



Global Compact Network
China



Implementing the United Nations Global Compact in China Inspirational Case Examples

The United Nations Global Compact is a call to companies everywhere to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption and take actions in support of UN goals, including the Millennium Development Goals. By doing so, business can help ensure that markets advance in ways that benefit economies and societies everywhere.

Endorsed by chief executives, the UN Global Compact is a leadership platform for the development, implementation, and disclosure of responsible corporate policies and practices. Launched in 2000, it is largest corporate responsibility initiative in the world-with over 7,000 signatories based in more than 135 countries, and Local Networks existing or emerging in 90 countries. More information: www.unglobalcompact.org.

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Implementing the United Nations Global Compact in China

Inspirational Case Examples

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Contents

Section I Introduction

Chapter I Global Compact and China

- 2 Preface
- 3 Origin and Development of the Global Compact
- 5 Ten Principles of the Global Compact
- 6 Global Compact and Sustainable Development of Chinese Enterprises

Section II Models of Sustainable development of Chinese enterprises

Chapter II Typical Case for Total Responsibility Management

- 10 Implementing Total Social Responsibility Management and Playing a Leading Role amongst Central-owned Enterprises:
State Grid Corporation of China
- 20 Enhancing Sustainable Management and Pursuing Green Shipping:
China Ocean Shipping (Group) Company
- 34 Cherishing Limited Resources and Pursuing Boundless Development:
China Minmetals Corporation
- 40 Supplying Clean Power and Lighting Happy Life:
China Datang Corporation

Chapter III Typical Case for Protection of Human Rights and Labour

- 47 Being Respectful and Responsible to Stakeholders:
CBMI Construction Co., Ltd.

Chapter IV Case Story on Environmental Protection

- 54 People Orientation and Contribution to the Society:
PetroChina Company Limited
- 64 Committing Responsibility Actively and Improving Local Ecological Environment:
China Huadian Corporation
- 69 To be a Great Responsible and Respectable Company with Global Presence:
Sinochem Group

Chapter V Case Story on Low-Carbon Economy

- 74 Contributing to Green Energy and Serving the Public:
China Power Investment Corporation
- 84 Developing Green Engine and Contributing to Low-Carbon Society:
Guangxi Yuchai Machinery Group

Chapter VI Case Story on Community Development

- 91 Committing Moral Responsibility and Caring for People's Life:
China Development Bank
- 98 More Localized and More Integration:
Sinosteel Corporation
- 103 Shaping the Future and Inspiring Hope by Fulfillment of Responsibility:
China Huaneng Group
- 109 Be Always Grateful, Always Give Charity:
LBX Pharmacy China Co., Ltd.

Section III Models of sustainable development of multinational corporations in China

Chapter VII Case Stories on Multinational Companies in China

- 118 Enhancing interior Management System and Fulfilling Three Bottom-Line Responsibility:
Omron (China) Co., Ltd.
- 125 A Strong Commitments to be A Good Corporate Citizenship:
Siemens (China) Co., Ltd.
- 133 Strive to Fulfill Social Responsibilities as a Reliable Corporate Citizen:
Hyundai Kia Motors Group

Section IV Case analysis and summary of Center Office of Global Compact Network China

Chapter VIII Sustainable Development Model of Chinese Enterprises

- 137 Status of the Sustainable Development of Chinese Enterprises
- 139 Sustainable Development Model of Chinese Enterprises

- 142 The Ten Principles of the United Nations Global Compact

Chapter I

>> Global Compact and China



Preface

It has been ten years since the United Nations Global Compact was formally founded in 2000. In the last ten years, the former UN Secretary-General Kofi Annan and the current Secretary-General Ban Ki-moon have been highly recognizing and strongly supporting the development of Global Compact. Driven by different forces and endeavors, Global Compact has gradually grown from one person's idea into the actions of thousands of participants, and from one person's initiative into the commitments of thousands of people and organizations.

The Global Compact calls on global business community to uphold the idea of sustainable development, undertake voluntary action to respect human rights and abide business ethics, relevant labor conventions and standards, and the international principles on environment, engage in social responsibility, build up the corporate image with a sense of social responsibility and work for the establishment of a new world that is free, equal and prosperous. Summoned by this goal, Global Compact has attracted over 8000 members which come from 130 countries, among which nearly 6000 are enterprise members. Global Compact has become the sustainable initiative with greatest influence in Corporate Social Responsibility (CSR) field in the world and has become a substitute term of CSR. In January 2009, Secretary-General

Ban Ki-moon pointed out at the Davos Forum that "without people's trust in the business world, there would be no prosperity. To rebuild such trust, it is crucial for the business world to adhere to and promote the principles of the UN Global Compact regarding corporate social responsibility."

Enterprises in China have manifested great interests in Global Compact since it was put forward. More and more Chinese enterprises have joined Global Compact with the establishment of Global Compact office. Up to 2009, there are around 200 Chinese enterprises have become the member of Global Compact. In the past years, they have endeavored and explored to integrate the Ten Principles of Global Compact into business practices, and has become an important force in promoting CSR in China. Just mention several cases as below. State Grid Corporation of China published the first CSR report in Central-owned enterprises in 2005 and was affirmed by Premier Wen Jiabao. China Ocean Shipping (Group) Company has set up a sustainable development information system with an internationally leading level, which integrates the quality, environment and risk management systems into a sustainable development management system of Global Compact, and its Sustainable Development Report has been the notable COP of UN Global Compact for 4 years continuously. China Development Bank

insists on the approach of financing social development and being committed to promoting grass-roots financial services and sticks to establish a financing system equally available to everyone. Its CSR report is also the notable COP of UN Global Compact. Sinosteel Corporation released the first overseas CSR report of Chinese enterprise, e.g. Sinosteel Corporate Sustainability Africa Report, which aroused broad attention domestically and abroad and was highly evaluated by different stakeholder groups. China Minmetals Corporation has been greatly concerning with the development of local communities in its global operation, and sticks to realize the Millennium Development Goals of the United States. In addition, this book also covers some typical cases of multinational company operating in China.

Co-compiled by the United Nations Global Compact Office and Global Compact China Network, this book aims to systematically summarize the best practices and successful experiences of Chinese member enterprises in adhering to the principles of Global Compact and in committing actively the social responsibilities. Therefore, more people can learn more about CSR development in China and the typical CSR experience of China can be introduced to worldwide enterprises, which will be helpful for their CSR practices.

Origin and Development of the Global Compact

The Global Compact came into being against a background of globalization. In the decades after the Second World War, with the rapid development and extensive application of science and technology in communications and transportation, industrialized countries underwent a period of rapid economic growth, which promoted the enlargement of business scale and the popularization of multinational operations. Since the beginning of the 1990s, driven by Internet technology, the trend toward globalization has become even more prominent, as reflected by increasing interdependence and mutual influence among countries. While expediting the development of the world economy and promoting deeper international cooperation, economic globalization has also caused social and environmental problems, such as the north-south gap, income inequality, destruction of natural resources and deterioration of ecological environments, giving rise to challenges to and even protests against globalization. As a result, the international community has begun to realize that it is an important condition for achieving sustainable development to make business behavior and market forces meet social expectations and needs. To defend the achievements made in the past and pave the way for a new period of prosperity, the international community needs to act urgently in two ways: firstly, to strengthen commitment to openness and inclusion; secondly, to seek new means of grounding global market

forces in ideas of shared social values.

The Global Compact is based on confidence in enterprises and the market and regards enterprises as the prime movers of globalization. In line with this view, the business world needs to join forces in order to correct the social, environmental and governance problems that have arisen during globalization. It was against such a background that former UN Secretary-General Kofi Annan advanced the “social rules” and “Global Compact” ideas at the World Summit for Social Development held in 1995. Later, at the 1999 Davos World Economic Forum, the UN Global Compact program was officially introduced. In July 2000, the UN headquarters officially launched the Global Compact comprising nine principles. In recent years, while continuously affecting normal commercial activities and government operations, corrupt practices have also impeded the fulfillment of these nine principles. Thus, at the first Global Compact Leaders Summit held in 2004, anti-corruption was included as one of the fundamental commitments of the Global Compact to form the current ten-principle framework. In January 2009, Secretary-General Ban Ki-moon pointed out at the Davos Forum that “without people’s trust in the business world, there would be no prosperity. To rebuild such trust, it is crucial for the business world to adhere to and promote the principles of the UN Global Compact regarding corporate social re-

sponsibility.”

In just a few years, the Global Compact has become the most influential initiative for sustainable development in the field of corporate social responsibility in the world today and has gained widespread support and participation from governments, enterprises, international labor organizations and non-governmental organizations. The ten principles advocated by the Global Compact are also honored by an ever-increasing number of enterprises, which have incorporated them into their core values and development strategies. Already, the number of Global Compact members has exceeded 6000. The members come from more than 130 countries, including over 5000 business members. Additionally, the Global Compact has over 1300 members of other categories, including civil society organizations (CSOs), labor organizations, academic institutions and public institutions. Meanwhile, local networks of the Global Compact have been set up in over 70 countries and regions, which fulfill the responsibilities set by the ten principles by supporting the member institutions (local companies and subsidiaries of foreign companies) of the Global Compact and creating opportunities for multi-stakeholder engagement and collective action.

In recent years, corporate social responsibility has received extensive attention in China, while the Global Compact

has also been given active support and recognition by the Chinese government, enterprises and all social sectors. The Global Compact Leaders Summit held in Shanghai in 2005 was attended by nearly 800 people, including UN officials and representatives of governments, enterprises and NGOs, and issued the Shanghai Declaration. At the assembly marking the National Entrepreneurs' Day, Chen Jinhua, Vice Chairman of the 9th CPPCC and former president of the China Association of Enterprises, called on Chinese enterprises to take an active part in the activities of the Global Compact. The Ministry of Foreign

Affairs of China donates \$10000 each year to the Foundation for the Global Compact to support the activities of the Global Compact. In February 2009, Mr. George Kell, Director-General of the UN Global Compact signed an agreement with Ms. Chen Ying, President of Beijing Rongzhi Corporate Social Responsibility Research Institute. The agreement authorizes the Global Compact China Network Center under the Institute as the sole agency to coordinate and carry out the activities of the UN Global Compact in China, commit itself to pushing Chinese enterprises to implement the ten principles of the

Global Compact, erect a platform for Chinese enterprises to interact with the United Nations and the international community, show the world the latest progress made by Chinese enterprises in corporate social responsibility and promote the development of corporate social responsibility in Chinese enterprises. At present, the Global Compact has 210 Chinese members and the figure has been on the rise. Among the members are more than 160 enterprises, including State-owned and private enterprises; large enterprises and small and medium enterprises.

Ten Principles of the Global Compact

Formed on the basis of international conventions, including the Universal Declaration of Human Rights, ILO (International Labor Organization) Declaration on Fundamental Principles and Rights at Work, Rio Declaration on Environment and Development and United Nations Convention against Corruption, the ten principles cover the four areas of human rights, labor standards, environment and anti-corruption, as detailed in the table below.

Ten Principles of the Global Compact

Aspect	Principles
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights
	2. Make sure that they are not complicit in human rights abuses
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
	4. Elimination of all forms of forced and compulsory labor
	5. Effective abolition of child labor; and
	6. Elimination of discrimination in respect of employment and occupation
Environment	7. Businesses should support a precautionary approach to environmental challenges
	8. Undertake initiatives to promote greater environmental responsibility; and
	9. Encourage the development and diffusion of environmentally friendly technologies
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery

Global Compact and Sustainable Development of Chinese Enterprises

I . The significance of joining the UN Global Compact

As the largest voluntary initiative in the world that promotes the philosophy of corporate citizenship, the UN Global Compact calls on enterprises to join hands with governments and other public institutions in a common commitment to meeting the challenges that arise with globalization and take part in solving some major issues of a world scale that confront mankind as a whole. It calls on industrial and commercial circles to act on their own initiative, observe the internationally recognized principles in areas of business ethics, respect for human rights, labor standards, environment and anti-corruption and establish a global mechanism that drives sustainable economic development and the common enhancement of social capital through responsible and creative corporate leadership, thereby giving the world market a humanistic visage.

The Global Compact is a network that creates a partnership between enterprises and UN agencies, the International Labor Organization (ILO), NGOs and other stakeholders to set up a platform for broader and equal dialogues. It is a voluntary initiative that promotes sustainable development and awareness for good corporate citizenship; a set of values based on universally accepted principles; a network formed by

companies and other stakeholders and a bridge between the United Nations and the commercial society.

The Global Compact calls on global business community to uphold the idea of sustainable development, undertake voluntary action to respect human rights and observe business ethics, relevant labor conventions and standards, and the international principles on environment, engage in social responsibility, build up the corporate image with a sense of social responsibility and work for the establishment of a new world that is free, equal and prosperous. The Global Compact encourages the participation of enterprises of different categories. Although the corporate participants of the Global Compact differ in form and represent different regions, industries and scales, they all now display a common characteristic: they are all leaders committed to promoting global economic development in a responsible manner. Such leadership has gradually been recognized by the international community and become a recognized feature of the member enterprises of the Global Compact.

Participation in the Global Compact can help enterprises develop partnerships. The Global Compact is a network, a platform for exchanges and a bridge between the United Nations and the commercial world. It enables enterprises to enter into a partnership with UN

agencies, the ILO, NGOs and other stakeholders. Through the Global Compact and its numerous local networks distributed all over the world, a platform is made available to the members for broad and equal policy dialogues and sharing the best of practices. Therefore, Global Compact membership gives enterprises a platform and opportunities whereby they can exchange experience with counterparts who have a common understanding and with other stakeholders, learn from each other, enhance their international reputation and set up more extensive international ties. At the same time, the Global Compact encourages enterprises and other stakeholders to take part in cooperative projects and promote the fulfillment of broader UN goals, such as the Millennium Development Goals. The higher alignment of commercial interests with social objectives is increasing the need for cooperation among enterprises and governments, NGOs, local communities and other social entities. Such cross-sectoral cooperation makes it possible to overcome those challenges that enterprises cannot cope with on their own and achieve greater results through the creative marriage of the resources and capabilities of the stakeholders.

Participation in the Global Compact can create more business opportunities for enterprises. The launch of the Global Compact aims to help various organizations formulate new development

strategies and implementation measures. By following the ten principles advocated by the Global Compact, responsible corporate behaviors can enhance the reputation of enterprises and secure the recognition and confidence of more stakeholders. Enterprises will thereby win more market opportunities and market share on the one hand and, on the other hand, they will be bound to reexamine existing operating principles, management system and routine behavior to expand their operating principles from an economic focus to include broader social and environmental fields. This can help enterprises open up new markets and opportunities for cooperation. For example, more and more investment institutions have woken up to the importance of enterprises incorporating environmental, social and administrative issues into their strategic development and management decisions for their long-term profitability and operating performance. The “Principles for Responsible Investment” jointly sponsored by the Global Compact and the United Nations Environment Program (UNEP) call on investors to give adequate consideration to environmental, social and governance issues when making investment decisions so as to improve the social responsibility performance of the enterprises being invested in through the guidance of investment orientation. To date, investors from all over the world and representing over \$13 trillion of total assets have voluntarily committed themselves to the “Principles for Responsible Investment”. This investor group is in constant expansion.

Participation in the Global Compact can also create more opportunities for enterprises to take part in international affairs. As a solution to the problems of globalization, the Global Compact has always seen enterprises as partners and solution providers in the entire process ranging from incubation to initiation and subsequent implementation. The

purpose is to boost the communications and exchanges between enterprises and stakeholders in a joint commitment to meeting the challenges arising with globalization and taking part in solving some major issues of a world scale confronting mankind as a whole.

In China, there are already a number of enterprises and enterprise leaders who have consciously begun to get more involved in international meetings, step up international dialogues, increase exchanges and learning, and take an active part in the preparation of international rules and policies in a foresightful way. For example, at the “Global Compact Leaders Summit” held in Geneva, Switzerland in July 2007, the delegation of Chinese enterprises had as many as 100 members and was conspicuous among the more than 1000 attendees. COSCO Group President Wei Jiafu made a speech on behalf of Chinese enterprises to introduce their best practices and enhance their international image. In September 2008, UN Headquarters held the “First UN-Enterprise Summit Forum”, which was hosted by the Global Compact in conjunction with the other agencies. Mr. Huang Tianwen, President of Sinosteel Corp., and Ms. Annie Wu Suk-ching, President of Hong Kong Beijing Air Catering Limited, attended the forum as representatives of Chinese enterprises to discuss major topics of a global nature, such as how enterprises can help promote the Millennium Development Goals, with 100 CEOs, heads of government, senior UN officials and NGO representatives from various countries. From October 20 to 21, 2008, the UN Global Compact, UNEP and the World Business Council for Sustainable Development successfully held the “First Annual Meeting of Signatories to the Caring for Climate Initiative” in Geneva, Switzerland. In his wonderful speech, Mr. Fu Chengyu, General Manager of China National Offshore Oil Corporation, talked about the best practices of CNOOC

in energy saving and emission reduction and offered suggestions and appeals to other signatories to the Caring for Climate Initiative. Vice President Li Zhengmao of China Mobile and President Zhang Yue of Broad Air Conditioner Co. also shared with the attendees the best practices of their enterprises and their views on the plans for enterprises to respond to climate change. These acts have not only exhibited to the world the positive image of Chinese enterprises discharging their social responsibility, but also enabled Chinese enterprises to take an active part in the formulation of international rules and codes of conduct, thus playing an important role in creating a favorable external environmental for Chinese enterprises.

II . Crucial Factors for Implementation of the Ten Principles by Enterprises

The implementation of the ten principles of the Global Compact is a long process and requires enterprises to remain committed to organizational change and management improvement. The crucial factors for successful implementation of the ten principles by enterprises include the following:

- The ten principles are regarded as an essential part of corporate strategy and business rather than a supplement;
- Company leadership makes explicit commitments;
- The commitments are passed on to the managers and all employees of the organization to ensure extensive support for these principles;
- An enterprise environment conducive to new ideas and business innovations is formed;
- Measurable objectives and a transparent mechanism for communications on progress are established;
- The desire and capability to organize learning and adaptation are fostered;

- Actual actions are taken;
- Candid exchanges and dialogues with the stakeholders of the company are conducted.

Another unique aspect of the Global

Compact is that, after joining, not only the company as a whole, but in particular the leadership is encouraged to meet the commitments. The personal participation of the CEO is an important signal for employees and other

stakeholders, demonstrating that the participation of the entire company is a priority in its business and strategy. Such top-down commitments have an enormous impact on the quality of Global Compact implementation.

Chapter II

>> Typical Case for Total Responsibility Management



Implementing Total Social Responsibility Management and Playing a Leading Role amongst Central-owned Enterprises: State Grid Corporation of China



Mr. Zhenya Liu, President

I. Message from President

Power grids are eco-friendly energy allocation platforms in modern society, featuring extensive service coverage and high levels of efficiency. They constitute a vital infrastructure sector, playing a crucial role in the optimized allocation of energy nationwide and even across larger geographic regions. It is the first and foremost responsibility of the State Grid Corporation of China (SGCC) to give full play to the functions of power grids in optimizing energy allocation and ensuring safe, economical, clean and sustainable energy supply. Power grids also have far-reaching implications for the switch of socio-economic development methods to ecofriendly means.

We're obligated to promote continuous management innovation, tap the overall advantages of SGCC as a conglomerate, build and operate power grids with minimal resource input and environmental and social impacts, ensure the high-efficiency operations of State-owned assets and the preservation and enhancement of the value of these assets, and create maximal integrated economic, social and environmental value.

We adhere strictly to our core values of "integrity, responsibility, innovation, and dedication". We use our best

endeavors to strengthen our communication and interaction with the government, society, users, employees, partners and other stakeholders; we seek opinions and suggestions from a vast range of sources, and build mutual trust with all segments of society on the basis of mutually recognized values; we also strive to build consensus and pool resources to promote sustainable development of enterprise and society.

We expend vigorous efforts to advocate scientific corporate social responsibility concepts, adhere to the standards of the creation of social value, and regard the promotion of optimized allocation of social resources as central to the fulfillment of our social responsibility. We believe that corporate social responsibility is not extra work for the enterprise; rather, it's a new approach to enterprise operations and a crucial mechanism for the allocation of social resources. We are convinced that effective management of the impact of enterprise operations on stakeholders and the natural environment is essential to the fulfillment of our corporate social responsibility and the realization of maximal integrated economic, social and environmental value.

SGCC joined Global Compact on Sept. 15th, 2006, and has incorporated Ten Principles into daily operation.

II. Corporate Profile

SGCC was founded on December 29, 2002 with approval of the State Council as a pilot organization for State-authorized investment and as a pilot corporation majority-owned by the State. SGCC ranked 15th among the Fortune Global 500 in 2009, moving up nine spots from 2008, and is currently the world's largest utility company. SGCC specializes in building and operating power grids and is charged with the mission of ensuring safe, economical, clean and sustainable supply of power. SGCC implements a general manager responsibility system and operates as a conglomerate. With registered capital of RMB 200 billion and a workforce of more than 1.5 million, SGCC's operations cover 26 Chinese provinces, autonomous regions and municipalities under the direct jurisdiction of the Central Government, accounting for 88% of the nation's landmass and serving a population in excess of 1 billion.

III. Case of Responsibility: Exploring and Implementing Total Social Responsibility Management and Promoting Sustainable Development of Enterprise and Society

Commitment to corporate social responsibility is a major trend in enterprise development worldwide; it has far-reaching implications for ensuring the performance of the social functions of enterprises, promoting sustainable development of enterprise and society, and facilitating the optimized allocation of social resources. SGCC takes proactive action to uphold the Ten Principles of the Global Compact and to explore total social responsibility management, and endeavors to maximize the integrated economic, social and environmental value of its development.

1. Origin and Background of SGCC's Implementation of Total Social Responsibility Management

Implementation of total social responsibility management represents a strategic choice of SGCC in its efforts to study the Scientific Development Concept, play an exemplary role as an enterprise under the direct jurisdiction of the Central Government, transform enterprise development means and management models, enhance the optimization of the allocation of social resources, and achieve balanced comprehensive sustainable development of enterprises and society.

A. Implementation of total social responsibility management is a conscientious act of SGCC built on an in-depth understanding of its corporate mission and underpinned by its determination to play an exemplary role as an enterprise under the direct jurisdiction of the Central Government

As an ultra-large utility company whose operations have a direct bearing on the national economy, people's livelihood and public security, SGCC has a strong sense of social responsibility and is a responsible leading energy supplier committed to safer, more economical, cleaner and more sustainable power supply. As an enterprise under the direct jurisdiction of the Central Government which has a strong social influence and stimulatory effect, SGCC is obligated to play an exemplary role in upholding the highest standards of ethical conduct, in protecting the environment and conserving resources, and in building a people-based harmonious enterprise; it strives to become a pillar of the national economy and a role model in the corporate world.

Total social responsibility management is a major innovation of the basic mod-



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Global Compact Signatory Since:

Sept. 15, 2006

el of enterprise management, crucial to the transformation of enterprise growth means and the promotion of more optimized allocation of social resources. SGCC strives to be the first company in China to build a brand-new mechanism for the allocation of social resources as a supplement to the market mechanism and government control mechanism. It proactively explores brand-new enterprise management models and is the first company in China to promote the efforts for Chinese enterprises to “establish a global responsibility concept, conscientiously incorporate social responsibility into operating strategy, improve operating models, and secure the synergy between social and economic benefits” with the shortest time possible.

B. Implementation of total social responsibility management is an intrinsic requirement for SGCC to transform its development means and promote the sustainable development of enterprise and society

Power grid operators are enterprises involving many stakeholders and subjected to close public scrutiny. Technologically, electric power transmits at light speed and cannot be stored; electric power production, transmission and consumption are completed instantaneously and balanced on a real-time basis. Electric power systems are characterized by high levels of integrity and coordination. The safety, stability and efficiency of the operations of power grids depend on the close cooperation and coordination of power producers, power users, supervisory institutions and the consuming public. Economically, power grid operators are naturally monopolistic, with its operations subject to strict government control and public scrutiny; the government and public are the final policymakers for power grid development. The development strategies, investment scale, construction land and tariffs of power grids are all subjected to government approval and

public acceptance. Technological and economic attributes dictate that the sustainable healthy development of power grid operators must be aimed at serving public interest and promoting sustainable social development and be based on the government's and public's understanding, recognition and strong support of power grid development.

However, the communication, understanding and cooperation between power grid operators and the government and society are seriously flawed, severely constraining the sustainable healthy development of power grids. Firstly, power grid operators are highly technical and have a serious information asymmetry with the public. Power grids are essential vehicles for the implementation of the nation's energy strategies, and power grid development has a direct bearing on the optimized allocation of energy resources; this is out of line with the public's perception of daily power supply services. Secondly, power grid operators generally are neither proactive in initiating communication with the government and public nor good at communicating with the outside world. SGCC has evolved from its origins as a government administrative agency during the era of the command economy, and due to the influence of historic factors and inertial thinking, SGCC was once accustomed to an operating model under which it simply needed to execute commands from higher-level authorities. In contrast, under the market economic system, SGCC, as an independent market player, must fundamentally reform its approach to relations with the government and public. Thus, in order to promote the sustainable development of power grid operators and society, it's vital to implement total social responsibility management, build a stakeholder concept, promote the mutual trust, harmonious interaction and close collaboration between SGCC and the government and public from the perspective of social value and by identifying the most

optimal development means for SGCC and power grid development, and ensure that stakeholders' understanding, trust and vigorous support are secured for power grid development.

C. The implementation of total social responsibility management is an objective requirement for SGCC to adapt to the global enterprise development trend and enhance its international competitiveness and influence

Commitment to corporate social responsibility represents a major trend in global enterprise development in the contemporary era; it receives intense attention and active support from the international community. On January 29, 2009, UN Secretary-General Ban Ki-Moon stated in a speech that “Enlightened self-interest is the essence of corporate responsibility and the key to a better world.” For world-class companies, fulfillment of social responsibility has transformed from a compulsory obligation to an active step to secure competitive advantages. Social responsibility competition is becoming a major form of new international business competition among multinational companies after price and quality competitions.

Dedicated to becoming a world-class power grid operator and the world's largest utility company, SGCC persists with its global vision, endeavors to learn and apply new rules in international competition and to draw up advanced international experience, and regard the fulfillment of social responsibility as the essential step to enhancing its core competitiveness. SGCC is strictly committed to its corporate values, strategies, day-to-day operations, and corporate culture, and undertakes proactive action to seize the opportunities and meet the challenges in the deepening economic globalization and to enhance its international competitiveness and influence.

2. SGCC's Perception and Understanding of Total Social Responsibility Management

In terms of social operation mechanism, total social responsibility management is a responsibility development mechanism and a social resource allocation mechanism operating in parallel to the market mechanism and government control mechanism. In terms of enterprise management model, total social responsibility management is an innovative enterprise management model that fully taps stakeholders' initiatives and strengthen mutual trust; it is an effective offset of "market failure" and "government failure" and enables the enterprise to maximize integrated economic, social and environmental value, promote more optimized allocation of social resources, and facilitate the sustainable development of enterprise and society.

A. Connotation of Total Corporate Social Responsibility Management

From the perspective of enterprise management, total corporate social responsibility management represents comprehensive management of the enterprise's relations with society and stakeholders on the basis of its commitment to fulfilling its social responsibility; it's a management model under which the enterprise effectively manages the impact of its operations on stakeholders and the natural environment and maximizes integrated economic, social and environmental value.

SGCC's total social responsibility management is the synergy of the general rules of total corporate social responsibility management and the characteristics of a power grid operator. In essence, it means being rooted in the national conditions and the power grid operator's actuality, transforming

growth means, promoting the sustainable development of enterprise and society, aiming to achieve maximal integrated economic, social and environmental value, ensuring total employee involvement and total-process coverage, pursuing comprehensive improvement and continuous optimization of corporate values, development strategies, daily operations and management system, providing balanced management of stakeholders' responsibilities, integrating the pursuits of financial, social and environmental value, maximizing the positive effects of the company's operations on society and the environment, minimizing the negative effects, and tapping stakeholders' potential and power in creating integrated value.

B. Total corporate social responsibility management is a systematic synergy and fundamental enhancement of traditional corporate social responsibility management

Traditionally, corporate social responsibility management is typically only concerned with specific social responsibility; for example, it emphasizes the management of charity responsibilities, the management of compliance with laws, regulations and social norms, risk management in response to social stress, brand management that stresses outward communication, and environmental management that emphasizes environmental protection. Its fundamental characteristic is the specificity of management.

Total social responsibility management means all-employee, total process and comprehensive management of the company's stakeholder responsibilities and environmental responsibilities. It incorporates the fulfillment of social responsibility concepts into corporate mission, development strategy, daily operations, corporate culture, organizational structure, management process,

and management system. It is aimed at covering the entire scope of management, fulfilling all responsibilities, and maximizing the integrated economic, social and environmental value of enterprise development. Its fundamental characteristic is the totality of management.

C. Total corporate social responsibility management is a comprehensive innovation of existing enterprise management model

Compared with the existing enterprise management model which emphasizes the owner's pursuit of profits, total corporate social responsibility management is a brand-new management model aimed at fully empowering the enterprise's social functions

In total corporate social responsibility management, management goals switch from maximization of profits to maximization of integrated economic, social and environmental value; management objects change from the enterprise's internal manpower, funds and materials to internal and external stakeholders' resources and potential; management value extends from financial value to economic, environmental and social value, and from shareholders' value to stakeholders' value, and from being concerned with self-value to the creation of social welfare; and the management mechanism switches its focus from the optimized allocation of the enterprise's internal resources to the promotion of more optimized allocation of social resources.

3. SGCC's Total Social Responsibility Management Practice

Since 2005, SGCC has regarded the implementation of total social responsibility management as an essential step to follow the Scientific Development Concept and serve the building of a harmonious society. SGCC has also

endeavored to explore the connotation, boundaries and implementation paths of the fulfillment of social responsibility by enterprises under the direct jurisdiction of the Central Government.

A. Determining the content and principle of the company's fulfillment of social responsibility by incorporating social responsibility concept into core value

SGCC has defined its core social value on the basis of the core social functions of power grids. It takes on the mission of “ensuring safer, more economical, cleaner and more sustainable power supply and promoting healthier development, a more harmonious society, and a better life”, and has defined its core value as “creating maximal integrated economic, social and environmental value”.

On the basis of its relations with stake-

holders, SGCC has defined social responsibility in 12 areas, including ensuring the realization of the company's core social value, as well as shared responsibility in six areas that involve the interests of all stakeholders: scientific development, safe power supply, highest-standard management, science and technology innovation, communication and cooperation, and global vision. With regard to the specific interests of stakeholders, SGCC has defined specific responsibilities in six areas: responsibility for quality services for users, responsibility for employee development, responsibility for win-win collaboration with partners, responsibility for contributing to the development of new socialist countryside, responsibility for resource conservation and environmental protection, and responsibility for fulfillment of duties as a corporate citizen in relation to the community and society.

SGCC has formulated eight cardinal principles for the fulfillment of social responsibility, including the principle of compliance with laws and regulations, the principle of integrity, the principle of being people-based, the principle of transparency and openness, the principle of risk prevention, the principle of continuous improvement, the principle of sustained development, and the principle of value creation.

B. Determining the direction and objective of the implementation of total responsibility management by incorporating social responsibility concept into development strategy

SGCC's implementation of total social responsibility management is a process of deepening understanding of its “one strong and three superiors” strategic objectives (strong power grids, superior assets, superior service quality, and

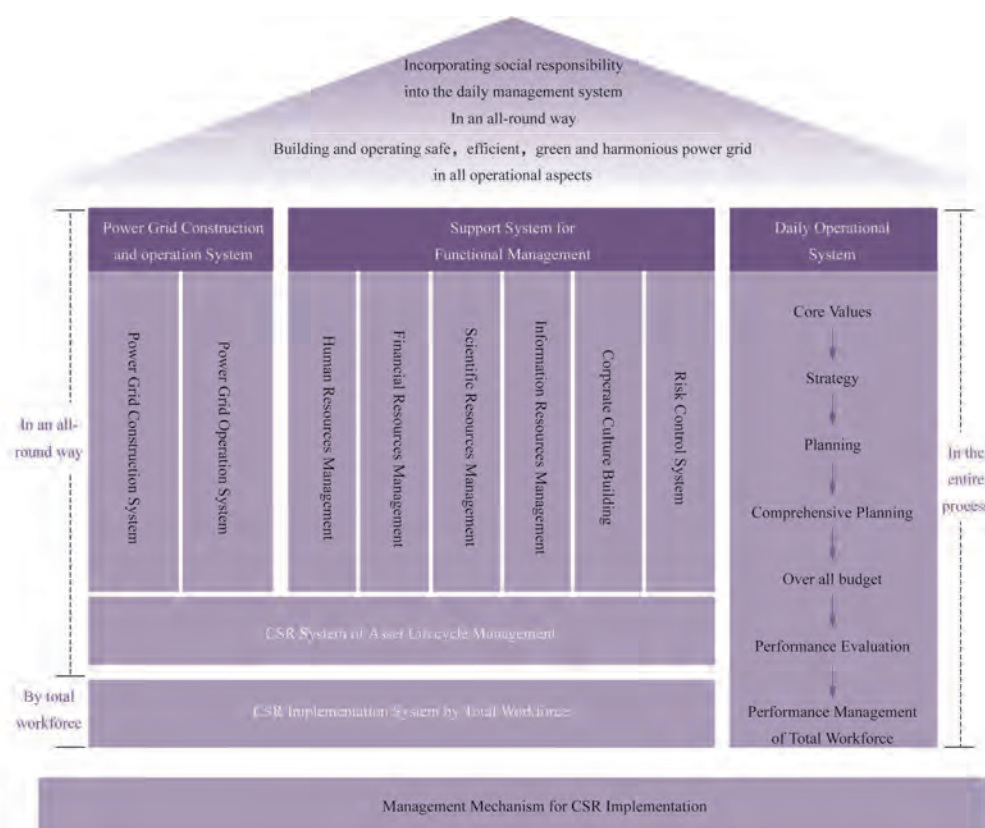


Figure 2-1-1 CSR Daily Management System

superior operating results) and its “two transformations” strategic tasks (transforming company growth means and transforming power grid development means). To maintain the “strength” and “superiority” of itself and its power grids, SGCC must bring its technical efficiency and financial performance into line with first-class standards and

must ensure its development is up to stakeholders’ expectations and adequate for the needs of sustainable socio-economic development. This is not only the objective and intrinsic requirement of the transformation of growth means, but also a fundamental step to assure the attainment of the objective of building “worldclass power grid operator”.

The transformation of power grid development means and the construction of digitalized, automated, interactive powerful intelligent grids with ultra-high-voltage power grids as backbone power networks and with the coordination of grids at all levels, and the transformation of enterprise growth means and the conglomerated operations,

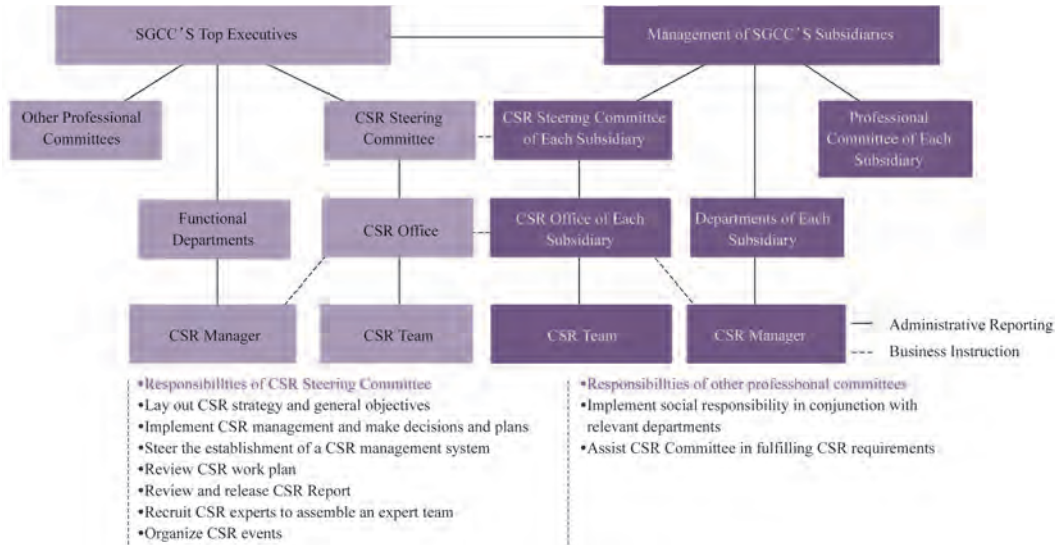


Figure 2-1-2 corporate social responsibility organization management system

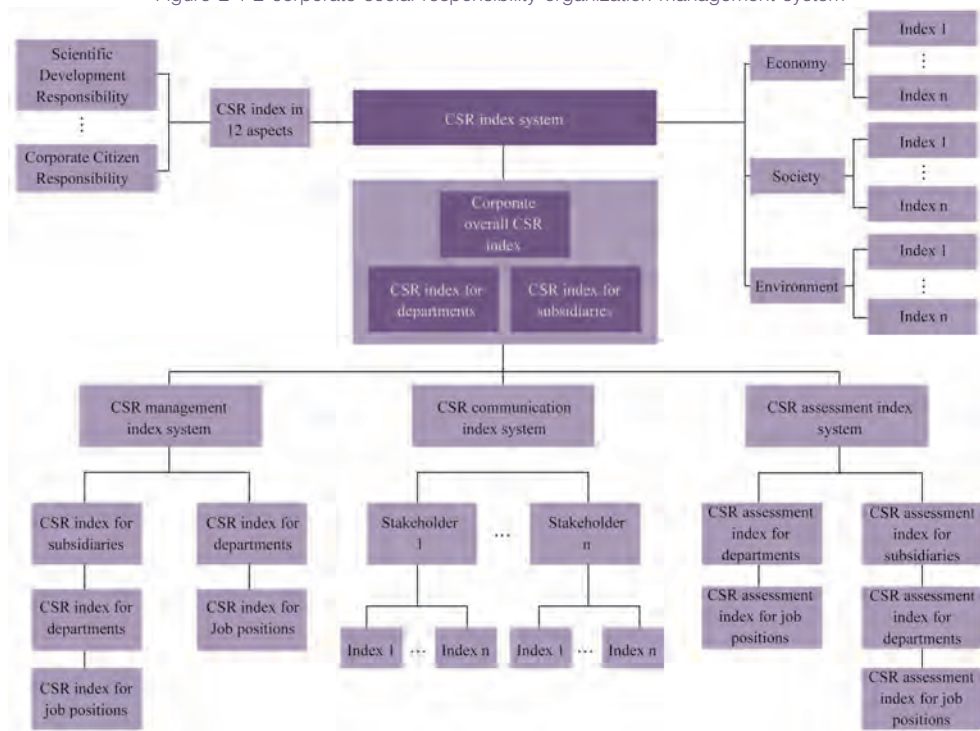


Figure 2-1-3 CSR performance assessment structure

intensive development, lean management and standardized development, all boil down to conscientious incorporation of the development and power grids into to overall socio-economic development and the implementation of the nation's energy strategy and to the attainment of stakeholders' understanding, trust and strong support, so that a benign environment will emerge for the development of the company and power grids and resources can be pooled to facilitate development, thereby forging the social foundation for the sustained healthy development of the power grids and the company.

C. Fulfilling social responsibility with total involvement, in the total process and in a comprehensive manner by incorporating social responsibility concept into the total process of power grid operations and day-to-day management

SGCC believes that the fulfillment of social responsibility does not simply mean pursuing businesses beyond power grid operations; rather, it entails oper-

ating the power grids in accordance with higher standards and by more optimized means. Aiming to maximize the integrated economic, social and environmental value of power grid development, SGCC has set forth the requirements of "safety, efficiency, eco-friendliness, and harmony" for the fulfillment of social responsibility. As such, SGCC has extended its focus from the safety and efficiency of its power grids to the safety and efficiency of the value chain of power production, transmission and consumption, with a view to realizing safe and efficient allocation of energy resources. Moreover, SGCC has expanded its commitment to enhancing internal operating standard and power supply quality to incorporate stakeholders' expectations and sustainable development requirements and comprehensive promotion of interpersonal harmony and mannature harmony.

In a bid to maximize the integrated economic, social and environmental value, SGCC has renovated its management system across the board and

built a production and operation system, a functional management support system, a capital life cycle management system, and an employee day-to-day work system, and a corporate day-to-day operation mechanism, all of which incorporate social responsibility concept. Moreover, SGCC has put in place a mechanism for advancing total social responsibility management, formulated an advancing strategy, plan, program and budget, and has made it clear that the evaluation of the efforts in advancing social responsibility must be strengthened, and that total social responsibility management must be implemented in an organized and systematic manner in phases.

D. Building social responsibility organization management system and evaluation system to provide organizational support and incentive mechanism for total social responsibility management

On the strength of the synergy with its existing organization management system, SGCC has largely built a social

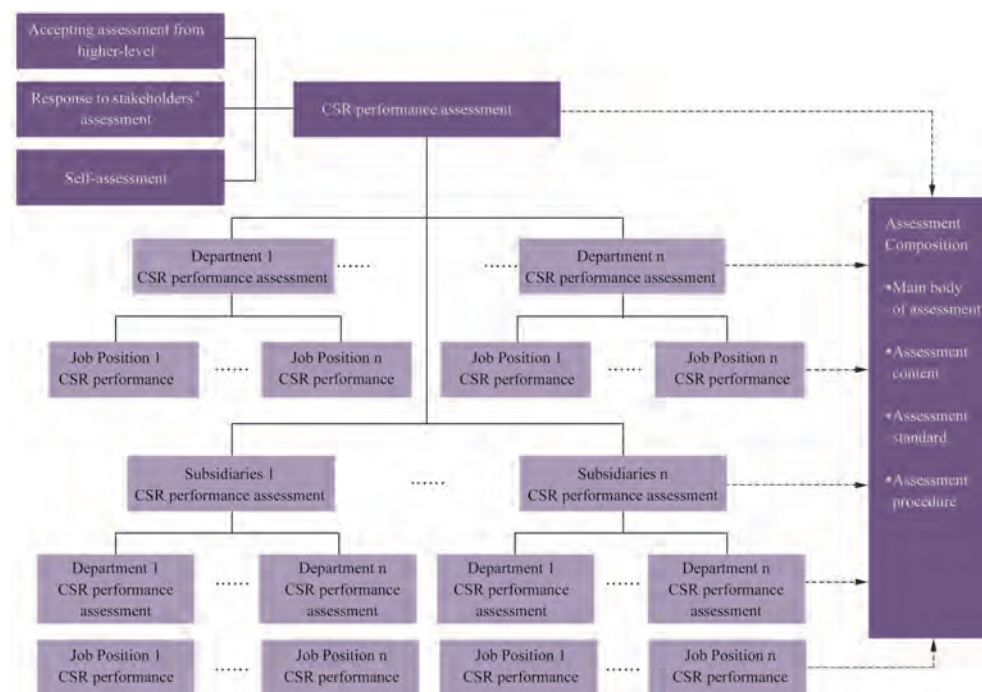


Figure 2-1-4 CSR index system

responsibility organization management system and evaluation system. The SGCC headquarters has formed a social responsibility work committee, which is chaired by the General Manager and operates a social responsibility work office. At all affiliated units, a social responsibility work leadership group has also been set up, which is headed by the unit's principal officer and operates a leadership group office. SGCC places an equal emphasis on the evaluation of social responsibility performance and the evaluation of the advancement of total social responsibility management. Moreover, SGCC proactively explores ways to build a social responsibility performance evaluation system, which comprises an evaluation institution, an evaluation organizing system, and evaluation procedures. With a focus on scale and results, SGCC is pressing steadily ahead and engaged in continuous improvement.

E. Strengthening capacity building for social responsibility and continuously enhancing the standard of the company's total social responsibility management

SGCC proactively advances total employee social responsibility training and has built a social responsibility indicator system, instituted a social responsibility management system, developed and promoted social responsibility management tools, constructed a social responsibility knowledge management system, and explored ways to build a social responsibility capacity development mechanism, thus providing powerful support for the implementation of total social responsibility management.

F. Building a stakeholder involvement mechanism and social responsibility information dissemination mechanism to consolidate the stakeholder foundation for total social responsibility management

stakeholder involvement mechanism and an operational stakeholder involvement mechanism. With efficient institutional arrangements, resource assurance and action deployment, these mechanisms ensure stakeholders' access to information and their rights to supervise and get involved, and have improved stakeholders' overall satisfaction rate and helped build development consensus, pool resources, stimulate creative energy, and maximize integrated value.

Moreover, SGCC constantly explores ways to build a social responsibility information dissemination mechanism. For four consecutive years since 2006, SGCC has released annual social responsibility reports. With regard to key stakeholders, SGCC has strengthened the dissemination of major information on social responsibility, and has intensified the regular dissemination of information on social responsibility through media reports, regular communication, work briefings, participation in forums,

SGCC has largely built a strategic

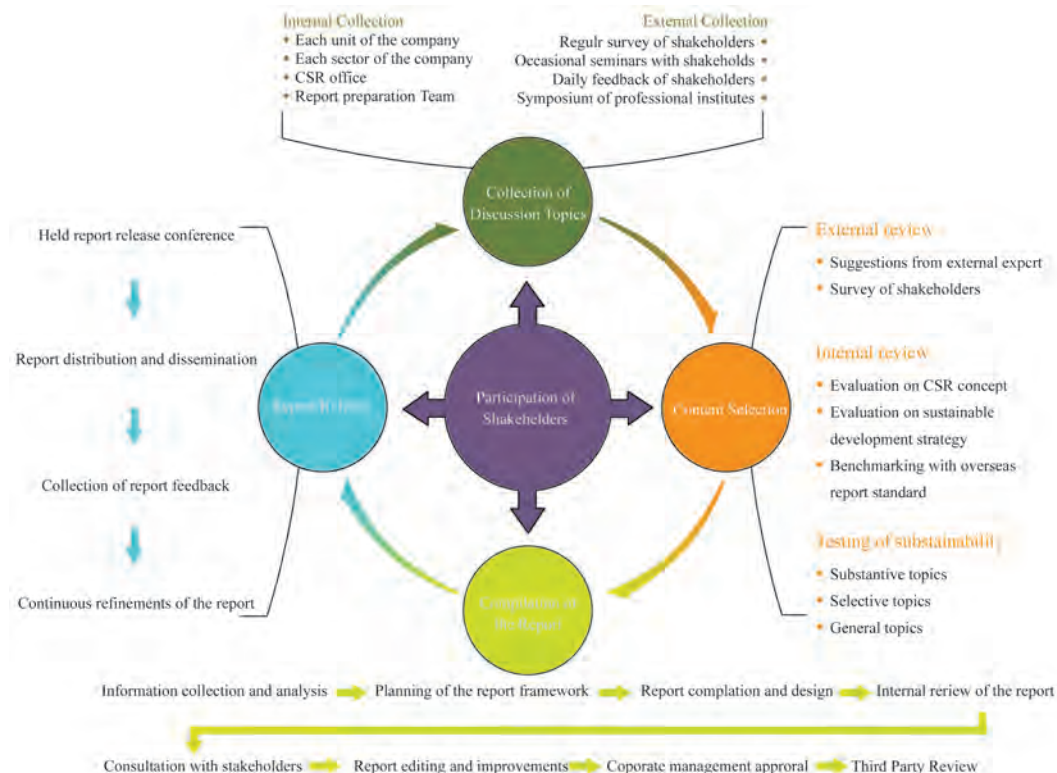


Figure 2-1-5 State Grid's CSR Report Construction Process Chart

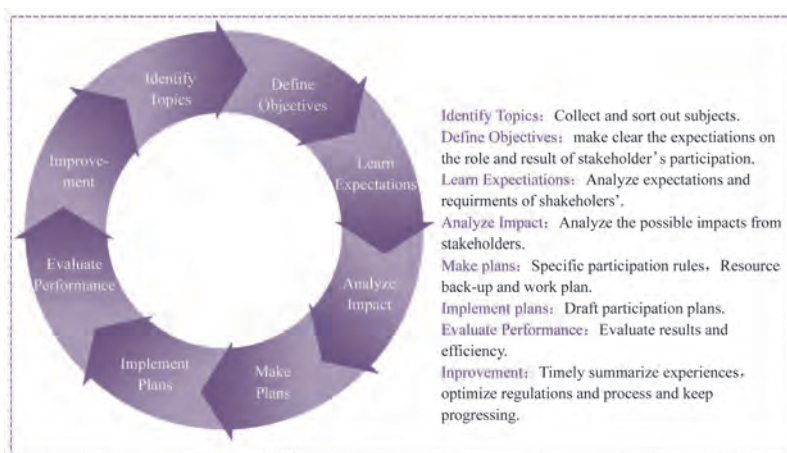


Figure 2-1-6 Stakeholders' participation procedure

and press conferences. Furthermore, SGCC is also actively involved in the formulation of international standards on social responsibility, and has become China's first specialist member enterprise for ISO26000, the international standards on social responsibility, marking a major breakthrough in Chinese enterprises' participation in conferences on the formulation of international standards on social responsibility.

