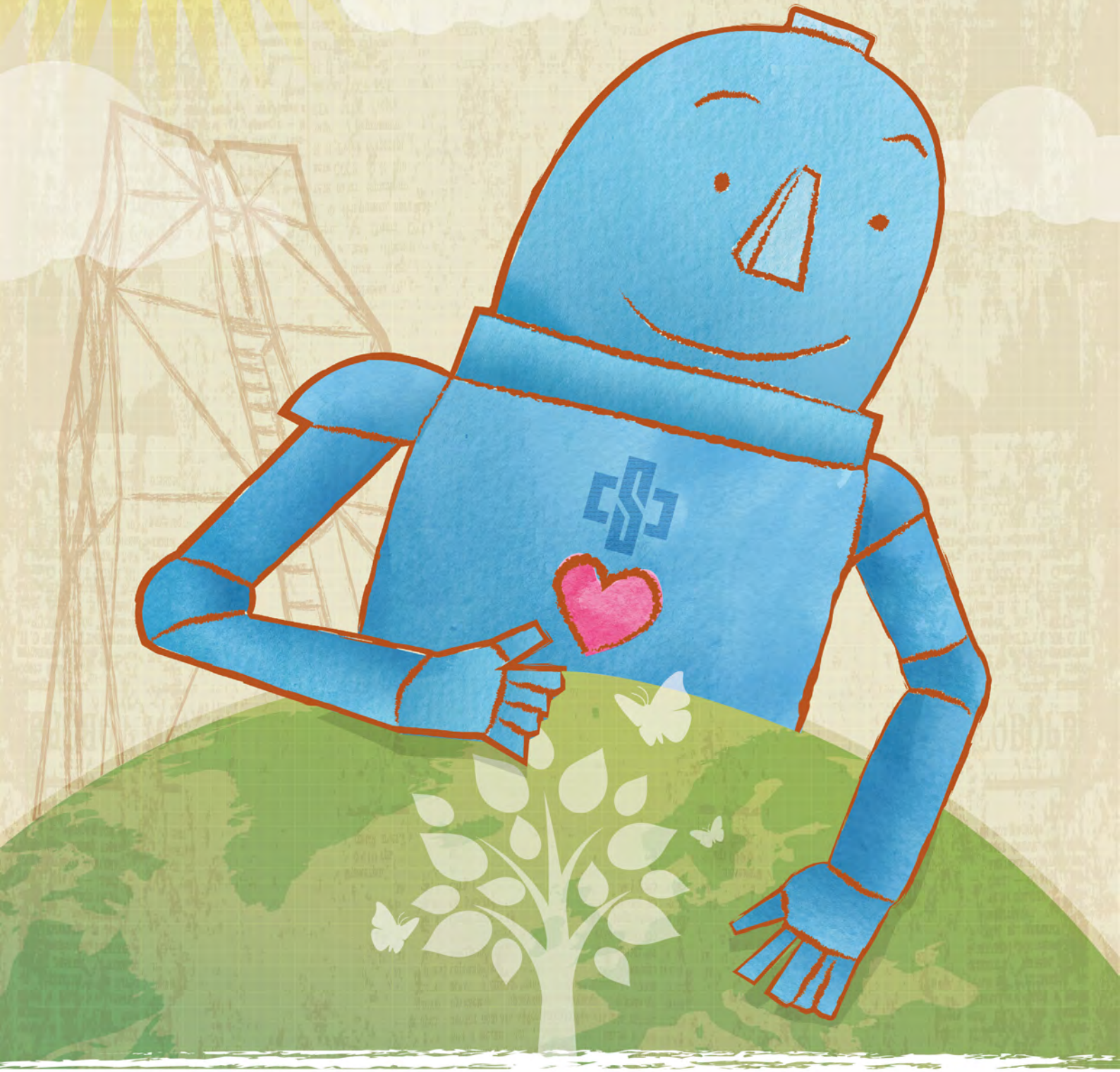
CHINA STEEL

2013

CORPORATE SUSTAINABILITY REPORT



MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

CDP DRIVING SUSTAINABLE ECONOMIES

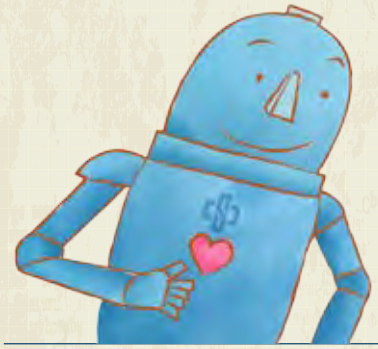
ROBECOSAM Sustainability Award Industry Leader 2014

ROBECOSAM Sustainability Award Gold Class 2014

CSR 天下企業公民 Excellence in Corporate Social Responsibility

2013

CORPORATE SUSTAINABILITY REPORT



CONTENTS

CHINA STEEL

MESSAGE FROM TOP MANAGEMENT

Chairman Jo-Chi Tsou

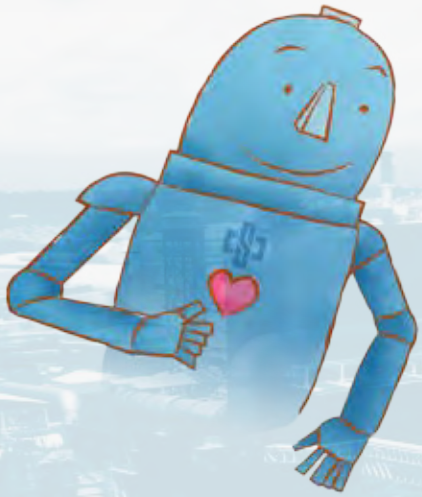
"The 2013 Corporate Sustainability Report" follows GRI G4 guildlines for disclosing various corporate social responsibilities and is compiled from the perspective of stakeholders to improve its readability.

In 2013, China Steel Corporation (CSC) again was invited to participate in the Dow Jones Sustainability Index (DJSI) and was selected as a member of the "DJSI-World" and "DJSI-Emerging Markets" as well as a steel industry leader of DJSI-World. Furthermore, in 2013 the Carbon Disclosure Project (CDP), CSC was rated as one of the best in Taiwan. In terms of material, the Climate Disclosure Leadership Index placed CSC with Korean POSCO and LG Chem as well as Indian Tata Steel in the same leader group, indicating that CSC's achievements in information disclosure regarding sustainability and climate change have been highly recognized by international authority organizations.

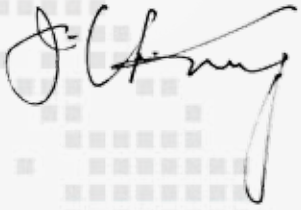
In 2013, our efforts and achievements in the ever-lasting endeavor of corporate social responsibility includes:

Advancement in energy savings and environmental protection

We continuously devoted to the reduction and elimination of traditional pollutants and endeavored to mitigate global warming, save energy, and reduce carbon emissions with the hope of responding to the call of Director Po-Lin Chi, who filmed the "Beyond Beauty-Taiwan From Above" with concrete actions. Nevertheless, we actively provided suggestions to the "Soil Pollution Control Standard" enacted by the Taiwan EPA, proposing to use land rationally and connect to global trend fairly. In 2013, CSC won the 22nd Enterprise Environmental Protection Award, showing that CSC's efforts in environmental protection are recognized by the government. CSC and National Cheng Kung University jointly formed the industry-academia alliance of "Next-Generation Steel and Innovative Application of Its Green Products" taking advanced energy-saving cars, and off-shore wind power and marine structural steel as two major carriers of technology, to gather more powerful innovation energy, together with the objectives of



President Jyh-Yuh Sung



"problems raised by industry, solved by academia, initiated by businesses, and applied to the industry," to upgrade the overall competitiveness of Taiwan steel industry.

Optimal use of water resources

CSC recycles 98.3% of water used in the production processes, and generates demineralized water from wastewater effluent. In the future, by cooperating with Kaohsiung City Government in the effluent reclamation project of Fengshan Creek Sewage Treatment Plant, CSC will replace a part of its raw water with reclaimed water to reduce its water footprint.

Development of green energy

CSC developed bio-coal used for the boilers to replace part of fossil coal and worked with domestic and international professional companies to build an exceptional demonstration plant to produce ethanol through fermentation with CSC's self-produced gas so as to contribute to the mitigation of global warming.

Devotion to social harmony

CSC continuously enhances internal safety and health management measures to provide fair and reasonable labor conditions. Nevertheless, CSC signs collective agreements with its labor unions to create industrial harmony. CSC, in its pursuit of "living among benevolence," devotes to playing the role of a good neighbor to create a better low-carbon living environment, for example, by promoting green public transportation, donating to the building of the Siaogang Transfer Bus Station to the government, and encouraging rides on the shuttle buses between KMRT and CSC.

Promotion of environmental education

In March 2012, CSC launched the first Environmental Education Bus campaign with the aim of promoting basic environmental education for disadvantaged students in remote areas. In February 2013, another larger Environmental Education Bus was introduced to provide more and newer teaching tools and contents in order to deepen the cultivation of environmental awareness among the next generation.

In the future, CSC, based on "CSC Corporate Social Responsibility Policies," will continuously enhance its performance on corporate social responsibilities in each dimension to ensure decent interaction with various stakeholders, to create win-win situations, and to help build a sustainable society.

Your continuous encouragement and support is greatly appreciated. Let us work together for our beloved earth.

ABOUT CSC

Development History

China Steel Corporation (CSC) was established in December 1971. Over the past 40 years, CSC overcame various challenges and difficulties to build a grand steel company, laying the foundation for constant industrial development in Taiwan as well as serving as an important driver in Taiwan's economic miracle. Since the completion of its Phase 1 factory building in December 1977, CSC has undergone Phase 2 and 3 expansions before the Phase 4 expansion that was completed in 1997, and now CSC has become one of the world's leading steel companies with an annual capacity of crude steel production of approximately 10 million metric tons.

Business Introduction

CSC is Taiwan's largest and most professional steel company manufacturing hot rolled, cold rolled, galvanized steel, steel plates, steel bars, and wire rod steel products. Among them, two-thirds is sold domestically and one-third is exported primarily to mainland China, Japan, and Southeastern Asian countries. Because of CSC's devotion to employees, society, and the environment, it has won many awards, such as "National Quality Award" in 1991, "Distinguished Innovation Accomplishment Award" in 2009, "The Most Admired Benchmark Company", MOEA Award for International Trade, "Taiwan CSR Award," and "National Invention & Creation Award" in 2011, "CSR Excellence Award" in 2012, and DJSI-World industry leader and "World Steel Association (worldsteel) Climate Action Star Member" in 2013, which recognized CSC's contribution to GHG emission reduction in the world's steel industry. These awards showed CSC's actions and image of sustainability have been acknowledged both domestically and internationally.

Future Prospects

CSC is one of the world's leading steel companies, and it has the courage to innovate and execute. The Company's vision is: "We aspire to be a trustworthy steel company of global distinction that pursues growth, environmental protection, energy saving, and value innovation." CSC actively puts into practice its four corporate values of "teamwork, entrepreneurial approach, down-to-earth nature and pursuit of innovation." Although CSC is part of a traditional industry, yet with the application of the latest technology and the most modern management methods, it continuously grows its core business in steel and promotes the integration of related downstream industries in order to strive for diversified management. CSC aims to grow into an international industrial group based in the steel business with trading, transportation, engineering, financing, services, land development, and state-of-the-art technology functions.

Introduction to Previous CSR Reports

CSC began publishing its environmental report in 2002, and along with the wider scope and contents covered in the report, different names were given to the continuously published reports. The contents all centered on corporate social responsibility. Since 2011, CSC compiled 2010 CSR according to GRI Guidelines.


2005


2007


2008


2009


2010


2011


2012

Chronicle

2013

- March 5, 2013
  DSC's stage II phase 2 expansion project is completed. CSC Group's capacity reaches 15.86 million tons per year.
- October 22, 2013
  China Steel Building is inaugurated.

2010

- June 30, 2010
  DSC's stage II phase 1 expansion project is completed. CSC Group's capacity reaches 13.36 million tons per year.

2008

- October 6, 2008
  Dragon Steel Corporation becomes a wholly owned subsidiary of CSC.

2006

- April 15, 2006
  Annual production capacity is officially raised to 9.86 million tons owing to success in equipment renovations and improvements carried out over the years.
- November 22, 2006
  Groundbreaking for the China Steel Building takes place.

1998

- June 2, 1998
  CSC Group's corporate identity system is formally introduced to the public.

1997

- May 31, 1997
  Phase IV is completed. Capacity reaches 8.054 million tons per year.

1995

- April 12, 1995
  CSC is privatized.

1993

- July 15, 1993
  Phase IV construction commences.

1988

- April 30, 1988
  Phase III is completed. Capacity reaches 5.652 million tons per year.

1984

- July 1, 1984
  Phase III construction commences.

1982

- June 30, 1982
  Phase II is completed. Capacity reaches 3.25 million tons per year.

1978

- July 1, 1978
  Phase II construction commences.

1977

- July 1, 1977
  CSC becomes a state enterprise.
- December 16, 1977
  Phase I is completed, with capacity of 1.5 million tons per year.

1975

- September 15, 1975
  Head office relocates to Kaohsiung. Plant Site Office closes.

1974

- September 1, 1974
  Phase I construction commences.
- December 26, 1974
  CSC stock is listed on Taiwan Stock Exchange Corporation.

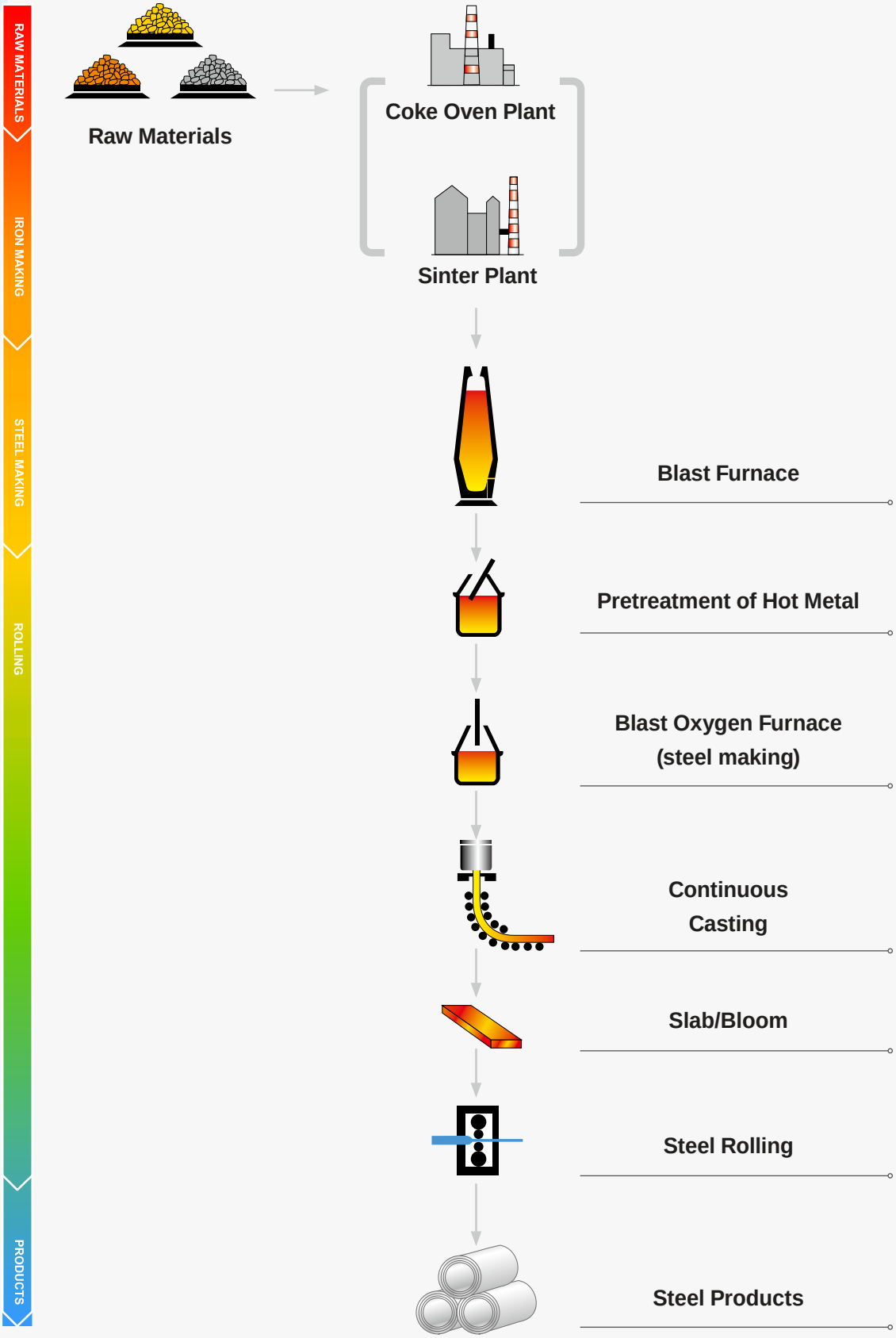
1972

- September 16, 1972
  Kaohsiung Plant Site Office is established.

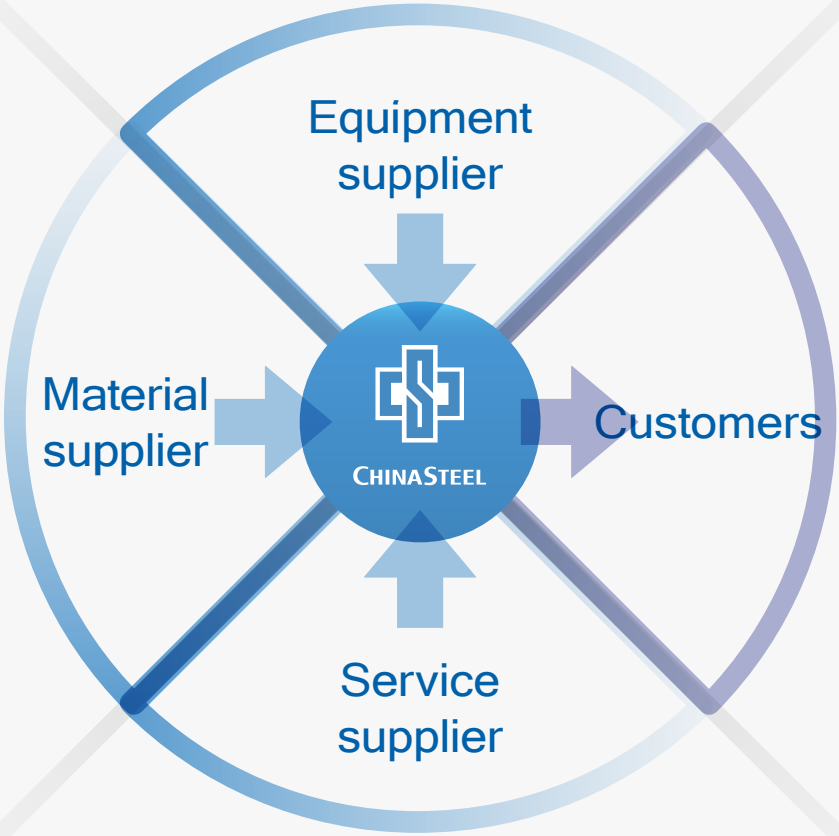
1971

- December 3, 1971
  China Steel Corporation is officially registered, with head office located in Taipei.

CSC INTEGRATED STEEL PRODUCTION WORKFLOW



SUPPLY CHAIN OF 2013



Service supplier

Engineering contractors
Work contractors
General affairs contractors

Material supplier

Coal	GERMAN CREEK COAL PTY. LTD. TECK COAL LIMITED BM ALLIANCE COAL MARKETING PTY. LIMITED BHP BILLITON MARKETING AG
Iron ore	HAMERSLEY IRON PTY. LTD. BHP BILLITON MARKETING AG VALE S.A.
Flux stone	Taiwan
	Japan
	Philippine

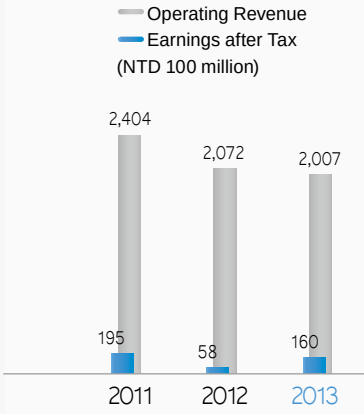
Equipment supplier

HITACHI LTD. (Japan)
FRIEDRICH KOCKS (Germany)
MORGARDSHAMMAR AB (Sweden)
TOSHIBA MITSUBISHI-ELECTRIC INDUSTRIAL SYSTEMS CORPORATION (Japan)
DIDIER-M&P ENERGIETECHNIK ASIA Co. Ltd. (Germany)
TENOVA S.P.A.(Italy)
CHINA ECOTEK CORP.(Taiwan)
FUEL TECH INC. (America)
DANIELI FAR EAST CO., LTD.(Thailand)
CHUGAI RO CO., LTD. (Japan)
MITSUBISHI-HITACHI METALS MACHINERY, INC. (Japan)
IHI CORPORATION (Japan)
SMS MEVAC GMBH (Germany)
JP STEEL PLANTEC CO. (Japan)

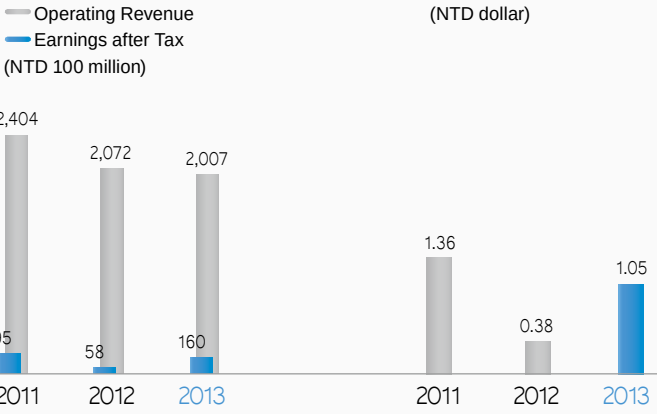
SNAPSHOT OF CSR DATA

Corporate Governance

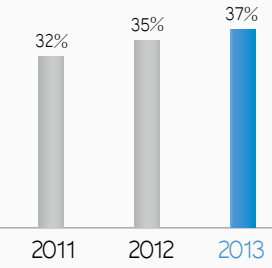
Operating Revenue and Earnings after Tax



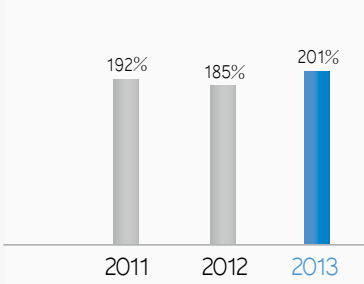
EPS



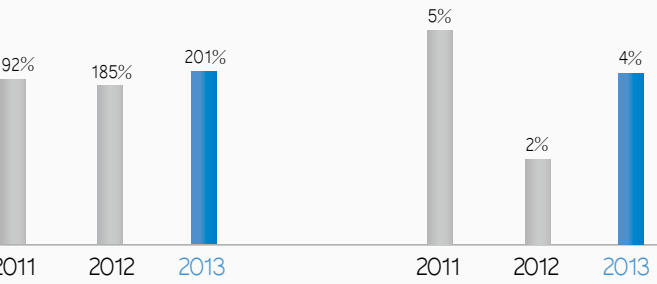
Debt/Asset



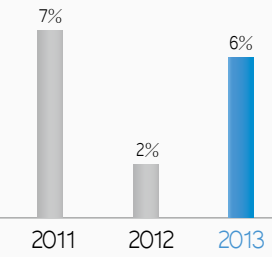
Long-term Capital/Fixed Assets



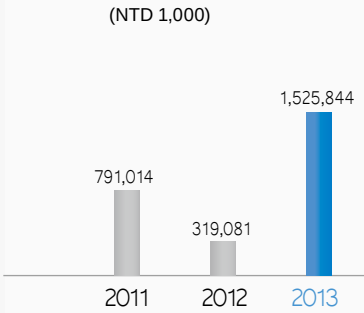
Return on Assets



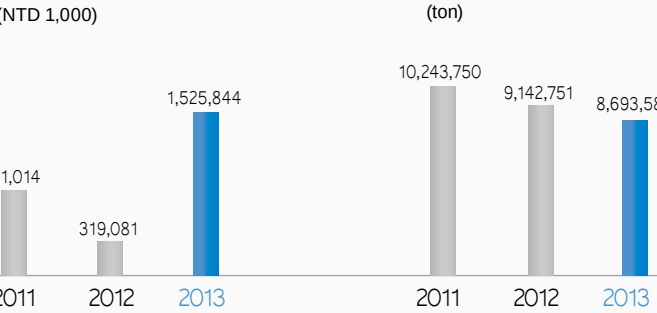
Return on Equity



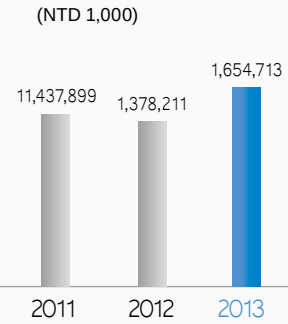
Income Tax



Production of Crude Steel



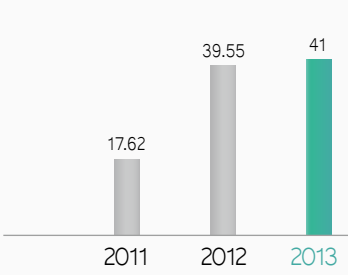
R & D



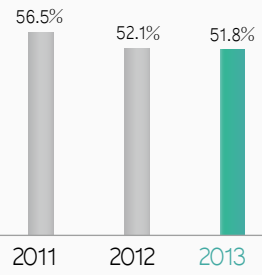
Environment

Investment Amount on Energy and Environment

(NTD100 million)

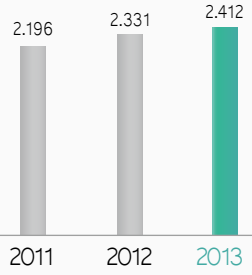


Self-generated Electricity

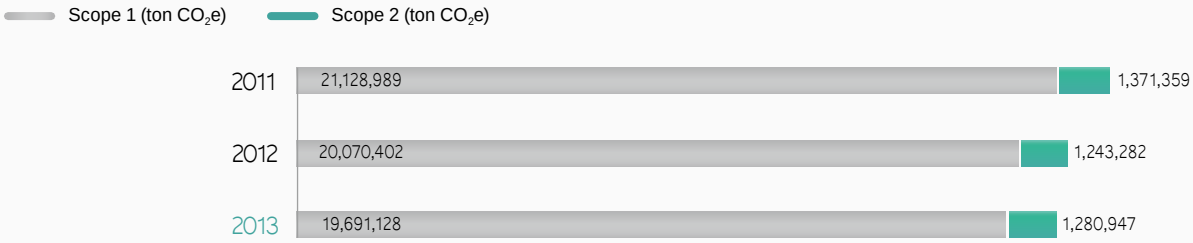


GHGs Emission intensity

(ton CO_2e / ton Crude Steel)

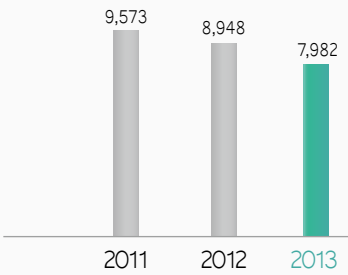


GHGs Emissions



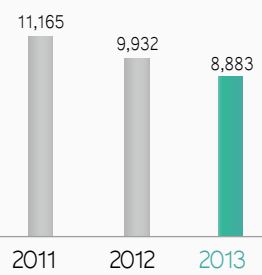
NOx Emission

(ton)



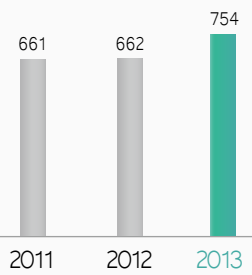
SOx Emission

(ton)



VOCs Emission

(ton)

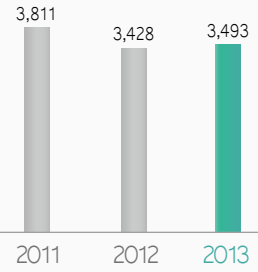


SNAPSHOT OF CSR DATA

Environment

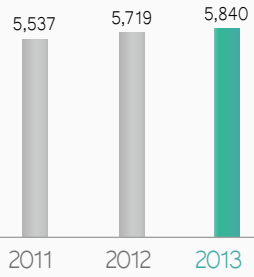
- Particulate Emission

(ton)



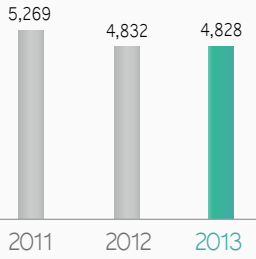
- Energy Consumption intensity

(Mcal/ton crude steel)

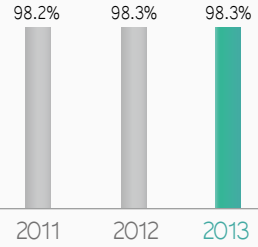


- Raw Water Replenishment

(10,000 tons)

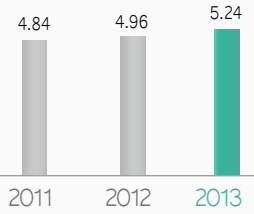


- Recycling Rate of Water Used for Production



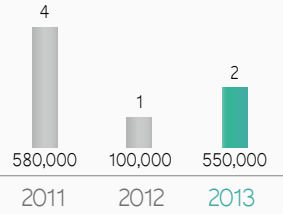
- Water intensity

(ton/ton crude steel)



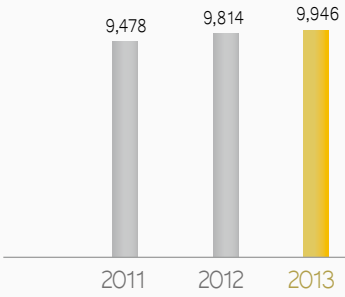
- Number of Environmental Violation penalty/Amount

(NTD)

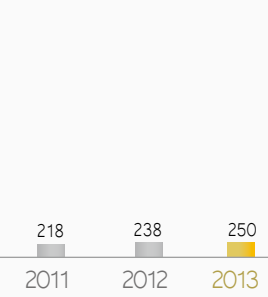


Society

Number of Employees

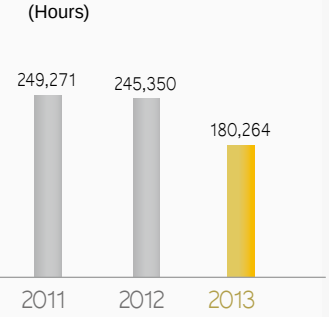


Number of Female Employees



Total Hours of Training

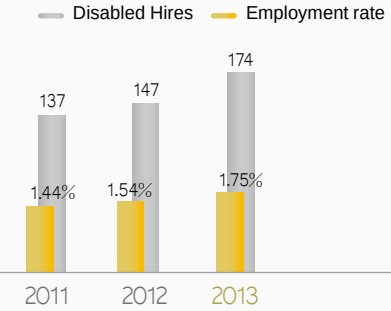
(Hours)



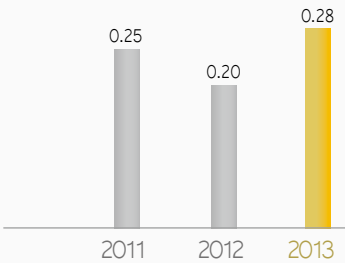
Total Expense of Employee Training

(NTD 10 million)

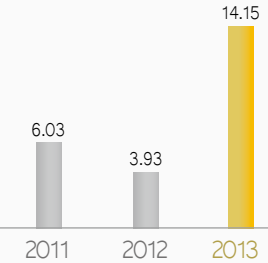
Disabled Hires/Employment rate



Lost time Injury Frequency Rate

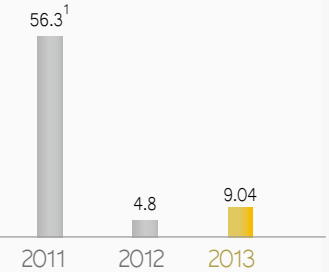


Lost time Severity Frequency Rate



Social Expense (including charity donation)

(NTD 10 million)



Note 1: including NTD 500 million donation to Sinfa Bridge

OVERVIEW

1.Overview

1.1 About this CSR report

(1) Editing and Approval

CSC compiled and edited this CSR Report through the following organizations and procedure.

- **Core Working Group:** Members include those from the Human Resources Department, Public Affairs Department, Marketing Administration Department, Finance Department, General Secretarial Department, Industrial Safety and Hygiene Department, Environmental Protection Department, Utility Department, New Material R&D Department, and Labor Union. The Office of Energy and Environmental Affairs (EA) is in charge of overall planning, actual data compiling, communication and coordination, and editing.

- **Administrative editing and approval:** After the initial draft had been compiled and edited by EA, it was sent to the core working group for checking and modification. The modified draft was then sent to the Division Vice Presidents for review and forwarded to the Executive Vice President, President and Chairman of the Board for approval.

(2) Basis and Structure of the Report

- **Professional Guidelines and Principle**

The content structure of this report follows the G4 Guidelines of the Global Reporting Initiative (GRI), Mining and Metals Sector Supplement, as well as the AA1000 Accountability Principle. In addition, guidelines governing general disclosure in the Organization for Economic Cooperation and Development (OECD), Earth Charter, UN Global Compact, ISO 26000 Guidelines, and the issues that the global steel industry were also considered.

- **Boundary and Indicators**

This report includes the contents of relevant operational systems and activities of CSC headquarter in Taiwan and its overseas offices for the entire year of 2013 (from January 1 to December 31, 2013), not including the operational performance of group affiliates. The financial statements adopt International Financial Reporting Standards (IFRS) to compile the financial performance of re-invested businesses. The digits on financial statements are calculated in New Taiwan Dollars; ESH performance is presented with internationally general indicators. Footnotes will be given to the special meanings of quantified indicators.

- **Data Sources and Management**

The information in this Report was provided by the various divisions of CSC including planning, sales, finance, administration, production, and technology and was integrated and compiled. The fitness to the functions of this CSR Report was confirmed by the Core Working Group in compliance with the administrative procedure. Among them, the numbers of the costs and accounting information in CSC's financial statements were certified by accountants. In addition to internal auditing, the management system for environment, labor safety and health received yearly external ISO 14001 and OHSAS 18001 audits. The GHG inventory reports from 2006 to 2013 were verified by external auditors.

(3) Auditing and Verification of the Report

- **Internal Review and Approval**

The disclosed information and data in the report were initially verified by the relevant managers. The completed draft was confirmed by members of the Core Working Group from each department. After being confirmed, the initial draft was reviewed consecutively by the general manager of the departments and the Vice President, Executive Vice President, President and finally approved by the Chairman of the Board. All data, minutes, reviews and verifications have been documented.

- **External Verification**

This report was verified by the British Standards Institution (BSI) in accordance with the core option of GRI G4 Guidelines and principles of AA1000 Assurance Standard.

(4) Use of the CSR Report

- **Self-Comparison**

The practice and performance of corporate governance, energy and environment management and engagement in social harmony in the Report are presented using concise texts, figures/tables, and indicators to show the highlights of

CSC and its development tendency in recent years. These data will be used for comparison with the past and future to better understand trends and changes.

Comparison with Peers

All performance indicators in the report may be used for comparison with those of other steel companies. They can also be used for comparison with international benchmark values to understand the development of CSC. Footnotes are provided in case where a misunderstanding might occur as a result of differences from peers in regard to production process, boundary, scope or definition.

1.2 Corporate Governance

(1) Board of Directors

The members of the Board must be elected for a term of three years and are eligible for re-election.

The Board of Directors consists of 11 directors, including three independent directors; all are males over 50 years of age. The current directors are listed below:

Title	Name	Title	Name
Chairman of the Board	Jo-Chi Tsou (Representative of the Ministry of Economic Affairs, MOEA)	Director	Horng-Nan Lin (Representative of Gau Ruei Investment Corporation)
Director	Ming-Jong Liou (Representative of the MOEA)	Director	Jih-Gang Liu (Representative of Chiun Yu Investment Corporation)
Director	Jong-Chin Shen (Representative of the MOEA)	Director	Cheng-I Weng (Representative of Hung Kao Investment Corporation)
Director	Jyh-Yuh Sung (Representative of Ever Wealthy International Corporation)	Director	Chao-Chin Wei (Representative of Labor Union of CSC)

Title	Name	Educational Background	Professional Career
Independent Director	Shen-Yi Lee	PhD in Law, Chinese Culture University	Managing Partner Emeritus, Chieh Yeh Law Offices
Independent Director	Juu-En Chang	PhD in Civil Engineering, Tohoku University, Japan	Professor, Department of Environmental Engineering, National Cheng Kung University
Independent Director	Ting-Peng Liang	PhD in Information Management, University of Pennsylvania, USA	Naitonal Chair Professor and Director of Electronic Commerce Research Center, National Sun Yat-sen University, University Chair Professor, National Chengchi University

Supervisors

CSC has three supervisors. In addition to attending the meetings of the Board of Directors, the supervisors regularly convene the financial statement communication meetings with the internal chief auditor and certified public accountant to discuss and communicate with each other regarding all affairs related to the financial statements. In the end of each financial year, after certification by a public accountant, financial statements, surplus allocation proposal, and operation report are submitted to the supervisors for review. A review report must be made and issued accordingly.

The three supervisors of CSC are males more than 50 years old, on average.

Title	Name	Current Position
Supervisor	Ming-Te Su	Chairman of Hsin Kuang Steel Co., Ltd.
Supervisor	I-Lin Cheng	Chairman of Zentech Material Technologies, Inc.
Supervisor	Andrew Deng	CPA of Andrew Deng & CO., CPAs

Major resolutions adopted by the 2013 Meetings of the Board of the Directors are listed below:

March, 2013	1. 2012 financial statements, surplus allocation, and capital surplus transferred
	2. Revamping portion of staves for No.1 blast furnace
	3. Addition of quenching plate equipment for plate mill
	4. Construction of titanium and nickel alloy finishing line
	5. Joint venture with Rechi Precision Co., Ltd. to establish a brushless direct current motor company
	6. To participate in cash capital increase of Kaohsiung Rapid Transit Corporation
June, 2013	1. Election of Chairman of the Board of Directors
	2. Investment in Sakura Ferroalloys Sdn. Bhd. in Malaysia
August, 2013	1. Increase of Investment in China Steel Corporation India Pvt. Ltd.
	2. Investment of Equipment for de-Sulfurization (de-SOx) and de-Nitrification (de-NOx) at No.2 Sinter Plant
	3. Revamp of Nos. 1 and 2 Reheating Furnaces for No.1 Hot Strip Mill
	4. Purchase of Land
	5. Approval of Members of Corporate Governance Committee of the 15th Board of Directors
	6. Approval of Members of Compensation Committee of the 15th Board of Directors
	7. Establishment of Preparatory Office for Wind Farm Development Company
November, 2013	1. A joint venture with Engley Auto. Parts Co., Ltd. to establish Hot Stamping Auto Parts Corporation
	2. Revamp of No. 1 wire rod mill for decommissioning extension
	3. Issuance of domestic corporate bonds amounted to NT$30 billion
	4. Fund endowment for the operations of CSC Group Education Foundation in 2013
December, 2013	1. To provide Roy Hill Holdings with shareholder loan facility
	2. Establishment of Wind Farm Business Development Committee

(2) Profession Committees

CSC has set up two functional committees: Corporate Governance Committee and Compensation Committee to facilitate the operation of the Board of Directors.

- **Corporate Governance Committee:** The Committee is comprised of three directors, including one independent director acting as the convener and chairman of the meetings. In 2013, two meetings were convened to discuss CSC's corporate governance related systems and issues. Resolutions were compiled as meeting minutes to submit for the approval of the Board of Directors.
- **Compensation Committee:** The Committee is comprised of three independent directors; two meetings were convened in 2013 to discuss the 2012 performance of entrusted managers. Suggestions were compiled as meeting minutes to submit for the approval of the Board of Directors.

1.3 Review of 2013 Performance

CSC's 2013 operating directives included four key points

(1) Planning of advanced production processes and expansion of product differentiation by value-added¨CSC has successfully developed a total of 13 different alloys, including 4 titanium alloys, 8 nickel alloys, and one type of die steel, by the end of 2013 since it went into the specialty alloy business in July, 2011. Sales for high quality steel products, which accounted for 45.2% of the total sales, amounted for 4.95 million metric tons in 2013 and were 10.3% more than those in 2012.

(2) Continuation of cost reduction and enhancement of efficiency: CSC has continued to reduce its operating costs systematically by using scientific methods, e.g. utilization of raw materials mix, improvement in production processes, research and development of new technology, quality upgrades, and improvement in management. A total of approximately NTD5.520 million were saved the whole year.

(3) Expansion of distribution channels and development of new markets: The establishment of Qingdao China Steel Precision Metals Co., Ltd., which will serve as CSC's headquarters in northern China, was completed in the fourth quarter of 2013, and production was initiated. Furthermore, CSC has invested and/or set up coil centers in Indonesia, Thailand, India, etc. as well as established sales offices in Thailand, Vietnam, Mexico, etc. through China Stel Global Trading Corporation (CSGT), which is a wholly-owned subsidiary of CSC.

(4) Determined implementation of energy conservation, environmental protection, and waste reduction and reutilization: CSC has been devoted to the upgrade of production technology and enhanced energy conservation, wasted reduction, and reutilization. In collaboration with the government's policy of "zero waste," CSC upholds the principle of 100% reutilization of resources and zero solidified landfill by turning wastes and by-products into useable materials in its factories in order to enhance the value in use.

1.4 Prospects for 2014

In prospect, due to the boost of the global economic activities from the second half of 2013, the status of the economy in 2014 will improve further. The recovery of the euro zone has been stronger than expected, and the economic growth is also expected to turn from negative to positive. Since the issues of the debt ceiling and tapering off of QE in the U.S. were resolved, and Mainland China was able to implement soft landing owing to the adjustment measures of the economic structures, the IMF published the global economic growth rate to be 3.7%. The DGBAS also published the 2014 economic growth rate in Taiwan to be 2.82%.

