Patent Awards.

### Case Creating an Innovation Engines, Building an Excellent Steelmaker

The Steel Works of Chongqing Iron & Steel gave full play to the role of the Innovation Workshop as “the main battlefield for innovation practice, the high-yield field of innovation achievements and the accelerator of talent growth”, and set the “Five Ones” annual performance objectives for the studio members, namely one key project, one technological innovation project, one patent, one paper and one achievement.

Drive by the objectives, the steel works offered high rewards to the technical innovation employees through a series of activities including labor competitions for technological innovation and patent filing rewards, to fully mobilize the enthusiasm of employees to make innovations. By the end of 2021, 81.81% of the workshop members overfulfilled the annual objective. There emerged patent masters such as He Liang, Zeng Lingwen and Feng Haitao with 26 patents (10 invention patents), as well as excellent teams such as “Liu Xiaofeng Innovation Workshop” with more than 30 patents, 12 technical secrets and six scientific and technological achievements, fostering a demonstration effect of technology innovation. Innovation brings out the best of employees and delivers benefits to enterprises.



Technicians were solving technical difficulties on site

## Strengthening Management Innovation

The Company has formulated the Management Measures for Management Innovation Achievements and Management Standards for Evaluation and Reward of Management Innovation Achievements to guide the orderly progress in management innovation and facilitate the cultivation, summary and application of management innovation achievements, providing impetus through new ideas and methods for the Company’s development.

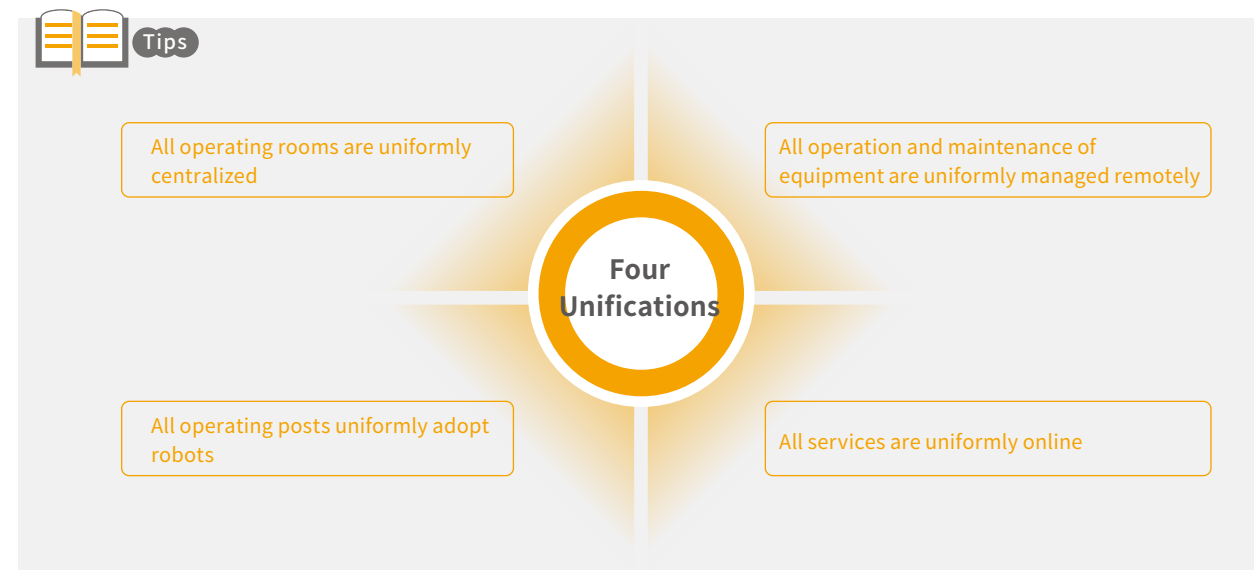
In the context of the comprehensive supply-side structural reform across the country, the market playing a decisive role in resource allocation and orientation towards high-quality development, the Company has implemented a systematic reform in management, set up a management team with clearly defined authority and responsibility, created a management model combining rigid management and flexible culture, while improving the institutional system, and implementing process reengineering to achieve sound corporate governance mechanism, improved management capability, steady growth in profitability, and common growth of employees and the Company.

In 2021, the Company’s management innovation achievement *Management Reform of Iron and Steel Enterprises Based on Mixed Ownership* won the first prize in China Baowu Management Innovation Achievement Rating; meanwhile, it participated in the declaration of “Innovation Achievement in Management Modernization of Metallurgical Enterprises in 2021” on behalf of China Baowu, and won the second prize of the 20th (2021) Innovation Achievement in Management Modernization of Metallurgical Enterprises after strict evaluation by the Validation Committee for Innovation Achievement in Management Modernization of Metallurgical Enterprises and review by China Iron and Steel Industry Association.

# Advancing Intelligent Manufacturing

## Intelligent Manufacturing Management

Intelligent manufacturing plays an outstanding role in improving work efficiency and quality, reducing costs and employee workload. Chongqing Iron & Steel has deepened the management reform, and aligned to the goal of “Four Unifications”, it strives to boost intelligent manufacturing with high standard and strict requirements, and promote the information technology to empower the management innovation.



On October 31, 2021, the intelligent platform system for operation and management, a priority project for the Company, was successfully launched. As a highly integrated, intelligent, information-based platform whose functions cover the entire production line, the platform helps the Company optimize business processes, improve management efficiency, and achieve a leap in management while supporting the Company’s decision-making in management and production control. It effectively helps the Company to leverage its late-mover advantage and to build a green intelligent steel enterprise with a scale exceeding 10 million tons.



The intelligent platform system for operation and management of Chongqing Iron & Steel was successfully launched online



## Intelligent Manufacturing Projects

In line with the principle of “overall planning, step-by-step implementation and urgent use first”, the Company has propelled the intelligent manufacturing project in an orderly manner. Through an analysis of the vulnerable parts of intelligent manufacturing from the four dimensions of “intelligent body”, “point - line - surface - body”, we identified shortcomings and cracked difficulties impeding intelligent manufacturing projects.



### The “Smart Body” of Chongqing Iron & Steel

The “Smart Body” of Chongqing Iron & Steel is built upon an overall structure of intelligent manufacturing from four dimensions: “point-line-plane-body”, so that data and model algorithms, business processes, etc. can flow in a circulated way to realize loop iteration, making the Smart Body “able to reflect, execute, evolve and send off warm”.

- The “point”, which is the “hands and feet” of the “Smart Body”, serves the role of intelligent interaction and is the foundation for connecting the physical world with digital world in manufacturing; it covers intelligent equipment, intelligent detection, industrial robots, industrial videos and other application scenarios in the production process.
- The “line”, which is the “trunk” of the “Smart Body”, plays the role of intelligent hub and intelligent connection, so as to achieve synergy in application, data and organization; it covers basic automation filling, regional centralized control, etc.
- The “plane”, which is the “brain” of the “Smart Body”, mainly refers to the construction of intelligent platforms and is the presentation of the digital and smart value of intelligent manufacturing; it covers the intelligent energy platform, intelligent environmental protection platform, intelligent management and control platform, equipment remote operation and maintenance platform, intelligent logistics platform, staff operation support platform, etc.
- The “body”, through the construction of “point-line-plane” intelligent manufacturing projects, is designed to build a digital and intelligent Chongqing Iron & Steel with a scale exceeding ten million tons, featuring high-quality and green manufacturing, so as to grasp the pulse and signs of production and manufacturing, safety, environmental protection, etc., to inject digital soul into the Company. The aim is to foster a smart system that possesses self-cognition and helps achieve business coordination and joint command, with the ability to think, execute and evolve.



At 14:00 on June 30, 2021, the Double HSD System for Chongqing Iron & Steel production line was put into operation after 426 days of construction, marking the beginning of a new era of intelligent manufacturing for the Company.

Following the principle of “going global” and “bringing in”, the Company comprehensively benchmarks its practice through a sound learning mechanism, absorbs successful experience, selects mature technology, and gives full play to late-comer advantages; meanwhile, it links intelligent manufacturing with performance-orientation, technical progress and technical innovation to achieve improvement in “intelligent” indicators. In 2021, the Company aligned all of its practices to China Baowu’s intelligence indicator standards, made key breakthroughs, and continued to promote the construction of intelligent projects including “unmanned transformation of coke oven electric locomotives”, “dumper grate cleaning robots” and “unmanned solution to ‘3D’ posts”, “iron and steel rolling process automation system”, “intelligent sensing system”, “intelligent finished product inventory”, “automatic roller collar changing robots”, “double-material type inspection robots”, and “intelligent roller collar grinding workshop”.

## CHAPTER THREE



# COLLABORATION AND COEXISTENCE TO BUILD A DREAM-CHASING PLATFORM

Chongqing Iron & Steel pursues win-win cooperation between the enterprise and its partners, and between customers and employees. It regulates the management of suppliers, establishes a responsible supply chain, focuses on customer needs, provides thoughtful services, protects the legitimate rights and interests of employees and helps them grow and contribute to the company's high-quality development.



- Joining Hands for Win-win Results / 32
- Providing Quality Services / 35
- Caring for Employees / 36



## Joining Hands for Win-win Results

### Supplier Management

The Company continued to improve and refine the supplier management system, consolidate the cooperation with strategic suppliers, support and encourage suppliers with strength and potential to develop towards strategy-oriented suppliers, and optimize the supplier team.