4. Lessons and Recommendations

A. Enterprises under the direct jurisdiction of the Central Government should adhere to the scientific social responsibility concept in the fulfillment of their corporate social responsibility

At present, enterprises under the direct jurisdiction of the Central Government are rather enthusiastic about fulfilling their social responsibility and are keen to do so. However, there is a wide divergence in opinion on corporate social responsibility. In actual corporate social responsibility practice, it is not uncommon to place lopsided emphasis on corporate responsibility in non-core businesses, such as the protection of employees' rights and interests, involvement in public-benefit programs, and environmental protection. This has, to some degree, hindered the optimized

allocation of resources and effective fulfillment of social functions by enterprises under the direct jurisdiction of the Central Government.

To fulfill its social responsibility, an enterprise must not only emphasize its moral motives and willingness for responsibility fulfillment, but also persist in using value creation results as the criterion. The judgment of responsible enterprise behaviors boils down to whether the enterprise has maximized integrated economic, social and environmental value and promoted the optimized allocation of social resources.

The primary issue for enterprises under the direct jurisdiction of the Central Government to fulfill social responsibility is to scientifically define the boundaries of the scope of corporate social responsibility. SGCC believes that in defining the scope of corporate social responsibility, the primary consideration should be given to the enterprise's ability to fully tap its potential in creating integrated value and to promote more optimized allocation of social resources. Moreover, national conditions, social development stages, and enterprise characteristics must also be taken into consideration to prevent the randomness and invalidity of the projection of enterprise resources. Further-

more, it's important to pay due attention to the division of social responsibility, social development stages and full play of the enterprise's social functions, to define the enterprise's social role and social responsibility, and to make adjustments from time to time according to the different development stages and in response to changes in the social environment.

In order to define corporate social responsibility, first of all, the realization of core social function should be taken as the enterprise's most fundamental social responsibility; this is related to all stakeholders' basic interests. For example, for power grid operators, the core social responsibility is to ensure safer, more economical, cleaner, and more sustainable power supply. Secondly, the creation of maximal integrated economic, social and environmental value should be used as the criterion in managing the relationship between the enterprise and stakeholders in a responsible and effective manner. First, as a bottom-line responsibility for a corporate citizen, the enterprise must abide by all laws and regulations and uphold social morals for stakeholders, and second, as a responsibility for an outstanding corporate citizen, the enterprise must stimulate the stakeholders' potential in creating collaborative integrated value to the largest extent possible; this includes joining hands with a specific stakeholder to achieve win-win results and working with multiple stakeholders and winning for all.

B. Enterprises under the direct jurisdiction of the Central Government should explore ways to implement total social responsibility management on the basis of creating a brand-new enterprise management model

SGCC believes that total corporate social responsibility management marks a fresh phase of enterprise management development and represents an innova-

tion and a departure from the existing enterprise management model, and that it's a constantly evolving mechanism for optimizing the allocation of social resources.

Total social responsibility management calls for a total transformation and upgrading of enterprise management models. Management objectives must switch from maximization of profits to maximization of integrated economic, social and environmental value; management objects must extend from the enterprise's internal manpower, funds and materials to internal and external stakeholders' resources, potentials and advantages; management value must extend from financial value to economic, environmental and social value, from shareholders' value to stakeholders' value, and from being focused on self value to the creation of social welfare; management mechanisms should switch from being focused on the optimized allocation of the enterprise's internal resources to the promotion of more optimized allocation of social resources. All these require the enterprise to carry out a total optimization of its values, development strategies, day-to-day operations, management system, management process, and corporate culture.

Last, the enterprise must ponder its

social functions and advantages from the strategic perspective of offsetting "market failure" and "government failure". It must take full advantage of the role of stakeholders to augment and promote the functions of market mechanisms to the largest extent possible and to offset the deficiency of government management omission or offside to the largest degree possible.

C. Implementation of total social responsibility management must be strictly based on the essence of corporate social responsibility—"collaborative creation of integrated value"

The essence of an enterprise's fulfillment of its social responsibility is to create a mechanism for collaboration with stakeholders and to create maximal integrated economic, social and environmental value. We believe that an enterprise's fulfillment of its social responsibility to build a multi-tiered, multi-faceted and all-inclusive mechanism for collaboration with stakeholders under the driving force of its desire to fulfill its social responsibility, and to tap stakeholders' potentials and advantages in creating integrated economic, social and environmental value, thereby promoting more optimized allocation of social resources. This requires the enterprise to establish a solid stakeholder vision, plural value concepts

and an approach to collaboration for win-win results, and strengthen communication and interaction with stakeholders in order to build mutual trust and development consensus, promote comprehensive collaboration, and create maximal social welfare.

D. The implementation of total social responsibility management must be built upon the "command-in-chief project"

Total social responsibility management represents a fundamental reformation of management models; it calls for the repositioning of management concepts, development strategies, and operating mechanism, as well as total optimization of management system, management institution, and management process; moreover, it involves all job positions, businesses and levels; thus, the "commander-in-chief" must be responsible for initiating, deploying and advancing the system.

Total social responsibility management is a management revolution with global implications; it's a major point of interest for the world's leading enterprises; it's essential to compliance with the Ten Principles of the Global Compact and to enterprises which seek to be a responsible, creative role model.

Enhancing Sustainable Management and Pursuing Green Shipping: China Ocean Shipping (Group) Company



Mr. Jiafu Wei, President

I . Message from President

China Ocean Shipping (Group) Company (COSCO) adheres to the principle of fulfilling the obligation of “bringing the best returns to shareholders, the society and the environment”. Nowadays with globalized economy, COSCO sees sustainable development concept and practices as an important part of corporate core competitiveness. In the meanwhile, COSCO fully realized CSR is not just a business attitude but companies take the responsibilities for stakeholders actively with aim and plan to accomplish the goal of harmonious and sustainable development. Therefore, it’s a must to integrate caring for society and environment into corporate daily operation to make sustainable development and CSR indispensable for all operation activities. And this will make an excellent corporate citizen.

COSCO advances in nurturing international corporate cooperation spirit by complying with Global Compact 10 principles. A good international citizen image is established in accelerating the development of company itself while influencing the supply chain and stakeholders to fulfill social responsibility.

II . Corporate Profile

COSCO is a large global enterprise

group focusing on international shipping, logistics & ports, and shipbuilding and ship-repairing businesses. It is also a *Fortune* 500 enterprise. COSCO owns and controls over 800 modern merchant vessels with a total tonnage of 51 million DWTs and, by the end of 2008, an annual carrying capacity of 400 million tons. COSCO Group’s shipping lines cover over 1,500 ports in more than 160 countries and regions worldwide, and its fleet size ranks the first in China and the second in the world. COSCO Group is positioned first in China and sixth in the world by container fleet size, and is also the first in the world by dry bulk fleet. COSCO Group owns world’s most advanced container ships with tonnage of more than 10000TEU, Asia’s No. 1 “semi-submersible ships”, heavy lift ships for loading of super large and heavy cargos, 300,000-ton VLCC, and professional automobile ships. COSCO Investment was listed in Singapore in form of back-door listing. Currently, it holds controlling shares or shares of 8 listed companies including China COSCO, COSCO Pacific, COSCO International, COSCO Corporation (Singapore), COSCO Shipping, CIMC, China Merchants Bank and Sino-Ocean Land.

III . Case of Responsibility: Guide the way of sustainable development in the industry with green shipping development

COSCO Group combines the perfor-

mance of corporate social responsibilities and corporate development strategies, actively cultivated “green competitiveness” and successfully enters the list of *Fortune* Global 500. Main indicators for internationalization operation are closing to UN’s standards for Global 100 transnational companies. It is gradually enhancing its position as a system integrator in international shipping, logistics and ports and ship-building and ship-repairing sectors. COSCO supplies the sustainable development of international economy and trade with high-quality, high-efficiency, stable and reliable global ocean shipping service while at the same time brings continuous effort in advancing the harmonious development, common progress, environmental protection and fulfilling social responsibility of human society. COSCO obeys with Global Compact 10 principles, thoroughly practices environmental protection principle, brings out leading way of sustainable development and builds green shipping projects. After 4 years’ effort, the projects caring for climate change gained enormous effect which contributed to the shipping energy saving and emission reduction and further to green shipping development.

1. Setting up a long-term mechanism to fully implement Global Compact to build green shipping to lead industrious sustainable development

A. Fully understand the requirements from stakeholders in CSR

On Jan. 25 of 2005, COSCO got the UN permission to be a member of Global Compact. The membership brings COSCO to cultivate international cooperative spirit, to enhance corporate sustainable development management system, to fully fulfill social responsibility, especially in principles and concepts in terms of human right, labor standards, environment and anti-coop-

eration.

Development of COSCO Group has followed the scientific outlook of development advocated by the Chinese Government. It has insisted on reviewing the development of enterprises, leading management innovation, establishing resource-saving and harmonious enterprises and fulfilling sustainable development of the enterprise under the guidance of four major contents namely human-orientation, comprehensive, coordinative and sustainable development. COSCO Group carefully learned and actively implemented the requirements in the Guiding Opinions for Central Enterprises to Perform Social Responsibilities issued by SASAC under the State Council in January 2008, realized it’s an urgent necessity for central enterprises to fulfill social responsibility and an important approach to improve corporate competitiveness as well.

B. Profound understanding of Global Compact to accurately interpret the changing challenge in corporate management when implementing social responsibility

COSCO realized Global Compact 10 principles gives new evaluation standards of the sustainable development ability of a company, and thus brings the corporate management into a new era. Early in 2005 COSCO was taken as the first pilot enterprise which CEC Global Compact Network tried to implement Global Compact CSR. Everything was in strict accordance with Global Compact 10 principles and implementing requirements, starting from setting up a Global Compact social responsibility management system, reset process according to sustainable development requirements, explored and built Global Compact social responsibility information system to ensure the constant improvement of reality, completeness, continuity and comparability so as to make Global Compact settle down in China.



Website:

www.cosco.com/cn

Sector:

Industrial Transportation

Country:

China

Global Compact Signatory Since:

Jan. 25, 2005



Figure 2-2-1 UN Secretary Ban Ki-moon visited China on 2nd July 2008 and Mr. Jiafu Wei attended the meeting as a Chinese delegate

UN Secretary Ban Ki-moon visited China on 2nd July 2008 and met Global Compact Network China. CEO Wei Jiafu gave a speech as Chinese companies' representative about the situation of COSCO practicing CSR, implementing Global Compact, announced COSCO participate in "Caring for Climate Change" initiative which is advocated by UN officially and would fulfill the series of basic principles and measures the Initiative suggests on dealing with climate change, making the first Chinese company to sign on "Caring for Climate Change" initiative and "Universal Declaration of Human Rights".

COSCO Group fulfills social responsibilities with cosmopolitan thinking and global vision, and shoulders the global social responsibilities of a world-class transnational corporation. COSCO realized:

In an era of economic globalization, the competition focuses of transnational companies have changed from hardware to software, from competition on technologies and products to competition on the companies' understanding of social responsibility and social ethics. Advanced concepts and practices of social responsibility form an indispensable part of an enterprise's core competitiveness to win in the competition.

The evaluation standards for an enterprise's sustainable development ability have changed, as the ten principles of the Global Compact have prompted new standards for the evaluation of modern enterprises' sustainable development ability. An enterprise's ability to shoulder social responsibility and to gain intangible assets has become the key to its development.

The Global Compact and social responsibility have not only changed the global ideologies and value systems, but also brought new corporate management concepts. By fulfilling social responsibilities, initiating best business practice

in corporate management innovation, reforming business modes, preventing and controlling risks, enterprises can improve their efficiency and profitability.

Welfare mankind is the first goal for operating company and fulfilling social responsibility is the base for the ever-green of business, the secret for corporate success. It's necessary to integrate social responsibility and sustainable development into strategy as well as put into practice.

Social responsibilities shall not be a commercial stance only, but a means to construct and promote honorable cultures of enterprises. An excellent corporate citizen shall integrate the high attentions on the society and the environment into its daily operation. To fulfill the aforesaid goals, COSCO Group has established the sustainable development and social responsibility management system and a long-term mechanism.

The establishment of a long-term mechanism for performance of the Global Compact and social responsibilities and the standardization of enterprises' social responsibilities call for the supports of strong decision-making impetus, scientific management and quality services, along with in-depth understanding of social responsibilities, correct application of tools and evaluation technologies and methods, rational resource allocation and effective risk controls. These allow enterprises to combine the requirements of corporate social responsibility with their strategies and operation, promote strategic transformation, operation mode conversion and business flow restructuring with sustainable development concepts, trigger "stage" changes of enterprises and fulfill development and harmony of corporate values, environment and natural resources.

2. Apply comprehensive risk management approach to build the sustainable development management system scientifically

A. Develop sustainable development strategy and overall planning

COSCO Group accepts the obligation of “comprehensive development and establishing its leading positions in international shipping, logistics business, terminal operation and ship-building/ship-repairing industries, keeping the honest and trustworthy relationships with customers, employees and partners, and bringing best returns to shareholders, the society and the environment to achieve the value of “harmonious development and welfare mankind”.

Started from strategic level, COSCO set the long-term, medium-term and short-term sustainable development targets which are integrated into annual plan, assessment is implemented to ensure the achievement of sustainable development target. Domestic and overseas divisions of COSCO all integrate Global Compact and CSR into corporate strategic planning and practice them in daily operation.

Firstly, Based on the sustainable development risk levels of its institutes, COSCO Group has made a five-year overall arrangement to fully implement the Global Compact, fulfill social responsibilities and realize sustainable development:

- Pilot projects at COSCO Group headquarters and COSCO Container Lines in 2005;
- Based its successful experience, COSCO Group expanded the scope for implementation of the Global Compact and sustainable development report to 15 companies, including logistics, shipping and ship-repairing. Meanwhile,

COSCO UK was selected as a pilot unit among COSCO Group's overseas companies;

- In 2007, COSCO Group had implemented the sustainable development management system and expanded the scope of implementation of the Global Compact and sustainable development report to 20 second-tier, shipping, logistics and ship-repairing companies.
- In 2008, the scope of implementation of the Global Compact and sustainable development report was expanded from second-tier, shipping, logistics and shipbuilding and repairing companies to third-tier companies;
- In 2009, the scope of implementation will be expanded to overseas companies;
- In 2010, all second-tier, shipping, logistics, port and shipbuilding and repairing companies will implement the sustainable development strategies.

Secondly, COSCO Group has established long- and medium-term sustainable development strategy. The COSCO Group Sustainable Development Report 2008 uses the analytical method of six-sigma “strategic mapping” to analyze and demonstrate the development strategy of COSCO Group.

B. Expand the major concern to the interests of all stakeholders to fully fulfill social responsibility

The modern corporate management system of COSCO Group ensures the obligation of social responsibility in daily decision making, well balances the expectations of stakeholders to achieve the targets of corporate sustainable development and a harmonious world.

COSCO Group brought up the obligation of comprehensive development and establishing its leading positions in international shipping, logistics business, terminal operation and ship-building/ship-repairing industries, keeping

the honest and trustworthy relationships with customers, employees and partners, and bringing best returns to shareholders, the society and the environment early in the strategy for new century in 2000.

With economic globalization, COSCO Group sees the concept and action of sustainable development as an important composition of corporate core competitiveness. As the first Chinese companies to participate in UN “Global Compact”, COSCO Group applies a global cognition in guiding business practice and to cultivate international cooperative spirit; by initiating and participation in World Business Council for Sustainable Development (WBCSD), COSCO Group accelerated the development of itself and at the same time promoted supply chain as well as stakeholders to fulfill social responsibility, which leads to the excellent image of international corporate citizenship.

C. Build a systematic sustainable management system

COSCO Group has long been committed to the innovation of management system. Led by the Group Headquarters, We implemented the Global Compact and the 16 steps of sustainable development management system (see Figure 2-2-3).

In the meanwhile, based on the integrated system of quality environment and occupational safety, focusing on sustainable development and risk management, COSCO Group creatively integrates standardization, management system, TQM, benchmarking, risk assessment, six sigma, excellent performance mode, and lean management, and improves the management systems of quality, environment, occupational safety, information safety and risk management to the systems of overall risk management and sustainable development management, hence establishes a long-term mechanism (see Figure 2-2-4) for the Group's sustainable development.

Sustainable development strategy of COSCO Group			
Mission statement			
Gradually develop to become a world leader in international shipping, logistics services, and ship-building and ship-repairing by maintaining trustworthy relationships with our customers, employees and partners, yielding best returns for shareholders, society and environment.			
Value concept: Harmonious development, welfare of mankind			
Development strategies			
Perform the duties as a corporate citizen by taking technology as a tool and benefits as the core while adhering to the human-oriented and market-oriented principles; stick to the two-pronged drivers of production operation and capital operation; make international shipping business stronger, expand logistics business and terminal operation, develop the ship-building and ship-repairing businesses; With shipping business as the basis, propel COSCO Group's transformation from a global shipping carrier to a global logistics operator and international shipping logistics system integrator from a cross-border business player to a transnational company and global conglomerate; build COSCO a harmonious and verlasting group and fulfill its healthy, fast and sustainable development.			
Development strategies of four transformations			
The transformation from periodical development to sustainable development	The transformation from combination of software and hardware with hardware as the emphasis to the combination of software and hardware with software as the emphasis	The transformation from possessing and controlling the resources to allocating social resources.	The transformation from obtaining benefits mainly from production business to obtaining benefits from both production business and capital operation
Development objectives			
“Generating 10 billion Yuan of revenue and building up century-old COSCO”(double-hundred strategy)			
Development thoughts and objectives during the 11th Five-Year Plan period			
As a leading enterprise in China's shipping industry, COSCO Group has insisted on scientific development outlook, attached great importance to the harmony of corporate development and the environment and society, been dedicated to key issues highly concerned by international community such as climate and human right, and promoted the coordinated and sustainable development of the industry and the society. According to the general requirements on central enterprises' implementation of stock system and entry into capital market of the SASAC under the State Council, COSCO Group has deepened the system reform and established the three-layered modern enterprise system with clear management and governance structure in a comprehensive manner.			
Make overall planning, implement related strategies in steps and accelerate the entry of major businesses into the capital market with China COSCO as the flagship for building up of capital-based COSCO and fulfill the capital structure of “5 : 4 : 1”; raise capitals through the capital market, propel the mechanism reform and system establishment, regulate the operation and management procedures and constantly enhance the enterprise's sustainable development ability; promote industry optimization and restructuring depending on the core businesses, improve overseas operation and management mechanisms, and expand overseas business presence.	Stably expand the scale of vessel fleet owned and controlled by the group, scientifically adjust the fleet structure, make great efforts to develop the container vessel fleet, oil tanker fleet and coastal bulk carrier fleet, speed up the development of specialized vessel fleet, systematically control the scale of bulk cargo vessel fleet, establish new bulk cargo ship operation system and mechanism through reconstruction and integration, improve the continuous profitability of shipping companies.	Develop logistics, cargo transport and ship agency businesses with COSCO Logistics as the platform for development of modern logistics business, expand overseas logistics business based on domestic market and form COSCO Group's competitive advantages in global logistics industry as soon as possible; fulfill the transformation from a strategic investor to an operator and manager, from container terminal operator to diversified terminal operator with container terminal as the major business, and from regional investment to global development based in China, form a unified industry management system with COSCO Pacific as the pillar, and build up COSCO Group's terminal brand.	Grasp the opportunity to sensibly expand the scale of ship-building and ship-repairing business, and constantly improve the competitiveness and profitability of the company; optimally develop the financial and IT industries, making them important pillars for development of main businesses.

Boost construction of corporate cultures and employee teams, protect the fundamental and long-term rights and interests of employees, improve the harmonious mechanism for mutual development of both enterprises and employees, and build up a harmonious enterprise based on development, reform, stability, innovation, justice and culture.			
Keep the vessel fleet scale in a leading position in the world, the internationalized operation indicator at United Nation's indicators for Top Global 100 Companies, and the sales income at Fortune Global 500; primarily realize the transformation from a global shipping carrier to a global logistics operator and an international shipping logistics system integrator depending on shipping businesses, from a multinational business operator to a multinational and global company, and lay solid foundations for building of harmonious and long-lived COSCO Group.			
Fully recognize the important meaning for performance of Global Compact, cultivate and deepen social responsibility sense, release sustainable development report to the international community on an annual basis, voluntarily accept supervision of the society and be a responsible corporate citizen. Make coordinated planning and carefully implement and comprehensively perform the responsibilities of Global Compact. All units shall integrate the implementation of commitments as specified in the Global Compact, in particular various principles with respect to environmental protection, labor, human rights and anti-corruption, with various work of the unit, segment them into feasible and detailed measures, and change them into voluntary actions of each employee. The annual sustainable development report within planning period of COSCO Group shall be compiled to submit an internationally advanced report to the United Nations. Works for release and promotion of the report should be done well to further improve the image of COSCO Group. With an aim to ensure that the sustainable development work of COSCO Group can be carried out in a continuously and orderly manner, the Sustainable Development Committee of COSCO Group shall be established, under which, committees of various companies shall be set up. Stable teams of promoting personnel, indicator information collectors, internal auditors and report compiling personnel shall be established. According to the commitment of COSCO Group in the Sustainable Development Report 2006, companies in the group shall be organized to implement Global Compact and social responsibilities as well as sustainable development management system. According to the requirements of the SASAC, the annual sustainable development reports released by central enterprises will become a regular work. Related companies shall establish and improve the COSCO Group sustainable development management system according to the requirements and realize process-based, systematic and standardized management.			
Policies			
Management policies	Environmental protection policies	Safety policies	Quality policies
Through correct decisions, scientific management and high-quality services, establish harmonious enterprise, implement comprehensive risk management and Global Compact, and realize the coordinative and sustainable development of corporate value, human environment and natural resources.	COSCO Group's environmental protection criteria include comprehensive management, resources cherishing and environmental protection. In the production and operation process, COSCO Group has been dedicated to environmental protection and has cherished resources of the earth. It has supported and attended the ecological protection activities as a "social responsibility undertaker" and voluntarily improved ecological environment of the enterprises.	Insist on the concept of "human-orientation, safety development and construction of harmonious COSCO" and reduce dangerous influences with prevention as the main measure.	Safe, convenient and high-quality products and services.
Management methods			
Apply modernized management tools to build up "digitalized COSCO"			
Balance score card for sustainable development work			
Economic performance	Product performance/environmental performance/social performance	Company governance	Labor performance and human rights performance
Financial performance	Stakeholders	Internal control procedures	Study and growth
Direct economic value created	Consumer health and safety	Decision-making mechanism	Staff employment
Financial inputs for climate changes	Product and service logo	Communication mechanism	Relations between labors and management team
Retirement plan coverage rate	Customer satisfaction	Supervision mechanism	Occupational health & safety
Key financial supports provided by the government	Marketing and publicizing	Evaluation mechanism	Training and education
Minimum salary and comparison with the standards	Consumer privacy	Internal control and risk management mechanism	Diversifications

Procurement and suppliers	Law compliance	Improvement mechanism	Investment and procurement behaviors
Proportion of local senior executives employed in important operational places	Raw materials	Improvement mechanism	Non-discrimination
investment and services for public welfares by providing materials or free professional service through commercial activities and the influences	Energy		Freedom of association and collective bargaining
Indirect economic influences	Water resources		Child labor
	Bio-diversity		Enforced and compelled labors
	Exhaust gas, sewage and waste		Safety and security work
	Products and services		Rights of indigenous people
	Regulations		
	Traffic transportation		
	Community		
	Anti-corruption		
	Public policies		
	Anti-competitive		
	Practices		
	Anti-trust and monopoly		
	Conformity with laws and regulations		

Figure 2-2-2 Sustainable development Roadmap

D. Establish the guideline for guiding the sustainable development across the whole company

To ensure the implementation of the Global Compact and sustainable development in a systematic and uniform manner, COSCO Group restructured its business flow in accordance with the Guiding Opinions on Further Promotion of Social Responsibility Among Central Enterprises, the No.1 Decree of the SASAC of the State Council in 2008, the Guidelines for Implementation of UN Global Compact, the Guidelines for Global Compact Corporate Social Responsibility Management System, the GRI Guidelines for Sustainable Development and the Guidelines for Central Enterprises Comprehensive Risk Management, prepared and issued Global Compact and sustainable development guidelines to regulate the conduct of the whole group which ensures the consistency of fulfilling social responsibility.

tency of fulfilling social responsibility.

The guidelines are:

- Guidelines for COSCO Group Sustainable Development Management System and Its Construction.
- Guidelines for COSCO Group Sustainable Development Indicator System and Its Reporting.
- Guidelines for COSCO Group Sustainable Development Report and Its Compiling.
- Guidelines for COSCO Group Sustainable Development Confidence Management Platform and Its Application.
- Guidelines for COSCO Group Sustainable Development Internal Auditing and Assessment

Besides, COSCO Group also incorporated the articles regarding comprehensive risk management and Global Compact into its management decision-making and business processes, established the Social Responsibility and

Harmonious Enterprise Management Procedures, the Sustainable Development Reporting Procedures and the risk management procedures of key processes, and carried out the requirements of Global Compact social responsibility and risk management obligations, indicator management and risk authorization in practices of all COSCO people through working standards.

E. Construction of sustainable development indicator system

In order to effectively assess the performance of social responsibility obligation of the group, COSCO Group established the sustainable development indicator system and improved the system after annual reviews. After three years' improvement, the original 250 indicators were refined and improved to 670 indicators which reflect the key interests of stakeholders in a more comprehensive manner.



Figure 2-2-3 Chart for COSCO Group's effort to implement the Global Compact and establish sustainable development management system

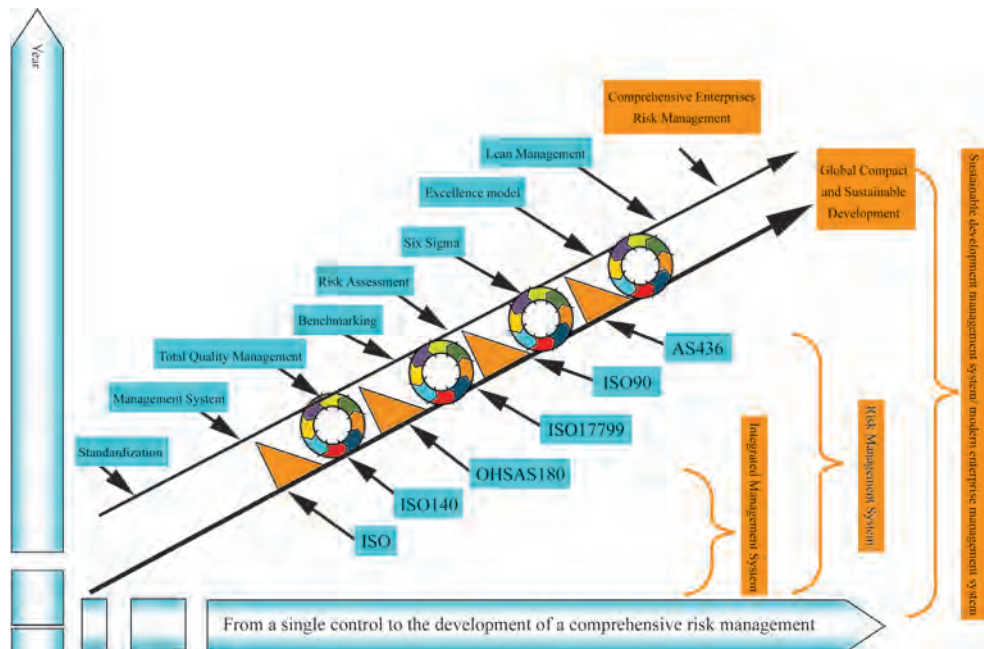


Figure 2-2-4 Comprehensive Risk Management System and Sustainable Development Management System



Figure 2-2-5 Indicator System

F. Careful planning on serial sustainable development trainings to improve the awareness and implementing ability of social responsibility

COSCO Group realized what's fundamental for companies fulfill social responsibility and achieve sustainable development is people's concept and the ability of obligation. Hence, COSCO Group values the trainings for employees in social responsibility knowledge and ability. Since there were more than 20 COSCO companies implementing the Global Compact in 2008, COSCO Group adopted the method of batch construction to save time and cost. The trainings were organized by COSCO Group headquarters, divided into stages (see Table 2-2-1), carried out separately, directed with emphasis, assessed uniformly and compiled and reported with concentration, one round a year. In 2008, COSCO Group organized nine training courses on Global Compact and sustainable development work in stages, including indicator compilation, material preparation, internal audit, etc. Staff members participating in the trainings discussed and interpreted the requirements of the Global Compact and sustainable development work according to the uniform requirements of GRI standards and the Group, combining with the actual situation of their companies. After the trainings, some participants volunteered to disseminate the knowledge about the significance and basic requirements of the Global Compact and sustainable development through the companies' internet and electronic publications, etc. The competent authorities for Global Compact and sustainable development in COSCO Group joint hands with DNV experts to carry out auditing and training of second-tier companies. In 2008, a total of nine training courses on Global Compact were organized, training 248 staff members at all levels.

G. Construction a strict sustainable development report compilation flow and assessment procedure to ensure the reliability of the report

COSCO Group makes its sustainable development report a bridge for the communication between COSCO Group and various stakeholders. It is an answer sheet COSCO Group turns in to the stakeholders in the society. Press release for the report, communication conference for stakeholders and news conference are held every year to release to the world COSCO Group's social responsibility performance report and submit it to social supervision. It is hoped that various stakeholders will learn more about COSCO Group through the press release for report and the communication conference, so that they will offer suggestions for COSCO Group's further development. COSCO Group believes that the sustainable development report is a true reflection of the enterprise's performance of the Global Compact and social responsibility during the process of production, operation, management and decision-making, and is the result of the operation of sustainable development management system and the reflection of actual performance. Enterprises, therefore, should prudently release the report with a sense of responsibility for the society. The quality of the report determines the reliability of the report, and is the key to the success of the report. Therefore the improvement of report reliability is the eternal theme of improvement and innovation. To this end COSCO Group creatively proposed 16 steps in the establishment and operation of sustainable development management system, and established strict social responsibility report compilation flow and communication mechanism. Altogether 18 assessment and improvement steps are adopted to complete the process of report quality control (see Figure 2-2-6).

In terms of report compilation, COSCO Group pays special attention on the accuracy and collection channel of data, hence, group strictly carried out the data reporting, review and approval processes. Starting from 2008, all the data should be approved and signed by the legal representative of the company before submission. The strict report compilation and assessment system makes COSCO Group notable COP of UN Global Compact 3 years continuously since 2005. The COSCO Group Sustainable Development Report 2007 received A⁺ rating in review of COSCO GRI Sustainable Development Guidelines.

November 2006, DNV and the Global Compact Promotion Office of China Enterprises Confederation conducted a joint third-party evaluation and audit on the sustainable development management system of the Headquarter and Sustainable Development Report 2005 of COSCO Group. During the assessment conference of COSCO Group management system and sustainable development report, the specialists present concluded 5 “First” on the report.

- COSCO Group is the first large-scaled state-owned enterprise to compile sustainable development report according to GRI.

- COSCO Group is the first company in the world to compile according to GRI2006.

- COSCO Group is the first Chinese company to implement Global Compact and construct certified sustainable development management system.

- COSCO Group is the first Chinese company to conduct auditing on sustainable development report.

- COSCO Group is first Asian company to carry out auditing on sustainable development report according to DNV VeriSustain audit criteria.

Table 2-2-1 Training planning

No.	Stage of training	Content	Objectives	Task
1	Training on indicator collection and improvement	Indicator System	Implementation of first stage	Collect indicators
2	Training on material collection and improvement	Material Compilation	Implementation of second stage	Collect materials
3	Training on information management Platform	Report System	Implementation of third stage	Installation and improvement of system
4	Training on report framework and Compilation	Report Framework	Implementation of fourth stage	Report compilation
5	Training on first draft of report and improvement	First draft of Report	Implementation of fifth stage	Amendment by compiling team
6	Training on report improvement	Discussion of each section	Implementation of sixth stage	Opinion collection and improvement
7	Training of internal auditors	System assessment	Implementation of seventh stage	Internal audit
8	Training on management assessment	Management Assessment	Implementation of eighth stage	Management assessment
9	Training on management system improvement	Management System	Implementation of ninth stage	System improvement
10	Training of all employees	Increase awareness	Requirements for implementation	Plan for the next year



Figure 2-2-6 Assessment and improvement steps

H. Appraisal on social responsibility performance by organizing on-site evaluation and internal auditing through the whole system

COSCO Group constructed strict on-site evaluation and internal auditing system so as to conduct scientific and accurate appraisal on corporate social responsibility obligation (see Figure 2-2-7). COSCO Group headquarters deploys and organizes uniform assessment as well as evaluation of second-tier companies annually, besides, specialists and administrators inside and outside to conduct systematic appraisal on the sustainable development report, management system and IT system in group and all branches. In addition, DNV and CEC Global Compact Network will conduct the joint third party assessment on the annual sustainable development report of COSCO Group.

I. COSCO Group will raise the level of IT application to pursue sustainable development and establish a highly efficient reporting mechanism

The COSCO Group integrated IT application with the sustainable development management on the basis of its advantages in IT application and interpretation of corporate social responsibility. It not only met the requirements

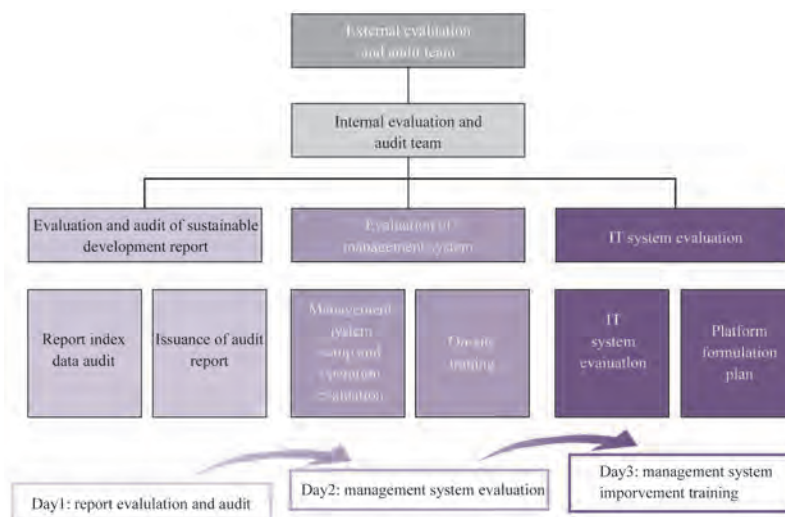


Figure 2-2-7 On-site evaluation and internal auditing system

of making annual reports on sustainable development and more efficiently shouldered the corporate social responsibility, but also increased the competitiveness of the Group and gave impetus for future development.

Currently, COSCO Group has already created an advanced information management platform for sustainable development (see Figure 2-2-8), which enormously improves the effectiveness of sustainable development management and covers the whole information system of COSCO Group sustainable development management.

- establish an inclusive information system and develop clear workflow to

achieve sustainable development;

- establish an advanced information system of sustainable development, manage the workflow to improve the management system, and monitor the system to strengthen the internal control;
- set phased objectives to follow up and examine the efforts of pursuing sustainable development;
- compare with statistics of other enterprises in the same industry to guide the Group to make strategies and guidelines for sustainable development.

The information platform will help to improve the management of core indicators of sustainable development. The Group will have access to and manage

Table 2-2-2

Assessment planning

No.	Assessment period	Content	Working time in 2008
1	Sustainable development indicator Assessment	Indicator system	From March 3 to 4, 2008
2	Material collection and Improvement assessment	Material compilation	From April 8 to 9, 2008
3	Information management platform assessment	Report system	From April 8 to 9, 2008
4	Report framework and compilation Assessment	Report framework	From April 8 to 9, 2008
5	First draft of report and Improvement assessment	First draft of report	From May 28 to 30, 2008
6	Report improvement assessment	Discussion of each section	From June 17 to 18, 2008
7	Internal auditors assessment	System assessment	From June 17 to 20, 2008
8	Assessment of management assessment	Management assessment	July 28, 2008
9	Management system improvement assessment	Management system	From February 28 to 21, 2008
10	Experts' appraisal meeting	Confirmation of the report	July 24, 2008

the subsidiaries' indicators related to sustainable development through internet. Therefore, it can inquire, assess and analyze the overall operation of the corporation from different aspects and levels. It can manage the process of making the sustainable development report in a highly efficient and sound way. Practical technologies will be available for presenting the whole society the corporate contributions to the UN Global Compact and social responsibility in a timely and precise manner.

J. Ensure the implementation of Global Compact 10 principles in terms of organization and resource

All companies of COSCO Group have established Global Compact promotion teams or Sustainable Development Committees, along with daily management organs to incorporate the performance of Global Compact and sustainable development work into daily management functions. The promotion teams consist of employees from different departments, organize and participate in the work of the Global Compact, and promote sustainable development. The number of employees engaged in the work of the Global Compact and sustainable development within the entire Group has increased year on year (see Table 2-2-3). In 2008, a total of 325 employees from COSCO Group headquarters and companies that implement the Global Compact have incorporated the promotion of Global Compact into their official responsibilities. To ensure the quality of the performance of Global Compact and sustainable development, COSCO Group headquarters allocated and approved special funds.

To ensure the construction of sustain

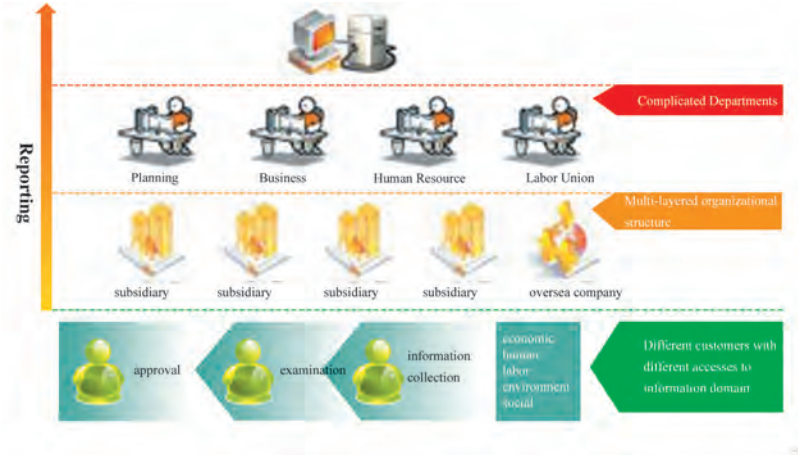


Figure 2-2-8 Information management platform

able development system, COSCO Group established a top-down system of promoter team, indicator data collection team, report compilation team, IT information platform construction and support team and internal auditor team. The sustainable development management system promoter team consists of full-time employees from companies at all levels. Each department or office designates one staff member to be in charge of the sustainable development management system construction and operation work of the department. There are thousands of promoters in the entire Group. COSCO Group also established a 45-member team for the compilation of sustainable development report, among whom 22 were the core members who took part in the whole process of data collation, material selection, report compilation, improvement, submission and assessment. Each member participated in the work for 30 days, and the total concentrated working period was 1350 man days.

3. The achievements in implementing Global Compact and scientifically constructing sustainable development management system

A. Improving the international image of COSCO Group

The Sustainable Development Report 2005 was appraised as notable COP of United Nations Global Compact, making COSCO Group the first enterprise that wins this honor in China and the first shipping enterprise in the world listed in notable COPs. UN gave high recognition and praise of the achievement and effort COSCO Group made in fulfilling Global Compact, UN Secretary Ban Ki-moon wrote a letter personally to invite President Wei Jiafu to speak in Global Compact Leaders Summit. On July 5th 2007, in the Second UN Global Compact Summit, President gave a speech on "Fulfill Global Compact, build harmonious enterprise, advance global harmony". Afterwards, at the

Table 2-2-3

Number of people engaged in Global Compact work

Year	2002	2003	2004	2005	2006	2007	2008
Number of people	24	26	33	116	176	176	325

end of 2007, COSCO Group released Sustainable Development Report 2006 for which UN Global Compact Executive Officer Georg Kell sent a congratulatory letter on behalf of UN Secretary to President Wei Jiafu and in the letter fulfilling social responsibility and report compilation of COSCO Group were praised.

B. Improve the market value of COSCO

The excel behavior in fulfilling of social responsibility expands the comprehensive brand influence of COSCO Group. Take some examples to have a see: the successful IPO of COSCO A share makes the highest record of purchase frozen fund which reached 16290 billion Yuan and took up 10% of national deposit; the open price for COSCO A share was 15.52 Yuan per share which is 83% higher than the issue price. The attention from the capital market on COSCO can't be separated from the achievement COSCO Group accomplished in sustainable development management which brought a good expectation on the development prospect of COSCO Group and helped to improve the investment grade for public.

C. Satisfying the requirements of investors

COSCO Group actively takes part in the advance of CSR research and implementation work as advocated by SASAC and tries its best to become the pioneer of central enterprises in fulfilling social responsibility. The vice-Director of SASAC Huang Shu wholly confirmed the achievements in the CSR obligation and pointed out the strong sustainable development ability, first-class operating management level and the updated effort and result in actively fulfilling social responsibility were reflected in COSCO Sustainable Development Report. COSCO social responsibility obligation practice showed the gracious pursue of central enterprises as focusing

on value, morality, responsibility and obligation and contributed in building responsible image of Chinese companies in developing countries.

December of 2nd 2007, in the conference of "Operational Performance in the First Term of Office of Responsible Central Enterprises Award", COSCO Group was given A-rating again after the successive 3-year A-rating starting from 2004.

D. Gaining intensive recognition from all closely related stakeholders

The behaviors in fulfilling social responsibility of COSCO Group attract many attentions from stakeholders which strengthens the relations among each other and it also gained intensive recognition.

- As the representative of Chinese enterprises, COSCO Group was invited to attend various multi-national governmental communication activities like with Germany, Switzerland, Swiss, Japan and US governments and so on.

- President Wei Jiafu gave a speech in the 2006 annual conference as the board member of World Business Council for Sustainable Development on introducing the sustainable development management system of COSCO Group which gained the recognition of all international companies present the conference. At the same time, in 2008 COSCO Group initiated the research on shipping business the sustainable development indicators and feasibility.

- The sustainable development report of COSCO Group attracts attention from lots of research institutions such as Tsinghua University, Peking University, Hunan Institution of Science and Technology as well as Research institution of CNPC.

- COSCO Group sustainable development report was taken as typical case by administration like SASAC Supervision Committee took it as typical case that's used to explore how to make use of GRI to evaluate CSR and CSR report.

- Many social groups and non-profitable groups including Federation of Industrial Economics, CNV, Standardization Committee and Risk Management Institution and so on promoted sustainable development experience of COSCO Group to other member companies.

E. Improving corporate core Competitiveness

A good image that satisfies all stakeholders' requirements is the target COSCO Group pursues. It is this target that improves the core competitiveness of COSCO Group; we will take an example here to illustrate.

In the globalization strategy of COSCO Group, American market is rather important. Just as discussed by President Wei Jiafu, "There has been too many years some American don't know about COSCO Group and even misunderstand". For example, American Federal Marine Committee lists COSCO Group as "Charged Carrier". According to the rules by US government, "General Carrier" can adjust price within 24 hours in accordance with the demand and supply of the market, while COSCO Group as "Charged Carrier" can only adjust price after 30 days. June 15th 2007, as response to the invitation from the governor of Massachusetts State Deval Patrick, President Wei Jiafu attended the 5-year ceremony of COSCO Group anchors in Boston harbor, made a speech and was given the "Creating jobs Award" by "International Dockers Union". It's said to be the first time for this state to hold such an activity for a foreign company. "COSCO Group has good reputation in New England 6 states. And the truth proves they are reliable shipper" said Mike Taurino, the Director of Boston Harbor Bureau. From then on COSCO Group changed from "Charged Carrier" into "Reliable Carrier".

Because of the responsible concept and behavior, COSCO Group gained trust and support from plenty of stakeholders. In recent years, COSCO Group is improving its international reputation, welcomed by many governments, enjoying favorable policies and accessing more resources; in the meantime, the industrial position is improving continuously, cooperating companies all actively collaborating, the transaction cost is decreasing, the efficiency is improving. The sales of COSCO Group made history for consecutive 3 years since 2005, and stayed in World Top 500 in "Fortune" since 2006, improved year by year, currently stays Number 327. The profit continuously increased for 5 years and doubled in 2007, making COSCO Group the highest profit ratio and capital return ratio.

F. innovating of comprehensive risk management and management system by taking sustainable development report as the route

According to ISO9000 (2000 version) Quality Management System, ISO4000 (2004 version) Environment Management System, OHSAS18000-2007 Occupational Safety Management System Standards and "Guiding Opinions on Further Promotion of Social Responsibility Among Central Enterprises" and "Guidelines for Implementation of UN Global Compact" of SASAC, Global Compact Implementation Guidance and Guidance of GRI Sustainable Development Report, COSCO Group creatively designed and is currently constructing the sustainable development management system of COSCO Group. Based on quality, environment and occupational safety, sustainable development and risk management are seen as main lines, Lean sigma approach is applied to rebuild flow and innovate management, the sustainable development indicators system is integrated one by one

into the related operation management and decision-making procedure as well as realized in the daily work of group and all branches, all of these make COSCO Group formulate a junior qualified sustainable development management system and the first qualified sustainable development management system Chinese company.

G. Helping to promote corporate data collection and information conclusion work improves the basic management level of COSCO Group

According to sustainable development report framework and guidance from GRI, COSCO Group constructed sustainable development indicator system and target management as well as benchmarking management system. By using sustainable development management information platform to collect indicators to form database, corporate administrators make decision according to the analysis result through data from the database. Simultaneously, a system is used to supervise the progress and alarm system is used to conduct management of key problems, which improved the basic management level of COSCO Group. COSCO Group accomplished target management.

H. Improving Global Compact management system in a more depth manner to accomplish advance in sustainable development strategy

According to the Global Compact promoting system construction and implementation requirements from "UN Global Compact Participant Guidance", Global Compact /social responsibility /sustainable development strategic system= Comprehensive risk management It is a long term complex process, the performance and report quality are a nonstop improving process, and COSCO Group is promoting the implementation

of Global Compact work to go deeper and more intensive. COSCO Group needs to:

- More integration of COSCO Group sustainable development management system into the whole strategy, operation and risk management to standardize the sustainable development of the group, implementation Global Compact and CSR behavior. "Global Compact Implement Criteria", systematic documents and procedures increased indicators of KPI and KRI in terms of risk which makes qualified management system. Random combination of documents by IT satisfies the unique demand from different users. The group and all branches integrate a comprehensive management system based on quality, environment and safety into comprehensive risk management and sustainable development system. These three fundamental management system constructions are finished and certified to satisfy the elementary requirement of sustainable development management system.