In regard to steel demand, worldsteel estimated that the global apparent finished steel use would increase by 3.1% in 2014, and that of Taiwan would be 2.0%. In regard to steel supply, World Steel Dynamics (WSD) also published in February, 2014 that global crude steel production would increase by 3.1% to reach 1.659 billion metric tons. After the adjustment period in 2013, the steel market will gradually improve in 2014 as shown in the increase of inventories by downstream users. On the other hand, steel producers in Mainland China controlled their production, which eased the pressure of supply expansion and was beneficial for the operation of the steel industry. Nonetheless, the prices of iron ore, coking coal, and coke still remain at higher levels although their supply exceeds the market demand. Mainland China still poses as a source of pressure for the steel market owing to the oversupply of its steel production.

To enhance CSC's long-term competitiveness, it has mapped out its 2014-2018 operation and development strategies as follows:

- Its corporate culture will be enhanced, knowledge management will be promoted, training and cultivation of human resources will be strengthened, and the corporate image of CSC Group will also be further enhanced.
- Sales channels for export will be expanded, domestic leadership will be firmly maintained, customer services will be upgraded meticulously, and strategic partnerships will be strengthened.
- Upstream raw materials will be secured to increase self-sufficiency ratios, and overall downstream and green industries will be mapped out to reinforce strategic investments.
- Advanced products will be researched and developed, technology and green production processes will be applied to increase the chain value of the steel industry.
- The professional competence of CSC Group will be integrated, engineering businesses will be expanded proactively, and efforts will be made to fully develop its own core technology.
- The supply of CSC Group's products will be expanded, the overall value of its steel production will be raised, energy saving and environmental protection will be implemented diligently, costs will be reduced comprehensively, and industrial safety will be strengthened.

Based on the 5-year operation and development strategy, directives for 2014 include: (1) Overall reduction of costs and enhancement of efficiency, (2) Expansion of the global market and offering of better customer services, (3) Research and development of high-end products and addition of value by upgrades, and (4) Innovation of green production processes, energy conservation, and reduction of carbon emissions. Targets for 2014 include:

Reduction of costs equals to or exceeds NTD3.7 billion.
Delivery of steel products equals to or exceeds 9.26 million tons.
Orders for premium products equal to or exceed 5.76 million tons.
No cases of major occupational injuries.
The intensity of sulfur oxide emissions equals to or is below 1.03 kg/ton of slabs and blooms.

1.5 Identifying the Materiality

(1) Collection of Issues of Concern

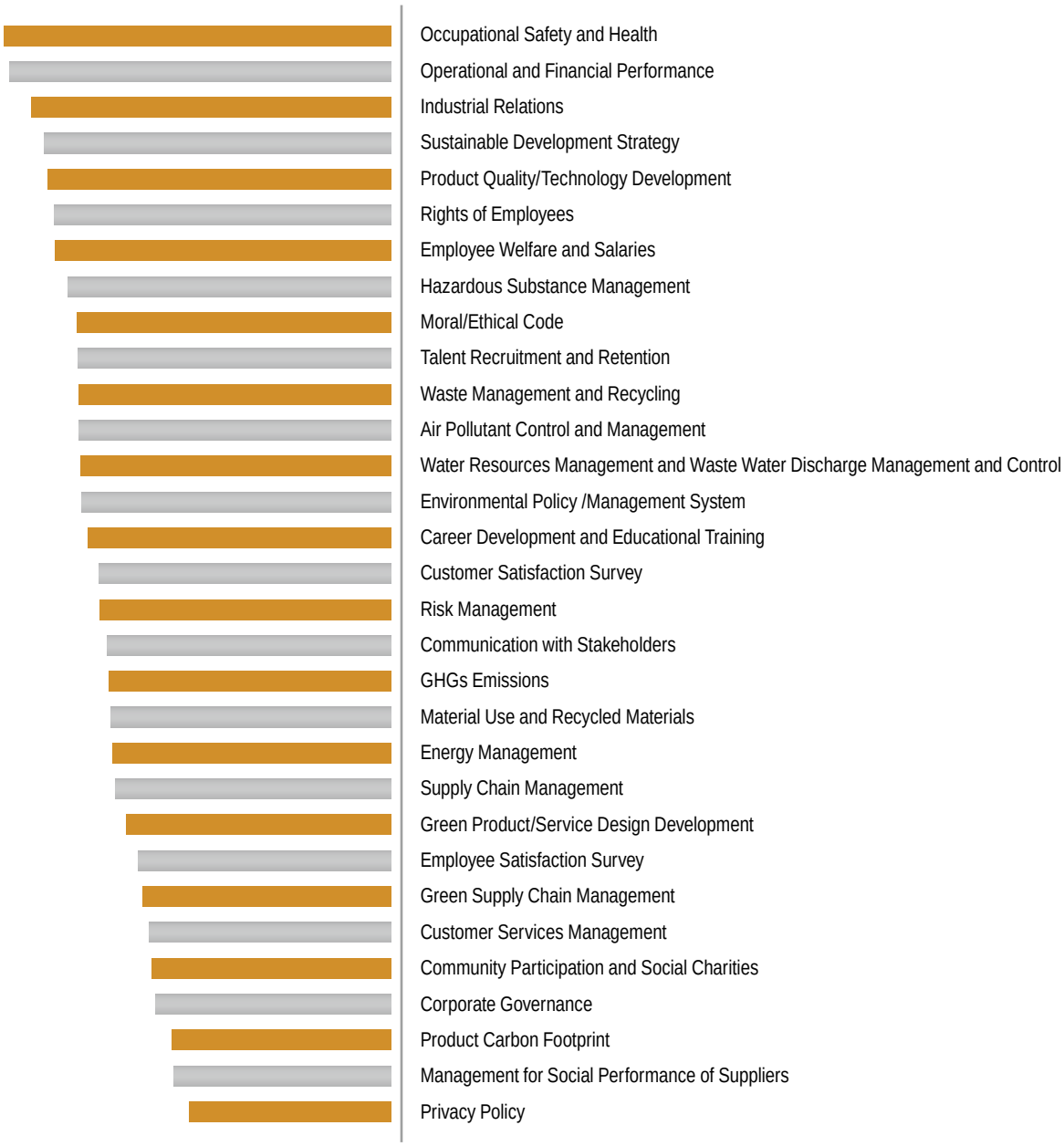
CSC's CSR Core Working Group referred to the experiences of each division and peers in the steel industry and identified eight types of stakeholders including: community and local organizations, government authorities, shareholders, opinion leaders and profession groups, employees and contractors, customers and traders, suppliers, and peers in the steel industry. CSC conducts formal communications and exchanges via the CSC website, management report, annual report, and CSR Report released annually; CSC also utilizes other channels to understand issues that are of concern to stakeholders and respond properly. Through these communications and exchanges, the CSC Core Working Group analyzed these issues and put them into 31 categories listed in the table below:

Issue of most Concern
Corporate Governance
Sustainable Development Strategy
Operational and Financial Performance
Risk Management
Privacy Policy
Moral/Ethical Code
Product Quality/Technology Development
Customer Satisfaction Survey
Customer Services Management
Supply Chain Management
Environmental Policy /Management System
GHGs Emissions
Product Carbon Footprint
Energy Management
Water Resources Management and Waste Water Discharge Management and Control
Air Pollutant Control and Management
Waste Management and Recycling
Material Use and Recycled Materials
Hazardous Substance Management
Green Product/Service Design Development
Green Supply Chain Management
Occupational Safety and Health
Industrial Relations
Rights of Employees
Career Development and Educational Training
Employee Welfare and Salaries
Talent Recruitment and Retention
Employee Satisfaction Survey
Management for Social Performance of Suppliers
Community Participation and Social Charities
Communication with Stakeholders

(2) Collection of Issues of Materiality

I、Questionnaire Survey

Through the questionnaire, the concern level of stakeholders in each issue was statistically analyzed. 802 stakeholders participated in this questionnaire including communities and local organizations, government authorities, shareholders, opinion leaders and profession groups, employees and contractors, customers and traders, suppliers, peers in the steel industry, and others (the general public). According to questionnaire Survey, we identified the level of concern as shown below:

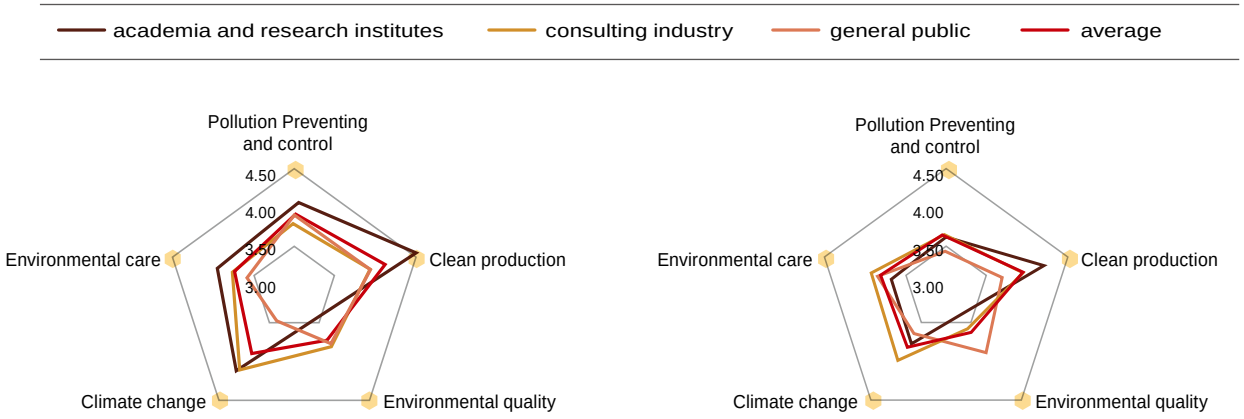


II、Commissioned Research

CSC, in 2013, entrusted Professor Chun-Hung Tsai from NCKU Research and Development Foundation to assist with the "Environmental Performance Presentation and Sustainable Strategy Vision Study"; through questionnaires, opinions of three major external sources in various fields were collected: academia and research institutes, consulting industry, and the general public. Interviewees, after reading "CSC's 2012 CSR Report," were asked to rate the effectiveness and involvement levels they perceived towards pollution prevention and control, clean production, environmental quality, climate change, and environmental caring. The results are shown below:

Perception of Outsiders towards CSC's Involvement Level of Environmental Protection

Perception of Outsiders towards CSC's Effectiveness of Environmental Protection



The above research results indicats outsiders had a good perception towards CSC's involvement in climate change while the perception towards CSC's involvement and effectiveness in environmental quality, environmental caring, and pollution prevention and control was relatively low.

Hence, we identified the disclosures of environmental quality, environmental caring, pollution prevention and control as issues of materiality and from the survey we concluded the connection as follow.

Environmental quality → air pollutant control and management, water resources management and waste water discharge management and control, hazardous substance management, waste management and recycling

Environmental caring → energy management, green product /service design development, product carbon footprint, community participation and social charities

Pollution prevention and control → air pollutant control and management, water resources management and waste water discharge management and control, hazardous substance management, waste management and recycling

Entrusted Research

External Expert Forum

III、External Expert Forums

CSC and CTCI Foundation co-convened six "Taiwan Steel Industry's Challenges and Opportunities Series Forums" and proposed 60 main conclusions. Among them, important points related to CSR include:

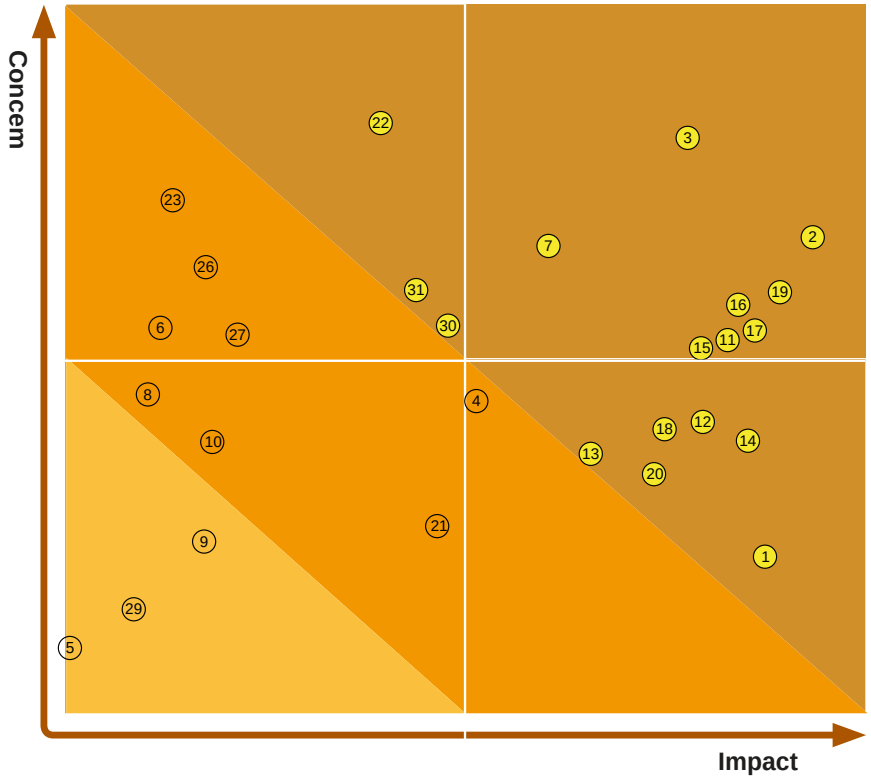
- Enhance competitiveness with R&D and differentiation→product quality and technology R&D
- Plan and promote talent cultivation strategies →career development and educational training
- Strengthen the role of steel industry in resource recycling → material use and recycled materials
- Thinking of steel industry management and development strategies after resource rationalization → sustainable development strategy
- Boost competitiveness of steel industry value chain → green product /service design development

- Fulfill social responsibilities and strengthen social communication and image promoting → community participation and social charities
- Develop a steel industry that co-exists and co-prospers with the city → sustainable development strategy
- Use proper indicators to demonstrate energy, environmental protection, technology R&D and management performances of the steel industry → communication with stakeholders

(3) Determination of Materiality

According to statistical information related to the above results, CSC's CSR Core Working Group compiled the matrix diagram of issue materiality.

CSC's CSR Core Working Group, after discussion, determined issues of materiality for the year and found a total of 17: sustainable development strategy, operational and financial performance, hazardous substance management, air pollutant control and management, energy management, waste management and recycling, water resources use and waste water discharge management and control, environmental policy/management system, corporate governance, GHGs emissions, material use and recycled materials, product quality/technology R&D, green product/service design development, occupational safety and health, product carbon footprint, community participation and social charities, and communication with stakeholders.



1	Corporate Governance
2	Sustainable Development Strategy
3	Operational and Financial Performance
4	Risk Management
5	Privacy Policy
6	Moral/Ethical Code
7	Product Quality/Technology Development
8	Customer Satisfaction Survey
9	Customer Services Management
10	Supply Chain Management
11	Environmental Policy /Management System
12	GHGs Emissions
13	Product Carbon Footprint
14	Energy Management
15	Water Resources Management and Waste Water Discharge Management and Control
16	Air Pollutant Control and Management
17	Waste Management and Recycling
18	Material Use and Recycled Materials
19	Hazardous Substance Management
20	Green Product/Service Design Development
21	Green Supply Chain Management
22	Occupational Safety and Health
23	Industrial Relations
24	Rights of Employees
25	Career Development and Educational Training
26	Employee Welfare and Salaries
27	Talent Recruitment and Retention
28	Employee Satisfaction Survey
29	Management for Social Performance of Suppliers
30	Community Participation and Social Charities
31	Communication with Stakeholders

(4) Aspect and Boundary Identification

Issue of Materiality	Type	GRI Indicator	Reference Chapter
Sustainable Development Strategy	General Standards	G4-1	Message from Top Management
Environmental Policy/Management System	General Standards	G4-34	1.2
Corporate Governance	General Standards	G4-34	1.2
Communication with Stakeholders	General Standards	G4-24~G4-27	1.5, 2.4

Issue of Materiality	Boundary		DMA chapter	Type	Aspect	Indicator	Reference Chapter
Product Quality/ Technology	Organization	Employees, Shareholders	3.9	Society	Product and Services	EN27-EN28	5.6
	Outside of the organization	Customers					
Occupational Safety and Health	Organization	Employees	3.9	Society	Occupational Safety and Health	LA5-LA8	7.3
	Outside of the organization	Contractors,					
Community Participation and Social Charities	Outside of the organization	Local community	5.2	Society	Local Communities	SO1-SO2	5.6
Operational and Financial Performance	Organization	Employees, Shareholders, Subsidiaries, Joint ventures	8.1	Economy	Economic Performance	EC1-EC4	3.7
Hazardous Substance Management	Organization	CSC	3.7	Environment	Emissions	EN15-EN21	5.6
	Outside of the organization	Local community, Suppliers					
Air Pollutant Control and Management	Organization	CSC	5.6	Environment	Emissions	EN15-EN21	5.6
	Outside of the organization	Local community					
Energy Management	Organization	CSC, Subsidiaries	5.6	Environment	Energy	EN3-EN7	3.5, 5.6
	Outside of the organization	Customers, Suppliers					
Waste Management and Recycling	Organization	CSC, Subsidiaries	5.6	Environment	Waste Water and Waste	EN22-EN26	5.6
	Outside of the organization	Customers, Local community					
Water Resources Use and Waste Water Discharge Management and Control	Organization	CSC	5.6	Environment	Waste Water and Waste	EN22-EN26	5.6
	Outside of the organization	Local community					
GHGs Emissions	Organization	CSC	5.6	Environment	Emissions	EN15-EN21	5.6
	Outside of the organization	Local community					
Material Use and Recycled Materials	Organization	CSC	5.6	Environment	Raw Material	EN1-EN2	3.5
	Outside of the organization	Customers, Suppliers					
Green Product/Service Design Development	Organization	CSC	4.8	Environment	Product and Services	EN27-EN28	5.6
	Outside of the organization	Customers					
Product Carbon Footprint	Organization	CSC	4.5	Environment	Product and Services	EN27-EN28	5.6

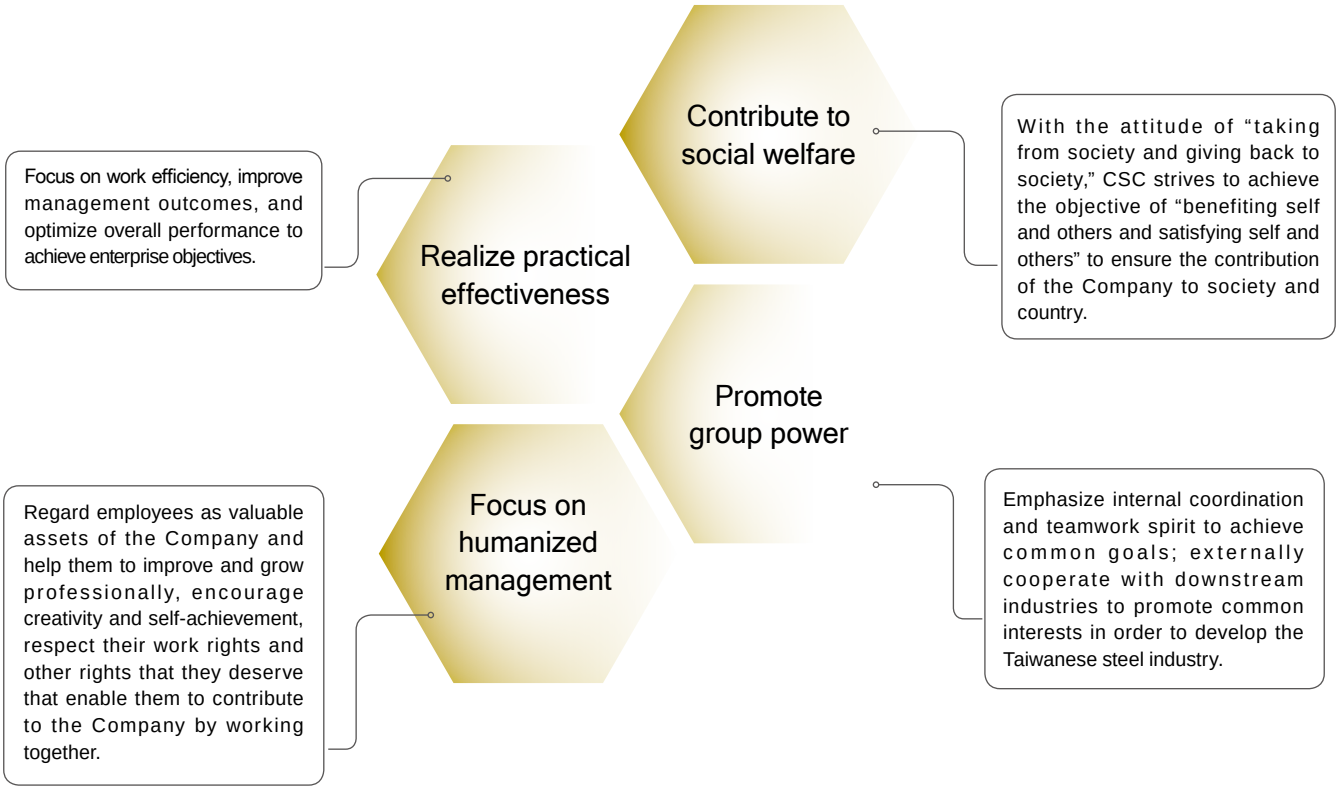
CSR MANAGEMENT

2. CSR Management

2.1 CSC's CSR Gene

CSC's first Chairman, Mr. Chichung Ma, on January 28, 1976, declared teamwork, entrepreneurial approach, down-to-earth nature, and pursuit of innovation as the cornerstone of CSC's corporate culture.

These four spirits are the foundation of CSC's corporate culture; management philosophy is the concrete presentation of CSC's corporate culture. CSC's management concepts emerged from discussions about management philosophy initiated for the first time by former President, Mr. Cihan Fu in a meeting with top managers at the end of 1981. By September 1984, four management concepts were developed: Contribute to social welfare; Realize practical effectiveness; Promote group power; and Focus on humanized management.



2.2 CSR Policies

In 2012, worldsteel invited leaders of global steel enterprises to sign the SUSTAINABLE DEVELOPMENT CHARTER OF THE WORLD STEEL INDUSTRY. Then, CSC according to the spirit of the Charter of worldsteel established the following CSR policies:

- Strengthen competitiveness and create profits for shareholders to ensure corporate sustainability;
- Meet the requirements of customers and enhance service advantages to create a situation for co-prosperity;
- Take care of employees' well-being and create a premium environment to facilitate the development of employees;
- Optimize our supply chain system and improve our communication system to share sustainable practices efficiently;
- Join professional organizations and provide a strong foundation for incorporating new techniques to upgrade domestic industries;
- Support governmental policies and engage in engineering construction to improve overall effectiveness;
- Be devoted to social harmony and assist in the promotion of public welfare that benefit local communities;
- Enhance industrial safety practices to eliminate occupational hazards and embrace environmental protection policies to improve pollution-reduction performance;
- Persist in energy saving and carbon reducing programs, and effectively adopting renewable resources to create a low-carbon society.

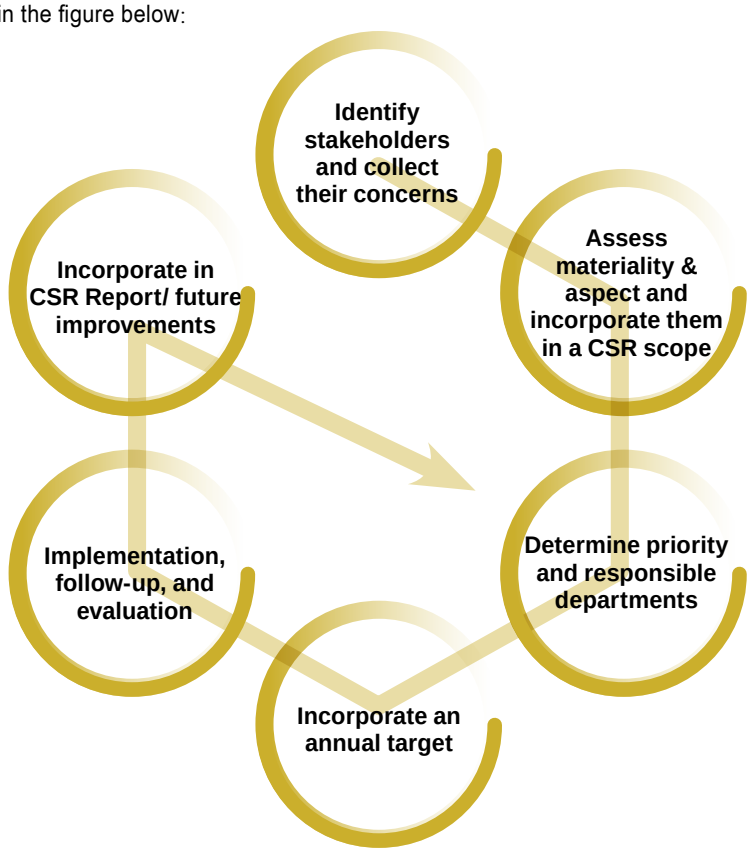
2.3 CSR Principles

Co-prosperity with Society

CSC focuses on a management philosophy that contributes to social welfare, realize practical effectiveness, promote group power, and emphasizes humanized management. Bearing these in mind, CSC is dedicated to corporate governance, energy and environmental management and engagement in social harmony, and realizes them in our daily operation in order to achieve the ideal of “take from society, return to society.”

Information Disclosure and Continuous Improvement

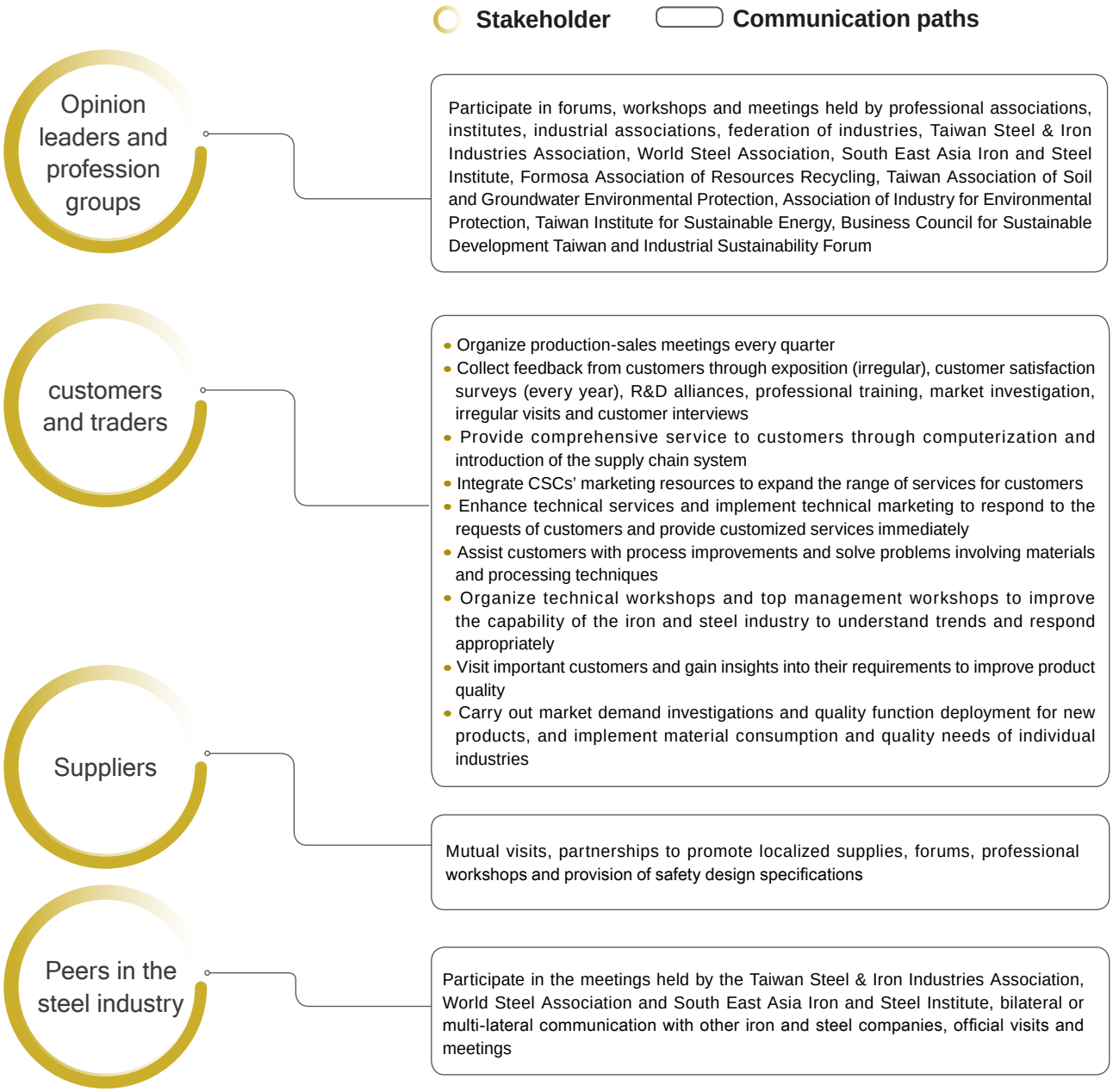
In addition to providing information on corporate governance, energy and environmental management and engagement in social harmony in our operation report and website, CSC issues CSR reports annually to further disclose information concerning corporate social responsibility efforts. Since 2012, CSC has provided a comprehensive CSR section on the CSC's website (http://www.csc.com.tw/csc-e/hr/CSR/index.htm) and has constructed a CSC CSR Fan Page on Facebook. It not only provides a convenient location for stakeholders to access and make enquiries, but also enhances overall accessibility, transparency, timeliness, completeness and interactivity. Visitor's feedback is used as a reference for continuous improvement and to increase the satisfaction of stakeholders. CSC has adopted a continuously improving process, as shown in the figure below:



2.4 Communication with Stakeholders

CSC, via the website, operation reports, annual reports and CSR reports published annually, conduct formal communications and idea exchanges with stakeholders in every field. Additionally, many other approaches are used to understand issues that are of concern to stakeholders and respond appropriately.

Stakeholder		Communication paths
Communities and local organizations		Public Affairs Department, Labor Union, CSC Group Education Foundation and CSC employee clubs meet and negotiate with communities, local groups, legislators and opinion leaders.
Government authorities		Conferences, forums, public hearings, training courses, informal visits to address different policies and laws
Shareholders	**Retail shareholders**	• A shareholders' meeting is convened in the second quarter every year. Issues are resolved individually. Investors may participate in the voting process for each proposal. • The annual and operation reports are issued every year for investors to enquire online or as requested by mail. • Operating revenues and preliminary result of the previous month are announced on the Market Observation Post System and CSC website every month. • Shareholders can communicate with us using a toll-free hot line or e-mail. • The content of the CSC website is comprehensive for shareholders to understand the operation of the company.
	Institutional shareholders	• Visit and receive domestic and foreign shareholders irregularly for face to face communication • Participate in the investment conference held by domestic and foreign securities firms • Send monthly preliminary results and results of price adjustments by mail every month
Employees and contractors	**Employees**	Collective agreement with the Labor Union (revised every three years), Labor/Management Committee meetings (monthly), regular departmental communication meetings (every 2 to 3 months, Labor Union representative is a board member, communication meetings between top management and council members of the Labor Union (every six months), Chairman's mailbox, communication meetings between top management and employees (every week), Labor Welfare Committee, Stock-holding Trustees Committee meetings (every six months), Labor Safety and Health Committee meetings (every two months), Human Resources Development Committee meetings (every year), Pension Fund Supervisory Committee meetings (every three months) and Rewards and Punishments Review Committee meetings (irregularly)
	Contractors	Contract Lease and Safety Job meetings, Co-operation Organization, Contractors' SHE meetings (monthly) and Outsourcing Management meetings (every year)



2.5 Basic Philosophy of CSC Corporate Governance

We persist in maintaining the transparency and openness of our operating information according to global standards for measuring the accountability and fairness of an enterprise. The basic concepts of CSC in corporate governance are described below:

(1) Committed to meeting the highest standards of corporate governance;
(2) Persist in legal and transparent operations;
(3) Impose more responsibilities on management and improve operational performance while taking care of the rights and interests of stakeholders; and
(4) Benefit local communities and assist in their social and economic development.

2.6 Decent Operation

(1) Avoiding Conflict of Interest

According to “Regulations Governing Procedure for Board of Directors Meetings of Public Companies,” a director must abstain from any motion at the meeting of the Board of Directors where there is a conflict of interest, and an abstention is required during the vote of any director-related regulation. A director who has to abstain for the abovementioned reasons is not allowed to participate in the discussion, vote at the meeting, or exercise voting rights on behalf of other directors. We have strictly abided by this rule all along.

(2) Information Disclosure

CSC regards information disclosure as one of the essential elements of corporate governance. To ensure transparency and sufficiency, CSC’s information is disclosed on the corporate website and is accessible through the shareholder service hotline, a spokesperson and designated press contact window for the reference of stakeholders:

	Types	Disclosed Information
Company Website	About CSC	CSC profile, news center, web service Corporate citizen: Community care, public service, web pages on saving energy and environmental protection, labor safety and health, and corporate social responsibility Research and development: R&D results and R&D alliance
	Investor relations	Shareholder services: Include stock information, financial information, shareholders’ meeting data, and shareholders’ Q&A Corporate governance: Provides important internal regulations and rules such as articles of incorporation, financial rules, rules of meeting procedures for the Board of Directors, code of ethics; discloses information about the directors of the Board, important resolutions of the Board meeting, organization and operation of internal audits, and election process for independent directors Investment: Includes information on the primary and other businesses of the CSC Group
	Customer services	Customer services, production and e-commerce
Production Operation	Established spokesperson system and media contact section	New messages and information from divisions or departments Press release after meetings of the Board of Directors Press release after steel price adjustment News announced by subsidiaries or affiliates of the CSC Group News of unexpected incidents

CSC has obtained the top rating of A++ in the “Information Disclosure Evaluation of Public and OTC companies” carried out by the Securities & Futures Institute seven years in a row.

(3) Internal Auditing

The Internal Audit Office (IA), under the Board of Directors, is responsible for the auditing of each operational item and proposing items for improvement in order to rationally realize the objectives of "operational effectiveness and efficiency," "reliability of financial statements," and "compliance to relevant rules and regulations."

The major auditing tasks in 2013 included:

- Test and evaluation of strictness and risk level of control procedure for eight transaction cycles (sales and order-to-payment collection cycle, procurement and payment cycle, production cycle, R&D cycle, financing cycle, investment cycle, payroll cycle, and fixed assets) of high risk operation items;
- Cross checking functions in the system design;
- Conduct audits according to the regulations of the Financial Supervisory Commission, Executive Yuan, including: asset management, budget management, derivatives, endorsements and lending funds to others, related party transactions, supervision over and management of subsidiaries, operation of the Board of Directors' meetings, information and communications security checks, internal transactions monitoring, and management of compliance to international accounting standards. The audit results are submitted to the supervisors and independent directors for review.
- Conduct assessment and field check of CSC's subsidiaries for their internal control systems.
- Handle complaints and ad hoc assignments

The IA enacted a 2013 auditing plan and reviewed the IA system. In 2013, 53 auditing reports were proposed for each operational item of the transactional cycle. Suggestions for improving drawbacks and abnormal items were raised in the reports. A total of 486 items were addressed. Units and subsidiaries that are audited shall adopt proper improvement measures and key in information in the CSC IA management system to comply with control and management and follow-up procedures. There were 30 cases of complaints and ad hoc assignments and after careful investigation, relevant units were placed in charge of handling them.

(4) Risk Management

Type of Risk	Potential Risk	Risk Control Measures
Finance Risk	**Exchange Rate Risk**	Daily balances after payment made with New Taiwan Dollars and foreign currencies are checked. In response to the demands for capital in foreign currency and trends in the foreign exchange market, the proportion of strong and weak foreign currencies is adjusted flexibly to improve the efficiency of capital utilization. For the short-term part, natural hedges are adopted by offsetting revenues and expenses. When there is a demand for foreign capital used to increase external investment or to purchase import equipment (on the basis of international currencies), long-term foreign currency borrowing or forward exchanges at the equivalent value shall be properly used for hedging.
	Rising Interest Rates	Determine a strict and acceptable tolerance for liabilities with interest rate risk of floating rate. When there is a significant change in market interest rate, liabilities shall be paid back earlier or IRS shall be used to convert them to a fixed interest rate. For mid-and long-term NTD capital demands that belong to capital expenditures, loose market capital shall be utilized to issue corporate bonds for low interest rate mid-term and long-term financing to reduce risk from floating interest rates.
	Pickup by Customers	Assist customers in increasing their bank credit amounts by negotiating with banks for forfaiting of account receivables. Use e-commerce technology and the security mechanisms of digital signatures to simplify payment procedures and ensure delivery for customers.
	Service Quality	Monitor the correct operation of e-security mechanisms and computerize financial operations to ensure accuracy and timeliness of data and to enhance customer satisfaction.

Type of Risk	Potential Risk	Risk Control Measures
Finance Risk	**Capital Utilization Efficiency of CSC Group**	Use various indicators to regularly analyze financial structures, solvency, managerial abilities, profitability, cash flow, and leverage of the Company and its group affiliates to set up an alarm system to prevent all types of risks. Conduct real-time monitoring of the financial asset values of the Company, and make suggestions for investing or divesting. Capital management among CSC group affiliates will be made to enhance the efficiency of capital utilization.
Market Risk	**Concentrated Distribution**	Reduce the risk of our distribution system by adopting distribution channel services for "primary domestic sales and supplementary export sales" and make adjustments according to market changes. Concrete measures are: improve production and development flexibility for new products; command the development trend of relevant industries and broaden the range of products to be offered; actively seek investment opportunities in downstream steel plants and other parts of the iron and steel industry; and set up cutting centers overseas to manage and control distribution channels.
	Imbalanced Production and Sales	Plan and simulate each production and sales condition based on orders received, including counter measures such as coordination of externally purchased slab distribution quota among CSC Group companies, reduced production of blast furnace and major overhaul schedule modification, adjustment of production line quarterly/yearly maintenance schedules, adjustment of material shipment, and outsourcing the rolling to adjust production plans from time to time.
Raw Material Source Risk	**Interruption of Raw Materials**	In order to avoid the interruption of raw materials, CSC took the measures below: • Carefully assess material sources and select suppliers; • Maintain safety stocks appropriately; • Diversify raw material sources and enter into mid-and long-term agreements with multiple suppliers in different countries; • Fulfill agreements honestly and faithfully in order to maintain mutual trust and strengthen our relationships with suppliers; • Purchase from the retail cash market to coordinate with the flexible production requests and seek opportunities to reduce costs; • Actively develop new materials and expand the qualified supply source to avoid a monopoly by a few suppliers; • Operate with CSC's own vessels for material shipment to avoid the soaring prices of the marine shipment market as well as control and reduce material shipment costs; when necessary, chartered vessels will be used as alternatives; and • Enter material guarantee procurement contracts coordinating with material investment to improve the self-reliance rate of materials to ensure a stable material supply on a long-term basis.
	Material Investment Risk	• Select coal suppliers or partners with practical coal and iron mining or investment experience and good reputation for joint investments; • Hire advisors on geology, finance, and law to assist with the feasibility evaluation; • Conduct on-site evaluations with miners in mining areas; • Convene internal departmental meetings for comprehensive evaluations; • Watch closely for the operation and development of investment businesses; • Participate in the decision making of investment businesses to safeguard the rights of CSC; • Set up overseas investment sites to enhance business liaisons and command investment trends.

Type of Risk	Potential Risk	Risk Control Measures
Transportation Risk	**Material Transportation Interruptions**	• The stock of raw materials is reviewed regularly at the weekly internal meeting to make the best plans for transportation. We arrange long-term or temporary chartered vessels for scheduled shipments to ports according to vessel size and economic efficiency. • For the shipment of finished goods, the buyer assumes the risk of sea transportation and is responsible for arranging insurance; the carrier responsible for the land transportation of steel products must submit an affidavit and an irrevocable bank guarantee with a fixed guarantee amount to ensure that the steel products will be transported to the destination on time and with the quantity specified. If any damage, losses, or delays occur, CSC shall deduct the amount from the guarantee amount or shipment fees to be paid to the transportation companies in order to control and manage transportation risks.
Utility Risk	**Unstable Supply of Utilities**	• Carry out inspections and change all of the old Phase 1 and 2 COG pipes, maintain steady and reliable supplies of water, electricity, oil and gas. • Regularly carry out emergency drills for utilities operation to prepare for unexpected situations.
	Imposing Stricter Regulations	• Develop the ammonia removal technology for biochemical wastewater plant and conduct factory investment evaluations in cooperation with the R&D department in order to ensure that the quality of the effluent meets standards. • Participate in the municipal and industrial wastewater reclamation project of the Kaohsiung City Government to develop diversifed water resources.
Information System Risk	**Information System Abnormalities**	Establish standard operation procedures and carry out training and education activities to prevent abnormalities in the information system from interfering with the normal business operations of the Company. Take strict monitoring actions and carry out regular drills in regard to the development and maintenance of application systems, access to data, redundancy mechanisms, network protection, and automatic fire extinguishing systems for all machine rooms, UPS systems, door controls and video systems.
Equipment Maintenance Risk	**Machinery Equipment Maintenance Quality**	• Spare Parts Maintenance: Maintain appropriate inventory level based on previous maintenance experiences and spare parts usage records. Encourage the use of retired large spare parts as refurbished items after function verifications, and promote the priority use of such refurbished parts to cut down procurement costs for brand new items. Support domestic manufacturing to lessen the dependency on overseas procurement and for better control on lead time. Promote inventory audits in local warehouses for better spare parts management. • Maintenance Records: Identify issues with electrical and mechanical equipment through equipment shutdown and failure management. Study maintenance records to decrease equipment unscheduled downtimes and improve availability. Incorporate all equipment maintenance records and costs for production line analysis and applications, to achieve the zero failure objective for all production lines. • Knowledge Management in Maintenance: Encourage skilled technicians to take part in an apprenticeship program prior to their retirement for smooth transitions from the experienced to the new generations. Information exchanges among departments/divisions/group companies are facilitated through a project management platform, where critical maintenance records are stored for enhanced knowledge management and better organization of valuable maintenance techniques and experiences.