#### For Suppliers with Stable Relations Established

Conducted on-site audit of supplier quality control, and put forward rectification requirements for unqualified projects. Meanwhile, publicized various management systems of the Company to suppliers and drove suppliers to consciously establish quantity and quality assurance systems, occupational health systems and environmental protection systems, to enhance their capability for comprehensive system assurance. In addition, supplier seminars, forums, professional training and other activities were held from time to time to publicize the Company's purchasing policy, supplier management philosophy, the Company's operation and latest developments, and to create a "clean, open and win-win" system of purchasing-supply communication and supply chain. In 2021, the Company organized online delivery process training activities for suppliers, covering about 150 people.

#### For Newly Developed Suppliers

Fully evaluated suppliers' quality assurance capability, delivery capability, inspection methods, workforce quality, safety, environmental protection, occupational health and other system requirements. At the same time, guided suppliers to establish emergency delivery plans in case of emergencies to ensure that suppliers have 100% delivery capability.

### Fair Competition

#### Sunshine Purchase

The Company advances sunshine transparent purchasing in a comprehensive and in-depth way to build a fair and just purchasing competition environment. The Company reports the purchasing data to Zhong-Zi Sunshine Purchasing Platform on a monthly basis by the purchasing amount, purchasing mode, domestic and overseas purchasing and other principles. At the same time, through the Obei purchasing platform, the Company can publicize the purchasing resource information in advance, guarantee the supplier qualification consistency, and record and track the purchasing information in a data-based way to ensure the standardized operation of purchasing activities. In addition, the Company has introduced information-based methods to supervise the exercise of power, avoid moral hazards in transactions, and eliminate corruption, monopoly and other unfair competition behaviors. The Company signs integrity agreements with suppliers to urge them to follow legal and compliance requirements through law-based bidding and purchasing, thereby maintaining a clean, fair, just and open supply chain environment. In 2021, the Company signed 259 integrity agreements with all suppliers.

#### Online Purchasing

Online purchasing refers to the entire transaction process completed through e-commerce platforms by each subordinate subsidiary, under the unified organization and management of China Baowu, from release of purchasing needs to notification of sourcing results. Except "the Group's category lists not suitable for online purchasing", all the other purchasing businesses are conducted on China Baowu's unified purchasing and sharing service platform (Ouyeel Industrial Product Platform) and unified bidding platform. In 2021, the online purchasing rate of Chongqing Iron & Steel raw materials will be 100%.

### Responsible Supply Chain

#### Exercising Strict Control of Entry

To effectively identify and manage environmental and social risks in each step of the supply chain, the Company strictly controls supplier entry standards, and selects new suppliers based on resources, quality, cost, management and sustainability, with preference given to large and medium-sized enterprises over other enterprises, and preference given to manufacturing enterprises over trading enterprises. At the same time, the Company requires new suppliers to comply with national, local and industry laws and regulations; possess the qualification for lawful production and operation; meet the Company's requirements for supplier quality, safety and environmental protection system management; ensure the product quality meets the Company's use requirements and can continue to improve; meet the Company's requirement of gradual reduction in the comprehensive cost, with strong competitiveness in comprehensive cost performance on the market; suppliers of products with special qualification requirements shall hold the production license or business license stipulated by the state or industry.

#### Strengthening Supplier Evaluation

On the basis of strictly controlling supplier entry, the Company continues to carry out supplier evaluation to guide suppliers to strengthen social responsibility, pay attention to environmental protection, and use more environmentally friendly products and services. The Company conducts annual evaluation and dynamic evaluation on suppliers according to product attributes and supply characteristics.

#### Annual Evaluation

The dimensions of supplier annual evaluation include goods delivery, price/cost, quality, service, technology, assets, communication and cooperation. The evaluation results are divided into five grades: A, B, C, D and E, which directly affect the change of the supplier level. Suppliers rated at Grade A have the opportunity to be promoted in supplier level, while suppliers rated at Grade D and E will be removed from the list of qualified suppliers. In the specific evaluation, the production suppliers who have passed ISO9001 certification (except those who provide logistics services) can be assessed as Grade A, suppliers who have passed ISO14001 certification can have two points added to their evaluation results, and suppliers who have passed ISO45001 certification can have three points added to their evaluation results.

#### Dynamic Evaluation

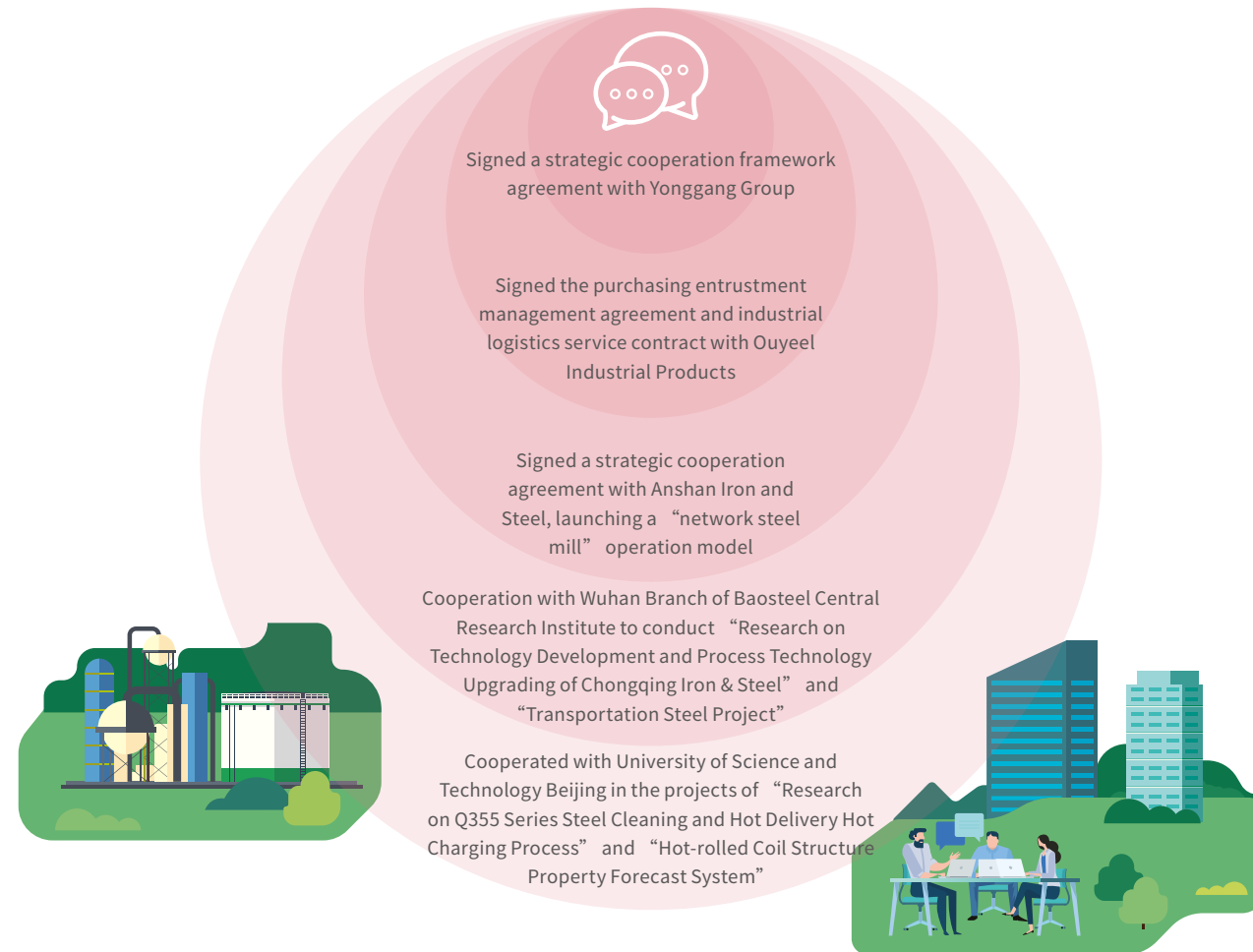
The Company organizes relevant units to carry out dynamic evaluation according to the *Management Rules of Dynamic Rating of Raw Material Suppliers*, rewards or penalizes suppliers based on the comprehensive evaluation results, which serve as the basis for supplier cultivation and elimination.



## Boosting Industry Development

The Company adheres to multi-party linkage, deepens strategic cooperation, speeds up the construction of shared experimental base and shared database, builds a stable communication platform, promotes industry-university-research cooperation, and jointly promotes the construction of high-quality steel ecosystem.

In 2021, the Company signed long-term strategic cooperation agreements and communication and exchange platforms as follows



Signing strategic cooperation framework agreement with Yonggang Group



Exchanging technical support projects with Baosteel

## Providing Quality Services

### Enhancing Quality Responsibility

#### Improving Quality Management Systems

In compliance with laws, regulations and quality standards such as *Standardization Law of the People’s Republic of China*, *Product Quality Law of the People’s Republic of China*, and *GB/T19001-2016 Quality Management System Requirements*, the Company has compiled the *Handbook for Quality, Environment, Occupational Health and Safety, and Energy Management*, *Management Measures for Technical Standards*, *Management Measures for Product Quality*, *Management Measures for Nonconforming Products* and a series of product quality management documents. Through the integrated external audit, internal audit, special audit, process audit, quality spot checks, process inspection and other series of activities, the Company acts in a problem-oriented way, identifies and rectifies problems to ensure the effective operation of the quality management system.