- Constructing mechanism and process that can be generally applied by group and all branches to conduct sustainable development. Conduct customer satisfaction survey, employee satisfaction survey, stakeholder communication newsletter and social and environmental evaluation of investment project according to the requirements of sustainable development management system to ensure the availability and process of the data.

- Completing the sustainable development information management platform of COSCO Group to transplant this platform into every second-tier company so as to be able to collect original data from them. Besides, this action will also help to ensure the quality of data and the efficiency of processing.

- Form a preliminary management system which goes top down by using six sigma decreasing fluctuation.

Cherishing Limited Resources and Pursuing Boundless Development: China Minmetals Corporation



Mr. Zhongshu Zhou, President

I . Message from President

Human's needs are unlimited, but the resources available for meeting Human's needs are limited. "To cherish limited resources and pursue boundless development" is the philosophy and pursuit of sustainable development upheld by China Minmetals Corporation ("China Minmetals").

With good faith, responsibility, innovation and harmony as its values, China Minmetals takes good faith as the basis of its existence, the foundation of its development and the source of its reputation. It takes responsibility as the root of its operation, innovation as the inexhaustible power of its development, and harmony as the important guarantee for its normal operation and sustainable development.

To better meet the expectations of all stakeholders, China Minmetals fully exercises social responsibility, cherishes and makes rational use of limited resources and commits itself to becoming China's leading supplier in the industry of metal and mineral resources and the player to optimize the allocation of global metal and mineral resources. By constructing a valuable, safe, ecological and harmonious Minmetals, we will accomplish the sustainable development vision of "forging a responsible Min-

metals and jointly creating a fine future", thereby attaining the common development of Minmetals and its stakeholders.

China Minmetals joined Global Compact on Sept. 2nd, 2009.

II . Corporation Profile

Established in 1950, China Minmetals, with its history of 59 years so far, is a large global enterprise group specializing in the development, production, trade and comprehensive services of metal and mineral products and is also engaged in finance, real estate and logistics. In 1992, China Minmetals was determined as one of the first 55 pilot enterprise groups and one of the seven entities for authorized operation of state-owned assets. In 1999, it was listed as among the 44 important backbone enterprises under the management of the Central Government. In 2008, through active response to the financial crisis and through steady development, China Minmetals recorded an operation revenue of US\$26. 67 billion, ranking No. 331 of the world's 500 top companies.

The products and raw materials the Corporation handles are involved in every aspect of national economy and people's livelihood and are widely used in many areas of national econom-

ic construction. In recent years, it has implemented the development strategy and formed the pattern of coordinated development of two core operations in ferrous and non-ferrous metals and three emerging industries of finance, logistics and real estate. Currently, China Minmetals has transformed from a company simply engaged in import and export to a multinational company relying on resources and integrating the upper, middle and lower-stream operations.

In the new century, China Minmetals will fully develop marketing networks on the basis of trade and through intensive and diversified operations and rely on resources to constantly make innovations, actively provide value-added services, and continuously enhance core competitiveness. The Corporation will commit itself to forging an international leading metal and mineral enterprise group that provides high-quality global services. Based on good faith, it will widely carry out “win-win” and “multi-win” cooperation, bravely assume social responsibilities and commit itself to becoming the most respectable enterprise group of metals and minerals in the world.

III . Case on Responsibility: Project of El Galeno Copper-Gold Mine in North Peru

China Minmetals has always persisted in implementing the development strategy for global mineral resources to constantly quicken its pace of “going global”, accelerate the establishment of an overseas resource supply base and continuously optimize and allocate overseas resources. To this end it has completed initial development of a multi-level global resource guarantee system. In this process, China Minmetals has actively supported local economic development, promoted the improvement of the living standards of commu-

nity residents, and conscientiously adhered to the ten principles of the Global Compact. The Corporation has actively assumed the responsibilities of global citizenship over this period, received welcome and recognition from local government and the general public and built up the positive image of a responsible enterprise. The project of El Galeno Copper-Gold Mine in North Peru is a typical case.

Subordinated to Lumina Copper S. A. C. , jointly established by China Minmetals and Jiangxi Copper Co. , Ltd (“Jiangxi Copper”), the project of El Galeno Copper-Gold Mine in North Peru has created many firsts in the development of overseas resources by Chinese enterprises. The identified resources of El Galeno copper mine include 7.411 million tons of copper, 1.657 million tons of gold, 49.817 million tons of silver and 0.201 million tons of molybdenum. It is estimated that the project needs a total investment of about US\$1.5 billion and is expected to be completed and go into production in 2012. During the first five years, its annual output of copper concentrate contains over 200,000 tons of copper and its service life is 22 years. Currently, the project is at the stage of feasibility study and design.

Most of the residents of Cajamarca where the Galeno Project is located live on agriculture and the population there living under the poverty line accounts for the majority the poverty-stricken population of Peru. In the operation of the project, we have found that the successful operation of an enterprise does not depend on the government’s permission and feasible technology alone but more on the social factors and how the company properly handles community relations.



Website:

www.minmetals.com

Sector:

Industrial Metals & Mining

Country:

China

Global Compact Signatory Since:

Sept. 2, 2009



Figure2-3-1 President Zhongshu Zhou Meets Peruvian President



Figure 2-3-2 The Location of Lumina Copper S.A.C.

1. Challenges Facing the Company

A. Relations with Local Communities

Cajamarca in the north of Peru where the Galeno Project is located is one of the poverty-stricken provinces in Peru. The company should not only have to properly handle the relations with local government and how to pass the project examination and approval by the government and the Ministry of Resources and Mining, but should also actively well handle the relations with the communities within the regions under the impact of the project and even those beyond the said regions.

B. Relations with Labor

The problem of labor-capital relations is the most important community problem. In the mining enterprises in Peru, the employer-employee conflict often becomes the direct cause of protests. Furthermore, providing job opportunities for local residents constitutes an important condition for a mining company's entering a region. Therefore, the company is often faced with pressure exerted by the government, communities, villages and residents for increasing job opportunities.

C. Relations with Local Government

The location of the mine is mountainous highland. The adverse natural environment aggravates local poverty and mining becomes the main pillar of the economy. Therefore, the governments at all levels have higher expectations of mining enterprises and may even exert pressure over such enterprises. Furthermore, the mining enterprises have to undertake the infrastructure projects for which the government should have been responsible.

D. Impact on Local Environment

As many small local mining enterprises have no capital and technology to treat the wastewater from mining, the local environment is seriously polluted and this has resulted in many protests organized by nearby residents for the protection of water resources.

2. Active Exercise of Social Responsibility

The tenet of Lumina Copper S.A.C. is as follows: "We will commit ourselves to becoming involved in a harmonious society formed by the people, government and companies and assume social responsibilities".

Lumina Copper S.A.C. has always regarded the exercise of social responsibility and joint growth with stakeholders as its most important target of development and actively explores common harmonious development with the communities around the mine. While absorbing the experience of domestic and foreign enterprises of the same kind, the company persists in taking sustainable development as its target, takes into account what communities think and takes the path of "the company serving communities and communities supporting the company" for mutual benefit and common development.

A. Responsibilities for Employees

With the management concept of putting people first, the company makes the employees fully appreciate the sense of responsibility and pride as employees of Lumina Copper S.A.C.

Whenever an employee celebrates his/her birthday, the company sends an email of congratulations and prepares exquisite and delicious birthday cakes. All the employees sing the birthday song in

Spanish and English to celebrate the birthday together. The company encourages its employees to rationally arrange their holidays and devote to work their full spirit and energy. As there are many experts and management personnel from countries such as the US, UK and New Zealand, the company takes into full consideration their specific conditions and actively helps the employees to find residences and handle such matters as family visits and visas.

As the mining work is somewhat dangerous and needs frequent business trips, the company provides medical and accident insurance for each employee, equips all the mine employees with complete sets of industrial safety protection equipment, and periodically holds lectures on safety information and education.

The company encourages the employees to carry out self-learning and receive re-educational training. The daily working languages of the company are English and Spanish. Based on the learning needs of each employee, the company rationally arranges the time of learning to help the employees grasp the two languages as soon as possible.

B. Responsibilities for Communities

The El Galeno Project impacts 20 villages and about 4500 residents. The company takes community work as the first emphasis in the project development and sets up the special community work group headed by Vice President of the company, which goes to each household to understand the circumstances and do detailed work. The specific measures are as follows:

a. Periodically holding dialog meetings of representatives from the Peruvian Ministry of Resources and Mining, Lumina and surrounding communities. The company aspires to deal with the community-related information in a

public, equal and just manner and promptly and transparently conveys its community policies to each resident. On July 1, 2009, the company held a dialog meeting of community representatives at the village of Quengo Mayo to establish a smooth and public channel of exchanges among the Ministry of Resources and Mining, the company and communities. The 110 representatives attending the meeting came from more than 20 surrounding communities and villages under the direct and indirect impact of the mine.

The meeting mainly involved exchanges with the representatives on the issues of community investment plans, environmental protection, the company's labor policy and recruitment. The meeting received a warm response and the community residents gained greater understanding of the company's policy and community concept. They expressed their understanding of the company's current stage of development and hoped that the company would make more contributions to communities. Lumina also stated that it would live up to the expectations of the public, conscientiously consider the interests of the community residents and protect the common environment to achieve win-win results. According to the plan, the investment in communities would be nearly US\$4 million in 2009.

b. Making publicity handbooks.

Whereas many local residents are not well educated, the company has specially compiled picture-story books that are easy to understand to explain the land purchase policy to the residents.

c. Providing job posts.

Although the project of providing the impacted community residents with job posts is still at the feasibility study and design stage, the company has provided 216 job posts to the surrounding communities and provided the employees with various kinds of social security.

The local religious beliefs and poor



Figure 2-3-3 Group Photo of Single Mothers
Taken at the Dining Hall

conditions of education and health have resulted in many single mothers. They have to raise children and have no work, and their living conditions are very poor. Therefore, the company has engaged the single mothers to serve as the working personnel of the dining hall used for providing lunch for community workers and invited designated persons to train them. The dining hall strictly adheres to the rules and regulations on food safety and sanitation, conducts job training of the operating personnel and provides professional hygienic equipment to ensure food safety and sanitation. While this single-mother program provides delicious meals for the community workers, it has also solved the problem of their employment.

d. Supporting community education.

Around the communities under the impact of the project, there are many villages of different sizes, and in the smallest village there live only just over ten households. As many villages are far from cities and lag behind in development, they lack the basic teaching facilities such as desks, chairs and stationery. A window-less house with a single faint bulb forms a classroom. Even so, the students must keep getting up early every day and walk on the mountainous roads for two hours to go to study in the nearby schools. With sustainable development as the target, the company has attached importance to education and to the future development of communities and donated basic teaching facilities to the schools and stationery to the children. We are firmly convinced that the Galeno project will deeply influence one and even more generations of people and benefit the people in the locality. We hope that our current efforts can change their fate of poverty, enable them to become knowledgeable, skilled and literate and become proud of living at Galeno mine.



Figure 2-3-4 The company sponsors the primary school of local community

e. Providing medical services for community residents.

The surrounding communities are generally backward in development and there are no hospitals. So when the residents become ill, most of them have to stay at home. As they have no money to see a doctor, many minor diseases turn into serious ones, which finally result in death. At the mine camp, the company has set up a small clinic equipped with doctors, nurses and various medicines for first aid and treatment, thus bringing medical convenience to all nearby villages. It has even helped a local mother to deliver a child.

To provide the community residents with opportunities to receive professional medical treatment, the company invites the American doctors to give free diagnosis at the mine every year. In June 2009, a medical team from the United States gave free diagnosis in Encanada, a city nearest to the mine and 120 patients were diagnosed and treated. The company dispatched vehicles to send the patients for diagnosis and treatment.

As an ongoing program, the company regularly invites the hospitals in Cajamarca to send doctors to make medical examination for the schoolchildren. The local highland residents have no habit of brushing their teeth, so the most important problem is to prevent dental caries in children. Every year, the company arranges for the doctors from hospitals to come to the community schools to conduct publicity and education in preventing dental caries and to examine and correct children's teeth. The second dentists' free diagnosis at schools was just completed in July 2009.

f. Providing various kinds of training for community residents.

With an elevation of 3700 meters, the location of the project is only suitable for growing such crops as potatoes for local residents to eat. Therefore, in its long-term community investment plan, besides the direct material subsidy to local residents, the company has also

invited experts to teach them how to scientifically grow potatoes so as to increase the output of potatoes under adverse conditions.

Furthermore, the company has invited the teachers of the technical school in the nearest city of Cajamarca to give lectures and teach such hot courses as those in the skills of an electrician, technician, locksmith, welder and chef. This can both improve the local residents' skills for subsistence and reserve talents for the future operation of the project.

g. Promoting local economic development.

The company promises that the project will bring with it the common prosperity of all the surrounding communities and that it will first engage the companies in the impacted communities, provide more job opportunities and make active efforts to improve people's standard of living. Currently, 98 local community enterprises have registered with Lumina S. A. C. and we have business relations with 64 of them with a total contract amount of US \$200,000. The operations mainly include transportation of community workers, automobile leasing, road maintenance and equipment leasing. In addition, the company provides raw materials for villagers to build some public facilities for the communities, helps Encañada to organize performances, and provides Sorochuco with some of the oil needed for improving the road from Quengo Mayo to Punre.

C. Responsibilities for Environmental Protection

The most important responsibility of the project for environmental protection lies in the protection and treatment of water resources. As the site selection may cause pollution of water resources, what the community residents are most concerned about is the impact on these water resources. First, they are worried that the water resources will be used for

mining and there will not be enough water to live on, and second, they are worried that the water pollution caused by the company's production may influence the lives of several generations.

The company takes into full consideration these environmental impacts and gives protection to the rivers the local residents mainly rely on. It guarantees to take into full consideration the protection of water resources in all the construction works and ensure clean and safe drinking water for local residents.

To establish mutual trust with the communities, the company invites all communities and villages to send representatives which the company organizes to receive a training course and appoints as environment supervisors to promptly find and solve problems, so as to enhance communication with communities and establish a mutual trust mechanism.

D. Cooperation with Local Government

In April 2009, Lumina Copper and Minas Conga jointly signed an agreement with the Peruvian Ministry of Resources and Mining, according to which the two companies would jointly bear the expenses for technical investigation and construct the power supply lines for 12 districts of Cajamarca. Lumina Copper bears an expense of 1.2 million Sols for technical support to ensure the completion of technical survey in 2009. This project will benefit the residents of 41,780 households in 215 villages of 12 districts, including all communities and villages under the impact of the El Galeno project.

Through its practice of social responsibility in North Peru, Lumina Copper under China Minmetals has made a helpful first step for Chinese enterprises to explore a successful model of development of overseas mineral resources and accumulated valuable experience.



Figure 2-3-5 Medical Check for Children



Figure 2-3-6 Training Class of Residents



Figure 2-3-7 The company helped build the La Chorrera Village Rural Market

Supplying Clean Power and Lighting Happy Life: China Datang Corporation



Mr. Shunda Liu, General-manager

I. Message from General-manager

China Datang Corporation (CDT) upholds the core values of “people first, harmony precious and efficiency and profit priority” and the mission of “supplying clean power and lighting happy life”. In our view, the development of a company is inseparable from the support of all sectors of society and in turn the value of a company’s existence lies in its contribution to the society. To consciously fulfill corporate social responsibility in the course of operation and management plays an important part in social progress and harmony and also meets the demand of the company’s own development.

Since it was founded, CDT sticks to standardized and honest operation compliant with state laws and regulations, conforms to the ten principles of UN Global Compact and relevant international covenants that signed by Chinese’s government, integrates social responsibility with enterprise’s strategic planning, production and operation and all concrete actions so as to consciously fulfill its responsibility to the economy, society and environment. While speeding up development, CDT attaches importance to structural optimization, guarantee of safe operation, profit increase, promotion of energy

conservation and emissions reduction, enhancing corporate harmony. As a result, CDT materialized its optimized, safe, clean and economical development as well as common growth with staff and all stake-holders.

Upon its entry to Global Compact on May 1st, 2008 CDT carries through the ten principles in all sectors of the operation and management and will deliver the Communication on Progress (COP) annually. Work on social responsibility has become a key approach for CDT to improve corporate management, influence and brand image and is playing an increasingly important role in enhancing corporate sustainable development capability and core competitiveness.

II. Corporate Profile

Established in 2002, CDT is an extra large-scaled power generation enterprise directly managed by the central government and mainly specialized in production and supply of electricity and heat, development and production of coal resources related to electricity and relevant professional technical services. The registered capital is 15.39 billion Yuan. The assets are widely distributed across 28 provinces, regions and municipalities in China and even expanded to overseas such as Myanmar and Cambodia. By the end of November 2009, the installed capacity totaled 95,559.9

MW, making CDT the largest power generation enterprise in Asia.

III. Case of Responsibility: Establishing organizational system, emphasizing process and enhance the overall capability to perform social responsibility

Over the recent years, the management of CDT's work related to social responsibility has entered a normalized, institutionalized and standardized phase with a management system becoming more mature and rising capability to perform social responsibility.

1. Focusing on system establishment, network setup and standardization

After seven years of exploration and practices after it was founded, now CDT has established a fairly mature corporate social responsibility (CSR) management system, gradually formed a scientific, advanced social responsibility system and other index system that can be operated and assessed. Furthermore, CSR-related work is included in the strategic planning system and CSR information system is established which is closely linked and integrated with CDT information management

system.

A. CSR management system and work system

CDT To enhance the guidance on CSR work and ensure the sustainable and effective implementation of CSR work in the entire enterprise, CDT established a leading team and its office, with General-manager as the team leader, vice General-manager, CFO and CTO the deputy team leader, members including directors of all departments and General-manager of branch companies and subsidiaries. As an administrative unit of daily work, the CSR office is set up under the General Office for the General-manager. At branch companies or subsidiaries, the headquarter departments and grassroots enterprises, there are employees specifically tasked with CSR work. Thus CDT CSR management system involves the three level responsibility bodies, namely, the headquarters, branch companies or subsidiaries and grassroots enterprises (see Figure 2-4-1).

B. CSR system and its index system

Considering the features of a primary energy process enterprise in the utility sector, requirements of comprehensive, coordinated and sustainable development, enterprise mission, CDT categorizes the CSR system as corporate gov-

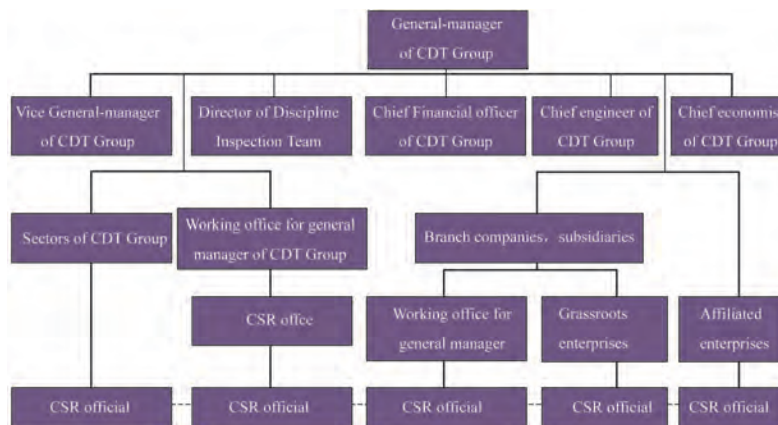


Figure 2-4-1 CDT CSR Management System



中国大唐集团公司
China Datang Corporation

Website:
www.china-cdt.com

Sector:
Electricity

Country:
China

Global Compact Signatory Since:
May. 1, 2008



Figure 2-4-2 Aug. 13, 2007, CDT held in-depth seminars on CSR

ernance and five development, namely optimized, safe, clean, economical and common development and includes the corresponding management concepts and highlights(see Figure 2-4-3).

Under the guidance on COP of UN Global Compact and Global Reporting Initiative's G3 guidelines and considering the industrial and enterprise features, CDT CSR system has been basically formed including company governance, five development and more than 400 quantitative index(see Figure 2-4-1).

2. Emphasizing process and publishing and building capacity to fulfill CSR

Great importance is attached to the compiling and publishing of CSR report. Based on advanced and comprehensive management information system and online office network, we work painstakingly on planning, compiling and publishing the report in the spirit of continuous innovation, review and examine our practices and achievement regarding CSR fulfillment and strive hard for overall awareness and capability to perform CSR.

A. Report compilation as key approach to examine CSR management level

Training and exchanges are carried out before working on the report so that person in charge and those who are responsible for information collecting and compiling are able to acquire certain theoretical knowledge on CSR, have through understanding in this aspect and continue to find differences and weak points to improve through experts' training and guidance as well as self-directed learning on relevant codes and on the other hand to keep informed of the latest development trend of domestic and overseas enterprises' work on CSR and to learn from their good experiences to lay good foundation for better fulfilling CSR and compiling the annual report.

Reviewing, examining and verification are stressed during the report compiling. After the draft is completed, compilers do cross review and examination on the information and data in accordance with relevant codes and index system, then report to the department concerned for another review and examination to

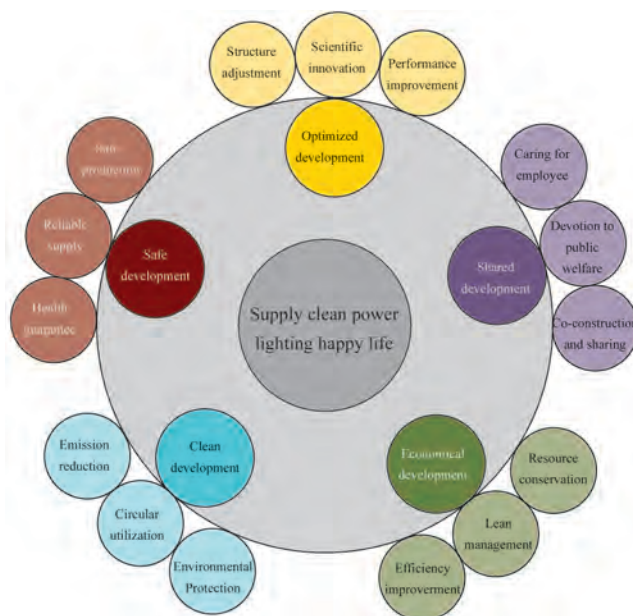


Figure 2-4-3 CDT CSR System

Table 2-4-1

CDT CSR Index System

CSR	Goal	Highlight	Index	Supporting System
Corporate governance	Managing enterprise by Law Standardized operation	Governing structure, organizational structure, decision-making, supervision and anti-corruption, communication with stake-holders	48	Online office system, management information system of AGM, Board of Directors and Board of Supervisors, contract management system, overall risk management platform, green channel information system, auditing information system, discipline inspection and supervision information system
Optimized development	Optimized structure Maximized benefits	Power source structure, unit structure, industrial structure, regional layout, economic profits and scientific and technological innovation	95	Financial management information system, engineering management information system, multi-industrial management information system, marketing management information system and creating the first-class management information system, etc.
Safe development	Life first Safety first	Safety management, equipment control, emergency mechanism, safety education and occupational health	52	Real-time operation information system, standardization management information system, safety and operation information system and creating the first-class management information system, etc.
Clean development	Clean production Green life	Environmental protection and supervision, prevention and control of environmental pollution, circular economy and ecological protection	61	Real-time operation information system, online supervision of environmental protection system, "Two-type" enterprise management information system, engineering management information system and creating the first-class management information system, etc.
Economical development	Resources optimized Value maximized	Energy conservation management and technology, economical operation and water conservation	62	Real-time operation information system, "Two-type" enterprise management information system, creating the first-class management information system, etc.
Common development	Concentric Harmonious Sharing Common development	Staff's rights and interests, staff's growth, cooperation and win-win, public welfare, enterprise culture and responsibility management	83	Human resources management information system, civilized unit management information system, talents assessment system and supply management system, etc.

ensure the information completeness, data accuracy, vertical comparability and horizontal consistency, traceability and verifiability of the information and data. Before the report is to be printed, stakeholders and renowned experts and professional organizations to assess and validate the completeness, time-sensitiveness, responsiveness, inclusiveness and neutrality. As a result, quality of the report is improved greatly, problems in production, operation, management and CSR work are detected timely and the company's capability on CSR work and sustainable development is effectively enhanced.

B. Publishing CSR report as key platform to improve staff's awareness and capability of fulfilling CSR

Every press conference of CSR report publishing is held in form of video-con-

ference with the main site set up in the headquarters and more than 120 branch sites in the branch companies (subsidiaries) and grassroots enterprises across 28 provinces and regions. More than 4000 people participate in the conference. Practice economy and environmental protection is fully demonstrated through publishing in video form to save resources consumption and cost from participants travelling. CDT is also the first enterprise to make a feature program to elaborate and interpret the report. Showing scenes full of sound and color can be more impressive visually and able to help staff, stakeholders and the public to get the core content of the report in a more visual and vivid way thus enhances the publicity effects.

By increasing participants in the CSR press conference, more staff members can witness the grand and solemn cere



Figure 2-4-4 Experts and representatives of stakeholders are invited to discuss on CDT's performance of CSR



Figure 2-4-5 On Sep. 7, 2007, First Enterprise Open-to-Public Activity was launched



Figure 2-4-6 CDT has been active in developing new energy and renewable energy in order to minimize the negative effects on resource and environment brought about by its development. By the end of 2009, CDT has owned a hydropower installation capacity of 14.5174 million KW, and a wind power installation capacity of 3.4356 million KW, and has broken the "zero" record of nuclear, straw, garbage and solar power. In all, the clear energy accounts for 17.95 percent in total power generation



Figure 2-4-7 On Nov. 16, 2008, CEO of the Global Compact Office Georg Kell made an inspection tour to Tianjin Datang International Panshan Power Generation Co., Ltd. and highly recognized the practices and outcome of the company's CSR performance

mony, learn about the company's practices and outcomes of fulfilling CSR, listen to the comments and advices of stakeholders and experts at the first place and know about CDT's executives commitment to the society and work plan. In this way, we stimulate staff's sense of pride and mission and also realize the goal of publicizing related concept and knowledge. Evident improvement has been made in terms of staff's awareness and capability regarding CSR fulfillment thus strong impetus and guarantee is provided for the solid implementation of various work of the company.

3. Emphasizing communication, institutionalizing, enhancing communication with stakeholders in particular

Through continuous improvement of communication, exchanges and supervision mechanism, CDT carries out in-depth exchanges and sound interactions with stakeholders, respects and safeguards their rights and interests, wins their trust and support and creates a harmonious external environment for sustainable development.

A. Establishing communication mechanism and winning trust and support

Through establishing communication mechanism with stakeholders and enhancing exchanges with stakeholders such as investors, partners, suppliers, clients, communities, staff and non-governmental organizations, CDT fully shows respect for stakeholder's rights and interests and determination to safeguard them and wins trust and support from stakeholders. After CDT's first CSR report was drafted, a CSR seminar was held on Aug 28, 2007 with representatives of stakeholders and various experts invited for their comments and advices on CDT's performance of CSR and the report (see Figure2-4-4). According to

stakeholder's comments and suggestions, CDT made further adaptation and optimization of the report's framework, index and disclosure approach, greatly improved the inclusiveness, responsiveness and reliability of the report and won full recognition and affirmation. Hereafter, before publishing every report, CDT solicits opinions of stakeholders through different channels, hence evidently raises the normativity, responsiveness and sustain ability of the company's performance of CSR as well as quality of the report. The 2007 CSR Report was appraised as the Model Report by Global Compact China's Networks. The 2008 CSR Report won the title of "Golden Bee 2009 Excellent CSR Report".

B. Enriching communication channels and forming long-acting interaction and supervision mechanism

Continual supervision and communication mechanism is considered as the key approach to facilitate CSR work and maintain enterprise's sustainable development. While improving work system and meticulously compiling and publishing the annual report, we also pay attention to enrich channels and platforms to communicate with stakeholders and improving long-acting public communication and supervision mechanism. At the same time when press conference of the report is held every year, Enterprise Open-to-public Day activity is organized (see Figure 2-4-5). So far the activity has been organized for three consecutive years with themes of "Supplying Clean Power and Lighting Happy Life", "Clean Energy By Your Side" and "New Energy and New Power". Every year around 20 power plants open to the public and receive about ten thousand people from all walks of life. The Open-to-public Day activity fully demonstrates the new achievements made in optimal, safe, clean, economical and common development as well as our readiness to

supervision of the public on our safety, operation, energy conservation and environmental protection, etc (see Figure 2-4-6). In addition, CDT in the Eyes of a Hundred Journalists activity is carried out annually by inviting journalists from various social media to conduct on-site interviews and objective report based on their neutrality and intuition. Their report can objectively reflect our practices and outcomes in the aspect of CSR performance and help the public to better understand and support CDT and in turn improve our CSR work.

After several years' exploration and

development, CDT has won full recognition for its work on CSR from stakeholders and all sectors of society. For instance, CDT was elected as "National Model Enterprise with Harmonious Labor Relations" by the Ministry of Labor and Social Security, All China Federation of Trade Unions and China Enterprise Confederation in Aug. 2007. In Dec. 2008, CDT was given "The China Charity Award" by Ministry of Civil Affairs. In Jan. 2009, CDT was appraised as "The Most Responsible Enterprise • Reform and Opening-up for 30 Years" by China News Week. In Oct. 2009, CDT rank the fourth, first in

the power generation sector, among China Top 100 Enterprise CSR Development Index (2009) jointly issued by Department of Economics of Chinese Academy of Social Sciences and Social Sciences Academic Press. In Nov. 2009, "Paying Close Attention to Environment and Fulfilling Responsibility on Energy Conservation and Emissions Reduction" was considered as "Excellent Practices Results of CSR Work of Central Enterprises" and received full recognition by UN Secretary General and Global Compact office (see Figure 2-4-7).

Chapter III

>> Typical Case for Protection of Human Rights and Labour



Being Respectful and Responsible to Stakeholders: CBMI Construction Co. , Ltd.

I . Message from Chairman

CBMI Construction Co., Ltd. (“CBMI”) always regards its own mission to be to “continuously shape an enterprise with a strong sense of responsibility” and upholds the operation philosophy of “being cautious in speech and earnest in conduct, and respecting people”. We are not good with words and do not like to be showy. Instead, we focus more on good faith, the legal system, efficiency and results. We believe in respect and brotherhood. We take the initiative to carefully maintain quality in all of our work and strive for excellence. Sincere and frank, we treat everyone interacting with us in a cordial and friendly way. We are people-oriented.

II . Company Profile

CBMI is subordinate to Sinoma International Engineering Co. , Ltd. under Sinoma. Headquartered in Tangshan, Hebei Province, CBMI has a subsidiary in Beijing, which includes a technical center, an engineering center and a management center. Founded in 1959, CBMI has over 1000 employees, with managerial and technical personnel accounting for more than 80%, and is a general contractor with powers to conduct foreign trade and import-export, holding national Class-A certifications for

turnkey projects.

CBMI has been responsible for most of the key construction projects of cement production lines in the domestic cement industry, including most of the foreign-funded projects and projects with a daily capacity of 4000 tons of clinkers. In total, CBMI has built over 100 cement production lines. The services and turnkey business of CBMI are comprised of 8 processes: engineering consulting, project planning and financing, engineering design and technical R&D, equipment manufacturing and complement, logistic transportation and international trade, civil construction and equipment installation, production debugging and operation training, after-sale service and supply of spare parts. The company ventures into a wide spectrum of fields, e.g. building materials, mining, coal, electric power, chemical engineering and civil architecture. It has provided services for a number of construction projects for more than half of the 10 largest cement groups of the world, which are distributed in Asia, Europe, Africa and Latin America.

III . Case of Responsibility: Caring for the Occupational Safety and Health of Employees

In its internationalized operations, CBMI encountered the concerns of the Global Compact quite early. For this reason, it



Mr. Jianxin Peng, Chairman

Sinoma 中材建设有限公司
CBMI CONSTRUCTION CO., LTD

Website:

www.cbmi.com.cn

Sector:

Construction & Materials

Country:

China

Global Compact Signatory Since:

Jun. 1, 2005

acceded to the UN Global Compact organization on Aug. 1st, 2005, promising to follow the 10 fundamental principles it advocates in regards to human rights, labor, environmental protection and anti-corruption, accept the supervision of its employees, partners, clients and the public and report in an open form the progress made in implementing the social responsibility advocated by the Global Compact and began to issue its annual Corporate Social Responsibility Report to the society in 2006.

CBMI has enthusiastically promoted general knowledge about implementation of the social responsibility principles organized and advocated by the Global Compact, compiled internal training materials on Global Compact information, review articles, test questions and answer sheets as well as other training materials, organized the reading of the company's annual Corporate Social Responsibility Report and the learning of general knowledge about the Global Compact and carried out training activities. On the website and newspaper of the company, columns have been opened up to carry reports on the Global Compact and CBMI's implementation of the commitments of the Global Compact, which it publicized through online discussions and Q&A in a move to promote the image of a corporate citizen exercising social responsibility. In regions of relatively concentrated projects, the study and implementation of the Global Compact's ten principles are publicized, investigated and supervised.

For high-quality compilation of its annual Corporate Social Responsibility Report, CBMI invited experts from the China Association of Enterprises (CAE), the Global Compact Promotion Office of CAE and the Global Compact China Network Center to provide all-round and systematic ongoing training for the middle and upper-level executives and members of the team responsible for

compiling the annual Corporate Social Responsibility Report with regard to Global Compact principles and compilation of the annual progress report.

CBMI applies the ten principles advocated by the Global Compact throughout its operations, especially its internationalized operations, and has made exploratory efforts in respect of occupational safety and health.

1. Problems and Challenges Encountered

CBMI used to have its own standards and methods for the occupational safety and health management of employees. Later, it entered the international market to undertake the construction projects of cement plants in a turnkey mode and began large-scale use of managerial personnel or operation employees recruited both from China and locally to the projects. With this move, a lack of experience caused CBMI to struggle in adapting with respect to aspects of occupational safety and health in the early days of its internationalization efforts, such as labor relations, labor protection and safe production, so that the company was even forced to suspend its overseas projects several times for rectification due to strike, which is never seen in China, and on-site accidents causing loss of life. One of the main reasons is that our mindset had not yet become fully adapted to the changes that came with business expansion, as described below:

- a. As can be seen from the employees recruited by CBMI in China, their improving economic position has caused the needs of employees to be raised from pure subsistence to higher level and more extensive requirements that include occupational safety and health.
- b. CBMI serves the international market and its projects are spread all over

the world. The governments of countries where the projects are located implement laws, regulations and policies according to distinctive local culture in respect of human rights and labor treatment and have standards and requirements different from those of China in occupational safety and health.

c. Most of the contracts that CBMI secured in the early days on the international market were for projects involving smaller profits and shorter construction periods, thus placing the company under heavy pressure in terms of the investment in occupational safety and health as well as site safety management.

2. A Change in Thinking

When it first entered the international market, CBMI thought about occupational safety and health from the perspective of “eliminating trade barriers”, “direct and indirect economic benefits” and “building up a good image”, which was a somewhat limited view. So, it was in a passive state with regard to what it did in occupational safety and health. That is, it would pay more attention when the external pressure from project owners or labor organizations increased and would let up when the construction schedule was tight. Therefore, it was often in the awkward situation of being forced to suspend work.

To extricate itself from this situation, CBMI began to change its ideas and value its responsibility for the occupational safety and health of employees, which it now performs on its own initiative. It began to take some positive steps in 2005: firstly, it worked with institutions of higher learning in carrying out research on the subjects of internationalized operations and cross-culture management to introduce the concept of cross-cultural fusion into the senior management; secondly, it joined the Global Compact organization, promis-

ing to exercise social responsibility for human rights and labor; thirdly, it began to set about the establishment of an internal occupational safety and health management system to place the work on a people-oriented basis and enable the occupational safety and health of CBMI to get on the right track.

3. Specific Measures and Actions

A. Strengthening of the occupational safety and health system

a. Improvement of the occupational safety and health system.

Taking into account the requirements of the “3-in-1” system of quality, environment and occupational health and safety, CBMI compiled the “Labor Protection Regulations”, “System of Supervision and Management for Labor Protection”, “Management Measures for Labor Protection of Female Employees”, “Management Measures for Use”, “Supervision and Inspection of the Special Funds for Labor Protection Articles” and the “Regulations on Management of Safe Production”. In 2006, the internal management procedural document “Occupational Health and Safety” was officially certified.

b. Perfecting of the organization of occupational safety and health.

To effectively carry out occupational safety and health, CBMI set up an independent Safe Production Supervision and Management Office. In the management departments of all projects, the position of safety manager is in place, the duties of safety officers are clarified and full-time safety officers have been engaged, providing organizational guarantees for safety management. A safety liability statement has been signed and agreed between the general manager and deputy general managers; between deputy general managers and departmental/project managers; between departmental managers and departmen-

tal employees; and between departmental managers and subcontractors to form a system of level-by-level liability and liability sharing.

c. Establishment of the safety contingency plan system.

In 2007, CBMI completed the compilation of the Comprehensive Contingency Plan and the Contingency Plan for Unexpected Events of all project departments.

B. Improvement of working and living environments; showing care for the physical and mental health of employees

a. Provision of good room and board conditions for employees.

CBMI works hard to create good working and living conditions for its employees. All the offices and residential areas are equipped with air conditioners, heating and water dispensers. In particular, the construction sites of projects have satellite reception antennas, network telephones, TV sets, bathrooms, washrooms with flush toilets and people designated to do cleaning in the living and working environments.

To ensure that the employees are well fed, the chefs have been specially selected and trained, and hold occupational health certificates. To satisfy the special tastes in particular regions, the company brings its own food and characteristic seasonings from China as part of the preparations made for each project.

Meanwhile, to provide local labor with convenience in room and board, project departments have built changing rooms, dining halls and bathrooms in the living area for local employees; at the construction sites, drinking water is provided for local labor in both the rest area and living area. The South African Project Department additionally provides temporary lodging for those local employees who live more than 1 hour’s drive away from the project location.

b. Provision of health and medical in



Figure 3-1-1 The Zambia Project team employees are building the repast pergola for local workers



Figure 3-1-2 Provision of medical check-ups



Figure 3-1-3 Company holding Lafarge safety regulations training courses

surance for employees.

For more than 20 years, CBMI has persisted in providing its employees with medical checkups and suggestions on healthcare and treatment of disease; taking out state-prescribed medical insurance and purchasing commercial medical insurance for employees, including recruited migrant workers. In 2007, for example, checkups were provided for 2,236 employees (including 1,036 from subcontractors) and medical advice was given to 550 of them suffering from various diseases. 72 people benefited from team medical insurance, to a total value of 112,000 yuan. CBMI also provides the construction site of every project with a healthcare professional.

c. Provision of a good system of leave for employees.

To ensure that the employees have good rest periods, the company has in place a good system of leave. The employees enjoy over 100 days off, including the two-day weekend and other national public holidays. In addition, employees receive one month of paid leave each year, including those working on overseas projects. Considering the harder conditions of overseas projects, key employees can enjoy one period of leave every 9 months. Female employees enjoy 3 months of paid maternity leave according to State regulations and can have two consecutive years of parental leave in CBMI, if they so choose, with the company paying some cost of living.

Furthermore, the company often holds a wide range of recreational and sports activities during holidays, e.g. friendly sporting events, artistic performances or local tours. Both the head office and the project departments are adequately equipped with cultural and sports apparatuses and facilities.

C. Major site safety measures

a. Establishment of a system of regular

safety meetings.

The project implementation units under CBMI hold at least one safety meeting each month to notify the employees, subcontractors, consultants, suppliers and all the other parties concerned of all revisions and conclusions related to safety and environment.

b. Emphasis on analysis, control and improvement of potential safety hazards.

The company requires that, before the start of operations each day, a pre-shift meeting should be called to fill out the safety analysis table and evaluate the risks involved. Wherever work is underway on the site, there is safety supervisor for monitoring. All employees must complete a "Near Misses and Potential Safety Hazards Report Card" on a monthly basis. The project management department should record promptly the problems reflected by the employees and draw up improvement measures.

c. Strengthening of safety training.

CBMI provides safety education and training for every batch of operators going abroad and also invites officers of the fire control department and hospital staff to train the new employees in emergency response and first aid. The company requires that all project departments and branches must make sure to provide their employees with at least 2 hours of safety training and education each month, which must be reported to the head office via the monthly safety report. CBMI also uses the safety technology-SGJS software to improve safety management through training in the safety software.

d. Implementation of the internal licensing system.

The company implements the internal licensing system for safety of elevated works, excavation of deep foundation pits, hoisting of large structural components, erection of scaffolds, shuttering work, and setting foundations of tower cranes. Under the system, designated

persons are required to calculate the indexes of construction safety and protection, which should be verified, checked and approved before operation can start.

e. Strengthening of labor protection measures.

CBMI issues labor safety protection articles to the employees free of charge, including safety helmets, work clothes, safety shoes, goggles, gauze masks, earplugs and safety belts, which are replaced in good time as they are damaged in use. At the construction sites of projects, the company also provides training in the use of the safety supplies and safety belts to the local suppliers of safety articles and onsite workers.

f. Strict control of the work environment. The specific measures are as follows:

- CBMI strengthens control over and precautions against the harmful effects of operation at the worksites, including toxic substances, noise and wastes. See Table 3-1-1 for the recovery rate of major toxic and harmful wastes.

- The company provides that inflammable and explosive materials should be placed far away from operation areas and placed in the care of designated persons using protective equipment.

- The company has improved equipment maintenance, rationally arranged work flow and made efforts to avoid using equipment creating excessive noise for construction and to lower the environmental noise during work. The results of regular monitoring show that the noise of CBMI worksites is kept below 60 dBA.

- The company has set up a fire control leadership team and voluntary fire brigade, which is outfitted with sufficient fire control equipment. The storage and use of inflammables and explosives, including oil depots, oxygen acetylene warehouses and chemicals, are regularly supervised and inspected. Education and training in fire control is organized frequently. Drills are held in preparation for any emergent event that may occur and for implementation of the response plan.

4. Latest Progress in Management of Occupational Safety and Health

Thanks to nearly a decade of learning and trials, CBMI has reached a new high in both management philosophy and in the construction of a management system of occupational safety and health, becoming more and more aligned with the standards of the international community.

A. Progress in Ideas

The business objectives and aims of CBMI have gone through enhancement and expansion from “value preservation and increase of state-owned assets”, “obtainment of maximum profits”, “continuous understanding of customers’ needs” and “continuous enhancement of corporate value” to the current high values of “remaining people-oriented, building a harmonious society and exercising social responsibility”. In particular, after its accession to the



Figure 3-1-4 emergency drills



Figure 3-1-5 Examining the scaffold with owners leasing companies



Figure 3-1-6 Company supplies helmets, goggles, gloves and overalls for workers for free



Figure 3-1-7 Fire equipment training

Table 3-1-1

Recovery Rate of Wastes

Unit: %

Type of Waste	Head Office	South Africa	Zambia	Uganda
Waste Battery	100	97	97.78	97.8
Waste Toner Cartridge	100	100	96	100
Waste Fluorescent Tubes	100	100	97.37	97.8
Waste Ink Cartridge	96.6	100	97.08	100
Average	99.15	99.3	97.2	98.9

Global Compact organization, CBMI has closely linked up customers' interests and social responsibility with employees' interests and raised the focus on occupational safety and health to the level of corporate ethics as part of its efforts to exercise its own social responsibility. "Safety is our need, our responsibility, our fortune, our public virtue and our contract"—this is the present philosophy of CBMI for safety management. In 2009, it came up with the slogan "striving to create a happy and passionate atmosphere and working environment", lifting its focus on the occupational safety and health of employees to a new height.

B. Process Rebuilding Based on Management of Occupational Health and Safety Management

Starting from 2006, overseas project departments took care to collect local laws, regulations and rules for publication on the LAN of the company. The head office also collects and takes excerpts from the applicable parts of the laws and regulations newly enacted by the State to supplement and improve its original occupational health and safety management system so that the management, production and service processes of the company can better conform to the laws, regulations and cultural requirements of the international community.

In the second half of 2008, the company kicked off a new round of safety process rebuilding by summing up the experience and lessons of safety management over the years and drawing on the management experience of multinational companies, e.g. Lafarge, to change and improve rules and refine management procedures, thereby finally completing a new safe production management system composed of 106 documents

that cover 12 categories: organization, responsibility, objectives, education and training, daily supervision, investment in safety, implementation of rules, management of sources of risks, emergency response, information, overseas construction management, performance examination, reward and punishment. Currently, the new system is being implemented by all the units and projects under CBMI.

C. Intensify the management of occupational health and safety

According to the work arrangements for 2009, the company takes safe production as a central task and designates 2009 as its "Production Safety Year" to enhance the level and independence of safety managers, strictly implement the "one-vote veto" system in safety and promote the processes of safe production in an all-round and in-depth manner.

4. Current Challenges

Although it has been nearly a decade since its entry into the international market, CBMI still finds itself in the process of internationalization and faces a number of dilemmas and challenges in occupational safety and health.

A. Coordination with Contract Parties

CBMI is an international service provider of turnkey projects. While it is an employer to subcontractors, it is an employee to project owners. For some problems, it cannot solve on its own and it needs the understanding and support of all contract parties. For example, some project owners impose a very tight construction period so that project completion is impossible without working overtime.

B. Financial Difficulty Caused by Financial Crisis

In the financial crisis, many investors cut their investment plans, causing a reduction of business and profits of CBMI. For some projects in progress under signed contract, the payment of funds has been delayed, which has inevitably impaired the investment of the company in occupational health and safety.

C. A Process Necessary to Realize the Differences between Local Standards

Because of the differences among regions and cultures, different countries have different understanding and regulations for occupational health and safety, creating the need for a process of learning and practice, inter alia with regard to the requirements and standards for occupational safety and health at a higher level. This requires the understanding and cooperation of all parties. When the practices of the enterprise do not meet regulations for the time being, it is inadvisable to force the halt of construction and apply economic penalties as the only solution. Instead, help should be provided for a joint solution of the problems.

D. Personal Safety Threatened by the Broader Public Security Environment

CBMI has been plagued by the threat against the personal safety of its employees posed by the public security environment. For example, its employees were robbed and even kidnapped in Nigeria, South Africa and Tanzania. This has seriously endangered the personal safety of its employees for overseas projects.

Chapter IV

>> Case Story on Environmental Protection



People-oriented and Contribution to the Society: PetroChina Company Limited



Mr. Jiemin Jiang Chairman

I. Message from Chairman

During the ten years since its establishment in 1999, PetroChina Company Limited (“PetroChina”) has fully performed the economic, environmental and social responsibilities. We focused our effort on oil and gas business, coordinated the development of domestic and overseas business, and brought the overall advantages of integrated operation into full play. As a result, great changes have taken place in the Company.

Oil and gas business enjoyed rapid development, and the ability to ensure oil and gas supply was enhanced remarkably. The oil & gas exploration in China entered the new peak period for growth of reserves, which further consolidated the resource foundation. Crude oil production increased steadily, and the production of natural gas grew rapidly at two-digit rate for seven consecutive years and reached 571.3bcf in 2009, 3.2 times of that in 1999. The primary processing capacity of crude oil exceeded 130 million tons, representing an increase of 34%, the production capacity of ethylene reached 3.71 million tons, representing an increase of 150%, and 4 ten-million-ton refining bases, 4 large-sized ethylene bases and a batch of refining and chemical enterprises were established. In addition, great progress has been made in the

construction of four major oil & gas pipelines, and the national oil & gas pipe network as well as the diversified supply guarantee system are taking shape. The sales business underwent leap-forward development, as the Company seized 40% domestic market share of refined products; the overseas oil & gas business entered into the phase of scale development, and the oil & gas cooperation areas were expanded continuously. PetroChina is developing into an international energy company, with its scale, strength and energy supply capacity enhanced greatly. In face of natural disasters and market changes, the Company for several times launched the contingency plans to guarantee and stabilize the market supply, and made all efforts to carry out rescue and relief, which has won us high appraisal from the government and the public.