Type of Risk	Potential Risk	Risk Control Measures
Equipment Maintenance Risk	**Quality of Electrical Equipment Maintenance**	• The TS-16949 Standard Maintenance Procedure is enacted; it covers: software and hardware maintenance, access to data, redundancy mechanisms, backup management, network protection, UPS, door control systems, disaster prevention and response actions. Strict monitoring measures and regular drill exercises have been taken accordingly. • The ISO-9001 Standard System Development Procedure was established with the concept of “safety originates in design” to ensure consideration of maintenance risk at the design stage. Internal and external audits are held regularly to maintain the effectiveness of the system. • Establish the “Information Safety Management Regulations of Production Division” with reference to ISO-17799, promote information safety awareness and check each production unit on an irregular basis to ensure the implementation of information safety measures.
Engineering Management Risk	**Internal Management**	The engineering management system and capital expenditure management information system were respectively developed for CSC’s project-based capital expenditure and to assist with Dragon Steel’s expansion project for the strict control and management of labor safety, quality, schedules, and budgets.
	Contractor Performance	In order to keep track of the financial status and engineering implementation capabilities of contactors, each year, CSC commissions domestic reference institutions to conduct investigations on registered qualified Tier 1 contractors of civil engineering, steel structure, machinery and equipment installation, as well as equipment and electricity. The investigation results are announced on the CSC/DS Engineering Management Operation System (KP) and CSC Supplier Management Operation System (MS). Suppliers that are suspended or disqualified are prohibited from bidding. Regular “credit checks” of relevant suppliers will be conducted when necessary.
ESH Risk	**Labor Safety Culture**	Enhance labor safety culture by conducting comprehensive hazard identification and risk assessments for all processes and constructions. For high-risk and major -risk activityies, risk mitigation measures and emergency response drills are conducted.
	Environmental Protection	• Devoted to the reduction of air pollutants and wastewater discharge; increase water saving and wastewater recycling. • Enhance risk control and management for the utilization of resource, as well as products.
	Administrative Justice	Watch closely for the imposition of various types of environmental taxes and energy taxes to ensure that they are consustent with justice.
Climate Change Risk	**Carbon Management**	• The middle, and long term carbon reduction roadmap was developed, and through best available technologies, the development and application of new energy, and expansion of regional energy/resource integration, carbon intensity of CSC will reach global benchmark. • Energy saving and carbon reduction steel products were developed and their life cycles performance were analyzed to enhance the performance of CSC's external carbon reduction. • CSC actively participates in new green businesses, domestic and international cooperative initiatives and activities related to carbon reduction, carbon capture and storage, and carbon credit. • Inside CSC, a low carbon lifestyle and consumption has been promoted to help create a low carbon society.

Type of Risk	Potential Risk	Risk Control Measures
Climate Change Risk	**Management of Water resource**	• Water supply safety: Plans for sea water desalination, recycling of household wastewater, improvement of water pipes were under study for providing as a secondary water source to ensure a stable water supply during heavy rainy and dyr seasons. • Rainwater collection • Building a pool for storm run-off and a treatment system have been set up to improve the quality of effluent. • Flood prevention.

(5) Prevention of Malpractice

Since its establishment, CSC has deemed that requesting, agreeing to accept or accepting bribes or other improper benefits, or accepting entertainment from suppliers or stakeholders as serious misconduct. In addition to continuing this good tradition through the passing-on of corporate culture, CSC prevents such misconduct through organizational regulations, control mechanisms and employee training such as:

- Employee morality: CSC established a “Code of Conduct for the General Managers” and “Code of Ethics for CSC Group Employees” so that employees can understand the moral requirements of the Company. Rules governing general work, operational standards, and technology standards are enacted for the work contents and methods of every post. The rules and job description of each job are provided with details.
- Risk assessment: The internal auditors of CSC, according to “Regulations Governing the Establishment of Internal Control Systems by Public Companies” of the Financial Supervisory Commission, carry out risk assessments for each operational cycle and operation item each year including compliance with related laws and regulations and develop an annual audit plan based on the results of the risk assessment.
- Self-inspection: The General managers, according to “Rules Governing the Management Auditing of Plants and Departments,” compile self-inspection reports about staff's personal integrity. The self-inspection reports are then reviewed by the Internal Audit Office (IA) and divisonal vice president, in order to understand whether each department has achieved the aim of self-inspection and has responded to environmental changes in a timely manner. Then, the IA can adjust the design and implementation of the internal control system. As required, IA also request and re-audited subsidiaries to compile the self-inspection reports to realize the implementation of the mechanism.
- Employee training: The training program for new employees includes: morality, company regulations, and discipline. The Corporate Culture Committee meeting is held regularly to review the spirit, corporate culture and values of CSC as well as review cases that both positively and adversely affect the transmission of CSC's corporate culture. Through the Corporate Culture Committee and web page, morality, code of ethics, and relevant regulations of CSC are promoted to realize corporate culture concepts and principles in pursuit of teamwork spirit, entrepreneurial approach, down-to-earth nature, and pursuit of innovation for the purpose of guiding the conduct of CSC employees and build the integrity culture. CSC's Semimonthly Journal and website also provide relevant training and promotion information for all employees.
- Complaint mailbox: A complaint hotline and mailbox were set up to collect information on misconduct for the entire CSC Group. An investigation of the misconduct complaint will be carried out, and the misconduct will be handled in coordination with the responsible department.
- Countermeasures against misconduct: The personnel management system requires that an employee guilty of malpractice be removed. All cases of misconduct are sent to the Employee Award and Punishment Committee and are dealt with according to the results of the review.

(6) Socializing Guidelines

To implement a premium corporate culture and maintain the image of the Company, CSC establishes regulations and requests that employees not accept gifts or benefits offered by any stakeholders related to their duties or to participate in any banquets and social activities arranged by such stakeholders. Common norms should be considered for cases

involving the parents and affiliates. “Rules Governing Gifts, Benefits, Banquets, and Social Activities Operations” are enacted to serve as guidelines for the engagement of CSC employees in the above socializing activities. When dealing with valuable gifts from stakeholders during business interactions, unless mentioned above, they shall be rejected or returned. When there is a failure to return a valuable gift, a “Handling of Valuable Gift Report” shall be submitted to the unit director and the valuable gifts shall be sent to the Department of General Affairs for further handling. CSC has established “Guidelines Governing CSC Employees’ Participation in Business Related Banquets” to guide the participation of CSC employees in banquets due to the need for the development of external relationships.

2.7 Human Rights of Major Investments and Suppliers

In 2013, CSC's major investment projects included nine domestic projects and four foreign projevts. The foreign projects are investment in Sakura Ferroalloys Sdn. Bhd. in Malaysia; capital increase in the investment of China Steel Corporation India Pvt. Ltd.; joint venture project of automobile hot stamping parts in cooperation with Changchun Engley; and the provision of a shareholder guarantee loan for the Roy Hill Holdings (RHH) Project.

All of CSC's operation activities and investment agreements followed local regulations without human rights terms emphasized; all agreements with suppliers, contractors and other commercial partners comply with local human rights rules without specifically incorporating human right terms. For suppliers with higher human rights risks, CSC plans to conduct human rights surveys in the future. No accusations of human rights violations were filed in 2013.

Human rights assessments of CSC’s international investment projects (Source:www.maplecroft.com)

International Investment Projects	Human Rights Assessment
Investment in Sakura Ferroalloys Sdn. Bhd., Malaysia	High Risk
Capital increase in the investment of China Steel Corporation India Pvt. Ltd.	Extremely High Risk
Joint venture project of automobile hot stamping parts in cooperation with Changchun Engley	Extremely High Risk
Provision of shareholder guarantee loan for the Roy Hill Holdings (RHH) Project	Low Risk

2013 Human Rights Assessment of Raw Material Suppliers (Source:www.maplecroft.com)

Supply Country	Human Rights Assessment	Supply Country	Human Rights Assessment
Japan	Moderate Risk	Canada	Low Risk
Philippines	Extremely High Risk	Indonesia	Extremely High Risk
Dubai	High Risk	Ukraine	High Risk
China	Extremely High Risk	Brazil	High Risk
Vietnam	High Risk	Australia	Low Risk
Thailand	High Risk	US	Moderate Risk
South Africa	High Risk	Russia	Extremely High Risk
North Korea	Extremely High Risk		

2.8 Commitment of No Conflict Minerals

In order to promote its corporate social responsibility, CSC promises:

(1) Conflict minerals from Congo and involved countries including areas controlled by the armed forces of these countries are not used or contained in all commodities and packing.

(2) CSC will strengthen supply chain management, establish related management systems and regulations to effectively identify and trace the origin of metal materials, ensuring the legality and preventing the use of illegal materials.

Remarks

Conflict Minerals contain, but are not limited to, rare metals such as cassiterite, wolframite, columbite-tantalite, gold and its derivatives, especially metals such as Gold (Au), Tantalum (Ta), Tungsten (W) and Tin (Sn), from Congo and neighboring countries as well as from areas controlled by the armed forces of these countries.

INVESTOR

3. Investor

3.1 Communication Channels with Investors

(1) Shareholder Service Hotline and E-mail Box

CSC has established a toll-free shareholder service hotline and e-mail box. The hotline is made public on our annual report and website, so that investors can contact the Company directly. Designated personnel are responsible for responding to the questions of the shareholders.

(2) Real-time Announcement of Important Information

CSC has established a name list for delivery of important messages. The information, including: monthly consolidated revenue, sales data, and results of sale price adjustment, is delivered to the industry analysts and investors by e-mail at the first opportunity to ensure transparency and timeliness of the information.

(3) Interaction with Investors

CSC has designated personnel to receive investors who visit the Company as well as take the responsibility for the visit and for troubleshooting issues. The management also attend investors' discussion and conferences.

3.2 Appraisals for CSC Sustainability

Among global enterprises, the Dow Jones Sustainability Index (DJSI) selected the top 3,300 to assess their performance while the DJSI-Emerging Markets included 800 in the assessment. In the end, 333 top sustainability performers were selected for the DJSI and 81 were chosen for the DJSI-Emerging Markets. Only three from the global steel industry were included in the DJSI-World. In 2012, CSC participated in the Corporate Sustainability Assessment of the DJSI for the first time and was selected for inclusion in the DJSI-Asia Pacific and DJSI-Emerging Markets. Moreover, in 2013, CSC again participated in the Corporate Sustainability Assessment of DJSI and was included in the DJSI–World and DJSI–Emerging Markets component businesses and was listed as the industry leader of steel industry by DJSI-World.

Results of Corporate Sustainability Assessment of DJSI

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

	CSC Score	Average Score of the Steel Industry	Best Score of the Steel Industry
Total Score	79	44	79
Economic Dimension	65	53	82
Environmental Dimension	88	38	90
Social Dimension	79	44	81

Moreover, in the 2014 RobecoSAM Sustainable Yearbook, CSC was named the industry leader for the steel industry and rated as Gold Class.

ROBECOSAM Sustainability Award Industry Leader 2014

ROBECOSAM Sustainability Award Gold Class 2014

In order to promote the concept of corporate citizen, Taiwan's CommonWealth Magazine conducted the "CommonWealth Corporate Citizen" survey. In 2013, CommonWealth Magazine awarded CSC as "CommonWealth Corporate Citizen" as well as Taiwan's best reputation benchmarking corporation.

天下企業公民 Excellence in Corporate Social Responsibility

3.3 Annual Shareholders' Meeting

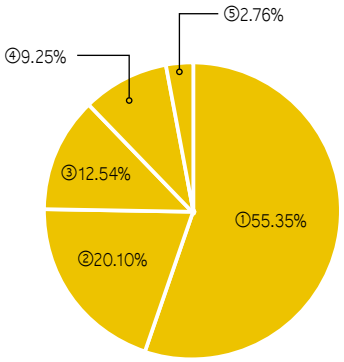
Since CSC's annual shareholders' meetings held in 2011, resolutions were determined one by one after gradual discussion and the results were announced on Market Observation Post System (MOPS) and on CSC's website for the reference of investors. 2013 marked the second year in which electronic voting was used at CSC, and the utilization rate increased to 12.5% of total issued share. As for the foreign investors, the utilization rate is over 85%.

3.4 Capital Sources and Governmental Subsidies

CSC's shareholder structure

①	Investment of domestic natural persons and other juristic persons
②	Government (state-owned) institutions
③	Investment of foreign natural persons, juristic persons, trust funds, and investment (including depositary receipts)
④	Investment of domestic securities investment funds
⑤	Investment of domestic financial institutions

Note: According to the date of book closure date on August 3rd, 2013



The Legislative Yuan of the ROC in April 2010 passed the "Statute for Industrial Innovation;" Article 10 of the Statute grants that a maximum of 15% of the R&D investment by a company can serve to reduce business income taxes of the same year up to 30% of total business income taxes. The deduction of income tax from R&D investments that CSC obtained over the past five years is shown below:

(NTD 1,000)

Year	2009	2010	2011	2012	2013
Deduction of Business Income Tax	NA	1,629,595	1,533,465	14,082	15,818

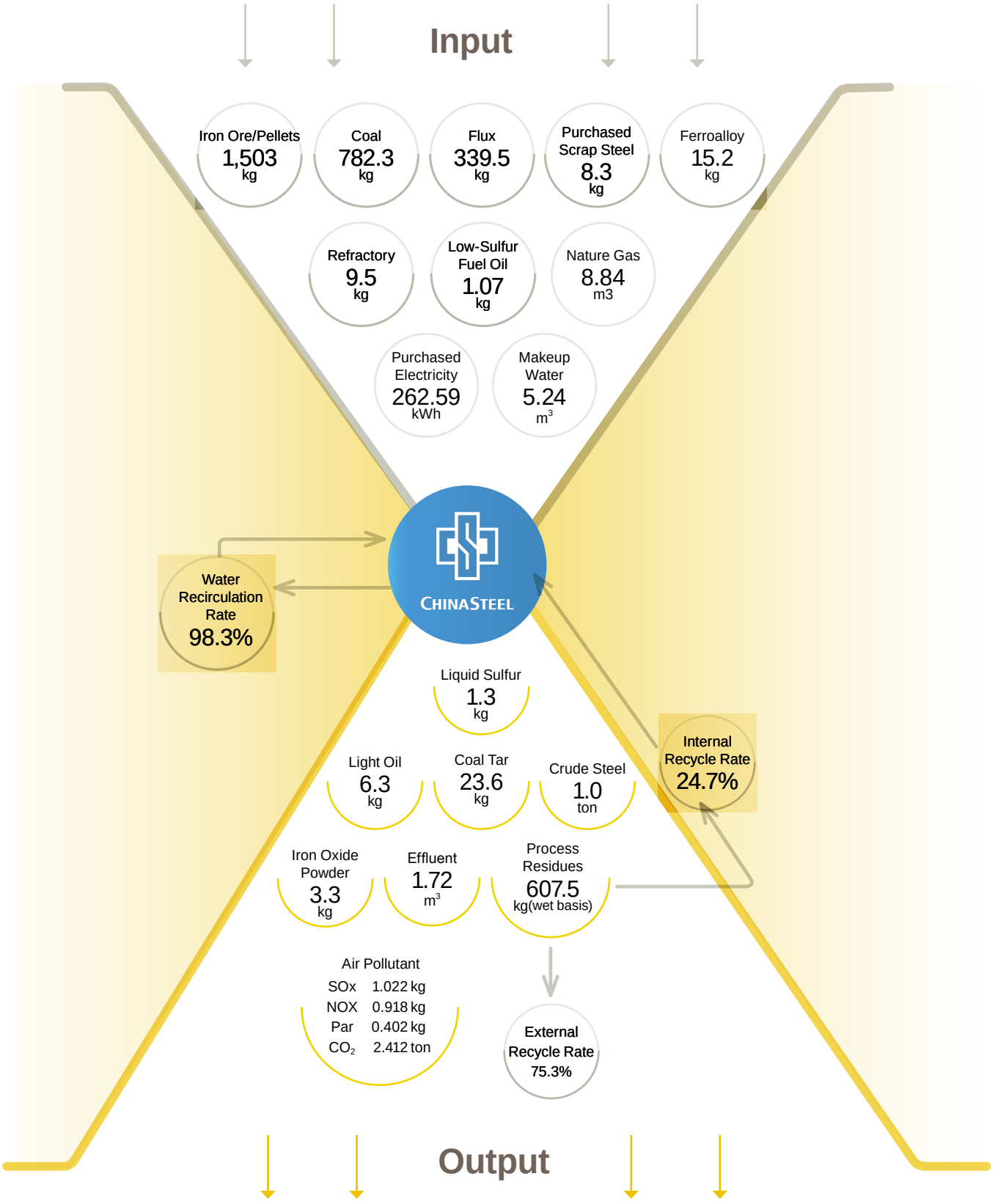
3.5 Raw Materials and Energy

The flux materials for the metallurgical operations of CSC was 100% supplied by domestic sources in the past; however, since the termination of the nearby Mountain Longevity limestone mine to foster local ecological development in the Kaohsiung area, part of the required limestone has been supplied by overseas sources. Currently, 1/4 of our needs for marble, dolomite and serpentine come from the Hualien area, and 3/4 comes from overseas sources.

Taiwan does not have the coal and iron ore that CSC needs for production. Thus, 100% of coal and iron ore are imported. In terms of coal, at the beginning of 2012, heavy rains in Queensland, Australia affected its supply, thereby causing a slight increase in price, but in order to reduce production costs, coal suppliers tried their best to maintain full production capacities. Along with no extreme climate incident, coal supply in the second half year grew and drove the price down. In the beginning of the 4th Quarter, coal prices did slightly rebound due to the stable steel market, but since there was no significant growth in demand, the retail market became weak again. For iron ore, in the beginning of 2013, main production sites in the southern hemisphere (Australia and Brazil) were hit by hurricanes and floods. The extremely cold winter worsened the situation and impacted the iron ore supply greatly as well as drove up prices in the first quarter. Afterwards, due to the poor global steel market, climate factors subsiding, the iron ore price in the middle of the year dropped and fluctuated, and the supply was stabilized. Since the second half of the year, due to the environmental protection request of Mainland China, the production of pellets and sinters was reduced. Steel mills, thus, imported iron ore that could be directly added to blast furnaces and this gradually increased the prices of lump ore and pellets.

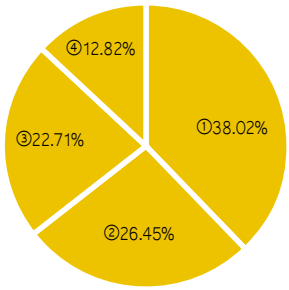
The coal that CSC uses produces fuel gas during the metallurgical process. Part of the fuel gas is used for heating during the process, and part is supplied to the cogeneration unit for the production of steam and electrical power. The cogeneration unit also uses coal, fuel oil and natural gas to produce steam and electric power. The rest of the required power is purchased from Taiwan Power Company. Information regarding the energy that CSC consumed directly and indirectly, as well as self-produced secondary energy in 2013 is provided below：

CSC's resources and energy input for the production of each ton of steel billet in 2013 is shown below:



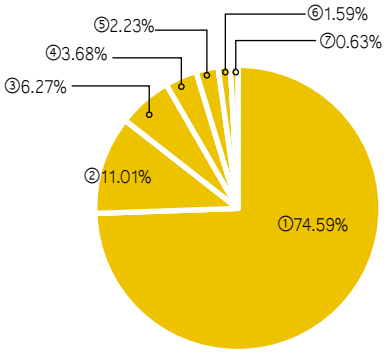
The sources of flux stone

① Taiwan
② Japan
③ Philippines
④ Others
- Total 2,952,000 tons(wet base)



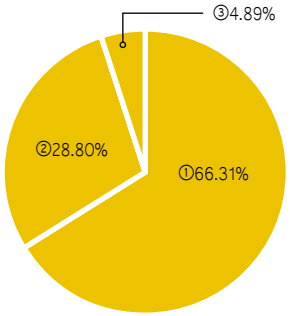
The sources of coal

① Australia
② Canada
③ South Africa
④ Indonesia
⑤ North Korea
⑥ Russia
⑦ Others
- Total 6,801,000 tons(wet base)



The sources of iron ore

① Australia
② Brazil
③ Canada
- Total 13,070,000 tons(wet base)



Direct Energy(GJ) [1]	
Coal	218,125,542 GJ
Natural Gas	3,032,658 GJ
Diesel	113,877 GJ
Gasoline	6353.1 GJ
Low Sulfur Oil	364,755 GJ

Indirect Energy(GJ)	
Purchased Electricity [2]	21,370,913GJ

Note 1: 1GJ=10^9 Joule
Note 2: Purchased electricity has included the conversion value of heat efficiency into energy.

Self-produced Secondary Energy	
Medium Pressure Steam	3.56 million tons
COG	1.98 billion M^3
BFG	13.17 billion M^3
LDG	858 million M^3
Cold Blast Air	8.84 billion M^3
Oxygen	909 million M^3
Nitrogen	1.1 billion M^3
Argon	19.5 million M^3

3.6 Productivity and Performance Indicators

The steel industry is capital-intensive since it requires a huge amount of investment in production equipment. Additionally, coal and iron materials account for a high percentage of the production cost of steel products. In order to control and manage costs and maintain competitiveness, CSC continuously promotes various advancement initiatives. Among them, costs saving initiatives are part of an important strategy as well as a key performance indicator to respond to the circumstances of the steel industry.

In 2013, the Production Division, Commercial Division, and Technology Division of CSC proposed 126 key “Cost Reduction Activities” to reduce costs by the target of NTD3.81 billion, together with reduction from the controllable cost of general affairs the target reached four billion Taiwan dollars. The target is achieved excessed by 38% with actual cost savings reached NTD5.52 billion.

3.7 Operating Performance and Distribution of Earnings

Operating Revenues

In 2013, operating revenues totaled 200,726,268 thousand dollars; compared to 207,193,105 thousand dollars in 2012, there was a decrease of 6,466,837 thousand dollars mainly due to the rebound of the international market in 2013 that increased the sales amount by 684,000 tons more than that of 2012. But because of the lower sales prices of steel products, in 2013, the average price of carbon steel per ton decreased by NTD2, 229. With the above factors, the sales revenue of carbon steel decreased by NTD5,917,985 thousand dollars than that of 2012.

Unit: NTD Thousand Dollar

Item	2012	2013
Sales Revenues	201,072,107	194,564,974
Service Revenues and Others	6,120,998	6,161,294
Total Operating Revenues	207,193,105	200,726,268

Operating Expenses

In 2013, total operating expenses were 191,501,885 thousand dollars; compared to that of 2012, despite of increased sales, there was a decrease of 12,911,785 thousand dollars mainly because the cost of carbon steel per ton reduced by NTD3,056, resulting in the decrease of 14,189,399 thousand dollars in cost of goods sold. The increase of operating expenses mainly resulted from an increase of HR, depreciation, professional service charges, and R&D expenses.

Unit: NTD Thousand Dollar

Item	2012	2013
Cost of Goods Sold	194,223,145	180,133,904
Service Costs and Others	4,006,120	4,022,111
Operating Expenses	6,184,405	7,345,870
Total	204,413,670	191,501,885

Note: Since 2013, CSC's financial statements have been compiled according to IFRSs, and therefore, IFRSs numbers were used as the basis for the comparison of recent two years.

Non-operating Revenues and Expenses

In 2013, CSC's non-operating revenues and earnings increased by 4,410,684 thousand dollars mainly due to an increase of gains recognized under the equity method by 6,059,232 thousand dollars, a decrease of investment profit handling by 1,008,578 thousand dollars, an increase in the incentive pension by 234,295 thousand dollars, and an increase in interest payments by 140,030 thousand dollars.

To sum up, CSC's net profit in 2013 increased by 10,086,734 thousand dollars more than that of 2012.

Year	Operating Revenues	Net Profit before Tax	Net Profit after Tax	EPS (after Tax)
2012	NTD207.193 billion	NTD 6.221 billion	NTD5.895 billion	NTD0.39*
2013	NTD 200.726 billion	NTD17.507 billion	NTD15.982 billion	NTD1.05

Note: Numbers are shown according to IFRSs.

* : It's the adjusted basic after-tax EPS

Distribution of Earnings

In 2013, CSC's earnings available for distribution totaled 14.584 billion dollars, with a dividend distribution of 1.4 dollars per preferred share (stock of 0.2 dollar and cash of 1.2 dollar) and 0.9 dollar per common share (stock of 0.2 dollar and cash of 0.7 dollar). The dividend distribution and return on investment over the past five years are listed below：

Year	EPS	Cash Dividend	Stock Dividend	Dividend Payout Ratio
2009	1.54	1.01	0.33	87.0%
2010	2.83	1.99	0.50	88.0%
2011	1.36	1.01	0.15	85.3%
2012	0.38	0.40	0.10	131.6%
2013	1.05	0.70	0.20	85.7%

Year	P/E Ratio	P/D Ratio	Cash Dividend Yield (%)
2009	17.97	27.40	3.65%
2010	11.27	16.03	6.24%
2011	23.51	31.66	3.16%
2012	72.61	68.98	1.45%
2013	24.65	36.97	2.70%

Notes：P/E ratio = Average closing price per share in the current year/EPS
P/D ratio = Average closing price per share in the current year/cash dividend per share
Cash dividend yield = Cash dividend per share/average closing price per share in the current year

According to CSC's Articles of Incorporation, the earnings of a fiscal year are distributed in the following order after payment of all taxes, deficits offset and appropriation of legal reserves：

(1) Dividends for preferred stocks at 14% of par value
(2) The Company may set aside special reserves or retain earnings when necessary.
(3) Appropriation of 0.15% from the remaining earnings as remuneration for directors and supervisors; appropriation of 8% as bonuses for employees
(4) If distributable earnings remain after the distributions mentioned above, bonuses at 14% of par value for common stockholders shall be distributed.
(5) If distributable earnings still remain after (4), additional bonuses shall be distributed proportionally to the percentage of shares held by stockholders of preferred and common shares.

The remuneration for CSC's directors, supervisors, President and Vice Presidents is determined according to the Articles of Incorporation. The traveling expenses for directors and supervisors refer to the payment level of industrial peers. The remuneration for directors and supervisors in 2013 totaled NTD 21,245 thousand dollars while the salaries for directors, supervisors, and the top management totaled NTD 95,518 thousand dollars. The total amount of remuneration for CSC's directors, supervisors and executive management (President and Vice Presidents) is correlated to the performance of corporate governance (not profit) and is not associated with external risks.

3.8 Research and Innovation

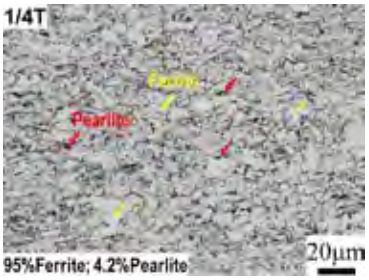
Strategies of Research and Innovation

In order to continuously grow and expand CSC businesses and assist in the upgrading of downstream steel-using industries, CSC adopts a “broadened and innovative integration” R&D strategy that promotes inter-disciplinary and inter orgnizational R&D cooperation in metallurgical work, manufacturing processes, and equipment for mass production to attain “broadly deploying, deeply rooting, highly targeting, and enormously affecting” effectiveness as well as differentiated competitive advantages that will continue to lead CSC to progress and growth.

Important Research Results

In 2013, CSC achieved outstanding R&D accomplishments as listed below:

(1) Cooper and Nickel Free API X65MO Steel Used for Offshore Pipelines:
To respond to the development trend of offshore wind turbines as well as the increasing demand for high-strength steel materials for ocean-based structures, CSC actively developed APIX65MO steel to be used for offshore pipelines; with the application of alloy design analysis and manufacturing technology, CSC successfully completed the mass production test of copper and nickel free APIX65MO steel materials to help improve the steel grade used for offshore pipelines. Additionally, the analytic technology of crack opening displacement can be applied to the future development of ultra-high strength ocean-based structural steel materials.



(2) Low carbon blowing technology in BOF for tire chord: A metallurgic method using manganese-silicon inclusion was proposed to use the low carbon blowing method in BOF to complete the fabrication of low-phosphorous liquid steel to soften hard inclusion. Through the development of this technology, secondary refined liquid steel was then stirred, placed, and inert casted to successfully produce steel for tire chord.

(3) Reuse and Recycle of the used Refractory Materials of Blast Furnace: In order to improve the resource recycling of refractory materials, CSC reused and recycled those for the main blast furnace runner by transforming them into casting materials for splash covers. First, the recycling operation standards of refractory materials in each blast furnace runner were enacted, at the same time, slag removing technology for those refractory materials was developed. CSC also cooperated with contractors to apply the recycled refractory materials for the 65% casting materials of splash covers for blast furnace runners so as to reduce costs.

(4) Building the Rationalized Operational Technology for Digital Heating Furnace: CSC's first digital heating furnace uses rationalized operational technology that was built to include the ability to adjust the protective air volume of burner and air to fuel ratio. Through operational adjustments, heating costs for the heating furnace were reduced. Without influencing the operation of the burner, proper adjustment of protective air volume can reduce heat loss in the air when maintaining the temperature. Additionally, optimal operational parameters were established to ensure the reduction of fuel gas consumption to 2.3 m^3/ton.

3.9 Green Growth

Low carbon economy is now the leading global trend. Green industry and green growth brought by a low carbon economy will be the focus of international competition. CSC actively participates in visionary and potential low carbon businesses to minimize our CO_2 emissions and establish renewable energy technologies in a practical manner.

(1) Heat recovery technology for mid and low temperature sources: The design capability for thermoelectric power generation system was established and the specs for Taiwan's first kW system for reheating furnace was featured. The power generation density reached 22.7W/m^2.

(2) Biomass technologies: The bio-coal project with short fibers of palm fruit as input has entered commissioning stage. Combustion tests of 20% of bio-coal tests were completed in CSC's power plant with bio-coal produced during commissioning. A 30kg/h fast pyrolysis bio-oil demo system was established. CSC began technology development for producing oil with waste wood material and combustion technology to utilize the oil.

(3) A total of 517.24 kWp of photovoltaic system was established. Between 2012~2013, total power generation reached 1,113,929 kWh (sold to TaiPower), thereby reducing 639 tons of CO_2 emissions.

(4) Fuel ethanol produced with CSC's self-generated fuel gas: New Zealand's Lanzatech possesses advanced anaerobic fermentation technology that can be applied to the production of ethanol with furnace gas of steel plants. Although this technology has not been commercialized, the operation and technology accreditation of demonstration plants in Baosteel and Shougang in China was completed. The demonstration plant of Shougang was accredited as a "sustainable biomass manufacturing process" by Rountable on Sustainable Biomaterials (RSB), Switzerland. CSC, in November 2012, set up White Biotech Corp. jointly with LCY Chemical Corp. The initial task was to apply Lanzatech's technology to build a demonstration plant for manufacturing ethanol with rotary furnace gas and accredit the technology's feasibility. White Biotech Corp., in December 2013, completed the construction of the demonstration plant and accreditation efforts will soon follow.

(5) Development of hydrogen energy application technology: In the middle of 2013, CSC built a 1kW Solid Oxide Fuel Cell (SOFC) power generation system and completed the 500-hour operation test. By the end of 2015, the feasibility study on 150MW SOFC power generation is expected to be completed.

3.10 Participation in International R&D

Participation in International R&D programs is a good way to enhance exchanges with our global partners and connect with international development trends. At present, the international R&D projects that CSC has signed up for are mostly focused on energy saving and CO_2 reduction efforts. They are promoted by worldsteel, and include:

(1) CO_2 Breakthrough Program:

This program, sponsored by global steel companies, is devoted to reducing CO_2 emissions from iron making processes by 30~70%. To develop combustion technology for CO_2 capture and storage, CSC conducted research work in 2013 and achieved the following results:

- At CSC CO_2 capture pilot plant, 30%MEA was used as absorbent for the 600-hour carbon capture stable operation with a CO_2 recycling rate of approximately 94% and an average energy consumption of 5.4 GJ/ton CO_2.
- CSC has continuously researched and developed carbon capture technology with self-produced ammonia water to reduce costs. The carbon capture technology, suitable for the steel industry, is expected to be proposed in 2015.
- CSC developed a carbon bio-fixation demonstration system for flue gas with micro algae reaching a handling capacity of 1.2 tons of water contained with algae as well as algae cultivation technology resistant to the hot temperature of 40°C and air pollutants. Currently, the yield ratio of micro algae reached 0.1 g/L/d and the capacity of carbon fixation was 160 ton/year/hectare.

(2) WorldAutoSteel(WAS) R&D Projects: (http://www.worldautosteel.org/)

CSC participates in worldsteel affairs and takes three areas as leading indicator, including the development of newly applied steel, improvement of steel material application technology, and the connection to advanced steel making technology.

In response to the open attitude of auto makers towards the selection of materials, CSC's participation in WAS projects focuses on ① continuously drawing attention to the application of steel materials; ② presenting application value of next generation steel materials; ③ building positive relationship between the link of steel materials and clean environmental protection; ④ assistance to boost the product competitiveness of steel plants; and ⑤ participation in the development of the international automotive market. Work contents in 2013 covered:

- Minimum Thickness Study
- The influence of CFRP on steel materials
- Feature study on Steel vs Aluminum Bumper
- Life Cycle Assessment
- China Incubation Program
- V5 HSS/AHSS Application Guidelines

3.11 Business Development

(1) In order to provide downstream customers with more convenient services, CSC's first coil center in China, Qingdou Precision Metal Corp. began mass production in the 4th Quarter of 2013, and became CSC's sales headquarters in northern China serving mainly customers in automotive, motor, home appliance, and information sectors.

(2) In order to stabilize the supply of coal and iron raw materials, CSC actively looks for material sources for investment to improve its self-sufficiency rate of raw materials. In 2013, its raw material source investment included: 1. Investment in Canadian AMMC iron ore and Malaysian Sakura Manganese-Ferro Alloy Corp. By the end of 2013, the self-sufficiency rate of coking coal was at 1.9%, iron ore at 14.9%, and average raw materials at 11.0%.

(3) Green Energy Industry

- Wind power business: In December 2013, CSC set up the Committee for Wind Power Generation Business Development, which is in charge of CSC's wind power generation businesses, engineering, and technology planning and execution. In the middle term, targets include establishing a domestic wind power industrial chain, a regional supply chain, and participating in the turnkey construction and operation of an off-shore demonstration wind field. In the long run, the objective is for CSC to develop an off-shore wind field on its own and enter the international market.
- Dyna RECHI: CSC set up Dyna RECHI jointly with Rechi Precision Co. to produce BLDC motors in order to catch up with energy savings and carbon emission reduction trends, to promote the forming of a motor cluster, and to improve the competitiveness of the motor industry. In addition, new market expansion for CSC's magnetic steel sheet and HiMag's iron oxide powder will be realized. The new company has built plants in Pingtung, Taiwan, and Jioujiang, China. Production is expected to begin in October 2014 with a capacity of 24 million sets.
- Honley Auto Parts Co., Ltd.: Honley established its hot stamping parts plants in Pingtung, Taiwan, and Changchuan, China, to meet the requirements for lightweight, energy savings, and car body safety by increasing the annual use percentage of hot stamping parts. CSC worked with auto parts companies in China to invest in relevant industries with an annual capacity of three million pieces. This helped to increase steel sales, link up with the industrial value chain of automotive steel sheets, and improve the cooperative relationship between CSC and auto makers while saving energy and reducing carbon emissions.
- Bio-coal project: The bio-coal pilot plant was established in Malaysia. It uses palm fruit short fibers for production. At present, the pilot plant has entered the product test burning stage.

3.12 Reinvested Businesses

Based on its core steel business, CSC began diverse developments with the focus on sales, technology, and manufacturing process to expand the scope of reinvested businesses. CSC will actively and continuously promote the "New Asia Project" including magnetic steel coil line and integrative cold rolling plant in India as well as sales offices and cutting centers in newly emerging countries in Asia to enhance investment in the green energy industry and to achieve green energy development strategies of CSC Group. The investment goal in coal and iron materials is to reach a 30% self-sufficiency rate by 2015.

By the end of 2013, the number of CSC's reinvested businesses reached 58; in 2013, four new businesses included AMMC iron ore in Canada, Dyna REICHI, Sakura Ferroalloys in Malaysia, and Honley Auto Parts Co. in the industries of iron ore material supply, motor manufacturing, manganese ferroalloys, and auto parts making, respectively.

Operational Performance

Due to the steel market's recovery, CSC's reinvested steel-related businesses performed significantly better in 2013 than they did in 2012. In 2013, the recognized reinvestment income totaled NTD8.82 billion with the operational performance of each subsidiary listed below:

(1) Steel businesses: Due to the recovery of the steel market and the new production of the second blast furnace of Dragon Steel Corp., Dragon Steel Corp. expanded its production and sales volume. In 2013, it turned losses into profits. Overseas, CSC Malaysia(CSC steel Sdn. Bhd.) currently is profitable while CSVC, due to the completion of plant construction and the beginning of mass production in October 2013, is operating at a loss. The Phase 1 plant expansion project for the CSC India's (China Steel Corp. India Pvt. Ltd.) magnetic steel coil production line is scheduled to be completed in the middle of 2014 while Phase 2, in order to meet local market demands, will be expanded into an integrative cold rolling plant.

(2) Logistics and trading businesses: Although China Steel Express Corp. faced the challenge of high prices and the contract maturation of chartered vessels, it still demonstrated a good flexibility by arranging shipment schedules and maintaining stable operating profits. Along with the receivables of insurance claims, in 2013, China Steel Express Corp. was more profitable than last year. China Steel Global Trading Corp., which is responsible for the overseas product sales of CSC, Chung Hung Steel, and CS Aluminum Corp. improved its sales volumes in 2013 due to the market recovery, but due to a decrease in reinvestment income, its profitability in 2013 was reduced.

(3) Industrial material businesses: CS Aluminum, due to the market downturn, experienced a dramatic price drop that was greater than cost reduction resulting in a reduced gross profit of products. Along with reduced sales volume, profit before tax in 2013 was less than that of 2012. China Steel Chemical Corporation (CSCC) increased its revenue and profit over 2012 with an increased material feed rate of coal tar for the new second blast furnace at Dragon Steel; CSCC's EPS reached NTD9.6. CHC Resources in 2013 also benefited from the production of Dragon Steel's second blast furnace and increased the material feed rate of granulated blast furnace slag as well as the sales volume of slag powder. With an increasing average price, CHC Resources' yearly revenue and profit before tax grew more than last year. Himag Magnetic Corp., due to the slowdown of the PC industry, focused on the promotion of magnetic powder, calcined powder, and ferric oxide powder for use in the hard disk industry; although the unit price and profits were low, sales volume returned to a normal level. Special chemicals benefited from the increasing sales volume sold to CSVC, and revenue, in 2013, reached NTD782 million and the profit before tax totaled NTD53 million, keeping last year's level. Changzhou China Steel Precision Material Corp. had significant revenue growth in 2013; with subsidies granted by the local government for land purchases, the profit for the year turned positive.

(4) Engineering businesses: Because of continuous reduction of the number of domestic engineering projects, CSC Group in 2013 actively expanded its overseas engineering project marketing efforts. China Ecotek Corporation and China Steel Machinery Corporation continuously grew their respective revenues. China Ecotek Corporation enjoyed a profit before tax for the year at an amount of NTD749 million while China Steel Machinery Corporation created an amount of NTD622 million. China Steel Structure Co., Ltd. reduced its plant building plan scope owing to the recession of the electronic industry. Also with the governmental policy to tackle real estate speculations and the sliding numbers of high-rise building projects as well as an insufficient amount of public works, its revenue and profit decreased from 2012 with profit before tax reaching NTD502 million. Info-Champ Systems Corp. continuously expanded into the ERP market in China's steel industry with stable revenue and profit growth. Due to the increase of investment income and the exchange gains from US dollar appreciation, it had a profit before tax of NTD299 million, a growth of 29.54% from previous year.

(5) Service and investment businesses: Gain Investment Corp. in 2013 performed very well in the stock market, and some of its direct investment projects brought income and profit. In 2013, its profit before tax reached NTD429 million, a growth of 13.31% over last year. China Steel Security Corp. increased its personnel cost according to changes in regulations; for its security guards, the Company continued negotiating with owners for increasing contract unit prices and saving costs as well as actively developed new system security businesses and expanded service scopes. Therefore, it enjoyed a stable profit with a profit before tax for the year totaling NTD122 million, a growth of 11.82% over last year. China Prosperity Development Corp. had stable rent income and benefited from the profit from part of reinvestment income as well as the recognized profit by processing real estate properties in 2013 with a profit before tax of NTD216 million, a growth of 18.08% over previous year.

3.13 Support for Localization

CSC has increased investments in high value-added downstream production lines, environmental protection and energy saving facilities, and replacement of outdated equipment, and has also requested suppliers to maximize the percentage of domestic supply, with the aim to reduce costs and foster domestic industries. Furthermore, hardware equipment, refractory materials, parts and components for repairing and maintenance are required in large quantities. In addition to requesting its suppliers to increase the local portions, CSC also actively promotes important activities in support of domestic manufacturing such as:

(1) Refractory materials: A joint effort with refractory material suppliers helped CSC, in 2013, obtain a domestic supply of refractory materials accumulating the percentages of 66.83%(amount) and 85.19%(weight), a slight increase over those in 2012, which improves the percentage of domestic supply and reduce operating costs effectively. Items that have not been supplied domestically included advanced technology products such as high grade refractory materials used for blast furnace lining, MgO-C bricks for rotary furnaces, slide plates, and nozzles for casting. Among refractory materials currently used by CSC, only 6.4%, due to the actual needs of the RH Refiner Furnace, use magnesia – chrome refractory materials of trivalent chromium.

(2) Spare parts and equipment: CSC has committed to procuring locally-manufactured spare parts, mechanical/electrical equipment and systems for many years to improve the technical proficiency and manufacturing ability of the related domestic industries, lessen the dependency on foreign suppliers, ensure on-time delivery and exceptional service, and lower cost. A total of 148 work orders were carried out for mechanical parts in 2013 with a monetary value of 195,860 thousand dollars, while the efforts for electrical parts involved 97 work orders worth 180,065 thousand dollars. CSC aims to continuously improve the local content rate of spare parts and components as well as systems.