In December 2021, the Company successfully passed the external supervision and audit of quality, environment, occupational health and safety and energy management system. In addition, the Company organized “Quality Month” from September to October 2021 to carry out quality special activities such as total quality management knowledge quizzes and customer visits.

#### Product Quality Certification

The Company continues to push forward the product quality certification work to improve product quality. In 2021, the Company passed the site reassessment certification for expired ABS and DNV Certificate of Classification, the high-strength ship roll expansion certification of CCS Certificate of Classification, as well as CCS and LR annual audits, the product certification evidence collection rate reaching 100%.

#### Product Quality Appraisal

In accordance with the requirements of “more standardized, more professional, innovative and distinctive”, the Company continues to improve its testing capacity, optimize the inspection process, improve the efficiency and accuracy of analysis, and improve the level of product quality appraisal. At the same time, it carries out regular quality supervision. If any potential safety hazards are found in outgoing products, the Company will immediately take recall measures to protect customers’ lives and property from loss.



### Providing Attentive Services for Customers

The Company advocates the value marketing philosophy of win-win cooperation with customers and strives to maximize customer value. The Company has established the customer return visit system, manages the whole-process and whole-life-cycle customer service in a systematic and centralized manner, covering pre-sales, in-sales and after-sales services; established a technical service management system oriented towards meeting customer demands and solving customer problems, with a focus on improving customer service level, improving customer perception and satisfaction; strictly controlled customer patents, technical secrets, intellectual property rights, personal information and other data and privacy, requiring that customer information be only transferred within the minimum scope of the Company according to work needs, and not be provided to a third party; set up a professional matchmaking service team for strategic and key customers, to collect customer information anytime and anywhere, give feedback on customer problems, maintain customer relations, and solve customer problems encountered during their use of products in time. In 2021, the company laid more emphasis on visits paid to end users, established “one table for one user”, and developed evaluation indicators such as the number of basic visits and the number of order conversions of new customers, so as to improve the quality and efficiency of customer visits. As of October 2021, the Company had conducted a total of 1,819 customer visits.

**Case Adopting a customer-centered approach to realize win-win cooperation**

From October 25 to 26, 2021, The Party Secretary and Chairman Zhang Wenxue, Senior Vice President Xie Chao and Vice President Guo Yi led a team to visit Shanghai C&D Materials Co., LTD., Daming International Holdings Co., LTD., and Jiangsu Yulong Steel Pipe Technology Co., LTD. Through customer visits and in-depth exchanges with partners, we pushed mutual benefit and win-win cooperation to a new level and helped the construction of a high-quality steel ecosystem.

**Case Establishing a closed loop system to actively respond to customer complaints**

Upon receiving customer complaints, the Company would immediately classify the complaints and hand them over to the leading rectification department, analyze the cause of the complaints, develop appropriate corrective measures, give feedback and return visits to customers, and properly solve the complaints through closed-loop management. In 2021, one customer encountered core defects during their first-time batch use of the Company’s bridge steel products for welding operation. After receiving the complaint, the Company immediately dispatched the expert service team to the customer site for inspection, reviewed the process technology, conducted an overall sorting out of the problem points, and gave welding technical guidance to the customer, to avoid the reoccurrence of similar defects in future. To meet the customer demands, the Company replenished production and supply in time. The Company’s professional and responsible attitude won great praise from the customer.

## Caring for Employees

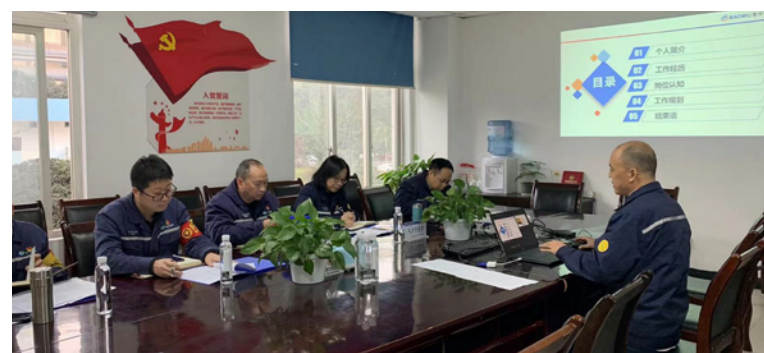
### Protecting Employee Rights and Interests

#### Equal Employment

The Company strictly follows the Labor Law of the People’s Republic of China, the Labor Contract Law of the People’s Republic of China and other laws and regulations. In accordance with the principle of equality and consensus, the Company signs labor contracts with employees to clarify the rights and obligations of both the employer and employees. We prohibit any form of discrimination, treat employees of different nationalities, races, genders, religious beliefs and cultural backgrounds in an equal manner, and protect and safeguard the legitimate rights and interests of every employee in accordance with the law. At the same time, the Company attaches great importance to the development of the cause of persons with disabilities, actively provides jobs for persons with disabilities, and helps employees with disabilities improve their professional quality to create value and contribute to the Company and society.

There is no employment of child labor, forced labor, harassment and abuse in the Company. In November 2021, the Company issued

Recruitment Management Measures and Labor Discipline Management Measures, which clearly stipulated that the applicants must be at and above 18 years old and meet the national labor and employment policies. At the same time, the Company adheres to the principle of fair and equitable recruitment and promotion, and conducts recruitment based on the position, without setting targeted conditions. The Discipline Inspection Department of the Company discloses the telephone number for supervision and correspondence address, and immediately organizes investigation and verification upon discovery of any violation clues, to effectively protect the legitimate rights and interests of employees.



In line with the selection and appointment mechanism of “fairness, justice and openness”, in November 2021, the Company recruited the Director of Planning and Design Management Office of Chongqing Iron & Steel Investment Management Department from all employees through open competition.

**Case Expanding the Recruitment Scale to Alleviate Employment Pressure**

To optimize the employee structure and meet the Company’s development needs for human resources, and to help relieve the increasingly severe employment pressure and stabilize employment, the Company continues to increase recruitment efforts for excellent talents and fresh college graduates. In 2021, the Company recruited 239 people, including 117 employees through social recruitment, 121 through campus recruitment, and one through special recruitment for Tibet.



Recruitment Information Session at Chongqing University

### Employee Composition

Employee Composition of Chongqing Iron & Steel in 2021

Category	Name	No. of People	Proportion
Gender Structure	Male employees	5,580	82.86%
	Female employees	1,154	17.14%
Mix of Educational Backgrounds	Doctoral degree	3	0.04%
	Master’s degree	92	1.37%
	Bachelor’s degree	1,155	17.15%
	Junior college degree	2,237	33.22%
	Others	3,247	48.22%
Persons with Disabilities	Employees with disabilities	40	0.59%
Age	At and below 35	2,878	42.74%
	Age 36-40	736	10.93%
	Age 41-50	2,025	30.07%
	Age 51-60	1,095	16.26%

### Remuneration and Benefits

In accordance with the salary and welfare policies of the national and local governments, the Company has established a salary incentive mechanism and management system that is fair internally, competitive externally and aligned with the market. The Company determines the salary according to the position sequence, level and nature and other factors, and adheres to the salary management mode that the salary varies with the position change. The Company focuses on performance orientation, and in compensation distribution, it gives priority to units, departments and individuals with excellent performances that can create value and support the Company’s future development.

The Company strictly implements the national policies and regulations, and guarantees the remuneration of employees according to law. Besides the basic salary and bonus, the Company also grants in time full benefits stipulated by the state, such as overtime pay, high-temperature allowances, allowances for those involved in wars (nuclear), allowances for Hui citizens, and allowances for the only child. The Company formulated *Measures for the Administration of Employee Welfare Benefits* to provide in-time birthday care, wedding and funeral condolence, food allowances and other subsidies for employees.

### Democratic Management

In accordance with the *Trade Union Law of the People’s Republic of China* and other relevant provisions, the Company plays an active role in democratic management. In 2021, Chongqing Iron & Steel held the first Workers and Employees’ Congress to effectively guarantee the employees’ right to know, right to participate, right to vote and right to supervise. In addition, to ensure the implementation of democratic management, the Company organizes employee representative forums to respond to the “urgent, difficult and worrying” problems fed back by employees, and to listen to and adopt the opinions and suggestions put forward by employee representatives.



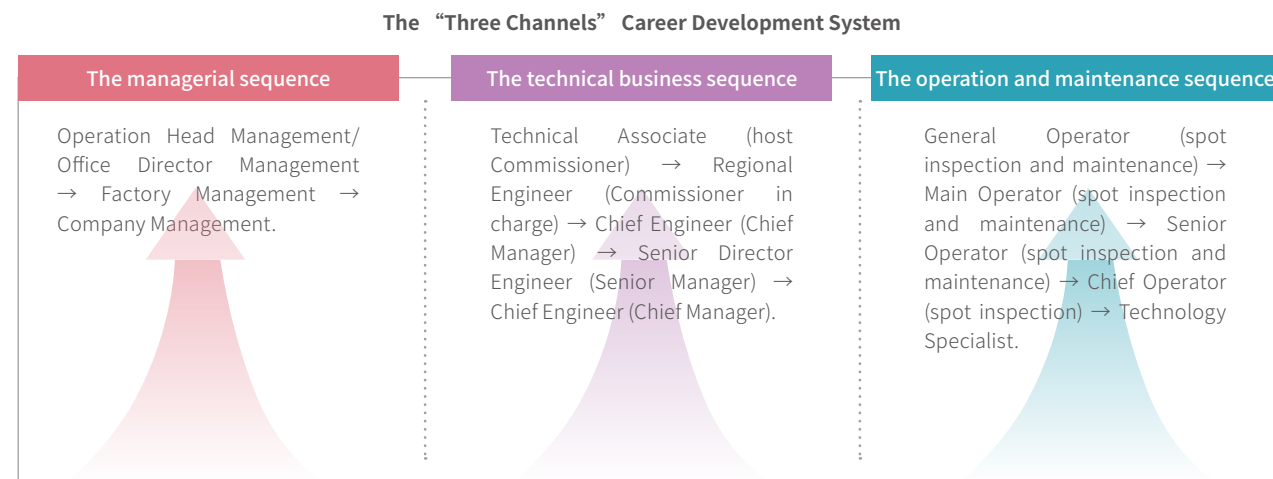
### Caring for Female Employees

The Company provides special protection policies for pregnant and lactating women and other groups. It issued *Labor Discipline Management Measures*, stipulating female employees can enjoy maternity leave, birth control leave, nursing leave, rest and work leave and special menstrual leave in addition to marriage leave and paid annual leave, so as to care for female employees through practical actions.