Great efforts were made to promote the safe development and green development, and the safety and environmental protection were satisfactory and we continued to look for room for improvement. The Company took safety and environmental protection as top priority. The philosophy of “Environmental Protection Priority, Safety First, Quality Foremost, People-oriented” was deeply rooted among the employees and implemented throughout production and operation. The Company has built up the unified and institutionalized HSE management system. Hazard control achieved great

effect. The management control on production was enhanced, and the emergency management system was improved gradually. Besides, we firmly carried out energy-conservation and emission-reduction, and effectively implemented 10 energy-saving projects and 10 emission reduction projects. The trials of circular economy were carried out orderly, and the growth of total energy consumption was controlled effectively while the production scale was expanded continuously. We have effectively controlled the unit energy consumption and greatly reduced the total emission of main pollutants. The Company proactively changed the development mode with the low-carbon energy represented by natural gas, fuel ethanol and coalbed methane enjoyed rapid development.

The development environment of the Company is more harmonious as we stick to the concept of “People-oriented and Contribute to the Society”. Guided by the corporate policy of “Energize, Harmonize, Realize”, PetroChina has implemented a strategy that strives to build an enterprise based upon a wide range of talents to strengthen human resources development. The corporate culture was further richened and developed. The Daqing Spirit and Iron Man Spirit were further carried forward, and we continue to build up our team of employees in areas like operation management, professional technology, operation skills and internationalized talents. As a result, the overall quality of our employees was enhanced, as witnessed by a lot of teams and employees with outstanding performance. We continue to improve the production and living conditions of employees, thereby maintaining their social security. The poverty alleviation mechanism covering underprivileged groups was setup. The Company carried out strategic cooperation in all business areas. An atmosphere favorable for mutual support, mutual benefits and joint development was fur-

ther consolidated. Poverty alleviation, disaster rescue and relief were carried out properly. We also actively involved in local community building and public-welfare undertakings. Our social responsibility performance was enhanced continuously.

The development of the Company in the recent ten years can be attributed to the following factors: institutionalized and effective corporate governance, fundamental principles of “legal operation, good faith and standardized management”, and operation concept and mode aligned with international practice; adherence to technical innovation, core technologies for production breakthrough, and enhancement of technical strength and level; management innovation, a set of system with the characteristics of PetroChina and great improvement of operation efficiency, management level and risk management. The achievements mentioned above could not be made without the care, support, participation and supervision from our investors at home and abroad, employees, partners, consumers and clients as well as relevant organizations. I would like to take this opportunity to extend my heartfelt gratitude to them.

At present, as a result of the international financial crisis, a series of new changes and new situations occur in the global economy and the international petroleum market. China is still in the strategic opportunity period for its economic and social development. PetroChina also enters into the key period for developing into an international energy company. Proactive changes and unfavorable factors occur simultaneously, domestic and international factors affect each other, and development opportunities coexist with risks and challenges. Guided by the concept of scientific development, PetroChina will fully perform its economic, environmental and social responsibilities. We will continue to implement the



中国石油天然气股份有限公司
PetroChina Company Limited

Website:

www.petrochina.com.cn/

Sector:

Oil & Gas Producers

Country:

China

Global Compact Signatory Since:

Aug. 1, 2007

resource, market and internationalization strategies, and seize the development opportunities, accelerate the change of development mode. We will also effectively push forward the structural adjustment, energy-conservation & emission reduction program and promote technical innovation, to further enhance harmonious and sustainable development, so as to make new contribution to building a harmonious society and a harmonious world.

PetroChina's Sustainability Concept:

PetroChina adheres to the corporate policy of "Energize, Harmonize, Realize" and a core business management notion of "Honesty, Innovation, Performance, Harmony and Safety"; persists in carrying out business in a more effective, safe and environmental friendly manner; pursues the balance among economy, environment and society provides sustainable energy for economic and social development; and creates a better life for human.

II . Company Profile

PetroChina is the largest oil and gas producer and distributor in China and also one of the largest oil companies in the world. PetroChina engages in wide range of activities related to oil and natural gas, including: exploration, development, production and marketing of crude oil and natural gas; refining, transportation, storage and marketing of crude oil and oil products; the production and marketing of primary petrochemical products, derivative chemicals and other chemicals; transportation of natural gas, crude oil and refined oil, and marketing of natural gas. For other information about PetroChina, please visit: www.petrochina.com.cn.

On Aug. 1st, 2007, PetroChina joined the UN Global Compact, with commitments to observing and supporting practically the 10 Principles advocated

by the Global Compact in the fields of human rights, labor rights, environment protection and anti-corruption, using the 10 Principles to guide our practices in fulfilling social responsibilities. Moreover, PetroChina begun to disclose the progress in keeping with the 10 Principles in the Global Company in the annual report from 2007. In July 2008 and November 2009 respectively, PetroChina participated in the Global Compact Asia Regional Network Conference in Seoul, Korea, and the first Global Compact China-Korea-Japan Roundtable, and delivered the speeches.

Guided by the corporate policy of "Energize, Harmonize, Realize", and consistently following the philosophy of "Safety First, Quality Foremost, People-oriented", PetroChina actively explored the way to realize clean development and economical development, and made all efforts to build an environment-friendly enterprise. In respect of initiation and guidance in ecology civilization construction, PetroChina has made beneficial exploitation and achieved fruitful results.

III . Case of Responsibility: Way to Ecology Civilization Construction

At early establishment in 1999, PetroChina proposed the development idea to "create a harmony of energy and environment". With ten years of evolution, "Energize, Harmonize, Realize" has become the corporate policy guiding PetroChina's development now, and the concept of social responsibility is also moving up. What PetroChina understands on social responsibility looks more at the long-term development of enterprise, society and human, stresses on unification and coordination of three responsibilities in economy, environment and society, and underlines that an enterprise should balance its

role and position in natural resource development and environmental protection.

During development, PetroChina felt and recognized deeply that the human being and the natural environment where we live are the most important resources on the world, we should regard "care for life and protect the environment" as one of our core businesses. In particular, we kept eyes on and actively met the climate changes, vigorously promoted the energy conservation and emission reduction; we went after the goal of zero injury, zero pollution and zero accident and tried to catch up with international peers in respect of HSE management. Besides, we carried out safe production, clean production and economical production and advocated the ecological civilization, to work hard to become a energy-conservative and environment-friendly enterprise.

1. Promoted the pattern transformation by management innovation

A. Established and improved the HSE Management System

All-around management system is a critical guarantee of realizing the group operation and improving the management level. PetroChina is one of the earliest companies that probed and set up HSE (Health, Safety & Environment) Management System. In 1999, it started to execute HSE system management in the whole group, and worked out the HSE system management documents both in line with international standards and combining with its own management experience and development practices; In 2004, it prepared and launched the HSE Management System (Regulations); In 2007, according to the business requirements and the principles of "uniform, normative and operable", it revised and performed

beyond regulations. PetroChina's HSE Management System follows the PD-CA mode, i.e. PLAN-DO-CHECK-ACTION, to realize a virtuous circle. During operation of HSE Management system, PetroChina also established the self-monitoring system and safeguard mechanism, to ensure that HSE strategy and policy are followed.

B. Carried out the responsibility system for environmental protection goals

Responsibility system for environmental protection goals is a key measure of PetroChina to enhance the environment management, practically by including such environmental indices as Rate of Control over Environmental Pollution Accident and Environmental Pollutants up to the Standards in the overall performance evaluation for line managers, setting up the Annual Environmental Indices Breakdown System, making dynamic management on total emissions of pollutants, defining by levels the person in charge of compliant discharge at each outlet and timely treating the pollution source.

C. Implemented "Three Simultaneous" environmental impact assessment(EIA)

Many investment projects in the industry are often long-cycle and wide spreading, for which the enterprise is required to have and continuously improve its capability to control environmental risks. In recent years, PetroChina has been following the simultaneous design, simultaneous construction and simultaneous commissioning ("Three Simultaneous") system for environmental impact assessment and environmental facilities and main engineering with respect to construction projects, and has realized 100% in both the EIA fulfillment rate and the environmental acceptance fulfillment rate.

D. Promoted ISO14001 system certification

In order to meet the strategic goal of building an integrated international energy company and have the initiative in world competition, PetroChina has been learning from and introducing the peers' experiences, strictly following the international environmental protection regulations and practices and obtaining the trust and opportunities with its high management level and excellent environmental performance. In past years, PetroChina has consistently improved its environmental management through certification of international environmental management system(ISO14001).

2. Enhanced environmental protection by energy conservation and emission reduction

PetroChina virtually takes the energy conservation and emission reduction as key measures to transform the economic development pattern, optimize and adjust the structure, realize the system innovation and drive the construction of harmonious enterprise. It actively answered the national call for energy conservation and emission reduction. In 2006, in conjunction with several major entities, PetroChina initiated the movement to breakdown the national mission of energy conservation and emission reduction, to practically and effectively carry out the task led by technical innovation.

A. Energy conservation

Upholding the principle of laying equal stress on development and conservation but giving priority to conservation, PetroChina vigorously pushes forward the construction of energy-conservative enterprise. Through strengthening the

management, accelerating the technical advancement and tapping the internal potentials, PetroChina has achieved remarkable results in energy conservation and emission reduction. In 2009, it saved energy by 1.71 million tons of coal equivalent and water by 31.88 million cubic meters.

PetroChina speeds up the technical advancement, as evidenced by activating the major S&T project-Study on Optimization of Refining & Chemical Energy System. It pilots at three petrochemical companies (i.e. Jinzhou, Jilin and Lanzhou) to work out some key problems relating to technologies, such as introduction & absorption, development & integration, demonstration & application and preparation of implementation scheme, and to improve the energy utilization in refining and chemical sector. Every year, it monitors the energy conservation of energy and water consuming equipment in its affiliates and supervises and assesses the energy consumptions in key consuming units. PetroChina actively conducts campaigns to build the energy and water saving enterprise, and in 2008, 11 affiliated regional companies were awarded the titles of Advanced Energy Conservation & Emission Reduction Unit in Chinese petroleum and chemical industry.

PetroChina started to implement the "since 10 Energy-saving Projects" since 2007. In the past two years, it invested more in energy conservation, arranged a series of energy-saving projects focusing on exhausted air recovery, power saving in artificial lift systems and optimization of energy and water systems, and further eliminated the high-consuming, high pollutant and technically-lagged production equipment and facilities. Besides, through vigorously promoting the new mature, applicable and effective energy and water-saving technologies, PetroChina has upgraded the overall utilization of

energy and water resources.

B. Emission reduction

In recent years, PetroChina has taken a series of measures to reduce the emissions, with all major pollutants meeting the emission standards, and the emission of COD in waste water, oils and SO₂ in waste gas respectively decreased significantly. In 2008, PetroChina developed and implemented the serial environmental management documents including Regulations on Management of Environmental Statistics and Regulations on Management of Environmental Monitoring, organized the first pollutant source census, improved the monitoring, statistics, examination and audit systems for pollutant reduction, and made comprehensive evaluation on reduction of emissions from corporate structure, engineering and management. Moreover, PetroChina continuously carried out the 10 Pollutants Reduction Projects that were initiated from 2007, by distributing the reduction indices to each enterprise and key discharging outlets. To control the environmental risks, PetroChina conducted three specific remedies, i.e. monitoring on radioactive sources, production and construction in environment-sensitive areas, and disposal of dangerous wastes, carried out the license management for operations under high environmental risks, defined the responsibilities of pollutant prevent, and enhanced the monitoring over discharge, so as to ensure the smooth operation of pollutant treatment facilities.

With three years of efforts and considerable capital in treatment of safety and environmental hazards, PetroChina has basically completed the plan on specific treatment of safety and environmental hazards for 2006-2008. As a result, the environmental risks were further controlled, the three-level accident/emergency prevention & control system was basically established, the

prevention and control of water pollutants from enterprises along Songhua-jiang River, Nenjiang River and reservoir area of Three Gorges was strengthened remarkably, and the treatment of environmental pollution hazards and the overall treatment of ecological protection were improved, with all outlets in environment-sensitive areas meeting the discharge standards.

Adhering to the goal of zero injury, zero pollution and zero accident, PetroChina carried out the campaign to build "Green Grassroots Team/Shop/ Facility" in some grassroots units, such as oil production, refining & chemical, pipeline and marketing, to advocate vigorously PetroChina's HSE culture and concept. During the campaign, the units were required to organize and manage their productions as per the HSE documents, maintain and use the environmental protection facilities according to HSE requirements and improve their ability to regularly manage the on-site environment protection. In order to intensify the employee's environmental consciousness, PetroChina conducted environmental propaganda and training, by "June 5" Environment Day publicity campaign, organizing the training courses for environmental management, statistics & monitoring and pollutant source survey, assisting Chinese Petroleum Society (CPS) in holding the 2008 Technical Seminar & Exhibition of Energy Conservation & Emission Reduction for National Petroleum and Petrochemical Enterprises, and participating in the 3rd China International Exhibition of Achievements in Building an Environmentally Friendly Society sponsored by the Ministry of Environmental Protection.

Taking the recycling economy as the motive for realizing sustainable, effective, rapid and coordinated development, PetroChina has established the technical policies and systems for recycling economy that were based on ecological

design, stressed on clean production and aimed to strengthen the overall utilization of resources. In 2007, the Company setup three recycling economy pilot and demonstration units in Jidong Oilfield, Lanzhou Petrochemical and Dalian Petrochemical. Now, the pilot activities are under smooth progress, the work objectives and technical measures are broken down and executed, and the stage achievements have been made. In production, Lanzhou Petrochemical leads the about 140ton/hour acidulous water discharged from diesel hydrogenation and catalytic cracking units to the "HCl+H₂SO₄" unit, where the acidulous water is stripped to produce sulfur, and the LNG, dry gas and sulfurous end gas from diesel hydrogenation unit are desulfurized to produce sulfur. Both measures can provide about 15,000 tons of sulfur every year, corresponding to the reduction of 30,000 tons SO₂ to the environment, so the "wastes" are really transformed to "valuables".

PetroChina supports the spreading of CDM in China. PetroChina Liaoyang Petrochemical Company has two sets of adipic acid units with design capacity of 140,000 tons per year and expected N₂O emission of 42,000 tons per year after production, which causes greenhouse effect corresponding to 12 million tons of CO₂ exhausted annually. To mitigate the emission of greenhouse gases, PetroChina exported overseas advanced technology to simultaneously construct the unit for transforming N₂O to O₂ and N₂. In November 2007, the Project was approved for unconditional registration by UN CDM Executive Council on the 36th Meeting. In March 2008, Liaoyang Petrochemical Company made one-off success in CDM unit commissioning, and passed the on-site verification by SGS designated by UN CDM Executive Council. Its economical and environmental benefits were remarkable, with over 10 million tons carbons to be reduced every year, which provided

the leading concept and innovative experiences for the petroleum and petrochemical industry in energy conservation and emission reduction.

3. Boosted the development of lowcarbon economy

To develop the low-carbon economy is PetroChina's unshirkable social responsibility and duty-bound historic mission, and also its inevitable choice to follow the enlightened approach to development.

A. Natural gas business developed quickly

Natural gas is a clean, efficient and excellent energy. To accelerate the gas development and increase the effective gas supply is really meaningful for gradually shifting the coal-focused energy mix in China, improving the ecological environment and residents' lives, driving the sustainable development of economic society and ensuring the national energy security. PetroChina always gives the top priority to natural gas, to vigorously push the sustained and rapid development of this business.

PetroChina strengthened the gas exploration and development in China and consolidated the supply basis. From 2000 to 2008, its annual gas capacity was increased from 17.3 billion cubic meters to 63.6 billion cubic meters, or by 367.6%. In 2008, Tarim, Changqing and Sichuan & Chongqing gas provinces booked additional reserves and production, while Qinghai Oilfield initiated the 100×10^8 m³/year capacity construction project, which is expected to provide 100×10^8 m³/year of natural gas by 2010 or so. PetroChina imported pipeline gas and LNG, to improve the resources safeguard. The capacity project in Amu Darya River Right Bank cooperated between PetroChina and Turkmenistan and the Trans-Asia Gas Pipeline Project undertaken and operated by CNPC jointly with Uzbekistan and Kazakhstan

were put into construction simultaneously in 2008. As per two natural gas sales and purchase agreements signed between CNPC and Turkmenistan, 30–40 billion cubic meters of gas will be supplied to China every year during the 30-year operation period for Trans-Asia Gas Pipeline, thus providing a resource guarantee for PetroChina to meet the increasing market demands. In addition, two LNG projects in Dalian and Jiangsu stated for Phase I construction in 2008, and early activities concerning the LNG project in Tangshan is also under active progress.

PetroChina accelerated the construction of major gas pipeline network connecting the resources and the market, so as to ensure the safe and stable supply. Since 2000, PetroChina has constructed such long-distance gas pipelines as Second Shaanxi-Beijing Gas Pipeline, Sebei-Xi'ning-Lanzhou Gas Pipeline, and West-East Gas Pipeline, and some tie lines and appropriate trunks/branches including Huaiyang-Wuhan, Hebei Shijiazhuang-Jiangsu Nanjing and Lanzhou-Yinchuan, connecting four gas provinces (Tarim, Qinghai, Changqing and Sichuan & Chongqing), in this way, the diversified sources network can improve the security of gas supply. In 2008, the second West-East Gas Pipeline connecting Trans-Asia Gas Pipeline to Yangtze River Delta and Chu Chiang Delta markets started to be constructed wholly, and the Yongqing-Tangshan-Qinhuangdao Gas Pipeline was under orderly progress. The major gas pipeline network in China is more and more sound. By the end of 2009, PetroChina has owned and operated gas pipelines up to 28,595km total, twice of that in 2000.

PetroChina actively expanded the city gas business and extended the gas supply coverage. In 2008, by way of joint venture or cooperation, PetroChina accelerated the development of city gas, winning additional 307,800 resident users and 47 industrial users as well as



Figure 4-1-1 The recycling economy pilot and demonstration Unit in Dalian Petrochemical



Figure 4-1-2 Fuel the Olympic



Figure 4-1-3 Chinese Pistache, the biomass energy species preferred

43 new CNG parent-daughter stations. Besides, it enhanced the dynamic linkage between gas production, transportation, marketing and storage, thus ensuring the safe and stable supply to key cities and key users.

B. Quality of oil products was upgraded

In 2008, PetroChina fully activated the product quality upgrading program to increase aggressively the production of high standard diesel oil and high grade gasoline. In that year, PetroChina provided totally 1.4525 million tons of Jing-IV gasoline and diesel oil to Beijing market, and ensured the oils for Olympic Games met the requirements for environmental protection, thus contributing to the success of the event.

C. CBM business was accelerated

Development and utilization of coalbed methane (CBM) is critical for improving the energy mix in China, protect the ecological environment, promoting the development of local economy and ensuring the operational safety in coal-mines. PetroChina has set up the most advanced CBM laboratory in China, which owns three state-level patented technologies, including coal bed hydraulic fracturing, wire line coring and CBM quick desorption. In 2008, PetroChina integrated the relevant businesses and assets to establish PetroChina CBM Co., Ltd., and strengthened the CBM exploration and also the capacity construction in Qinshui Coal-bed Gas Field. Besides, Phase I of the central processing plant with capacity of 10×10^8 m³/year CBM and the CBM export pipeline connecting to West-East Gas Pipeline were completed and put into operation.

D. Ethanol gasoline was developed vigorously

PetroChina is vigorously devoted to the new clean fuel-ethanol gasoline. By the

end of 2007, in 9 provinces including Jilin and Shandong, PetroChina has built up 88 ethanol gasoline allocation centers, transformed 5,777 oil/gas filling stations, and sold totally 17 million tons of ethanol gasoline, as more than 55% of total annual sales in China.

E. Forestry biomass energy was developed by way of cooperation

In 2007, China National Petroleum Corporation signed the framework agreements on biomass energy cooperation with the State Administration of Forestry and some provincial, municipal and autonomous regional governments including Sichuan, Yunnan and Shandong, and these agreements were operated and executed by PetroChina. With these agreements, PetroChina actively carried out the corporate-local cooperation, and promoted the integrated forestry & oil industrial model combining the construction of energy forestry base and the biofluid fuel conversion and utilization. As of late 2007, PetroChina has built 68,000ha raw materials forest bases in conjunction with Sichuan, Yunnan and other provinces. It is expected to build, by cooperation, 400,000ha energy forest bases and 200,000t/year biodiesel demonstration projects by 2010.

F. Assessment on oil shale and oil sands was conducted actively

PetroChina strengthened the resource assessment and production test on oil shale and oil sands, with the first shale oil pilot test base put into construction in Heilongjiang. Moreover, PetroChina pushed forward the assessment, development and utilization of geothermal energy, wind energy and solar energy, for example, in Huabei Oilfield, it conducted pilot test on overall utilization of geothermal energy; the geothermal energy has been effectively used for power generation, heating and heat tracing along with oil transportation.

4. Made positive responses to climate change

Climate change is a key global concern. PetroChina highlights the vital roles of controlling and reducing GHG emissions in mitigating the climate change, through progressively following the China's National Climate Change Program and taking all measures to reduce and sequester carbons, thus contributing to the mitigation of global climate change.

A. Rational use of CO₂

Currently, an important test listed in State 863 Plan – CO₂ Flooding Test has been conducted in several oilfields of PetroChina, including Daqing and Xinjiang. The technique uses the CO₂ produced in the production of refining and chemical enterprises, which is captured and stored and then re-injected to the oil formation in order to enhance the recovery. Besides, PetroChina has made studies on CO₂ recovery techniques, including physical adsorption, chemical adsorption and membrane separation, to apply CO₂ in industry and food handling, such as the products of carbonated beverages and dry ice.

With respect to the control over carbon emission during production, PetroChina pioneered the corporate GHG (e.g. CO₂) emission standards. All oil production enterprises drew heavily on recycling of associated gases in the oilfields to reduce the gases blew off. In the past three years, the oilfields totally recovered 990 million cubic meters of associated gases, corresponding to 1.38 million tons of standard coal. In Tarim Oilfield, through the recovery of associated gases, 410,000 tons of CO₂ can be reduced every year. Additionally, the flare elimination program was executed in refining and chemical enterprises, and the flare gas was recovered.

Now, the enterprises have eliminated the flares generally.

B. Afforestation to carbon sequestration

GHG can be cut down by reducing the carbon emission, and increasing the carbon absorption. Forest is the largest carbon stock in terrestrial ecosystem. Certain studies indicate that every 1m³ of woods in the forest may absorb 1.83 tons of CO₂ and also release 1.62 tons of O₂. In this regard, afforestation is the best option for carbon sequestration and emission reduction. Since 2004, PetroChina has organized its affiliates to implement the afforestation for carbon sequestration projects, e.g., greening the administrative and living areas, greening the roads in sites and developing the shelter forest. By 2008, PetroChina has achieved green roads in the production and living areas up to over 2700km, total planting area up to over 53.00 million square meters, and total planting industrial area in oilfields and refineries and along pipelines up to 45.00 km, and formed more than 55 million square meters of shelter forests in oilfields and mines, with corporate green rate rising from 22.5% to 27.4%.

C. Sponsor China Green Carbon Fund

In July 2007, PetroChina participated in the China Green Carbon Fund co-sponsored by China National Petroleum Corporation, State Administration of Forestry and China Green Foundation. China Green Carbon Fund, a specific nation-wide public offering fund underling China Green Foundation, is designed to provide a common platform for enterprises, groups and individuals to voluntarily respond to climate change by afforestation and forestry protection. The first contribution to the Fund by CNPC was RMB300 million, including RMB100 million donated by PetroChina, all for forestry carbon sequestration. It is estimated that in following 10 years, 5

million ~10 million tons of CO₂ will be absorbed and sequestered.

D. Assistance with International Climate Change & Technological Innovation Forum

In April 2008, PetroChina co-organized the International Climate Change & Technological Innovation Forum, gathering over 600 representatives from 30 plus countries, 10 plus international organizations and non-governmental organizations. It was the first major high-level world conference concerning climate change held in China, providing a platform by which domestic and international business and academic circles shared their latest technologies and practical experiences in responses to climate change. Mr. Wang Yilin, Director of PetroChina, attended the meeting on behalf of PetroChina, and presented our efforts in controlling GHG emissions, including executing energy conservation and emission reduction, technological innovation and developing low-carbon economy and new energies.

From the perspective of the petroleum industry's development, to change "black" to "green", the enterprises will rely on innovative environmental management concept and system and more on steady and smooth advancement; while, to change "green" to "golden", the enterprises need to advocate the ecological civilization, fulfill the concept of scientific development, update the operating mode and improve their own values. PetroChina practiced as preached, but also called for and drove the social sectors to join the initiatives for creating a civilized ecology and protecting the human's homestead. That is a rational choice of a major enterprise to fulfill the concept of scientific development, perform its social responsibilities and boost the sustainable development of human society by corporate development.



Figure 4-1-4 The Sino-Kazakhstan project of Middle Asia Nature Gas Pipeline is awarded as the best annual project in Kazakhstan; Chinapetrol International PK Co. Lt. is awarded the Environment Protection Prize

5. Social Assessment

In recent years, PetroChina has granted with following awards with respect to ecological civilization:

- Huanxiling Oil Production Plant in Liaohe Oilfield won the “National Environment-Friendly Enterprise”, the top honor concerning environmental protection for Chinese enterprises;
- West-East Gas Pipeline Project, Xinjiang Shixi Oilfield Development & Construction Project and the protection of forest plantation along desert highways in Tarim Oilfield won the “National Environment-Friendly Project” Prize, the top honor concerning environmental protection for Chinese construction projects;
- Two projects, i.e. Waste Water Recycling Technology and Application for Heavy Oil and technical development and application of protection of forest plantation along desert highways in Tarim Oilfield, were awarded the China National Prize for Progress in Science and Technology.

The protection of forest plantation along desert highways in Tarim Oilfield won the “National Environment-Friendly Project” Prize

The desert highways in Tarim Oilfield invested and constructed by PetroChina is a major project under the Eighth Five-year Plan, spanning Takla Makan Desert from south to north and with total length of 522km. It was open to traffic in October 1995. To solve the problem of sand prevention and control along the highways, PetroChina in conjunction with Chinese Academy of Science developed the high salinity underground water based broad afforestation technologies for extremely drought conditions with over ten years of efforts, which integrated the quicksand planting technology, the forest belt structure & layout technology, the brackish water irrigation technology and the cultivation, maintenance and protection technology. In August 2003, PetroChina commenced the project of protective forest along the desert highways. By May 2005, it planted 20.80 million plantlets, with survival rate above 87%, and completed 4133ha sand prevention/control greenbelts along both sides of the desert highways, forming a 436km long (S-N) 72~78m wide (E-W) green corridor spanning the desert. It marked the longest protective forest belt in moving deserts around the world, which accumulated the valuable experiences in ecological management in deserts, while removing the sandstorm hazards along the desert highways and securing the highways at long and safe operation. In July 2008, for its excellent environmental protection performance, the protection of forest plantation along desert highways in Tarim Oilfield won the “National Environment-Friendly Project” Prize.



Figure 4-1-5 Wasteland before



Figure 4-1-6 Forests today

**PetroChina Xinjiang Oilfield Company completed Phase I of afforestation
for carbon sequestration and emission reduction project**

The project is one of key measures of PetroChina to challenge the climate change. Xinjiang Oilfield Company started to implement it from 2001 and constructed the afforestation base infrastructures and associated facilities, through leveling the lands and building water channels early and by using the technologies of quick plantlet breeding, integrated water saving and telemetered monitoring. By April 2008, the Phase I of scaled afforestation for emission reduction project was completed successfully, providing 6700 ha forests on the harsh desert, accumulated timber reserves up to 750,000 cubic meters, annual CO₂ absorption more than 5.40 million tons and fresh oxygen of 1.21 million tons. Therefore, considerable ecological, social and economic benefits were obtained.

On this basis, in November 2008, the “GHG Emission Reduction-Fundamental Research Subject on CO₂ Emission Reduction by Phytoextraction” under the China National Basic Research Program (also called 973 Program) was fully activated, in which Xinjiang Oilfield Company participated on behalf of PetroChina. The subject was designed to develop the comprehensive technology of “One System and Three Benefits” with proprietary intellectual property rights, namely, to establish the CO₂ emission reduction and efficient biomass utilization system with regional characteristics, and reflect the social benefit and ecological benefit of CO₂ emission reduction and the economic benefit of efficient biomass utilization.

Committing Responsibility Actively and Improving Local Ecological Environment: China Huadian Corporation



Mr. Gongmin Yun, General Manager

I . Message from General Manager

China Huadian Corporation (“Huadian”) holds that corporate social responsibility has become a development mode, a manner of competition and a management strategy of enterprises. It is also an effective way of enhancing corporate competitiveness. The exercise of social responsibility by enterprises is an urgent need of economic and social development and also an important way of beefing up corporate competitive force.

Huadian has established the philosophy of “value-based thinking” and joined Global Compact on Feb. 17th, 2009, regarding the exercise of social responsibility as the active pursuit of the enterprise and an important means of enhancing competitiveness and boosting sustainable development. Incorporating the Ten Principles of the Global Compact into its operations, Huadian energetically develops clean energy, including wind power, nuclear power, biomass energy and solar energy, emphasizes the environmental impact of operation processes, increases the economic, environmental and social benefits of development in an all-round manner, and strengthens the development of its soft power and core competitiveness.

II . Company Profile

Huadian is one of the wholly State-owned

power generation enterprises established at the end of 2002 when the national electric power regime was reformed. With a registered capital of RMB 12 billion yuan, Huadian engages in the production of electric power, heat production and supply, development of primary energy resources, such as coal, related to electric power and relevant professional technical services.

By the end of 2009, Huadian had an installed capacity of 75.5073 GW and RMB 330 billion yuan worth of total assets. In 2009, it generated over 300 billion KWh of electricity. Huadian is now the controlling shareholder of a number of listed companies, including Huadian International Power Co., Ltd., Huadian Energy Co., Ltd., Guizhou Qianyan Power Co., Ltd., Guodian Nanjing Automation Co., Ltd. and Huadian Jinshan Energy Co., Ltd. Also controlled by Huadian are Yunnan Jinsha River Middle Reaches Hydropower Co., Ltd. with a planned installed capacity of 21.15 GW, and Guizhou Wujiang River Hydropower Development Co., Ltd. with an installed capacity of more than 8 GW.

III . Case of Responsibility: Releasing propagated fish and building environment-friendly hydropower

1. Background of the activity of the propagation and release of fish

The Yangtze River is the third largest

river in the world and also the river richest in aquatic organisms in China. There are 338 varieties of freshwater fish in the Yangtze River valley, accounting for nearly 1/3 of the national total and 60.36% of the fish species endemic to China. Over the years, the fish resources in the Yangtze River have been threatened by flood storage, reclamation, environmental pollution, overfishing and shipping construction. In the water system of the Yangtze River, rare and endemic fish species were abundant in the upper reaches of the river in the 1970s. Starting from the 1980s, however, the quantity of many species groups decreased noticeably so that they gradually lost value for the fishery because of the drastic reduction of germplasm resources. In 1989, the Gezhou Dam Hydropower Station was completed, completely blocking the mass migration pathway of Chinese sturgeons and causing it to become extinct in the upper reaches of the Yangtze River. In 1994, the commencement of the Three-Gorges Dam project produced an adverse impact on about 40 species of fish, causing a reduction in their population. The development focus of the Yangtze River moved up from the Three Gorges to Jinsha River and the tributaries in its upper reaches, seriously affecting the rare and endemic fish species in the upper reaches of the Yangtze River.

The propagation and release of fish means the liberation of wild fish into natural waters where fishery resources have declined after artificial propagation or breeding under artificial conditions to restore the natural population. To restore the abundance of fishery resources in natural waters, conserve biological diversity and maintain ecological balance, China launched the propagation and release of prawns first in the Yellow Sea and Bohai Sea in the 1950s. Thereafter, continuous fish propagation and releases of a certain scale were carried out in coastal and

inland waters.

Since its incorporation on December 29, 2002, Huadian has witnessed progress in leaps and bounds in the construction of hydropower projects. In the process, the leaders of Huadian have made the deep realization that hydropower development has resulted in the disappearance of habitat in the rapids of canyons and had a very serious impact on the large quantities of fish living in such waters, especially the fish that must propagate in moving water. It has been realized that hydropower development must keep to the track of sustainable development, and that it is imperative that a high value be placed on water and soil conservation and ecological protection in rivers such as Wujiang and Jinsha. To mitigate the adverse impact on fisheries resources caused by hydropower project construction, Huadian optimizes the design of projects and conducts the propagation and release of fish in hydropower development and construction, making the best endeavors to protect the ecological environment.

“The propagation and release of fish protects ecological balance and is an initiative that benefits the people. We will carry it out for the long term”, noted General Manager Yun Gongmin of Huadian. The activity is aimed at protecting aquatic wildlife, increasing fisheries resources, further enhancing the awareness of the whole society for protecting resources and the environment and promoting the harmonious development of man and nature. Meanwhile, it is also a specific materialization of the in-depth study and implementation of the philosophy of scientific development, a furtherance of the spirit of the “Outline for Conservation of Aquatic Organism Resources in China” of the State Council and a fulfillment of the duties of social responsibility falling on the central enterprises.



中国华电集团公司
CHINA HUADIAN CORPORATION

Website:
www.chd.com.cn/

Sector:
Electricity

Country:
China

Global Compact Signatory Since:
Feb. 17, 2009



Figure 4-2-1 Huadian emphasizes the harmony of human being and nature in the construction of Guangzhao Hydropower Station. Huadian built the first multi-level-pumping dam in China for the protection of the ecological environment of fish.



Figure 4-2-2 To improve the survival, propagation and ecological environment of the aquatic organisms in the basins, the enterprises of Huadian in Guizhou spent a total of 150 million yuan building fish propagation and release stations at Suofengying and Silin, which have multi-purpose buildings, pump rooms, head tanks, workshops for parent fish breeding, induction, incubation and fingerling breeding, open breeding pools for grown fish, live bait breeding pools and ancillary hydropower works.

2. Main approaches for the propagation and release of fish

For purpose of the propagation and release of fish, Huadian pays close attention to the whole process of the design, approval and construction of hydropower development projects and the coordination between different components.

A. Optimization of Hydropower Project Design

The propagation and release of fish has raised new and higher requirements for optimizing Huadian's design of hydropower projects. To ensure the smooth implementation of the propagation and release of fish, Huadian persists in "justified obtainment, moderate use, acting according to circumstances" for scientific development of resources and selection of hydropower development modes to weave the concept of environmental and ecological protection into every link of hydropower project development and construction. Huadian carefully conducts the evaluation of the environmental impact of new projects. Simultaneous with the planning and design of projects, plans are drawn up and measures taken for water and soil conservation and protection of biological diversity and vegetation. Project design is optimized according to the principle of favoring ecological protection. While developing hydropower in the basins of Wujiang River in Guizhou and Zagunao in Sichuan, Huadian committed itself to environmental protection by developing clean energy and building an environmentally-friendly hydropower park. It also took measures to protect terrestrial and aquatic organisms according to the requirements of the environmental impact report and official reply thereto. Further measures were taken to conserve water and soil according to the report on the water

and soil conservation plan, which combines engineering measures and plant measures, and the official reply thereto to effectively prevent any soil erosion that may be caused by project construction, ascertain the objectives of ecological protection and work hard to design and build environmentally-friendly hydropower projects.

When constructing Guangzhao Hydropower Station on Beipan River, Huadian Qianyuan Power Co., Ltd. optimized its hydropower design plan and invested about 160 million yuan in environmental protection, accounting for about 2.3% of the total investment. This including 68 million yuan spent on building a multi-level pumping facility, which is the first such dam built in China to protect the ecological environment of fish; 35 million spent on building a fish propagation station; and 900,000 yuan spent on the relocation of the rare plants and ancient trees in the reservoir area. The continuous optimization of hydropower construction projects has created conditions for the propagation and release of fish and provided an excellent environment essential for the survival of fish.

B. Strengthening the research and management of the propagation and release of fish

At present, the artificial propagation technology has not yet succeeded or is immature, for the research on many rare and endemic fish species has not been deep enough and understanding of their behavior is limited. Huadian has made adequate investigations and demonstrations with regard to the feasibility and effect of the propagation and release of fish to secure sufficient attention from project owners and all social sectors. This will mean that more experts and scholars can take part in this scientific research for the sooner maturity of the technology of artificial propagation and release of fish. After prolonged and

substantial investigations and repeated demonstrations, Huadian pointed out in the Environmental Assessment Report for the Ahai hydropower construction project that the habitat suitable for the propagation and release of fish does exist in the middle reaches of Jinsha River. It was reported that the question is how to balance the development and protection of the main stream and the tributaries. The report further showed that the appropriate habitat can be ensured for the propagation and release of fish, provided that the planning and development of tributaries are sufficiently attended to and related to the planning and development of the main stream. In the planning and environmental assessment for the hydropower development in the upper reaches of Nujiang and Jinsha Rivers, Huadian called for selective and limited development of the water energy resources in the basins and the reservation of flowing water habitat of a certain area between the power stations to substantially alleviate the adverse effects caused by hydropower development and prevent the decline of local rare and endemic fish species.

Huadian strengthened the fundamental research on the domestication and propagation of rare and endemic fish, including research on artificial domestication and propagation techniques and breeding techniques for fingerlings, grown fish and parent fish. Reflecting the strengthened management of the propagation and release of fish, all hydropower development companies have set up dedicated management organs for environmental protection, which are responsible for the construction and management of fish propagation and release stations and the implementation of fish propagation and release efforts. To improve the survival, propagation and ecological environment of the aquatic organisms in the basin, Huadian Wujiang Company set about research on fingerling propaga-

tion in 2006 and in 2007, started and completed research on the aquatic ecology of the Wujiang River through a scientific research institute. The enterprises of Huadian in Guizhou spent a total of 150 million yuan building the fish propagation and release stations at Suofengying and Silin. These stations have multi-purpose buildings, pump rooms, head tanks, workshops for parent fish breeding, induction, incubation and fingerling breeding, open breeding pools for grown fish, live bait breeding pools and ancillary hydropower works. The focus is on the propagation and release of such rare fish species as *Procypris rabaudi*, *Onychostoma sima*, *Spinibarbus sinensis* and *Leptobotia elongata*. The annual quantity of released fingerlings has reached 90,000 and the effect is monitored in a period of propagation and release as long as 20 years. These are among the fish propagation and release stations of China with most standardized management and most advanced equipment, receiving full affirmation from the Ministry of Environmental Protection and the related departments of Guizhou Province.

C. Establishing a long-term mechanism for the propagation and release of fish

Huadian regards the propagation and release of fish as an important measure in exercising social responsibility and protecting the ecological environment, which it has been doing regularly each year since 2007.

The end of 2008 saw the completion of the rear land facilities of phase I of Huadian Kemen Storage and Transport Center and two dedicated coal piers on the southern bank of Luoyuan Bay, Fuzhou Port. To protect the aquatic ecological system in the bay and promote the harmonious coexistence of man and nature, Huadian Kemen Storage and Transportation Company contributed 400,000 yuan in 2009 and



Figure 4-2-3 On May 20, 2009, Fujian Huadian Storage and Transport Co., Ltd. released about 1.02 million large yellow croakers in the waters around Kemen in Luoyuan Bay, becoming the first Fujian-based enterprise to take part in the propagation and release of fish



Figure 4-2-4 On August 7, 2008, Huadian Wujiang River Hydropower Development Co., Ltd. released 170,000 individuals of rare fish species, including *Procypris rabaudi*, *Onychostoma sima* and *Spinibarbus sinensis*, simultaneously in the reservoirs at Dongfeng, Suofengying, Wujiangdu and Silin of the Wujiang River

signed an aquatic breeding contract with Luoyuan Changsheng Aquatic Breeding Company. On May 20, the company released about 1.02 million large yellow croakers of about 6 cm in length into the waters around Kemen in Luoyuan Bay, becoming the first Fujian-based enterprise to take part in the propagation and release of fish. Following this release, the company will also release *Enneapterygius penicillatus* and seed oysters.

Huadian Wujiang River Hydropower Development Co., Ltd. undertakes the development of the water resources in the basin of the river and has to date built six large hydropower stations at Hongjiadu, Dongfeng, Suofengying, Wujiangdu, Goupitan and Silin. On August 7, 2008, the company released 170,000 individuals of rare fish species, including *Procypris rabaudi*, *Onychostoma sima* and *Spinibarbus sinensis*, simultaneously in the reservoirs at Dongfeng, Suofengying, Wujiangdu and Silin of the Wujiang River. This is the first time that the company has performed a large-scale release of rare and endemic fish in a concentrated way

throughout the whole basin. In the future, the enterprises of Huadian in Guizhou will release over 600,000 fingerlings at the fish propagation and release stations at Suofengying and Silin regularly each year to form a long-term mechanism for the effort.

The fish propagation and release project of Huadian has protected both terrestrial and aquatic organisms and promoted the harmonious development of enterprises and nature. The hydropower projects of Huadian in the Wujiang River valley have been included into the pilot projects of the Ministry of Environmental Protection and took the lead in China to complete the post-evaluation of the environmental impact of hydropower development, becoming a model recommended by the ministry.

3. Social Assessment

In the exercise of social responsibility, Huadian adheres to sustainable development as the core. While focusing on the enhancement of economic and

social benefits, Huadian focuses even more on enhancing environmental benefits and has long persisted in carrying out the fish propagation and release projects, winning praise from people of all walks of life. Mr. Liu Hanqin, Vice President of Wuhan Water Engineering Ecology Research Institute of the Chinese Academy of Sciences, said: "The fish propagation and release stations of Huadian have reached an advanced level in the country in terms of equipment, technology and management. They are worthy of the title of model projects for the propagation and protection of the rare fish of China." Zhu Hong, an expert of the Ocean and Fishery Bureau of Fujian Province, stated: "This is the first time that an enterprise in Fujian Province has taken part in the propagation and release of fish on its own initiative. The voluntary exercise of social responsibility by Huadian Storage and Transport Company reflects the high degree of awareness of Huadian people for environmental protection and social responsibility. That should be commended and emulated."

To be a Highly Responsible and Respectable Company with Global Presence:

Sinochem Group

I . Message from President

As one of the state-owned enterprises under the supervision of the Central Government, Sinochem Group believes that it shall not only give back to the country with impressive achievements, to retain and appreciate the value of state-owned assets, but bear political and social responsibilities without hesitation, to contribute to national economic development and social harmony and progress. Therefore, in 2003, Sinochem Group conceived a concept of “constructing a great respectable company with global presence” and integrated the connotation of social responsibility into Sinochem Group’s development mission: to be a “hi-tech, resource-saving and environment- friendly” paradigm in the industry; to be a significant support for national agricultural security, energy security and chemical technology advance; to be a great responsible and respectable company with global presence.

On the basis of such philosophy, Sinochem joined Global Compact on Oct. 1st, 2009, and on the basis of Ten Principles, it has set up concrete objectives of social responsibility: repaying the shareholders and appreciating the value of assets, to be a state-satisfying enterprise; serving the customers and cooperating with others, to be a customer-relying enterprise; caring for the staff and developing together with them, to

be a staff-favoring enterprise; protecting the environment and saving the resources, to be a nature-friendly enterprise; following the law, respecting the ethics and benefiting the public, to be a society-respecting enterprise.

To achieve such objectives, Sinochem Group has integrated them into its development strategy, combining them with its routine operations. Also, Sinochem Group has established a Corporate Social Responsibility Committee dedicated to planning, supervising and evaluating the implementation of its work on social responsibility, ensuring its work on social responsibility is promoted in light of predetermined objectives. Moreover, to enable stakeholders to fully understand its philosophy of social responsibility and performance of such responsibility, Sinochem Group released in 2007 its first social responsibility report, among the first state-owned enterprises under the supervision of the Central government making their corporate social responsibility reports available to the public. Since then, Sinochem Group has been continuing to issue its social responsibility report annually, to realize its exchange and interaction with stakeholders and improve its work on social responsibility.

II . Company Profile

As one of the key state-owned enterprises under the supervision of SASAC



Mr. Deshu Liu, President & CEO



中国中化集团公司
SINOCHEM GROUP

Website:
www.sinochem.com/

Sector:
conglomerate,
focusing on agriculture,
energy, chemicals, finance,
real estate

Country:
China

Global Compact Signatory Since:
Oct. 1, 2009

(State-owned Assets Supervision and Administration Commission of the State Council), Sinochem Group has been named to "Fortune Global 500" for 19 times, ranking the 170th in 2009.

Sinochem has five business segments including agricultural, energy, chemical, real estate and finance. It is China's biggest integrated agricultural company with fertilizer, pesticide and seed product. It is China's fourth largest oil company and leading chemical service provider. It also enjoys strong influence in China's high-end commercial real estate market and non-banking financial market.

Sinochem has more than 200 branches and subsidiaries both in China and abroad, among which, there are three listed companies, namely Sinochem International (SSE, 600500), SinoFert (HKEX, 00297), Frashion Properties (HKEX, 00817). In June 1st, 2009, Sinochem made a major move to inject most of its assets into a shareholding entity "Sinochem Corporation".

Since its inception in 1950, Sinochem Group has been committed to create value for the nation and the society, by carrying on its key philosophy of "Creating Value, Pursuing Excellence". In October 2009, Sinochem joined the United Nations Global Compact (UNGC), and has strictly complied with the ten principles of UNGC.

As a petrochemical company, Sinochem pays particular attention to honor its commitment to environmental protection. Actively undertaking the environmental responsibilities resulted from the closure of USAC is a typical case in Sinochem Group's way of "going out", which builds a good image of China enterprises in the world.

III . Case of Responsibility: A 50-year Commitment

1. Background of USAC case

Since 1980s, the import of phosphate fertilizer into China depended highly on USA. In 1989, in order to satisfy domestic agricultural needs, Sinochem acquired all the assets of the agri-chemical branch of US Steel Company, on the basis of which US Agri-Chemical Co., Ltd (hereinafter referred to as USAC), a wholly-owned fertilizer manufacturer of Sinochem Group, was established in Fort Meade, Florida.

Since its establishment, USAC had totally exported more than 5 million metric tons of phosphate fertilizer to China, ensuring on-schedule and on-demand supply to China market especially when the market was suffering a lack of source of goods, making considerable contributions to China's agricultural development. In addition to China, the products of USAC were exported to some other countries, achieving certain success in international fertilizer trade.

Since 1999, however, the global phosphate fertilizer market had slumped into a low ebb, the price of raw materials ascending and the sale price descending. As a result, the whole industry suffered the severest difficulties over the past ten years. Lots of phosphate fertilizer enterprises in USA were forced to stop production and closed down. USAC was also exposed to great loss in successive years which would get worse in case of continual production. In such case, Sinochem Group decided to close USAC, following deliberate consideration. On 13th October 2005, Sinochem Group and the Mosaic Company signed the final agreement, the latter purchasing the equipment and some residual ore reserves of USAC.

According to the law of Florida, USA, the closure of a fertilizer plant must be accompanied by corresponding environmental responsibilities. Complicated design, measurement and calculation found that 5 years would be spent on the closure of USAC and 50 more years be required for environmental monitoring as from the completion of closure, the total cost approximating USD 200 million. However, according to the US law, when the trade of assets is finished, Sinochem Group is entitled to declare the bankruptcy of USAC and then exit, leaving all the environmental difficulties in the closure of USAC to local government. A great deal of enterprises in Florida adopted this method.