(3) Domestic manufacturing of production line equipment: With the experience in supporting domestic manufacturing of spare parts and components, as well as electrical equipment and systems over the past several years, CSC further promotes the domestic manufacturing of production line equipment. In 2013, 42 production line and turn-key engineering projects (including design, procurement, manufacturing, and installation) at steel plants were completed with an amount of 2.671 billion dollars.

CUSTOMER

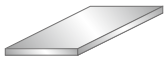
4. Customers

4.1 CSC's Value and Position

CSC, at present, produces more than 10 million metric tons of crude steel annually including major products such as hot-rolled/cold-rolled/coated steel, steel plates, wire rods and steel bars. About 2/3 of the products are supplied to the domestic market, and 34% are exported. CSC currently has a market share of 24.2% in Taiwan for steel products and is the largest iron and steel company in Taiwan. Major export destinations are mainland China, Japan and Southeast Asian countries.

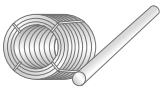
According to the Top Steel Producer 2012 list reported by worldsteel, CSC was ranked as the world's 27th largest steel producer. While in an evaluation done by World Steel Dynamic (WSD) in June 2013 for 23 items including innovation, scalability, and integration of industrial chain among 34 global steel makers, CSC 2013 was ranked 14th, jumping from January's 16th spot.

4.2 Major Products and Applications



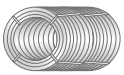
Steel Plates

Shipbuilding, bridges, steel structures, oil country tubular goods (OCTGs), storage tanks, boilers, pressure vessels, die, truck chassis, and general construction , etc.



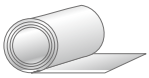
Steel Bars

Nuts and bolts, hand tools, loudspeaker parts, automobile and motor cycle parts, suspension spring, bearing, machinery parts, free cutting rod, gear, and polished bar, etc.



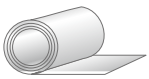
Wire Rods

Nuts and bolts, steel wire and rope, P. C. wire and strand, hand tools, welding electrodes, tire cord , bearing, free cutting rod, umbrella parts, and polished bar , etc.



Hot-rolled Steel

Steel pipes and tubes, vehicle parts, containers, pressure vessels, building structures, hydraulic jacks, cold rolled and galvanized substrate, hand tools, light shapes and formed parts , etc.

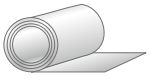


Cold-rolled Steel

Steel pipes and tubes, steel furniture, kitchenware, home appliances, oil barrels, automobile panels and parts, enamelware, substrate for galvanized and coated steel sheets, and hardware, etc.

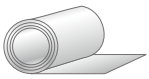
Electro-galvanized Steel

Computer cases/parts and accessories, home appliance panels/parts and accessories, motor cases, construction materials, furniture hardware and components, and motorcycle fuel tanks, etc.



Hot-Dip Galvanized Steel

Automobile panels and parts, home appliance panels/parts and accessories, computer cases/parts and accessories, PPGI substrate, construction materials, furniture hardware and components, etc.



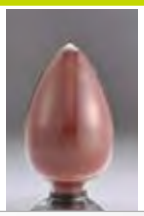
Magnetic Steel Sheet

Motors, generators, transformers, reactors, and traditional ballast, etc.

4.3 Major By-products

The processed by-products of CSC include coal tar, crude light oil, blast furnace slag (BF slag), basic oxygen furnace slag (BOF slag), iron oxide powder and desulfurization slag. The output of the major by-products in 2013 is listed below:

Unit：10000Tons

By-product	Coal Tar	Crude Light Oil	Granulated BF Slag (GBFS)	Air-cooled BF Slag	BOF Slag	Iron Oxide Powder	Desulfurization Slag
							
Production	17.28	6.21	236.95	23.06	103.91	2.87	2.46

Except for desulfurization slag and some GBFS sold to domestic customers, the by-products are recycled and processed by CSC's subsidiary companies to supply chemical, construction, civil engineering, electrical and consumer industries for various applications.

4.4 Green Products

(1) Compliance with Hazardous Substance Regulations

CSC does not add any hazardous substances in the processing of steel products, and all products meet the requirements of national and international regulations. The SDS and chemical composition certificates of hazardous substances are available upon request to ensure safety. CSC also observes and complies to the bans imposed by the EU on RoHS restriction requirements regarding cadmium (less than 100ppm), mercury, lead, hexavalent chromium, PBB and PBDE (all less than 1,000ppm).

(2) Green Steel Supplier

CSC is the upstream supplier of steel-using industries and is dedicated to the development and supply of more green steel products and by-products to help in establishing an efficient and profitable green steel supply chain. As CSC has received more orders for high-grade products, the percentage has increased to 45.17% in 2013. CSC's green products and by-products in the green supply chain are described below:

- Anti-fingerprint chromate-free galvanized and passivation chromate coating steel sheets : Excludes hexavalent chromium. It is used for home appliances, 3C, and hardware part products that pose no threat to human health, and helps to extend the product life cycle (PLC) of home appliances.
- Contamination-free resulfurized carbon steel: Replaces lead-containing free cutting steel used in the parts and axis components of high-grade office machines;
- Steel used for air screwdriver bits: Simplifies the dual pump and abrasive manufacturing process for customers, which saves energy and reduces carbon emissions;
- High-strength hot- and cold-rolled and hot dip galvanized dual phase steel sheets for cars: Enhances the safety of car body structure and reduces the weight of car bodies;
- Refractory steel: Improves the resistance of constructional structure to high temperature, enhances building safety, and reduces fire protective coating requirements, thereby enhancing the aesthetic appeal of steel structures and reducing the use of decorative materials as well as helping mitigate global warming;
- Higher-strength building structural steel: Used in steel structured high-rise buildings to reduce energy consumption by more than 25% and CO_2 emissions by more than 40% as well as improve building safety;
- High-strength hull structural steel: Reduces vessel weight and meets safety and energy savings specifications;
- High grade magnetic steel sheet with high magnetic flux density and low iron loss: Lowers the temperature increase of motors, reduces motor weight as well as material used; it also enhances motor efficiency. Therefore, it is widely used for making electric cars and compressors. As shown in studies, if Taiwan can improve motor efficiency by

1%, it will save approximately one billion kWh of electricity each year. CSC is able to offer high-grade magnetic steel sheets with an iron loss of only 2.1W/kg, which creates great benefits in the energy savings of electrical and mechanical goods.

- GBFS: GBFS is dried and ground into powder to replace the use of cement, which can save 1,200 kg of material, 96 kg of coal, and 40 kWh of electricity. Furthermore, it can significantly reduce air pollutant emissions during concrete production and prolong the use life of concrete buildings. According to external verification, the use of one ton of GBFS helps to reduce CO_2 emissions by 722 kg. In 2013, GBFS produced by CSC improved environmental and carbon reduction efforts by more than 1.7 million tons.

4.5 Carbon Footprint and Life Cycle Assessment

In addition to establishing carbon footprint information for steel products, CSC, in March 2012, passed DNV verification for 20 kinds of steel products made by CSC, making the carbon footprint information of CSC credible and meeting the requirements of downstream customers. Analytical results of the carbon footprints of steel products indicated more works processes lead to an increase of product carbon footprints. The carbon footprints range from 2.3 to 3.3 kg CO_2e/kg. Due to this, CSC was awarded “Carbon Footprint Disclosure Contribution Prize” by the Executive Yuan.

CSC uses the life cycle concept to assess the external carbon reduction effectiveness of steel products on the part of consumers and downstream machining processes. At the same time, CSC completed technical documents for quantifying and assessing the carbon reduction effectiveness of the application of high-strength steel to cars and magnetic steel to motors. Expert reviews of the above documents were also completed. In terms of the application of process-saving steel to screws and corrosion resistant steel to bridges, an initial assessment for case studies was also concluded.

CSC has been continuously devoted to R&D and the extension of various high value-added products to satisfy customers’ needs. In addition to the assistance to customers to reduce product weight and improve energy efficiency, use life of products can be extended and environmental loading can be reduced to achieve green targets in energy savings and carbon reduction. The external carbon reduction potential of green steel products is described in the table below:

Green Product	Potential for carbon reduction in life cycle (tCO_2e /t steel)	Life cycle (year)	Potential for carbon reduction steel (ton) year(tCO_2e/t steel) year)
High Strength Steel	3.1	10	0.31
Magnetic steel(low energy consumption)	300	20	15
Process-saving steel	0.3	1	0.30
Corrosion-resistant steel	3.92	300	0.013

In 2013, the order volume of CSC green steel products was 2.659 million tons, which helped to generate an external carbon reduction of 4.945 million tons/year.

4.6 Water Footprint Certification

CSC's hot-rolled coil products have earned a water footprint certification based on the certification standards of Earthscan's Water Footprint Assessment Manual. CSC also passed Taiwan's SGS verification process and was awarded a Water Footprint Certificate for CSC's #1 Hot-rolled Steel Coil Products, the first Taiwanese steel product to earn one.

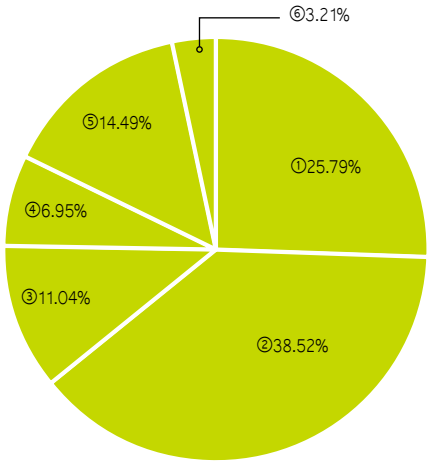
Unit (M^3/ton)	Green Water	Blue Water	Gray	Total	%
Raw Material Phase	0.00E+00	1.95E+01	1.16E-07	1.95E+01	72.23%
Manufacturing Phase	0.00E+00	4.44E+00	3.05E+00	7.49E+00	27.77%
Total Water Footprint				2.70E+01	

4.7 Product Sales

In 2013, CSC's domestic sales of steel products amounted to 6.163 million tons while 3.314 million tons went to export markets for an overall total of 9.477 million tons. Domestic sales accounted for 65.03% of the total sales in 2013, mainly cold-rolled/coated steel products, 38.5%, followed by hot-rolled products, 25.79%. Approximately 34.97% of export sales went to China, Japan, and Southeast Asian countries. In 2013, CSC's market share of major steel products in the domestic market included 61% of steel plates, 56% of wire rods, 24% of hot-rolled steel coils and sheets, 71% of cold-rolled steel coils and sheets, 83% of electric magnetic steel sheets, 23% of hot dip galvanized steel sheets, and 56% of electro-galvanized steel sheets.

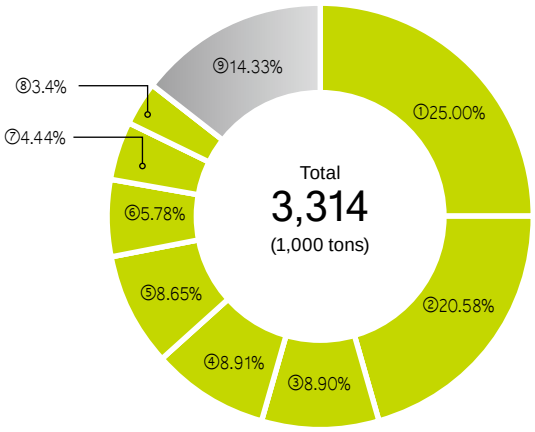
2013 Sales Distribution

Unit: Metric Ton	Domestic Sales	Export	Total
① Hot-rolled	1,208,372	1,235,425	2,443,797
② Cold-rolled/ Coated	1,858,008	1,792,040	3,650,048
③ Steel Plate	962,607	84,006	1,046,613
④ Steel Bar	601,752	57,010	658,762
⑤ Wire Rod	1,228,346	145,288	1,373,634
⑥ Semi-products	303,955	38	303,993
%	65.03	34.97	100.00



2013 Export Sales by Country

① China (including Hong Kong)
② Japan
③ Indonesia
④ Thailand
⑤ Vietnam
⑥ Mexico
⑦ Malaysia
⑧ India
⑨ Others



4.8 Quality Control

Priority work and results of 2013 quality management included:

(1) Development of new products: In 2013, 55 development projects were completed, creating the best record to date. The year's highlights are provided below:

- Steel plate products: CSC developed SBHS500 with good formability, atmospheric corrosion resistance, and weldability and is used for 60 kg high performance steel for bridge. It is the bridge structural steel with the highest strength developed by CSC and it is estimated that the steel will reduce 28% of steel materials and 18% of construction costs..
- Wire rod products: The hot forging non-quenched and tempered steel 38MNVS6 series used for high strength hub or control arms for automobile saves the manufacturing process costs of downstream customers.
- Hot-rolled products: CSC developed API 5L X65M/X70M PSL2 steel used for 60kg high strength and toughness HR steel coils for pipes to allow the pipeline industry in Taiwan to create the blue ocean market; the development of HR550LA steel used by 60kg high strength and high forming structure helps to reduce the weight and material use of cars.
- Cold-rolled products: CSC developed JSC440P for use non-aging high-strength steel with improved formability and bake hardening steel BH300, which is used in developing 440MPa production technology for high strength IF steel and the whole series of cold rolled bake hardening steel products.

- Coated products: CSC developed HX340BD bake hardening steel for automobile to develop production capacity for the whole series of hot-dip galvanized bake hardening steel products.
- Magnetic steel sheet: CSC successfully developed customized products such as 50CS1300 with low hardness, DC01 for layered sheet use with a high roughness and high yield ratio, and 50HE1 ARO for the use of iron cores of highly efficient air conditioner compressor motors to provide an overall solution to satisfy customers' needs and to expand into the market of magnetic steel sheets.

(2) Advancement of Manufacturing Technology

- Steel making: Steel used for tire cord, which is made with the Mn-Si metallurgical method and BOF carbon-catching blowing method. After an evaluation with a specific test method, the products meet the quality requirements of tire cord and was supplied to some customers for test uses. Additionally, for clean steel such as bearing steel, hot forging non-quenched and tempered steel, and steel used for automobile airbag inflator application that require special limits to inclusion, the types and contents of inclusion during the fabrication process can be effectively controlled and the key items as well as the control and management system of the steel making process that significantly improves acceptability were also established.
- Steel rolling: Billet in 2013 was scaled up; through the introduction of Six Sigma to advance rolling and inspection operations, quality was significantly improved and the claim rate for compensation was dramatically reduced. After conversion, yearly costs were reduced by NTD15 million.
- Hot rolling: CSC completed the development of the S35CM-S50CM series. It does not require a tension leveling line during hot-rolling, thereby reducing operational costs. Six Sigma completely improved the variance of anti-rust oil coated on pickling steel coils, thereby solving the concerns of Japanese customers.
- Cold-rolling: Saw edge defects on the outer panel of car materials and sticking defects on the high precision gauge steel of batch annealing were improved to dramatically improve the reject ratio. The coating streaky line defects, long-term problem of the outer panel materials of hot-dip galvanized product, GA-V, was improved with a breakthrough. The building of innovative magnetic steel sheet manufacturing process, 50CS350/35CS300, effectively resolved quality-related issues such as the temper color, carbon deposition, and protruding wraps; C6N8, the second generation chromium-free insulation coating, was successfully developed to boost the image of CSC's magnetic products.

(3) Management System Accreditation

- CSC kept satisfying and passed the ISO/TS 16949 and QC 080000 system surveillance audit and newly granted the ISO 9001 system certificate by BSI to special alloy products so as to provide customers premium products with higher quality assurances.
- CSC maintained the validity of various mandatory product certificates, including TISI of Thailand, SNI of Indonesia, SIRIM of Malaysia, FPC of Singapore, BIS of India, and ELV of the EU, and hull plate of register of shipping. CSC's GI products were also certified by BIS of India. With the above certifications, CSC effectively eluded trade barriers of adjacent countries and enhanced the competitiveness of its export products.
- CSC was successfully granted the qualification of JIS Mark certificate extension from JQA along with two more certificates to steel wire/rod and bar/rod. This will help CSC to expand WR/BR market as well as improve the overall competitiveness of the downstream industry.
- Having certified to Taiwan's CNS by four categories steel plate products, CSC opened the opportunities to earn public works projects with its downstream suppliers.

CNS certification

4.9 Customer Services and Satisfaction

(1) Each quarter, a production and sales coordination meeting with downstream steel industrial associations (or professional groups) isEach quarter, a production and sales coordination meeting with downstream steel industrial associations (or professional groups) isconvened to provide customers with relevant information regarding new products or new technology; customer feedback information is acquired for the reference of improvement or enactment of operating and sales policies;

(2) Through customer interviews, technology exchanges, and technology seminars, CSC actively gets to know customers' needs and with CSC's strength, downstream industrial technology is improved.

(3) Total-stage and multi-phase customer technical services are provided at different stages for "pre-sale", "on process", and "after sale". Human resources for external services and interior plant support as well as experts in the research fi eld shall be optimized to realize the needs of customers and to promote industrial growth.

(4) Through inquires on customer material requirement and analyses of process, customers' demands for new products can be quickly satisfied by orders of new products, quick test procedures or developing new products.

Differentiated services are also provided to respond to different customer needs including:

(1) Supply to important direct customers (automotive and home appliances) with special offer prices and negotiated long-term

(2) Priority supply is provided to customers with identical development direction as CSC such as the use of high-end and high-value added products, with international competitive advantages, and with future development potential and participation in R&D or industrial alliances for technical or sales cooperation; and

(3) Active search of investment opportunities in downstream steel plants or steel-using industries; cooperative development with customers to offer customized products; and limited procurement for newly developed products under cooperation with customer partners within a certain period of time.

Technology Services

In 2013, CSC gained 80 new customers that contributed to 2.11% of revenue while current customers generated 97.89% of revenue for CSC. CSC is technology services oriented by applying total-stage and multi-phase to customers during the stages of "pre-sale", "on process", and "after sale".

With the provision of steel products in proper quantities and qualities at the right time, CSC always helps its customers to solve issues of material use and technology so as to promote the growth of the steel-using industry.

Technology service effectiveness is shown below:

- CSC completed 169 technology services projects to assist customers with improving manufacturing processes and solving issues of material use and processing technologies. Through technology services, 22 feedback items related to market quality were obtained to help CSC address quality improvement issues.
- CSC finished the investigation of 25 industrial materials and trends, five new products and quality function deployments, and 19 items for auto material certification. In addition, two more car makers were added to the list of material supplies.
- CSC convened 13 domestic and international technology conferences and seminars as well as dispatched an electric magnetic steel sheet technology and sales delegation to China, Japan, the US, and Europe to engage in technology exchanges with 40 major customers.
- CSC visited key customers 91 times, and sent 472 representatives to visit international markets and promote CSC products.

Sales Services

- In 2013, a total of 36 joint production and marketing meetings were convened.
- Through electronic operations and the introduction of a supply chain system, sales to customers were provided with comprehensive measures.
- Frequent visits to customers were made by sales related personnel and directors; orders were planned according to production capacities, thereby improving on-time delivery rates.

- The marketing resources of CSC, Chung Hung Steel, and Dragon Steel were integrated to provide mutual support and to expand customer services.

Production and Sales Supply Chain System

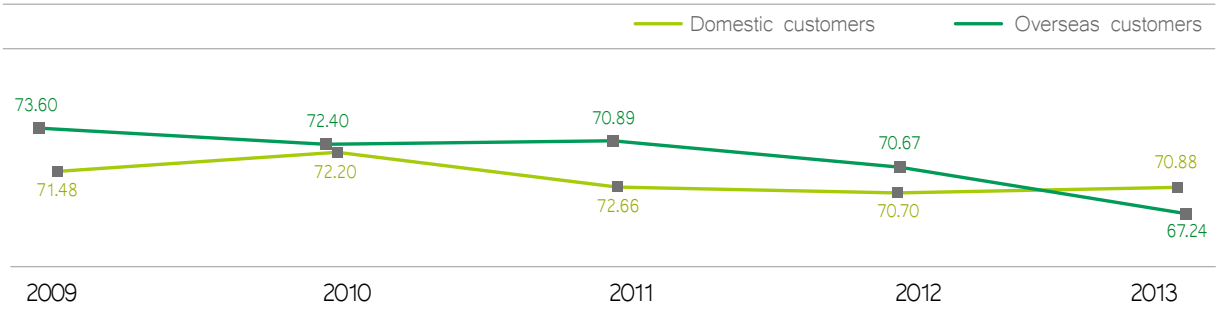
CSC's production and sales supply chain system aims to provide real-time, reasonable, and effective mechanisms that utilize proper planning operations to quickly respond to the order demands of customers and to promote supply chain efficiency.

In recent years, the production and sales supply chain has been optimized to dramatically improve system flexibility and efficiency. Planning, quotation, order taking, order changes, production plans and schedules, and order checking can all be processed via the system. Results and effectiveness are shown below:

- Based on the source management concept, CSC coordinates with customers to set reasonable delivery times and order standardization operations that improve production effectiveness, shorten delivery cycles, and increase the delivery rate of diverse high-grade products in smaller quantities.
- Speeding up sales of defective products: CSC built a sales system for finished but defective products online to improve their market values and enhance inventory control.
- The cash sales of magnetic steel coils and hot-rolled products have gone electronic while LEEWAY sales have been automated to improve cash sales orders and delivery efficiency.
- Customized information report mechanisms are now provided; customers can obtain real-time reports on contracts, orders, payments, and order shipments according to their needs.
- Linking services to the information system data between CSC and customers have been provided to enable direct interaction between procurement, shipment acceptance, delivery and inspection, and reports of orders on the part of customers and the orders received, production, goods delivery and invoice by CSC. At present, about 30 customers are already using this system.

Customer Satisfaction

CSC, each year, entrusts an academic institution to conduct a "satisfaction survey" of domestic and export customers in order to review and improve issues that are of concern to customers and serve as a reference for the enactment of operational guidelines. In 2013, the satisfaction score of domestic customers towards CSC was 70.88, and for international customers, it was 67.24, higher by 0.21 and lower by 3.46, respectively, than the scores for 2012. Domestic customers were most satisfied with the top three items of sales attitude of sales personnel, speed of sales personnel to respond to customers' inquires, interaction between sales personnel and customers and professional knowledge of sales personnel. The top three items that export customers felt satisfied with were precision of product specification, quality stability, and product processing.



Protection of customer privacy

CSC is dedicated to providing the best products and services to customers and protecting customer information and privacy. Consequently, there were no complaints about infringement of customer privacy or the loss of customer information in 2012.

CSC undertakes the following actions to protect the privacy and information of its customers.

(1) All computers are installed with anti-virus software to avoid the spread of viruses through e-commerce transactions.

(2) All e-commerce data enquiries require a dedicated account and password. Customers, suppliers, carriers or other third parties have absolutely no opportunity to access data that is not in their account.

(3) E-commerce digital certificates, if any, must be updated or an application for extension of the effective date must be made for further use when the certificate expires.

ENVIRONMENT

5. Environment

5.1 Vision

CSC's vision for energy and environment is to promote "continuous energy savings, environmental protection and become a reliable green steel maker." The concepts for energy and environmental management are:

(1) Improve KPIs (Key Performance Indexes) to become a world-class company and be an international and environmentally-friendly enterprise.

(2) Make use of internal and external energy/resources for maximum synergy effectiveness;

(3) Speed up the application of BAT (Best Available Technologies) and renewable energy to meet low carbon, low pollution and high value goals (low carbon: the GHGs emissions intensity shall be lower than 1.97 tCO_2/tCS; low pollution: Shall maintain zero waste, and minimize wastewater discharge and air pollution levels, thereby meeting international benchmark; and the high value: Sales value from district energy integration shall be increased to excess NTD 5 billion annually).

(4) Develop energy-saving products and new green businesses in coordination with the development of the low-carbon green economy in Taiwan.

5.2 Policies and Principles

CSC has combined an environmental management system with a safety and health system into one system due to the close relevance between two. The EHS policy of CSC is described below:

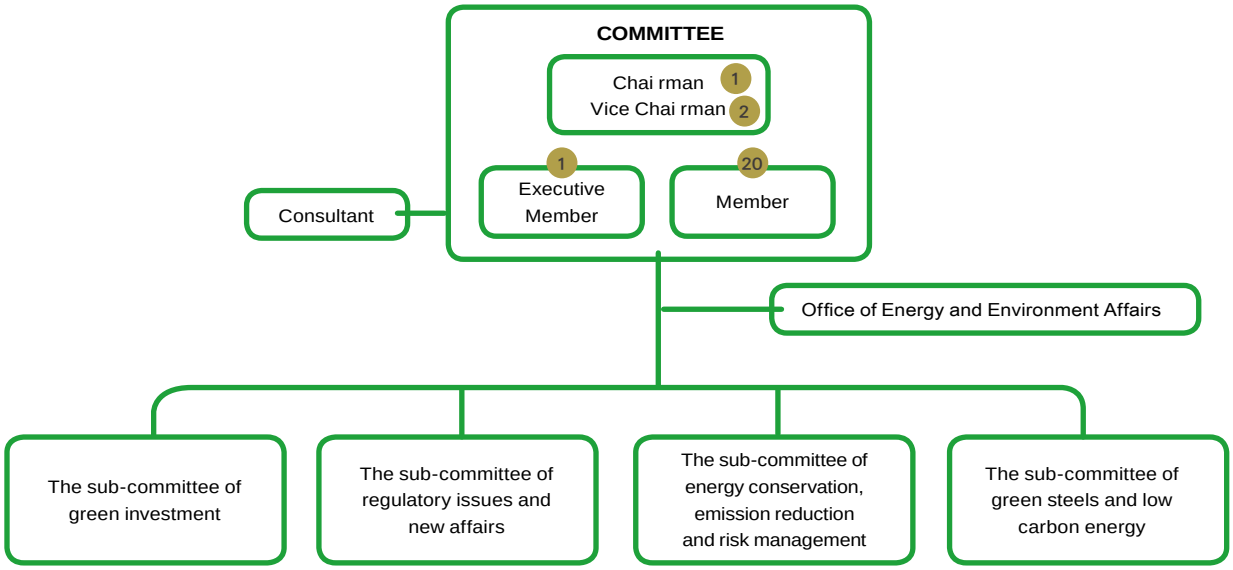
- Care for life: Respect life; implement environmental protection and SH management to prevent injuries and illness and contribute to the health of employees.
- Risk management: Carry out risk assessment and environmental consideration; enhance overall risk control and pollution prevention to eliminate potential risks.
- Training and communication: Teach employees the concept of environmental protection, safety and health; establish a trustful culture to encourage communication among employees, contractors, stakeholders and the community to promote more harmonious relationships.
- Compliance with regulations: Identify and implement regulatory requirements to enhance preventive and corrective functions, and take on corporate social responsibilities earnestly.
- Continuous improvement: Make efforts to improve energy savings, carbon reduction and ensure zero accidents; improve EHS performance and contribute to the sustainability of the business operation.

5.3 Management System

To take responsibility for environmental protection, energy savings and carbon reduction, CSC has set up the Environmental Protection Department and Utilities Department under the Production Division to handle specific issues with the support of technologies from the R&D Division. The cross-department Energy Saving Committee and Environment Protection, Safety and Hygiene Management Committee and the CSC Group Committee for Energy and Environment Promotion were also set up to enhance communication and improve overall effectiveness.

(1) CSC Group Committee for Energy and Environmental Promotion

In March, 2011, CSC established the Office of Energy and Environmental Affairs (EA) in an independent division to integrate and strengthen CSC and CSC Group's planning and execution capabilities regarding energy and environmental affairs. In April of the same year, CSC set up the CSC Group Committee for Energy and Environmental Promotion, with the Chairman of CSC acting as the chairman of the Committee; EA is in charge of the implementation of its related tasks with PDCA.



(2) ESH Management System

CSC earned ISO 14001 certification in 1997. This system was then integrated with the OHSAS 18001 occupational safety system to form the "Environment, Safety and Health Management system" in 2005. Environmental Safety and Health policies are announced and implemented after being approved by the Chairman of the Board.

The Environment, Safety and Health Management Committee was established with the Executive Vice President acting as the chairman of the Committee. The function of the Committee is to make decisions on all EHS-related affairs.

CSC introduced the ISO 50001 energy management system in February 2011 to improve its energy saving and carbon reduction performance. CSC integrated the energy management system with the achievement of the ESH management system and was certified on December 19, 2011, after having undertaken two external audits. Through the control and management of the management system and the execution of the Energy Saving Committee, energy saving and carbon reduction objectives as well as continuous improvement were achieved. CSC has completed external auditing in December, 2013 to maintain the validity of the certificate.

5.4 Climate Change and Opportunities

CSC has identified legal risks, physical risks, and reputation risks as well as responsive opportunities brought by climate change. Counter measures in three dimensions including water resource management and development, responses and adaption to disasters, and enhancement of city and value chain cooperation are described below:

Item		Potential Impact	Impact Level	Item	Potential Opportunity	Impact Level
Legal Risks	Carbon tax	Increase in operating costs	Middle-high	Fuel/energy tax	Stimulate investment in local new and renewable energy and reducing the reliance on imported fossil fuels	Low-middle
	Cap & trade	Increase in operating costs	High	Cap & trade	Reduce the number of new plants and local competition	Middle-high
	Product emission standards	Increase in operating costs	Middle-high	Product emission standards	Increase in demands and markets for highly effective green steel products	Middle-high
	Air pollution limitation and control (power plant emission standards)	Increase in operating costs	High	Product labeling and standards	Increase in demands and sales for highly efficient products	Middle
	Mandatory declaration	Increase in operating costs	Low	Voluntary agreement	Participate in the voluntary reduction program to earn credit and reduce operating costs	Low-middle

Item		Potential Impact	Impact Level	Item	Potential Opportunity	Impact Level
Physical risks	Extreme rainfalls and the frequency change of dry and wet weather	Reduce/ interrupt production Capacity	High	Increase demands for products	Damage to infrastructure by flooding and typhoons and increase demands for steel	Middle
				Reduce operating costs	Increase in bio-waste generated because of typhoons that can be used for the production of bio-fuels	Low-middle
	Frequency change of extreme temperature	Increase in operating costs	Low-middle	Increase in demands for products	Increase in steel corrosion and maintenance costs due to rising temperatures	Low-middle
Reputation risks	Climate change information and communication	Increase in negative social factors	Low-middle	Increase in demands for products	Participate in carbon reduction and adaptation and earn a good reputation; with increase in climate awareness, increase in customers' demands for climate relevant certified products	Low-middle

Energy saving, carbon reduction, and mitigating climate change have become important issues for all industries. CSC employs the following strategies to reduce the management risks brought about by climate change and to strengthen its competitiveness for the future:

(1) Designate responsible units for the relevant issues: The independent Office of Energy and Environmental Affairs and the CSC Group Committee for Energy and Environmental Promotion chaired by CSC's Chairman were established to deal with related issues rapidly and effectively within the CSC Group.

(2) Water supply safety and wastewater pollution prevention: Plans for sea water desalination, municipal wastewater reclamation, improvement of water pipes were under study for providing as a secondary water source to ensure a stable water supply during heavy rainy and dry seasons. CSC is also prepared for extreme rainfall conditions. Besides, CSC has installed storm-run-off wastewater collection and treatment facilities to improve rainwater effluent quality.

(3) Minimizing losses and stabilizing supply for raw material : CSC has set up dust suppression nets for raw material piles and is planning to build indoor storage for anthracite coal to minimize loss and pollution brought by storm run-off. The disaster-resistance capability of the wharf, flux transportation and raw material piles has been improved. The flux materials are transported from Hualien by rail to ensure the stability of the transportation service.

(4) Regulatory compliance: CSC constantly pays close attention to the development of international conventions and regulations on climate change. We communicate with central and local governments intensively and assist governments in the development of policies and regulations geared to international standards. We are also committed to fulfi lling our energy saving and carbon reduction obligations and to helping steel-using industries to prepare themselves for further changes in the climate.

(5) Carbon Asset Management: A mid to long low carbon roadmap was established, via the adoption of BAT, application of new energy and district energy and resource integration, hopefully CSC's GHG intensity can achieve global benchmark among its peers. CSC provocatively participates in activities refer to green business, domestic and international cooperation projects for carbon reduction, CCS, and carbon asset management. All these are incorporated in CSC's operation strategy in the early stage to help improve its competitiveness.

(6) Development of Green Steel: Developing energy saving and carbon reduction steel, and conduct LCA to expand external carbon reduction performance of green steel products.

(7) Promotion of a green lifestyle: CSC employees are encouraged to make adjustments and changes in their daily life by consuming a lighter diet and less energy. The promotion of a low-carbon green life campaign shall be achieved through daily green living efforts. CSC started the campaign since 2012 with a self-control and evaluation system, which has been expanded to the entire CSC group. Hopefully through this campaign can help CSC to achieve the target of low carbon green industry.

(8) Promotion of a green lifestyle: CSC employees are encouraged to make adjustments and changes in their daily life by consuming a lighter diet and less energy. The promotion of a low-carbon life shall be achieved through daily green living efforts.

5.5 Carbon Disclosure

Every year, CSC mplements GHG inventory and carbon reduction programs, and discloses GHG management information to stakeholders. The inventory result was published on the national GHG registration platform and disclosed in this report. CSC has also answered the Carbon Disclosure Project's (CDP) questionnaire, makes its GHG emissions public and provides a report on its investment risks and opportunities in terms of climate change.

On November 5, 2013, the CDP report for Asia (excluding Japan) was announced and in Taiwan, 49 well-known public companies were evaluated, with 16 of them agreed on public assessment. Among its counterparts in Taiwan, CSC received the fourth highest score and was listed together with international leading plants including Korean POSCO and LG Chem and Indian Tata Steel in the Climate Disclosure Leadership Index, indicating the high recognition of CSC for its information disclosure in regard to sustainable development and responses to climate change by international organizations

CSC also suggested that its group enterprises with production lines participate in the CDP report; companies on the short-term target list are Dragon Steel, Chung Hung Steel, China Steel Express Corporation, CS Aluminum, China Steel Chemical Corporation, China Ecotek Corporation, CHC Resources, and China Steel Structure Co., Ltd., and our long-term target is that CSC will report as a consolidated group to CDP to realize business sustainability.

5.6 Green Process

(1) Environmental Loading Reduction and Commitment

The environmental loading of investment projects in the steel industry has become an important issue of concern. The commitments of reduction and inclusion in the total volume control have been the norm. CSC established a strict environmental loading assessment system for investment projects via cooperation among authorized departments. CSC based on existing equipment capacities and define an energy boundary map to calculate the change of energy use and CO_2 emissions according to the scale of the project to assess the overall environmental loading of investment projects. The assessment rate of CSC reached 100% and reduction measures were enacted accordingly to fulfi ll environmental promises and gradually improve the effi ciency of overall environmental performance.

In 2013 there were three projects with environmental impact assessments (EIA) completed, and four projects with environmental loading analyses.

(2) Energy Saving and Carbon Reduction

In 2013, CSC's Rolling Mill Department I participated in the best performance energy saving contest held by MOEA, and won the outstanding award. Due to the consecutive 3 years of outstanding award, CSC was awarded the Best Energy Saving Company Prize.

According to the best internationally available techniques, CSC carried out a total of 124 energy saving projects in 2013 and saved 1.356215 million Gcal (5,678,201 kilojoule, about 151 thousand kiloliter of oil equivalent) as well as reduced 460 thousand tons of CO_2e, emissions. Major projects included updating of coke dry quenching equipment at the phase-3 coke oven plant, reduction of fuel rate of blast furnace, and the sensible heat recovery project for BOF gas.

In terms of saving for indirect energy, the main measures in 2013 included:

- Lighting improvement: Lighting circuits and control system as well as high efficient lighting devices are continuously improved and replaced. Annually, 1.42GWh of energy were saved and 753 tons CO_2e of GHG were reduced. It is expected that with the advantages of high efficiency, long use life, and high luminance of LED lighting, better results in indoor lighting and energy savings and carbon reduction can be achieved.

- Green Transportation
  - In order to alleviate air pollution generated by diesel engine-powered vessels during the unloading of China Steel Express' flux transportation ships, CSC established and used on-shore electricity system resulting in an annual reduction of 4,008 tons of CO_2e and 1,535.63 kL diesel/year were saved. Additionally, 12.4 and 12.1 tons/year of SOx and NOx were reduced respectively.
  - The GHG offset project for the change of the transportation of flux in Hualien from roadway to railway was entrusted to DNV for validation. It is expected to reduce CO_2e by 4,615 tons annually.
  - Use of returning trucks:Through the uniform operation of CSC and Dragon Steel truck dispatches, CSC trucks that ship to Central and Northern Taiwan can be effectively integrated and ship products from Dragon Steel to customers in Southern Taiwan when they return, which reduced the frequency of trips by empty trucks. In 2013, it saved approximately 633 tCO_2e/month.
- Installation of a smart grid:Smart meters were installed in CSC's hot-rolling mill to coordinate production with off and semi peak time to reduce its power bills by 0.5% or approximately NTD 25 million/year.
- The application of self-developed RFID to the steel industry: Various resolutions have been successfully applied to steel product management, equipment automation, and personnel safety control and management with an accumulated benefit of NTD 510 million, saving labor costs of NTD6 million, 32,000 liters in oil consumption and reducing 2,400 tons of CO_2e. In terms of the contribution for academic research, 27 papers on CSC's innovative RFID technology were published in IEEE journals and at the same time, 39 RFID related inventions were patented. At present, approximately 70 patents were applied domestically and internationally and 25 were granted.
- Energy saving on reheating furnace: CSC developed a smart temperature control technology for heating furnaces that has been applied to the bar line. The system, according to the production status, automatically controls and adjusts the temperature at the control areas to effectively reduce the energy consumption of the heating furnace with the savings each year reaching NTD22 million. CSC also developed a dynamic furnace pressure control that minimizes oxygen concentration and has been successfully applied to hot-rolling line reheating furnaces to automatically control the air-fuel ratio of furnace areas and effectively reduce the fuel consumption, slab scale loss, steel billet erosion, and NOx emissions. Each year, approximately NTD 32.65 million can be saved.

(3) Energy Intensity

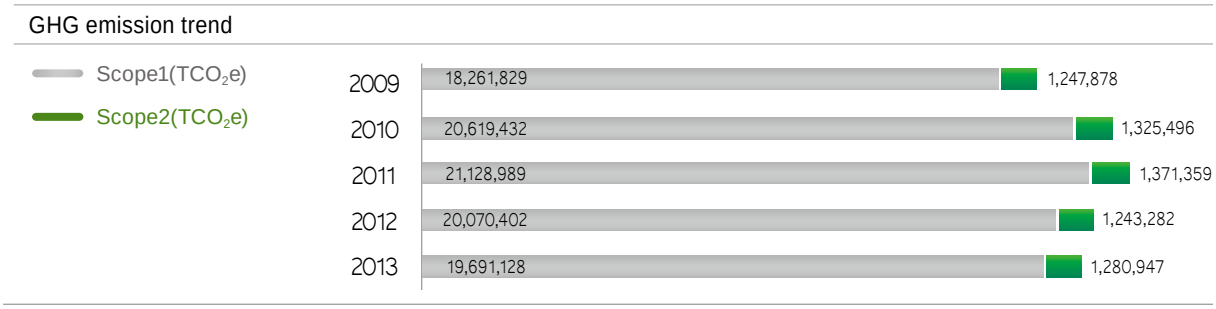
The energy intensity of crude steel in 2013 is approximately 5,840 Mcal/tCS (24,451 MJ), a slight increase of 121 Mcal than that in 2012 due to negative factors such as revamping of #4 furnace, low production volume of slabs, the increasing use of steel reserve, and an increase in the coke reserve. The the trend of energy intensity over the last five years and the initial production in 1979 is shown in the table below:

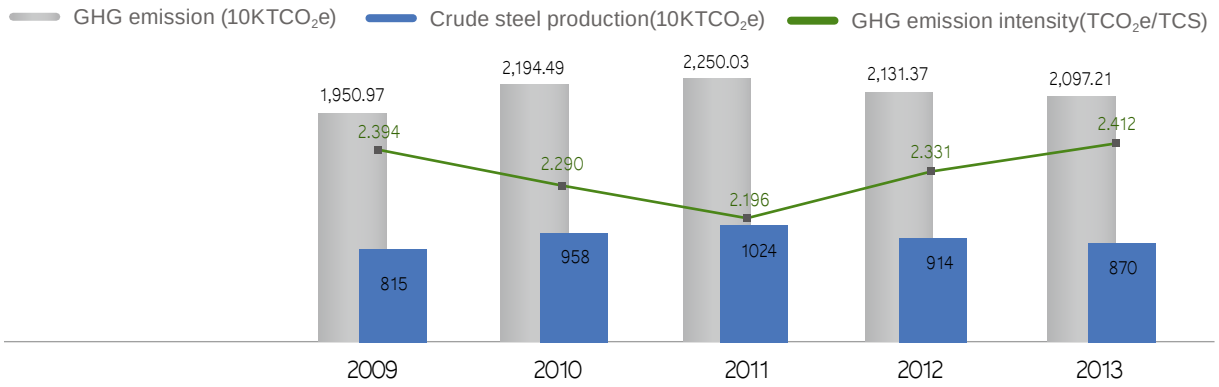
(Mcal/TCS)

Year	1979	2009	2010	2011	2012	2013
Energy Intensity	6,770	5,774	5,672	5,537	5,719	5,840

(4) GHG Inventory and Reduction

- GHG inventory: CSC complied with the GHG Inventory and Registration Guideline of the Environmental Protection Administration (EPA), Executive Yuan, ISO 14064, the international standard specification on greenhouse gas emissions, and guideline documents enacted by international organizations such as IPCC, worldsteel, and WBCSD to produce its professional GHG inventory system. CSC also complies with ISO standards to enact the “Regulations for the Management of GHG.” In addition to internal auditing, CSC's GHG emission data has been verified by a third-party accreditation agency to acquire declaration statements on a yearly basis. CSC also incorporates with the EPA to report inventory data to the national GHG registration platform.
- GHG emission trend: According to the result of internal audit, the total GHG emission and intensity (the GHG emission of a unit product) in 2013 were 20.97 million tons of CO_2e and 2.412 tons of CO_2e/TCS, respectively.