## Helping Employees Grow

### Guaranteeing a Smooth Development Channel

The Company has developed a series of systems including *Management Measures for Reserve Talent Training* and *Management Measures for the Selection (Competition) of Managerial Positions and Technical Positions at and below the Factory Level* to move faster to build an excellent talent team. At the same time, the Company has established a “Three-channel” career development system comprising the management, technical business, operation and maintenance, implemented the three major talent programs of the managerial staff training program, the experts training program and the craftsmen training program, to broaden the path for employee career development and personal growth, and stimulate the development vitality of the organization.



In order to further cultivate the good atmosphere of the racing mechanism, establish the bottom-out mechanism for the technical business sequence, and open up the channel of flow between personnel in each sequence, in December 2021, the Company launched the release of technical papers/management cases for technical business personnel, covering a total of 15 units, with participation of 963 technical business personnel.

### Paying Attention to Employee Training

The Company has developed relevant systems including *Management Measures for Employee Training*, *Management Measures for New College Student Internship Training*, *Management Measures for Employee Skill Level Training and Identification*, etc., to establish a well-developed training system and promote the collaborative growth of employees and the Company. At the same time, according to the strategic development plan and the annual work focus, the Company conducts research on training demands, develops and issues the annual training plan. In 2021, a total of 433 training projects were completed, with a completion rate of 96%.



### Case Organizing Special Training Sessions



#### Training on Official Document Writing

To help employees in each unit improve the level of official document writing and master the basic requirements of official document writing and handling, standardize official document management and improve work efficiency, the Company organized a training session on official document writing on August 2, 2021.



#### Orientation Training for College Graduates

In September 2021, to help newly recruited college graduates adapt to the entry environment, understand the Company's development history, long-term plan and various management systems, and enhance their sense of belonging and mission as employees, the Company organized an orientation training session for college graduates.



#### Training on Operation Chief Qualifications

To strengthen the operation chief team, enhance the comprehensive quality of the operation chiefs, and consolidate their basic management capability in the operation area, in December 2021, the Company carried out the training on operation chief qualifications through “centralized teaching plus on-site instruction”, and a total of 51 operation chiefs and backup personnel attended the training.

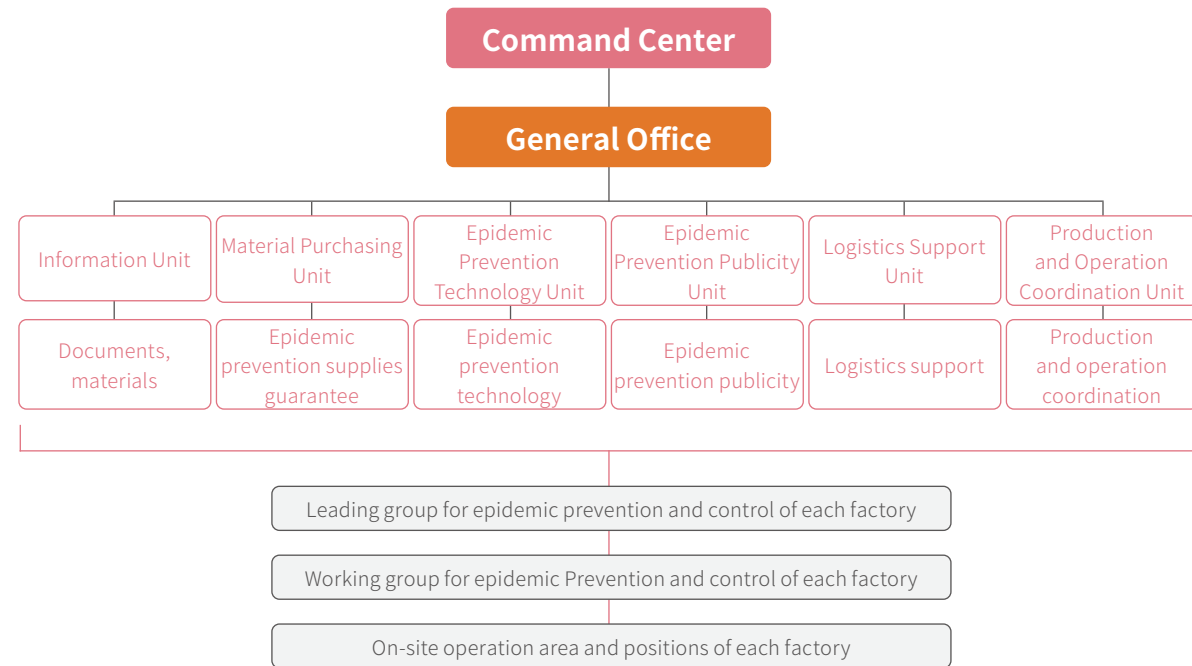


## Paying Attention to Employee Health

With great importance attached to the physical and mental health of employees, the Company carries out the health management of employees in accordance with the Law on Prevention and Treatment of Occupational Diseases and other laws and regulations, improves the health service system, and builds a solid defense line for employees' occupational health. In 2021, the Company increased insurance efforts and purchased comprehensive accident group insurance for all employees on the basis of the current comprehensive insurance for employees; regularly tested the occupational-disease-inductive factors, evaluated the status of occupational hazards, and controlled occupational hazards; paid attention to the mental health of employees, and increased efforts on humanistic care and psychological counseling.

### Case Implementing Epidemic Prevention and Control Measures, Going All out to Safeguard Employee Health

In 2021, the COVID-19 pandemic was still raging, to protect employees' life safety and physical health, and stabilize the Company's normal production and operation order, the Company continued to improve the system of epidemic prevention and control and institutional guarantee and developed the corresponding prevention and control measures based on specific epidemic situations. The Company leadership led a team to check and supervise the epidemic prevention and control efforts and push ahead of the booster vaccination work, so that the normalized epidemic prevention and control were implemented to the strictest extent.



The Organizational System for Epidemic Prevention and Control

On July 30, 2021, upon the confirmation of two asymptomatic infected persons in Chongqing, the Company immediately launched an emergency response for epidemic prevention and control and conducted an employee whereabouts check. The local government also dispatched public security and medical personnel to work with the Company's security and staff to form a temporary joint team for epidemic prevention and control to carry out nucleic acid sampling, cleaning, disinfection and physical monitoring. On August 2, the Company received a notice from the government requiring that the No.12 Building of Xianqu Garden be set as the quarantine point for the employees involved in the COVID-19 infection risk. After seven days of quarantine, all the employees were tested negative for nucleic acid samples four times and were released from quarantine on August 8.



The Company's Reception Center intensifying infection efforts



Temperature checking and registration at the entrance

### Building a Solid Safety Defense Line

The Company continues to improve the management system for workplace safety, consolidate the basic work of workplace safety, improve the on-site risk control capability, and provide a strong security environment for the Company's production and operation, reform and development.

#### The Workplace Safety Targets and Completion of Chongqing Iron & Steel in 2021

Indicator	Unit	Target	Actual Result
Number of deaths due to workplace safety	Person	0	0
Accident injury frequency	Million man-hour	≤0.52	0
Accident injury severity rate	Lost working days/total working hours	≤200	0
Severe hazard-inducive accidents	No.	0	0
Pass rate of occupational-disease-inductive factors detection	%	≥95	100
Occupational health examination rate	%	100	100
New primary occupational diseases	No.	0	0
First pass rate of special equipment inspection and testing	%	≥95	100
Fire accidents with direct economic losses ≥ CNY500,000	No.	0	0
Traffic fatal accidents that happened on the factory road	No.	0	0

#### Advancing the Construction of Safety Management System

- Implemented review and modification of safety systems and standards: reviewed 65 safety management systems and standards, merged two systems, added four systems, and revised 55 systems.
- In line with the requirements of Management Standards for Safety Education Training and the Management Measures for the Workplace Safety Education and Training, arranged for occupational health management personnel to carry out training on the Occupational Health and Safety Management System (GB/T45001-2020), the Management Measures for Hazard Identification, Risk Assessment and Control, the Management Standards for Hazard Identification and Assessment and other normative documents. All participants have passed the assessment.

#### Consolidating the Foundation for Workplace Safety

##### Special campaign for workplace safety rectification

Organized and carried out a special safety inspection of high-temperature molten metal, investigation of dangerous chemicals and dangerous explosives, and removal of potential hazards of dangerous chemicals, and make sure that all potential hazards identified are rectified through self-examination and self-correction and inspection and verification led by leaders.