Under the circumstances, Sinochem Group must decide between evasion of responsibilities and undertaking great environmental responsibilities. After serious discussion, Sinochem Group determined to provide funds for performing environmental responsibilities, to express China enterprises' respect to laws of other countries and their sense of social responsibility and safeguard the good image of enterprises and the Government of China.

Consequently, the closure of USAC was officially announced in November 2005.

2. Environmental responsibilities in USAC case

Environmental responsibilities in close-down of USAC mainly relate to:

A. Sealing off the gigantic phosphogypsum stacks

The production of 1 ton of phosphate is accompanied by about 5 tons of phosphogypsum which contains fluorine, phosphorus and various harmful heavy metals and is slightly radioactive.

According to US environmental protection laws and rules, phosphogypsum shall, inappropriate for other purposes, pile up at a phosphogypsum stack which will be sealed off when its service life ends or its production is stopped. USAC established two phosphogypsum stacks in its Fort Meade plant, piled with about 70 million tons of phosphogypsum. These two stacks shall be closed off when USAC started its closure process and be subject to 50-year maintenance and monitoring. In addition, another USAC phosphogypsum stack that had been closed off should be subject to long-term monitoring.

The gypsum stacks' closure means surface and slope level-off, surface infiltration protection, installation of drainage system at the slope and the bottom, soil and grass paving, etc. After their consumption, it will take another 50 years to maintain and monitor the stacks and the condition of surface water and underground water around them.

B. Treatment of process water

When USAC stops its production, around 1.2 billion gallons of process water are still stored in the pond of its Fort Meade plant. Besides, more process water has been adsorbed in the gypsum stacks and will be gradually released after the plant stops its production, totaling to 2.2 billion gallons or so. Moreover, rainfalls during the close-down of such stacks will produce about 1.5 billion gallons of new process water (rainwater is polluted in the stack system and becomes part of process water). In conclusion, the total amount of process water comes to about 4.9 billion gallons.

Circularly utilized during USAC's production of phosphate, the process water is highly acid (its pH value is close to 1) and contains high-concentration fluorine, phosphorus and tiny harmful heavy metals such as arsenic and chromium, as well as a bit of

radioactive elements. Therefore, the environmental protection authority has formulated strict process water discharge standard. To comply with such standard, the plant needs to conduct two levels of lime neutralization against such process water, eliminating most of the fluorine, phosphorus and various harmful heavy metals. Following lime neutralization, reverse osmosis or other methods will be adopted to reduce electrical conductivity, so as to satisfy the discharge standard. In the course of treatment, a great deal of sludge will be generated and need be arranged in a stack.

C. Other environmental work and related management

Apart from the above two aspects, USAC shall also clean up and monitor the plant in accordance with local environmental protection regulations. A small staff team shall be maintained within the close-down period, to ensure smooth closure.

3. Work done in USAC case

From November 2005 up to date, Sinochem Group has invested over USD 82 million in environmental protection following the closure of USAC, including:

Firstly, About 2.1 billion gallons (8 million m³) of process wastewater was treated and discharged. Water treatment is the most difficult and expensive thing to do during the closure. Infiltration protection materials must be placed on all the horizontal surfaces to prevent rainwater from pollution and enable the same to drain into nearby rivers. Because rainwater runs off at extremely low speed, it will take 50 years to conduct maintenance. According to preliminary calculation, treatment and discharge of remaining process wastewater in USAC process water



Figure 4-3-1 The wastewater before treated



Figure 4-3-2 The wastewater after treated



Figure 4-3-3 The gigantic phosphogypsum stacks before sealed off



Figure 4-3-4 The gigantic phosphogypsum stacks after sealed off

pond may be totally completed by the end of 2010.

Secondly, Two gypsum stacks in Fort Meade plant were sealed off. Early completion of stack sealing-off resulted in about 450-acre decrease in rainfall-affected area, reducing greatly the amount of process water that should be treated as a result of pollution of rain-water falling on the stacks.

Thirdly, A greater part of the plant was demolished and cleaned up, without any security and environmental accident.

Currently, Sinochem Group continues to treat and discharge the process water exuding from gypsum stacks and monitor relevant environmental protection monitoring points, honoring the “commitment of 50 years”.

4. Repercussion and significance of USAC case

A globally influential enterprise shall focus its attention not only on product and profit but also on the recognition of social responsibility, merging into and caring for the community, and benefits of its staff. The fact that Sinochem Group chose to close down USAC and deal with the environmental difficulties produced a positive reaction from local government, residents and social groups.

“Without Sinochem Group, USAC would not choose to bear such loss and had no financial strength to complete its closure. Sinochem Group is important for USAC, its staff here and the communities in Fort Meade, even for the whole Florida, because it guarantees that the gypsum stacks in Fort Meade and Bartow will not allow any harmful substances to drain from them and not cause any pollution or any damage to local people. Sinochem

Group pays attention to such problems and cares for the people here,” said Rooney Powell, USAC Financial Director.

“We have great expectations of Sinochem Group and USAC. I believe, if civilians and social groups in Florida get to know that such a responsible company will make so many years of efforts in silence behind them, to protect the ecological environment in Florida from degradation, they will certainly be grateful,” said Sam Giomani, officer of Florida Department of Environmental Protection.

“USAC undertakes great responsibility in the community. To come into the society is also a method for giving back to the society. USAC returns us so much. I believe they will win respect. And I think when they came to the municipal commission and told us what they would do for environmental protection, they have obtained our respect and love,” said Melanie Bell, Ex-mayor of Fort Meade.

“Many people know that Sinochem is a big company ... I think the efforts of Sinochem form a friendly attitude in the community towards China,” said Terry Worthington, President, United Way of Florida, a social welfare entity.

Although USAC is closed for the purpose of the market, Sinochem Group takes concrete actions to perform the solemn commitment made by a responsible multi-national company of China, safeguarding the good image of China enterprises in the world. Sinochem Group pays certain economic cost for this, but in the long run, such cost is of positive significance for keeping the image of China enterprises and of China, and consolidating and promoting Sino-US relationship. What Sinochem Group does sets an example to those China enterprises that want to “go out” and are determined to grow into world corporation groups.

Chapter V

>> Case Story on Low-Carbon Economy



Contributing to Green Energy and Serving the Public:

China Power Investment Corporation



Mr. Qizhou Lu, General Manager

I. Message from General Manager

China Power Investment Corporation (“CPIC”) joined the UN Global Compact on June 1st, 2009. Saving resources and protecting the environment constitute the most fundamental requirements posed by the Ten Principles of Global Compact and by the outlook of scientific development for energy enterprises. Environmental protection is the paramount consideration for contemporary hydropower construction. When it was first established, CPIC earnestly set out its corporate spirit of providing green energy and serving the public. The resolve to provide the society with quality and clean energy products and the value orientation of undertaking the social responsibility characteristic of State-owned enterprises of serving the public reflect the values of the development strategy of CPIC, so relevant to our age. In its six years of development, CPIC has always optimized power source structures and worked hard to develop clean renewable energy as required by the outlook of scientific development. After years of effort, CPIC has achieved an installed proportion of hydropower of 22%, the highest of the five largest power generation groups.

II. Corporate Profile

Established in October 1999, Yellow River Upper Reaches Hydropower Development Co., Ltd. (“Yellow River Company”) is a large comprehensive energy enterprise under the control of CPIC and undertakes the development, construction, production and operation of hydropower in the upper reaches of the Yellow River and the upstream/downstream electric power industries, with 5,578 employees, an installed capacity of 8 million KW and 43.5 billion yuan of assets.

Water energy resources abound in the upper reaches of the Yellow River. The section from the outlet of Erling Lake to Qingtong Gorge Hydropower Station in Ningxia is 2,383km long and has a fall in altitude of 3,135m. The plan is to arrange 37 to 38 cascade hydropower stations (primary or secondary development in the Heisanxia river stretch), with a planned installed capacity of 25.4395 GW and an annual power generation capacity of 94.82 billion kWh. This is a rich source of hydropower famous in China and one of its 12 largest hydropower bases. CPIC has decided on the hydropower industrial cluster in the upper reaches of the Yellow River as one of its six major industrial clusters for strategic development and is going all out to create a major base of clean energy for west-east power trans-

mission in China.

After the development and construction carried out by Yellow River Company as its mainstay in the past decade, the hydropower development in the upper reaches of the Yellow River has entered a golden age and the installed capacity in the basin has doubled from over 5 million KW in 1999 to over 10 million KW today. The present average annual power generation capacity of Yellow River Company has reached 26 billion kWh. According to calculation based on an average coal consumption of 345g for every kWh of power supply in China in 2008, 8.97 million tons of coal can be saved each year, meaning a reduced emission of carbon dioxide of at least 23.96 million tons. The effect in energy saving and emission reduction is marked, making the company a vanguard in the construction of a resource-saving and environmentally-friendly society in the northwestern regions.

III. Case of Responsibility: Active development of a low-carbon economy and sci- entific development of Yellow River hydropower

The active development of a low-carbon economy for providing green energy and serving the public is the ultimate aim of CPIC Yellow River Company in its scientific development of the hydropower resources of the Yellow River. Over the years, during the development and utilization of the hydropower resources in the upper reaches of the Yellow River, CPIC Yellow River Company has persisted in the principle of focusing on both economic development and environmental protection to help transform the advantages of the western regions in hydropower resources into industrial and economic advantages. After its accession to the Global Compact, the company came to see

more clearly the great significance of sustainable development for enterprises, the environment and the society. In the course of operations, it has taken various preventive measures to meet environmental challenges and undertake the responsibility for environmental protection on its own initiative.

1. Turning the advantages of the natural environment into the advantages of environmental development to effectively utilize the water power resources in the upper reaches of the Yellow River

Considering the important role of the natural environment inherent hydropower development itself, water storage and transfer should be able to solve the fundamental contradiction of the uneven spatial and seasonal distribution of water resources in China, mitigate flood disaster and alleviate the damage of drought. Meanwhile, the rational development and utilization of hydropower as far as possible is now the largest-scale, most practical, most economical and most efficient mode of utilizing renewable energy in the world. It is also the most effective mode of energy saving and emission reduction.

The upper reaches of the Yellow River feature concentrated riverway falls, abundant water yield, stable runoff, low flood flow, low river load and good engineering geology conditions, forming the advantage of multiple reuse of water power resources for the cascade hydropower stations with basically connected water levels and water yield. Yellow River Company effectively controls the water yield and water head of the entire river stretch. This is done by leveraging Longyang Gorge Hydropower Station, located at the beginning of Longqing River section, which has a reservoir capacity of 24.7 cubic meters and fully utilizing its regulation



中国电力投资集团公司
CHINA POWER INVESTMENT CORPORATION

Website:

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Sector:

Electricity

Country:

China

Global Compact Signatory Since:
June. 1, 2009.



Figure 5-1-1 Laxiwa Station is the largest installation Capacity hydropower along the Yellow River

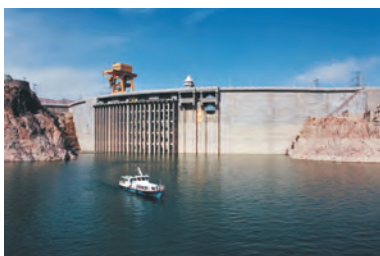


Figure 5-1-2 Longyangxia Hydropower Station with an installed capacity of 1.28 million kw

role in energy storage, flood control and river diversion, river closure, flood protection and water storage for the cascade power stations under construction in the lower reaches. This has lessened the objective contradiction of the imbalance in power supply during high and low water seasons so that the assured electric quantity of the cascade hydropower stations in the lower reaches of the river stretch accounts for 80% of the average electricity generated over the years. Additionally, it also plays a role in regulation and control in the flood prevention, ice prevention, irrigation and water supply of the Yellow River and in alleviating the dryout of the lower reaches. The tremendous effect of regulation has brought huge social, environmental and economic benefits to the power stations in the lower reaches and the areas along the river.

Firstly, the effective re-utilization rate of water resources has been raised to boost the industrial and agricultural development in the areas along the Yellow River. Thanks to the united regulation of the cascade power station reservoirs in the upper reaches of the Yellow River, the no-dryout assurance rate for the lower reaches of the Yellow River has risen from 54% to 80%. This means that the effective water supply to Ningxia and Inner Mongolia can increase by 1.7 billion cubic meters each year and the irrigation assurance rate of the irrigated areas can rise from 31.25% to 86.25%, benefiting more than 7 million mu of farmland. In addition, the effective water supply to the provinces and cities in the lower reaches has increased by 700 million cubic meters each year and the assurance rate of water supply throughout the year has risen from 56.25% to 80%. So far, no dryup has occurred for 10 years running since unified regulation of the Yellow River water supply quantity was implemented in 1999. The ecological state of the Yellow River Valley that was once deteriorated

has improved, increasing the assurance rate of water for industrial and agricultural purposes and irrigation on both banks of the Yellow River and, to an extent, satisfying the water needs of industry and urban and rural people.

Secondly, the sand content of the river water has lowered, effectively improving the water quality of the Yellow River. The sediment effect of the reservoir areas of completed large hydropower stations at Longyang Gorge, Lijia Gorge and Gobo Gorge has increased the flow to the middle and lower reaches of the Yellow River, greatly reduced the sediment discharge from the upper to the middle and lower reaches, caused a 31%~48% increase in the sediment holding capacity during the low water season, lowered the sediment discharge of the Yellow River by about 61% and tremendously expanded the water environment capacity of the river stretch during the low water season, ensuring the quality of the water supplied to areas on both banks of the Yellow River. At present, the effective sediment of the cascade reservoirs in the upper reaches of the Yellow River has created the spectacular sight of limpid water in the Yellow River in Qinghai.

Thirdly, the incidence of flooding and ice runs has been reduced, effectively preventing natural disaster. The regulation reservoirs built at Longyang Gorge and Lijia Gorge make adequate use of their flood control capacity to reduce the peak flood flow in the upper reaches of the Yellow River. This has greatly raised the flood control standard of the medium and large cities in the upper reaches of the Yellow River, downsized the flood discharge buildings and river diversion facilities of other cascade hydropower stations and played an enormous role in reducing the loss of life and property in the lower reaches. Meanwhile, the temperature of the water discharged from the reservoirs in winter

is markedly higher than what it was before the reservoirs were built so that the destruction rate of ice runs has fallen from 86.08% ~100% to 11.77% ~18.23%. Furthermore, the average river freeze-up date during the ice season has been delayed, the average unfreezing date has been brought forward and the number of freeze-up days has decreased. For example, since the Yanguo Gorge Hydropower Station was put into operation in 1961, the river stretch at Lanzhou does not freeze any longer and the completion of Qingtong Gorge reservoir has also prevented a stretch of tens of kilometers down the river from freezing.

2. Developing hydropower resources in a scientific manner and building environmentally-friendly projects

Developing the “mother river” to benefit the people is the starting point and final aim of Yellow River Company in developing hydropower. At every link of development, Yellow River Company makes every effort to build environmentally-friendly projects, give full consideration to the environmental impact of its operations and reduce the negative environmental impact to the minimum.

A. Raising the comprehensive efficiency of resources through scientific planning and development

Using the two power stations at Longyang Gorge and Lijia Gorge as parent power stations, Yellow River Company conducts rolling development of the hydropower in the upper reaches of the Yellow River. In view of the conditions of the hydropower resources in the upper reaches of the Yellow River, the supply and demand situation of the electricity market and the requirements of sustained social development, the company has made scientific analysis and formulated the development plan

and strategy under the environmental protection guideline of “rational development of hydropower on the basis of ecological protection”. This strategy requires “planning a batch, preparing a batch, building a batch and operating a batch” for rolling development, strict compliance with the principle of “stressing both development and protection”. Also required is the strict implementation of the technical specifications for hydropower environmental protection and an environmental assessment system and incorporation of the concepts of “harmonious development of man and nature” and environmentally-friendly projects. With the aim of orderly, rational and scientific development, these approaches are integrated into all stages and aspects of cascade power stations, including planning, design, construction, production and operation.

Today, the company has grown from an installed capacity of merely 2.88 million KW at the time of its establishment into a hydropower cluster in the upper reaches of the Yellow River, which is composed of seven completed medium and large-sized cascade hydropower stations located at Longyang Gorge, Lijia Gorge, Gongbo Gorge, Suzhi, Yanguo Gorge, Bapan Gorge and Qingtong Gorge, plus four cascade hydropower stations in Datong River Valley. More projects are under development and construction, including the hydropower stations at Laxiwa (four generator sets commissioned), Jishi Gorge and Bando, the class- II hydropower stations at Jiading, Nazi Gorge and Jinsha of the Datong River Valley, and the cascade hydropower stations in the upper reaches of Jialing River. The installed scale reaches 8 million KW and the annual designed power generation capacity exceeds 26 billion kWh, plus an in-progress scale of some 3 million KW. Longyang Gorge Power Station with an installed capacity of 1.28 million KW is the leader of the



Figure 5-1-3 The Gongbo Gorge Hydropower Station with a beautiful view

power stations in the upper reaches of the Yellow River. Gongbo Gorge Power Station with an installed capacity of 1.5 million KW is the starting power station for west-east power transmission; the in-progress Laxiwa Hydropower Station with a total installed capacity of 4.2 million KW is the largest of all the power stations in the Yellow River Valley and a strategic project for west-east power transmission.

B. Implementing the philosophy of environmental protection by optimizing design and construction

At the project establishment and design stages of power stations, Yellow River Company first performs an in-depth assessment of environmental impact by carefully fulfilling the tasks related to local climate, landslide, soil, terrestrial plants and animals, aquatic organisms and cultural relics. This helps to raise the development and construction standards for environmental protection as well as the planning and design and make sure that the environmental protection of the power stations is thorough-going, meticulous, scientific, appropriate, successful and effective.

During the construction of power stations, Yellow River Company tightly enforces the environmental protection policy in all engineering activities strictly pursuant to the laws and standards for environmental protection. The company conducts environmental protection consulting and environmental surveillance according to the principle of the concurrent design, construction and operation of environmental protection facilities and the main works, and establishes and improves the assessment index system for environmentally-friendly hydropower. It strengthens the implementation and supervision of the measures for the environmental protection of hydropower stations and achieves high standards of pollution prevention and conservation

of water and soil. Finally, Yellow River Company makes sure that the projects meet national and local requirements for environmental protection during both construction and operation, thus ensuring a satisfactory implementation result of the environmental protection plan of the projects.

C. Strengthening environmental monitoring and control, and improving the environmental protection system

Yellow River Company establishes the environmental monitoring system during the development and construction of hydropower stations to monitor any bank slump of the reservoirs after storage of water. After completion of the power stations, the company carries out environmental monitoring with regard to sediment, hydrology, meteorology, water quality, water temperature, terrestrial organisms and aquatic organisms (including fish). To ensure the effectiveness of the environmental protection measures of power stations, Yellow River Company has set up the supervision and review system with its focus on environmental supervision, to ensure that construction works are undertaken professionally and with due care and that environmental protection measure are implemented. The company has introduced a third party supervision system to place the environmental protection during project construction under whole-process consulting, supervision and management and give play to the effect of external supervision. It has established a management system for project environmental protection with the project owner as core and improved the management system for environmental protection during project construction. Finally, it has strengthened the binding force of environmental protection indicators to hold the leaders of the contractors accountable for environmental protection and have the contractors strengthen their internal supervision efforts. These measures have

helped to eradicate the problems of past hydropower project construction, which was characterized by poor awareness for environmental protection, insufficient implementation of measures, ineffective supervision and inspection, and dirty and chaotic worksites. Professional departments have been authorized to take measures for environmental protection in the settlement areas of migrants, achieving marked effect.

Gongbo Gorge Hydropower Station, the first mega-class hydropower station built by Yellow River Company, is the epitome of environmentally-friendly construction of hydropower. In the domestic hydropower industry, the company is the first to put forward and strongly promote the idea of “ensuring safety, quality and environmental protection through civilized construction” and has achieved good results. Gongbo Gorge Hydropower Station is one of the 13 national pilot units for environmental supervision of key projects designated by six ministries/commissions, including the State Environmental Protection Administration. During the construction of the project, a number of effective measures for environmental protection were drawn up for prevention of air pollution, noise control, disposal of solid wastes, human health, vegetation protection and conservation of water and soil. These strictly complied with the requirements of the Report on the Environmental Impact of Gongbo Gorge Hydropower Station to protect the water body of the Yellow River from pollution, provide “reassuring water” for the masses in the lower reaches and promote the protection of the diversity of the plants and animals around the reservoir area. What is in direct proportion to the expansion of the scope of environmentally-friendly projects and the deepening efforts is the investment in environmental protection. This reached 112 million yuan in the final accounts of completed projects, double the 58 million yuan of the investment

budgetary estimate. In 2008, a national award presentation assembly for environmentally-friendly projects was held in the Great Hall of the People and the Yellow River Gongbo Gorge Hydropower Station project of CPIC was the only hydropower project of the 10 projects commended. At the 60th anniversary of the National Day, it was also named as one of the “100 Classic and Quality Projects Marking the 60th Anniversary of the Founding of New China” and won the National Award for Environmentally-friendly Project, the Honorary Certificate of National Environmentally-friendly Projects.

D. Taking control measures to reduce environmental pollution of all types

In project construction, the investment in environmental protection has been increased for the disposal of sewage, dregs, domestic garbage, dust and soot as well as noise control to ensure design, construction and commissioning of pollution preventing facilities which is concurrent with the main works and to strive to create exquisite works of environmental protection.

In the construction of Gongbo Gorge Hydropower Station, Yellow River Company took all-round measures to prevent soil erosion and specially designed excavation, filling and side slopes for dregs. After completion of construction, the company restored the site and conducted greening by following the principle of “acting according to circumstances for comprehensive utilization”. Firstly, the company carried out the environmental protection work for water conservation, including the construction of a sewage treatment plant and a water purification plant, greening of the production and living areas, regulation of dumping sites. It also planted highway protecting trees and constructed side slope protection so that the originally bleak landform has changed into beautiful parks and soil

erosion has been effectively controlled. Secondly, the company imposes strict control for energy saving and emission reduction after commencement of production. All the sewage from the living areas is treated before being used for greening and irrigation to achieve zero discharge of domestic sewage. Domestic garbage is recovered at designated places and times for transportation to qualified dump sites for classified landfill to realize zero storage of garbage in the plant premises, while the dump sites will receive backfill, remediation and greening after they are filled to capacity. The power generation plant buildings use as-cast concrete and a decoration-free process, saving a large amount of investment and creating a safe and healthy operation environment. In the plant buildings, generator sets are used to provide heat, while in the living and office areas, low-temperature radiant heater film is used for heating, obtaining marked effects in energy saving and environmental protection.

As the largest hydropower station on the Yellow River, Laxiwa Hydropower Station is large-scale in workload, dregs and dust. Therefore, the effective solution of all types of pollution problems is an important task in protecting the environment. In this connection, the company has taken a wide spectrum of measures.

Firstly, water conservation works for environmental protection have been fully implemented. The earth and stone excavation volume of the project is very large, reaching 15.227 million cubic meters. To properly dispose of the engineering dregs, four major dump sites, including the one at Yiheilong Ditch, were set up at the stage of power station construction design, which total a capacity of 14.7 million cubic meters. Meanwhile, permanent protective measures have been taken and 2.47 million yuan was invested in the dump

sites for implementation of environmental protection and water conservation works. The ditch used to have crisscross ravines and serious soil erosion. Now, however, both banks are protected securely by dreg dams with an average height of 30m and a length of 8,000 m. On the Yiheilong Ditch Dump Site, 200,000 cubic meters of earth was backfilled and 563,000 square meters of grass was planted. In the living areas of the power station, 70,000 trees and 172,000 square meters of grass have been planted, using a total of 500kg of grass seeds. Now, at Laxiwa Hydropower Station, people see blue sky, white clouds, blue water and lines of trees, forming a scene of harmony with nature.

Secondly, air pollution caused by construction is controlled. To reduce the dust and disturbed dirt created during construction, the company set up a dedicated team that periodically sprays water and took a number of measures according to local conditions. For example, the spraying of water is done periodically over the materials yard and dumping site to keep down the dust; a wetwork method is used for excavation of stones and earth; and the transportation and loading/unloading of cement, coal ash and dregs are done under cover as far as possible.

Thirdly, the pollution caused by garbage and sewage is effectively reduced. The domestic and production sewage treatment system of the power station was completed and commissioned ahead of schedule. To reduce the pollution, domestic garbage is collected in a centralized way and then carried to the landfill in Guide County for unified disposal.

Fourthly, noise pollution is controlled. For sources of loud noise, such as the aggregate screening, sorting and conveying system, the control method taken is a combination of installed silenc-



Figure 5-1-4 The lake on plateau improves the environment

ing hoods and the planting of noise and dust prevention belts of trees in the perimeter of the production area of the screening and sorting system. In the living areas of the power station and the geological prospecting teams that are close to traffic lines, speed limit and no horn signs have been set up, noise reduction belts of trees and grass planted and noise barriers built for some road sections. This has meant that the noise of the living quarters has achieved the grade-2 standard for environmental noise in urban areas, while the noise in the construction areas meets the limit of the noise standard for construction sites. In the construction of Laxiwa Hydropower Station, a series of environmental protection measures were taken to keep the environmental pollution at the stage of construction to a minimum.

The results of monitoring show that the air quality of the entire construction and living areas has reached grade-2 standard.

E. Effectively improving the ecological environment to promote eternal harmony between man and nature

In the process of pursuing the harmonious development of man and nature, Yellow River Company persists in ecological, comprehensive and sustainable development, focuses on ecological protection and improves local environments and the climate in neighboring regions through the large-area stored water of reservoirs. In this, the company emphasizes the role of strongly-regulating large hydropower stations in strengthening the conservation of water

Case on Protecting Fish Resources

Qinghai Province is situated on the plateau, where fish generally grow slowly, mature late sexually and lay fewer eggs. Once the population quantity drops drastically due to environmental destruction, it is very hard to restore in a short period of time. For the hydropower projects implemented recently in the upper reaches of the Yellow River, a fish propagation station was included into the plan to effectively lower the adverse impact caused by the water conservancy projects and achieve considerable economic benefits. To effectively solve the impact on the aquatic organisms in the river basin caused by the cascade development, Yellow River Company entrusted a professional institution with the investigation and research relating to the aquatic organisms in the river basin and took the lead to launch the protection of the rare fish species in the river stretch. So far, two fish propagation and release stations have been built at the Suzhi and Jishi Gorge hydropower stations, with a propagation scale of 2.28 million individuals. The two propagation stations are also the only entities engaged in the propagation and release of native fish in the upper reaches of the Yellow River and can now breed 800,000 fish per year, 500,000 of which are released, playing an important role in supplementing and restoring the fish resources in the natural waters.



Figure 5-1-5 The fish releasing site in Suzhi station of the Yellow River



Figure 5-1-6 Schizopygopsis pylzovi are being released into the Yellow River from the reservoir of Suzhi Hydropower Station

and soil and improving ecological environment.

As a result, conservation of water and soil is strengthened, and the ecological environment of the waters improved. As the cascade power station reservoirs in the upper reaches of the Yellow River began to store water one after another, large artificial lakes were formed and the area of wetland was increased. In the Longqing River stretch alone, the developed power stations have increased the area of wetland by about 600km² leading to the “reservoir effect” whereby rainfall, humidity and wind rose. This noticeably improved the ecological climate, living conditions and the growing environment of terrestrial plants in the surrounding areas and effectively mitigated a series of problems caused by the dryup of the Yellow River, such as shrinking riverway, reduction of aquatic organisms and dwindling wetland.

Efforts are made to increase vegetation coverage rate and effectively curb soil erosion. Yellow River Company has solved the fuel problem encountered by the population after conceding cultivated land to forest and grass through the development of hydropower resources in the Yellow River Valley and the use of electricity in place of firewood, reducing the damage to the ecological environment caused by human activities. Meanwhile, through the development and construction of power stations, trees and grass have been planted and are maintained where the projects are located and in surrounding areas so that the terrestrial plants around the reservoirs can grow better. On both banks of the Yellow River, the greenbelt coverage has increased by 150 hectares and soil erosion has been effectively curbed. In the past, on both banks of the upper reaches of the Yellow River, vegetation was rare, looking yellow all over in low water season and patchy in the high water season.

Now, however, the vegetation coverage on both banks of the Yellow River has increased. While the trees appear green and fresh, grass has begun to grow on the dry mountains, causing them to turn green gradually and effectively curbing soil erosion.

At the beginning of the construction of Gongbo Gorge Hydropower Station project, the planning and construction for garden-like beautification of the living quarters were carried out. The roads in the production and living areas of the project have been fully greened, while shrubs have been planted on the dam side slopes through spray-planting and transplanting to build a garden-like worksite. On the cold plateau with an annual rainfall of 200mm and an evaporation discharge of more than 2000 mm, 1.5 million shrubs have been planted successfully, as well as 323,100 square meters of grass planted and 120 mu of farmland restored. On the Qinghai-Tibet Plateau of inclement environment, the technique of biological germ spray-planting in additional soil was used, restoring 98% of the vegetation in the project area and obtaining a grass coverage of 35.01%, much higher than the 10% required by the environmental assessment report. To improve the quality of the ecological environment in the production and living areas and beautify the surrounding environment, these areas have been landscaped on the left bank of Gongbo Gorge Hydropower Station, where 23,000m² of grass and 716,000m² of arbors, shrubs and flowers were planted, including 4488 arbors of all varieties, 11,600 shrubs and 42,600m² of lawns.

F. Enhanced development benefits leading to marked improvement of social environment

In the past 10 years, Yellow River Company has blended the outlook of scientific development into project construction. The company has upheld the

principle that hydropower construction should help enable the people to share the fruits of development, help local social progress and help local ecological environmental protection while building clean energy bases of hydropower according to the goals of creating “clean energy bases” and a “green ecological corridor”. The result is that the construction of such bases and the exercise of social responsibility have proceeded hand in hand, bringing actual benefits to local people, driving the economic and social development in the northwest and the provinces and the autonomous region along the Yellow River and satisfactorily discharging the economic and social responsibilities of central enterprises.

Firstly, development is spurred on to accelerate the urbanization process of regions of ethnic minorities. Through out most of the upper reaches of the Yellow River are areas where ethnic minorities are concentrated. The demands of the construction and operation services and the living needs brought by the hydropower stations here have further accelerated the urbanization construction and improved the infrastructure conditions in local places. The appearance of the rural areas has been changed tremendously, and the urbanization process of these areas of ethnic minorities greatly furthered. For example, the construction of Laxiwa Hydropower Station has strongly promoted the development of Guide County, Qinghai Province at the location of the project, as shown by an increase in its financial revenues from 24.07 million yuan in 2004 to 71.42 million yuan in 2008.

Secondly, efforts are made for the harmonious development of man and nature, beginning the new development of tourism in the upper reaches of the Yellow River. The picturesque mountains surrounding the Yellow River Valley and the completed power stations in the upper reaches of the Yellow River



Figure 5-1-7 Migrants move into the resettlement areas

have added grand scenes to local places, which join the other conventional sights and ecological attractions to form a distinctive tourist belt. For example, the majestic dam, buildings and other structures of Longyang Gorge Hydropower Station complete the scene created by the reservoir that has formed an artificial lake to respond to the distant Bird Island in Qinghai Lake and the Sun-Moon Mountain. The power station buildings and the reservoir of Lijia Gorge Power Station are combined with the nearby Kanbula Forest Park and Danxia landform to constitute an ecological landscape system with artificial and natural characteristics. The development of tourist industry at the location of the power station has driven the development of the service and trade industries in surrounding areas to become a new growth area in their economic development.

Thirdly, the investment in infrastructure is increased to improve local traffic conditions. Where the hydropower bases are located in the upper reaches of the Yellow River, especially for the river stretch in Qinghai Province, natural conditions are harsh, traffic is problematic, population density is thin and the standard of economic and cultural life is relatively low. For the development of the hydropower in the upper reaches of the Yellow River, the usual practice is basically one highway built for the construction of one power station, which greatly improves local traffic conditions and provides the people along the highway with convenience in transport and logistics. For example, in the construction of Longyang Gorge Power Station, a 58km private Class- II highway was built from Sun-Moon Mountain to the station. In the construction of Lijia Gorge Hydropower Station, a 86km private Class- II highway was built from Ping'an to the Yellow River bridge at the mouth of the gorge. In the development of Gongbo Gorge Hydropower Station, a 9km Class- II

highway was built, in addition to the transformation of Adai-Xunhua Highway at a cost of 70 million yuan of investment. In the construction of Qingtong Gorge Hydropower Station, a highway was built from Wuzhong to Qingtong Gorge.

Fourthly, a migrant-support policy is implemented to enhance their standard of living. In developing the hydropower resources in the upper reaches of the Yellow River, Yellow River Company carefully implemented the migrant-related policy and fulfilled a large number of effective tasks in a wide spectrum of areas, including selection of resettlement sites, reconstruction of production facilities, planning and design of migrant villages, construction of infrastructure, improvement of cultural, educational, public health and religious facilities. Nearly 50,000 migrants have been properly resettled in an effectively-improved living environment. In addition to the marked enhancement of their standard of living and life quality, a certain degree of development has also been achieved in the educational and cultural undertakings of the resettlement areas. The construction of hydropower stations has also introduced a huge amount of funds and substantial human resources, created many job opportunities and contributed to the stable development of the society.

3. Expediting energy saving and emission reduction; working hard to serve global sustainable development

The development of hydropower can not only save mineral energy, but also make important contributions to easing up the environmental pollution caused by the massive consumption of coal and petroleum, reduce the greenhouse effect and curb the deterioration of the world's climate.

A. The effective reduction of greenhouse gas emission has curbed environmental pollution

The hydropower in the upper reaches of the Yellow River is energy that is free of pollution, renewable and meets the requirements of building a resource-saving and environmentally-friendly society. The development of the hydropower here can save a large quantity of coal, greatly reduce the emission of waste gas, such as carbon dioxide, sulfur dioxide and nitrogen oxides. Meanwhile, it has reduced the creation of substantial hot wastewater, dregs, floating dust and falling dust, effectively alleviated atmospheric pollution, lessened the advance of the greenhouse effect and avoided the atmospheric pollution and acid rain that may result from a thermal power station. In the past 10 years, Yellow River Company has fed more than 140 billion kWh of hydropower to the power grid, equal to reducing the use of standard coal by 48.3 million tons, the emission of carbon dioxide by 130 million tons, the emission of sulfur dioxide by 960,000 tons, the creation of dust by 500,000 tons and the discharge of ash and dregs by 10 million tons. The company has thereby achieved a remarkable effect in environmental and ecological protection.

B. Promoting the benchmarking of energy saving and consumption reduction to contribute to global a low-carbon economy

The company practices benchmarking management for energy saving and consumption reduction to place the resource consumption rate, comprehensive power consumption rate, unscheduled outage and other indicators under dynamic tracking, supervision and control. Starting with the details in production and life cycle, the company takes energy saving measures in an all-round way and promotes the development of a clean development mechanism(CDM)in keeping with the global environmental protection efforts. The three CDM projects that have been registered with the United Nations, including the class- II Dongxu Hydropower Station in Datong River Valley, Jinsha Gorge Hydropower Station and Qinggang Gorge Hydropower Station, filled a gap in the CDM projects of Qinghai Province and have completed 259,191 tons of carbon emission reduction transactions.

Yellow River Company is a responsible corporate citizen. As one of central pillars of developing clean energy in the northwest, it will further expedite the development of hydropower in the upper reaches of the Yellow River. During this process, it will support the Ten Principles of the Global Compact with reference to the “Guidelines on

Fulfilling Social Responsibility by Central Enterprises”issued by the State Council, follow the United Nations Framework Convention on Climate Change drawn up by the international community to jointly address climate change. The company will work hard to become a pioneer in contributing green energy by focusing on raising the ratio of new energy in speeding up power source construction.

Facts have proven that the development of the hydropower resources in the upper reaches of the Yellow River is conducive to protecting and improving the ecological environment in the northwest and enhancing economic, environmental and social benefits. Yellow River Company will make a success of its core industry of hydropower and, in the meantime, increase investment and take an active part in the development of the clean energy in Qinghai, Gansu and Shaanxi Provinces such as wind power and photovoltaic power generation. It will promote the simultaneous development of hydropower, thermal power and new energy, expand the industrial structure and extend the industrial chains of polysilicon photovoltaics and hydropower aluminum. Furthermore, the company will realize integrated and coordinated development of the industries and use its advantages in and make new contributions to the practices of building a good and sustainable society with a low-carbon economy.

Developing Green Engine and Contributing to Low-Carbon Society:

Guangxi Yuchai Machinery Group Co. , Ltd.



Mr. Pin Yan, Chairman

I . Message from chairman

Guangxi Yuchai Machinery Group Co., Ltd. (“Yuchai”) believes that exercise of social responsibility is an expressive action whereby an enterprise takes part in and merges into the sustainable development of the whole society. It is the foundation upon which an enterprise achieves a harmonious and mutually beneficial relationship with customers, partners, employees, the community and the environment and is also the foundation upon which an enterprise realizes its own sustainable development. The concepts of social responsibility and sustainable development represent an orientation of values that has become integrated at all levels of Yuchai, including corporate strategy, development, business and operations. Yuchai joined the UN Global Compact on May 26th, 2007, as a member of it, Yuchai values sustainable development at all times and maintains a philosophy of green development and harmonious mutual benefit. It has established a path of saving resources and achieving environmentally-friendly green development as its core development strategy to realize green development through green manufacturing and green products. It persists in independent innovations and uses advanced science, technology and experience to make outstanding contributions to industrial development. Yuchai

commits itself to environmental protection and the establishment of friendly ties with shareholders, customers, employees, suppliers and other stakeholders in the course of business activities, and works hard to build up the brand of Chinese national industry, winning widespread recognition and support within the community.

II . Company Profile

Founded in 1951, Yuchai is located in Yulin, Guangxi and has 30 subsidiaries that it owns as sole or controlling shareholder, with 17,000 employees, 17.2 billion yuan of total assets, 3.874 billion yuan of net assets and 27.197 billion yuan of sales revenues. The company ranks 265th in the top 500 Chinese enterprises, 21st in the top 500 Chinese machinery enterprises and 111th in the 500 most valuable Chinese brands, with a brand value of 7.119 billion yuan. The business of Yuchai has extended to Asia, Europe, America, Africa and Oceania. Its sales network includes 43 offices at home and abroad, over 40 branches, over 1000 distribution centers and franchise shops and over 2000 customer service outlets.

Yuchai is China’s largest producer of internal combustion engines and the largest production and export base of China for small and medium-sized engineering machines, earning itself

the title of the “Chinese capital of green engine”. Its core business covers the six areas of engines, engineering machinery, logistics and automobile trade, spare parts, energy and chemical engineering, and purpose-made automobiles. The company has the capability to produce and sell 700,000 diesel engines of various types and 10,000 small and medium-sized engineering machines each year. It accounts for half of the high-grade Chinese diesel engines and ranks in the top three Chinese road transportation enterprises. The leading products include light, medium and heavy-duty diesel engines of more than 1300 varieties in 15 series and the five categories of vehicle engines, boat engines, engineering machines, agricultural machinery and diesel power generators, which range from 12 to 880kW in power output. National standard III for emissions is met by all the products, which include the first products developed successfully in China to meet national standards IV and V. Featuring high power output, high torque, good reliability, low oil consumption, low emission, low noise, strong adaptability and convenient services, Yuchai products have become the clear choice for vehicles, engineering machines and agricultural machinery in China.

After over 50 years of operations, development and accumulation, Yuchai has formed a series of ideas for human cultural advancement, including the core philosophy of green development and harmonious mutual benefit, the vision of establishing Yuchai as a world famous brand and creating a large multi-national enterprise group, the operation guideline of “excellent quality, international Yuchai” and the human resources approach of building a contingent of high-quality officers and a creative work force. These ideas guide the enterprise in seeking excellence and have won positive recognition and public trust within the community.

In the future, Yuchai will continue to focus on the R&D and production of engines as its core, and to make continuous breakthroughs and achieve sustained enhancement in the fields of technological R&D, product performance and services. In this way, the company seeks to become the most trustworthy green energy provider in China and even the whole world, and a brand with global recognition in the energy field. Yuchai hopes to lead in a new direction of low-carbon energy development, contribute to the energy saving and emission reduction undertakings of China, and promote the harmonious development of society and nature.

In June 2008, Yuchai formally became a member of the Global Compact. Yan Ping, chairman of the Board of Directors, stated that Yuchai will support and abide by the Ten Principles of the Global Compact for the protection of human rights, labor standards, environmental protection and anti-corruption and is willing to regard the Global Compact and its principles as a part of its strategy, culture and routine operations.

III . Case of Responsibility: An independent brand leading in a new direction of low-carbon energy

1. A vision of environmental protection leading green development

During its development in the past decades, Yuchai has always upheld the concept of scientific development and incorporated social responsibility into corporate planning, production, operations and all of its actual functioning. Faced with the fierce market competition of the machine manufacturing industry, Yuchai persists with the core philosophy of “green development and harmonious mutual benefit” and the corporate mission



Website:

www.yuchai.com/

Sector:

Machinery Manufacturing

Country:

China

Global Compact Signatory Since:

May. 26, 2008



Figure 5-2-1 Launch ceremony of "Family Action of Yulin for Energy Saving and Emission Reduction"



Figure 5-2-2 Families signing their names in launch ceremony



Figure 5-2-3 Yuchai Group Energy Saving and Emission Reduction publicity week

of "satisfying the energy demands of the public through excellence and primacy". The company makes constant improvements to corporate management, enhances operation efficiency and continues to make technical innovations to reach the goal of being the pathfinder in Chinese green energy.

"Against the wider background of energy crisis and deteriorating environment, an enterprise is bound to become outdated and be eliminated if it cannot shoulder its own responsibility. Taking an energy saving and environmentally-friendly path is the core development strategy established by Yuchai in recent years and the development path it has chosen at its sole discretion after assimilating experience and lessons," said Yan Ping. Yuchai regards green development and harmonious mutual benefit as its core philosophy and has incorporated this into the development strategy of the enterprise. "Green" represents the sense of responsibility of Yuchai, and indicates that it will keep to the path of green industrial development, regard the supply of highly cost-effective green energy and green machines as its own mission, exhibit an image that is healthy and environmentally-friendly, and attain the goal of sustainable development.

Thanks to the facts that it has a core philosophy of green development and harmonious mutual benefit as its guide and has kept to the path of green industrial development and focuses on future sustainable development, Yuchai has been able to achieve rapid development in the complicated environment of the global financial crisis, the austere state of the industry and cut-throat market competition by leveraging its advantages in talents, technology, products and services. In 2009, it overcame the adverse effects of the international financial crisis, sold 670,000 diesel engines and earned 27.197 billion yuan of sales revenues, registering a year-on-

year increase of 29.58% and continuing to display the "Yuchai phenomenon" of growth against the trend. The Yuchai brand ranks 111th in the 500 most valuable Chinese brands, with a value of 7.119 billion yuan.

To disseminate the philosophy of greenness and environmental protection, Yuchai guides the employees in rational and green consumption through the initiative of Energy Saving Week; popularizes knowledge about energy saving through energy saving training, knowledge competitions and exchanges of energy saving techniques; promotes awareness among employees of resources and energy saving through the activities publicizing and allowing people to experience energy shortage; and encourages technical innovation for energy saving and the use of new energy-saving technology to tap existing potential for energy saving, improve the efficiency of energy consumption, reduce the discharge of pollutants and lower production and operating costs. Additionally, Yuchai has also spread the idea of environmental protection to the family members of the employees. Yuchai was included into the pilot schemes of "Family Action of Yulin for Energy Saving and Emission Reduction". In August 2008, 1300 families signed up at the opening ceremony of the campaign. In May 2009, Yuchai was awarded the title "Model Community of Guangxi for Energy Saving and Emission Reduction".

2. Low-carbon energy contributing to energy saving and emission reduction

The engine is the "heart" of an automobile. How healthy this "heart" is decides the power performance and exhaust emission of the automobile. Creating a green "heart" is the objective that the R&D team of Yuchai has always pursued. Persevering in independent R&D,

Yuchai leads the Chinese industry in the R&D and production of green, environmentally-friendly and low-emission engines and has achieved an international level. With Guangxi providing a foothold in the production of low-carbon engines, Yuchai has set up engine production bases throughout the country, including in Yulin, Guangxi; Xiamen, Fujian; Jinan, Shandong; Tiantai, Zhejiang; Ziyang, Sichuan; Zhuhai, Guangdong; and in Wuhu, Anhui. Yuchai invested heavily in the successful R&D of nine series of technically cutting-edge, environmentally-friendly and energy-saving engines, the YC6M, YC6L, YC6G, YC6A, YC6J, YC4G, YC4E, YC4D and YC4F. All of these complied with National Standard III, with some even achieving compliance with National Standards IV and V. It took the lead in rolling out to the market large batches of engines meeting National Standards III and IV 3–5 years before implementation of the national emission standards. In December, 2007, it succeeded in the independent R&D of YC6L-50 electrically-driven National Standard V-compliant diesel engine, the first of its kind in China, leading the engine industry of China in a move toward low emission.

Adoption of new technology and new energy solutions is another highlight of the environmentally-sound products of Yuchai. In February 2006, Yuchai succeeded in launching China's first independently developed diesel engine for automobiles, filling a gap in this regard. In October 2007, it completed R&D of hybrid engines for urban buses. This is the first innovative result of China in using integrated starter/generator (ISG) technology in developing the powertrain of urban buses and starting the shift toward the new power technology of the next generation. In May 2009, Yuchai cooperated with a dual fuel system supplier in Shenzhen to successfully complete the first phase of Yuchai 6A240 dual-fuel engines, marking the

first sure step taken by Yuchai in moving from development of single fuel engines to development of dual-fuel engines. Yuchai rolled out batches of gas engines in Hainan, Guangdong and Shanxi, which have operated well and are a positive contribution to the creation of green mass-transit. In the three bid invitations for the 2008 Beijing "green Olympic Games", Yuchai witnessed an increase in the bid acceptance rate of its National Standard IV-compliant engines, from 18% to 33% and then to 100%, reflecting the excellent quality of Yuchai machines. According to statistics, during the 2008 Beijing Olympic Games, over 5000 special vehicles were equipped with the National Standards III- and IV-compliant green energy solutions of Yuchai.

The bus company of Shishi, a developed city in Fujian Province, on the engine products of Yuchai, commented that "Yuchai engines feature low fuel consumption, reliable quality and good stability. We are highly satisfied with the fuel economy of the 34 new buses equipped with Yuchai YC4G180-30 engines that we purchased in 2009. Although the buses have to start and stop frequently on urban roads and are often fully loaded, the average 100km fuel consumption can still be kept below 20.5 liters." Data show that, in 2009, the output of multiple-cylinder engines was seven times that in 1994, but the total particulate emission of the engines produced in the year did not increase; the lowest fuel consumption of the diesel engines of Yuchai fell from 230g/kWh in YC6105QC engines in 1998 to 197g/kWh in YC6L engines in 2007, down 14%.