CSC's emission intensity has been gradually and slightly increased because:

a. More processing of products: In order to provide high-grade and high value-added steel, CSC continuously increased downstream production lines of cold-rolling and coating, resulting in a slight reduction of the total production volume of finished products and an increase of total GHG emission.

b. Increase of environmental facilities: CSC actively invested in prevention and control facilities for various pollutants including dust arrestor and scrubbing tower to treat and recycle effluent with UF and RO as well as for the production of iron reduced from solid waste of rotary hearth furnace.

c. Reduced capacity utilization: Due to economic slowdown in 2013, the production of slab was reduced and caused low energy efficacy and that brought negative impacts to emission intensity.

d. Inclusion of CO_2e generated from steam sold to external parties: Because of the dramatic increase of steam sold to third parties in the region in recent years and the fact that current inventory regulations do not allow the deduction of CO_2e generated from steam production sold to the third parties, CSC has to absorb the relevant CO_2e (in the future, it is expected that reduction will be done through the acquisition of an external deduction allowance.)

According to the categories in the 2006 GHG Inventory Guideline released by the Intergovernmental Panel on Climate Change (IPCC), CSC had Scope 1 GHG from mainly the manufacturing process accounting for 89.59% and energy consumption of 10.36% (less than 0.05% of fugitive and other emissions). CSC's Scope 2 GHG all came from purchased electricity. Due to the increase of electricity consumption of the downstream rolling and coating production line, energy sold to external users, and environmental protection facilities, the rise of electricity purchased became very significant resulting in the indirect emissions of CSC gradually increasing from 4.8% in 2006 to 6.11% in 2013.

(5) Air Pollution Control

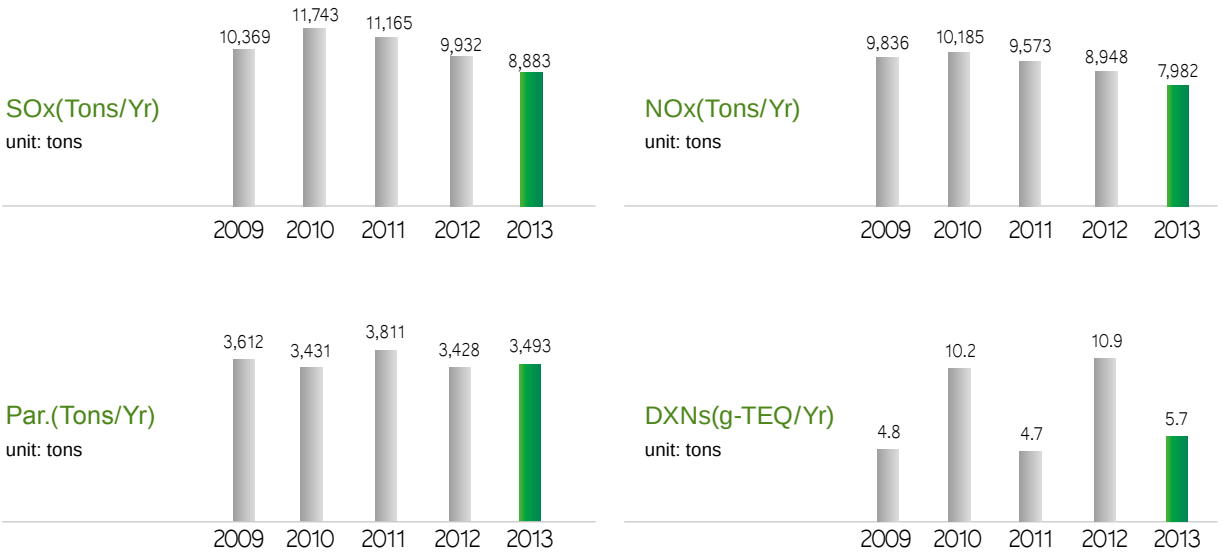
- Environmental monitoring and measurement: CSC established the Environmental Surveillance Center in 1995. In addition to continuous monitoring and regular measuring of internal pollution sources, the Center continuously monitored air quality around the factory using five air quality monitoring stations on its borders while data are displayed on two public displays. By the end of 2013, 29 out of the 306 factory stacks were equipped with the continuous emission monitoring system to analyze the concentration and total emissions of traditional pollutants (NOx,

SOx and the opacity of particulates) The monitoring systems of 25 stacks were linked to the Environmental Protection Bureau, Kaohsiung City Government, and subject to government supervision.

- Trends in air pollution reduction:

EIA Commitment: Particulates 20,000 kg/day, SOx 35,000 kg/day, NOx 35,000 kg/day

The trend of emission reduction



Emission intensity: 0.402 kg of particulates, 1.022 kg of SOx and 0.918 kg of NOx were emitted during the production of one ton of crude steel in 2013. The performance of emission intensity of the particulates and NOx reached the top level of the international emission standards. Improvements will be made in regard to the emission intensity of SOx.

- Measures for improvement: In addition to the reduction of production that leads to the decrease in emissions, CSC deployed following measures for improvement in the last five years:

a. Reduction of conventional emissions: The main control and prevention measures included the increase of anthracite coal for low nitrogen and low sulfur production, environmental coal with low nitrogen and sulfur contents for coal-burning furnaces, additional equipment for the discharge gas circulating system at sinter #3 and an increase in the De-NOx efficiency of coal-burning furnaces, additional dust arrestor system equipment at the stationary sources, and sealing enhancement for fugitive sources of raw material feeding as well as conveyance and the cooling facilities of furnace slag.

Particulate reduction: The sinter plant is constantly trying to improve the efficiency of the electrostatic precipitator. Additionally, the desulfurization equipment of the sinter plant also contributes to the particulate reduction. With these investment projects, the emission of particulates is expected to be reduced by 724.2 tons/year by 2018.

SOx reduction:Thanks to the alkaline desulfurization equipment added to #4 coke oven plant, sinter plant, and boilers of power plant, SOx emissions are expected to be reduced by 5,039.6 tons/year by 2018.

NOx reduction: Thanks to NOx reduction systems for the boilers in the power plant and #2 sinter plant, NOx emissions are expected to be reduced by 1,369.5 tons/year by 2018.

b. Reduction of dioxin:In order to reduce the emissions of dioxin and meet the strict legal requirements of 0.1ng-TEQ/Nm^3, in 2004, an activated carbon injection system has been equipped at CSC's resource recycling and processing plant. The sinter plant introduced a Selective Catalyst Reduction (SCR) system for both NOx and dioxin reduction and improved its electrostatic precipitator in order to meet the legal requirement of 1.0ng-TEQ/Nm^3 that was put into effect in January 2008. A rotary hearth furnace has been added to treat miscellaneous solid materials in order to reduce recycling volume and to meet the overall strict dioxin emission requirements of 0.5ng-TEQ/Nm^3 by the Kaohsiung City Government.

c. Reduction of abnormal emissions: In addition to periodical meetings to review violation notices and defects identified during internal audits and sharing experiences regarding related improvements, CSC also actively promotes hardware equipment improvement, self-management and environmental observation efforts. Punishment is imposed for human errors. These measures are helpful in reducing abnormal emissions and violation notices.

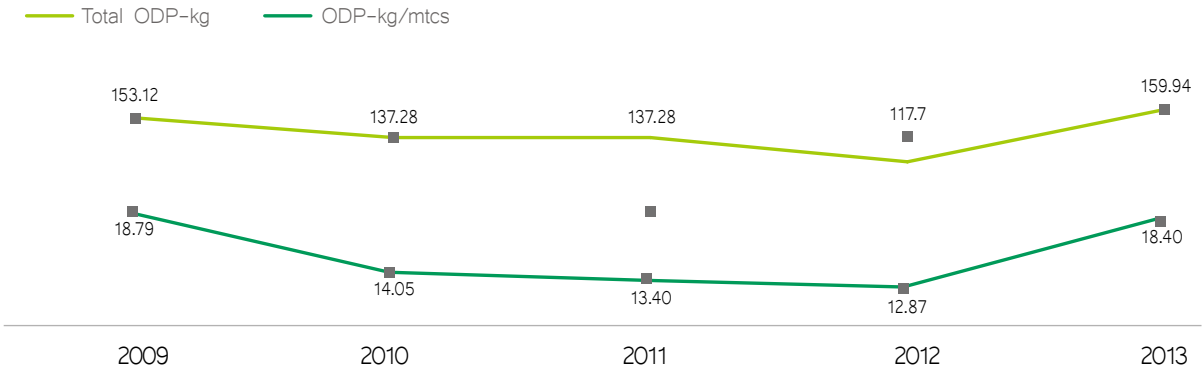
d. Reduction of odors: CSC conducted an inventory check for odor sources and the chemical composition of the on-plant manufacturing process; the engineering improvements made according to inventory check results were completed. CSC's stationary odor monitoring station (FTIR), weather station, and three sets of automatic triggers and sampling systems were installed at the end of 2012 at the border with CSBC Corp. to continuously analyze and monitor surrounding odor elements with monitoring. When the odor incident occurs, weather information can be used to identify the source and the sampling system can be initiated automatically for more accurate analyses. and more accurate results. In the end, through analysis, weather information, and background survey data, odor sources were identified in order to make improvements.

e. Reduction of PM2.5: To reduce the concentration of PM2.5 effectively, CSC adopted the newly standard method announced by US EPA to measure stacks for better understanding of the primary PM2.5 emissions. CSC also installed dust suppression nets in its material yards. In terms of PM2.5 precursor reduction, CSC installed SCR and desulfation equipment at the sinters and the coal-fired boilers as well as improved the coating formula for the cold rolling lines to reduce dramatically VOCs.

The reduction plan for the PM2.5 and its precursors (SOx, NOx, VOCs) is shown in the following table:

Pollutant		Reduction Item	Estimated Reduction Performance		Schedule
Native PM2.5		Anti-dust net for ore piles	-1,592	Kg/D	Completed
		Water and chemical spray	-3,214	Kg/D	Completed
		Installation of anthracite coal shelf	--		Completed
		PM2.5 test and measurement for main process stacks	--		Completed
		De-SOx equipment at sinter plant for de-Par.	-200	Kg/D	To be completed in December, 2017
PM2.5 precursor	SOx	De-SOx equipment at sinter plant	-12,939	Kg/D	To be completed in December, 2017
		De-SOx at coal-burning boiler plant	-294	Kg/D	To be completed in December, 2017
	NOx	De-NOx equipment at sinter	-2,707	Kg/D	To be completed in December, 2017
		De-NOx at coal-burning boiler	-1,059	Kg/D	Completed
	VOCs	VOCs Investigation and Reduction Measure Study conducted by National Sun Yat Sen University	--		Completed

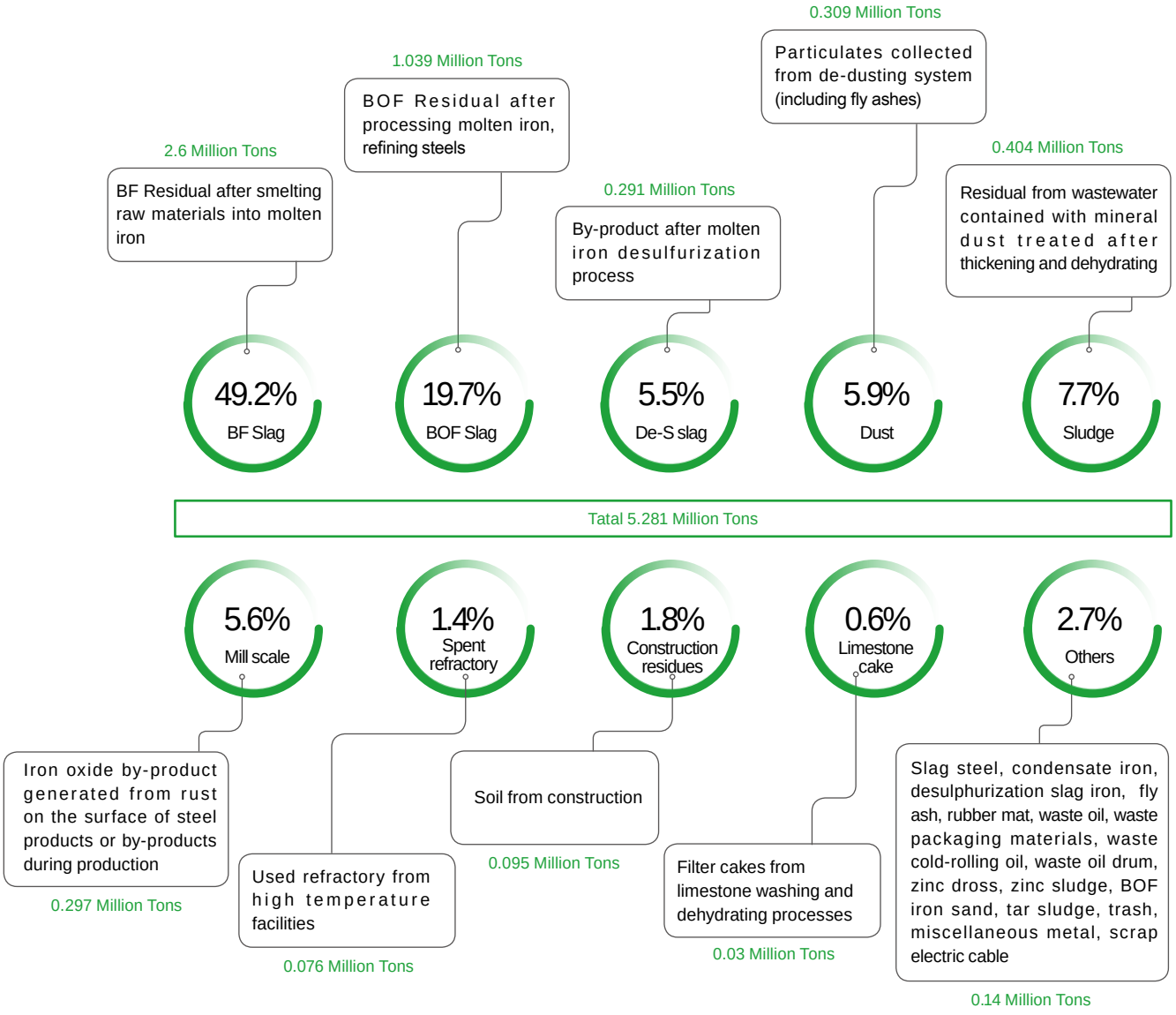
f. Control of ozone depleting substances: CSC took major counter measures including the integration of air conditioning systems, improvement of equipment maintenance, self-development of high efficiency machines, and switching to the environmental friendly coolant, and the repeated use of recycling coolant. The use of substances that deplete the ozone layer has been gradually reduced year by year.



(6) By-product Utilization and Performance

By-product Output

CSC generated 5.281 million tons (wet basis) of solid by-product in 2013 including: BF slag, BOF slag, de-S slag, dust, sludge, mill scale, spent refractory, construction residues, limestone cake and others, as shown in the following table:



Recycling:

After cooperation with academia and other industries for many years, CSC's demonstrated outstanding achievements in the reduction of by-products from the production process, recycling inside the plant, and utilization of external resources. Since July 2001, CSC reached the "zero solid waste landfill" milestone. The internal recycling of production by-products process accounted for 24.7% of the total output (1.3044 million tons) while external recycling accounted for 75.3% of the total output (3.9766 million tons). The details are as follows:

Type	Internal recycling (%)	External recycling (%)	Recycling application
BF slag	1.1	98.9	Granulated BF slag for powder production or air cooled ones used as aggregates of various construction projects
BOF slag	16.5	83.5	After entrapped metal recovery, part of this was used as internal raw material in the sinter plants and others for asphalt concrete and concrete agent materials
De-S slag	0.0	100.0	After metal recovery, the residues were used as materials for land amendment, temporary roads, soil improvement and low strength concrete and concrete materials.
Dust	96.5	3.5	Fly ash is mixed with sludge for cement making materials; zinc oxide powder generated from the Rotary Hearth Furnace (RHF) was sold to zinc refineries in Japan while the rest were used as iron making materials at the plant.
Sludge	84.6	15.4	High Zn sludge was sold to zinc refineries in Japan and the rest part of other types of sludge was internally recycled for iron making. Then, the part not recycled was sold to cement plants used as materials.
Mill scale	100.0	0.0	Recycled for iron making
Spent refractory	87.2	12.8	After recovering entrapped metal, part of the spent refractory was recycled as steel making flux and a protective base layer for slag pots. The remainder was recycled by suppliers as reversed recycling for refractory making.
Construction residues	0.0	100.0	Used as materials at a soil material plant
Limestone cake	100.0	0.0	Recycled as materials for iron making
Others	66.5	33.5	Mostly recycled within CSC and others reversely recycled by suppliers
Total	24.7	75.3	

BF Slag Replacing Cement

BF slag is the main by-product of the steel industry that helps save energy and reduce carbon emission. After drying and grinding, granulated BF slag powder is used to replace cement, thereby saving natural resources and energy used for cement production and reducing GHG emissions and prolong the use life of buildings. About 20 years ago, CSC began producing BF slag, but due to increasing domestic demands, each year, more than two million tons of BF slag are imported.

Recycle Packing Materials

Packing materials generated from equipment suppliers include straps, pallets and bulk bags. Among them, straps are recycled as metal scraps, and pallets are sold as low-end materials. Usable bulk bags are reused while unusable bags are sent to the incinerator with fly ash and bottom ash that is recycled in sinter plants for use as materials. The only packing materials for steel goods out of CSC are straps and anti-rust paper. Straps are recycled or sold as scrapped steel after clients unpack them. Usable anti-rust paper is reused but damaged ones are recycled as waste paper.

Adding Value to Sludge and Dust

CSC launched the rotary hearth furnace (RHF) process in 2008. It increased the recycling volume of dust and sludge while reducing the emission of dioxin in sinter plants and at the same time converting them into high value-added Direct Reduction Iron (DRI) for BF and ZnO powder(Zn>50%) that are sold to zinc refineries in Japan. Additionally, the value of recycled sludge and dust has also been improved.

Straps

Anti-rust paper

RHF

Reuse of BOF Slag

- The replacement of limestone with BOF slag for recycling was dramatically improved in volume at CSC's sinter plants.
- The yield rate of "Hot Slag Modification Station" of BOF slag in 2013 demonstrated a continuous improvement rate; in the future, the quality of modified BOF slag will be planned for the use as a base material for roads and railway tracks.
- CNS related regulations for BOF slag were amended; CSC will continuously and actively promote the use of BOF slag as aggregate for asphalt concrete (AC) and the inclusion of BOF slag in specifications for road construction.
- BOF slag was planned to be used as an artificial reef and as algal reef materials for the promotion of BOF slag's application to ocean ranches.
- Self-control and internal audit: CHC Resources Corporation (CHCRC) is fully responsible for processing and recycling CSC's BOF slag. In addition to compliance to ISO-9001 standards, CHCRC has set up a self-control and continuous improvement mechanism based on a PDCA scheme to ensure that the quality of the BOF slag meets the requirements for being recycled as construction materials. CSC audits the self-control system of CHCRC at irregular intervals to help it achieve continuous improvement goals.

Code under control	Toxic Chemical	Utilization	Quantity
052-01	Benzene	Manufacturing and sales	About 60,000 tons/year
055-01	Chromium (VI) Trioxide	Purchased for steel sheet coating	About 680 tons/year

(7) Control of Toxic Chemicals

Taiwan's EPA announced that a total of 303 toxic chemicals to be regulated. Only two out of 14 toxic chemicals that CSC used in 2013 reached "Threshold Regulatable Quantities" limits. Light oil (more than 76% benzene content) is a residual of the coking process. It is produced at a rate of 60,000 tons/year and sold to China Steel Chemical Cooperation (CSCC) via pipelines for extraction of highly purified benzene, toluene and xylene products. Chromium trioxide is purchased to coat the surface of steel sheets. The annual amount is listed in the table below (other toxic chemicals are used for R&D in small quantities and they are lower than the Threshold Regulatable Quantities):

Before using these toxic chemicals, CSC obtained the required licenses, registration documents and grant documents from the government and reported records concerning the handling of toxic chemical substances and their release quantities to the EPA. For substances reaching "Threshold Regulatable Quantities" limits, toxic disaster prevention and relief drills have been performed every year to prevent accidents or leakage. We also joined Kaohsiung City's toxic chemical joint prevention organization and participated in related courses or activities to strengthen our responsibility to prevent toxic disasters.

(8) Soil and Underground Water Pollution Control

To control the quality of soil and underground water and prevent relevant pollutions, CSC dug 16 wells around the factory for regular monitoring and sampling in order to detect any problems as early as possible. As shown in the analytical historical data, results fell into the normal range to ensure the quality of underground water. During land leasing and transactions, stringent surveys of underground environmental conditions are conducted to ensure that no disputes concerning pollution issues occur. Priority tasks in 2013 included:

- Declared and paid annual soil and underground water pollution control and treatment fees according to the Soil and Underground Water Remediation Act at the amount of NTD53,028,565.
- Provided data related to the monitoring record table of the CSC Gas Station's underground tank and the balance sheet for oil material according to the Soil and Underground Water Remediation Act.
- Conducted two projects of soil and underground water investigations including the rental land of the Taiwan Joint Irrigation Association as well as the inclusion of new land used for a roller plant included in CSC's plant registration;
- Conducted soil and underground water pollution investigations before leasing and purchasing land with the assistance of National Pingtung University of Science and Technology (NPUST) in order to clarify the scope of responsibilities and understand the soil and underground water situation before the shutdown of plants to ensure compliance with all relevant laws.

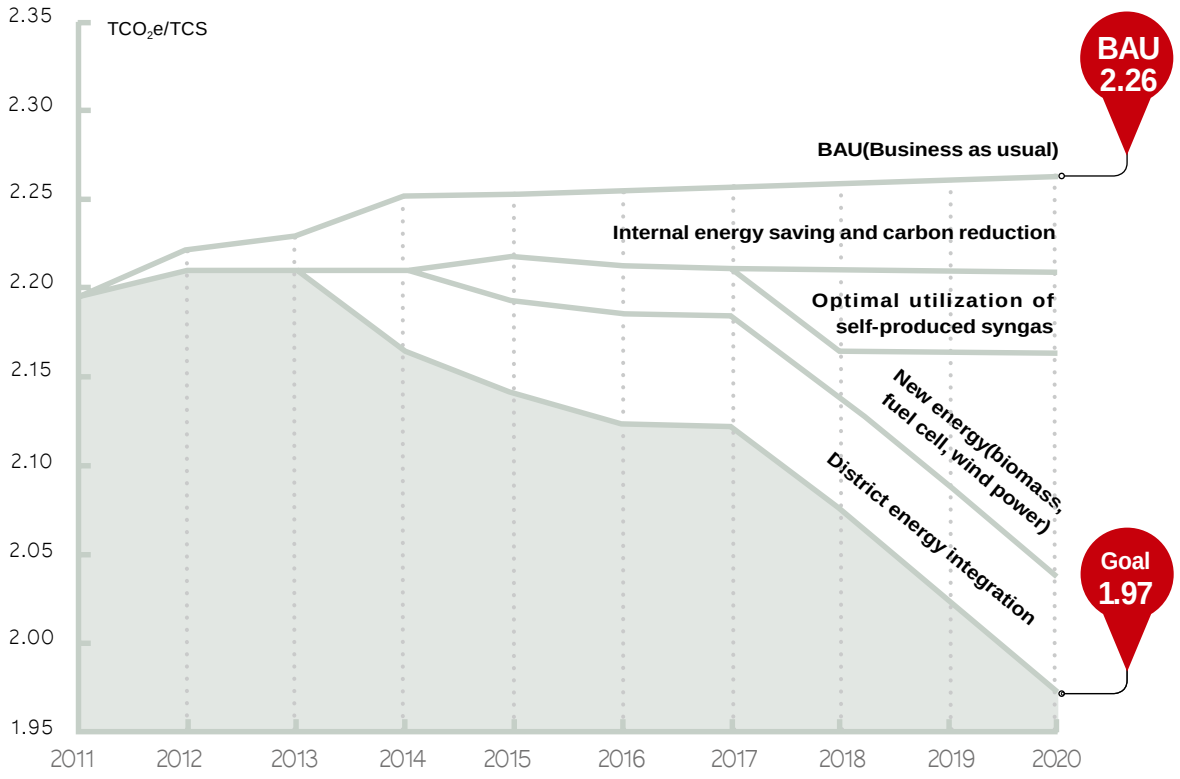
(9) Disposal of Hazardous Waste

Except for lead slag from the rolling mill process, most waste chemicals of CSC come from laboratories, and the quantity is very low. Lead slag is sold to recycling vendors while other waste chemicals are disposed by certified vendors in Taiwan without being sent to other countries. The disposed waste and their quantities by legal contractors in the past years are listed below:

Year	Vendor	Item	Weight (ton)
2011	Super Max Engineering Enterprise Co., Ltd.	Chloric solvent	0.950
	Thye Ming Industrial Co., Ltd.	Lead slag	13.07
2012	Super Max Engineering EnterpriseCo., Ltd.	Chloric solvent	0.840
2013	Logos Technology Development Co., Ltd.	Lead slag	7.74
	RSEA Engineering Corporation	Corrosive waste	1.586
		Ignitable waste	0.090

(10) Carbon Reduction Targets, Strategies and Roadmap

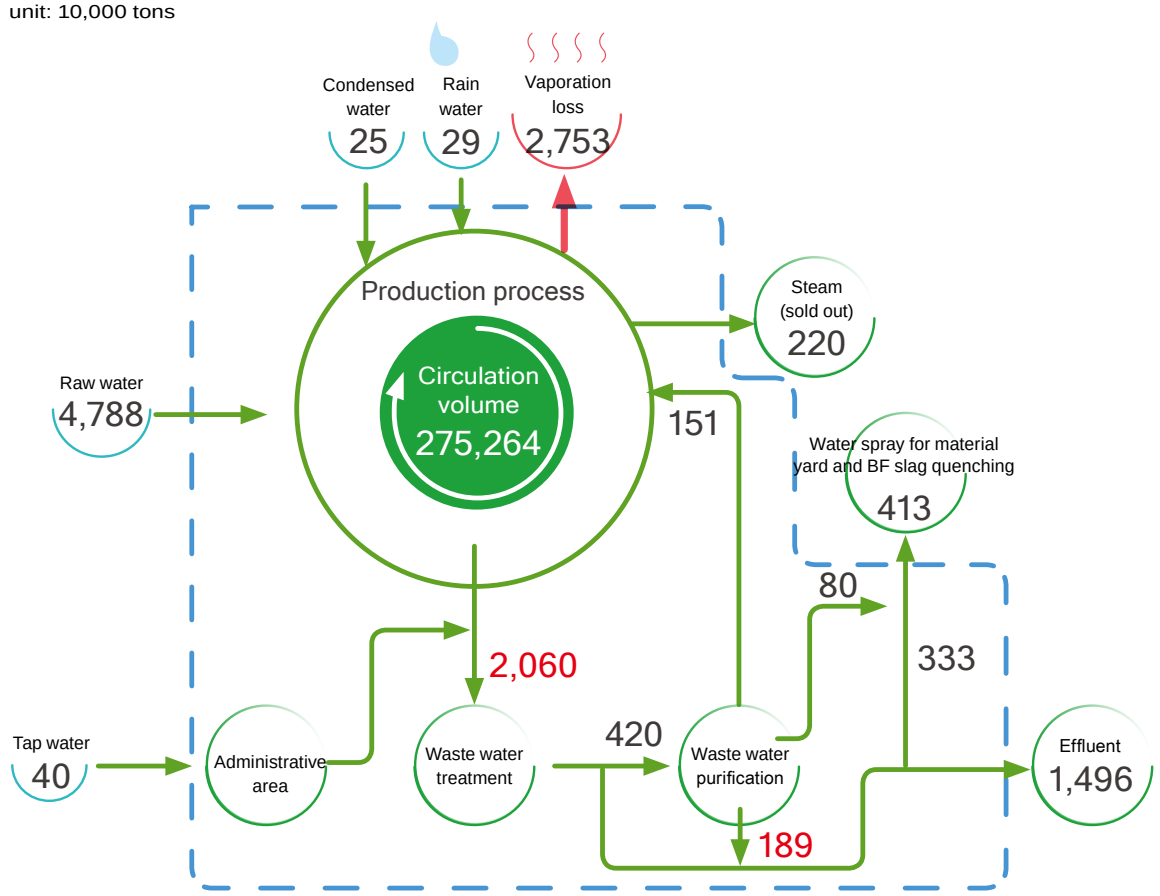
To clearly illustrate GHG emission trends and potential for reduction, CSC established its baseline GHG emission according to BAU to define the responsive roadmap of carbon emission intensity. Herewith, CSC created a target (<1.97 ton CO2e/ ton of crude steel) to be achieved by 2020 with energy-saving and carbon-reduction measures to be taken. The chart below is the carbon reduction roadmap for CSC:



(11) Water Conservation and Pollution Prevention

Water Balance Diagram

unit: 10,000 tons



Water Conservation Measure and Effectiveness

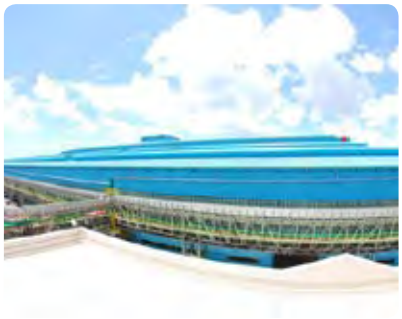
The manufacturing process of an integrated steel plant requires the use of a large volume of raw water for cooling, rust removal, lubrication, dust cleansing, and environmental uses. CSC's raw water is from the Fengshan Reservoir in Kaohsiung City (at present, with an effective reservoir capacity of 3.4 million tons) that supplies 300,000 tons of water for daily industrial use. Since 2003, CSC has continuously expanded its relevant production lines and coordinated with the district energy integration program implemented in Linhai Industrial Park, so the steam that is sold increased to 2.2 million tons/year in 2013. Thanks to its efforts to manage water resources and utilize recycled water over the years, in 2013, CSC's total daily average raw water consumption reached 125,000 tons, a reduction of 21% from that of 2003 (daily average consumption of 167,000 tons) accounting for less than the half industrial water supplied by the Fengshan Reservoir. The recycling rate of water for manufacturing processes is currently at 98.3%. The total raw water consumption 2013 has decreased by 0.1% compared to that of 2012. However, the intensity is 5.24 tons of water, due to the revamping of #4 blast furnace. Water usage trends over the last five years are shown in the table below:

	2009	2010	2011	2012	2013
Raw water consumption (10,000 tons)	5,082	5,200	5,269	4,832	4,828
Water recycling rate for manufacturing process	97.9%	97.9%	98.2%	98.3%	98.3%
Water recycling amount (10,000 tons)	234,417	237,632	280,190	278,065	275,264
Water consumption intensity (m^3 /TCS)	5.90	5.09	4.84	4.96	5.24

Note:The power generators in our power plants cannot be cooled by seawater or river water. It uses approximately 1m^3/TCS.

Water saving cases: Water saving projects completed in the past two years include:

- Improvement in the function of the soft raw water system: CSC, in recent years, has been devoted to the development of waste water treatment technologies as well as active studies on the improvement of issues including deposition of cooling equipment pipelines, heat exchange efficiency performance, and equipment using life decrease caused by high levels of raw water hardness. In this regard, CSC invested in manufacturing process equipment that softens raw water with the capacity of 8,000 tons/hour with the addition of a proper volume of lime emulsion to raw water to remove calcium carbonate formed due to calcium ions in raw water. After raw water is softened, the concentration ratio of the cooling water system and water making efficiency of the pure water system can be improved with an estimated significant savings of 7,500 tons daily of raw water.
- Rain water harvesting on the roof of plants: Roof rain water harvesting facilities are equipped to reach a total area of rain water collection of 160,000 m^2 . In 2013, the total harvested volume of rain water reached 176,000 tons and the reliance on tap water was reduced.
- Installation of purification plant for industrial wastewater effluent: Industrial wastewater effluent flows through an ultra-filtration (UF) and a reverse osmosis (RO) membrane to remove most of the suspended solids and ions. Then the water is treated in an ion exchange system to generate demineralized water that meets the standard of high-pressure boilers for the use of boiler water in power plants. This purification plant is designed to have a capacity of 13,500 m^3/day.

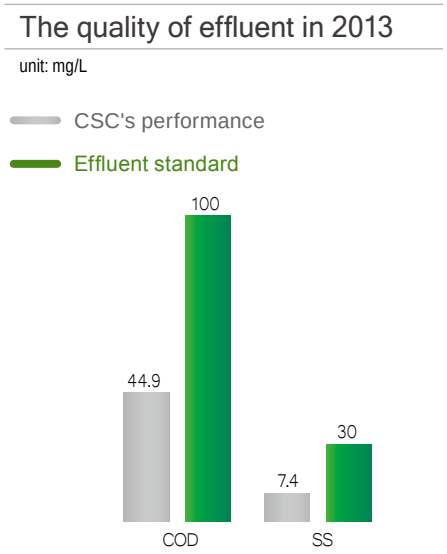


- Recycling and reuse of RO concentrated water from industrial wastewater effluent purification plant: Each day about 4,800~6,800 m^3 is recycled for the use of water to quench blast furnaces.
- Rational water consumption: A network management platform has been established to collect statistics on water consumption at CSC, to manage water conservation initiatives and to exchange technologies for the purpose of comprehensive water conservation.
- Municipal waste water reclamation: The Water Resources Agency, Construction and Planning Agency, and Kaohsiung City Government signed a letter of intent on Cooperation to jointly plan the tertiary reclamation plant of Fengshan Creek Waste Water Treatment Plant. CSC proposed the letter of intent on water consumption. The whole project is expected to be completed in December 2016 and will enable CSC to acquire about 19,000 tons of water/day that will replace the partial use of tap water and reduce water resource consumption.
- Seawater desalination: At its current stage, the cost of seawater desalination has not reached economies of scale. Only when seawater desalination technology becomes more mature to cut down water making costs or the tap water cost soars as expected, thus bridging the gap between both, will the economic benefit be significantly seen. Therefore, currently CSC adopts a conservative strategy towards seawater desalination.
- Proposal for the increase of water volume taken from Donggang Creek: The South Region Water Resources Office is currently investigating the potential to take water from Donggang Creek; once the sufficient volume of water confirmed, an increase in consumption volume will be taken from Donggang Creek, thereby enhancing the support ability of household water consumption, and reduce the possibility of water supply interruption.

Water Pollution Prevention:

CSC's water pollution control and treatment strategies focus on operational management of existing equipment and the addition of backup machinery, enhancement of operation flexibility, and improvement of water quality. Furthermore, the monitoring and management of CSC's rain water outlet has been enhanced to avoid discharge failure and improve discharge management performance.

CSC has established waste water treatment facilities with 79,600 m^3/day of capacity. Processed waste water was treated to meet effluent standards and discharged through a 60-meter-wide water channel to the sea. Waste effluent collection ponds and treatment plants at material piling areas for coal and iron with a handling capacity up to 40,000 tons were also built (with the capacity of 360,000 tons/day). Waste effluent generated from heavy rain is processed to meet the discharge standards. Next, the effluent is discharged to the sea to reduce the pollution level of waste effluent effectively through the 60-meter-wide channel.



The annual discharge volume in 2013 was 14,950,000 m^3, a decrease by 270,000 m^3 than 2012. COD in 2013 was 44.9 mg/L and suspended solids (S.S) were 7.4mg/L, far better than effluent standards.

Coke making waste water ammonia nitrogen reduction project: According to the industrial effluent standard announced by the EPA, the standard in draft requires the concentration of ammonia nitrogen to be lower than 20mg/L, but due to the difficulty in improving ammonia nitrogen concentrations at the current stage, CSC proposed the the reduction proposal to be completed by the end of 2017 according to legal requirements for the review and approval of the EPA. Currently, the methods listed below were proposed:

- Utilize online testing of alkali equipment plus ammonia stripping with alkali gas; in the future, an alkali pump will be equipped to enhance removal rates;
- Complete the installation of zeolite laboratorial absorption equipment to test for absorption effectiveness;
- Visit Europe to learn about ammonia and nitrogen processing technology and conduct feasibility studies.

5.7 Carbon Asset Management

The huge global efforts in mitigating climate change have made carbon emissions a restraint for business operations. Besides seriously implementing energy saving and GHG reduction measures on a voluntary basis, we are diligently participating in activities that will help to obtain or manage carbon credits in compliance with government regulations. The key areas of progress are delineated below:

(1) Early action program: CSC's 2000-2010 early action carbon credit project was reviewed by the EPA with a reduction amount of 8,080,488 tons of CO_2e. The 2011 early action carbon credit program was reviewed and approved by the EPA with a reduction amount of 706,819 tons of CO_2e.

(2) Offset program: CSC's offset programs included the district energy integration offset program, waste heat recovery project for the hot stoves of #4 blast furnace, and the transfer to railway transportation at Hualien Quarry Yard with a total carbon credit of three projects reaching approximately 220,000 tons of CO_2e.

(3) Future development: When the government devises other carbon credit schemes, we will provide positive advice based on international standard to help the government establish cost-effective carbon credit schemes and platforms.

5.8 Environmental Accounting

Energy and Environmental Investment

By the end of 2013, CSC's accumulated investment in various environmental facilities totaled NTD54.5 billion. Among them, 66% for air pollution control, 16% for water pollution control, 8% for waste reduction and cleaning, 1% for noise control, 7% for energy saving and GHGs reduction and 2% for others. The energy and environmental investment (capital expenditure) for the last five years is listed below:

	2009	2010	2011	2012	2013
Amount of energy and environmental investment (hundred million)	21.02	17.35	17.62	39.55	41

The usage of energy and environmental investment (recurrent expenses) for the last five years are listed below:

Unit: NTD hundred million

Item	2008	2009	2010	2011	2012	2013
Fees paid to the government	1.26	1.35	1.51	1.48	2.01	1.87
R&D expenditure	1.83	1.07	2.51	2.78	1.68	0.80
Depreciation	9.33	15.28	12.88	11.29	11.09	12.54
Operating and maintenance expense	43.20	44.43	46.49	45.47	46.53	49.65

5.9 Green Building

CSC Group is one of the primary suppliers of important structural materials for green buildings. In order to promote the concepts and applications of green building technologies, CSC has sponsored green building constructions in Taiwan to contribute to the reduction of carbon dioxide emission.

In addition, new plants and office buildings in CSC Group have all complied with green building specifications in regard to design and construction. The best examples include the Main Office Building of #3 Cold Rolling Mill as well as the China Steel Building, both completed in 2013.

5.10 Legal Compliance

CSC is constantly improving its self-audit programs to assist in the building of self-control and management methods and to coordinate with legal requirements and the promotion of the amended relevant operational standards in order to ensure legal compliance with the identification procedure of our environmental management system. Hence, the number of violation notices has significantly decreased, as shown in the table below, indicating the significant improvements derived from CSC's self-control measures.

	2009	2010	2011	2012	2013
Pollution item	Air pollution	Air pollution	Air pollution, water pollution	Air pollution	Air pollution
Issued by	KEPB	KEPB	KEPB	KEPB	KEPB
Number/penalty (NTD)	9/NTD1.1 million	7/NTD700,000	4/NTD580,000	1/NTD100,000	2/NTD550,000

PARTNER

6.Partner

6.1 Fair Trade

Since the production volume of crude steel in Taiwan is less than market demand, a considerable number of semi-finished and finished steel products are imported every year from overseas sources. Since the import tariff rate was reduced to zero in 2004, market competition has become fiercer; the opportunity for cartels to form and for monopolization no longer exists. CSC and its affiliates do not fix prices for their steel products of the same type, but rather act in compliance with the Taiwan Fair Trade Act. CSC's transfer pricing policy offers the same price to CSC's affiliates as to external customers according to relevant accounting regulations. CSC treats its oversea subsidiaries and trading partners fairly and equally in terms of commission and service charges; all transactions with related parties are included in the accounting audits.

6.2 Upgrading of Steel-using Industries

For achieving the goal of improving the competitiveness of steel-using industries, CSC promotes R&D alliances, constructs high-value industrial clusters, and carries out more diversified initiatives to ensure the success of customers as well as enhances overall cooperation with external academic and research institutions to develop R&D resources and drive. It also aims to improve the value of downstream end products and to improve overall competitiveness via technology R&D, collaborative innovation, strategic investments, sales channel construction, and the creation of new CSC branded products. In terms of partnerships with the government sector, three technology development programs were completed in 2013, and a major steel alliance was expanded to both coordinate with governmental policies and play a role in optimizing the industrial chain, supply chain, and value chain.

CSC currently promotes the upgrading of steel-using industries by establishing engineering research centers and joint research laboratories, in addition to promoting the steel industry research alliances, which are described below:

Engineering Research Centers and Joint Research Laboratories

In addition to promoting the upgrading of motor, electric car, automobile, fastener, and bearing industries, in 2013, CSC set up the Motor Joint Research Laboratory. At present, CSC has set up five joint research laboratories and five engineering research centers to promote various R&D programs.

CSC and Rechi Precision Co., Ltd. jointly set up Dyna RECHI while it cooperated with Engley to establish Honley Auto Parts Co., Ltd. in order to develop a new generation BLDC motor industry and hot stamping industrial technology as well as to lead steel-using industries in the direction of high-value added and upgraded products.

R&D Alliance of Steel-using Industries

The Phase 2 Research Alliance Program of steel-using industries involved completing the establishment of seven research alliances in 2013. In total, 32 companies and four academic and R&D institutions participated with a R&D expense input of 643.4 million dollars, resulting in the expected direct benefit of 20.96 billion dollars generated.