Strengthened the fire safety improvement, established the responsibility list of "grid" management of fire equipment and facilities, improved the fire protection documents for key parts, formulated inspection plans, organized the training of full-time and part-time fire safety personnel, to provide a reliable and high-quality fire safety environment for the development of the Company.

Strengthened the road traffic safety control in the factory area, provided traffic safety training for full-time drivers, and increased traffic safety checks of the roadway operations, road facilities and road pass safety; conduct special campaigns against overrun, speeding, drunken driving and other illegal driving, optimized traffic signs and road facilities to ensure smooth, orderly logistics transportation and road traffic safety.

##### Advancing Community-level Basic Management

Carried out hazard identification, with a total of 27,857 hazard sources identified; promoted hidden danger investigation, with 284,896 hidden dangers screened out and a 99.85% completion rate of rectification on schedule; arranged for a safety inspection team to conduct 24-hour random inspection of high-risk operations and give daily reports; carried out 12 safety-themed activities following "one them for one month" arrangement; strengthened education and training, carried out compliance and capacity enhancement training, such as the training for special operation license holders, special equipment operation license holders and safety manager license holders; enhanced emergency management, revised the Company's comprehensive emergency plan and implemented emergency drills: Throughout the year, the company carried out 779 emergency drills at all levels, participated by 9,229 employees.

At the same time, the Company carried through the requirements of the Notice on Special Inspection of the Implementation of Workplace Safety Accident Prevention and Rectification Measures issued by China Baowu, to conduct work accidents, verification of the implementation of preventive measures for accidents that have occurred in recent years, from four aspects of formulation and assessment of preventive measures, case study and "draw inferences", handling of persons in charge, and filing of accident management.



## Living a Happy Life

### Adding Diversity to Employees' Lives

The Company places a high value on the employees' work-life balance by creating a healthy and relaxing working atmosphere, and enhancing their sense of happiness and gain. In 2021, the Company added spice to employee's lives by organizing activities such as "Collaboration Cup" tug-of-war, mini-marathon, "Chongqing Iron & Steel in My Eyes" photography contest, the "Puzzle Cup" chess and card games, and "Making Dreams" basketball matches.



Works from the Photography Competition

Basketball match

### Supporting Employees in Need

The Company pays regular visits and offers comfort to employees in need, offers financial aid to children of employees in need to attend school, and creates an atmosphere of a big warm family. In 2021, the Company reimbursed the medical expenses of serious diseases for its employees for more than CNY800,000; Through the "Golden Autumn Bursary" campaign, 23 staff children in need received CNY100,000 of financial aid money; 68 employees in need received CNY120,000 of financial aid money.







## CHAPTER FOUR



# JOINT CONTRIBUTION AND SERVING THE COUNTRY

The enterprise belongs to society, and it is duty-bound to fulfill environmental and social responsibilities. Chongqing Iron & Steel thoroughly applies the vision of green development, tightens energy conservation and environmental protection management, promotes source control of energy conservation and emission reduction, and reduces the consumption of products at resources and its environmental impact as it builds a green factory. At the same time, it implements the employee localization strategy to aid stable economic and social development in areas where it operates, continues to serve rural vitalization, conducts a rich range of volunteer activities, contributes to the regional economy, improves people's well-being, and helps create a harmonious society.

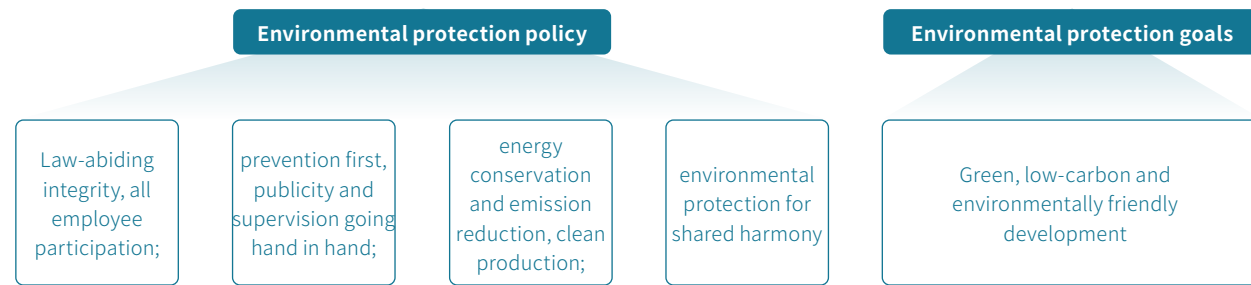


- Practicing Green Development / 46
- Giving Back to Society / 50

# Practicing Green Development

## Strengthening Environmental Protection Management

Green waters and lush mountains are invaluable assets. The Company adheres to the principle of giving priority to ecological and environmental protection, improves the environmental management system, strengthens environmental risk prevention, and effectively improves the corporate green management level. In 2020 and 2021, the Company received no environmental penalties.



### Clean Production Audit

Established a clean production team headed by the General Manager, formulated clean production audit plans, and assessed the clean production plans.

### Environmental Assessment of New Projects

Strictly observed the environmental impact assessment of construction projects and the “Three Simultaneities” system; there was no construction without prior approval, nonconformity of approved construction, or operation prior to inspection and acceptance. In the process of project construction, hazardous waste, dangerous or abandoned warehouse construction, energy consumption, waste gas and sewage discharge, noise pollution prevention and control all met the relevant environmental assessment requirements.

### Environmental Monitoring System

Formulated Management Measures for Environmental Monitoring, Management Measures for Environmental and Pollution Source Automatic Monitoring Facilities and 2021 Self-monitoring Plan, carried out daily monitoring covering water, gas, soil and noise of the Company according to the monitoring plan, to ensure that the environmental risks of the Company’s factory area are controllable.

### Response to Environmental Emergencies

In line with the principle of “prevention first” and “conduct unified command, keep calm in the face of crisis, buy time and reduce harm”, formulated *Plan for Response to Environmental Emergencies*, to actively prevent, control and eliminate the hazards of environmental emergencies, standardize the response to all kinds of environmental emergencies, and ensure the safety of public life, health and property.

### Environmental Protection Training and Education

Advanced a series of environmental education and training activities in a solid manner to heighten the environmental awareness of all staff.

### Special training on situation policies, laws and regulations

Carried out study and discussion of General Secretary Xi Jinping’s Thought on Ecological Progress, the Yangtze River Protection initiative and relevant environmental policies and regulations, and organized exchanges and training on standardized management of hazardous solid waste.

### Implementation and communication of key tasks

Distributed *Typical Cases Notified by the Central Environmental Supervision Group*, implemented key environmental protection tasks, and organized the second round of case study of issues identified by the Central Environmental Supervision Group to conduct self-examination and self-correction, and to draw lessons from typical cases.

### Community-enterprise joint contribution for shared benefits

Carried out environmental protection-themed publicity activities such as “Chongqing Iron & Steel Immersed in Charming Landscape, Greenness Keeping the South China Alive”, “Launching Ceremony of Chongqing Iron & Steel Energy Expansion and Quality Improvement Project for the Wastewater Treatment System” and “Harmonious Coexistence between Man and Nature” to promote the industry-city integration and shared green space.

## Energy and Resource Conservation

The Company strictly abides by the Environmental Protection Law of the People’s Republic of China, the Energy Conservation Law of the People’s Republic of China and other laws and regulations, implements energy and resource conservation in diverse dimensions, fulfills environmental responsibility and helps promote ecological progress. The Company has made solid efforts to promote the construction of energy management system, set up an energy management network, established Energy and Environmental Protection

Management Committee and Energy Professional Committee to solve important and difficult issues in energy and environmental protection, and provide strong technical and management support for realizing green development. At present, the Company adopts an energy management system with the version GB/T23331-2020 (ISO50001:2018) Requirements for Energy Management System. At the same time, the Company has established the scrap steel whole-process management system, revised the Management Measures for Scrap Steel Whole Process Management, strengthened the management of scrap steel suppliers, updated the building of the online platform for scrap steel acceptance, enhanced the timeliness and traceability of information transmission of scrap steel acceptance, and improved the utilization rate of scrap steel.

In the first half of 2021, the Company completed the main energy indicators well, with the amount of self-generated electricity and the comprehensive energy consumption per ton of steel hitting the best level in history. In the second half of the year, due to the impact of the “double restriction” policy, the production scale dropped, there was a mismatch between the iron system and the steel system, and the energy consumption indicators such as the iron-steel ratio increased significantly compared with the plan at the beginning of the year, resulting in the deterioration of energy indicators. The overall energy consumption per ton of steel in 2021 was failed to meet the annual target, but the energy consumption of each production line was generally under control, and the national energy consumption limit was completed.

### Energy Consumption Targets Set by the Company for the Energy and Environmental Protection Department

Indicator	Target
Comprehensive energy consumption per ton of steel (kgce)	≤513
New water consumption per ton of steel (m <sup>3</sup> )	3.4

## Reducing Pollutant Discharge

### Pollutant Discharge Targets Set by the Company for the Energy and Environmental Protection Department

Indicator	Target
Total sulfur dioxide emission (ton)	≤5,300
Total nitrogen oxide emission (ton)	≤7,100
Total particulate matter emission (ton)	≤11,000
Total chemical oxygen demand emission (ton)	≤150
Total ammonia nitrogen emission (ton)	≤15

The Company strictly complies with the requirements of laws and regulations such as *Air Pollution Prevention and Control of the People’s Republic of China*, *Water Pollution Prevention and Control Law of the People’s Republic of China* and *Solid Waste Environmental Pollution Prevention and Control Law of the People’s Republic of China*, and organized the signing of *2021 Energy Environmental Protection Target Responsibility Statement* to fulfill environmental protection responsibilities. The Company started with “ultra-low exhaust gas discharge, zero waste water discharge, no solid waste leaving the factory” to carry out “Treatment of Three Wastes” -- waste gas, waste water and solid waste; following the idea of “reduction at source, process control and end treatment”, and capitalizing on big data information and intelligent platforms, the Company works to reduce pollution emissions.