Based on the philosophy of "innovating in services, lowering social cost, developing a recycling economy and creating green power", Yuchai regards re-manufacturing as an important means and a pathway for cleanness, environmental protection and energy saving, increases

research on re-manufacturing and intensifies the construction of re-manufacturing capacity to become the pioneer and promoter of China's re-manufacturing industry. Statistics show that the costs of materials and processing account for 70% of new diesel engines, but only 10% of re-manufactured diesel engines. With an energy consumption equal to only 20% of that of manufacturing new diesel engines, re-manufactured diesel engines can achieve the performance of new engines and are the best means for the diesel engine industry to develop a recycling economy. In 2006, Yuchai Machinery Co., Ltd. launched an engine re-manufacturing project by setting up the third engine factory, which has by now formed the ability to take apart and re-manufacture 10,000 engines a year, plus the re-manufacture of parts for 15,000 engines. In March 2008, Yuchai was selected into the first batch of pilot enterprises of China for the re-manufacture of vehicle parts, which accelerated re-manufacturing of Yuchai engines. In December 2008, the National Development and Reform Commission approved the 8th batch of funding support projects under the National Program of Resource Saving and Environmental Protection for that year, with the Yuchai Re-manufacturing Project receiving the support of 10 million yuan of central budget investment. In December 2009, Yuchai signed an agreement with Caterpillar (China) Investment Co., Ltd., a subsidiary of the largest global re-manufacturing enterprise, Caterpillar Inc., to launch a joint venture for re-manufacture of parts, marking the alignment with international practices and a shift to a new stage of development on the path of sustainable development of re-manufacturing.

At the end of 2009, Yuchai Machinery Co., Ltd. released two advanced technologies for low-carbon energy, which signal a new direction in the develop-

ment of low-carbon energy. The first of these is the renewable air-hybrid power function, which is used in the YC6A280-30 engine, the first in the world that adopts existing component technology for realization of renewable air-hybrid power. The second is the trial run of installed low-carbon, energy-saving and efficient engines, which are features of the YC6J350-40 and the YC4FA185-40, two models that already have two-stage supercharging. It is noteworthy that the engines originally installed in coaches were 8L, generating 350 hp, compared with the YC6J350-40 of 6.5L that is installed now and also generates 350 hp, but with the carbon dioxide emitted into the air each year reduced by up to 5 tons. What does 5 tons of carbon dioxide mean? According to the data in the Manual for Energy Saving and Emission Reduction by the Whole People, a tree can absorb 18.3 kilograms of carbon dioxide a year. Thus, if one low-carbon engine of Yuchai can reduce the emission of carbon dioxide by 5000 kilograms a year, this is equal to an addition of $5000/18.3=273$ trees. Currently, Yuchai sells over 500,000 engines a year. If only low-carbon engines are produced and sold next year and the year after that, Yuchai will have added $500,000 \times 273=136.5$ million trees to the society.

3. Green manufacturing restores the clear skies

Green manufacturing is the embodiment of the sustainable development strategy in the modern manufacturing industry and influences the direction of its future development. As a large modern manufacturing enterprise, Yuchai considers green manufacturing an important part of exercising social responsibility and upholds the principle of using green materials, green energy and green processes to turn out green products. To this end, Yuchai vigorously performs technical transformation for energy saving, enthusiastically promotes new

energy saving technologies, new materials, new equipment and new processes. The comprehensive energy cost of products has dropped each year for seven years running. Yuchai has also set up an energy management institution, full-time energy management positions and a three-level energy management system composed of functional departments, production factories and workshops (stations). According to the principle of "highlighting key points, emphasizing actual effects, gradual penetration and all-round advance", the work of energy saving and emission reduction is promoted systematically from the three aspects of factory(department), workshops and teams.

To further lower energy consumption, Yuchai focuses on handling things at the source to prevent projects of high energy consumption from getting into the field of production. In the design and construction of fixed asset investment projects, Yuchai strictly observes the standards for rational use of energy and energy saving design and imposes clear measures and requirements throughout the process, including implementation of energy saving standards, engineering design, examination of drawings, construction supervision and final acceptance. In the past two years, Yuchai has eliminated a number of factory buildings with high-energy day-time lighting and ventilation facilities and invested over 70 million yuan in the construction of new factory buildings that use energy-saving architectural structure, materials, tools and products to utilize energy effectively and rationally. In the same period it has eliminated over 80 sets of equipment and a number of crude motors and air conditioners of high energy consumption, spent 400,000 yuan transforming two 7-ton iron-smelting furnaces and invested over 80 million yuan in introducing a number of domestic and foreign pieces of production equipment of high efficiency and low energy consumption,

achieving a remarkable energy saving effect. The company has made all-round renovations of the power supply and distribution system to rationally adjust the power supply/distribution structure and add reactive automatic compensation devices, greatly lowering reactive dissipation. For all energy-using systems, Yuchai has also carried out technical transformation for energy saving, which increased the heat utilization rate from 50% to 85% and resulted in an 80% lighting power saving rate, over 30,000 tons of reused water each year and a 79.8% reuse rate of industrial water, thus greatly reducing the consumption of water resources. As an example, the transformation of the Ford 6112 diesel engine production line purchased from Brazil 16 years ago reflects the emphasis of Yuchai on energy saving. This production line uses a 440V/60HZ variable-frequency power source and has a frequency conversion efficiency of only 60%~80% so that it is a full-blown "electricity guzzler", and also has an extremely high failure rate and low output efficiency. Yuchai people spent 13 years doing an all-round transformation of it, saving over 1 million yuan worth of electrical energy each year.

In Yuchai, the workers have many unique techniques for energy saving and emission reduction, such as "precise pouring", "precise judgment" and "precise hooking". We will take "precise pouring" as an example. This refers to the pouring of high-temperature molten iron into a sprue cup at one go, with no spilling on the surface of casting mould. This requires superb technique and even more importantly the teamwork of the pouring worker, crane operator and ignitor. The "precise pouring" not only saves molten iron, reduces flashing and conserves energy, but also protects the joint surface of the sand boxes and extends their service cycle, achieving an enormous effect. Now, the successful experience of "precise pouring" has been quickly

spread to all smelting and moulding positions in the foundry of Yuchai Machinery Co., Ltd. According to initial calculations, the popularization of this technique alone saves 20kg of molten iron for every 1 ton of castings produced, meaning a saving of more than 1400 tons of molten iron each year and more than 6 million yuan of material costs.

Board Chairman Yan Ping of Yuchai once said: “Is it possible to use the principles of chemistry and combustion science to turn every engine into an air purification device? Though this is impossible now, it is my ‘green dream.’” This “green dream” guides the builders of Yuchai in working hard to create for mankind a harmonious and beautiful living environment that is green and environmentally sound, set an example in the industry and society, further the Chinese undertaking of energy saving and emission reduction in a continuous and thorough-going manner.

4. Social Assessment

The honors that Yuchai has won include

“National Civilized Unit”, “10 Good-faith Enterprises of China”, “Satisfactory Enterprise for Nationwide Users”, “Satisfactory Product for Nationwide Users”, “Name-brand Product of China”, “Famous Trademark of China”, “Achievement Prize for the 100th Anniversary of the Birth of China’s Internal Combustion Engine Industry”, “China’s Automotive Industry Innovation Award”, “Meritorious Chinese Enterprise of Energy Saving and Emission Reduction”, “Golden Bee-Responsible Procurement Prize”, “Special Prize for Social Responsibility of Chinese Enterprises”, “Contribution Prize for 20th Anniversary of the Hope Project in Guangxi”. In the internal combustion industry, Yuchai is the first to receive the “National Quality Prize” and “Certificate for Products Exempted from Export Inspection”.

Furthermore, Yuchai has made active contributions to community development. So far, Yuchai has donated over 600 million yuan to finance the undertakings of education, medical services and public health, environmental

construction, charity, culture and sports. After the Great Sichuan Earthquake struck in Wenchuan, Sichuan Province on May 12, 2008, Yuchai donated over 15 million yuan, in cash and in kind, to the disaster area. Meanwhile, it built the Songtao Yuchai Hope School for the children in the disaster-stricken Ziyang, Sichuan. This was the 36th such school built by Yuchai. Starting from 2006, Yuchai has lent a helping hand to the female students who dropped out of school due to poverty and has donated over 1 million yuan to the “Spring Buds Program” in the past four years, providing monetary aid to 500 impoverished girl students each year. Yuchai has also set up the Yuchai Scholarship Fund and Yan Ping Education Fund, which reward and help needy children of employees who show excellence in both character and learning in their schooling. Over three years, more than 200 employees’ children have received a total of more than 650,000 yuan of financial aid from the two funds.

Chapter VI

>> Case Story on Community Development



Committing Moral Responsibility and Caring for People's Life:

China Development Bank

I . Message from Chairman

In retrospect, the global financial crisis has given people much food for thought, especially the definition of a world-leading bank. As I understand, such a bank must, first of all, be healthy, maintain quality assets and investors' trust. Secondly, it must have an objective, fair and in-depth understanding of social issues, make unremitting efforts to tackle social problems and be publicly accepted. I was gratified that in 2009 we had taken new strides along the road to this target, and made solid practice with Chinese characteristics.

“As Heaven maintains vigor through movement, a gentleman should constantly strive for self-perfection.”

This national spirit of ceaseless self-improvement has helped us over the years foster the ambition to well run a Chinese state-owned bank, pushed us to catch up with the world-leading players in the Wall Street and the City of London and inspired us to play an ever-increasing role in socio-economic development. In 2009, in the face of the dual challenges of the international financial crisis and our commercialization reform, we stuck to the development financing approach, consolidated our advantages in medium and long-term investment and financing, overcame difficulties, thoroughly applied the

country's macro-control policies, made concrete efforts to push ahead with CDB's commercialization reform, and reciprocated the trust and confidence in the market with good performance.

“Wind, rain and reading sound are all heard while home, state and global affairs are all attended”. This couplet made in old days has been viewed as a vivid reflection of the holistic outlook and sense of responsibility of ancient Chinese intellectuals. Revisiting the famous couplet is worthwhile for executives of financial institutions and bankers in modern China. We have always maintained that, as an important component of the economy and society, finance must serve the development of the real economy and take concerted actions with the society. In 2009, we made new efforts in core business areas including infrastructure construction, international cooperation, grass-roots finance and green finance. It is our hope that social justice, economic fairness and ecological equilibrium would consist a bigger leverage in our.

“Justice before profits and justice above profits.” This moral standard proposed by ancient philosopher Xunzi made it clear that those who put morality ahead of profits shall prosper and that those who put profits ahead of morality shall be put to shame. Businesses should not think only short-term commercial interests; instead, they should



Mr. Yuan Chen, Chairman

**Website:**

www.cdb.com.cn/web/

Sector:

Financial Services

Country:

China

Global Compact Signatory Since:

Dec. 20, 2006

conscientiously take into account long-term social impacts of their activities and strike a balance between profits and morality. The experience of CDB's reform and development, including the major developments achieved in 2009, has given us a reason to believe that responsibility creates value. Social responsibilities do not simply mean costs or constraints; they will also create commercial value for enterprises, such as new markets, products and customers, translate risks into opportunities and generate long-term financial returns.

“Draw widely upon others’ strong points for self-improvement.” A sound and effective responsibility mechanism must involve the collaboration of all relevant parties including government, business, markets and the general public. We have advanced the business philosophy of “financial socialization”, enthusiastically conducted cooperation with various quarters of society and mobilized our stakeholders to get involved in, and pay attention to lending activities in an effort to realize the goal of “public participation, public supervision and benefiting the public”. At the same time, we have extensively participated in the discussions and resolution of global issues, supported the Ten Principles of the United Nations Global Compact, and contributed our wisdom and resources to issues like responsible investment and the combats against corruption and climate change.

In the post-financial crisis era, we will continue to stick to the philosophy of “balanced development and social harmony” and the mission of “strengthening the nation’s overall strengths and improving the people’s livelihood”, attentively listen to the aspirations and requests of stakeholders, accelerate the efforts to build this bank into a first-rate international bank, and make our contributions towards a sustained future of the Mankind.

China Development Bank (“CDB”) support the Ten Principles of UN Global Compact and became a member of Global Compact on Dec. 20th, 2006.

II. Corporate Profile

China Development Bank was established in 1994. On December 11, 2008, it reformed its overall ownership system and transformed into China Development Bank corporation. Referred to in short as China Development Bank, it is now headquartered in Beijing, and currently has 34 branches and 3 representative offices inside China.

CDB earnestly implements the state guidelines and policies, promotes market construction and prior planning through fund financing, raises and guides the flows of domestic and external funds, serves the mid- and long-term national economic development strategies, and provides priority support to the development of infrastructure, basic industries, pillar industries, new technologies, as well as the state key projects. It vigorously supports agricultural development, rural development, efforts to improve farmers’ living standards and the construction of new rural areas, as well as areas related to people’s livelihood and social undertakings such as the development of small and medium-sized enterprises, housing for middle- and low-income households, education, healthcare, energy-saving, and environmental protection.

To implement the state strategy on overseas development, it tries to expand its international cooperation businesses and played an important and unique role in promoting scientific development and social harmony. Meanwhile, it has set up a comprehensive risk management system to prevent various risks, achieved and maintained internationally advanced market results.

Looking forward, CDB will steadily push forward the commercialization reform, further utilize its advantages and functions in development finance and mid-and long-term investment finance, and help the economy and society to achieve healthy and rapid development.

III. Case of Responsibility: Committing Social Responsibility and Providing Financial Service to the Public

Philosophy and policy:

- Building a financing system equally available to every one. Sticking to the approach of financing serving social development and being committed to inclusive finance.
- Innovating grass-roots financial services models CDB serves as a whole sale bank and working with local commercial banks for retail distribution.

By the end of 2009, the accumulative loans of RMB 892.4 billion for grass-root financial services have been made in 1,751 cities and counties, with the new loans reaching RMB 295 billion yuan and the NPL ratio remaining below 1% (See table 6-1-1, 6-1-2).

1. Supporting “San Nong”

Support for “San Nong”, a Chinese catch-all name for agriculture, rural areas and farmers, concerns the fundamental interests of the people and the national economic security. CDB gives priorities to the facilitation of infrastructure construction, agricultural resources

development and the expansion of rural social undertakings, and has played a positive role in promoting the building of the new Rural China, increasing agricultural output, and raising farmers’ income. In 2009, CDB issued RMB loans of 201.4 billion for the New Rural Construction and county development, with the outstanding loans standing at RMB 472.9 billion (See Figure 6-1-1, 6-1-2).

A. Promoting micro loans for farming households

To remedy the problems facing rural households such as being highly

volatile to risks and lacking effective collaterals, CDB dedicated itself to establishing a sound micro-finance mechanism and constant innovations to achieve the multilateral win-win results among the bank, rural households and enterprises.

B. Supporting the building of migrant worker training bases

In 2009, CDB issued RMB 1.2 billion yuan of loans to new projects, with the cumulative lending released standing at RMB 5.8 billion. After the completion of migrant worker training bases, up to 1.5 million people can be trained.

Table 6-1-1 Grass-root financial institution building

Cooperative cities and counties	2,414	Cooperative offices	2,359
Cooperative agents	8,000	Cooperative personnel	100,000

Table 6-1-2 Overview of grass-root finance

Area	Amount of investment (RMB 100 million)	Effects
Agriculture, rural area and farmers	1,542	Supporting in frastruture and pillar enterprises
Migrant rural labor training base	12.1	Supporting the development of a 1.5-million- people training capacity
Small and meduim-sized enterprises	482	Supporting 190,000 SMEs, individual-ly owned business and farming households, 1.31 million jobs created
Housing for medium-and low-income households	853	Benefiting 2.75 million households Benefiting 9.53 million people
Student loans	53	Supporting more than one million needy students
Emergency Loans	7.9	Combating drought, Swine flu, Flood

NOTES: data in the right chart are respectively the amount of new loans in 2009, the targets, and the social returns.

Helping 820,000 people have access to safe drinking water in rural Changzhi, Shanxi Province

This project has not only provided safe water to 824,000 people in the rural of Changzhi City, Shanxi Province, but also accelerated the development of local animal husbandry and small-scale processing business, increased farmers’ income, improved rural sanitation conditions, reduced the spread of diseases, and improved the health of rural women and children.



C. Promoting the development of rural banks

The seven rural banks co-established by CDB have been developing soundly and witnessing ever-increasing social influence. Last year, they registered a total asset of RMB 1.28 billion yuan, generated 19.02 million yuan in current-year net profits, and recorded 1.21% in the non-performing loan ratio.

2. Fostering Smaller Companies

Expanding employment is a significant means to ensure and improve the people's livelihood.

A. Optimizing operation mechanism

In 2009, CDB set up a three-tiered operational framework composed of the SME Loans Special Business Management Committee within the Head Office, the People-enriching Technology Popularization Center, and People-enriching Business Offices at branch level. The bank also formulated a Guide line on SMEs Working Capital loans, introduced innovative financial products, and greatly boosted the standardization and institutionalization of SMEs services (See Table 6-1-3).

B. Intensifying credit supply

In 2009, CDB issued RMB 48.2 billion yuan in SMEs loans to 190,000 SMEs, self-employed business people and farming households, creating 1.31 million jobs (See Figure 6-1-3).

By the end of 2009, CDB had cumulatively extended loans of RMB 135.7 billion yuan to SMEs, with a non-performing loan ratio of 1.42%. These loans have financed 1.2 million SMEs and self-employed people, and created 3.35 million jobs.

A new micro-finance model in Xunhua, Qinghai

Qinghai Branch established a new micro-finance model based on "companies + farming households" in Xunhua of Qinghai Province, which cemented a close bond between small businesses and households and large businesses and markets. The project created jobs for more than 800 people, figured out a way to enrich residents of ethnic minorities, and promoted the development of local speciality industries.

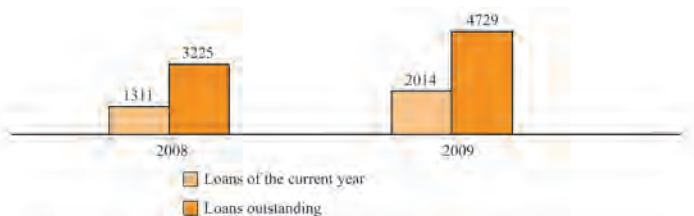


Figure 6-1-1 Loans for New rural construction and county development between 2008 and 2009 (unit: RMB 100 million yuan)

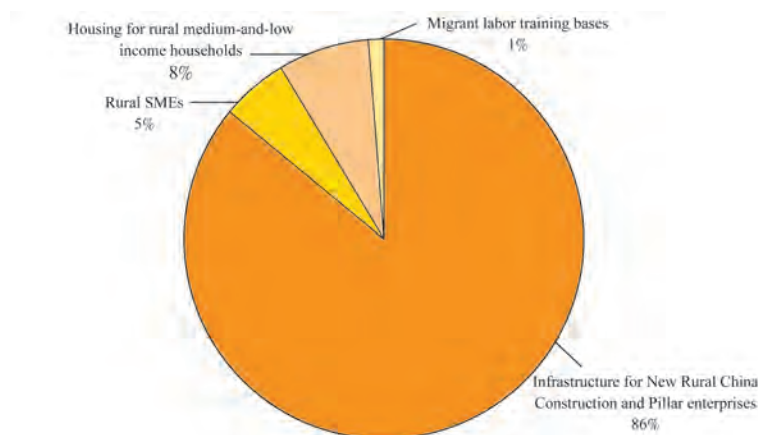


Figure 6-1-2 Structure of the outstanding loans for New Rural Construction and county development

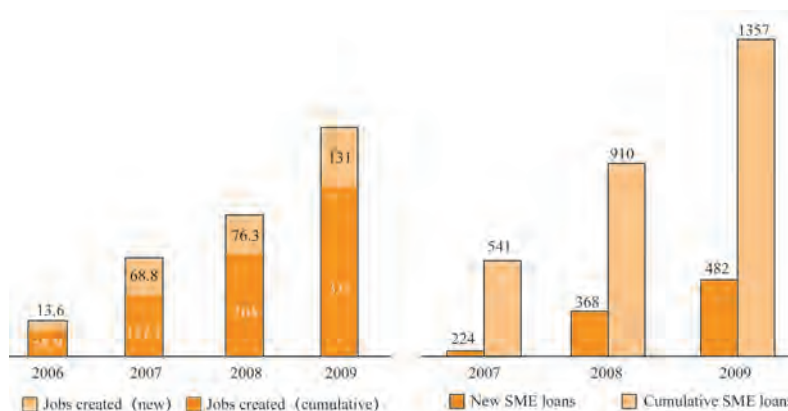


Figure 6-1-3 Released SMEs Loans (unit: RMB 100 million yuan, 10,000 jobs)

Table 6-1-3

Innovative Financial Products for SMEs

Products	Location of Services	Social Returns
Small secured loans “ Supporting nationwide business startups”	Henan, Inner Mongolia and Ningxia	Giving a solid boost to small secured loans and spurring employment through business startups
Guarantee loans with copyright hypothecation	Beijing	Effectively satisfying the financing demand of SMEs who tend to borrow only a small amount of fund for a short period of time in case of emergencies.
Revolving short-term loans for SMEs	Jilin, Guizhou, Shanxi and Sichuan	Offering drastic support to SMEs engaged in cultural creativity

C. Steadily pushing ahead with grass-root finance

In 2009, CDB granted micro loans of RMB 19.8 billion yuan in support of small businesses, self-employed business people and farming households, which created 640,000 job last year and brought the total jobs created by CDB micro loans over the years to 1.84 million. CDB set up an office in 2009 to take charge of a project aiming to establish the Chinese Inclusive Finance Mechanism, to strengthen the research on Inclusive

Micro Loan Project for Business startup by Young Chinese

The project, jointly initiated by CDB and the Central Committee of the Communist Youth League of China, financed the enterprises started by more than 800 young entrepreneurs and 15,000 youngsters who were self-employed in 29 provinces including Qinghai.

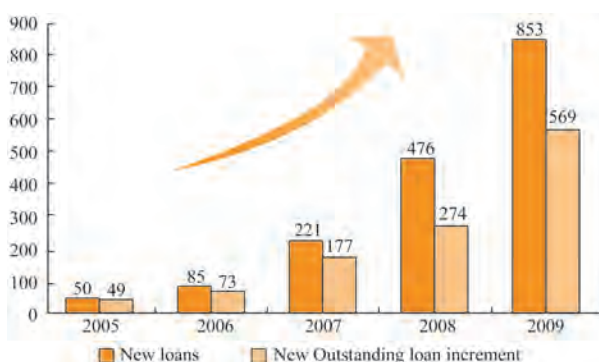


Figure 6-1-4 New Loans and Outstanding Loan increments to housing construction for medium-and below-income families (unit: RMB 100 million yuan)

Finance system and to promote the set-up of the China Microfinance Development and Investment Fund.

3. Caring for the People's Livelihood

Improving the people's livelihood and developing social undertakings are crucial to the national economic target of “expanding domestic demand and adjusting economic structure”. With great responsibility and the sense of mission, CDB accelerated its support in 2009 to the housing construction for the medium-and low-income families, student loans and the development of healthcare system.

A. Support the housing construction for the medium-and low-income families.

CDB extended RMB 85.3 billion yuan of loans to this sphere in 2009, up 79.2% year on year. By the end of

2009, CDB had cumulatively issued RMB 168 billion yuan in loans for the housing construction targeting the medium-and low-income families, with the outstanding loans amounting to RMB 118.3 billion yuan. These loans have financed 556 projects with an aggregate floor area of 250 million square meters, benefiting 2.75 million medium-and low-income families or 9.53 million people with medium- or low-income (See Figure 6-1-4, 6-1-5).

B. Establishing CDB's status as a mainstay bank in student loans

CDB continued to lead the industry by the scale of its student loan issuance. In 2009, student loans of RMB 5.3 billion yuan have been granted to needy students either at their hometowns or after they entered colleges, up 78.8% year on year and accounting for 57% of the country's total. Approximately one

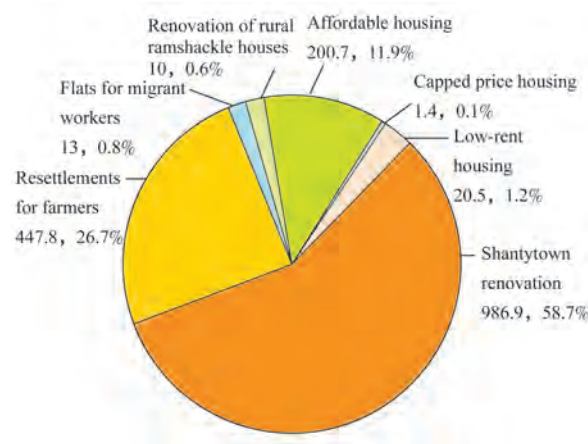


Figure 6-1-5 Accumulated Loans to housing construction for medium-and below-income families (unit: RMB 100 million yuan, %)

million students with financial difficulties were benefited (See Table 6-1-4 and Figure 6-1-6、6-1-7).

C. Supporting the healthcare undertaking

CDB has played an active role in promoting the development of China's public health service system and elevating the nation's capability of preventing and rapidly responding to emergen-

cy public health incidents. In 2009, CDB extended medical and health loans of RMB 8.4 billion yuan (See Table 6-1-5).

D. Providing emergency loans

CDB continued to quicken its responses to emergencies and contributed to social stability and harmony. In 2009, the bank extended loans of RMB 790

million yuan in total to tackle disastrous events such as the drought in northern China, snow storms, H1N1 flu, torrential rains and floods.

E. Targeted Poverty Alleviation

In 2009, CDB extended RMB 420 million yuan in loans to targeted poverty alleviation counties for the improvement of infrastructure and the people's

Supporting the Renovation of Mud-Straw Cottages in Jilin

CDB issued a loan of RMB 100 million yuan in 2009 in support of the renovation of mud-straw cottages in the rural of northeastern Jilin Province. About 2.6024 million farmers have moved into their newly-built brick-and-tile homes with an aggregate floor area of 44.61 million square meters.

"In my 60s, I am moving into such a good house for the first time in my life," said a farmer surnamed Zhang who had lived in his mud-straw cottage for decades.



Before renovation



After renovation

Table 6-1-4 Distribution of CDB's Student Loans

	Student loans in their hometowns	Student loans in Institutions of higher learning
Loans	3.9 billion yuan	1.4 billion yuan
Market share	79.8%	31.7%
Coverage	1,427 counties/districts	395 institutions of higher learning
Students supported	720,000 borrowers	280,000 persons/times

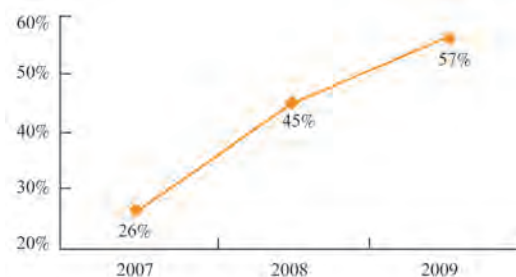


Figure 6-1-6 CDB's Market share of student loans

Table 6-1-5

Application of New Emergency Loans in 2009

Purpose	Location	Amount (million yuan)
Combating north China drought	Gansu, Hebei, Henan, Jiangsu, Inner Mongolia, Shanxi, Sha'anxi	420
Combating snow storms	Inner Mongolia, Shanxi, Sha'anxi	50
Combating H1N1 flu	Shanxi	10
Combating torrential rains and floods	Sichuan, Shandong	210
Other emergencies and natural disasters	Jiangsu, Fujian and Sichuan	100

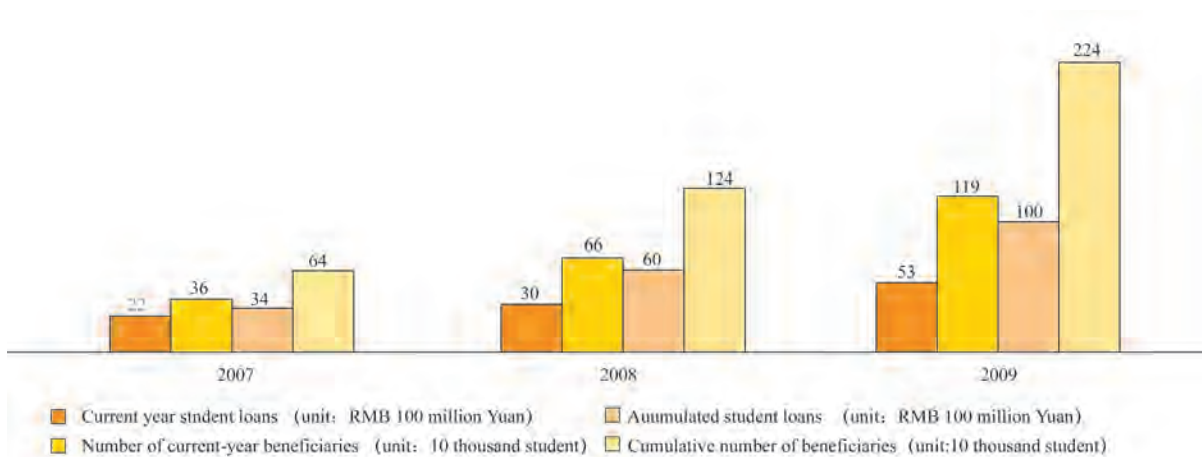


Figure 6-1-7 CDB Student Loans Between 2007 and 2009

Social Assessment

“CDB has made important contributions to the educational undertaking. It has volunteered to take over the student loan business to help promote education equity and complete what the Ministry of Education hoped but had no way to do, when the work of providing financial aid to students fell into the tough time. CDB has been enthusiastic with the educational undertaking and has done favors to students whose families were in financial difficulties.”

—Mr. Yuan Guiren, Minister of Education

“I had been worrying about my tuition fees since the arrival of the enrollment notice from the Inner Mongolia University in the Autumn of 2009. I was so excited to learn that I could apply for a CDB student loan at my hometown. On the day when the loan agreement was signed, I cried. And It was a tear of excitement. I knew our country was far from wealthy and the bank had a heavy workload, but you have borne in mind the people’s livelihood and the educational undertaking.”

—Sude Bilige, Student of Inner Mongolia University

livelihood so as to help the local needy to shake off poverty. For example, by granting loans to local pillar enterprises,

CDB Hebei Branch has directly elevated 27,300 people out of poverty and indirectly assisted 100,000 people increase

their income. CDB Ningxia Branch helped 4,573 needy households to get rich with micro loans.

More Localized and More Integration: Sinosteel Corporation



Mr. Tianwen Huang, President

I . Message from the President

In the 1980s, Sinosteel Corporation actively responded to the call of “Go Global” and took firm steps towards international economic and trade cooperation. As a large enterprise group devoted to providing comprehensive auxiliary services and system integration services for the steel industry and steel mills, Sinosteel Corporation, for over 20 years, has established a world wide operating system based on its domestic and global perspective. In this process, Sinosteel Corporation, as a responsible Chinese enterprise, insists on the combination of international development and fulfillment of social responsibility, adheres to the philosophy of “cooperation, friendship, win-win and development” and works cooperatively in sincerity, friendliness, equality and mutual benefit. On Mar. 25th, 2008, Sinosteel Corporation joined the UN Global Compact and has been insisted the Ten Principles in operation. In these ways the company has harmonized its operations with local communities and thus won respect and trust, both locally and internationally.

During global operations, Sinosteel believes that pursuing profits is not the sole purpose of our operations, and bringing more opportunities and benefits to local community is also one of our top priorities. Through effective

communication and extensive survey, we deeply understand the needs and requirements of the local community. Through investment, donations and project implementation, we are committed to addressing financial difficulties of local residents. We endeavor to build a good relationship with local community by involving more people in public-benefit undertakings. We will continue serving the local people to bring them a better life, more opportunities and more benefits.

II . Corporate Profile

Sinosteel Corporation abbreviated as Sinosteel is a central enterprise under the administration of the State-Owned Assets Supervision and Administration Commission. There are 86 subsidiaries under the administration of Sinosteel, among which 60 are in China and 26 abroad. The revenue from core businesses reaches RMB 168.4 billion in 2008, ranking the 372nd in the *Fortune* 500 in 2009.

Sinosteel is mainly engaged in developing and processing of metallurgical mineral resources, trading and logistics of metallurgical raw materials and products, and related engineering technical service and equipment manufacture. It is a large multi-national enterprise with clear-defined core businesses that integrate resources development, trade & logistics, engineering project and

science & technology, equipment manufacturing and specialized service, providing comprehensive auxiliary service for steel industry, especially steel mills.

Sinosteel is one of the state-owned enterprises that first “Go Global” pursuing economic and technological cooperation, Sinosteel has been long striving for the exploration and application of the global distribution of metallurgical mineral resources. As early as in the 1980s, having actively responded to the national call of “utilizing two kinds of resources and facing two markets”, Sinosteel stepped further to develop overseas resources, in terms of iron ore, chrome ore, manganese ore, nickel ore and uranium ore, and has established safe, stable and reliable resource supplying system.

Sinosteel possesses global-running sales network and logistics service system. It is the raw material supplier and sales-agent for major Chinese steel mills, many of which Sinosteel has entered into long-term strategic partnership. Its trading transactions in iron ore, chrome ore, DRI, fluorspar, coke, manganese ore, scrap, steel products, manganese and rare earth are in the leading position in China, which generate important influence in steel industry.

The scientific & technological companies under Sinosteel have solid research foundation and strength in the fields of geological exploration, beneficiation, heat engineering, environmental protection, refractory materials, metal products and engineering design, etc. Boasting several stand-alone intellectual property rights, they accommodate 10 state-level research centers and are qualified to carry out master and doctor education. As a result of industrialization of research findings, dozens of production lines have been established with products prevailing in domestic and international markets.

Sinosteel is qualified to undertake project engineering & purchase, construction and auxiliary supply. As the agent for many Chinese and international equipment & technology suppliers, Sinosteel provides financing and bidding services for big Chinese steel mills on technique modification and project import. Sinosteel consultancy is the only metallurgical company in China that is given exclusive investment evaluation entrusted by National Development and Reform Commission.

Sinosteel vigorously establishes internationally competitive heavy metallurgical machinery manufacture base that integrates heavy machinery research and development, core products manufacture and general and sub-project bidding, and the largest domestic manufacturing and researching & developing bases in refractory, carbon, ferroalloy with the highest comprehensive strengths.

After dozens of years of development, Sinosteel has accumulated strong driving force. Looking into perspective, Sinosteel will fully exert its advantages. The commitment will remain that Sinosteel endeavors to establish a large group enterprise that highlights major specialized operations on the global interface supported by our tech-research dynamics and extensive sales network. With all these missions bearing in mind, Sinosteel strives for a leading company of the circle, highly innovative and well managed, with clear-defined core businesses and efficient global-running system.

III . Cases of Responsibility: Sinosteel Corporation Overseas Community Responsibility Practice

1. Community Engagement

Sinosteel endeavors to involve more local residents in construction of local



Website:

[www. sinosteel. com/](http://www.sinosteel.com/)

Sector:

Industrial Metals & Mining

Country:

China

Global Compact Signatory Since:

Mar. 25, 2008



Figure 6-2-1 The Steelport High School which is sponsored by SinoSteel



Figure 6-2-2 ASA Metals sponsor the construction of local schools

community and ensure its activities for the benefit of local community can meet the expectations and requirements of local residents by deepening communication and remaining responsive to the expectations and suggestions of stakeholders. These efforts are directed towards creating a trustworthy and harmonious relationship with local community.

In Africa, due to South Africa's history of apartheid and discrimination, Maroga community where ASA Metals operates is one of the poorest communities in northern South Africa and the needs of this community have never received much attention. After ASA Metals was founded, a long-acting mechanism was set up to provide financial assistance to this community. A questionnaire-based survey was conducted among local residents to understand their needs, and financial assistance has ever since been extended according to the importance of identified needs (See Figure 6-2-1, 6-2-2).

In Australia, Sinosteel companies work hard to establish harmonious relation with the communities in which they are located. Our companies set out to understand the needs of their communities, and help to contribute to areas of social need and benefit as wide as in education, health, and environment through support and sponsorship so as to strengthen Sino-Australian cultural communications and the realization of the beneficial development of companies and communities.

Sinosteel companies put a high value on our host communities' economic, social and cultural well-being. They establish specific processes to design and implement a wide range of community projects, promoting various aspects of community development, and also work hard to partner with diverse community organizations to cooperate with towards these ends.

For example, Sinosteel Midwest has established special "community sponsorship programs" to receive applications to assist with worthy local community projects in the mid-west of Western Australia. These sponsorship programs mainly focus on community, education, environmental and aboriginal interests. Sponsorship is provided by cooperation, direct donations and the offer of materials and services. The communities that have already benefited include those nearest our mines and exploration projects, including the Shires of Morawa, Perenjorie and Meekatharra.

In addition, Sinosteel Midwest has also established special "community development funds", the biggest being the Morawa Community Development Fund, which provides resources for the improvement and development of equipment, sports, infrastructure, agriculture, education and medical services for the local community. Through community sponsorship programs and community development funds, the company plays a positive role in the local economy, environment, sport and culture.

The Morawa Community Development Fund was the first community sponsor program established by Sinosteel Midwest. When this organization is fully funded, it will have up to Aust \$1.2 million available for specific projects for local benefit, and will be administered by a board including local community representatives. In 2008, the fund helped more than 21 local organizations with important projects, small and large, such as purchasing community buses, sponsoring community sports association projects, supporting local tourist facilities and donating to local schools.

The successful experience with the Morawa Community Development Fund is guiding the company in setting up similar

funds in other communities in the large Mid-West Region of WA.

2. Promoting Community Development

Sinosteel has always been sharing the fruits of business growth with local residents, in an effort to make contribution to global economic prosperity. Sinosteel companies all over the world support various initiatives, plans and strategies in connection with community development and effectively promote local economic development through localization of purchasing and community-based investment.

For example, Sinosteel Midwest has actively supported the Jidi Jidi Aboriginal Community at Robinson Range. The company has provided funds to employ local Aboriginal people who have established an office and a series of programs to support and assist the Jidi Jidi people to be ready for the work opportunities that Sinosteel Midwest hopes to bring to the area. Sinosteel Midwest has donated furniture and equipment to equip and run this office, and contributes to the salary of an Aboriginal executive who works to represent the interests of her community.

Mining development in the region has placed population stress on this community, so in addition to financial support, Sinosteel Midwest is actively advocating in support of the Jidi Jidi community to bring to the attention of the WA State Government the need to assist in the rebuilding and supply of basic town requirements, such as electricity, sewerage, and safe and adequate housing. The Company's intention is that this will bring joint benefits. The Community will benefit from these improvements, and Sinosteel Midwest will benefit from having a strong and healthy local workforce available in the area close to its future operations.

3. Sponsoring Community Donations

Sinosteel has always been pursuing harmonious coexistence with local people, endeavoring to meet the expectations and requirements of local community and actively contributing to public-benefit undertakings for the local community. It helps local community achieving social and economic progress by improving educational facilities and living conditions, among others.

A. Education Sponsorships

Education and training are high priorities in the community support activities of Sinosteel companies. We make it a priority to sponsor occupational training related to the mining industry. In addition, our companies sponsor and support education programs related to community development to enhance the education level of local community residents, in particular primary and secondary school children, and thus make contributions to the welfare of the community as a whole. This also provides long-term benefits to the Company, such as development of a locally based skilled work-force.

For example, Sinosteel Midwest supports schools in Morawa to help local children, many of whom are Aboriginal receive a sound education and has participated in the lifelong learning "Midwest Life Education Program" serving Geraldton and remote towns in the Mid-West. The program is designed to enhance indigenous students' health awareness especially in relation to smoking and drugs.

B. Cultural Communications

Sinosteel companies attach high importance to cultural communications. The companies sponsor relevant activities to enhance mutual understanding of the two cultures.



Figure 6-2-3 Sinosteel sponsors children in Robinson Range District



Figure 6-2-4 Sinosteel Midwest Aboriginal office and local high school students participate "Foster School Plan" project together



Figure 6-2-5 Sinosteel Midwest sponsors "On The Way" Project of WA Symphony Orchestra



Figure 6-2-6 Sinosteel Australia sponsors "Chinese Bridge" Cup competition



Figure 6-2-7 Australian Red Cross show their thanks to Sinosteel for actively participating in Victoria bushfire relief activities

In April 2009, Sinosteel Midwest co-sponsored a traveling music seminar conducted by 3 members of the WA Symphony Orchestra in the remote town of Mt Magnet. The musicians gave lectures and fun demonstrations of classical music and musical instruments to more than 400 young primary school children who would not otherwise get this opportunity because of the remoteness of their schools. The project was warmly welcomed by local residents and children.

C. Disaster Relief

Employees and management of Sinosteel companies often voluntarily show their concerns about the society. When major natural disasters occur, the companies are always quick to help to collect donations, and launch disaster relief activities. The companies donated over Aust \$10,000 for Victorian bush fire disaster relief, and nearly Aust\$10,000 for relief work following the Sichuan Wenchuan Earthquake.

In February 2009, over 200 people died and over 500 were injured in the Victorian bush fire disaster. There were also huge property losses. Sinosteel Australia immediately launched a collection of donations for victims. In addition, as president of units of Western Australia Branch, China Chamber of Commerce in Australia, Company executives also called on member units to collect donations. By March 5th, 2009, the Western Australia Branch, China Chamber of Commerce in Australia had received a total amount of Aust \$110,000 in donations, which were passed on to the Red Cross.

As a multinational corporation, Sinosteel is dedicated to promoting the prosperity and development of the world steel industry and the global economy. Meanwhile we will be continuously integrate the UN Global Compact Principles into our operation and management. Sinosteel Corporation will take great effort to be a responsible and cooperative global citizen.

Shaping the Future and Inspiring Hope by Fulfillment of Responsibility: China Huaneng Group

I . Message from General Manager

Since its inception, China Huaneng Group (“CHNG”) has progressively formed a “triple-color” corporate philosophy of “being a red corporation dedicated to the service of socialism with Chinese characteristics, a green corporation committed to science and technology and the protection of the environment, and a blue corporation keeping abreast of the times, devoted to learning and innovation, and oriented towards the world.” China Huaneng has also established core values of “adhering to the highest standards of integrity, being devoted to cooperation, pursuing constant innovation, endeavoring proactively, creating the best operating results, and serving the nation”. We believe that to fulfill our social responsibility means:

Following and serving the nation’s interests and development strategies and playing an exemplary role in promoting comprehensive socio-economic growth;

Pursuing scientific development and technological innovation and playing an exemplary role in building a resource-conserving and environmentally friendly society;

Persisting in rational pursuits to seek the growth of corporate operating value and playing an exemplary role in promoting the harmony and mutual progress of enterprises and society;

Adhering to the guideline of putting the working class in charge of the operations of enterprises and playing an exemplary role in promoting people-based practices and sharing of interests;

Being committed to giving back to society and promoting public well-being and playing an exemplary role in social moral conduct.

On Feb. 21st, 2008, CHNG joined the UN Global Compact and has incorporated the Ten Principles into the operation.

II . Corporate Profile

China Huaneng is a leading state-owned enterprise founded with the approval of the State Council, an organization whose investment has been authorized by the State, and a pilot corporation majority-owned by the State; it ranks among the *Fortune* 500 companies.

China Huaneng boasts a registered capital of RMB 20 billion and is primarily engaged in power development, investment, construction, operation and management; production and marketing



Mr. Peixi Cao, General Manager



Website:
www.chng.com.cn/

Sector:
Electricity

Country:
China

Global Compact Signatory Since:
Feb. 21, 2008

of electric power (thermal electric power); development, investment, construction, production and marketing in finance, transport, alternative energy, environmental protection and other related industries and their products; and industrial investment operations and management.

As of the end of June 2009, China Huaneng operated 130 wholly-owned and majority-controlled power plants in 26 Chinese provinces, municipalities and autonomous regions and abroad, with a combined total installed capacity of 88.967 million kilowatts. China Huaneng also has sizable business interests in the coal, finance, technology R&D, and transport sectors.

Determined to lead the industry in terms of comprehensive strengths, China Huaneng has been endeavoring to build advantages in its structure, systems and mechanisms, technologies, management and teams, and striving to secure an organic unity of “three larges” and “three stronges” (i.e., a large asset scale, a large market share, and a large contribution to society; and strong profitability, strong competitiveness, and strong growth sustainability). China Huaneng is dedicated to building an internationally competitive integrated energy conglomerate centered on power operations, underpinned by coal production, supported by financial prowess, driven by science and technology, and buttressed by industrial collaboration. By 2010, all enterprises of China Huaneng have met the requirements set forth in the standards for resource-conserving and environmental friendly enterprises, and their energy consumption indicators and emission indicators are among the best in China and up to advanced international standards. At present, China Huaneng boasts a controllable installed capacity in excess of 100 million kilowatts and an annual coal output capacity of more than 60 million tons.

III. Cases of Responsibility Fulfillment: Shaping the Future and Inspiring Hope by Fulfillment of Responsibility

Huaneng Lancang River Hydropower Co., Ltd. is a large-scale river-basin hydropower developer owned by Huaneng Group. The Company specializes in hydropower development and operations in the Lancang River Basin and is also actively engaged in hydropower development in other river basins. It boasts extensive experience and strong capabilities in the construction and operation management of large-scale hydropower projects. As of the end of 2008, the Company's completed, ongoing and planned projects had a combined total capacity of approximately 20,000MW, and its total assets exceeded RMB 50 billion. With a significant number of hydropower projects in operation, under construction and in reserve, the Company's development initiative of “outreach across river basins” is in full swing. The Company is currently the key player in Yunnan Province's “west-to-east power transmission” strategy and in its efforts to foster the pillar power industry with a focus on hydropower.

The Company is committed to Huaneng Group's “triple-color” corporate philosophy and affords high priority to the fulfillment of its social responsibility while speeding up project construction. In line with the guideline of “building power plants that stimulate the local economy, protect the local environment, benefit local people, and enhance local harmony”, the Company is actively involved in the implementation of the Lancang River “Hundred, Thousand and Ten Thousand Project”, an initiative of Huaneng Group in support of the development of new socialist countryside in Yunnan. The Company plays a proactive role in building a harmo-

nious society and endeavors to build harmonious hydropower and promote harmonious development in order to secure sustainable development.

1. Profile of the “Hundred, Thousand and Ten Thousand Project”

Since 2005, amidst the progress of hydropower development in the Lancang River Basin, the Company launched an initiative in support of Yunnan’s efforts to build socialist countryside. This initiative, along with the implementation of the State’s policy in support of the development of new countryside, has progressively evolved into the Lancang River “Hundred, Thousand and Ten Thousand Project” Action Plan. On December 18, 2006, Huaneng Group and the Yunnan Provincial Government held a conference on accelerating hydropower development in the Lancang River, ushering in the Lancang River “Hundred, Thousand and Ten Thousand Project” Action Plan in support of the efforts to build new socialist countryside. The “Hundred, Thousand and Ten Thousand Project” is envisaged to provide funds of about RMB 70 million over a four-year period to support new socialist countryside building in the areas surrounding the hydropower plant and in the settlements of residents relocated from the hydropower plant site.

The “Hundred, Thousand and Ten Thousand Project” envisions:

- Financial aids for improving the infrastructure facilities of 100 rural primary schools;
- Financial aids for building 100 rural clinics;
- Financial aids for giving 100 natural villages a facelift;
- Financial aids for building 100 rural cultural centers;
- Financial aids for providing professional training for 1, 000 village teachers;
- Financial aids for the enrolment of

1, 000 junior and senior middle school graduates in vocational technical schools;

- Financial aids for 1, 000 needy primary and secondary school students to complete their studies;
- Financial aids for building drinking water facilities for humans and livestock and for providing 10,000 residents with adequate access to drinking water;
- Financial aids for the training of 10,000 rural laborers for new job placements;
- Financial aids for the inclusion of 100, 000 residents into the State’s new rural cooperative healthcare scheme (for payments by individuals).

2. Implementation Status of “Hundred, Thousand and Ten Thousand Project”

Since its inauguration, the “Hundred, Thousand and Ten Thousand Project” has contributed funds in excess of RMB 45 million and covered 21 counties and cities in seven prefectures and municipalities in Yunnan, including Diqing, Nujiang, Dali, Baoshan, Linang, Pu’er, and Xishuangbanna. The project has provided financial aids for the construction of 36 Hope Primary Schools, 31 clinics and 22 cultural centers, and funded the facelift of 46 natural villages, the professional training of more than 740 village teachers and doctors, the enrollment of 625 junior and senior middle school graduates in vocational technical schools, the completion of studies by 1,932 needy primary and secondary school students, the job placements of 5,115 rural laborers, the inclusion of 82,827 residents into the State’s new rural cooperative healthcare scheme, and the provision of adequate access to drinking water for 47,560 residents. The project has served practical needs, benefited residents in vast regions, and produced remarkable societal results, thus exert-

ing exemplary effects on State-owned enterprises and Yunnan-based enterprises under the direct jurisdiction of the Central Government.