Industry	Alliance or project name	Company member	R&D expenditure	Estimated annual benefit
Bolt & nut	R&D alliance for core technology development for high value fastener	Chun Zu, Fong Prean, Jinn Her, Chong Cheng, HoFung/MIRDC	NTD70.46 million	NTD1 billion
Motor	R&D alliance for the development of high value-added technologies for the motor industry	Chun Yuan, Chilo, Len Mung, RECHI, Hanbell, Nuvoton, Cheng Day, TECO/MIRDC, NCKU	NTD201 million	NTD4 billion
Auto components	R&D alliance for the development of AHSS core technology for the complex geometry of auto key parts	CMCMotor , Kian - Shen , Wuu Shiang, Welcut, Jui Li/MIRDC, NTU	NTD63.97 million	NTD960 million
	Development of forming technology and equipment system for hot stamping	Chyan Feng, Tainan Chin Chang, LCM/MIRDC, NTU, SJU	NTD120 million	NTD3 billion
Auto panel	Development of key technology for HSS in Automotive AM industry	William, Gordon, TYG, Jui Li, JYH SHYANG, GOBO/MIRDC, NTU	NTD93.04 million	NTD6 billion
Wire	R&D alliance program for the development of diamond wire saws for wafer slicing	YCMC (leading), CSC, Mach Xtreme, Ferinox, Diamond Innovation	NTD92.68 million	NTD1 billion
Steel plate	The pre-study project of low alloy steel sheet application on high-precision press forming of needle roller bearing parts	NRB (leading), CSC/MIRDC	NTD2.427 million	NTD5 billion
Total		32 companies and 4 academic and research institutions	NTD643.4 million	NTD20.96 billion

6.3 Eco- Life

In response to Vision 5 of “Golden Decade, National Vision: Sustainable Environment- Low Carbon LOHAS Homeland and Promotion of Energy and Water Conservation”, CSC, as the first business in Taiwan to voluntarily promote an employee green life program, is realizing its overall energy saving and carbon reduction efforts, and remaking itself into a low-carbon green business. CSC green life promotion includes five items: LOHAS life, steel forest, green business, increased industrial value, and a sharing and promotion action plan that includes the following:

item	content	item	content
LOHAS Life	Promotion of physical fitness and health	Green Business	Building a green renewable energy system
	E shopping net in cafeteria		Re-application of by-products and waste
	Promotion of green products		Reuse of by-products and waste
	Use of batch procurement of local food ingredients and produce by cafeteria		District energy integration
	Light diet by consuming white meat every two weeks		Promote stopping engine for idling car to reduce air pollution and emissions
	Low carbon food promoted by cafeteria		Optimize products shipment to reduce carbon footprints
	Use of stairs for low floors to save energy and improve physical strength		Use high efficiency lighting devices to save energy
	Install and use the personal carbon footprint calculator		E-official document approval system
	Organize seminars for charitable activities		Use glasses to replace paper cups during meetings
Steel Forest	Promote landscaping and green measures in areas administered by each unit		Reduce copy paper use in offices
	Diversify green ecology in landscaped areas		Subsidize the use of public transit systems
	Sponsor public facilities and green belts	Sharing and Promotion of the Action Plan	Garbage sorting
	Assist government in collecting water quality samples and beach cleaning activities		Green procurement
Increased Industrial Value	Green products R&D		Train environmental volunteers
	Promote carbon footprint certification for products		Promote environmental education
	Carbon credit application for innovative process reengineering or investment projects		

6.4 Green Partners

(1) District Energy Integration

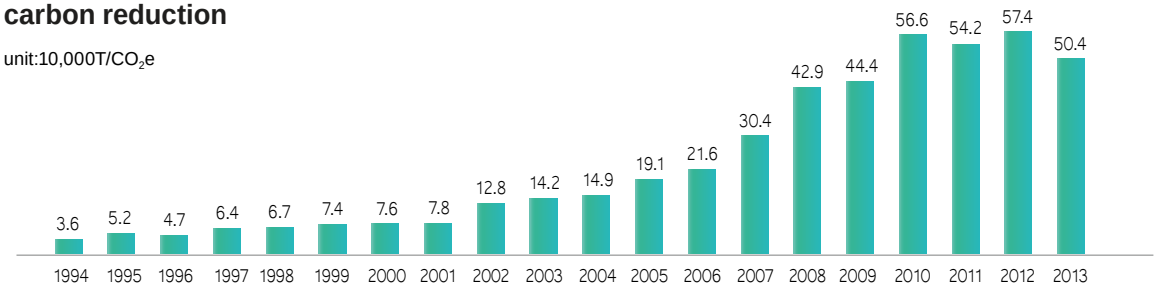
CSC supplies cogeneration steam as well as oxygen and nitrogen generated from its production processes to nearby industries in Linhai Industrial Park, so that customers can shut down low-efficiency, high-emission facilities without the need to invest in new facilities. This not only meets the requirements for energy savings and carbon reduction, but also lowers costs substantially and creates mutual benefits for all involved.

Distric Energy Integration

input	
China Petrochemical Development Corp.	Condensated water Waste Fuel Gas,H_2
Chinese Petroleum Corp.	H_2, Fuel Oil

output	
China Petrochemical Development Corp.	Steam, N_2
C.S. Aluminum Corp.	Steam, N_2, Ar
Hung-Li Steel Corp.	Steam
China Steel Machinery Corp.	NG
China Steel Chemical Corp.	Steam, Air, COG, N_2, Electricity
Shang Chen Steel	Steam
Chinese Petroleum Corp.	Steam, N_2
Tang Eng Iron Works Co., Ltd.	Steam, O_2, N_2, Ar
BOCLH Gases/ San Fu Gases	N_2
LCY Chemical Corp.	Steam, N_2
Taiwan Chlorine Industries	Steam

Due to the impact of economic climate on steam users, the market demand for steam decreased accordingly and the external sales of energy dropped from 2.505 million tons of 2012 to 2.201 million tons of 2013, a reduction by 12%. External steam sales in 2013 saved CSC 169,000 kiloliters of oil equivalent and reduced CO_2 emissions by 504,000 tons. External reduction of CO_2 emissions due to the external sales of steam over the years is shown in the bar chart below:



(2) Participation in the construction of an Eco-society

In coordination with the EPA and Industrial Development Bureau, CSC and its partners, a total of 17 businesses, jointly develop a CSC-based industrial eco-chain network to treat industrial waste generated inside and outside Linhai Industrial Park. In the future, CSC will put its full effort into supporting the “zero waste” policy of the EPA and continuously promote waste recycling strategies. CSC will be more active in promoting the use of BOF as an asphalt concrete aggregate, promoting demonstration roads in public construction projects, and amending construction guidelines to realize the latest technology developments and applications, reducing environmental loading, and following international trends in sustainable development.

input	
China Steel Express Corp.	Vessel Waste Oil
C.S. Aluminum Corp.	Scrap Iron
Hung-Li Steel Corp.	Waste Acid
China Steel Structure Co., Ltd	Scrap Iron
China Steel Chemical Corp.	Tar, Scrap Iron
China Steel Machinery Corp.	Waste Acid, Scrap Iron
Chung Hung Steel Corp.	Waste Acid, Sludge
HIMAG Magnetic Corp.	Regenerated catalyst
China Ecotek Corp.	Calcium Carbonate Crystal
Kinik Company, Carbo Tzujan Industrial Co., Ltd	Grinding Wheel
Kuang Tai, Tien Tai Metal Industrial Co., Ltd	Welding Flux

output	
CHC Resources Corp.	Granulated Slag, Sludge, Coal Ash, Spent Refractory, Granulated Slag, Coarse ZnO, Air Cooling BF/BOF Slag
C.S. Aluminum Corp.	Scrap, Aluminum, Copper, Zinc
China Steel Chemical Corp.	Coal Tar
HIMAG Magnetic Corp.	Iron Oxide Powder
Southeast Cement Corp.	Sludge, Granulated slag
Kinik Company, Carbo Tzujan Industrial Co., Ltd	Scrap Grinding Wheel
Sun Beam Tech Industrial Co., Ltd	Zinc Dross
Tai Share Chemicals Co., Ltd, Green World Environmental Preservation Service Co.	De-S Slag
Young Ching Industry Co., Ltd	Granulated Slag

(3) Energy Saving Services

CSC Group established its energy services team in 2007 upon the request of the Bureau of Energy. Through vertical integration and horizontal coordination, the team provides services for customers and strives to improve the Company's performance in energy savings. In 2013, the CSC, together with the Industrial Technology Research Institute, conducted energy audits and offered services to the Kaohsiung Irrigation Association and Tainan Irrigation Association. In coordination with the external energy saving services, CSC also provided energy saving services to two companies: Goodweld Corporation and KMC Chain Industrial Co., Ltd., and proposed 34 suggestions with the potential to save NTD700,000 per year in energy costs.

6.5 External Communication and Cooperation

(1) Domestic professional associations and institutes

The products and by-products of CSC are mainly sold to domestic industries. Participation in related associations and institutes is a good way to enhance mutual communication and cooperation. In the steel industry, Mr. Jo-Chi Tsou, Chairman of the Board of CSC, is the president of the Taiwan Steel & Iron Industries Association. He has long emphasized the need for the internationalization of Taiwan's steel and iron industries as well as employee cultivation; the engineering vice president of CSC, Mr. Wen-Du Hsu, is the president of the Taiwan Wind Turbine Industry Association. He is dedicated to promoting technology transfer from globally well-known wind turbine makers. In terms of the sustainable development of business, CSC is a member of the Business Council for the Sustainable Development (BCSD Taiwan) and Taiwan Corporate Sustainability Forum (TCSF), and cooperates with other member companies to promote corporate sustainability responsibility throughout Taiwan.

(2) Steel associations and institutes

- World Steel Association (worldsteel) : CSC has been a core member of worldsteel for years. In addition to participating in its sustainability reporting work group, providing data, making proposals and promotion activities, CSC has also joined its committees on technology, safety and health, and environmental policy as well as other work groups for the collection of CO_2 emission data and life cycle assessment. CSC is able to obtain the latest information and closely follow global trends through this interaction and cooperation.
- South East Asia Iron and Steel Institute (SEAISI): CSC is a key supporting member of this institute. Helping its peers in Southeast Asia on a mutually beneficial basis is a long-term commitment of CSC. Its activities include: serving as the chairman of its EHS committee, assisting in the development of the technology and implementation of EHS affairs, supporting the arrangement of steel technology and EHS conferences, as well as visiting plants and sharing in the production of national reports every year. In addition to maintaining good interactive and cooperative relationships with other members, CSC obtains information on the development of regional industries and technologies as well as relevant policies, which provides a good basis for business development and strategic cooperation in the future.
- OECD Steel Committee: The Steel Committee of the OECD is an excellent international platform for the exchange of information and the provision of advice. CSC has participated in the meetings of the steel committee on a regular basis under the instruction of the Ministry of Economic Affairs, R.O.C.; it is not only a channel to obtain new and important information on the steel industry and environmental protection, but also an opportunity for Taiwan to increase its visibility and participation in international activities.
- CSC, in 2013, completed six service reports on the theme of energy management consultation proposed to Nanjing Steel. Written documents were also submitted. This energy management system is currently under construction by Nanjing Steel.

Consultation of the Energy Management at Nanjing Steel

EMPLOYEE

2013 CSC new employees

433 Male

22 Female

215 Professionals

240 Entry Level

24 Northern Taiwan

38 Central Taiwan

386 Southern Taiwan

5 Eastern Taiwan

2 Offshore Islands of Taiwan

64 21-25 years old

194 26-30 years old

148 31-35 years old

43 36-40 years old

6 41 years and over

7. Employees

7.1 Management of Human Rights

CSC strictly complies with national and international codes on labor and human rights. We treat and respect all employees equally by complying with the items listed below:

- Regulate working conditions in compliance with governmental labor-related laws and regulations;
- Provide employment opportunities fairly to all applicants according to the Employment Services Act;
- Employees are entitled to an appeal if their rights have been infringed upon, or when they are treated inappropriately and the complaint cannot be handled reasonably;
- The “Employee Award and Punishment Committee” was established to assess major rewards and punishments for employees; and
- The “Complaint and Appeal Committee against Sexual Harassment” was established to provide employees with a workplace free from sexual harassment and the occurrence of relevant incidents.

CSC fully observes the rules and regulations of the Labor Standard Act and never employs child laborers. Based on the basic human rights of national employment opportunity equality, CSC employs its laborers according to professional abilities and experiences rather than race, belief, religion, political party, national origin, gender, sexual orientation, marriage, appearance, disability, and union membership. In 2013, no violation to human rights or discrimination occurred in terms of employment. In 2013, there were 455 new employees.

Employees	Item	Number of employees	%
Age	20~29 years old	557	5.6
	30~34 years old	1,302	13.09
	35~39 years old	922	9.27
	40~44 years old	520	5.23
	45~49 years old	421	4.23
	50~54 years old	1,614	16.23
	55~59 years old	2,597	26.11
	60 years and over	2,004	20.24
Educational Background	PhD	148	1.49
	MA	1,485	14.93
	Bachelor	2,477	24.90
	Junior college graduates	1,349	13.56
	High school graduates	4,035	40.57
	Junior high school graduates	270	2.71
	Elementary school and lower	182	1.83

Rank	Female	Male	Total number of employees	%
Top Management	0	21	21	0.21
Management	6	1275	1281	12.88
Professionals	154	1867	2021	20.32
Base Level	87	6536	6623	66.59
Total number of employees	247	9699	9946	100

By the end of December 2013, we had hired 174 physically or mentally disabled people, approximately 1.75% of CSC's total employees, exceeding the mandatory 1% of the “Physically and Mentally Disabled Citizens Protection Act.” In 2012, one CSC female employee applied for maternity leave (from February 1, 2012 to July 31, 2012) and returned to work to maintain a retention rate of 100%. In the second half of 2013, four (three male workers and one female worker) applied for paternity/maternity leave. CSC has set up a Committee for Sexual Harassment Grievances to provide a sexual harassment-free workplace for employees. In 2013, there were no sexual harassment cases.

(2) Responsibilities and Rights of Contractors' Workers

In 2013, there were 17, 261 workers hired by CSC contractors and among them, 14,859 were male (86%) and 2,402 (14%) were female. They mainly engaged in the provision of construction and operational work. CSC, in the past, has never hired freelancers for related work.

The workers sent by contractors to CSC must have insurance mandated by the government, wear uniforms and use safety equipment designated by CSC. Furthermore, the workers also need to comply with CSC's safety and health work rules including "Guidelines Governing the Safety and Health Management by Contractors," "Rules Governing Environmental Protection and Management by Contractors," "Rules Governing Work Permit Management," and "Rules of Safety and Health for Construction Engineering." A penalty will be imposed for any violation, and the fine will be donated to a fund for the supervision, correction and improvement of the safety and health of contractors' workers. The working conditions of contractors' workers are monitored and supervised to ensure that contractors comply with national labor laws.

(3) Compensation Management

CSC's compensation system is based on a job responsibility and system. The compensation standard is based on market rates, the corporation's financial situation and the organizational structure. There is no difference between genders in terms of salary. Both female and male employees in the same position and at the same grade level receive the same salary.

Compensation ratio for each position	Female	Male	Female to Male Employee Ratio
Basic Management	1	1.50	6:676
Professionals	1	1.20	154:1867
Base Level	1	1.11	87:6536

Note:In 2013, CSC had no female employee on mid or high level management position.

The reason for the discrepancy of the salaries paid to above male and female staff is due to the much higher numbers of male employees than female employees. Additionally, male employees are usually senior to female employees. Thus, the discrepancy of average salaries is high.

CSC's compensation structure is made up of salary (includes basic salary, meal allowance and a specific environment allowance and special maintenance allowance), year-end bonus and operating profit bonus.

Salary for new employees: The salary of new employees is offered according to the supply-and-demand of the labor market and the salary range of the market. The principle is to make an offer that is better than the basic wages regulated by the Labor Standard Law. In addition, the following factors are also taken into consideration: position, academic background, experience in related job(s), supply and demand in the labor market and payment of current staff at the same position with similar experience. A new employee at CSC receives a base level starting salary of NTD 25,700 and those at the professional level receives NTD34,800. After working for three months, the new employee will have his/her salary adjusted according to past experience and a work performance appraisal. The average salary of an entry level employee is approximately NTD27,000 and the professional level average salary is approximately NTD36,000. According to a salary investigation among private businesses in 2012 around Taiwan, the starting salary of senior high, vocational high school, and college graduates is between NTD21,000 and NTD27,000 while the average starting salary of university graduates is between NTD26,000 and NTD38,000. The starting salary of CSC meets these general market standards.

(4) Position change and turnover

All position changes and turnover in CSC follow the relevant regulations. Formal employees will retire at 65 years old as mandated by the Labor Standard Law or voluntarily retire before the legal mandatory age. The related regulations are shown below:

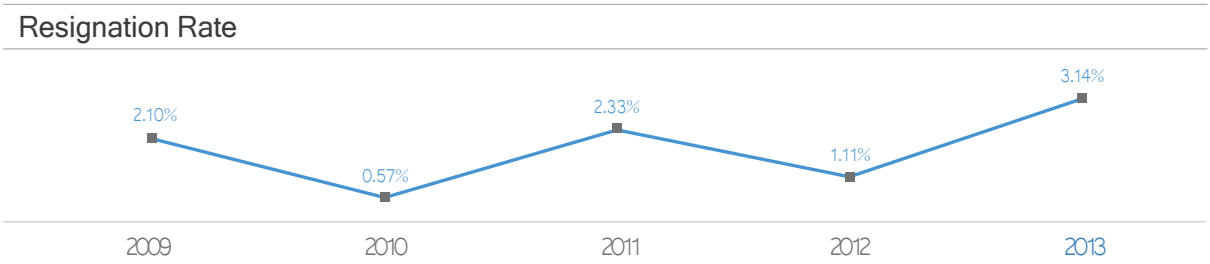
Position change: Before a position change, the employee is notified a few weeks before by the direct supervisor. After agreed by the employee, the notice will be announced later. If the employee has difficulties in performing his/her duty after receiving the notice, he or she is allowed to file an annulment of the labor contract or file an appeal within 24 days after the notice of change becomes effective. If the appeal is dismissed, the employee can file the annulment within

seven days after the dismissal. About the aforesaid situations, if the employee fails to file the annulment within the due date, it will be regarded as an acceptance of the position change.

Early Retirement of Preferential Treatment: CSC established the “Guidelines of the Special Project for Early Retirement” in September 2010 to show consideration for employees who are seriously ill or severely wounded and encourage them to retire early in order to promote industrial safety, provide opportunities to new recruits, moderately adjust the structure of the employee and age levels, and spur vitality in the organization. The regulation of “Retirement, Consolation, Compensation of Occupational Disaster, and Layoff” was amended in December 2011. The amendment has been systemized as the basis of application. Additionally, the relevant rules in the “Special Project for Early Retirement” were amended in December 2012 for staff with “poor physical and psychological health condition(s) and are actually incompetent for work” or “taking specific work positions with required qualifications” to allow for early retirement of preferential treatment before the end of January 2013 to reduce the risk of accidents and improve CSC's human resources structure.

In 2013, CSC's employees who have resigned totaled 312 (excluding the resignation of four entry level staff that passed professional exams) with 12 female employees.

Resignation Age	20~29	30~34	35~39	40~44	45~49	50~54	55~59	60~64	Retiring Age
Number of people	14	15	8	2	2	7	46	109	109



(5) Abnormalities control

Employee assistance program: The care of employees' mental status is part of CSC's safety and health program. If employees or contractors’ workers appear absent-minded, behave in a dull or inactive way or show signs of drunkenness, the manager or supervisor are obliged to handle the matter by suspending them from work or help them to receive proper medical treatment in accordance with corporate regulations.

Overtime work control: Concerning employees' health, if supervisors ask workers to work overtime, total work time cannot total over 12 hours a day, and the overtime work cannot total over 46 hours a month, except for special needs, like emergency repair services that have the supervisors' approval. However, the worker should have an opportunity to fully recover afterwards.

7.2 Safety and Health

In 2013, the Council of Labor Affairs organized “National Workplace Safety and Health Week” with the participation of 207 public and private agencies and organizations. CSC’s executive result report was recognized by the Council of Labor Affairs with the participation award.

Safety and Health Management System

CSC, in 2010, introduced an occupational safety and health management system, and in 2012, CSC passed OHSAS 18001 (Occupational Health and Safety Management System). In 2008, CSC also obtained TOSHMS (Taiwan) Occupational Safety and Health Management System) certification issued by the Council of Labor Affairs. The operation

of the whole system is based on risk management via the Plan, Do, Check and Correction, and Action management cycle to conduct continuous improvement efforts.

In 2013, the TOSHMS/OHSAS 18001 system internal audit was completed in March with zero non-compliance being found and 76 suggestions proposed. The units being audited improved, completed correction, and came out with preventative measures. CSC's OHSAS 18001 and TOSHMS passed the inspection of the Bureau of Standards, Metrology & Inspection in July 2013, and its certification is still in effect.

Safety and Health Objectives

- Disability Frequency Rate (FR) of CSC employees: 0.19;
- Case of disability of employees caused by traffic accidents during commuting: 13;
- Disability Frequency Rate (FR) of contractors' workers: 0.36;
- Zero major occupational accidents.

(1) Management of Change(MOC)

Accidents often occur when there are significant changes in personnel and working conditions; therefore, it is crucial to establish a Change Management System to ensure that every change goes through a hazard identification and risk assessment process. Appropriate measures are implemented at CSC according to the results of the assessment to ensure the safety of all manufacturing processes, activities and services.

(2)Education and Training

Human error is the cause of most occupational accidents. Thus, determining how to train employees and contractors' workers to develop safe working habits that reduce human error is a key goal in our safety and health training efforts. CSC arranges many important accident and disaster drills every year to enhance the response ability of employees to emergencies. Our computer system updates the latest SH (Safety and Health) training information for reference, making the control and checking of SH training more efficient.

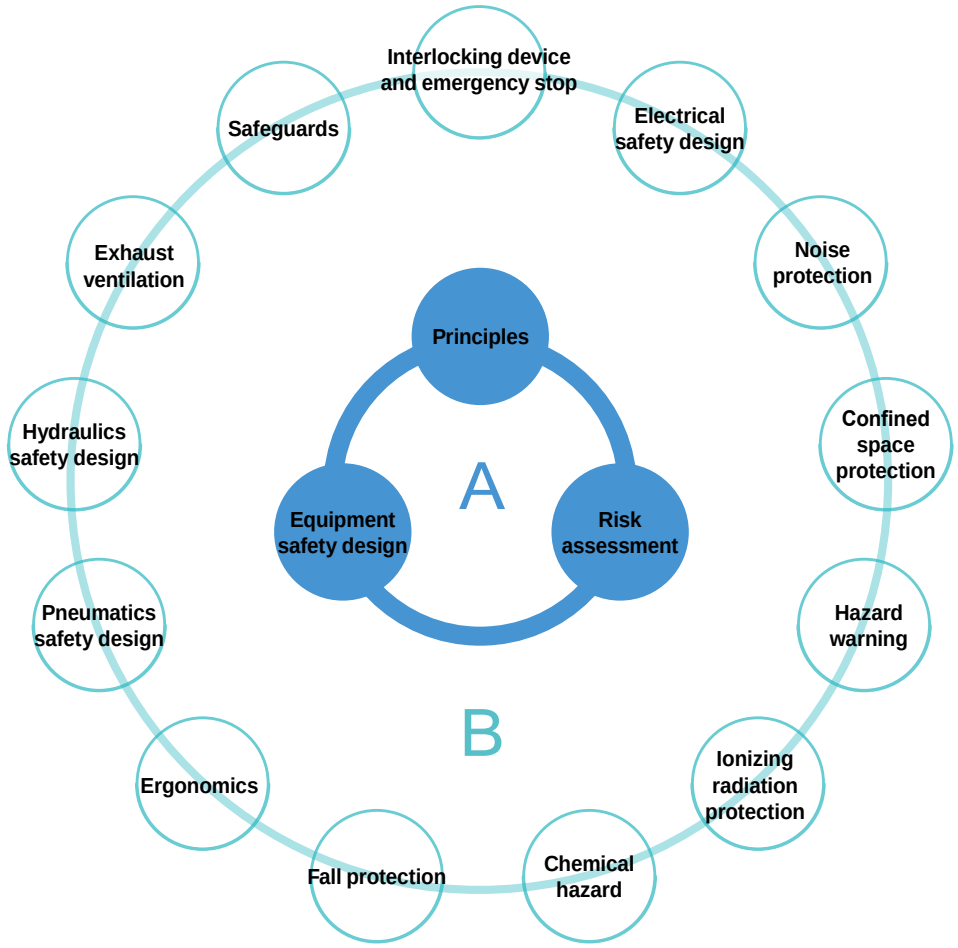
In 2013, the number of courses and the number of workers that received workplace safety training are shown below:

Workplace Safety Training Courses	Number of courses	Number of trainees
On-the-job training of SH regulations	15 courses and 64 classes	2,597
On-the-job training for personnel working on radiation protection, radiation operation, and radiation inspection of steel construction materials	4 classes	310
Retraining courses for contractors' workers	98 classes	4,139
Physical training for labor safety	210 classes	2,158
Traffic Safety Educational Training	4 classes	288

(3) Inherent safety

Safe working conditions at the workplace are the essential element to safeguarding maintenance and operating personnel. To realize and enhance the goal of inherent safety, CSC has established safety guidelines based on ISO safety standards (for machinery), International Electro-technical Commission (IEC), Europe Norm (EN), Chinese National Standards (CNS) and other relevant national regulations combined with our practical experience. With the hazard identification and risk assessment items as indexes, the guidelines take basic safety design principles, relevant safety conditions and devices into consideration, and are used as a basis for CSC to discuss safety issues with equipment suppliers.

- A Standard : Fundamental standard
- B Standard : Group safety regulations



(4) Safety Culture

A safety culture is a multi-dimensioned concept that needs to be analyzed and understood from different points of view. Safety culture in CSC is classified into three dimensions: policy, management and personal aspects, which are described below:

- Policy: Safety policy statement, organization management, and resource supply.
- Management: Construct CSC's institutional framework based on responsibility attribution, safety control, licenses and training, rewards and punishment, audit, improvement and response and safety care program.
- Personal: Improve personal safety culture by changing workers' safety concepts, providing education and training, and enhancing personal participation, safety and health care and bilateral communication.

(5) Safety Observation and Inspection

This is critical to the work to build a safety culture. In order to detect and correct unsafe behaviors of on-site workers early, site managers are required to make frequent inspection tours according to the five steps of decide, stop, observe, act and report, and give employees or contractors' workers encouragement or immediate corrections. If anyone violates a safety procedure or there are unsafe behaviors or conditions, the site manager should immediately communicate this with all involved and correct such error(s) without affecting the ongoing safe operation.

(6) Project Structure and Plan

CSC vigorously promotes the "Safe Job Procedure (SJP) by Jobsite Operators" program. The activity, combined with zero accident and hazard prediction training, aims to reach a consensus by allowing employees and contractors to discuss and communicate as a team for the establishment and amendment of the SJP, rather than being written up

by specialists as in the past. The process will improve workers' ability to identify hazards and prevent occupational accidents.

(7) Partnership with contractors

Based on the management concept of “cooperation and mutual trust,” CSC and contractors have developed a cooperative relationship that promotes co-existence and co-prosperity and fulfilled CSR. In 2013, CSC actively assisted its contractors in fulfilling the working conditions regulated by the Labor Standard Act and improving their salary systems, in order for their workers to understand the salary regulations and leave records, thereby preventing misunderstandings. The major measures are as follows:

- Simplify the details and items on monthly payment sheets; according to operational characteristics and management demands, contractors shall select the proper items for implementation;
- Set up the proportion for basic salary, compensation, and bonus in the monthly payment system;
- Set up the payment calculation basis;
- Keep the payment system transparent to the employees; and
- Give the contractors’ workers the freedom to select a daily or monthly payment system.

Contractors’ outsourcing businesses performance and personnel safety are also the important to CSC. Due to the characteristics of contractors’ work, disaster prevention is a priority and the most critical item. CSC improves not only the safety of facilities by way of inherent safety, but also interaction with contractors’ workers and working conditions by establishing partnerships. In addition, the professional skills of contractors’ workers are improved through technical training such as:

Training of Contractors’ Workers

Safety and health as well as the professional performance of contractors’ workers tie closely to their basic abilities and training results. Maintenance units, according to the needs of safety and health as well as professional techniques required for contractors to do their work at CSC, arranged training courses and exams. In 2013, contractors’ workers received a total of 47,529 hours of training as shown in the table below:

Type	Training courses	Persons	Hours	Total Hours
Safety Training	New Hire training	7,607	6	45,642
Technique Training	1. Scaffolds	111	3	333
	2.Roofing corrugated sheets	70	1	70
	3. Fire watch personnel	67	3	201
	4. Bearing training	140	7	980
Technique Exam	1. Scaffold exam	101	3	303

(8) Disaster Prevention Plan

CSC implements the regulations of TOSHMS in a practical manner by setting workplace safety goals and plans and achieving these goals to create a zero-hazard workplace via a PDCA (Plan, Do, Check and Act) cycle.

(9) Safety Care

In order to raise the awareness and ability of safety and health among employees and to take care of their work and traffic safety, CSC encourages all employees and contractors to motivate themselves by communicating and helping each other with goodwill and equality. Good habits can protect everyone at all times as well as improve the general safety culture.

(10) Absence and occupational injuries

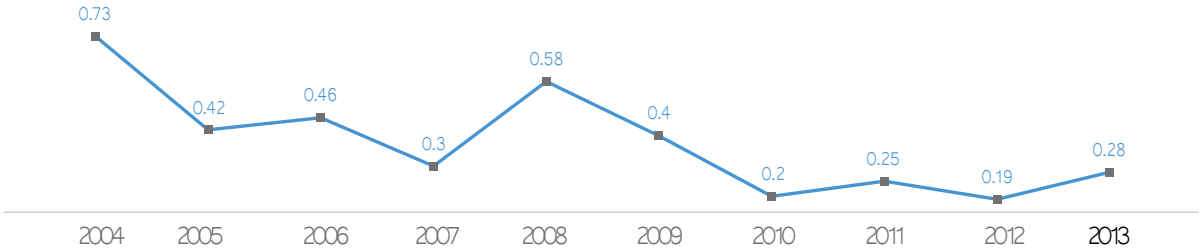
In 2013, the actual total work hours were 21,064,959, equivalent to 2,633,119.875 days. The absence rate is shown below:

Leaves	Job injuries		Sick leaves	
Gender	Female	Male	Female	Male
Days of absence	38.5	928	450	7038.62
Absence rate (AR)	2.924	70.486	34.179	534.622
AR		73.411		568.802
AR		642.213		

Note: Absence rate (AR) = Total days of absence during report time /total work days during report time x 200,000

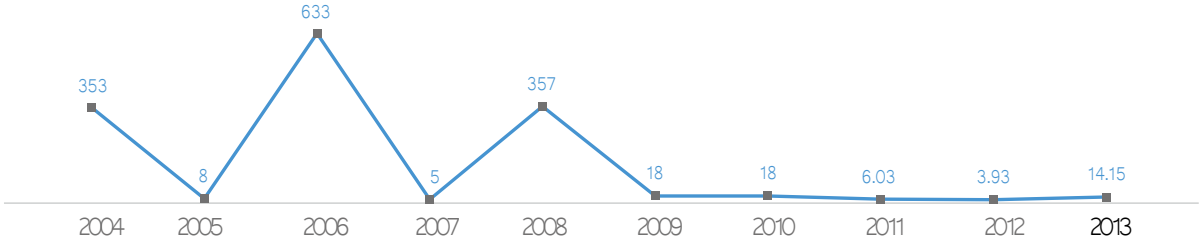
Occupational accidents in CSC for 2013 were calculated as below:
Minor injuries: 8; lost time injury: 6;; minor traffic accidents during commuting: 19; 11 lost time injuries during commuting; no occurrence of accidental death and occupational diseases.

Disabling Frequency Rate of employee:



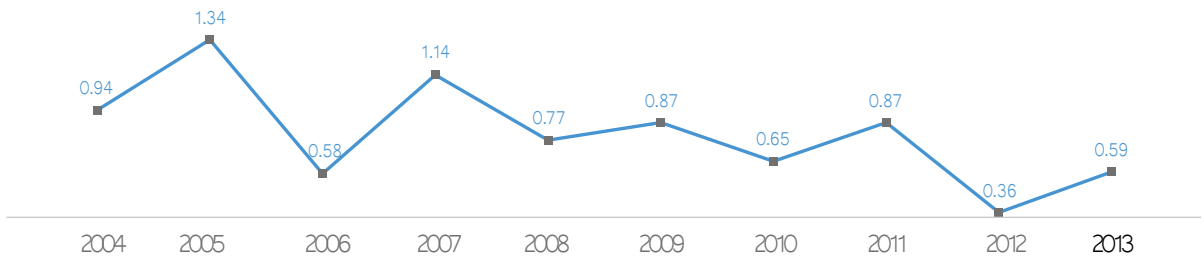
Disabling Frequency Rate (F.R.) is defined as the disabling frequency occurring during every one million work hours. The formula to calculate this amount is: time of disabling occurrence x 1,000,000 ÷ total work hours.

Disability severity rate of employee:



Disabling Severity Rate (S.R.) is defined as days lost due to every one million work hours. The formula to calculate this amount is: day of disabling occurrence x 1,000,000 ÷ total work hours.

Disabiling Frequency Rate of Contractor:



CSC Employees' Traffic Accidents

To gradually reverse the trend of CSC employees' involvement in increasing traffic accidents while commuting, CSC has continued to provide traffic safety courses and verification in order to improve employees' knowledge of traffic safety rules, as well as to encourage CSC employees to take public transportation or shuttle buses. Supervisors need to at least talk once a year to their subordinates who ride to work on motorcycles to improve their awareness and knowledge of traffic safety. To avoid blind traffic corners at the plants, five traffic safety improvement proposals shall be submitted each year to reduce the occurrence of accidents. To minimize the occurrence of accidents, CSC additionally has also advised and checked inside plants or roads surrounding the plants to correct unsafe behaviors in order to avoid the occurrence of traffic accidents.

(11) Accident-Prevention Maneuvers

To enhance the on-site response abilities of each plant to prevent occupational injury, property loss and environmental impact, CSC carried out five companywide emergency response maneuvers in 2013, in addition to those drills conducted according to on-site operational risks:



(12) Inspection of Operating Environment

According to the "Regulations Governing Labor Operating Environment Measurement and Tests," CSC entrusted a certified operating environment institute to conduct periodic inspections of operating environments that have chemical wastes, such as CO_2, dust, organic solvents and specific chemical substances, as well as physical factors such as noise pollution and integrated heat indicators, based on the requirements of appropriate rules and regulations. Once an abnormality is detected, corrective measures will be conducted to safeguard the health of operators. In 2013, about 3,270 test points (including areas and personnel) were completely tested as planned; five items in the tests included: noise, integrated heat indicators, CO_2, chemical substances, and dust.

(13) Near Miss

Whenever a near miss occurs, the related department must file an event report and publish a memorandum to notify other departments on CSC websites, where the miss is relayed as part of educational training. There were 1,294 near misses reported in 2013. These reports were reviewed and used as a reference to find solutions to potential hazards at the workplace, in order to prevent recurrence.

(14) Physical Examination and Care

Employees: CSC has set up a clinic with comprehensive equipment and professional medical staff to perform diagnoses and provide early treatment as the first line of defense for human health, and medical care subsidies for employees. Due to the increase in the number of older workers in CSC, it is an important responsibility for us to emphasize health checks for everyone and provide suggestions by examining agencies to avoid the occurrence of major diseases.

Employees working at special operating sites need to receive a special health check according to CSC's safety plans. Check items include exposure to high temperature, noise, lead, dust, organic solvents and certain chemicals; 2,346 employees undertook special checks in 2013. The health check results were not included in the Level 4 health management.

Contractors: CSC has its own physicians in the CSC clinic, and also cooperates with regional hospitals in Kaohsiung. Specialists provide weekly services in CSC. Workers of CSC's contractors have the same preferential treatment for medical services and medicine as CSC employees.

Healthcare: The CSC clinic reminds workers of key factors for health improvement, based on employees' yearly physical examinations. We also invite professionals to study the data on employees' physical examinations and workplace conditions in order to identify potential dangers and offer related education and training programs.

The above programs benefited the health of employees, reduced the sick leave rate, helped to avoid accidents, reduced overall health expenses, and enhanced CSC productivity and workplace quality.

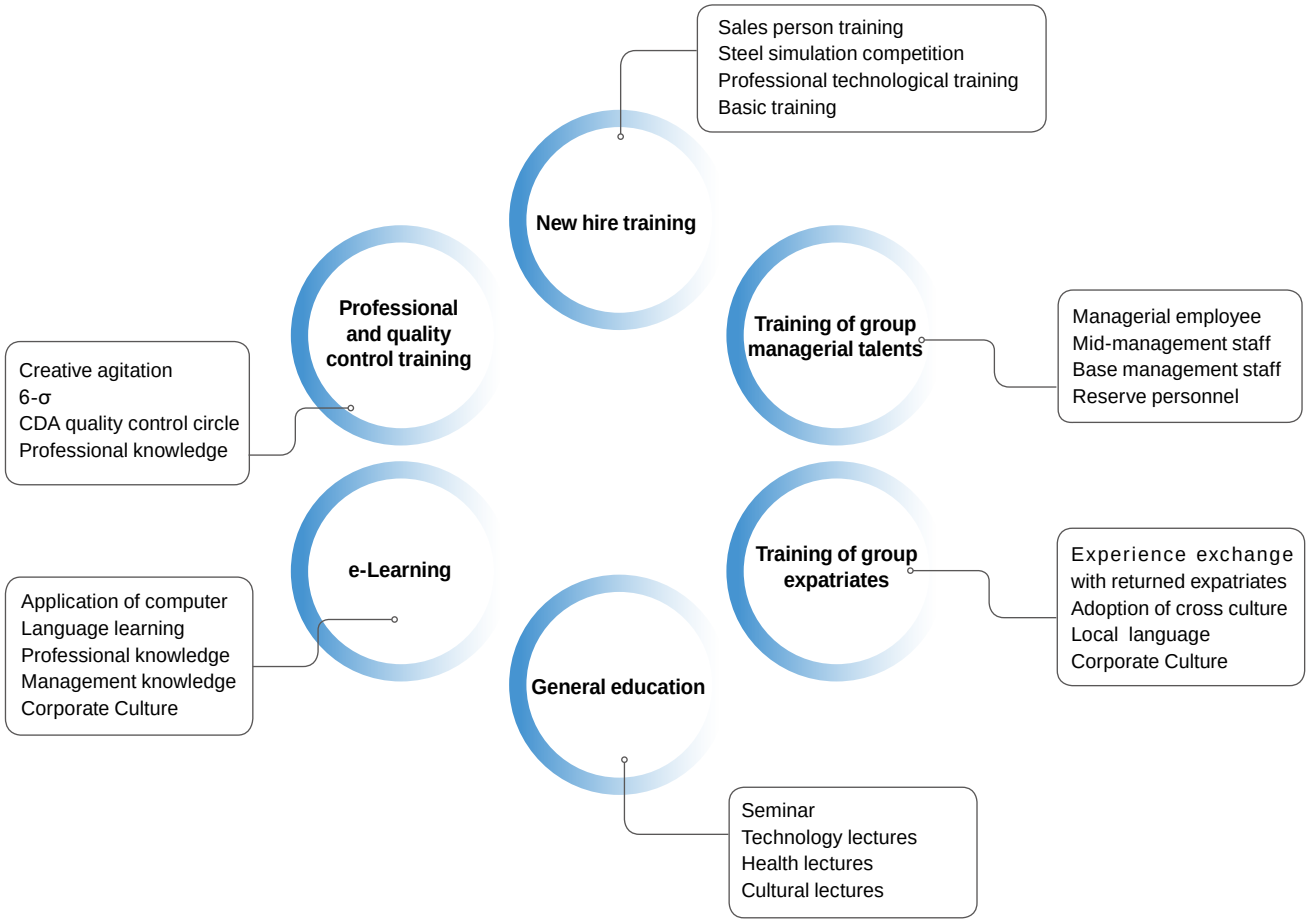
(15) Health Management Plan

For employees and contractors' workers: These people are the main service recipients of the CSC clinic. The services provided in 2013 included 13 health enhancement programs, including: physical fitness, lectures , bone density check and measurements, and others with the participation of 5,793. In 2013, 246 CSC employees participated in the weight loss program, resulting in the reduction of 715 kg. There were 14 health seminars held with the participation of 900, while 600 attendees participated in 13 health seminars on cardiovascular diseases.

7.3 Human Resources Development

Within the next 15 years, CSC will have about 6,200 workers about to retire; therefore, in the future, CSC's human resources development will focus on know-how transfer and talent cultivation.

- Know-how transfer: Based on CSC's development strategies, investment projects and the resignation/retirement status of employees, the departments regularly review the requirements for human resources and make short-term, mid-term and long-term human resources plans. CSC Group's high-ranking human resources have been regularly reviewed to facilitate knowledge transfer and plan implementation.
- Talent cultivation: In order to enhance talent cultivation, the "CSC Group Talent Cultivation Development Roadmap" was constructed to cover six main items.



(1) Statistics Data on Training

CSC not only gives educational trainings on relevant issues of human rights, such as labor rights, occupational safety, Labor Safety and Health Act, and Labor Standard Act after new employees are hired. During the talent development process, CSC continuously explores organizational and individual needs and from time to time, gradually develops all the necessary training to improve knowledge and skills required for the development of individual careers. With the year-end performance appraisal, all CSC employees will receive performance evaluation and current position and duty planning. In

2013, on average, each CSC employee received both physical and online trainings for 17.62 and 1.8 hours, respectively, with total expenditure on employee training reaching NTD73,971,988. The average training hours/person in terms of positions and genders are shown on the table below:

	Female	Male	Average training hours/person
Managers	-	17.29	17.29
Management job(1st level	-	5.44	5.44
Management job (Middle-level)	-	28.88	28.88
Management job(4th level)	63.83	32.12	32.40
Professional job	17.49	19.66	19.50
Basic level	10.74	16.05	15.98
Average training hours/person by gender	16.24	17.66	17.62

Note:In 2013, CSC had no senior managerial posts and directors of level one, two, and three that are female employees.

(2) Training and study for the board of directors and supervisors of reinvested companies

According to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies", CSC organizes three-hour advanced training courses for company directors and supervisors each year. Participants include the Chairman of the Board and members of top management of CSC, directors and supervisors of CSC's reinvestment companies as well as relevant staff members in charge of work duties.