### Case Implement the Yangtze River Protection Initiative, Build a New Benchmark for Green and Low-carbon Development

The Company has established the Yangtze River Protection Committee, formulated the “Yangtze River Protection”, *Environmental Protection Plan of Chongqing Iron & Steel* in accordance with the *Yangtze River Protection Law* and the *China Baowu Master Plan for Environmental Protection of Yangtze River Basin*, clarified specific measures to implement the Yangtze River Protection objectives, and made a rational plan of the implementation path of “ultra-low emission of waste gas”, “zero waste water discharge” and “no solid waste leaving the factory”. The Company plans to invest CNY3.63 billion and implement 69 environmental protection projects to make its due contribution to the Yangtze River Protection with its own green, low-carbon and high-quality development.

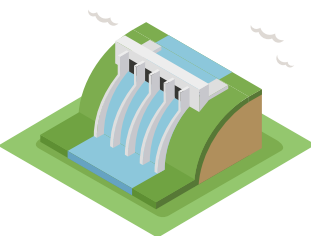
#### Ultra-low Emission of Waste Gas

Formulated the *Work Plan for Ultra-low Emission Transformation of Exhaust Gas* and enhanced efforts to treat exhaust gas. Through carrying out ultra-low emission transformation of organized discharge outlets, strengthened the management of unorganized emissions. Implemented clean transportation, improved the monitoring level and the work of supervisors of the whole plant, and conducted real-time display and dynamic tracking of monitoring data to achieve ultra-low emission of exhaust gas in all aspects.



#### Zero Discharge of Wastewater

Actively carried out water conservation and emission reduction, strictly implemented water conservation management system and measures, and comprehensively implemented water pollution control work. The Company has formulated the *Work Plan for Special Action of Zero Discharge of Wastewater in 2021*, with a focus on advancing the replacement of new water by recycled water, promoting multi-level and cascade water use, reducing the consumption of water resources and water discharge outside the circulatory system, and improving the recycling rate of water resources. At the same time, through the improvement of the coking wastewater treatment system, the pipeline network across the entire plant, special wastewater reuse treatment system and central water treatment plant, the Company strengthened the collection and treatment of terminal sewage and realize “zero discharge” of wastewater.



#### No Solid Waste Leaving the Factory

Implemented the National Development and Reform Commission’s *Guidance on the Comprehensive Utilization of Bulk Solid Waste in the 14th Five-Year Plan*, formulated the *Chongqing Iron & Steel Action Plan for No Solid Waste Leaving the Factory 2021*, *Chongqing Iron & Steel Special Action Plan for Industrial Waste Reduction*, *Chongqing Iron & Steel Incentive and Management Standards for Industrial Solid Waste Concerted Disposal* and other institutional programs to strictly implement waste standardization and management. At the same time, it accelerated the construction of solid waste information-based management system, built a new industrial waste sorting line, temporary storage warehouses for hazardous waste and the blast furnace water slag and micronized powder production line project, and continuously improved the comprehensive utilization rate of solid waste.



#### Implementation Path for No Solid Waste Leaving the Factory

Method	Specific Measures
Source reduction	Through process improvement, optimization of raw fuel, fine management and other ways, the production of solid waste can be directly reduced from the source.
Back-to-production utilization	Utilization with the direct or after-treatment return to the production process. The solid waste will be returned to the unit or other units of the Group company for direct utilization, or will be returned to production for utilization after processing by the unit or outsourcing.
Coordinated disposal	The solid waste will go through an incinerator, rotary furnace and other special facilities, or into the public auxiliary system for harmless disposal.
Productization certification	Use solid waste to produce products in conformity with national, local or industrial quality standards, or complete productization certification of enterprises for comprehensive utilization of solid waste.
Standardized storage	For the solid wastes that cannot be returned to production for further utilization, productization certification or systematic disposal at present, standardized solid waste storage sites shall be built for temporary storage according to national or local standards and management requirements.

In addition, the Company attaches importance to improving the business level of solid waste management personnel. In November 2021, the Company organized special training on standardized management of solid waste, interpreted management requirements based on the *Solid Waste Law* and other legal provisions, and organized study of the basic knowledge of hazardous waste identification, management risk prevention and case analysis.

### Environmental Governance in the Factory Area

The Company vigorously promotes environmental improvement in the factory area, and works to create a green and clean environment through the control of dust from material production, plant greening and maintenance, road cleaning and other measures. In 2021, following the principle of “full greening of exposed areas”, the Company re-greened the degraded and construction-damaged green belts across the entire factory area, totaling 300,000 square meters, while greening the coking and the solid waste dump in Area A, No.4 Gate, totaling 341,000 square meters, the greening rate of the factory area rising from 30.9% to 32%.





# Giving Back to Society

## Driving Local Development

### Employee Localization

In 2021, Chongqing Iron & Steel had 6,734 employees on board; in particular, the number of employees with Chongqing household registration increased from 5,828 in 2019 to 6,040 in 2021, an increase of 3.6%, accounting for 89.7% of the total number of employees. In 2021, a total of 239 people were newly recruited, of whom 152 employees were of Chongqing household registration, accounting for 63.6% of the total number of recruits. In the first half of 2021, the Company carried out “school-enterprise” talent orientation training with Chongqing University of Science and Technology and Chongqing Vocational College of Electronic Engineering, through which, 30 graduates successfully joined the Company. In the fall of 2021, the Company sent personnel to attend special job fairs at Chongqing University, Chongqing University of Science and Technology, Chongqing University of Posts and Telecommunications, Yangtze Normal University, Chongqing Three Gorges College, Chongqing Vocational Institute of Engineering and other colleges and universities in Chongqing. In the end, the Company signed employment agreements with 21 graduates, 11 of whom were of Chongqing household registration, accounting for 52.4% of the total number of recruits.



On June 25, 2021, the Company held the graduation ceremony of “School-Enterprise” talent-oriented training sessions in Chongqing Vocational College of Electronic Engineering.

### Ensuring Supply and Stabilizing Prices

In 2021, facing a sharp and continuous rise in raw material prices, a shortage of coal and coke resources, the maintenance of the Three Gorges Ship Lock and other severe situations, the Company adhered to the production and operation policy of “increasing scale, adjusting the structure, reducing costs” and the work keynote of “optimal management, minimum consumption, comprehensive benchmarking to identify gaps, close attention paid to cost reduction and efficiency”, focused on supply guarantee and cost reduction, conducted meticulous planning and accurate benchmarking, and continued to enhance its capability for ensuring supply, cost improvement, and risk control. It strives to build the most competitive steel raw material purchasing supply chain in Southwest China, to ensure the stability of the steel supply chain and industry chain.

### Case Upgrade the Iron Ore Purchasing System to Effectively Guarantee the Stability of the Supply Chain

Located in the southwest inland, the Company’s iron ore purchasing logistics generally spans a long distance. Be it railway transportation, three-trip ship transportation (first trip: by ocean; second trip: from sea into the river; third trip: river port - Chongqing Iron & Steel wharf, and there is the business of ships moving over the Three Gorges Dam), or ship-to-road transportation, are greatly affected by the pandemic. At the end of 2020, the Company successfully launched the PLMS system that realizes a whole-process connection from the purchasing to loading and unloading. At the beginning of 2021, the Company’s iron ore purchasing-related business was conducted in the PLMS system. The system covers all production bases of China Baowu and aims to realize the unified management of raw material purchasing of China Baowu and enhance its purchasing power and market influence of bulk raw materials. The launch of the system helps the Company optimize the iron ore logistics and distribution, improve the inventory management capacity along the coasts and rivers, and provide strong support for the Company’s strategic plan to build a 10-million-ton iron and steel enterprise and become a leader in the iron and steel industry in the southwest region while improving the capacity for guaranteeing iron ore resources.



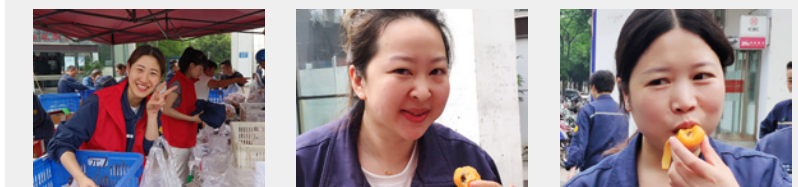
Celebrating the successful launch of PLMS iron ore purchasing system

## Serving Rural Revitalization

The year 2021 is a crucial year for coordinating efforts to consolidate and expand poverty alleviation results, promote rural vitalization in an all-round way, and ensure a smooth transition and orderly integration of work mechanisms and policy systems. The Company persists in providing targeted assistance, fully supports the development of various undertakings in rural areas, and takes practical actions to add energy to the revitalization of rural areas.

In May 2021, the Company donated CNY142,400 to build six fitness paths in Tianxing Village, Jiangnan Town, Changshou District, Chongqing, to improve the rural cultural and sports facilities environment, enhance the national fitness awareness, and intensify efforts to advance cultural progress in urban and rural areas.