3. Implementation Measures of “Hundred, Thousand and Ten Thousand Project”

To ensure the results of the “Hundred, Thousand and Ten Thousand Project”, first of all, the Company set up a leadership group headed by its Party group secretary. The leadership group has an office, which is put in the charge of the responsible corporate leader in order to strengthen organizing, coordination and operation. The Company’s grassroots units also set up their respective leadership entities and work entities, which are responsible for formulating and implementing annual plans. Secondly, with regard to the scope of the “Hundred, Thousand and Ten Thousand Project”, the Company each year sets investigation subjects and conducts dedicated research and investigations. During the investigations, the Company makes an effort to strengthen communication and coordination with the local government and related agencies to ensure the quality, safety, and smooth progress of the project. Over the past two years, the Company has provided guidance for more than 300 people at the worksites of the project, convened multiple work conferences on specific topics, and enlisted extensive comments and suggestions for improving the project.

Furthermore, the Company has also worked with charitable organizations to improve the project’s operating efficiency. During the project’s implementation, the Company actively cooperated with the Yunnan Provincial Youth Development Foundation, Red Cross Society and other charitable organizations to make the implementation more scientific and standardized.



Figure 6-3-1 Huaneng Chahe village clinic in Fengqing county



Figure 6-3-2 Handing out educational fund to Heqing Vocational high school



Figure 6-3-3 teacher training

Among the initiatives of the “Hundred, Thousand and Ten Thousand Project”, school construction, teacher training, and financial aids for the enrollment of needy students in vocational technical schools were commissioned to the Yunnan Provincial Youth Development Foundation for implementation, while clinic construction and financial aids for the inclusion of villagers into the State’s new rural cooperative health-care scheme were commissioned to the Yunnan Provincial Red Cross Society for implementation. The Company donated RMB 3 million to the Yunnan Provincial Youth Development Foundation and RMB 1 million to the Yunnan Provincial Red Cross Society in 2007, and RMB 6 million to the Yunnan Provincial Youth Development Foundation in 2008. By cooperating with charitable organizations, the Company has been able to consolidate the project, increase the scale of investment, and strengthen the standardization and scientific nature of the project’s implementation, which has in turn expanded the project’s influence.

4. Implementation Results of the “Hundred, Thousand and Ten Thousand Project”

With the implementation of the “Hundred, Thousand and Ten Thousand Project”, some thorny social issues have been progressively resolved, the cultural, educational and recreational facilities for residents in the reservoir area have been significantly improved, the standard of production and living has been considerably improved, and harmony has been built between residents in the reservoir area and the hydropower enterprise. As a result, a benign social environment conducive to hydropower development undertakings have occurred, making it possible to achieve “win-win” results for enterprise growth and local economic development and to achieve the goal of sustain-

able development.

A. High Levels of Recognition by Stakeholders

The implementation of the “Hundred, Thousand and Ten Thousand Project” has earned praises from the CPC Yunnan Provincial Committee, the Yunnan Provincial Government, and local governments at different levels. The Yunnan Provincial Development and Reform Commission launched a campaign, themed on “Hydropower Development and Balanced Socio-economic Development in the River Basin”, to promote the practices of China Huaneng Group in its involvement in the building of new socialist countryside in Yunnan Province. The Commission fully recognized the Company’s new practices in its active involving in the building of new socialist countryside while speeding up its own development, and affirmed the Company’s significant exemplary role in stimulating the involvement of Yunnan-based enterprises under the direct jurisdiction of the Central Government and large and medium-sized State-owned enterprises in the building of new socialist countryside.

As a popular saying goes, “a prestigious reputation among the public is more valuable than gold”. During the implementation of the “Hundred, Thousand and Ten Thousand Project”, the Company has consistently focused on the most urgent needs of local people, thereby winning the hearts and minds of the local people and establishing a prestigious reputation among the public. Shortages of drinking water for humans and livestock used to be a thorny issue besetting the villages around the hydropower plant and therefore were made a major target for improvement under the “Hundred, Thousand and Ten Thousand Project”. Over the past two years, the Company has allocated more than RMB 3 million to provide adequate access to drinking water for

more than 40,000 people. Take Yuluo Village, Manwan Town, Jingdong County for example, previously, local residents were so short of drinking water supply that each household had to send a laborer to fetch water from kilometers away. Even so, the amount of water that could be fetched in a day was just enough for the consumption by the entire household and two or three large cattle. Thus, local production and life were severely restricted. With the completion of the drinking water works for humans and livestock, local villagers now have access to tap water, and have expressed their gratitude to Huaneng in the most unaffected words. During an interview in the village, Mo Xingmin, head of a villagers' group, said: "This is a constant flow of happiness springs all thanks to Huaneng and is far more than enough for people and livestock." Luo Runxiu, a 90-year-old villager, has developed a habit of washing her hands every day with the tap water at home and enjoys it very much.

B. Creation of a Harmonious Environment for the Company's Development

The implementation of the "Hundred, Thousand and Ten Thousand Project" has consolidated the relationship between the Company as a hydropower developer and the locality and its residents. Understanding of and support for the construction of the hydropower plant have increased, and the number of collective petitioning to higher-level authorities, road blocking and other accidents that used to severely affected the Company's production and operation and disrupted the project, has significantly diminished. As a result, a benign environment has been created for the Company to pursue rapid growth, to enhance its sustainable development capacity, and to boost its development.

With the implementation of the first group of projects, the Xinhua New

Agency published a report entitled "Once Conflict Beset, Now All Harmonious" for internal circulation in the government. The report gave a detailed account of the support of the Manwan Hydropower Plant of Huaneng Lancang River Hydropower Company for the building of new countryside in the locality, and described the harmonious development with residents in the reservoir area. Jiang Enpei, Secretary of the CPC Yunnan Provincial Committee, made an important comment on the report; Yunnan Daily ran a feature entitled "Contributing to the Building of a Harmonious Society" on its front page, and conducted an in-depth exclusive interview. Yunnan TV Station aired a TV series themed on "Affection for Lancang and Joint Efforts for Harmony". These publicity moves have created a benign social environment for enterprise development and expanded the room for the enterprise's sustainable development.

C. Improvement of Local Educational Standard and Residents' Job Skills

During the implementation of the "Hundred, Thousand and Ten Thousand Project", the Company has focused on the fundamentals and made strong efforts to promote education, improve educational infrastructure and enhance the overall competence of local laborers and the transfer of surplus rural labor.

With the emergence of a significant number of Huaneng Hope Primary Schools and the training of village teachers, local educational infrastructure has seen a remarkable improvement. Take the Huaneng Wuli Hope Primary School for example. The Company has allocated RMB 650,000 to construct a new teaching building, student dormitory and canteen and procured desks, chairs and computers for the school, and even sent their teachers to Shanghai for training. These efforts have remarkably improved the school's



Figure 6-3-4 In remote areas, each house has tap water. The days of suffering bitter water before never return



Figure 6-3-5 Hope Primary School



Figure 6-3-6 Skill training program for surplus rural laborers

infrastructure. The school's principal, Luo Mingjin, said: "In the past, wind seeped in through the cracks in the walls of the battered school buildings, and on rainy days, the children had to hold small basins to catch the rainwater; they brought food from home and ate raw and old or had to do the cooking on their own. But now things are totally different. We have not only a new teaching building, student dormitory and canteen, but also clean tap water. They procured computers, iron bedsteads and desks for us, and gave new beddings to the children. The students now have meat every day, and those who transferred out have come back."

The Company is also committed to the training of surplus rural laborers for new job placements. Take Yunlong County for example, the Company has allocated RMB 200, 000 to sponsor 14 skill training programs for 1,415 surplus rural laborers. The trainings were conducted locally around the worksite of the hydropower plant and in the reservoir area where there are high concentrations of local residents. The trainers were seasoned experts and professors from Yunnan Agricultural University

and other provincial and municipal institutions. The training programs involved entrepreneurial guidance, vegetable planting, scientific swine production, hotel housekeeping, and catering service. The trainings have significantly improved local laborers' job skills and enhanced their entrepreneurial awareness, and some of the laborers have embarked upon a new path to wealth.

D. Promotion of Local Economic Development

Over the past two years, the Company has spent more than RMB 12 billion annually on capital construction, making the Company the first enterprise in Yunnan Province to have a total annual fixed-asset investment in excess of RMB 10 billion. In 2008 alone, the Company poured approximately RMB 14 billion to capital construction, strongly stimulating local socio-economic development. In particular, the taxes and fees that the Company has paid during the hydropower plant construction and operation have become the "catalyst" for local poverty reduction and public enrichment, as well as the driving engine for local socio-economic development. With hydropower

development and the progress of the "Hundred, Thousand and Ten Thousand Project", more and more village roadways have been paved, neighborhoods have been improved, drainage ditches and gutters and garbage yards have been built, and commercial fruit trees and aquaculture have received increasing financial support; as a result, most of the natural villages in the reservoir area of the hydropower plant have received a facelift, living conditions have remarkably improved, and economic development has significantly accelerated. Some local villagers are keen to relocate for the hydropower plant and to get involved in hydropower development undertakings. There is rising understanding of and support for hydropower development, and the local community's harmonious interaction and mutual growth with hydropower development have increased as well. The local government and residents have benefited from the construction of the hydropower plant one way or another. By and large, the hydropower development project has enhanced social harmony and stability and provided spiritual power and intellectual support for socio-economic development.

Be Always Grateful, Always Give Charity: LBX Pharmacy Chain Co., Ltd.

I . Message from Chairman

“Always be grateful, always give charity”. LBX Pharmacy Chain Co., Ltd. (“LBX Pharmacy”) has unswervingly persisted in the corporate aim, “all for the common people”, that is oriented to the people and focuses on people’s livelihood to establish and vitalize the industry for the people. To ensure the health of more consumers on a greater scale, we have kept a core focus on “people’s livelihood, health, professionalism and rationality” to meet consumers’ needs with meticulous, quality services offered at a low price. As a pacesetter in the development of the medical and healthcare cause, we have opened up a new service space and ensure good treatment of consumers, suppliers and employees.

II . Company Profile

Founded in October 2001, LBX Pharmacy, which has remained in the top three Chinese chain pharmacies for six years running, is now a Sino-foreign joint venture. As the leading enterprise of the national drug retail industry, it secures an annual sales value of nearly 3 billion yuan, maintains over 360 sales outlets covering a total operating area of more than 100, 000 m² and has some 18,000 employees. To date, it has opened up 14 provincial-level mar-

kets, in Hunan, Hubei, Guangxi, Guangdong, Henan, Hebei, Shaanxi, Jiangxi, Zhejiang, Shandong, Tianjin, Shanghai, Beijing and Jiangsu, and maintains a presence in more than 60 cities across the country.

Upholding the operating aim of “all for the common people”, LBX Pharmacy always concerns itself with people’s livelihood and tries to lighten the burden of access to medicine for ordinary people through a low-cost approach, receiving the warm welcome of consumers and causing functional government agencies to call it a “popular project” in regulating the drug market. The opening of an outlet in every city has caused the unique phenomenon where people are queuing up with baskets in hand to buy medicines. Called the “common people phenomenon”, the birth, development and sensational effect of LBX Pharmacy has received widespread attention in all places and is the subject of case-studies by social and economic research institutions, and has received high-frequency coverage in the leading media throughout the country.

Since its founding in 2001, LBX Pharmacy has always voluntarily involved itself enthusiastically in community construction and encouraged its employees to take part in serving the society. Showing its care for social welfare undertakings, it supports initiatives related to education, culture, public



Mr. Zilong Xie, Chairman

老百姓大药房
LBX PHARMACY

Website:
www.eelbx.com/

Sector:
Food & Drug Retailers

Country:
China

Global Compact Signatory Since:
Mar. 26, 2009

health and welfare. Whenever any serious natural disaster or emergency occurs, it has always provided financial, material and human resources and assistance. By November 30, 2009, LBX Pharmacy had donated over 43 million yuan in cash or kind for efforts in poverty reduction, disaster relief and schooling aid, including 1.16 million yuan in cash and 5.106 million yuan worth of urgently-needed drugs donated to the earthquake-stricken Wenchuan, Sichuan Province. In early 2009, LBX Pharmacy took the lead to issue 30 million yuan of free product coupons on the 14 provincial-level markets to citizens to stimulate domestic demand and meet consumers' needs for medicines. Currently, LBX Pharmacy offers over 18,000 jobs to the society and has absorbed over 3,000 laid-off workers.

On Mar. 26th, 2009, LBX Pharmacy acceded to the UN Global Compact, exercising social responsibility from an all-round perspective.

III . Case of Responsibility: All for common people

1. Participating in community construction and serving the society voluntarily

Since it launched the community activities program, LBX Pharmacy has held up to 10,000 such activities of varying scale, with the help given to the disadvantaged groups in the communities as the focus. The usual forms of the community activities include extending regards to the elderly who have no family, donation of essential drugs, free product coupons and daily necessities to low income families, provision of community health services and organization of community activities. The company is deeply aware of the social responsibility it should bear. It actively develops its employees' sense of ownership, and extends care and support to

the families and persons in need of help. LBX Pharmacy's participation in community construction is mainly reflected in the following four aspects.

A. Health services for community residents

The development of the enterprise depends on the support of ordinary people. As a drug retailer, LBX Pharmacy has been improving the quality of products and services in all possible ways to disseminate health culture and promote the health of the whole people, including:

Firstly, health-related reading materials are provided to improve the physical and mental health of citizens. The company publishes its own newspapers and magazine; maintains the "Health Theme Park" column on its website and compiles health manuals to make it easier for citizens to look up information about health and medicines and improve their awareness for self-medication and healthcare.

Secondly, health services help citizens prevent diseases. Wherever it opens an outlet, LBX Pharmacy will contact the local community and have pharmacists provide free checkups and health advice in the communities, showing concern for the physical and mental health of the residents. Free service items are also available in all outlets to provide convenience for consumers and residents in the surrounding communities.

Thirdly, outdated medicines are recalled to ensure safety of citizens. At the second summit meeting of chain pharmacies held in 2005, LBX Pharmacy was the first to suggest the faulty medicine recall system and called on pharmaceutical enterprises and pharmacies to regularly recall outdated and faulty medicines on a refund basis for concentrated destruction subject to environmental protection. Each year from 2005 to the present, LBX Pharmacy has invested nearly 1



Figure 6-4-1 LBX health services in communities

million yuan collecting expired drugs for environmentally-friendly destruction under the supervision of the local Bureau of Drugs Supervision.

Fourthly, appropriate drug pricing is ensured to provide worry-free access for citizens. Saving every penny and providing quality drugs at a low price for ordinary people is the business philosophy that LBX Pharmacy has been trying hard to implement. Even in special cases, e. g. during the prevalence of SARS and H1N1 flu, LBX Pharmacy insisted on making no price hikes and made efforts one way or another to weather the hard times together with consumers.

B. Supportive and caring services for the aged

Firstly, art activities are provided to make the aged members of communities happy. LBX Pharmacy has been working to expand health services outside the pharmacies through a wide range of community activities. To this end, LBX Pharmacy holds all sorts of artistic and sports activities to show care for the physical and mental health of the aged, create a tangible atmosphere of caring towards the elderly in the whole society, lead them out of homes and get them integrated into the society and enjoying a colorful later life.

Secondly, holiday visits to the aged are made. Holidays are when everyone is jubilant, but this is also when some elderly people with no family begin to feel concerned; they are afraid of the loneliness and desolation that fall on them whenever a holiday comes. LBX Pharmacy regularly organizes employees to visit the elderly in communities or social welfare homes during holidays each year.

C. Happiness guidance for minors

Firstly, fun games create a happy

childhood for children. In recent years, juvenile crime has become a social problem. The prevention of juvenile crime needs the joint efforts of families, society and schools. In this connection, LBX Pharmacy leverages its own advantages and teams up with communities to provide happiness guidance through a series of activities that the minors have an interest in.

Secondly, care is shown for orphans, for “a motherless child is no less a treasure”. It is the unshirkable responsibility of every enterprise to give orphans more care and assistance so that they can feel love and warmth from the society. LBX Pharmacy organizes its employees irregularly to visit social welfare homes and orphanages each year.

D. Environment beautification services offered in cooperation with neighborhood committees

Firstly, community bulletin boards are constructed. In 2005, LBX Pharmacy began gradually to promote macro health initiatives and work with communities to make or replace bulletin boards, which primarily offer knowledge about health specific to the four seasons and prevention of key epidemics to enable community residents to understand methods of healthcare and health regimen. Furthermore, many provincial branches have made medical kits for local communities to provide residents with essential drugs on a monthly basis.

Secondly, public security warning signs and security kiosks are provided. To safeguard the public security of communities, LBX Pharmacy has made security signs for the community police stations and set up security kiosks for the communities.

Thirdly, stairway security posters are provided. In 2005, LBX Pharmacy made and popularized stairway posters



Figure 6-4-2 Cartoon posters provided for kindergartens and HFMD prevention drugs issued free of charge

for the communities around the outlets, which are put up at every staircase landing, publishing the emergency phone number and normal service phone numbers in case the citizens may need them in an emergency.

2. Continuing charity and support of public welfare

A. Schooling aid

To help those students from poor families who show excellence in both character and learning in spite of temporary difficulties and finish their schooling, LBX Pharmacy has offered aid through a variety of means. These have included donations, financing the building of Hope Schools, offering part-time jobs for college students, providing free transport to students attending annual entrance examinations, holding lectures, making bulletin boards for schools, building medical facilities for rural children whose parents have left home to seek employment (generally known as “stay-at-home” children), and donating medicines.

B. Joining ordinary people in supporting cultural development

Firstly, donations are made to schools and libraries. LBX Pharmacy is com-

mitted to activities designed to develop cultural undertakings in the fields of education, science, literature, art, public health, sports and libraries. This is carried out by, for example, financing needy schools and students, building libraries for schools in remote mountainous areas, providing sports equipment for communities, donating cash and materials to for construction of municipal libraries and through the “Books Bringing Hope” events in bookstores in response to the State appeal.

Secondly, road shows of inspiring films are brought to communities. Digital film has become one of the important means of providing community activities in recent years and finds exceptional favor with residents. LBX Pharmacy started to show digital films for communities in 2007.

Thirdly, the “Ode to the Motherland” national karaoke competition is supported. In September 2009, this competition sponsored by LBX Pharmacy kicked off throughout the country, enjoying a high profile. The employees of LBX Pharmacy in over 360 outlets in over 60 regions of 14 provincial-level companies joined local residents in singing songs to celebrate the 60th anniversary of the founding of the People’s Republic of China.

3. Protecting the environment and boosting sustainable development

A. Ecological environmental protection

Practicing what it preaches about the ecological environment, LBX Pharmacy has always advocated care for the environment and saving resources. This allows it to contribute its part to an environmentally-friendly and resource-saving society and promote the harmonious coexistence of man and nature. Each year, all its subsidiaries take part in local afforestation efforts and optimization of the natural ecological environment. For example, Shaanxi Branch Company launched the “Save the forests: don’t use disposable chopsticks” campaign, where it gave away easy-to-carry stainless steel chopsticks to consumers and called on them to join the employees in boycotting disposable chopsticks. In further examples, Hunan Branch Company gave away saplings to consumers free of charge and called on citizens to green the environment jointly and promote environmental protection and Tianjin Branch Company organized a donation to Beining Zoo in Hebei District, Tianjin and called on citizens to cherish animals and show concern for the ecological environment.

Table 6-4-1

2005~2009 Donations

Time	Examples of Donations
June 25, 2005	10,000 yuan worth of medicines donated to Huangjialing Central Primary School and Lengshuipu School in Jiangyong County, Hunan Province
July 24, 2006	2 million yuan donated to South China Disaster Relief Fundraising Office for building one Hope Primary School
May 31, 2007	215 million yuan in cash and 80,000 yuan worth of medicines donated to the Fund of Caring for Stay-at-Home Rural Children of Hunan Province for the construction of medical facilities for such children
August 1, 2007	3,000 yuan in cash and 40,000 yuan worth of medicines donated to the poor families and impoverished students of Xinhua Street, Wuhan, Hubei Province
May 20, 2008	100,000 yuan in cash donated to Teenager Development Fund of Hunan Province
February 2009	50000 yuan in cash donated to Taoping Primary School of Li County, Sichuan Province for the purchase of computers ...
...	...

LBX Pharmacy hopes that its own actions will encourage more people to fulfill their duties in regard to the ecological environment and create a good living environment for later generations.

B. Saving resources

As a retail enterprise, LBX Pharmacy has been advocating economy, optimization of social resources and improvement of social environment. For example, in all the office areas of the company, a small label is affixed onto every office article, reminding the employees to save every piece of paper, every drop of water and every kW·h of electricity so that they can form the habit of saving throughout and influence more people around them through their own deeds. Furthermore, the company also publicizes information about energy saving, environmental protection and correct use of medicines to consumers by frequently holding evening parties, picture exhibitions and other forms of activities.

C. Dissemination of environmental protection ideas

In May 2008, LBX Pharmacy launched the “General Mobilization of Common People for Environmental Protection” campaign and issued nearly 160,000 environmentally-sound bags to consumers free of charge, amounting to a total value of some 480,000 yuan. Additionally, the outlets of provincial companies leveraged the advantages of terminal sales to inform customers about environmental protection and carried out a series of activities to advocate customers’ participation in environmental protection. The employees of the provincial companies are also often organized to clean streets and other public areas and put on public welfare shows to boost the building of civilized cities.

4. Standing out in reaction to major natural disasters and emergencies

As a drug retailer, LBX Pharmacy not only provides citizens with quality medicines at low prices, but also can stand out at the outbreak of any natural disaster or emergency and offer assistance when the needy groups cannot afford medicines and people’s health is threatened.

A. Faced with the outbreak of SARS, LBX Pharmacy refused to profit out of a national calamity

In 2003, SARS (Severe Acute Respiratory Syndrome) broke out and subjected the pharmaceuticals industry to a special test. Many pharmaceutical factories and pharmacies took advantage of the opportunity to profit out of the national calamity. They took advantage of the early panic buying of Radix isatidis and oral anti-virus liquids to the later short supply and even sell-out of SARS-resisting Chinese herbal prescriptions, disinfectant and gauze masks. The prevention and treatment of SARS also drew great attention of LBX Pharmacy. Although the purchase price went up, LBX Pharmacy promised consumers that it would “never raise the prices of anti-SARS drugs”. To ensure the procurement and supply of medicines, it gave up some 4 million yuan of easily obtainable profits and paid out of its own pocket to satisfy consumers’ demand for medicines. Moreover, all its outlets across the country persisted in issuing free publicity materials on SARS prevention every day and preparing SARS preventing traditional Chinese herbal tonic which was supplied free of charge.

B. LBX Pharmacy offered assistance to combat the ice disaster

In early 2008, most parts of China



Figure 6-4-3 Children put on performances to express their gratitude to the society and the enterprise



Figure 6-4-4 LBX Volunteers serving stranded passengers in the ice disaster



Figure 6-4-5 May, 2009 United in Earthquake Disaster Relief

were hit by an ice disaster that was the most serious since 1954. All social sectors took part in the disaster relief efforts. On the morning of January 29, the national management office of LBX Pharmacy held an emergency meeting when it learnt that a large number of vehicles had been stranded on Zhuzhou section of Beijing-Zhuhai Expressway due to the ice disaster, causing the drivers and passengers to be trapped in the bitter cold for days. It required employees to purchase 600 cotton quilts, 600 cotton-padded clothes and 600 sets of medicines together with a large quantity of food and drinking water obtained through various channels. Considering that the trapped drivers and passengers might have fallen ill in the vile weather, the company required the pharmacists of the outlet to prepare 600 complete sets of anti-flu drugs, which were also delivered to the scene for assistance.

Meanwhile, the provincial companies of LBX Pharmacy also carried out activities fighting the ice disaster, such as door-to-door delivery of medicines, free supply of anti-flu tea to passengers, and snow clearing from roads. Hunan Branch Company gave away medicines for preventing frostbite, remedying colds and treating traumatic injury to traffic policemen, traffic wardens, and landscape and construction workers and sent vehicles to provide transport for the residents stranded in the city due to snow. Shaanxi Branch Company dispatched some 10 volunteers to issue Radix isatidis granules prepared in boiled water to the passengers in Xi'an Railway Station. Zhejiang and Hubei branch companies set up service points in railway stations, where pharmacists provided the stranded crowds with free health advice, measurement of blood pressure, teas (ginger tea, Radix isatidis), carsickness drugs and cold remedies. LBX Pharmacy also donated 100,000 yuan in cash to the People's Government of

Suxian District, Chenzhou, Hunan Province, which was the hardest hit by the ice disaster, to support its post-disaster reconstruction. According to statistics, LBX Pharmacy donated some 400,000 yuan worth of cash, medicines and other materials to the ice disaster relief efforts.

C. Earthquake disaster relief assistance

Immediately after the Great Sichuan Earthquake that hit Wenchuan, Sichuan Province on May 12, 2008, LBX Pharmacy donated 1.16 million yuan to the disaster-stricken areas, including more than 300,000 yuan donated by employees. Over 150 outlets throughout the country donated money and blood, staged charity shows and conducted charity sales. Hunan Branch Company answered the call of Hunan Provincial Food and Drug Supervision Administration by donating 100,000 yuan worth of medicines to the disaster areas. As it learnt that medicines and medical workers were urgently needed in the disaster areas with the gradual development of the disaster relief efforts, LBX Pharmacy urgently mustered 12 categories of drugs and medical appliances from its nationwide subsidiaries, including drugs for clearing away heat and toxins, resisting bacteria, eliminating inflammation, sterilization, gastrointestinal tract diseases, drugs for oral administration and injection, and bandages, totaling over 100 varieties and amounting to some 5 million yuan. To reduce the transshipment process, LBX Pharmacy made great efforts to use its own motorcade, which delivered the medicines from Changsha directly to the hospitals in the affected areas, such as Pengzhou, Shifang, Jiangyou and Longquanyi, in spite of the continuous aftershocks along the way and the landslides that might have occurred at any time on either side of the road. 17 volunteers with professional medical expertise who were selected from nationwide outlets formed the "Earthquake Relief

Team of Young Volunteers” and went to the disaster area. The volunteers of LBX Pharmacy could be seen everywhere in the seriously affected areas, such as Shifang, Jiangyou, Pengzhou, Longquanyi and Dujiangyan, where they offered guidance on safe use of medicines, helped the young and old erect tents, cleared away trash, distributed disaster-relief supplies, counted disaster losses and transferred victims. When they learnt that some people in Dujiangyan had no essential medicines, they donated their own medicines to these people.

D. Stimulating consumption and ensuring growth

In 2009, a financial crisis swept across the world. In active response to the government call for “enlivening circulation, expanding consumption and stimulating domestic demand”, LBX Pharmacy took the lead in China to issue 30 million yuan worth of free drug coupons to nationwide consumers from March 2 to April 12 to meet the drug demand of common citizens during the financial crisis. According to incomplete statistics, by the end of April 2009, LBX Pharmacy recovered nearly 14.1162 million yuan worth of the coupons from nearly 300 outlets across the country, registering a recovery rate of 40%. The initiative drew extensive media attention and was covered by a dozen leading media outlets, including CCTV Channel 1 and Channel 2.

E. Acting to prevent H1N1 flu

As a special commodity meant to treat diseases and save lives, medicine has both the attributes of a commodity and moral attribute. As the leading enterprise in drug retail, LBX Pharmacy always considers the latter first when facing a major natural disaster and emergency.

In April 2009 when the flu season started, LBX Pharmacy was the first to launch a series of activities for the prevention of H1N1 flu throughout the country. It organized the distribution of free Chinese medicinal herb tea, gauze masks, Radix isatidis and 400,000 anti-flu leaflets in its nationwide outlets; made anti-flu posters, which were put up in the outlets and on community bulletin boards to warn citizens about the need for disease prevention.

Faced with the return of H1N1 flu in the autumn, LBX Pharmacy outlets further stepped up the precautions. They highlighted the display of the drugs for prevention and control of H1N1 flu to facilitate purchasing and promised the citizens that the prices of the flu-resistance drugs would never be raised. The outlets teamed up with pharmaceutical factories in accepting expired medicines and empty medicine boxes in exchange for flu-resistance drugs and put up flu-prevention display panels and posters in prominent places at outlets to attract citizens. Pharmacists and pharmacy assistants took part in the publicity of flu-prevention information and in explaining prevention information to citizens.

Meanwhile, on the basis of the Treatment Plan for H1N1 flu (Third Edition, 2009) distributed by the Ministry of Public Health, LBX Pharmacy urgently printed 1 million copies of the Manual for Prevention and Control of the H1N1 Flu, Third Edition, which were distributed to consumers free of charge in 14 provinces. The manual covers the symptoms and means of transmission of H1N1 flu, susceptible groups, Chinese medicinal prescriptions and methods of prevention.

In November, LBX Pharmacy integrated the resources of 14 provinces to launch a large-scale public well-being campaign by issuing more than 2 million Chinese medicinal incense bags to taxis



Figure 6-4-6 Pharmacists giving away flu-preventing incense bags to bus drivers

and buses free of charge to prevent the flu from spreading in taxis and buses which many people pass through.

F. HSC (hematopoietic stem cell) donation

On October 27, 2009, the “Loving Care Pool of Common People”, a public welfare organization sponsored by LBX Pharmacy, was formally established in Changsha, Hunan Province. On the day, the ceremony was accompanied by the charity sale and HSC voluntary donation activities launched by the organization. More than 50 volunteers from the pharmacy and some of the spectators present joined the ranks

of the HSC donors. Many employees donated blood on the site after samples of their blood were taken.

LBX Pharmacy is the first drug retailer in China to launch a publicity event for HSC awareness. After it was established, the organization will organize the more than 360 outlets across the country to launch more than 4000 caring and support activities and publicize the donation of HSC.

5. Social Assessment

During the past eight years, for its good faith operations and wholehearted services to the society, LBX Pharmacy

has been awarded tens of honorary titles. These have come from the State Council Development Research Center, CPC Hunan Provincial Committee, Hunan Provincial People's Government and Consumers' Committee of Hunan Province, and have included the “Prize for Best Services to Society”, “Charity Prize of Hunan”, and the “Excellent Enterprise of Non-public Ownership for Hunan Province”, “Good Faith Operation Enterprise of Hunan Province”, and “Brand Trusted by Consumers in Hunan Province” awards. In 2007, the registered trademark of LBX Pharmacy was recognized as a well-known trademark of China.

Chapter VII

>> Case Stories on Multinational Companies in China



Enhancing Internal Management System and Fulfilling Three Bottom-Line Responsibility: Omron (China) Co., Ltd.



Mr. Tatsunosuke Goto, Chairman

I. Message from President

As early as 1959, Omron Group (“Omron”) put forward its corporate philosophy that “the real purpose for a company to exist is to serve society, and only when this is accomplished should the company earn profits and enjoy sustainable growth” and that an enterprise shall “work for the benefit of society”. This is the credo of Omron founder Kazuma Tateisi, and serves as the Corporate Social Responsibility (CSR) principle that is passed down in Omron Group from generation to generation. In the opinion of Omron Group, in order to meet the various needs of the stakeholders in fields related to the economy, environment and society, enterprises as members of the international community should have honest dialogue with their stakeholders and build relationships of mutual trust. Meanwhile, enterprises should actively contribute to the sustainable development of society through fair and transparent business activities and play an effective role in social progress and development. In order to live up to the expectations of stakeholders and to achieve the optimal sustainable development of society, Omron Group considers the exercise of corporate social responsibility (CSR) an essential principle.

Omron’s Corporate Motto:

- At work.
- for a better life.
- a better world for all.

The Omron Principles:

- a. Core Corporate Value
Working for the benefit of society
- b. Management Principles
Challenging ourselves to always do better. Innovation driven by social needs. Respect for humanity
- c. Management Commitments
Respect for individuality and diversity
Maximum customer satisfaction. Relationship-building with shareholders. Awareness and practice of corporate citizenship
- d. Guiding Principles for Action
Quality first. Unceasing commitment to challenging ourselves. Integrity and high ethics. Self-reliance and mutual support.

To live up to the core value of “working for the benefit of society”, Omron has not only embedded this into its management principles, management commitments, and guiding principles for action, but also included CSR activities into its medium-to-long-term business strategies. The Group has also es

OMRON

Website:
www.omron.com.cn/

Sector:
Electronic & Electrical Equipment

Country:
Japan

Global Compact Signatory Since:
Oct. 24, 2008

established three basic policies for CSR activities as a basis for conducting business management with great attention paid to stakeholders.

Three Basic Policies for Omron's CSR Activities:

- Contribute to a better society through business operations.
Consistently offer excellent technologies, products and services through innovation driven by social needs.
- Always demonstrate fairness and integrity in the promotion of corporate activities.
Promote more transparent corporate activities that maintain fairness and integrity not only through strict compliance with laws, regulations and social norms but also through increased accountability.
- Show commitment to addressing societal issues as a member of society.
Address various social issues such as human rights, labor, and environment in a way that draws on Omron's distinctive strengths.

Omron joined the UN Global Compact on Oct. 24th, 2008.

II . Company Profile

Omron Group is a globally well-known automatic control and electronic equipment manufacturer which possesses world-class sensing and control technologies. Through continual innovation driven by social needs in the 75 years since its establishment, the company is now doing business in 35 countries and regions with 32,583 employees. Its global sales revenue in 2008 was JPY 627.2 billion. The company owns as many as hundreds of thousands of product types in a wide range of fields such as industrial automatic control systems, electronic components, automotive electronics, social systems, healthcare and medical equipment, and others.

Omron's presence in China has a

30-year history. Following the technical exchange in the 1970s, the consigned processing in the 1980s, and the direct investment and production in the 1990s, the business of Omron in China truly embraces a new stage of "reinvestment and synergic creation" in the 21st century, realizing a milestone leap. In 1994, Omron (China) Co., Ltd. became the country's first approved investment company. In the three years from 2004 to 2006, Omron increased its investment in China by JPY 30 billion. In 2006, the construction of Omron's global industrial automation base, Omron(Shanghai) Co., Ltd. was completed. In 2007, Omron's first R&D center in China, the Omron Institute of Sensing & Control Technology(Shanghai) Co., Ltd. was completed and opened up for business. Today, Omron China is a company that has formed a holistic management system which integrates R&D, design, production, logistics and centralized procurement and has nearly 14,000 employees. Its sales revenue in China reached JPY 75.2 billion in 2008.

Omron has led the world in developing and producing a series of products and equipment systems such as the non-contact proximity switch, auto-sensing electronic signal controller, automatic vending machine, automatic fare collec-

tion system, and the automatic cancer diagnosis instrument. It is Omron's business development objective to contribute to social progress and the improvement of people's standard of living, make innovation driven by social demand, and build a safe, secure, environmentally-friendly and healthy society.

III . Case on Responsibility: Active contribution to Chinese society by exercising corporate social responsibility

1. Framework of CSR activities

Omron conducts all-round CSR activities related to the economy, environment and society on top of its corporate governance mechanism to meet the expectations and requirements of stakeholders, and makes continual efforts in building a better society.

A. Corporate governance mechanism

In order to meet the expectations and requirements of stakeholders, Omron is committed to establishing an optimal management system and to performing its business operations in a reasonable way with a view to pursuing long-term maximization of corporate value. How



Figure 7-1-1 Framework of Omron CSR Activities

ever, to guarantee the successful implementation of this management mode, Omron continues to strive for improvement of its business management system, or corporate governance mechanism.

In June 2008, for further improvement of fairness and transparency in business management, Omron established the

Corporate Governance Committee to discover what kind of corporate governance mechanism would be most suitable for Omron. Meanwhile, in order to guarantee sound and efficient organization management, Omron has developed a basic policy for the establishment and perfection of the internal control system. Under the guidance of this basic policy,

the company has established the internal control system to meet all requirements related to the reliability of financial statements, compliance with laws and regulations, business efficiency, and asset protection, etc.

In respect of information disclosure, in order to realize highly transparent

Comprehensive solutions satisfying the social requirements for low-carbon business

In order to prevent global warming from rapidly worsening, it has now become an urgent need to reduce the CO₂ emission of workshops, offices, stores, and logistics. After the Chinese Government issued its CO₂ emission reduction plan, the social requirements for carbon emission reduction became more and more urgent. Hence, China is about to issue detailed policies and standards related to emission reduction. The range of emission reduction extends from production factories to various organizations. ROC (Return on Carbon) will become an index as important as ROE (Return on Equity) and ROA (Return on Assets). Therefore, Omron considers CO₂ emission reduction as a business issue related to the enterprise's continued existence.

In Omron's view, we must have accurate knowledge of the present energy consumption and CO₂ emission before we can conduct efficient energy saving and emission reduction activities and bring forward appropriate countermeasures. For this reason, in 2009 Omron implemented the "CO₂ solution" activities, put forward the "visible" management model, and proposed efficient emission reduction countermeasures based on accurate measurement of energy consumption and CO₂ emission from offices and factories to stop all wastage.

Considering the factories and all divisions as a whole, Omron measures the power consumption of dynamics, lighting, and air conditioning etc at the production sites through "visible" methods and identifies the problematic points in order to make alteration of applications and equipment. Visible management is also helpful for accurate understanding of information related to individual processes of production, and allows us to know which process generates the maximum CO₂ emission, whether the investment in emission reduction is effective or not, how much energy is used for production of each product on average, etc and thereby give solutions. In addition, "visible" management also provides integrated services from the identification of key points of improvement before introduction, through giving recommendations for improvement to on-site modifications. On top of this, it connects the management with operation sites through unification and sharing of information, and becomes a new solution and business model for the improvement of environmental management in business.

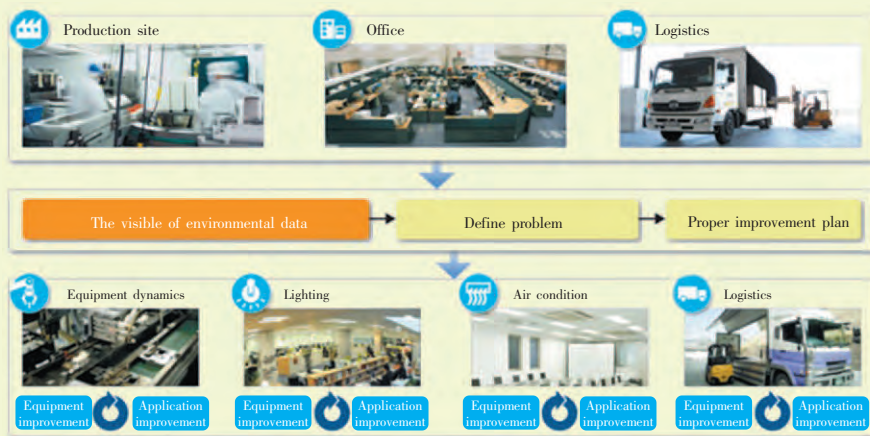


Figure 7-1-2 Objects of CO₂ emission reduction project

business, Omron always considers active information disclosure as a fundamental policy. To meet the high information disclosure requirements of all stakeholders including shareholders, Omron has developed more stringent information disclosure standards to be followed in addition to compliance with the timely disclosure principles provided by applicable laws. Every year Omron holds communication meetings on information disclosure inside the company to enhance employees' awareness.

Each year, Omron Group organizes its executives and employees in China to hold workshops on compliance and business ethics and calls for their compliance and self-discipline. Omron Group started to actively carry out compliance and business ethics activities with a focus on tax policies and regulations, anti-bribery legislation, business scope regulations, and environmental protection regulations etc in 2006, and decided to conduct relevant supervision and review activities every year after that.

B. Fulfilling economic responsibilities

Omron believes that working for the benefit of society is an important approach to fulfilling economic responsibilities. Therefore, Omron considers safety, security, health and environment as key fields, faces up to challenges in these areas, provides innovative products and services, and contributes to addressing the social issues related to such things as production safety, traffic roads, health management, and environmental protection.

C. Fulfilling environmental responsibilities

Omron always considers environmental protection as one of the important business issues. In order to realize the environmental vision "Green Omron 21", Omron maintains an environmental management system which puts equal

emphasis on environmental protection and economic efficiency through six approaches including Eco-Mind, Eco-Management, Eco-Products, Eco-Factories/Offices/Laboratories, Eco-Logistics and Eco-Communication.

"Eco-Mind" means that environmental protection education activities are carried out among employees to enhance their awareness of environmental protection. To enable the employees to get a better understanding of the core value of "working for the benefit of society" and personally fulfill the enterprise's social responsibilities, Omron has named the date of its establishment, the 10th of May, as "Community Volunteer Service Day". On this day each year, more than 30,000 members of the Omron family all over the world participate in public welfare activities in various ways and contribute to the society through practical actions. In addition to routine education programs such as regular study of laws and regulations related to environmental protection, Omron seized the opportunity of the 75th Anniversary in 2008 to launch the "Environmental Protection Volunteer Initiative" in which up to 35,000 employees all over the world participated. This initiative lasted from May 10 to September 30. Omron employees used the anniversary as an opportunity to embed the environmental protection and volunteer activities into everyone's daily life. In China, an "environmental protection practice initiative" was launched for every employee to participate with the organization. In line with the Chinese Government's ban on the use of ultra-thin plastic bags from June 1, 2008, Omron organized its employees in eight cities including Beijing, Shanghai, and Shenzhen to offer reusable shopping bags to citizens on streets and disseminate energy conservation and recycling information. In routine management, Omron carries out the "start from small things for environmental protection, start from me" initiative, and organizes



Figure 7-1-3 Omron Group Employees are handing out environmental shopping bags to citizens

the employees in all regions to record their daily environmental protection actions from travelling by bus to turning off lights at intervals and during noon break for electricity saving, from not using disposable chopsticks to recycling paper and then to volunteer tree planting. The recorded actions are converted into corresponding scores and given to the Head Office in Japan to evaluate and then give a reasonable donation for environmental protection. The recent large donation was JPY 10 million donated to Shanghai Jiuduansha Wetland National Nature Reserve Foundation.

“Eco-Management” means that the whole Group makes efforts in environmental accounting and pollution control. To date, all locations of Omron in China have been registered to ISO14001. In addition to minimizing the negative impact posed by production to the environment, Omron also pays attention to the environmental protection of final products and has taken a series of actions including stopping the use of restricted chemicals, green procurement and improving the recycling usability of products with a view to providing the society with “Eco-products”, which are better for the environment. Furthermore, in factories, laboratories and offices, and during logistics and transport, Omron has taken such measures as emission reduction and non-pollution treatment of wastes like CO₂, resource conservation, and pollution reduction as efforts to realize a higher grade of “Eco-Factories/Offices/Laboratories” and the “Eco-Logistics” objective. In 2008, Omron (Shanghai) Co., Ltd. alone exceeded the goal of reducing CO₂ emission of 9400 tons with an excess reduction of more than 700 tons, which was 11.8% more than planned. Besides this, Omron discloses its information to relevant stakeholders on a timely basis through the “Eco-communication” methods such as releasing electronic reports on its website and

participating in environmental exhibitions each year, which have achieved good communication results in the industry.

Moreover, all businesses of Omron Group are making great efforts in energy conservation (raw material, water, electricity, etc.) as a response to the call of the Chinese Government. Meanwhile, the factories of Omron throughout the world purchase all kinds of raw materials from about 2,700 partners. In 2006, Omron started to sign purchase contracts comprising CSR provisions with its partners in China. These provisions cover the following CSR content: “compliance with regulations on business transactions, labor conditions, safety and sanitation, and environmental protection”, “prohibition of forced labor and child labor”, “respect for human rights and personal dignity”, “prohibition of illegal transactions”, “proper control of chemicals and observation of regulatory provisions on composition of products”, and “enhancement of environmental protection awareness”. Omron also organizes relevant purchasers and CSR principals to supervise its suppliers.

D. Exercising social responsibility

In more than 10 years of business operation in China, Omron has not only helped create a “safe”, “secure”, “environment friendly” and “healthy” society in China by providing high quality products and services to the society, but has also contributed to the education, environmental protection and welfare for disabled persons of China through various public welfare activities and has actively undertaken its social responsibilities.

Regarding assistance to disabled persons, despite the depressed economic situation of Japan in 1971, Kazuma Tateisi still decided to build a factory to help people with severe physical handi-

cap return to society. That has been called a year which changed the fate of Japanese disabled persons’ employment. In 1972, Omron Taiyo Co., Ltd. — the first company that provided employment opportunities for disabled persons in the world — was officially established and followed by more factories run by workers in wheelchairs afterwards. In 1972, “Omron Taiyo” — the first welfare factory of Japan — was established in Beppu City Oita Prefecture; in 1986, “Omron Kyoto Taiyo” was set up in Kyoto. In both factories, all facilities were designed for disabled workers and truly realized the “barrier free” ideal from assembly lines to specially made ATM machines. Through appropriate professional training and diligent study, the workers not only mastered technical skills but also had a place to use their talents and found a good living environment. In China, Omron also pays ongoing attention to the welfare of disabled persons. With the same philosophy that “physical disability does not hinder work, and it is more important to give work than sympathy”, at the first overseas group directors meeting of Omron held in Shanghai on September 13, 2005, the delegates made a unanimous decision to employ disabled persons in the seven factories of Mainland China. So far, the number of disabled employees in six factories of Omron in China has reached or exceeded the statutory employment proportion stipulated by the country. Xiao Yanhong from Omron Electronic Components (Shenzhen) Ltd. and Hiroki Sasahara from Omron Taiyo respectively represented China and Japan to participate in the 2008 Paralympic Games. Xiao Yanhong won the gold medal in the women’s sitting archery; Hiroki Sasahara won the silver medal in the men’s full-distance wheelchair marathon T-54 and entered the semifinals of the 800m wheelchair racing in track and field competition. Moreover, the six factories in Mainland China donated RMB 3 million

yuan to local welfare agencies in three consecutive years from 2005 for pre-employment training of disabled persons, wishing to help the handicapped for fuller participation in social life by providing employment opportunities to them. In 2005, the first donation of RMB 1 million yuan was given to Shanghai Pudong New Area Disabled Persons' Federation to purchase equipment required by the Home of Sunshine Disabled Persons Professional Training Base located in Shanghai Pudong New Area (Jinqiao District) for pre-employment professional training. In 2006, donations were successively made to the disabled persons' welfare agencies of Dalian and Shenzhen for setting up pre-employment professional training centers. On December 6, 2007, Omron (China) Co., Ltd. donated relevant training facilities including computers, sewing machines, and photography and video devices worth more than RMB 190,000 yuan to the Suzhou High-tech Zone Disabled Person Service Center. On December 7, Omron China donated computer training equipment worth more than RMB 210,000 yuan to Changshu Disabled Persons' Federation, Jiangsu Province for setting up the "Omron Multimedia Classroom". On May 15, 2008, Omron (China) Co., Ltd. donated multimedia computer classroom and rehabilitation equipment worth RMB 430,000 yuan to Guangzhou Disabled Persons Employment Service Centre and Guangzhou Disabled Persons Day Activity Center. Moreover, Omron has sponsored the Paralympic Games competition like wheelchair basketball in the "Good Luck Beijing" Test Event; Omron has also sponsored Dalian International Marathon/Wheelchair Marathon Competition over 13 consecutive years with a view to helping disabled persons participate in social life; the "Omron Cup" Shanghai Walking Exercises for Elderly People sponsored by Omron alone over six consecutive years was held, with 5,000 elderly people from all over

Shanghai participating in the exercise and jointly calling for the health concept "10,000 steps a day, the first step to health".