Title	Name	Date	Organizer	Courses	Training Hours
Chairman	Jo-Chi Tsou	Jul. 26,2013	Taiwan Corporate Governance Association	Interpretation of Important Points of T-IFRS Financial Statements	3.0
Director	Jyh-Yuh Sung	Jul. 26,2013	Taiwan Corporate Governance Association	Interpretation of Important Points of T-IFRS Financial Statements	3.0
Director	Kin-Tsau Lee	Jul. 26,2013	Taiwan Corporate Governance Association	Interpretation of Important Points of T-IFRS Financial Statements	3.0
Director	Jih-Gang Liu	Jul. 26,2013	Taiwan Corporate Governance Association	Interpretation of Important Points of T-IFRS Financial Statements	3.0
Director	Chao-Chin Wei	Sep.26,2013	Securities and Future Institute	Seminar on Corporate Trustful Management and Social Responsibilities	3.0
Independent Director	Shen-Yi Lee	Jul. 11,2013	Securities and Future Institute	2013 Seminar on the Introduction to Legal Compliance of Insiders' Equity Transaction of Public Companies	3.0
		Nov.14,2013	Securities and Future Institute	A Talk on Personal Information Management at Enterprises from the Trend of Risk	3.0
Supervisor	Ming-De Su	Feb. 1,2013	Taiwan Corporate Governance Association	New Tax Expense in 2013: The Impacts and Responses of Enterprises and Individuals of Newly Imposed Capital Gain Tax and Second Generation Tax Insurance	3.0
		Nov. 15,2013	Accounting Research and Development Foundation	Trade Secrets Act, Insider Transactions, and Legal Responsibilities of Directors and Supervisors	3.0

(3) Training for Managerial Talents

- High level managers: CSC cooperated with NCCU to arrange "Management Courses for CSC Group High Level Managers", with the participation of 42 attendees; CSC and NTU arranged "Advanced Management and Case Study Courses," the compact version of NTU'score EMBA courses. With the incorporation of case studies in the relevant fields of business growth and innovation, the courses helped top managers to analyze practices and strategies in the

industry, and to inspire them to develop the abilities of logical analysis and management with international horizons. Additionally, CSC Group's high level managers were invited to take part in the "Wangdao Business Leader Program" organized by Stans Foundation.

- Mid-level managers: CSC cooperated with NTC to arrange "Management Courses for CSC Group Middle-level managers", with the participation of 51 attendees; final presentations were also held at the end of the courses to improve the attendees' organizing abilities. The keynote speech on "The Core of an Organization: Cultural Values and Attitudes towards Work" was organized for the course attendees, with the participation of 120 managers.
- Basic-level managers: For Basic-level managers, CSC arranged courses on leadership inspiration, communication and coordination, systematic thinking, and conflict management. Top managers of CSC were invited as lecturers to share CSC management status and corporate culture with the attendees.
- Cultivation of internal lecturers: Courses including Management Training Program, AC (Assessment Center) of Management Talents and TWI (Training within Industry)were arranged for the mid-level managers of CSC.

(4) Training for Expatriates

In recent years, CSC set up rolling plants in Vietnam and India, and in order to facilitate learning of CSC expatriates' local language and cultural learning, seminars on work experiences and living cultures for expatriates were organized.

(5) Newcomer Training

In recent years, CSC has employed more than 1,000 employees; in addition to the newcomer orientation program, a mentor system and knowledge management program are also introduced to them via the items listed below:

- CSC corporate culture course: For the newcomers, CSC organized the course on corporate culture, with the participation of 455 attendees.
- Basic training: In addition to newcomer basic training, a two and a half days training study tour is organized outside CSC to facilitate the newcomer's education concerning the CSC Group. It also includes activities that allow newcomers to interact and build interpersonal relationships with each other.
- Sales person training: This course covers the production and sales system, order handling process, product marketing, product applications and production practice. Visits to downstream industries are organized so that they can learn about the real applications of CSC steel products.
- Professional technological training: Practical professional training programs related to steel production, including machinery, electronics and machine maintenance are provided.
- Steel simulation competition (Steel Vitality Camp): CSC participated in the 2013 on-line steel production simulation competition organized by Steel University of worldsteel to enhance the understanding of the newly hired regarding the steel making process. In 2013, there were 165 participants (including 115 members and 50 instructors). As announced on the Steel University Website, participants in the competition accounted for 2,000 teams from 41 countries. CSC Group received the 10th place award in the final contest.

(6) E-Learning and Knowledge Sharing

To prepare for a lot of employees who are going to retire, CSC proactively established a knowledge management system that identifies corporate core abilities in order to systematically proceed with the inventory, storage, transmission and innovation of employees and their records. CSC established its Knowledge Management Committee in 2006. Their responsibilities include:

- Knowledge roadmap and pass-down: This item focuses on the expertise and experiences needed for practical work.
- Knowledge group: CSC encourages the formation of knowledge groups in a variety of fields. Group discussions can energize the activity of the organization, and help to promote a knowledge-sharing culture.
- Successor training and mentor system: This system is designed to maintain corporate core competitiveness, encourage a knowledge- sharing culture and inspire individual passion to learn and energize the organization. This system helped CSC win a "human resources innovation award" and a "corporate e-learning award" from the government.

In 2013, there were 74 groups participating in knowledge-management activities; the participation allows members to exchange knowledge and learn from each other as well as facilitate internal harmony. By 2013, CSC Knowledge

Management Website accumulated 48,327 entries of knowledge documents and 1,709 e-learning courses to allow experiences to be handed down to newcomers.

Each April, CSC organizes the Knowledge Sharing Forum on the best practices with domestic and international management/technology. Top managers lead in sharing knowledge and in helping to build CSC into a learning organization. At the same time, prestigious companies were invited to share knowledge management and innovative experiences.

(7) Off Job Training

In order to enhance production, R&D, technology, management and foreign language abilities, as well as provide CSC employees with the strategic demands of being a diversified and internationalized management team, in 2013, about 85 people times were sent to study relevant professional courses at international academic and business institutions. Employees with development potential were selected to study in both domestic and international universities and colleges, five were sent to study in Taiwan and five were sent to other countries.

(8)Encouragement for CDA(QCC) and Employee Suggestion System

We adopted a Creative Development Activities (CDA) quality control circle and Employee Suggestion System (ESS) many years ago to encourage basic level colleagues to work actively together to solve working problems and expand their potential. CSC's performance for 2013 included the formation of 591 circles, with 6,230 participants, accounting for 87.0% of specialist level personnel for each unit that promoted the activity, the completion of 525 themes, and annual benefits accumulating approximately NTD58 million. Approximately 22,850 suggestions were received in 2013, and 22,678 (99.2%) of them were adopted, reaching an adoption rate of 99.2% and creating more than NTD 110 million in tangible benefits.

7.4 CSC Labor Union

A health and systematic trade union can express ideas and suggestions on behalf of its members to strive to a decent working environment, to promote working rights, to assist in balancing Corporation's development as well as to expand the scope of social participation and engagement. The operations of CSC Labor Union can be summarized as the followings:

(1) Members and Goals

CSC Labor Union was established on December 30, 1980. The Union is comprised of members from each department, except from the top management position. The purpose of Union establishment is to help the Corporation to develop its business, to accelerate the right of organization, to defend members' rights and interests, to improve members' living quality as well as to enhance members' competence.

(2) Framework

The delegates congress is the highest authority of the Union. The 100 delegates are elected by members from each department. The 27 seats of Board of Directors are elected by the delegates and the Board of Directors is the supreme authority during the adjournment of the delegates congress. The Steering Board is set to supervise the Board of Directors. The 9 seats of the Steering Board are also elected by the delegates. Its convener is elected among the Steering Board. The Union President is directly elected by all members and leads the secretariat with 8 functional groups in order to promote union affairs in daily basis.

(3) Collective Agreement

CSC highly values the industrial relations. In order to maintain a better mutual communication based on fair regulations and decent working conditions, the first collective agreement was signed by both parties on February 14, 1997, which stabilizes a harmonious relationship with the Union.

(4) Participation in Corporate Governance

In order to implement industrial democracy, the meeting of the industrial relations committee has been held periodically, besides, there is one staff-director who represents the voice of the Union and has been reserved by CSC management board for participating the Corporate Governance Committee. Additionally, the Union is also invited to join both Human Resource Development Committee and Rewards and Punishment Appraisal Committee.

(5) Pursuit of Workers' rights

Union has made every endeavor to pursue and defend members' rights in a reasonable and peaceful way through meetings of industrial relations committee, Board of Directors and Steering Board, collective negotiation committee and communication with top management. Union initiates demonstrations or litigations in a few cases, in another words, it sees strike as a final method. There were no major disputes during 2013.

7.5 Welfare Measures

In order to provide decent working conditions and satisfy employees' needs, 26 representatives of the Labor Union and CSC jointly formed the CSC Welfare Committee to deal with welfare services, including: shopping mall, canteen, Mingbang Restaurant, singles dormitory, gym, 23 lines of shuttle bus, coin laundry center, and a small library. In addition, CSC's Welfare Section takes care of employees' welfare services, such as: club activities, credit loans, four-festival bonuses, cash gifts for birthdays, weddings and childbirths, scholarships for children of CSC employees, emergency aid and subsidies, member activities, year-end lottery, dinner party allowance, member welfare subsidy and discount stores.

Additionally, in order to enhance the understanding of CSC employees and their family members about the Company, improve cohesion, and strengthen friendship and exchanges between CSC employees' family members, CSC regulates rules for friendly neighborhood promotion subsidized by the Company that allows each plant and division to organize mountain climbing, hiking, or traveling activities in off-duty time. In 2013, the activities planned by each plant and division were participated by 8,940 employees, accounting for 89.9% of total number of CSC employees. CSC has supported the establishment of new clubs in the hope that the clubs can improve employees' physical and mental health, and further enable them to care for society with humanity. Due to the efforts of encouraging employees to join clubs, for the 41 clubs, 428 activities were established and held in 2013 with the participation of 15,740 people times.

7.6 Legal Compliance

(1) Regulation Identification

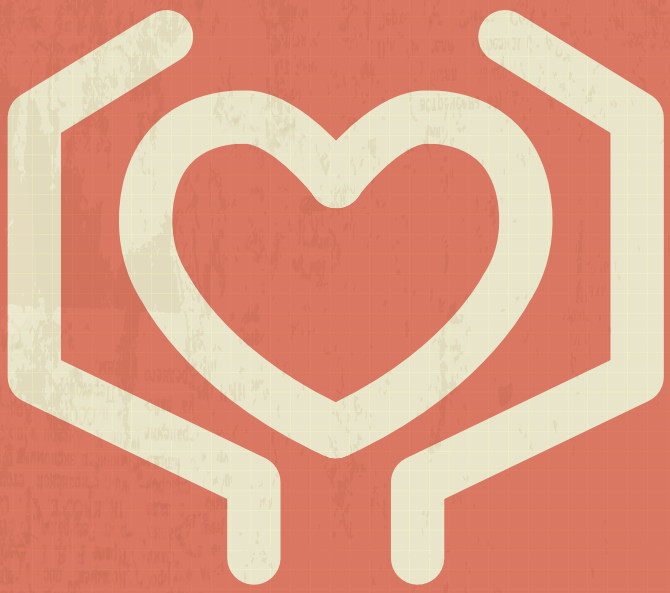
According to the OHSAS 18001 and ISO 14001 management systems, organizations must promise to obey EHS-related laws and identify related regulations and other requests. CSC transfers the officially published safety, health and environmental protection regulations to the authorized units for identification through the Intranet to make sure that they are followed and early responses are properly provided. We identified 46 EHS regulations in 2013.

(2) Regulatory Compliance

CSC had no violation records except for accidents and fines caused by human error. Among 39 on-site inspections conducted by the Labor Inspection Office, one violation of safety had been reported, and accordingly was fined. The violation records for safety and health regulations over the last five years are shown below:

	2009	2010	2011	2012	2013
Issued by	KLSIO	KLSIO	KLSIO	None	KLSIO
Number of case / penalty (NTD)	2/NTD120,000	2/NTD180,000	1/NTD60,000	-	1/NTD60,000

SOCIETY



8. Society

8.1 Philosophy and Scope

(1) Proactive and responsible: Not only is CSC obligated to the safety and health of employees and contractors' workers, but it also fulfills its corporate responsibility for employee salary/wages, welfare, equal rights and job training.

(2) Local needs first: Bearing in mind the concepts and attitude of harmony and prosperity with local communities, CSC highly values the responsibility of local environment quality and safety. We pay business income tax and environmental charges to the Kaohsiung City Government, and provide assistance to local development in many aspects

(3) Multiple approaches and inputs: CSC places great importance on the rights and interests of the shareholders, employees, contractors' workers and the public. In addition to operating the business legally and maintaining fair competition as our commitments, we fulfill our obligation to give the government our advice on public policies and international affairs.

(4) Shouldering responsibility willingly: With the awareness of the need to do well, CSC takes on many responsibilities in regard to public welfare, culture, art and educational areas through its business units, CSC Labor Union, CSC clubs and CSC Group Education Foundation.

8.2 Principles for Participation in Public Affairs

It is a tradition of CSC's employees not to be involved in politics. CSC has never provided contributions to political parties. In public affairs, CSC considers the giving of advice through industrial associations as a social responsibility to ensure full communication and coordination with government and society, while assisting the government in making decisions that the public can trust and depend on. To do this, CSC acts carefully in regard to the following principles:

(1) For the greater good: Not only to consider Company benefits, but also those of stakeholders as well as the social responsibility of CSC

(2) Appropriate statements: Statements are made with empathy in a customer-oriented manner and obtain wide acceptance through an open, fair and democratic procedure.

(3) Consistency with global trends: Investigate and understand the thoughts and experiences of advanced countries and make adjustments appropriately according to the specific conditions of our country.

(4) Sound professional basis: Give advice based on domestic and international professional information; to be more deeply involved in public affairs; and increase the credibility of statements.

(5) Pursuit of fairness and reasonableness: Adhere to fair competition principles in order to realize social and substantive justice.

8.3 Social Participation Path

CSC practices social participation through diversified channels and windows, including: internal responsible units, CSC Group Education Foundation, CSC Labor Union and CSC employee clubs. The regular activities are described below:

Type of task	Responsible unit	Task contents
Advice on energy and environmental policies	Office of Energy and Environmental Affairs	-Amendment of rules according to central and local regulations, including: energy saving and carbon reduction, soil and underground water, energy tax, Air Pollution Control Act, Waste Disposal Act, and so on; -Advice regarding the low-carbon economy, carbon credit policy, and development of industries in Southern Taiwan -Promoting environmental and carbon reduction responsibility while maintaining fair competition with global peers
Development of human rights and resources	Human Resources Department	-Negotiating reasonable work environment policies -Sharing knowledge
Safety and Health	Industrial Safety and Health Department	-Prevention of occupational accidents and epidemic diseases -Participation in national/international communication and sharing activities

Type of task	Responsible unit	Task contents
National and local public affairs	Public Affairs Department	-Good-neighbor activities, social support and assistance, and participation in emergency assistance -Good interaction with people's representatives, government agencies, media and opinion leaders
Social education and culture	CSC Group Education Foundation	-Promotion of educational activities regarding steel production and application techniques -Sponsorship for science and technology, social education and other cultural activities
Labor policy	CSC Labor Union	-National labor interests and welfare policies -Communication, cooperation and interaction with groups of the same nature
Social care, art, and culture activities	CSC, CSC Group Education Foundation, Labor Union, CSC employee clubs	-Emergency assistance and reconstruction after disasters -Take care of disadvantaged groups -Promote environment protection -Promote culture and art context in Kaohsiung

8.4 Social Responsibility Expenditures

CSC's major CSR expenses and donations in recent years include:

- Institutes and associations: CSC participates in activities sponsored by institutes and associations in both Taiwan and abroad. We also sponsor seminars and/or workshops held by institutes and academic associations every year to improve the competitiveness of CSC and to create external communication channels for the corporation and employees. In 2013 CSC's expense in this area is about NTD 25.8 million.
- CSC Group Education Foundation: CSC donated NTD 7.79 million to the CSC Group Education Foundation in 2013 to implement cultural and educational work to facilitate the education and talent cultivation in steel-related fields.
- Public affairs: Its budget allows for participating in local public services. In 2013, CSC's public affairs expenditure was approximately NTD 44.8 million for emergency assistance and natural disaster restoration.

8.5 LOHAS Homeland

(1) Reduce environmental impact

- Environmental restoration: CSC is located in a non-urban planning area of the Linhai Industrial Park in Kaohsiung City. CSC honors its commitments in environmental protection according to EIA, and CSC coordinated with EPB to actively patrol Saltwater Creek at least three times a week to assist environmental protection agencies to early identify illegal wastewater discharge sources. CSC participated in one creek cleaning activity and one beach cleaning activity, and was awarded by EPB with "2013 Outstanding Environmental Patrol Team."
- Energy saving and carbon reduction: We uphold the idea of continual improvement, and meet top international standards in reducing environmental impacts via management by objectives and operation of an environmental management system. For instance, efforts to reduce particulates, NOx, waste recycling, river protection and dioxin control have shown good performance.
- Green procurement: To comply with the government's green procurement policy, in 2007, CSC started procuring products with green labels. In 2013, CSC's green procurement budget was ratified by EPA at the amount of 157 million, ranking 10th highest among domestic enterprises in Taiwan. CSC was listed as the outstanding organization of green procurement by EPB and EPA, as well as being invited to share its green procurement experiences with other businesses at the award ceremony. In 2013, CSC's green procurement expenses reached a historic high record. This demonstrates CSC's determination to actively promote green procurement and consumption.
- KMRT R3 transit station To improve public convenience and promote KMRTs services in order to make Kaohsiung a low carbon city by saving energy and reducing carbon. CSC also donated the funds to build Siaogang's R3 transit station began on October 15, 2012 and was completed in March 2013.

- Subsidizing public transportation system:In order to encourage CSC employees to commute by the KMRT, CSC cooperated with KRTC to launch the happy business card program through its subsidies. In 2013, 9,922 happy business cards were sold and free shuttle bus services from R3 Siaogang Station to CSC were offered with 45,826 rides in total. Concrete benefits were seen in regard to saving energy and reducing carbon emissions under the encouragement of the government and CSC.

(2) Eco-city

Eco-cities are a global trend and a major part of key policies being promoted by central and local governments. To promote the concept of an eco-city, work in progress and under discussion includes:

- Donating 8,500 bicycles to make it easier for citizens to take the KMRT, in order to increase its passenger load factor (PLF);
- Participating in the task of converting waste into energy and its application to manufacturing processes in order to help Kaohsiung City save energy, reduce carbon emissions and minimize pollutant emissions
- Enhancing the purification and reuse of industrial effluent and household wastewater
- Promoting the usage of smart grids in industrial zones
- Expanding the green procurement efforts of the CSC Group and the green consumption habits of employees in order to support the development of green products in Kaohsiung
- Carbon footprint calculator for daily use (low-carbon recorder)

  CSC worked with Fooyin University to develop and install daily use low-carbon recorders to enlighten individuals about their contribution to GHG reduction and to gain awareness and support of the public for low-carbon products or services. CSC's low-carbon recorder was officially launched in June, 2013.

(3) Go green and use vegetation to reduce environmental loading

- CSC has introduced professional skills to achieve comprehensive or multi-layer greenery. Trees, bushes and turf are used to enrich the environment and appearance of the forest. The current size of the green area in CSC is about 44 hectares, with a green space ratio of 8.34%. The size is double the size of Taipei's Da-An Forest Park. In addition, we use potted plants, green roofs and green walls to expand the use of green spaces in different layers, and to make it very beautiful. With the criteria from the assessment report submitted by National Pingtung University of Science and Technology on the benefits of our green work on CO_2e reduction in 2008, the green area of CSC contributed to GHG reduction and global warming resistance at an annual total amount of 4,786 tons of carbon emission in 2013.
- Adopting Jhongshan 4th Rd of Kaohsiung City by Plantation and Landscaping

(4) Ecological and biodiversity

Although CSC is not situated in ecological reserve areas or near such areas, our efforts over the years on green works have created an environment of biodiversity. Research by CSC's Bird Watching Club shows that there are two species of mammals, five species of amphibians, 32 species of insects and 78 species of birds at the plant area. The ecology of the Siaogang area has been greatly improved as a result of our efforts.

8.6 Social Participation

(1) Participation of CSC Employee Clubs

CSC employees have actively volunteered for external organizations such as Tzu Chi and Taiwan Fund for Children and Families indicating the active contribution of CSC employees to society. CSC has supported the establishment of new clubs in the hope that the clubs can improve employees' physical and mental health, and further enable them to care for society with humanity. A summary of the activities of CSC clubs is shown below:

CSC Charity Club: In 2000, the club was registered at the Social Affairs Bureau of Kaohsiung City Government under the name of Kaohsiung City's Charity Club. The club, with the principle to "help people in need and repay society," joins in community emergency relief efforts, regular sponsorship of programs, life care, orphanage care, friendly community activities, community service and disaster relief efforts. The club members and their families make monthly donations depending on their personal situations. The club members also visit remote mountain areas to care for indigenous people or children from poor families and help motivate entire families to perform community services.

(2) Contribution to society and being a good neighbor

CSC has actively worked on labor safety and environmental protection to avoid the impacts on the local living environment; the Company also pays an annual business tax and air pollution fee to the Kaohsiung City Government. In addition, based on our good-neighbor policy, CSC is regularly taking part in the following matters in order to create a better living environment for the community:

- Sponsored schools in Siaogang District to upgrade teaching equipment in order to improve the learning efficiency of students and to assist with plantation and landscaping of schools to mitigate global warming;
- Sponsored communities, social clubs and temples in Siaogang District to organize various activities;
- Assisted to distribute consolation money to low-income households in Siaogang District at three important Chinese festivals, and to set up relief funds;
- Set up scholarship programs for outstanding students in local community and students of low-income households in Siaogang District;
- Irregularly invited disadvantaged groups to participate in CSC's activities with the hope of setting an example, and inviting more people to love and care for the disadvantaged;
- Movies are arranged and leisure facilities are provided every Saturday for residents of the community. Neighbors are invited to join in our activities or festivals.
- The CSC Employees Welfare Committee has established a kindergarten in Siaogang Dormitory for the benefit of CSC Group employees' and local residents' children.
- In order to improve local education and build good local relationships, CSC, in 2013, organized the outdoor teaching activities of "Steel Tour" at the integrated steel-making plant for about 2,000 graduates from 13 elementary schools in Siaogang District over a series of four rounds. Entertaining and educational mission games were arranged to effectively promote the environmental and science literacy of students by providing diverse and interesting information regarding steel production and environmental education.
- Adopted Kaohsiung Metropolitan Park;
- Adopted Jhongshan 3rd and 4th Rd. for green plantation and landscaping;
- Assisted campus landscaping of Siaogang Elementary School, Chung Shan Junior High School and Siaogang Senior High School;
- In March 2013, CSC donated funds to Kaohsiung City Government to build the R3 Siaogang Transit Station to provide residents in Kaohsiung with more comfortable and convenient bus waiting services.
- CSC actively assisted the local community to organize various cultural and art activities such as: NASA Star World Astronomy Exploration Music Concert, "Who is Wusung Fighting with" Musical, the special exhibition on "Michelangelo: the Reemerging of the Master of Renaissance," and the 2013 Lion Dance at Two Cities: International Lion Dance Contest and Taiwanese Parade of Martial Arts" to instill an exceptional drive into the arts and culture in Kaohsiung.
- Emergency relief: In August 2009, Typhoon Morakot devastated Southern Taiwan, and CSC donated NT$ 500 million to Directorate General of Highways to build Xinfa Bridge and actively participated in reconstruction projects and engaged in continuous caring work:






- The large-scale CSC Employee Activities in 2013 were held at Yungling Organic Farm and Daai Park that allowed CSC employees to experience indigenous culture and help to improve local economy with the participation of 1,658 people in four rounds;
- Irregularly organized one-day farming activities at Yungling Organic Farm: In 2013, there were 17 groups with the participation of 451 people.
- Coordinating with 2013 CSC's Anniversary Celebration, CSC and the Reconstruction Promotion Committee after Typhoon Morakot, Executive Yuan jointly invited more than 30 booths from the construction areas in each county to participate in the garden fair party, which generated an income of approximately NT$350,000 on that day.
- CSC Shopping Mall irregularly introduced products of organic vegetables, organic rice, hand-made buns, and hand-made noodles made of ingredients purchased by batch from Yungling Organic Farm to assist the residents in the reconstruction areas with concrete action. In 2013, there were 14 batches procured with the total amount of NTD 370,000.
- CSC Canteen provides organic vegetable meal boxes and banquets made of organic products purchased from Yungling Organic Farm to assist farmers in the reconstruction areas to make a living on their own.

(3) Service for CSC retirees

The CSC Retirees Service Department was launched on January 25, 2011 to implement a mutual service strategy based on the five major premises: “the elderly are also healthy,” “the elderly also have savings,” “the elderly also have mates,” “the elderly also have fun,” and “the elderly also have friends.” “Taking care of the aged like family members” is the vision of CSC in the fulfillment of its corporate social responsibility as it provides more services to its retirees.

(4) Suggestions for public policies

CSC actively collects and compiles information from advanced countries and holds open forums by inviting participants from government, academia, and research institutes jointly with industrial associations.

Reasonable suggestions for rules and policies are presented via representative associations (such as the Chinese National Federation of Industries, Taiwan Steel & Iron Industries Association, Kaohsiung Chamber of Industry). Important suggestions include:

- GHG Reduction Act: CSC collected relevant laws on carbon reduction in EU, Japan, Korea, and the UK and invited domestic experts to a forum with the aim of building consensus to help future amendments by the government in order to ensure fairness and rationality when fulfilling Taiwan's carbon reduction responsibilities, compete fairly, and develop the domestic economy by creating jobs. In order to avoid the adoption of an air pollution control act instead of a GHG reduction rule by the EPA that will negatively affect industrial competitiveness, the Chinese National Federation of Industries requested legislators to include a GHG reduction act for ratification and the EPA to promote the Act in order to gain industrial rights and improve Taiwan's export-oriented industrial competitiveness.
- Environmental Impact Assessment Act: The EPA has enacted over-ranged pollution source prevention and control(treatment) laws; CSC suggests that for permits obtained based on pollution source prevention and control laws, developers only need to submit the contents of change to environmental competent authorities and industry competent authorities for review to respond to quick changing markets, optimize production structure, and improve production efficiency.

- Water pollution prevention and control act: CSC proposed suggestions about runoff wastewater management to the Chinese National Federation of Industries, which would compile CSC's suggestions and various opinions from other industries before submitting conclusive suggestions to the EPA. They included: (1) clearly define rerouting discharge means draining wastewater not only from a non-approved discharge point, treatment units, or from a discharge point not authorized by the sewage management agency into a sewage system but also not complying with effluent standards. (if water quality meets effluent standards, it does not violate the laws); and (2) the application of runoff wastewater management are applied to sensitive substances piling areas.

8.7 CSC Group Education Foundation

In order to achieve its goals to promote education and employee cultivation in steel-related fields to care for ecological conservation, to improve cultural spirit and to persue sustainbility the CSC Group Foundation, based on the theme "Whole Person Social and Educational Activity," organized educational activities.The Major Achievements of the CSC Group Education Foundation in 2013:

- CSC Camp

  In 2013, the CSC Camp was based on the theme "Steel and Life" with an emphasis on the importance of steel and its application in life, which was also the objective of the camp.

  The event aimed to supply participants with the knowledge of how to apply steel in their daily life. The topics were explored from various perspectives for all involved to understand the importance of steel. Through visits to the downstream and upstream businesses of the steel industry, the gap between steel and the general public was bridged, and the details of the industry were deeply experienced; meanwhile, the exchanges and interactions of steel-related industries were thereby strengthened for CSC to achieve a good relationship with the downstream business partners.

- Environmental Education Bus

  To fulfill its CSR, promote environmental education, and serve children in remote rural areas, the CSC Group Education Foundation and National Science and Technology Museum (NSTM) jointly provide Environmental Education Bus services. CSC has covered the expenses of the vehicles and their operation and the NSTM designed and prepared portable teaching tools appropriate for traveling education. The Environmental Education Bus program was initially planned in March 2011 and in its initial stage, priority services were provided to schools in remote rural areas. The first trip was to Liouguei Elementary School in Liouguei District, Kaohsiung City.

  In February 2013, CSC developed a large-scale environmental education bus with more updated teaching tools and contents in an effort to promote environmental education and raise the younger generation's eco awareness. The design of teaching tools incorporated knowledge related to environmental education and many ideas of popular science, including understanding carbon footprints, via the interactive operation of tablet computers, greenhouse effect, solar energy application, the principles of power generation, energy-saving lighting devices, dehumidification of air-conditioners, and the electric and magnetic interactions. These not only allowed teachers and students to better understand the basics of environmental education, but also inspired their interests in popular science-related knowledge, while enjoying the fun of learning through games.

- Environmental Education Camp

  The 2013 National Kaohsiung Natural Park Summer Camp began on July 9th. The purpose of the camp was to create an outdoor learning scenario for children to spark their interest in nature through ecological observation activities. At the end of the camp on August 13th, six sessions were completed, and 35 people in each session were admitted, with a total of more than 200 fifth or sixth graders of elementary schools from around Kaohsiung. 2013 marked the 7th year of the camp, with six sessions each year and a total of 1,500 participants so far. It used to be held in Kaohsiung Park, Metropolitan Park and Shoushan Park. In 2013, it took place in the eco-diverse Kaohsiung Metropolitan Park for a whole range of ecological observations.

  CSC extended this endeavor to other parts of society, including Kaohsiung City Children Care Foundation, Taiwan Care Association, Taiwan Fund for Children and Families, and other underprivileged families with children. Vacancies

free of charge were provided for those children to take part in the camp with the expectation of helping the children to make the most out of their summer vacation and fully fulfilling CSC's CSR.

- Since 2008, the CSC Education Foundation has held various lectures for citizens, including spiritual and mental health lectures, and on-campus lectures. Through charitable lecture activities, citizens' cultural, art and drama literacy can be enhanced to help with their spiritual growth and create a better future for all.
  - Organization of CSC Citizen Lectures: In 2013, 12 lectures, with experts of various fields as speakers, were organized with the participation of 3,000 people times.
  - Cultural and Social Lectures for Senior High School Students in Kaohsiung Co-organized by CSC and United Daily News Group
  - To expand the service scope of on-campus lectures at senior high schools, the CSC Group education Foundation worked with the Cloud Gate Foundation to organize lectures on the stories of the wanderers to benefit more students in Kaohsiung. (For more on-campus lectures on wanderers, please refer to http://www.cloudgate.org.tw/wandererspeech/wanderspeaker.html)
  - Spiritual Lectures Co-organized by CSC and the Teacher Chang Foundation: There were four lectures co-organized by CSC and the Teacher Chang Foundation on spiritual growth and parental education with the participation of 1,000 citizens.
- E-week educational activity

  Engineers' week (E-WEEK) was an activity focusing on technology education initiated by the US National Society of Professional Engineers (NSPE). In 2012, it was first time that CSC and IBM worked together to bring this activity to southern Taiwan. In 2013, CSC and IBM launched their second cooperation by organizing the "E-week" activities in Kaohsiung to encourage senior high school students to think outside the box and to cultivate critical thinking and creativity. They were expected to think in a manner of engineers by employing limited resources with teamwork spirit to complete tasks. In 2013, CSC continued to promote popular science in Rueisiang High School, Sinjhuang Senior High School, and Jhong Jheng High School.
- Continue to offer Introduction to Steel Making Processes courses and the Steel Employee Scholarships: The courses were offered in the first semester of 2013 academic year in NCKU with the participation of 90 students; the qualification review for the scholarships was completed in November 2013 and the scholarships were awarded by CSC's managers and representatives from NTU, NCKU, and NSYSU.
- Sponsored courses of the Industrial Human Resources Training Project: CSC continuously worked with the Department of Chemical and Materials Engineering of National University of Kaohsiung to offer courses of "Surface Treatment and Anti-corrosion Technology" and "Introduction to Steel and Hot Treatment." Lecturers included staff from CSC New Materials R&D Department and Iron and Steel R&D Department, representatives of downstream suppliers, and professors of the Department of Chemical and Materials Engineering of National University of Kaohsiung.
- Sponsored the organization of conferences related to steel and environmental protection technologies.
- Sponsored KRTC to organize activities, including Young Riding Trace-Early Access, KMRT Young Band Award, and Dome of Light Cinema to encourage the citizens of Kaohsiung to ride on the mass rapid transit system.

- Sponsored Public Television to produce a series of educational films, “Young Law School,” to introduce rules and regulations to the youth with Q&As and micro-film presentations to address issues encountered during the rebellious stage of junior high students and teenagers.
- Sponsored the CSC Super marathon Ma Ma Film.
- On January 9, 2013, CSC organized the art tour for 30 students from the 1st Grade of Junior High School Department of Guoguang Laboratory School, NSYSU to the International Steel & Iron Sculpture Festival at Pier 2. We paid special thanks to Director Ming-de Lu for him to come and interpret the artworks on site from the perspective of an artist.
- CSC participated in TTSA Chemical Science Study Camp held on January 24, 2013, to plan for plant visits and the quiz game of Steel University.
- CSC sponsored the fundraising performance of Meimen Kungfu Art Troupe before their participation in “2013 International Arts Festival and Martial Art Contest Performance” in the US. The fundraising performance was held at National Tainan Living Art Center on March 23, 2013. Performers used to be children with autism, hyperactivity disorder, allergies, and asthma, and after taught and trained by Master Feng-shan Li, they improved their health conditions and learned martial arts to promote Chinese culture.

APPENDIX

9. Appendix

Appendix I:Global Reporting Initiative (GRI) Indicator Comparison List

◎ : Fully disclosed △ : No disclosed applicable V : assuranced by BSI

Profile Disclosure	Description	Status	Related CSC CSR Report Section	Assurance	Explanatory Notes
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	◎	Message from top management	V	
2. Organizational Profile					
G4-3	Report the name of the organization.	◎	About CSC	V	
G4-4	Report the primary brands, products, and services.	◎	About CSC	V	
G4-5	Report the location of the organization's headquarters.	◎	About CSC	V	
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	◎	About CSC	V	
G4-7	Report the nature of ownership and legal form.	◎	About CSC	V	
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	◎	4.1	V	
G4-9	Scale of the reporting organization.	◎	Snapshot of CSR data	V	
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	◎	7.1	V	No significant variations in employment numbers
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	◎	7.1	V	
G4-12	Describe the organization's supply chain.	◎	3.5	V	
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: ・Changes in the location of, or changes in, operations, including facility openings, closings, and expansions ・Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) ・Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	◎	3.5,3.4,3.11,3.12	V	No significant change
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	◎	2.5	V	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	◎	2.2,2.8,3.10	V	
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: ・Holds a position on the governance body ・Participates in projects or committees ・Provides substantive funding beyond routine membership dues ・Views membership as strategic	◎	6.5	V	
3. IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	◎	Appendix VI	V	All entities were included
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	◎	1.5	V	
G4-19	List all the material Aspects identified in the process for defining report content.	◎	1.5(4)	V	
G4-20	For each material Aspect, report the Aspect Boundary within the organization, as follows: ・Report whether the Aspect is material within the organization ・If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: —The list of entities or groups of entities included in G4-17 for which the Aspect is not material or —The list of entities or groups of entities included in G4-17 for which the Aspects is material ・Report any specific limitation regarding the Aspect Boundary within the organization	◎	1.5(4)	V	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization, as follows: ・Report whether the Aspect is material outside of the organization ・If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified ・Report any specific limitation regarding the Aspect Boundary outside the organization	◎	1.5(4)	V	
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	◎		V	No restatements
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	◎	1.5(4)	V	
4. STAKEHOLDER ENGAGEMENT					
G4-24	Provide a list of stakeholder groups engaged by the organization.	◎	1.5	V	
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	◎	1.5	V	

Profile Disclosure	Description	Status	Related CSC CSR Report Section	Assurance	Explanatory Notes
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	◎	2.4	V	
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	◎	1.5	V	
5. REPORT PROFILE					
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	◎	1.1	V	
G4-29	Date of most recent previous report (if any).	◎	About CSC	V	
G4-30	Reporting cycle (such as annual, biennial).	◎	About CSC	V	
G4-31	Provide the contact point for questions regarding the report or its contents.	◎	Contact CSC	V	bottom
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	◎	1.1	V	
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	◎	1.1, Appendix V	V	
6. Governance					
G4-34	"Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	◎	1.2	V	
7. ETHICS AND INTEGRITY					
G4-56	"Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	◎	2.5	V	
G4 DMA	Description	◎			
DMA EC	Disclosure on Management Approach EC	◎	1.5(4)	V	
DMA EN	Disclosure on Management Approach EN	◎	1.5(4)	V	
DMA LA	Disclosure on Management Approach LA	◎	1.5(4)	V	
DMA HR	Disclosure on Management Approach HR	◎	1.5(4)	V	
DMA SO	Disclosure on Management Approach SO	◎	1.5(4)	V	
DMA PR	Disclosure on Management Approach PR	◎	1.5(4)	V	
Economic					
G4-EC1	Direct economic value generated and distributed.	◎	3.7	V	
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	◎	5.4	V	
G4-EC3	Coverage of the organization's defined benefit plan obligations.	◎	7.5	V	
G4-EC4	Financial assistance received from government.	◎	3.4	V	
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	◎	7.1(3)	V	
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	◎	7.1	V	
G4-EC7	Development and impact of infrastructure investments and services provided.	◎	8.5	V	
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	◎	1.4	V	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	◎	3.13	V	
Environmental					
G4-EN1	Materials used by weight or volume.	◎	3.5	V	
G4-EN2	Percentage of materials used that are recycled input materials.	◎	5.6(6)	V	
G4-EN3	Energy consumption within the organization.	◎	3.5	V	
G4-EN4	Energy consumption outside of the organization.	◎	3.5	V	
G4-EN5	Energy intensity	◎	5.6(3)	V	
G4-EN6	Reduction of energy consumption	◎	5.6(2)	V	
G4-EN7	Reductions in energy requirements of products and services	◎	5.6(2)	V	
G4-EN8	Total water withdrawal by source.	◎	5.6(11)	V	
G4-EN9	Water sources significantly affected by withdrawal of water.	◎	5.6(11)	V	
G4-EN10	Percentage and total volume of water recycled and reused.	◎	5.6(11)	V	
G4-EN11	Operation sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	◎	8.5	V	0
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	◎	8.5	V	
G4-EN13	Habitats protected or restored.	◎	8.5	V	0

Profile Disclosure	Description	Status	Related CSC CSR Report Section	Assurance	Explanatory Notes
G4-EN14	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	◎	8.5	V	0
G4-EN15	Direct greenhouse gas (GHG) emission (Scope 1)	◎	5.6(4)	V	
G4-EN16	Energy indirect greenhouse gas (GHG) emission (Scope 2)	◎	5.6(4)	V	
G4-EN17	Other indirect greenhouse gas emissions (Scope 3)	◎	5.6(4)	V	0
G4-EN18	Greenhouse gas emissions intensity	◎	5.6(4)	V	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	◎	5.6(4)	V	
G4-EN20	Emissions of ozone-depleting substances (ODS).	◎	5.6(5)	V	
G4-EN21	NOx, SOx, and other significant air emissions.	◎	5.6(5)	V	
G4-EN22	Total water discharge by quality and destination.	◎	5.6(11)	V	
G4-EN23	Total weight of waste by type and disposal method.	◎	5.6(6)	V	
G4-EN24	Total number and volume of significant spills.	◎	5.6(7)	V	0
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	◎		V	0
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	◎	5.6(11)	V	
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	◎	5.6	V	
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	◎	5.6(6)	V	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	◎	5.10	V	
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	◎	5.6(2)	V	
G4-EN31	Total environmental protection expenditures and investments by type.	◎	5.8	V	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	◎		V	0%
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	◎	2.6(4)	V	
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	◎		V	0
Social: Labor Practices and Decent Work					
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	◎	7.1	V	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	◎	7.1(3),7.5	V	
G4-LA3	Return to work and retention rates after parental leave, by gender.	◎	7.1(1)	V	
G4-LA4	Minimum notice periods regarding operational changes, including whether there are specified in collective agreements.	◎	7.1(4)	V	
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	◎	7.2	V	36.6%
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and by gender.	◎	7.2(10)	V	
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	◎	7.3	V	
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	◎	7.4	V	
G4-LA9	Average hours of training per year per employee by gender and by employee category.	◎	7.3(1)	V	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	◎	7.3	V	
G4-LA11	Percentage of employees receiving regular performance and career development reviews by gender and by employee category.	◎	7.3	V	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	◎	7.3	V	
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	◎	7.1(3)	V	
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	◎		V	0%
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	◎	2.7	V	
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	◎		V	0
Social: Human Rights					
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	◎	2.7	V	
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	◎	7.3	V	
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	◎	2.7	V	0
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	◎	2.7	V	
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	◎	2.7	V	
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	◎	2.7	V	
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	△			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	◎		V	0

Profile Disclosure	Description	Status	Related CSC CSR Report Section	Assurance	Explanatory Notes
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	◎	2.7	V	0
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	◎	2.7	V	0
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	◎		V	0
G4-HR12	Number of grievances about human rights filed, addressed, and resolved through formal grievance mechanisms.	◎		V	0
Social: Society					
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	◎	5.6(1)	V	
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	◎	5.6(1)	V	
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	◎	2.6(5)	V	
G4-SO4	Communication and training on anti-corruption policies and procedures	◎	2.6(5)	V	
G4-SO5	Confirmed incidents of corruption and actions taken	◎		V	0
G4-SO6	Total value of political contributions by country and recipient/beneficiary.	◎	8.2	V	
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	◎	6.1	V	0
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	◎	7.6	V	
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	◎		V	0
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken.	◎		V	0
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	◎		V	0
Social: Product Responsibility					
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	◎	4.4	V	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	◎		V	0
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	◎		V	100%
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	◎		V	0
G4-PR5	Results of surveys measuring customer satisfaction.	◎	4.9	V	
G4-PR6	Sale of banned or disputed products.	◎		V	0
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	◎		V	0
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	◎		V	0
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	◎		V	0
MINING AND METALS SECTOR SUPPLEMENT					
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	◎		V	Not located in protected areas and areas of high biodiversity value outside protected areas
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.	◎		V	Not located in protected areas and areas of high biodiversity value outside protected areas
MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks.	◎		V	
MM4	Number of strikes and lock-outs exceeding one week's duration, by country.	◎		V	Zero times
MM5	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities.	◎		V	
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.	◎		V	Zero dispute
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.	◎		V	
MM8	Number (and percentage) or company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.	◎		V	Zero ASM
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	◎		V	No resettlement took place
MM10	Number and percentage of operations with closure plans.	◎		V	No closure plan
MM11	Programs and progress relating to materials stewardship.	◎	2.6(4)	V	

Appendix II:ISO 26000 Comparison table

Core subjects and issues		Related CSC CSR Report Section
Organizational governance	Decision-making processes and structures	1.2
Human rights	Due diligence	7.1
	Human rights risk situations	7.1
	Avoidance of complicity	7.1
	Resolving grievances	7.1
	Discrimination and vulnerable groups	7.1
	Civil and political rights	7.1
	Economic, social and cultural rights	7.1
	Fundamental principles and rights at work	7.1
Labor practices	Employment and employment relationships	7.1
	Conditions of work and social protection	7.1
	Social dialogue	7.2
	Health and safety at work	7.2
	Human development and training in the workplace	7.3
The environment	Prevention of pollution	5.6
	Sustainable resource use	5.6
	Climate change mitigation and adaptation	5.6
	Protection of the environment, biodiversity and restoration of natural habitats	5.6
Fair operating practices	Anti-corruption	2.6
	Responsible political involvement	8.2
	Fair competition	6.1
	Promoting social responsibility in the value chain	8.1
	Respect for property rights	7.3
Consumer issues	R&D efforts	4.1
	Fair marketing, factual and unbiased information and fair contractual practices	4.4
	Protecting consumers' Health and safety	4.4
	Sustainable consumption	4.9
	Consumer service, support, and complaint and dispute resolution	4.9
	Consumer data protection and privacy	4.9
	Access to essential services	4.9
Community involvement and development	Community involvement	8.3
	Education and culture	8.3
	Employment creation and skills development	8.6
	Technology development and access	8.7
	Wealth and income creation	8.5
	Health	8.4
	Social investment	8.4

Appendix III：UN Golbal Compact Principles Comparison table

Category	10 Principles	Related CSC CSR Report Section
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights	2.7,2.8,7.1
	Make sure that they are not complicit in human rights abuses	2.8
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	7.4
	The elimination of all forms of forced and compulsory labor	7.1,
	The effective abolition of child labor	7.1,
	The elimination of discrimination in respect of employment and occupation	7.1,
Environment	Businesses should support a precautionary approach to environmental challenges	5.1
	Undertake initiatives to promote greater environmental responsibility	5.1
Anti- Corruption	Encourage the development and diffusion of environmentally friendly technologies	2.6

Appendix IV：Awards

Item	Contents
1. Corporate Governance	
1	CSR Green Growth Award by BSI
2	Leading Company Award by World Steel Association (worldsteel)
3	Climate Action Star Member by World Steel Association (worldsteel)
4	Use and Certification of CNS Mark by Bureau of Standards, Metrology & Inspection
5	China Steel Building won the award of the Office Building High Rise category of New York Architizer A+
6	The 5th Place of Rising Star Award by Executive Yuan,Taiwan
7	Letter of Appreciation by KCG for CSC's donation for building "Siaogang Transit Station"
8	"DJSI-World" and "DJSI-Emerging Markets" Businesses and Industry Leader of DJSI-World
9	TAISE's Taiwan Sustainable Businesses Award, the Best CSR Report of Manufacturing Industry Group as well as the four business sustainability performance awards: the Best Business Climate Leader, the Best Business Creativity and Communications Award, the Best Business Sustainability and Innovation Model Award, the Best Business Transparency and Trustworthiness Model Award
10	2013 the Most Prominent Benchmarking Business Award of CommonWealth Magazine
11	Corporate Citizen Award of CommonWealth Magazine
2. ESH and energy	
1	"Business Environmental Protection Award," Taiwan EPA
2	Outstanding Award of the Contest of "National Workplace Safety and Health Week"
3	2012 "Outstanding Organizations of Private Enterprises and Groups for Green Procurement," KEPB
4	Recognized as Outstanding Green Procurement Organization by EPA
5	Listed on CDLI for CSC's CDP climate information disclosure
6	Outstanding Award of B Group for CSC Rolling Plant 1's participation in Energy Saving Award of MOEA; Excellence Award of Energy Saving Businesses of MOEA three years in a row

Appendix V：Assurance

INDEPENDENT ASSURANCE OPINION STATEMENT

2013 China Steel Corporation Corporate Sustainability Report

The British Standards Institution is independent to China Steel Corporation (hereafter referred to as CSC in this statement) and has no financial interest in the operation of CSC other than for the assessment and assurance of this report.