In May 2021, the Company set up a counter for Tianxing Village loquat planting farm in the designated area of the Company, helping villagers sell more than 500kg of loquat, achieving consumption of more than CNY7,000.



The Company donated CNY100,000 to Chongqing Education Foundation in July 2021, which was used for the Foundation’s project of donating “Information Classroom” multimedia teaching equipment to schools in Chongqing Rural Revitalization Area.



“The grace of dripping water should be reciprocated by a gushing spring. The meaning of your loving acts is exhibited far more than material and monetary assistance, but more importantly, it is about moral encouragement and, which will surely stimulate the teaching and learning enthusiasm of all teachers and students in our school.”

—Chongqing Wanzhou District Henghe Ethnic School

On the eve of the National Day of 2021, the Company’s leaders visited Tianxing Village for investigation and sent gifts such as rice and oil to the poverty-alleviation families.

In 2021, the Company bought agricultural products worth CNY770,000 from poverty-stricken areas (Guangnan County, Yunnan).



## Public Benefit and Volunteer Services

With the goal of learning “Leifeng Volunteer” service as a regular, institutionalized and standard practice, the Company vigorously carried out volunteer services and pushed forward the culture and practice of volunteer service in the new era. The Company established Chongqing Iron & Steel Qingfeng Volunteer Team, formulated and issued the Implementation Rules for Chongqing Iron & Steel Youth Volunteer Service, and included the participation in volunteer services as a reference indicator for recommendation as a Party member, excellence selection and other appraisals. At the same time, the Company set up a volunteer service management ledger, to institutionalize and standardize volunteer service activities. As of the end of 2021, the company had carried out 76 times of volunteer service activities, with the accumulated service hours exceeding 2,000 hours.

### Case Caring and Love Brought a Warm Winter to Children in Need

As the Spring Festival approached, more than 20 volunteers from Chongqing Iron & Steel Labor Union, Youth League branch and Qingfeng Volunteer Team brought food materials, gifts and other supplies to the Special Education School in Changshou District to carry out the public benefit activity themed on “Love Wrapped in Dumplings to Embrace the New Year” .



Volunteers setting up the venue



Dumpling-making activities

## Outlook

Moving forward in full sail, we embark on a new journey towards the greater cause. Chongqing Iron & Steel will continue to apply the guiding principles of the important speech and instructions given by General Secretary Xi Jinping on an inspection tour of China Baowu, comprehensively implement the strategy of “Chongqing Iron & Steel Strategic Planning from 2022 to 2027” , keep to the concept of green and low-carbon transformation and upgrading, carry out technological innovation strategy, earnestly fulfill corporate social responsibilities, strive to achieve high-quality development goals, and make due contributions to the realization of the second centenary goal and the Chinese dream of the nation’s great rejuvenation.

# Appendix

## Key Performance Indicators (KPI)

Indicator	Unit	2021	2020	2019
Operating income	CNY100 million	398.49	244.9	—
Total profit	CNY100 million	22.63	6.24	—
Net profit	CNY100 million	22.74	6.38	—
Total tax paid	CNY100 million	1.67	0.92	—
Operating profit ratio	%	6.18	2.78	—
Growth rate of operating income	%	62.72	—	—
Liquidity ratio	%	89.08	98.92	—
A-share market value	CNY100 million	175.15	124.03	155.04
H-share market value	CNY100 million	6.89	4.25	5.54
R&D expenditure as a percentage of revenue	%	3.15	—	—
No. of members of BOD	Person	9	9	9
No. of independent directors	Person	3	3	3
Proportion of female directors	%	0	0	0
The number of days between the notice date and the convening date of the annual general meeting of shareholders	Day	34	26	47
Employee ownership of equity incentive as a percentage of total capital	%	0.51	0.5	0.56
No. of employee corruption lawsuits	/	0	0	0
No. of employees attending anti-corruption related training <sup>1</sup>	Person	110	330	320
No. of employees punished or dismissed for violation of anti-corruption policies <sup>2</sup>	Person	24	16	5
Corruption-related fines, penalties or settlement costs <sup>3</sup>	CNY10,000	28.66	3	12
Total No. of patents filed throughout the year	Piece	274	56	24
No. of invention patents filed throughout the year	Piece	104	11	3
Total No. of newly authorized patents throughout the year	Piece	97	20	8
No. of newly authorized invention patents throughout the year	Piece	3	0	0
Total No. of customers	/	235	216	204
Total No. of customers in East China	/	54	31	30
Total No. of customers in South China	/	13	7	8
Total No. of customers in North China	/	6	20	7
Total No. of customers in Southwest China	/	148	151	156
Total No. of customers in other regions	/	14	7	3
Recovery rate of products sold or shipped due to safety and health reasons	%	0	0	0
No. of customer complaints accepted	/	362	291	309
Customer complaint resolution rate	%	100	100	100
Customer satisfaction	%	88.79	94.53	95.74
No. of registered suppliers	/	259	253	231

Indicator	Unit	2021	2020	2019
No. of domestic suppliers	/	254	249	228
No. of foreign suppliers	/	5	5	3
No. of suppliers reviewed by a second party during the reporting period	/	15	—	—
Total No. of employees	Person	6,734	6,606	6,407
Total No. of male employees	Person	5,580	5,469	5,310
Total No. of female employees	Person	1,154	1,137	1,097
Total No. of full-time employees	Person	6,734	6,606	6,407
Total No. of part-time employees	Person	0	0	0
No. of employees aged 35 and below	Person	2,878	2,886	2,812
No. of employees aged 36 to 40	Person	736	568	482
No. of employees aged 41 to 50	Person	2,025	2,331	2,528
No. of employees aged 51 to 60	Person	1,095	821	585
No. of employees with household registration in the province	Person	6,040	6,009	5,828
No. of employees with household registration outside the province	Person	694	597	579
Proportion of employees with disabilities	%	0.59	0.61	0.62
No. of new jobs added in the reporting period	Person	239	109	60
Labor contract signing rate	%	100	100	100
Proportion of female managers	%	9.8	6.6	5.97
No. of paid vacation days per capita per year	Day	10.96	10.62	10.34
Total social insurance contributions	CNY10,000	18,103.08	18,940.46	
Management compensation/Total employee compensation	%	1.61	4.1	4.01
Employee social insurance coverage	%	100	100	100
Employee health examination coverage	%	100	100	100
Total investment in employee training	CNY10,000	586	416.8	251.3
Proportion of employees trained	%	100	100	100
No. of male employees trained	Person	5,580	5,469	5,310
Proportion of male employees trained	%	100	100	100
Training hours per male employee	Hour	86.24	42.15	19.49
No. of female employees trained	Person	1,154	1,137	1,097
Proportion of female employees trained	%	100	100	100
Training hours per female employee	Hour	86.30	42.15	19.49
No. of management employees trained	Person	276	377	402
Proportion of management employees trained	%	100	100	100
Per capita training hours of management employees	Hour	111	57	40
No. of technical business employees trained	Person	961	806	669
Proportion of technical business employees trained	%	100	100	100
Per capita training hours of technical business employees	Hour	109	36	27
No. of operation and maintenance employees trained	Person	5,497	5,423	5,336
Proportion of operation and maintenance employees trained	%	100	100	100
Per capita training hours of operation and maintenance employees	Hour	81	42	17



Indicator	Unit	2021	2020	2019
Employee turnover rate	%	0.94	0.73	1.11
Turnover rate of male employees	%	0.91	0.75	0.96
Turnover rate of female employees	%	1.04	0.62	1.82
Turnover rate of employees under 30	%	0.40	0.18	0.11
Turnover rate of employees aged 30 to 40	%	0.28	0.15	0.58
Turnover rate of employees aged 41 to 50	%	0.12	0.27	0.20
Turnover rate of employees above 50	%	0.13	0.12	0.22
Turnover rate of employees with household registration in the province	%	0.84	0.58	0.34
Turnover rate of employees with household registration outside the province	%	1.73	2.18	8.81
Workplace safety investment	CNY100 million	0.15	0.24	0.36
No. of workplace safety training sessions	Session	5,319	5,766	6,133
No. of participants in workplace safety training	Person	97,586	99,025	87,334
Total duration of workplace safety training	Hour	7,375	8,192	8,422
Occurrence of occupational diseases	Time	0	0	0
No. of work-related deaths	/	0	0	1
No. of severe injury accidents of employees	/	1	0	0
No. of employees with severe injuries	Person	2	0	0
No. of employees with minor injuries	Person	1	0	0
Injury rate per thousand people	‰	0.46	0	0.14
No. of work-related fatal accidents of related parties	/	3	2	2
No. of work-related deaths of related parties	Person	3	2	2
No. of working days lost due to work-related injuries	Day	18,430	12,000	18,000
Death rate of workers due to work-related injuries	%	0.02	0.02	0.03
Safety training coverage	%	100	100	100
Special operations personnel certification rate	%	100	100	100
OHSAS18001 certification coverage ratio	%	100	100	100
Total external donations	CNY10,000	34.24	4.75	—
Total CO2 emissions <sup>4</sup>	Ton	—	10,279,938.14	9,392,184.22
CO2 emissions per ton of steel <sup>4</sup>	Ton	—	1.43	1.4
Total SO2 emissions	Ton	4,443	3,818	4,247
SO2 emissions per ton of steel	Kg	0.52	0.53	0.53
Total nitrogen oxide emissions	Ton	7,282	5,565	6,097
Tons of steel nitrogen oxide emissions	Kg	0.85	0.78	0.91
Total particulate matter emissions	Ton	9,000	9,628	10,903
Tons of steel particulate matter emissions	Kg	1.05	1.3	1.6
Total raw coal consumption	10,000 tons	150.55	122.71	112.35
Total consumption of washed coal	10,000 tons	394.57	365.96	344.59
Total Coke Consumption	10,000 tons	320.07	260.55	258.05
Total Electricity Consumption	100 GWh	29.6	26.15	25.09
Total natural gas consumption	10,000 cubic meters	697.24	707.03	667.43
Renewable Energy Use	100 GWh	28.12	25.43	23.79