In terms of education assistance, Omron has donated numbers of industrial automatic control machinery sets (PLCs and sensors) to more than 30 universities of science and technology including Tsinghua University, Tongji University, and Shanghai Jiaotong University for scientific research and teaching of such universities since 1998. During the five years from 1996 to 2000, Omron Group endowed JPY 50 million to establish the "Omron China Education Fund" in collaboration with the Ministry of Education of the People's Republic of China as a contribution to the training of Chinese industrial and technical talents. Omron has cooperated with the former Ministry of Machinery Industry of the People's Republic of China multiple times to provide the managerial staff of State-owned Chinese enterprises with advanced business management experiences in "quality management" and "production management" through holding workshops and organizing visits to Japan. In 2000, Omron endowed money to produce the Sign Language VCD Teaching Material to provide teaching material for hearing able people who study sign language for volunteer activities. In recent years, the college graduate employment issues have aroused wide attention. To address the social issue of employment for university graduates, in 2008 Omron started to give ongoing support to the "Campus Career Development Program" (CCDP) by going into colleges and carrying out trainings for students on professional awareness and career planning. The senior executives of Omron Group also went to colleges as trainers to narrate their successful experiences and give useful tips to students. Besides, Omron also provided college students with opportunities to visit and gain experience in enterprises, allow-



Figure 7-1-4 Disabled friends are taking exercises with facilities donated by Omron



Figure 7-1-5 Senior administrative staff of Omron participate in "Campus Career Development Program" and impart experience to students personally

ing them to better understand the enterprises on site, to learn about the society, and to prepare themselves for employment. There were more than 5,000 people directly participating in the activities throughout the year. These activities were all highly appraised by students. CCDP has become the largest non-governmental public welfare event to support the employment of college graduates.

With regard to cultural exchange, to support hypertension disease prevention and control in China, Omron Group sponsored China-Japan Cardiovascular Forum in two consecutive years from 2005. In March 2006, to support the communication of the CSR

concept in China, Omron sponsored the international CSR forum organized by relevant authorities of China. In 2007, Omron Group participated in and sponsored the activity allowing college students to visit Japan named “Getting Closer to Japanese Enterprises; Getting to Know Japan”, contributing to the exchange between young people of China and Japan.

As for disaster relief, in recent years Omron Group has donated a significant amount of money and materials to locations in China where natural disasters occurred to help relieve the difficulty of affected people each year. On May 14, 2008, Omron Corporation and Omron (China)Co., Ltd. jointly made imme-

diately response by endowing JPY 30 million to relevant agencies including the Red Cross Society of China and donating many medical devices including 300 electronic sphygmomanometers, 200 thermometers, and 100 glucose test meters to Sichuan Provincial Department of Health to assist the emergency medical rescue in Sichuan earthquake disaster areas. The employees of Omron throughout China also organized active fundraising activities to give their assistance and care to the affected people. By May 23, the donations made by the employees throughout China had exceeded RMB 680, 000 yuan, which was endowed to the respective local rescue agencies.

Strong Commitments to be A Good Corporate Citizenship: Siemens (China) Co., Ltd.

I . Message from the President

We believe that an unwavering commitment to Corporate Responsibility is vital for our long-term development in China, and at the same time an integral part of our company's strategy.

Embracing Corporate Responsibility to advance society is one of Siemens' corporate ("Siemens") principles. This emphasizes that Corporate Responsibility is part of every act of business we do. In other words, it is part of the company's DNA. To us at Siemens China, the identity of the company is closely linked to the society in which it operates. Over its history of more than 130 years, Siemens has proven itself as a reliable, committed and trustworthy partner of China. Not least as the overall majority of our employees are Chinese. Today, faced with the rapid development of the country, we believe our success will continue through the fulfillment of our commitment to Corporate Responsibility.

II . Corporate Profile

Siemens AG, headquartered in Berlin and Munich, is one of the world's largest electrical and electronic engineering companies, specializing in industrial and public infrastructure, energy and healthcare. For over 160 years since its foundation, Siemens has stood

out from its peers with excellent technical achievements, consistent innovation, and unparalleled quality and product reliability.

Siemens' presence in China dates back to 1872, when the company delivered China's first pointer telegraph, marking the start of modern telecommunications in China. Following this, Siemens helped China build its first large hydropower plant, first high-voltage transmission line, first modern mine project, and its first steam-turbine power plant, along with other firsts. Siemens has been active in the country for more than 130 years, where it holds leading positions in the company's three main sectors of industry, energy and healthcare.

Over the years, Siemens has become an integral part of the country's economy and a reliable, committed and trustworthy partner of China. Siemens has put its environmental protection business portfolios and innovative solutions completely into cooperation with China, evidencing its determination to help China realize sustainable development. Siemens has witnessed the significant changes in China since its reform and opening up, and has carried out its own reforms and realized development by being willing to change with the times.

To date, Siemens has established more



Dr. Richard Hausmann, President and CEO

SIEMENS

Website:
www.siemens.com.cn/
Sector:

Electronic and Electrical Engineering

Country:

Germany

Global Compact Signatory Since:

Nov. 26, 2003

than 90 operating companies and 61 regional offices in China. Siemens' business units and its regional and provincial general managers around China allow the company to better track market trends, assimilate local information, and respond quickly and efficiently to customer needs. In fiscal 2009 (October 1, 2008–September 30, 2009), sales to customers of Siemens in China amounted to EUR 5.2 billion, and new orders totaled EUR 5.5 billion. With a workforce of over 43,000, Siemens is one of the largest employers amongst foreign invested enterprises in China.

III. Case of Responsibility: Commitment to Excellent Corporate Citizenship in China

Siemens joined the UN Global Compact on Nov. 26th, 2004. A strong commitment to good Corporate Citizenship is a core value of Siemens that is based on the recognition that the company's activities have a wider impact on the society in which it operates, and that developments in society impact in turn on the company's ability to pursue its business successfully. Siemens therefore actively manages the economic, social and environment impact of its activities, and realizes long-term benefits by working with local communities, government organizations and other key stakeholders.

1. Corporate Citizenship Activities

Examples of Siemens' early corporate citizenship activities in China can be traced back to the Second World War, when Mr. John Rabe, then Siemens business representative in Nanjing and Chairman of the Nanjing International Safety Zone, provided humanitarian aid and shelter for over 250,000 Chinese refugees at Siemens' property in Nanjing during the Nanjing Massacre. Over the years, the company has been actively contributing to help construct a

harmonious society in China by engaging in a large variety of corporate citizenship activities in the six core areas of education and training, health care, environmental protection, public welfare, disaster relief and supporting employee volunteering.

All of Siemens corporate citizenship activities are executed under the company's two global umbrella programs "Siemens Caring Hands" and "Siemens Generation 21". "Siemens Caring Hands" comprises volunteerism, social programs and disaster relief, showing Siemens and its people as good corporate citizens. "Siemens Generation 21" comprises educational activities for pre-schools, schools and universities to help nurture tomorrow's scientists and engineers.

A. Siemens Generation 21

By supporting young people in education and training, Siemens paves their way to a better future. For years, Siemens has not only donated teaching and learning equipment, books, and stationary for schools in China's underdeveloped regions, but also supported them with monetary aid. In September 2009, to help the children of migrant workers become better integrated into urban life, Siemens initiated a nationwide environmental protection education program "the Siemens Green Education Program" which is to be run throughout the country. In November 2007, Siemens launched a nationwide Discovery Box roll out program in China. Siemens Discovery Box consists of two large wooden boxes of science kits for conducting experiments on the topics of Energy & Electricity and Environment & Health. Siemens Discovery Box aims to awaken the interest of pre-school children in science and technology. It also supports the teachers by equipping them with materials and know-how in this area. To date, Siemens has donated hundreds of discovery boxes in China. In 2005–2006,

Siemens donated automation systems worth over RMB 10 million to ten key universities in China, to support them in establishing ASEA (automation system engineer accreditation) training centers to improve their level of education and scientific research.

B. Siemens Caring Hands

Siemens considers support for the development of healthcare in China and the donation of advanced medical equipment to regions in need to be key work of the company. In 2008, the first Siemens Rural Center of Medical Excellence was opened in Luochuan County, Shaanxi Province. The program was intended to explore medical equipment solutions and medical service models with Chinese characteristics, which better address the healthcare needs in the vast rural areas of China. The establishment of the center elevated medical services to a higher level in the county, marking another milestone for Siemens in improving the level of healthcare services in rural areas. In the same year, Siemens donated a Siemens mobile intensive ultra-filtration water treatment system valued at RMB 1 million to the Red Cross Society of Wuxi City. Currently, the system is installed and operating at the Wuxi Women and Children's Hospital in Jiangsu Province. The system performs the necessary processes to further purify the tap water supplied in Wuxi and provide safe potable water.

With a focus on sustainability and environmental protection throughout its entire business scope, Siemens works to protect the environment and contribute to sustainable development. In November 2007, Siemens kicked off the "Green Village" program in China, committed to providing for daily needs for safe water and providing energy saving solutions to improve the living conditions in the impoverished countryside. The first model project of the pro-

gram was built and handed over to Shangba Village in Guangdong Province in February 2009. The "Water Boy®" purification facilities donated by Siemens are able to provide safe and sanitary daily water for the 3,500 villagers of Shangba Village.

In the area of disaster relief, Siemens offers quick and effective aid in cases of acute need and in emergencies. In January 2008, Siemens launched the "We Are Together" donation campaign for snow-hit areas. Taking immediate action, Siemens was among the first multinational companies operating in China to support the all-out efforts of the country to combat the blistering cold and help those affected in Southern China. In May 2008, Siemens and its employees took swift action by urgently donating cash as well as medical and water purification equipment for earthquake disaster relief in the second day after the devastating earthquake hit Sichuan. In addition, in May 2009, Siemens and its employees started another round of relief activities on the first anniversary of the earthquake, by supporting the construction of a public clinic at Gongyi Township, Chongzhou City, Sichuan Province, to help restore and improve the healthcare services which had been affected by the earthquake. To date, Siemens has donated over RMB 17 million to the earthquake-hit regions in Sichuan.

Moreover, Siemens encourages and supports employees to provide volunteering services to help those in need with their knowledge and skills. In 2009, Siemens employees were actively engaged in the Siemens Green Village Program and Green Education Program to help improve the living conditions of local villagers and of school-aged children of migrant workers, becoming a key force in community assistance. In 2008, Siemens supported Volunteer Service Day activities at Anhua Special Education School in Beijing. The activ-



Figure 7-2-1 Siemens Discovery Box



Figure 7-2-2 Siemens donating to Sichuan Red Cross Society



Figure 7-2-3 Siemens Green Village Program



Figure 7-2-4 Siemens Green Education Program

ities were aimed at helping teachers in organizing special physical exercises and rehabilitation courses for mentally challenged students and providing the students and other children with packs of ten notebooks and other learning materials.

Siemens has received positive recognition from society groups for its active performance of responsible corporate citizenship. Siemens was given the “Guangming Corporate Citizenship Award” each year from 2004 to 2007, and the “China’s Best Corporate Citizen Award” in 2005, 2006 and 2009 presented by 21st Century Business Herald, and was named among the “Most Admired Enterprises in China” by the Management Case Center of Peking University and The Economic Observer for the fourth consecutive year in 2008. In 2009, Siemens again won wide recognition from the public, and was included in the 2009 China Corporate Social Responsibility Chart with the “Outstanding Enterprise Award” from China Business News. It was further included in the “List of Fortune 500 Enterprises Contributing in China” released by Nanfang Weekly, and won the “Best Corporate Public Image Award” jointly presented by Sohu Finance and Guanghua Communications.

2. Green Technology Helping China Realize Sustainable Development

China is the second largest energy consumer in the world, accounting for 10% of the world’s total energy consumption. The country is in a stage of rapid industrialization and urbanization. The next dozen years will be a critical period for China to build a prosperous society in a holistic way. Along with the continuous social and economic development, continuous increase in population and continuous improvement of the standard of living, the need for energy will also keep increasing for

a period of time into the future. Energy and environmental protection issues have been a major challenge in China’s economic development. Recently, China announced its commitment to reduce its carbon oxide emission per unit of GDP by 40 % ~50% by 2020 from 2005 levels, underlining China’s determination to upgrade its energy-intensive economy. This objective can only be realized through adoption of a wide range of advanced technologies, and it relies on close cooperation between the government and innovative companies.

Siemens works to help countries around the world realize sustainable development objectives with green technology. To address China’s demand for energy, Siemens offers innovative technology to realize efficient generation, transmission and distribution of energy, and efficient utilization of electrical energy. Siemens has already developed some of the most efficient power generation technologies in the world, which can maintain high efficiency for transmission facilities to deliver power in the most efficient manner, and realize higher energy efficiency through optimization of the energy consumption of buildings.

Siemens has signed energy saving and emission reduction framework agreements with provinces and municipalities, including Jiangsu, Hubei, Zhejiang, Chongqing and Shenzhen, for cooperation in power generation, power transmission and distribution, manufacturing, transport and traffic, and other areas. The key nodes for energy saving in these regions are enterprises. Therefore, Siemens works to help enterprises formulate energy saving solutions. For example, by identifying which systems have the potential for energy saving and which existing systems can make the best use of energy saving, Siemens helps ensure that innovative technology is utilized in an

effective manner.

A. Efficient Power Generation

According to estimates by experts, China’s demand for electric power will have tripled by 2030, and that of the world will have doubled in the same period. To accommodate this great demand for electric power, Siemens has been working to diversify resources for power generation and realize environmentally friendly power generation at competitive costs. On one hand, Siemens develops renewable energy, such as waterpower, solar energy, biomass, geothermal systems and waste incineration power generation as well as the use of nuclear energy, with a particular emphasis on the future development of nuclear fusion. On the other hand, Siemens builds advanced and highly efficient thermal power plants to minimize carbon dioxide emissions. Moreover, Siemens develops new technology for carbon capture and storage, and identification of safe carbon storage sites, to slow down climate change.

The energy efficiency of a power plant mainly depends on its generating efficiency. Higher generating efficiency means less input energy required for generating the same amount of electric power, fewer emissions, and less impact on the environment. At present, the generating efficiency of modern coal-fired power plants is up to 47%, with 700 grams of carbon dioxide being emitted for each kilowatt hour. The increase of every 2 percentage points in the energy efficiency means reduction of 40,000 tonnes of carbon dioxide each year. This reduction equals the total carbon dioxide emission by 9,500 medium-sized motor vehicles driving 20,000 kilometers in a year. The combined cycle power plants designed by Siemens, which use low-carbon natural gas as fuel, can achieve a generation efficiency of over 58%, the carbon

dioxide emission of such power plants is only 340 grams for every kilowatt hour. Take Huaneng Combined Cycle Plant for example. The power plant has three combined cycle generator units equipped with three advanced Siemens gas turbines with a total installed capacity of 1,200 megawatts, and a generating efficiency of 58%. As the Best Gas-Turbine Power Plant in Asia of 2007, the Huaneng Shanghai power plant plays a key role in providing Shanghai with low-cost, low-emission electric power.

Siemens is also the market leader in clean coal power generation. Shanghai Electric Group, a partner of Siemens Power Generation Group, supplied Huaneng Yuhuan Power Plant with four gas turbine generator units equipped with Siemens technology, setting a milestone for efficient clean coal power plants in China. With the most advanced ultra supercritical technology from Siemens, the power plant has realized world-leading performance in terms of installed capacity, environmental protection, efficiency and energy saving, with an overall efficiency as high as 45%. For this reason, Yuhuan Power Plant was granted the Asian Power Plant of the Year Gold Award in 2008.

Wind energy is playing an increasingly important role in power generation around the world. This type of energy helps save fuels and releases no carbon dioxide. As estimated by Siemens, the use of wind energy will decrease carbon dioxide emission by 700 million tonnes by 2020, equal to 5% of the estimated total carbon dioxide emission by power generation and heating industries. As present, Siemens is already a leader of the marine wind power generation market around the world. In May 2009, Siemens Wind Power Blades (Shanghai) Co., Ltd. started construction in Linggang, Shanghai, on its first wind turbine equipment plant in China,

marking Siemens's entry into the wind power market in China. The investment in the initial phase for the company is RMB 581 million (EUR 64 million). The planned annual capacity of the company is 500 megawatts. The first batches of wind turbine blades and cabin houses will be ready for shipment during the Expo 2010 in Shanghai, to meet the large demand for wind turbine equipment in China and other countries.

In addition, Siemens and its partners are the world's only suppliers which can provide a comprehensive range of modern power plant technologies, from regular thermal power plants to coal gas combined cycle plants, wind power generation systems, and fuel-cells for suitable centralized and distributed power generation. Siemens also provides a wide range of products, solutions and services to customers in the fields of petroleum, natural gas and other industries. Siemens uses a digital instrument control system to the most advanced hardware and software standards for increasing the economic benefits and environmental protection performance of power plants and industrial plants.

B. Efficient Energy Transmission and Distribution

The rapid increase in demand of industrial centers for electric power requires transmission of electric power over thousands of kilometers or more. High voltage DC transmission is a favorable solution in terms of technology and efficiency. China is the fastest growing market for power transmission and distribution, and will be the world's largest high voltage DC transmission market in 20~30 years. Compared with regular AC transmission systems, high voltage DC systems can remarkably reduce energy consumption and carbon dioxide emission.

As a supplier of innovative products and systems, integrated solutions and services, Siemens is a world leader in energy transmission and distribution, providing various innovative technologies for ensuring efficient and reliable transmission of energy from power plants to public and industrial users, and plays a decisive role in the future of energy transmission and distribution.

Siemens has participated in the building of six high-voltage DC transmission lines in China. The first project is the Ge-Shang Transmission Line, from the Gezhou Dam Hydropower Plant to Shanghai (with a capacity of 1.2 million KW, and a transmission distance of 1,040 kilometers). The project was put into service in 1989. The second project is the Tian-Guang Transmission Line, from Tianshengqiao in southwestern China to Guangzhou (with a capacity of 1.8 million KW, and a transmission distance of 960 kilometers). The project was put into service in June 2001. The third project is the Gui-Guang Transmission Line, from Anshun, Guizhou Province to Zhaoqing, Guangdong Province (with a capacity of 3 million KW, and a transmission distance of 940 kilometers), providing electric power to developed regions around Guangzhou and Shenzhen. The project was put into service at the end of September 2004. The fourth project is the Gui-Guang Transmission Line Phase II (with a capacity of 3 million kW, and a transmission distance of 1,225 kilometers), increasing the capability of the West-to-East Power Transmission Program by 1.5 million KW. The project was put into service at the end of 2007. The fifth project is the long distance ultra high-voltage DC transmission line at +/-800 KV from Yunnan Province to Guangdong. The line is expected to be put into operation in mid 2010. The electric power from several hydropower stations in Yunnan will be transmitted to Guangzhou, 1,400 kilometers away, with this ultra

high-voltage transmission line. Because hydropower is economic and environmentally friendly, and releases no carbon dioxide, the ultra high-voltage transmission line will reduce carbon emission by 30 million tonnes, compared with building a regular thermal power plant in Guangdong. The sixth project participated by Siemens is the high-voltage DC transmission line from Xiangjiaba Hydropower Plant in South-western China to Shanghai, with a designed capacity of 6,400 MW, and a transmission distance of over 2,000 kilometers (1,240 miles). It is to have the world's largest capacity and longest transmission distance. Construction of the project is expected to be completed by 2011.

C. Major Energy Savings-Building Energy Efficiency

Related data indicate that only 4% of the roughly 43 billion square meters of buildings in China have taken advanced energy efficiency improvement measures. The heating energy consumption per unit of gross floor area is three times that in developed countries. According to estimates, if no effective measure is taken, the energy consumption by buildings in China by 2020 will be three times the current energy consumption, amounting to 1.09 billion tonnes of coal equivalents. If the energy consumption was converted into electric power, it would be larger than the total electric power generated by the Three Gorges Power Plant over 34 years.

Siemens' innovative technology has been playing an important role in improving energy efficiency and protecting the environment. Siemens further optimizes emission reduction through improving insulation and lighting, and through the use of more advanced heating and ventilation systems and automated building control systems.

April 2007, Siemens donated RMB 2 million worth of energy saving automated building control systems and lighting products to Tongji University, to convert the university's historic Wenyuan building into an ecological building. To improve the classic building, Tongji University integrated ecological building concepts into the process of upgrading the historic building. Over ten energy-saving techniques were used to turn it into an ecological building, providing a model for the preservation of historical buildings with ecological energy saving technologies, a model for upgrading historical buildings and a pioneering project for the ecological Expo.

Siemens China's headquarters in Beijing and Shanghai and green offices in Guangzhou are of environmentally friendly design. Such new-design office buildings are intelligent, ecological, environmentally friendly and highly energy efficient, and will be a new trend in buildings. Siemens Beijing Center has been built with green-building design ideas and a variety of advanced energy saving technologies regarding sustainable development of the site, utilization of water, energy and air, materials and resources, indoor environment quality, and so on. Besides quality heat insulation devices, high energy efficiency equipment, and elaborately designed workstations, the building also has an intelligent management system which is responsible for central control of various supporting systems, including fire fighting and security, and water supply, lighting and air conditioning systems, which work together to dramatically reduce the operating costs of the building. According to the data provided by about 3,000 sensors, the control system of the building is able to automatically raise and drop louvers, regulate air conditioning systems based on indoor temperature and humidity, and increase or decrease the light levels at different times of day. The building

also continuously monitors the water usage in each restroom. If a tank leaks water, the system will immediately send out a notification. The building also has seven water treatment systems, which can filter wastewater and use it for toilet flushing or as cooling water. The use of such measures reduces the energy consumption of the Siemens center by 28% compared with similar buildings, and consequently, the annual carbon emissions are reduced by 1,200~1,600 tonnes.

Siemens Shanghai Center uses advanced insulated glazing to reduce energy and heat loss in winter, and reduce cooling capacity wastage in summer, as well as water saving systems and the most advanced electrical equipment. Ice storage systems are used to maximally reduce energy consumption during the nighttime, and implement optimal management of natural resources. The building is able to reduce energy use by one third compared with similar buildings.

Siemens' Green Office in Guangzhou is highly recognized regarding sustainable development of the site, utilization of water, materials and resources, indoor air quality and design creativeness. As to lighting, the new office uses Siemens EIB (European Installation Bus) systems, to better utilize natural light and reduce electric lighting, and its standards are 15% beyond even the LEED CI Gold certification standard. Water saving equipment of the new offices enables water saving of 20%~30%.

A comprehensive range of energy and environment solutions are applied to reduce the energy costs of the building. These solutions improve the reliability and performance of buildings and have a positive impact on the environment. As a market leader of building technology management and HVAC control, Siemens provides customers around the

world with innovative and energy-saving solutions, which not only improve the comfort and safety of residents, but also improve the management and energy efficiency of buildings and facilities. Siemens works with customers during the entire life cycle of their buildings in developing solutions for energy procurement, energy efficiency and energy management; it also supports customers' efforts in reducing emissions of greenhouse gases, to realize energy utilization policies while comfort is ensured.

Siemens has also implemented a series of building service and engineering projects, incorporating heating systems and lighting systems with considerable economic benefits. For example, with the wide application of "Contract Energy Management", Siemens demonstrates the specific benefits of the contracts to customers. In recent years, Siemens has carried out modernization upgrades for 6,500 buildings around the world, already saving over EUR 1 billion in energy costs and reducing carbon emission by 2.4 million tonnes. Siemens experts estimate that such methods would reduce the world's carbon emissions by 2 billion tonnes if they were widely used.

Siemens and the government of Chaoyang District, Beijing have established a strategic partnership for promoting energy saving and emission reduction in buildings and other related areas. Siemens is to integrate equipment lease and energy contract management to upgrade government office buildings. According to the cooperation agreement, Siemens will provide energy saving technology and engineering services to upgrade the government office buildings for Chaoyang District in the first stages. The agreement covers optimization of boilers and coolers, to make them more energy-saving and environmentally friendly, with regulation by time and zone allowing more accurate

monitoring of energy use to reduce expenses for public facilities. After completion of the project, the government office buildings are expected to reduce energy consumption by at least 12%, and the life of equipment will be significantly extended. Siemens estimates that an annual reduction of about 467 tonnes of carbon dioxide will be achieved through the project, equivalent to 1.5 million kilowatt hours.

As a respected long time partner of Yangpu District, Shanghai, Siemens and the district made a strategic cooperation framework agreement in December 2007. The agreement will help Yangpu District in development in terms of energy saving, green buildings, intelligent traffic, healthcare and intelligent harmonious communities, allow the partners to jointly contribute to the realization of a "Better City, Better Life", the theme of 2010 Expo in Shanghai. To support Yangpu District's efforts in building an energy-saving district, the Government Offices Administration of Yangpu District has worked closely with Siemens to carry out the preliminary energy audit and the detailed energy audit respectively in November 2007 and March 2008, to develop tailor-made energy saving solutions for Yangpu District. It was the first time for Siemens to establish a partnership with a district-level government, and will provide innovative "green and environmentally-friendly" technology for the office buildings of the district government. The project is in the form of contract energy management, and Siemens makes undertakings regarding the energy saving of the government office buildings every year. It is expected that expenditures in energy will be reduced by RMB 500,000 every year after the optimization and upgrade of air conditioning, lighting and building automation systems, and emission of carbon dioxide are expected to be reduced by 600 tonnes every year. The project was basically completed in 2008. After

the trial operation over the first nine months of 2009, the expenditures in energy had been reduced by over RMB 800,000, accounting for 32% of the expenditures in energy, far exceeding the guaranteed reduction.

3. Siemens' Environmental Protection Business Portfolio-Development of Sustainable Values

Siemens has the world's most comprehensive business portfolio in connection with environmental protection. The portfolio covers excellent products and solutions for environment and climate protection—this will ensure direct and real continuous contributions to the sustainable development of the society. The portfolio involves all fields related to power generation, transmission, distribution and use (including use by buildings, lighting, traffic and industrial applications) and other environment technologies. All units of Siemens' three main business sectors, industry, energy and healthcare, take part in Siemens' business portfolio in connection with environmental protection. Efficient gas turbines, power plant upgrades, wind power generation systems, energy-saving lighting and environmentally-friendly trains from Siemens have made the largest part of the contribution to carbon emission reduction. To date, Siemens has invested EUR 1 billion in research in environmental protection and has been granted over 14,000 patents.

In the fiscal year of 2009, the products and solutions of Siemens' business portfolio in connection with environmental protection generated EUR 23 billion of revenue, up 11% over the previous fiscal year. Siemens estimates that its business portfolio in connection with environmental protection will generate EUR 25 billion of annual revenues by 2011. In the fiscal year of 2009, the products and solutions of the

Siemens' business portfolio in connection with environmental protection helped reduce carbon dioxide emission by 210 million tonnes around the world, equivalent to the total annual carbon dioxide emission of New York, Tokyo, London and Berlin combined.

At the same time, Siemens China announced in 2008 that 40% of orders in China would come from the business portfolio in connection with environmental protection by 2010. Before that, Siemens had already announced it would put over half of its mid-term investments into technology and solutions in connection with energy saving and environmental protection.

4. Siemens and the 2010 Expo in Shanghai

As a global partner of the 2010 Expo in

Shanghai, a reliable partner of Shanghai and a responsible corporate citizen, Siemens has the unique business portfolios and core competences to meet the key elements for consistent urban development and infrastructure development required by super-city Shanghai for the running of the 2010 Expo.

With rich experience and business advantages in holding large events, Siemens has been committed to providing advanced technology and solutions as well as high quality products and services related to rail transport, building and healthcare for the 2010 Expo, and actively participating in construction of Expo pavilions. At present, Siemens is comprehensively involved in construction of the five permanent buildings (the China Pavilion, Theme Pavilion, Expo Center, Performance Center and Expo Boulevard), other

pavilions, supporting facilities of the Expo Park (the News Center and Bureau of Shanghai World Expo Coordination building), as well as power distribution, security, building control, electronic, fire fighting, lighting and other systems of the Park. For example, Siemens has established a win-win partnership with the Bureau of Shanghai World Expo Coordination regarding the "China Pavilion Project". Under the partnership, Siemens is responsible for providing a fully integrated world-leading solution for energy saving, particularly in fields of intelligent building, efficient power distribution and energy-saving lighting, to build the China Pavilion into a green landmark of the 2010 Expo in Shanghai. It is expected that the China Pavilion will have 25% reduced energy consumption compared with other buildings of similar scale.

Strive to Fulfill Social Responsibilities as a Reliable Corporate Citizen: Hyundai Kia Motors Group

I . Message from Chairman

Hyundai Kia Motors Group (“Hyundai-Kia” in the short term) has been fulfilling corporate social responsibility and constantly engaged in improving public welfare while pursuing its rapid development.

When pursuing economic development, with an aim to make a happy life of human beings and sustainable society, Hyundai Kia joined the UN Global Compact on Jul. 2nd, 2008, and has been striving to fulfill the social responsibilities as a reliable corporate citizen via applying the management ideas of using car to seek for happiness, based upon a solid philosophy system of social contribution.

Ever since the entry into China market, besides pursuing corporate growth, Hyundai Kia Motors Group has attaches great importance to China’s social contribution activities in environmental protection and regional development and has actively fulfilled the company’s responsibility as a member of Chinese society through associated companies in China to positively propel the social contribution activities in China.

II . Corporate Profile

Since China’s entry into WTO in 2002, China’s economy has rapidly

grown by 10% a year, establishing itself as the center of world market. Last year, China became the world’s third biggest car producer, further confirming its economic strength.

We, Hyundai Kia Motors Group, have made continuous efforts on the development of China’s auto industry. Since our entry into China market in 2002, Hyundai Kia has soon become a core brand in China market by means of our decisive decision on investment and positive localization strategy. This a great achievement attributes to Hyundai Kia’s application of first line management, which integrate the needs of customers into our products and services.

Hyundai Kia Motors Group is the second largest group in South Korea’s financial circles, whose global sales of vehicles reached 4.63 million 2009. In addition, Hyundai Kia Motors Group possesses 31 legal entities and 8 offices in China. Our goal of sales 2010 will be US\$ 12.5 billion and achieve the record of US\$ 20 billion in 2010. Two of our joint ventures in China, Beijing Hyundai and Dongfeng Yueda Kia, made outstanding production and sales performance 2009 with respectively 570,000 and 241,000 vehicles.

With construction of Beijing Hyundai’s second plant as well as Dongfeng Yueda Kia’s second plant, we will achieve the target of producing and selling



Chung Mong Koo, Chairman and CEO



600,000 Beijing Hyundai and 400,000 Dongfeng Yueda Kia in 2010, with an aggregate of one million. Moreover, Hyundai-Kia will establish technical institutes, automotive testing fields, and engine and transmission plants in China. Via promoting our localization rate, we spare no effort in making substantial contribution to the development of China's auto industry.

III. Case of responsibility: Management project of Chakanor Dry Lake Basin, Inner Mongolia

The management project of Chakanor Dry Lake Basin is an environmental management project for public welfare, jointly initiated and organized by Korean Federation for Environment Movement (KFEM) and China "Professional Committee of Ecological Poverty Alleviation of Beijing Alumni Association of Yanjing University", sponsored by Hyundai Kia Motors Group, with supports from Inner Mongolia Autonomous Regional government and local government of Abaq Qi. The project is carried out in the base "Hyundai Motor Ecological Park" located in Chakanor area in Xilin Gol League, Inner Mongolia, with a total investment of 6 million RMB. The project is to be implemented in five years. In 2008, the goal of planting suaeda glauca over an area of 3.5 million square meters was achieved. In 2009, more emphasis was placed on desertification control and planting suaeda glauca and splendid achnatherum in an area of 12 million square meters. Hyundai Kia Motors Group therefore predicts that the goal of covering an area of 50 million square meters will be achieved as scheduled by 2012. With the natural growth of suaeda glauca and splendid achnatherum, it is estimated that alkali dust will be effectively suppressed, and an area of 80 million square meters of grassland vegetation in Chakanor Dry Lake Basin will be recovered in 5 years.

Chakanor was once a beautiful, mysterious lake, consisting of big Chakanor and small Chakanor. However, with the climate change and inappropriate development of people, the big Chakanor was salinized and eventually dried up, which became one of the cradles of salt dust and sand storm which hit Beijing and even the whole Eastern Asia. The best way to control desertification and salinization is to spread plants of salt resistance and strong vitality, such as suaeda glauca and splendid achnatherum etc. With these plants, non-salt dust and sand will be fixed and soil quality will be improved, eventually, more diverse plants will grow and the grassland ecosystem will be gradually recovered. But the sand control in Chakanor is a huge and complicated project, which needs substantial investment and human resource. However, with Hyundai-Kia involved, these problems are solved gradually. Some necessary supplies, such as seeds and equipments, are in place due to the financial support. The participation of Korean and Chinese volunteers sponsored by Hyundai-Kia to some extent relieves the problem of human resource. In the meanwhile, many herdsmen have found their jobs by participating to the project of greening.

So far, Hyundai Motor has organized over 500 volunteers for two years to carry out some ancillary greening work such as planting sand barriers in that area, not only playing an active role in promoting the lake basin greening but also boosting the cultural exchange between Korea and China via participation in interactive activities such as learning to play horse-head fiddle and visiting herdsmen families. These volunteers will serve the same role as dandelions spread its seeds to disseminate the situation in Chakanor to more people and make them concern about Chakanor and the grassland greening.

In 2009, more mechanized means were



Figure 7-3-1 Location Map of Chakanor



Figure 7-3-2 Hyundai Kia Motors Group signed a Memorandum with Korean Federation for Environment Movement (KFEM) /local government of Abaq Qi



Figure 7-3-3 The surrounding of Chakanor Dry Lake Basin

used in Chakanor. With the financial and material supports sponsored by Hyundai-Kia, the suaeda glauca sowing will be carried out twice or more times in June and September, which greatly increase the survival rate of seed. It is expected that the grassland vegetation in big Chakanor will be restored through implementation of the plan in the next 3 years.



Figure 7-3-4 Achievement of alkaline land treatment, 2008



Figure 7-3-5 The 6th batch of global youth volunteer group

Chapter VIII

>> Sustainable Development Model of Chinese Enterprises



Status of the Sustainable Development of Chinese Enterprises

Through the analysis of the above cases, we can sum up the following characteristics in the overall state of the sustainable development of Chinese enterprises:

I. International view combined with the national conditions of China

Since the mid 1990s, Chinese enterprises have attached much importance to the introduction of foreign experience in advancing their social responsibilities. Especially since the beginning of the new century, China has studied, introduced and developed successful foreign practices to meet the requirements for entering into the global arena. Meanwhile, China does not take an attitude of wholesale acceptance. Rather, it has always taken into account its own national conditions and persisted in combining corporate social responsibility with the development stage of the domestic economy and society as well as the cultural background, thereby forming a model of exercising corporate social responsibility that both dovetails with international practices and has Chinese characteristics.

Case studies have shown that Chinese enterprises focus on making foreign ideas serve China, on the study and observation of the social responsibility practices of advanced foreign enterprises and relevant international standards,

and on absorbing their successful experience and practices. For example, the State Grid Corporation of China (“SGCC”) has absorbed the “total responsibility management” concept of American scholar Sandra Waddock and, on this basis, formed its unique model of total social responsibility management. Cosco Group fulfills its social responsibilities from a world-wide thinking and global perspective and used total risk management methodology for scientific establishment of its sustainable development management system. PetroChina has developed its unique health, safety and environment (HSE) management system on the basis of the existing international HSE management system and in light of the industrial and national conditions. Siemens and Motorola have integrated the globally-applicable concepts and principles of sustainable development with Chinese practices, searching out the distinctive methods and experience for the exercise of social responsibility in China.

II. External forces combined with the internal drive of enterprises

Case studies have shown that most Chinese enterprises fulfill their social responsibilities on a voluntary basis. In practice, however, fulfillment is achieved as a combination of the guidance of external forces with internal

drive, reflecting the status of enterprises as agents with morals and social responsibility and placing the role of the government as creator of the fulfillment environment.

On the one hand, most enterprises have the internal dynamic for fulfillment, including their own moral pursuit, values and the drive to enhance their competitiveness through fulfillment. For example, Datang Group holds that enterprise development is inseparable from the support of all walks of life and the value of the existence of enterprises lies in benefiting society. China Minmetals Corp takes “good faith, responsibility, innovation and harmony” as its values. Cosco Group regards the concept and behavior of sustainable development as an important component of its core competitiveness. Huadian believes that corporate social responsibility has become a development mode, way of competition and management of enterprises and also an effective route of enhancing the competitiveness of enterprises. Yuchai concludes that sustainable development is valued more and more and has become one of the strategies for enhancing competitiveness. Huaneng Group sets its core values on the motto “persist in good faith, value cooperation, make constant innovations, press ahead actively, make achievements, and serve the country”. Omron presented the corporate philosophy that “an enterprise

does not seek profits exclusively and the reason for a company's existence is to serve society" and that an enterprise shall "work for the benefit of the society". Siemens regards "fulfillment of corporate responsibilities and promotion of social development" as one of the important components of its corporate principles. "Being a good corporate citizen" has always been an important part of the development strategy of Motorola China.

On the other hand, the social responsibility practices of Chinese enterprises are deeply influenced by external forces, including those from the governments at all levels, industrial organizations, NGOs and other entities, but especially government guidance. In terms of the influence of international organizations, the Global Compact has a direct bearing on the enterprises involved in the cases. Most enterprises make a point of incorporating of the Ten Principles of Global Compact into their routine operations. For example, Cosco Group has established a long-term regime for implementing the Global Compact and exercising social responsibility. The cases include many central enterprises, on which the Guidelines on Fulfilling Social Responsibility by Central Enterprises promulgated by the State Council has a profound impact. The cases involving these enterprises can reflect their high level of concern for the policies and initiatives of the Central Government and embody their responsibility

for serving the national strategy. As China wants the foundation for a civil society like that in developed Western countries and the impetus of social movements, it can be seen that governmental guidance, encouragement, support, supervision and restraint in relation to corporate social responsibility are especially important.

As can be seen from the above cases, all these enterprises have come to see that social responsibility is an important trend of world development and are willing to benchmark themselves against the standards for first-rate enterprises. They have not only realized that fulfillment of social responsibility can coordinate and boost the sustainable development of both the enterprises and the society, but have also woken up to its great significance for giving a full scope to the social functions of the enterprises and promoting the optimized allocation of social resources. This is why they have escalated social responsibility as one of the important factors of enhancing their core corporate competitiveness.

III. Key area breakthroughs combined with all-round promotion

Case studies have shown that the sustainable development practices of Chinese enterprises feature a combination of the key area breakthroughs and all-round promotion.

On the one hand, some enterprises, such as SGCC, Datang Power, China Minmetals Corp and Cosco Group, exercise social responsibility through the model of all-round promotion and have built up a complete management system of corporate social responsibility; other enterprises, e.g. Motorola, China Minmetals Corp and Omron, focus attention on particular areas of corporate social responsibility.

On the other hand, some enterprises take into account the characteristics of their industries and pay special attention to the responsibilities related to the industries under the basic framework of the Ten Principles of the Global Compact. For example, PetroChina has set up a complete HSE management system commensurate with the gravity with which they view the environmental impact of enterprise operations. The State Development Bank regards the finance for people's livelihood as one of the strategic cornerstones of future development. Nanmu uses grass economy to repair the environment. Sinochem does not hesitate to shoulder the responsibility for the environmental impact caused in the course of operations. Yuchai leverages its professional advantages to develop green powertrain technology and contribute to a low-carbon society. LBX Pharmacy cares about its community responsibilities from an all-round perspective.

Sustainable Development Model of Chinese Enterprises

I. Management model of total social responsibility

It is shown in the case studies that SGCC, Datang Power and Cosco Group have decided on the implementation of total social responsibility management as the mode of promoting social responsibility. They incorporate all the fields and topics of social responsibility in building a complete social responsibility management framework and integrating corporate social responsibility into their ideas, strategies and management system.

By integrating the idea of fulfilling social responsibility into its corporate mission, development strategy, daily operations, corporate culture, organizational structure, management flow and system, SGCC has brought about the full-scale coverage of management scope and across-the-board implementation of the content of responsibilities. This means that its social responsibility management is comprehensive and focuses on the adequate materialization of the social functions of the enterprise.

Datang Group has built up a scientific, advanced, operable and examinable system of social responsibilities and its indicator system and incorporated the social responsibility efforts into its

strategic planning system. Meanwhile, it has set up a social responsibility information system that works closely with its information management system.

Cosco Group has worked out a road map for its sustainable development strategy and integrated the active fulfillment of corporate social responsibility with corporate development strategy. Starting with the establishment of the social responsibility management system under the Global Compact, it has carried out a reconstruction of its processes in light of the requirements of sustainable development. Furthermore, it has upgraded the management systems of quality, environment, occupational safety, information security and risk management to a total risk management system and sustainable development management and established a long-term mechanism for adhering to the Global Compact and its social responsibilities by giving support in terms of organizational structure and resources.

In the cases of China Minmetals Corp, Omron and Motorola China, total responsibility management finds expression in their extensive attention paid to the relevant aspects of corporate social responsibilities during business operations. For example, China Minmetals Corp shows how it considers the expectations and requirements of all stakeholders in developing local mineral

resources, including government, local communities, employees and suppliers, as is its practice in EL Galeno copper-gold mine in north Peru, for example. Playing the role of corporate citizen, Motorola China abides by laws, pays taxes according to regulations and provides employees with excellent benefits and career development opportunities. At the same time, it does its utmost to take part in social well-being activities and extends its responsibilities into relevant fields such as education, environmental protection, disaster relief, post-disaster reconstruction, social welfare and poverty reduction, manifesting the full-scale fulfillment of its social responsibilities. Based on corporate governance as its foundation, Omron carries out activities of corporate social responsibility in the three fields of economy, environment and society to meet the expectations and requirements of its stakeholders.

The total social responsibility management model relies on organization and systems to ensure all-round fulfillment of social responsibilities by enterprises. The model also pushes the corporate social responsibility efforts into the management phase characterized by normalization, institutionalization and standardization, and strengthens the ability of enterprises to fulfill social responsibilities and level up the fulfillment. The construction of such a model needs to be based on resources and a

complete system arrangement, including the input of human and material resources. The perfection of governance structure also includes the design, implementation and evaluation of the management system and requires enterprises to already have some capability for and practical experience in exercising social responsibility. Therefore, normally, it is more suitable for enterprises of a larger scale, which have relatively rich social responsibility knowledge and practices.

II. Fulfillment model based on professional advantages

In the above cases, some enterprises have chosen to better fulfill their social responsibilities by utilizing their professional advantages.

Nanmu leverages grass economy to repair the environment, develop ecologized animal husbandry and fulfill its responsibility for environment through professional advantages.

Yuchai offers to “be the green power leader of China” and regards the supply of highly cost-effective green power and green machines as its own mission for attainment of the goal of sustainable development.

Adhering to the business aim of “all for the common people”, LBX Pharmacy has always concerned itself with people’s livelihood, participated in community construction and served the society voluntarily. In particular, it leverages its expertise to provide services for community residents, supply medical products in times of crisis and recovers expired drugs to minimize the impact on the environment.

The State Development Bank considers the finance for people’s livelihood as one of the strategic cornerstones for future development and uses its profes-

sional advantages to support the construction of rural infrastructure, the development of agricultural resources and rural social undertakings to promote the development of Chinese rural economy and society. It supports and helps small and medium-sized enterprises to pull through hard times, helps families of low income solve problems related to housing, education and medical care, and supports poverty alleviation efforts.

Using green technologies, Siemens makes indefatigable efforts to help all countries reach the goal of sustainable development. Through technological innovations, it has developed some of the most efficient power generation technologies in the world that make high efficiency power generation, distribution and utilization possible, to serve the energy-saving society.

Eaton has always been committed to using advanced technologies to expedite environmental protection and energy saving through “green power management” and to helping resolve the energy crisis, reflecting its commitment to sustainable development.

Every enterprise has its own professional advantages. The exercise of social responsibility through utilizing these advantages can be more pertinent and more effective. Therefore, no matter how large or small an enterprise may be and which industry it may belong to, it can fulfill its social responsibilities through this model all the same.

III. Social responsibility model that cares about operation impacts

What sustainable development cares about is fairness, that is, the impact of current development on future development and the impact of an enterprise’s development on the development of stakeholders. Therefore, some enter-

prises emphasize the need to bear the impact resulting from the operation process.

As an enterprise of the petrochemical industry, PetroChina has come up with the philosophy of “creating harmony between energy and environment” due to its awareness of the importance of the impact of the industry on employees and the environment. Therefore, it includes the care for life and protection of the environment as one of its core tasks. Meanwhile, it considers the long-term development of the enterprise, the society and mankind, and focuses on the uniformity and coordination between economy, environment and society. Furthermore, it stresses the need for the enterprise to balance its own role and status in the development of natural resources and environmental protection. Likewise, Sinochem also pays special attention to fulfilling the responsibilities of environmental protection. Its bearing of the environmental protection responsibility after the closedown of the American Agricultural Chemicals Inc. is the specific expression of its fulfillment of social responsibilities.

Upholding the philosophy of “justified obtainment, moderate use, acting according to circumstances”, Huadian develops resources and selects the mode of hydropower development in a scientific way to thread the idea of environmental and ecological protection through each and every link of its hydropower project development and construction.

To address the vital issue of protecting human rights and labor in internationalized operations, CBMI values and actively fulfills its responsibilities for labor treatment, labor protection, safe production and occupational safety and health.

CPIC Yellow River Company sticks to the principle of working for win-win

results in economic development and environmental protection to push forward the transformation of the advantages of the western regions in water-power resources to industrial and economic advantages.

One of the fundamental requirements for enterprises in exercising social responsibility is to give adequate consideration to the impact resulting from their own operations and work hard to minimize the negative impact and maximize the positive impact. Therefore, the social responsibility model of caring about operation impact applies to all enterprises.

IV. Fulfillment model for particular areas of social responsibilities

Additionally, in the practice of exercising social responsibility, some enterprises may be particularly concerned about a given aspect or item of social responsibility and will take specific actions to fulfill particular responsibilities. Such a mode can often result in direct responsibility performance quickly and is also a common route in the practices of enterprises fulfilling their responsibilities.

For instance, the Chagannuoer project

that Hyundai-KIA takes part in is a typical case of practical actions for the protection of ecological environment and fulfillment of corporate citizen responsibilities.

While accelerating project construction, Huaneng Group follows the guideline of “building a power station, driving the local economy, protecting the local environment, benefiting the local people and contributing to the local harmony” and has effectively supported the progress of local social and economic development through the “Hundred/Thousand/Ten Thousand” program, building up an excellent community environment.

The Ten Principles of the United Nations Global Compact

<p>1</p> <p>2</p>	<p>Human Rights</p> <p><i>Principle 1:</i> Businesses should support and respect the protection of internationally proclaimed human rights; and</p> <p><i>Principle 2:</i> make sure that they are not complicit in human rights abuses.</p>	<p>7</p> <p>8</p> <p>9</p>	<p>Environment</p> <p><i>Principle 7:</i> Businesses should support a precautionary approach to environmental challenges;</p> <p><i>Principle 8:</i> undertake initiatives to promote greater environmental responsibility; and</p> <p><i>Principle 9:</i> encourage the development and diffusion of environmentally friendly technologies.</p>
<p>3</p> <p>4</p> <p>5</p> <p>6</p>	<p>Labour Standards</p> <p><i>Principle 3:</i> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p><i>Principle 4:</i> the elimination of all forms of forced and compulsory labour;</p> <p><i>Principle 5:</i> the effective abolition of child labour; and</p> <p><i>Principle 6:</i> the elimination of discrimination in respect of employment and occupation.</p>	<p>10</p>	<p>Anti-Corruption</p> <p><i>Principle 10:</i> Businesses should work against corruption in all its forms, including extortion and bribery.</p>