Indicator	Unit	2021	2020	2019
Comprehensive energy consumption	10,000 tons of standard coal (equivalent value)	468.03	404.73	368.18
Comprehensive energy consumption per ton of steel	Kgce	547.68	527.68	535.41
Total amount of hazardous waste generated	Ton	140,228.47	133,843.28	124,326.59
Hazardous waste generation density	Kg/ton	16.51	18.81	17.47
Hazardous waste standardization management qualification rate	%	100	100	100
Hazardous waste utilization and disposal volume	Ton	140,228.47	133,843.28	124,326.59
Safe disposal rate of hazardous waste	%	100	100	100
Total amount of non-hazardous waste generated	Ton	4,391,264.55	4,282,323.80	2,295,356.61
Density of harmless waste generation	Kg/ton	516.87	601.83	375.33
Total amount of hazardous waste generated	Ton	140,228.47	133,843.28	124,326.59
Hazardous waste generation density	Kg/ton	16.51	18.81	17.47
Total amount of solid waste generated	10,000 tons	439.13	428.23	229.54
Total amount of solid waste utilized	10,000 tons	438.59	427.68	229.48
Solid waste utilization rate	%	99.88	99.87	99.83
Total recyclable waste generation	10,000 tons	438.59	427.68	229.48
Total amount of non-recyclable waste generated	10,000 tons	0.54	0.55	0.4
Total water withdrawal	10,000 tons	3,555.82	3,323.56	2,635.38
Total drainage volume	10,000 tons	865	902	1,223
Total annual new water consumption	10,000 tons	3,555.82	3,323.56	2,635.38
Ton of steel new water consumption	Cubic meter	3.3	3.96	2.64
Total industrial water reuse	10,000 cubic meters	155,222.34	152,345.61	147,480.21
Industrial water reuse rate	%	98.32	98.34	98.3
Total water saving	10,000 tons	160	100	85
Total wastewater discharge	10,000 tons	865	902	1,223
Total chemical oxygen demand discharge	Ton	167	150	44.1
Chemical oxygen demand emissions per ton of steel	Kg	0.019	0.02	0.006
Total ammonia nitrogen emissions	Ton	17.42	9.5	7.45
Tons of steel ammonia nitrogen emissions	Kg	0.002	0.001	0.001
Total consumption of packaging materials <sup>5</sup>	Ton	—	—	—
Number of environmental protection training	Session	30	—	—
Number of people trained in environmental protection	Person	150	—	—
Duration of environmental protection training	Hour	30	—	—

Note: 1. The statistics come from the number of employees attending integrity education activities at the company level, excluding the data of integrity education conducted by second-level units. Due to the impact of the epidemic, the proposed integrity education activities for employees in sensitive positions in 2021 were postponed to 2022.

2. The statistics come from the number of employees subject to disciplinary action, excluding the data involving employees receiving criticism and education, economic assessment, admonition and other treatment measures.

3. The statistics come from the gifts and disciplinary proceeds collected by the Company's Discipline Inspection Committee/Audit and Supervision Department, as well as economic assessments.

4. The Company conducts carbon emission verification generally in May-July of the next year, so there is no 2021 carbon emission data for the time being; in 2020 and before, carbon emission verification was carried out based on the *Guidelines for the Greenhouse Gas Emission Accounting Methods and Reporting of China Steel Manufacturers (for Trial Implementation)*, which does not distinguish between direct and indirect emissions, and the Company plans to start standardizing the classification of carbon emissions in 2022.

5. Due to limited product consumables used, the Company didn't do special statistics in this aspect and plans to start standardizing the statistical accounting of packaging materials in 2022.

## Index of Indicators

First-level Title	Second-level Title	Guidelines for Corporate Social Responsibility Report in China (CASS-CSR4.0)	Environmental, Social and Governance Reporting Guide of Hong Kong Stock Exchange	Location
About the Report		P1.1-1.3	Scope of Report	P1
Message from the Chairman		P2.1-2.2		P4-P5
About Chongqing Iron & Steel	Company Profile	P4.2-4.3, M1.6		P6
	Organizational Structure	P4.1		P7
	Corporate Culture	G1.1-1.2		P7
	Big Events in 2021	P3.1-3.2, A3		P8-P9
Topic 1: Green and Intelligent Manufacturing, Vigorous Efforts for Low-carbon Development		P3.1-3.2, E1.9, E2.24	A4 general disclosure, A4.1	P10-P11
Topic 2: Technological Innovation for New Development		P3.1-3.2		P12-P13
Integrity and Compliance for Smooth Reform and Development	Consolidating Corporate Governance	M1.1-1.2, M1.4-1.5		P16-P18
	Sharpening Bottom-line Awareness about Integrity	M1.3, S1.1-1.2	B7 general disclosure, B7.2-7.3	P18-P20
	Strengthening ESG Management	G2.1-2.3, G3.1-3.3, G4.2, G5.1, G6.1-6.2	Governance structure, reporting principle: Importance	P20-P23
Technology Empowerment to Stimulate Vitality for Innovation	Focusing on Innovation-driven Development	M2.4-2.7, M3.5, S1.4	B6.3	P26-P27
	Advancing Intelligent Manufacturing			P28-P29

First-level Title	Second-level Title	Guidelines for Corporate Social Responsibility Report in China (CASS-CSR4.0)	Environmental, Social and Governance Reporting Guide of Hong Kong Stock Exchange	Location
Collaboration and Coexistence to Build a Dream-chasing Platform	Joining Hands for Win-win Results	M3.1-3.4, M3.6-3.11, E1.6,	B5 general disclosure, B5.2-5.4	P32-P34
	Providing Quality Services	M2.1-2.3, M2.8-2.17	B6 general disclosure, B6.4-6.5	P35-P36
	Caring for Employees	S1.5-1.6, S2.1-2.2, S2.4, S2.6-2.8, S2.10-2.14, S2.16-2.18, S3.1-3.3	B1 general disclosure, B2 general disclosure, B2.3, B3 general disclosure, B3.2, B4 general disclosure, B4.1-4.2	P36-P43
Greenness and Environmental-friendliness for a Shared Wonderful Life	Practicing Green Development	E1.1-1.3, E1.5, E1.7, E2.1-2.4, E2.7, E2.9, E2.12-2.18, E2.19, E3.1-3.4, E3.6	A1 general disclosure, A1.5-1.6, A2 general disclosure, A2.3-2.4, A3 general disclosure, A3.1	P46-P49
	Giving Back to Society	S4.1-4.2, S4.5-4.6, S4.9-4.10	B8 general disclosure, B8.1-8.2	P50-P52
Outlook		A1		P53
Appendix	Key Performance Indicators (KPI)	A2, M1.6-1.8, S1.3, S2.3, S2.5, S2.9, S2.15, S2.20, S3.4-3.7, S4.8, E2.5-2.6, E2.10-2.11, E2.20-2.21, E2.25	Reporting principles: Quantification, consistency, A1.1-1.4, A2.1-2.2, A2.5, B1.1-1.2, B2.1-2.2, B3.1-3.2, B5.1, B6.1-6.2, B7.1	P54-P57
	Index of Indicators	A5		P58-P59
	Feedback	A6		P60

## Feedback

### Dear readers:

Hello! Thank you very much for reading the 2021 ESG Report of Chongqing Iron and Steel Co., Ltd.! In order to continuously improve the management of social responsibility report, we particularly hope to hear your comments and suggestions. Please help to complete relevant questions in the feedback table and feed it back through the following ways:

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### Choice questions (please tick “√” in appropriate box)

1. Please evaluate the degree to which the Report reflects the significant impact of Chongqing Iron & Steel on the economy, society and environment:

Very good Relatively good General Relatively bad Very bad

2. Please evaluate the response and disclosure of the Report to stakeholders' concerns:

Very good Relatively good General Relatively bad Very bad

3. Please evaluate the clarity, accuracy and completeness of the information, indicators and data disclosure in this Report:

Very good Relatively good General Relatively bad Very bad

4. Please evaluate the readability of this Report:

Very good Relatively good General Relatively bad Very bad

5. Please make a comprehensive evaluation of the 2021 ESG Report of Chongqing Iron & Steel:

Very good Relatively good General Relatively bad Very bad

### Open Questions

1. What suggestions do you have for the ESG work of Chongqing Iron & Steel?
2. What do you think are the shortcomings of the Report?
3. What do you think the Report has provided you with valuable information about social responsibility?
4. What other social responsibility information do you think shall be disclosed in the Report?






Chongqing Iron & Steel Company Limited

Environmental considerations for report publication

Paper: Ecological paper adopted for printing

Printer's ink: Environment-protective ink used to reduce air pollution

Design and production:  CREATIVITY  
GROUP  
DESIGN