This independent assurance opinion statement has been prepared for CSC only for the purposes of assuring its statements relating to its corporate social responsibility (CSR), more particularly described in the Scope, below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by CSC. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to CSC only.

Scope

The scope of engagement agreed upon with CSC includes the followings:

1. The assurance covers the whole report and focuses on systems and activities during the 2013 calendar year on the CSC headquarter and overseas office.
2. The evaluation of the nature and extent of the CSC's adherence to all three AA1000 AccountAbility Principles in this report as conducted in accordance with type 1 of AA1000AS (2008) assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English and translated into Chinese for reference only.

Opinion Statement

We conclude that the 2013 CSC Corporate Responsibility Report Review provides a fair view of the CSC CSR programmes and performances during 2013. We believe that the 2013 economic, social and environment performance indicators are fairly represented. The CSR performance indicators disclosed in the report demonstrate CSC's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurors in accordance with the AA1000 Assurance Standard (2008). We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that CSC's description of their approach to AA1000 Assurance Standard and their self-declaration of compliance with the GRI guidelines were fairly stated.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- a review of issues raised by external parties that could be relevant to CSC's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers and staffs on CSC's approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 12 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the company's reporting and management processes concerning this reporting against the principles of inclusivity, materiality and responsiveness as described in the AA1000 AccountAbility Principles Standard (2008).

Conclusions

A detailed review against the AA1000 AccountAbility Principles of Inclusivity, Materiality and Responsiveness and the GRI G4.0 guidelines is set out below:

Inclusivity

This report has reflected a fact that CSC is seeking the engagement of its stakeholders continuously. The participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to sustainability. The reporting systems are being developed to deliver the required information. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the CSC's inclusivity issues, however, the future report should be further enhanced by the following areas:

- Continually watch latest CSR development by means of mapping value chain and incorporating with the corporate core strategy as to correspond in international society's needs.

Materiality

CSC publishes sustainability information that enables its stakeholders to make informed judgments about the company's management and performance. In our professional opinion the report covers the CSC's material issues; however, the future report should be further enhanced by the following areas:

- Encouraging to improving the materiality identification process which most feasible consider the significant risks and opportunities in the value chain.

Responsiveness

CSC has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for CSC is developed and provides the opportunity to further enhance CSC's responsiveness to stakeholder concerns. Issues that stakeholder concern about have been responded timely. In our professional opinion the report covers the CSC's responsiveness issues, however, the future report should be further enhanced by the following areas:

- Encouraging to work towards a type 2 of AA1000AS (2008) engagement with a view to providing the reliability of sustainability performance information that stakeholder concerned.

GRI-reporting

CSC provided us with their self declaration of in accordance with the GRI G4.0 Guidelines: the Core option. Based on our review, we confirm that social responsibility and sustainable development indicators with relevance to the GRI Index are reported, partially reported or omitted. In our professional opinion the self declaration covers the CSC's social responsibility and sustainability issues; however, the future report will be improved by the following areas:

- Continuously focus on the implementation of sustainability procedures and programs along with the newly developed standards.

Assurance level

This moderate level assurance provided is in accordance with AA1000 Assurance Standard (2008) to our review as defined by the scope and methodology described in this statement.

Responsibility

This CSR report is the responsibility of the CSC's CEO as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

The assurance team was composed of Lead Auditors and Carbon Footprint Verifiers experienced in industry sector and trained in a range of sustainability, environmental and social standards including AA1000 AS, ISO14001, OHSAS18001, ISO14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI

Peter Pu
Managing Director BSI Taiwan
19 May, 2014

bsi.

AA1000
Licensed Assurance Provider

Appendix VI：Financial Statements

Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Additional Descriptions
China Steel Corporation	China Steel Express Corporation (CSE)	Ocean freight forwarding	100	100	100	
	C. S. Aluminium Corporation (CSAC)	Production and sale of aluminium and other non-ferrous metal	100	100	100	
	Gains Investment Corporation (GIC)	General investment	100	100	100	
	China Prosperity Development Corporation (CPDC)	Real estate sale, rental and development service	100	100	100	
	China Steel Asia Pacific Holdings Pte Ltd.	Investment holding company	100	100	100	
	China Steel Global Trading Corporation (CSGT)	Steel product agency and trading service	100	100	100	
	China Steel Machinery Corporation (CSMC)	Manufacture of machinery and equipment	74	74	74	Direct and indirect ownerships amounted to 100%
	China Steel Security Corporation	Guard security and system security	100	100	100	
	Info-Champ Systems Corporation (ICSC)	Design and sale of IT hardware and software	100	100	100	
	CSC Steel Australia Holdings Pty Ltd. (CSCAU)	Investment holding company	100	100	100	
	Horng Yih Investment Corporation	General investment	-	100	100	Dissolution due to merger in January 2013
	Long Yuan Fa Investment Corporation	General investment	-	100	100	Dissolution due to merger in January 2013
	Goang Yaw Investment Corporation	General investment	-	100	100	Dissolution due to merger in January 2013
	Hmag Magnetic Corporation	Manufacture and trading of magnetic powder	50	50	50	Direct and indirect ownerships amounted to 85%
	Dragon Steel Corporation (DSC)	Manufacture and sale of steel product	100	100	100	
	China Steel Management Consulting Corporation	Business management consultant	100	100	100	
	China Ecotek Corporation (CEC)	Electrical engineering and co-generation	45	48	49	Refer to a. below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	29	Refer to a. below
	Chung Hung Steel Corporation Ltd. (CHSC)	Manufacture and sale of steel product	29	29	29	Direct and indirect ownerships amounted to 41%, and refer to a. below
	CHC Resources Corporation (CHC)	Manufacture and sale of slag powder and blast furnace cement, and waste disposal	20	20	20	Direct and indirect ownerships amounted to 35%, and refer to a. below
	China Steel Structure Co., Ltd. (CSSC)	Design, manufacture and sale of steel structure	33	33	33	Direct and indirect ownerships amounted to 37%, and refer to a. below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture of steel product	51	51	51	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Manufacture and sale of steel product (electromagnetic steel coil)	100	100	-	Investment in January 2012
	Kaohsiung Rapid Transit Corporation (KRTC)	Operation of mass rapid transit	43	31	31	Increased investment in the second half of 2013 and included in the consolidated entities in December 2013; direct and indirect ownerships amounted to 50%, 32% and 32% as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively
	Winning Investment Corporation (WIC)	General investment	-	-	-	Indirect ownership was 58%
	Eminent Venture Capital Corporation (EVCC)	General investment	-	-	-	Indirect ownership was 55%
China Steel Express Corporation	CSE Transport Corporation (Panama) (CSEP)	Ocean freight forwarding	100	100	100	
	CSEI Transport Corporation (Panama) (CSEIP)	Ocean freight forwarding	100	100	100	
	Transyang Shipping Pte Ltd. (TSP)	Ocean freight forwarding	51	51	51	
	Transglory Investment Corporation (TIC)	General investment	50	50	50	Direct and indirect ownerships amounted to 100%
	Kaohsiung Port Cargo Handling Services Corp.	Cargo Stevedoring	66	29	29	Increased investment and included in the consolidated entities in June 2013
C.S. Aluminium Corporation	ALU Investment Offshore Corporation	Industry investment	100	100	100	
ALU Investment Offshore Corporation	United Steel International Development Corp.	Industry investment	65	65	65	Direct and indirect ownerships amounted to 79%

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Additional Descriptions
United Steel International Development Corp.	Ningbo Huayang Aluminium-Tech Co., Ltd.	Manufacture and sale of aluminium alloy material	100	100	100	
Gains Investment Corporation	Eminence Investment Corporation	General investment	100	100	100	
	Gainsplus Asset Management Inc.	General investment	100	100	100	
	Mentor Consulting Corporation	General investment consulting service	100	100	100	
	AmbiCom Technology, Inc.	Wholesale of office machinery and equipment	80	80	80	
	Betacera Inc. (BETA)	Manufacture, processing and trading of electronic ceramics	48	48	48	Refer to a. below
	Universal Exchange Inc.	Software programming	64	64	57	
	Thintech Materials Technology Co., Ltd. (TMTC)	Target material and bimetal material tube sale	33	33	36	Direct and indirect ownerships amounted to 42%, 42% and 46% as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and refer to b. below
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruei Investment Corporation	General investment	25	25	25	Direct and indirect ownerships amounted to 100%
	Ding Da Investment Corporation	General investment	30	30	30	Direct and indirect ownerships amounted to 100%
	Chinn Yu Investment Corporation	General investment	25	25	25	Direct and indirect ownerships amounted to 100%
Shin-Mau Investment Corporation	Horng Chyuan Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
	Chi Yih Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
Gau Ruei Investment Corporation	Lih Ching Loong Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
	Sheng Lih Dar Investment Corporation	General investment	4	4	4	Direct and indirect ownerships amounted to 100%
Ding Da Investment Corporation	Jiang Cheng Fa Investment Corporation	General investment	4	4	4	Direct and indirect ownerships amounted to 100%
Betacera Inc.	Lefkara Ltd.	Electronic ceramics trading	100	100	100	
Lefkara Ltd.	Shang Hai Xike Ceramic Electronic Co., Ltd.	Electronic ceramics trading	100	100	100	
	Betacera (Su Zhou) Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	100	
	Suzhou Betacera Technology Co., Ltd.	Manufacture and sale of life-saving equipment for aviation and shipping	100	100	100	
Thintech Materials Technology Co., Ltd.	Thintech International Limited	International trading and investment service	100	100	100	
	Thintech Global Limited	International trading and investment service	100	100	100	
	Thintech United Limited	International trading and investment service	100	100	-	Investment in April 2012
Thintech International Limited	Nantong Zhongxing Materials Technology Co., Ltd. (NZMTCL)	Manufacture, processing and trading of target material	47	47	47	Refer to a. below
Thintech Global Limited	Taicang Thintech Materials Co., Ltd.	Manufacture, processing and trading of target material	100	100	100	
Thintech United Limited	Thintech United Metal Resources (Taicang) Co., Ltd.	Refining, purification and sale of metal	65	65	-	Investment in April 2012
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sale and rental	80	80	-	Investment in January 2012; direct and indirect ownerships amounted to 100%
China Steel Asia Pacific Holdings Pte Ltd.	CSC Steel Holdings Berhad (CSHB)	Investment holding company	46	46	46	Refer to a. below
	Changzhou China Steel Precision Materials Corporation (CCSPMC)	Manufacture and sale of titanium-nickel alloy and non-ferrous metal	70	70	70	
	Qingdao China Steel Precision Metals Co., Ltd.	Steel cutting and processing	60	60	-	Investment in December 2012; direct and indirect ownerships amounted to 70%
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd. (CSCSSB)	Manufacture and sale of steel product	100	100	100	
	Group Steel Corp. (M) Sdn. Bhd.	Manufacture and sale of steel product	100	100	100	
	CSC Bio-Coal Sdn. Bhd.	Manufacture biomass coal	100	100	100	
CSC Steel Sdn. Bhd.	Constant Mode Sdn. Bhd.	General investment	100	100	100	
China Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co., Ltd.	Investment and trading service	100	100	100	
	CSGT (Singapore) Pte. Ltd.	Steel product agency and trading service	100	100	100	
	Chung Mao Trading (BVI) Co., Ltd.	Steel product agency and trading service	53	53	53	
	Wabo Global Trading Corporation	Steel product agency and trading service	44	44	44	Direct and indirect ownerships amounted to 50%
	CSGT International Corporation	Investment and trading service	100	100	100	
	China Steel Global Trading Vietnam Co., Ltd.	Steel trading	100	-	-	Investment in August 2013
Chung Mao Trading (SAMOA) Co., Ltd.	CSGT (Shanghai) Co., Ltd.	Steel product agency and trading service	100	100	100	
Chung Mao Trading (BVI) Co., Ltd.	CSGT Hong Kong Limited	Steel product agency and trading service	100	100	100	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Steel cutting and processing	45	45	45	Direct and indirect ownerships amounted to 50%
Wabo Global Trading Corporation	CSGT Japan Co., Ltd.	Steel product agency and trading service	100	100	100	
China Steel Machinery Corporation	China Steel Machinery Holding Corporation	General investment	100	100	-	Investment in November 2012
	China Steel Machinery Vietnam Co., Ltd.	Installation of machinery and equipment, and technology service	100	-	-	Investment in May 2013

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Additional Descriptions
	China Steel Machinery Corporation India Pvt. Ltd.	Manufacture of machinery	99	-	-	Investment in September 2013; direct and indirect ownerships amounted to 100%
China Steel Machinery Holding Corporation	CSMC (Shanghai) Global Trading Co., Ltd.	International trading	100	-	-	Investment in January 2013
China Steel Security Corporation	Steel Castle Technology Corporation	Firefighting equipment wholesaling	100	100	100	
	China Steel Management and Maintenance for Building Corporation	Building management	100	100	-	Investment in January 2012
Info-Champ Systems Corporation	Info-Champ System (B.V.I.)	Information service	100	100	100	
Info-Champ System (B.V.I.)	Wuhan InfoChamp I.T. Co., Ltd.	Software programming	100	100	100	
CSC Steel Australia Holdings Pty Ltd.	CSC Sonoma Pty Ltd.	General investment	100	100	100	
Himag Magnetic Corporation	Himag Magnetic (Belize) Corporation	Magnetic powder trading	100	100	100	
China Ecotek Corporation	CEC International Corp.	General investment	100	100	100	
	CEC Development Co.	General investment	100	100	100	
	CEC Holding Co., Ltd.	General investment	100	-	-	Investment in January 2013
	China Ecotek Construction Corporation	Construction, interior design and decoration, and retail and wholesale of building materials	100	100	-	Investment in October 2012
CEC International Corp.	China Ecotek India Private Limited	Planning, maintenance and management of eco-construction and eco-equipment	100	100	-	Investment in November 2012
CEC Development Co.	China Ecotek Vietnam Company Ltd. (CEVC)	Engineering design and construction	100	100	100	
	Xiamen Ecotek PRC Co., Ltd.	Metal materials agency and trading service	100	100	100	
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	International trading	100	100	100	
	Ever Wealthy Investment Corporation	General investment	100	100	100	
Ever Wealthy Investment Corporation	Ever Earning Investment Company	General investment	51	51	51	Direct and indirect ownerships amounted to 100%
	China Steel Carbon Materials Technology Co., Ltd.	General investment	100	-	-	Investment in December 2013
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Carbon Technology Co., Ltd.	Sale of asphalt, carbon materials and graphite materials	100	-	-	Investment in December 2013
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation (TSC)	Manufacture of steel product	100	100	100	
	Hung Kao Investment Corporation	General investment	100	100	100	
	Hung Li Steel Corporation Ltd. (HLSC)	Steel product processing	100	100	100	
CHC Resources Corporation	Union Steel Development Corp.	Manufacture and trading of metal powder and ore powder, and gift trading	93	93	93	
	Pao Good Industrial Co., Ltd.	Slag powder processing and trading	51	51	51	
	Yu Cheng Lime Corporation	Manufacture of other non-metal mineral product	90	90	-	Investment in March 2012
China Steel Structure Co., Ltd.	United Steel Constructure Corporation	Contract project of civil engineering and construction engineering, and steel structure installation	100	100	100	
	China Steel Structure Investment Pte Ltd.	General investment	100	100	100	
United Steel Constructure Corporation	United Steel Investment Holding Co., Ltd.	General investment	100	100	100	
	United Steel Investment Pte Ltd.	General investment	100	100	100	
	Lian Chuan Construction Consultation (Shanghai) Co., Ltd.	Engineering technology consulting	100	100	100	
	United Steel Construction Vietnam Co., Ltd.	Civil engineering construction and other business contract and management	100	100	100	
	United Steel Development Co., Ltd.	Construction development and rental business	100	100	100	
United Steel Investment Holding Co., Ltd.	United Steel International Co., Ltd.	General investment	100	100	100	
United Steel International Co., Ltd.	United Steel Engineering and Construction Co., Ltd.	Civil engineering construction and other business contract and management	100	100	100	
China Steel Structure Investment Pte Ltd.	China Steel Structure Holding Co., Ltd.	General investment	63	63	63	Direct and indirect ownerships amounted to 100%
China Steel Structure Holding Co., Ltd.	China Steel Structure Investment Co., Ltd.	General investment	100	100	100	
China Steel Structure Investment Co., Ltd.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Steel structure installation, consulting and steel plate cutting	100	100	100	

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 33)	$ 13,700,839	2	$ 18,100,737	3	$ 12,131,328	2
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 33)	5,014,510	1	3,940,343	1	3,439,676	1
Available-for-sale financial assets - current (Notes 4, 5, 8 and 33)	5,290,437	1	4,785,015	1	5,389,711	1
Held-to-maturity financial assets - current (Notes 4, 9 and 33)	-	-	-	-	60,550	-
Derivative financial assets for hedging - current (Notes 4, 10 and 33)	30,501	-	45,950	-	115,768	-
Bond investments with no active market - current (Notes 4, 15 and 33)	9,259	-	-	-	-	-
Notes receivable (Notes 4, 5, 11, 33 and 34)	1,805,283	-	1,490,986	-	1,901,604	-
Accounts receivable, net (Notes 4, 5, 11, 33 and 34)	10,769,662	2	11,092,259	2	10,694,097	2
Amounts due from customers for construction contracts (Notes 4 and 12)	7,309,470	1	7,432,666	1	8,716,229	1
Other receivables (Notes 4 and 33)	1,943,126	-	942,643	-	1,413,428	-
Current tax assets (Note 29)	120,617	-	58,085	-	453,304	-
Inventories (Notes 4, 5 and 13)	82,589,612	12	76,867,018	12	107,277,509	17
Lands and buildings under construction (Notes 4 and 14)	450,665	-	-	-	-	-
Other financial assets - current (Notes 4, 17, 33 and 35)	13,529,793	2	13,523,714	2	15,902,288	3
Other current assets (Note 25)	5,673,611	1	4,775,722	1	5,777,149	1
Total current assets	148,237,385	22	143,055,138	23	173,272,641	28
NONCURRENT ASSETS						
Financial assets at fair value through profit or loss - noncurrent (Notes 4, 7 and 33)	-	-	259	-	23,979	-
Available-for-sale financial assets - noncurrent (Notes 4, 5, 8 and 33)	28,100,611	4	18,164,094	3	16,330,183	3
Held-to-maturity financial assets - noncurrent (Notes 4, 9 and 33)	209,991	-	185,159	-	109,171	-
Derivative financial assets for hedging - noncurrent (Notes 4, 10 and 33)	42,202	-	6,983	-	124,920	-
Bond investments with no active market - noncurrent (Notes 4 and 15)	2,973,651	1	3,536,086	1	4,050,222	1
Investments accounted for using equity method (Notes 4 and 16)	10,990,162	2	2,185,437	-	2,145,883	-
Property, plant and equipment (Notes 4, 5, 10, 17, 18 and 35)	462,742,294	68	432,333,039	69	399,201,205	65
Investment properties (Notes 4, 5, 19 and 35)	8,337,249	1	8,689,136	2	8,690,127	1
Intangible assets	2,680,365	-	1,535,907	-	1,626,341	-
Deferred tax assets (Notes 4, 5 and 29)	6,077,668	1	7,829,804	1	7,106,931	1
Refundable deposits (Notes 4 and 33)	513,180	-	431,779	-	428,431	-
Other financial assets - noncurrent (Notes 4, 17, 33 and 35)	2,361,443	-	458,971	-	2,518,424	1
Other noncurrent assets (Note 34)	8,733,172	1	4,606,777	1	2,130,072	-
Total noncurrent assets	533,761,988	78	479,963,431	77	444,485,889	72
TOTAL	$ 681,999,373	100	$ 623,018,569	100	$ 617,758,530	100

LIABILITIES AND EQUITY	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CURRENT LIABILITIES						
Short-term borrowings and bank overdraft (Notes 6, 20, 33 and 35)	$ 28,652,599	4	$ 25,637,077	4	$ 59,918,010	10
Short-term bills payable (Notes 20, 33 and 35)	30,786,300	5	28,679,430	5	22,357,900	4
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 33)	9,094	-	4,362	-	90	-
Derivative financial liabilities for hedging - current (Notes 4, 10 and 33)	44,281	-	240,380	-	53,331	-
Notes payable (Notes 33 and 34)	1,016,173	-	261,617	-	1,066,418	-
Accounts payable (Notes 22, 33 and 34)	11,700,751	2	10,332,163	2	10,131,244	2
Amounts due to customers for construction contracts (Notes 4 and 12)	5,818,449	1	3,647,356	1	2,203,481	-
Other payables (Notes 23, 25 and 33)	23,925,757	3	20,491,865	3	20,859,732	3
Current tax liabilities (Note 29)	3,700,145	1	2,098,817	-	3,376,691	1
Provisions - current (Notes 4, 5 and 24)	2,968,838	-	2,176,179	-	2,810,630	-
Current portion of bonds payable (Notes 21 and 33)	3,499,318	1	11,272,543	2	11,270,086	2
Current portion of long-term bank borrowings (Notes 20, 33 and 35)	19,426,467	3	20,979,088	3	11,715,737	2
Other current liabilities	3,306,668	-	2,357,360	-	2,961,332	-
Total current liabilities	134,854,840	20	128,178,237	20	148,724,682	24
NONCURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - noncurrent (Notes 4, 7 and 33)	-	-	1,739	-	-	-
Derivative financial liabilities for hedging - noncurrent (Notes 4, 10 and 33)	18,043	-	86,829	-	42,475	-
Bonds payable (Notes 4, 21 and 33)	62,994,437	9	47,069,227	8	37,944,340	6
Long-term bank borrowings (Notes 20, 33 and 35)	108,062,267	16	92,255,495	15	75,533,461	12
Long-term bills payable (Notes 20 and 35)	34,882,033	5	31,783,731	5	24,813,719	4
Provisions - noncurrent (Notes 4, 5 and 24)	1,067,087	-	-	-	-	-
Deferred tax liabilities (Notes 4 and 29)	12,976,988	2	12,922,120	2	13,080,149	2
Accrued pension liabilities (Notes 4, 5 and 25)	7,237,168	1	7,439,282	1	7,671,000	2
Other noncurrent liabilities (Note 4)	536,795	-	541,109	-	484,279	-
Total noncurrent liabilities	227,774,818	33	192,099,532	31	159,569,423	26
Total liabilities	362,629,658	53	320,277,769	51	308,294,105	50
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4, 10, 17, 26, 29 and 35)						
Share capital						
Ordinary shares	154,255,840	23	152,724,765	24	150,462,093	24
Preference shares	382,680	-	382,680	-	382,680	-
Total share capital	154,638,520	23	153,107,445	24	150,844,773	24
Capital surplus	36,960,818	5	36,575,997	6	36,184,596	6
Retained earnings						
Legal reserve	55,359,726	8	54,778,577	9	52,829,209	8
Special reserve	26,920,871	4	29,248,991	4	29,251,979	5
Unappropriated earnings	16,348,240	3	6,156,721	1	19,606,971	3
Total retained earnings	98,628,837	15	90,184,289	14	101,688,159	16
Other equity	7,955,853	1	4,585,717	1	5,824,756	1
Treasury shares	(8,496,974)	(1)	(8,582,297)	(1)	(8,290,245)	(1)
Total equity attributable to owners of the Corporation	289,687,054	43	275,871,151	44	286,252,039	46
NON-CONTROLLING INTERESTS	29,682,661	4	26,869,649	5	23,212,386	4
Total equity	319,369,715	47	302,740,800	49	309,464,425	50
TOTAL	$ 681,999,373	100	$ 623,018,569	100	$ 617,758,530	100

The accompanying notes are an integral part of the consolidated financial statements.

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 10, 24, 27 and 34)	$ 347,828,838	100	$ 358,336,500	100
OPERATING COSTS (Notes 13, 25, 28 and 34)	310,548,923	89	338,990,574	95
GROSS PROFIT	37,279,915	11	19,345,926	5
REALIZED GAIN ON THE TRANSACTIONS WITH ASSOCIATES	404,495	-	31,236	-
REALIZED GROSS PROFIT	37,684,410	11	19,377,162	5
OPERATING EXPENSES (Notes 25 and 28)				
Selling and marketing expenses	4,992,404	1	4,582,645	1
General and administrative expenses	6,286,297	2	5,117,423	1
Research and development expenses	1,852,759	1	1,683,449	1
Total operating expenses	13,131,460	4	11,383,517	3
PROFIT FROM OPERATIONS	24,552,950	7	7,993,645	2
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 28)	1,618,710	1	1,749,663	1
Other gains and losses (Notes 10 and 28)	(258,031)	-	1,013,975	-
Finance costs (Note 28)	(2,985,370)	(1)	(2,790,260)	(1)
Share of the profit (loss) of associates and joint ventures	280,793	-	(228,083)	-
Total non-operating income and expenses	(1,343,898)	-	(254,705)	-
PROFIT BEFORE INCOME TAX	23,209,052	7	7,738,940	2
INCOME TAX EXPENSE (Notes 4, 5 and 29)	4,854,585	2	1,305,382	-
NET PROFIT FOR THE YEAR	18,354,467	5	6,433,558	2
OTHER COMPREHENSIVE INCOME (Notes 4, 10, 17, 25, 26 and 29)				
Exchange differences on translating foreign operations	218,254	-	(756,488)	(1)
Unrealized gain (loss) on available-for-sale financial assets	3,550,104	1	(6,683)	-
Cash flow hedges	$ 340,696	-	$ (725,196)	-
Actuarial gain and loss from defined benefit plans	153,606	-	98,543	-
Share of the other comprehensive income of associates and joint ventures	(156,363)	-	28,009	-
Income tax benefit (expense) relating to the components of other comprehensive income	(102,760)	-	110,410	-
Total other comprehensive income, net of income tax	4,003,537	1	(1,251,405)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 22,358,004	6	$ 5,182,153	1
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 15,981,540	4	$ 5,894,806	2
Non-controlling interests	2,372,927	1	538,752	-
	$ 18,354,467	5	$ 6,433,558	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 19,506,129	5	$ 4,764,269	1
Non-controlling interests	2,851,875	1	417,884	-
	$ 22,358,004	6	$ 5,182,153	1
EARNINGS PER SHARE (Note 30)				
Basic	$ 1.05		$ 0.39	
Diluted	$ 1.05		$ 0.39	

(Continued)

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to the Owners of the Corporation												
	Share Capital			Retained Earnings			Other Equity						
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Treasury Shares	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2012	$ 150,462,093	$ 382,680	$ 36,184,596	$ 52,829,209	$ 29,251,979	$ 19,606,971	$ -	$ 5,507,672	$ 317,084	$ 5,824,756	$ (8,290,245)	$ 23,212,386	$ 309,464,425
Reversal of special reserve	-	-	-	-	(2,988)	2,988	-	-	-	-	-	-	-
Appropriation of 2011 earnings (Note 26)													
Legal reserve	-	-	-	1,949,368	-	(1,949,368)	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$1.01 per share	-	-	-	-	-	(15,196,671)	-	-	-	-	-	-	(15,196,671)
Cash dividends to preference shareholders - NT$1.25 per share	-	-	-	-	-	(47,835)	-	-	-	-	-	-	(47,835)
Share dividends to ordinary shareholders - NT$0.15 per share	2,256,932	-	-	-	-	(2,256,932)	-	-	-	-	-	-	-
Share dividends to preference shareholders - NT$0.15 per share	5,740	-	-	-	-	(5,740)	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2012	-	-	-	-	-	5,894,806	-	-	-	-	-	538,752	6,433,558
Other comprehensive income for the year ended December 31, 2012, net of income tax	-	-	-	-	-	108,502	(417,820)	(223,869)	(597,350)	(1,239,039)	-	(120,868)	(1,251,405)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	6,003,308	(417,820)	(223,869)	(597,350)	(1,239,039)	-	417,884	5,182,153
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	(303,918)	(243,985)	(547,903)
Disposal of the Corporation's shares held by subsidiaries	-	-	2,363	-	-	-	-	-	-	-	19,331	26,722	48,416
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	308,554	-	-	-	-	-	-	-	-	189,439	497,993
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	3,267,203	3,267,203
Adjustment of other equity	-	-	80,484	-	-	-	-	-	-	-	(7,465)	-	73,019
BALANCE AT DECEMBER 31, 2012	152,724,765	382,680	36,575,997	54,778,577	29,248,991	6,156,721	(417,820)	5,283,803	(280,266)	4,585,717	(8,582,297)	26,869,649	302,740,800
Reversal of special reserve	-	-	-	-	(2,328,120)	2,328,120	-	-	-	-	-	-	-
Appropriation of 2012 earnings (Note 26)													
Legal reserve	-	-	-	581,149	-	(581,149)	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.4 per share	-	-	-	-	-	(6,108,990)	-	-	-	-	-	-	(6,108,990)
Cash dividends to preference shareholders - NT$1.3 per share	-	-	-	-	-	(49,748)	-	-	-	-	-	-	(49,748)
Share dividends to ordinary shareholders - NT$0.1 per share	1,527,248	-	-	-	-	(1,527,248)	-	-	-	-	-	-	-
Share dividends to preference shareholders - NT$0.1 per share	3,827	-	-	-	-	(3,827)	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2013	-	-	-	-	-	15,981,540	-	-	-	-	-	2,372,927	18,354,467
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	154,453	(241,869)	3,319,364	292,641	3,370,136	-	478,948	4,003,537
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	16,135,993	(241,869)	3,319,364	292,641	3,370,136	-	2,851,875	22,358,004
Disposal of the Corporation's shares held by subsidiaries	-	-	31,212	-	-	-	-	-	-	-	82,997	167,163	281,372
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	123,966	-	-	-	-	-	-	-	-	76,094	200,060
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(282,120)	(282,120)
Adjustment of other equity	-	-	229,643	-	-	(1,632)	-	-	-	-	2,326	-	230,337
BALANCE AT DECEMBER 31, 2013	$ 154,255,840	$ 382,680	$ 36,960,818	$ 55,359,726	$ 26,920,871	$ 16,348,240	$ (659,689)	$ 8,603,167	$ 12,375	$ 7,955,853	$ (8,496,974)	$ 29,682,661	$ 319,369,715

The accompanying notes are an integral part of the consolidated financial statements.

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 23,209,052	$ 7,738,940
Adjustments for:		
Depreciation expense	31,345,401	28,472,649
Amortization expense	293,117	246,151
Net gain on financial assets and liabilities at fair value through profit or loss	(225,006)	(96,834)
Finance costs	2,985,370	2,790,260
Interest income	(472,294)	(422,510)
Dividend income	(364,527)	(369,284)
Share of the loss (profit) of associates and joint ventures	(281,422)	227,844
Loss on disposal of property, plant and equipment	111,761	223,795
Gain on disposal of investments	(674,749)	(1,409,284)
Impairment loss recognized on financial assets	192,985	106,572
(Gain on reversal of) impairment loss recognized on non-financial assets	213,244	(9,745)
Increase (decrease) in provision for loss on inventories	158,052	(1,914,229)
Realized gain on the transactions with associates	(404,495)	(31,236)
Recognition of provisions	4,327,642	3,157,232
Others	(82,442)	(168,799)
Changes in operating assets and liabilities		
Financial assets held for trading	(215,872)	(102,046)
Notes receivable	(311,119)	410,618
Accounts receivable	538,565	(287,239)
Amounts due from customers for construction contracts	123,196	1,283,563
Other receivables	515,700	446,776
Inventories	(5,855,841)	32,324,720
Lands and buildings under construction	(38,758)	-
Other current assets	(709,282)	1,001,427
Notes payable	721,208	(804,801)
Accounts payable	185,274	200,919
Amounts due to customers for construction contracts	2,161,444	1,443,875
Other payables	894,106	(1,894,655)
Provisions	(3,493,517)	(3,791,683)
Other current liabilities	695,626	(605,273)
Accrued pension liabilities	(48,508)	(133,175)
Cash generated from operations	55,493,911	68,034,548
Income taxes paid	(1,251,708)	(2,895,977)
Net cash generated from operating activities	54,242,203	65,138,571

(Continued)

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	$ (5,331,769)	$ (5,459,020)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	4,713,063	5,225,317
Acquisition of available-for-sale financial assets	(10,341,835)	(7,784,362)
Proceeds from disposal of available-for-sale financial assets	3,137,250	7,597,830
Proceeds from the capital reduction on available-for-sale financial assets	64,500	47,448
Acquisition of bond investments with no active market	(14,593)	(134,927)
Proceeds from disposal of bond investment with no active market	29,330	-
Acquisition of held-to-maturity financial assets	(102,112)	(81,930)
Proceeds from disposal of held-to-maturity financial assets	82,236	59,155
Net cash outflow on acquisition of subsidiaries	(907,670)	(125,724)
Acquisition of investments accounted for using equity method	(9,403,092)	(277,000)
Proceeds from disposal of investments accounted for using equity method	-	9,033
Proceeds from the capital reduction on investments accounted for using equity method	-	26,950
Acquisition of property, plant and equipment	(60,718,197)	(61,167,266)
Proceeds from disposal of property, plant and equipment	132,927	66,543
Increase in refundable deposits	(71,422)	(3,347)
Acquisition of intangible assets	(236,845)	(32,704)
Acquisition of investment properties	(11,309)	(715,182)
Decrease in other financial assets	273,317	4,131,989
Increase in other noncurrent assets	(1,363,882)	(814,353)
Interest received	467,105	418,426
Dividends received from associates	62,037	61,357
Dividends received from others	369,147	364,312
Net cash used in investing activities	(79,171,814)	(58,587,455)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	299,839,209	507,439,986
Repayments of short-term borrowings	(300,050,470)	(539,378,281)
Increase in short-term bills payable	2,106,870	6,321,530
Issuance of bonds payable	19,894,618	20,595,100
Repayments of bonds payable	(11,275,000)	(11,275,000)
Proceeds from long-term bank borrowings	63,921,305	55,328,586
Repayments of long-term bank borrowings	(48,495,770)	(28,258,485)
Increase in long-term bills payable	3,098,302	6,970,012
Increase (decrease) in other noncurrent liabilities	(55,213)	54,636
Dividends paid to owners of the Corporation	(5,976,436)	(14,738,479)
Purchase of the Corporation's shares by subsidiaries	-	(547,903)
Disposal of the Corporation's shares held by subsidiaries	281,372	48,416

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2013	2012
Interest paid	$ (3,650,011)	$ (3,421,282)
Increase (decrease) in non-controlling interests	(2,037,708)	3,254,882
Net cash generated from financing activities	17,601,068	2,393,718
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	910,729	(890,962)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,417,814)	8,053,872
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	16,959,256	8,905,384
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 10,541,442	$ 16,959,256
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2013 and 2012:		
Cash and cash equivalents in the consolidated balance sheets	$ 13,700,839	$ 18,100,737
Bank overdraft	(3,159,397)	(1,141,481)
Cash and cash equivalents in the consolidated statements of cash flows	$ 10,541,442	$ 16,959,256

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

TABLE 1

CHINA STEEL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED BALANCE SHEET
AS OF JANUARY 1, 2012
(In Thousands of New Taiwan Dollars)

Assets							Liabilities and Shareholders' Equity						
		Effects of Transition to IFRSs						Effects of Transition to IFRSs					
ROC GAAP		Presentation	Recognition and Measurement	IFRSs		Reference	ROC GAAP		Presentation	Recognition and Measurement	IFRSs		Reference
Item	Amount	Difference	Difference	Amount	Item	(Note 1)	Item	Amount	Difference	Difference	Amount	Item	(Note 1)
CURRENT ASSETS					CURRENT ASSETS		CURRENT LIABILITIES					CURRENT LIABILITIES	
Cash and cash equivalents	$ 17,480,892	$ (5,349,764)	$ -	$ 12,131,128	Cash and cash equivalents	A	Short-term loans and overdraft	$ 59,918,010	$ -	$ -	$ 59,918,010	Short-term borrowings and bank overdraft	
Financial assets at fair value through profit or loss - current	3,124,636		315,040	3,439,676	Financial assets at fair value through profit or loss - current	a)	Commercial paper payable	22,357,900			22,357,900	Short-term bills payable	
							Financial liabilities at fair value through profit or loss - current	90			90	Financial liabilities at fair value through profit or loss - current	
Available-for-sale financial assets - current	5,375,249	-	14,462	5,389,711	Available-for-sale financial assets - current	a)	Hedging derivative liabilities - current	53,331	-	-	53,331	Derivative financial liabilities for hedging - current	
Held-to-maturity financial assets - current	60,550	-	-	60,550	Held-to-maturity financial assets - current								
Hedging derivative assets - current	115,768	-	-	115,768	Derivative financial assets for hedging - current								
Notes receivable, net	1,901,804	-	-	1,901,804	Notes receivable, net		Notes payable	1,066,418	-	-	1,066,418	Notes payable	
Accounts receivable, net	10,213,979	-	-	10,213,979	Accounts receivable, net		Accounts payable	10,131,244	-	-	10,131,244	Accounts payable	
-	-	8,716,229	-	8,716,229	Amounts due from customers for construction contracts		Income tax payable	3,376,681	-	-	3,376,681	Current tax liabilities	
							Accrued expenses	13,912,683	(13,912,683)	-	-	-	
Other receivables	2,346,321	(452,975)	-	1,893,346	Other receivables		-	-	2,203,481	-	2,203,481	Amounts due to customers for construction contracts	
-	-	453,304	-	453,304	Current tax assets								
Other financial assets - current	3,718,158	12,192,130	-	15,910,288	Other financial assets - current	A	Other payables	8,456,717	12,403,015	-	20,859,732	Other payables	
Inventories	115,961,466	(8,716,229)	32,272	107,277,509	Inventories		-	-	2,810,630	-	2,810,630	Provisions - current	
Deferred income tax assets - current	3,623,367	(3,623,367)	-	-		B	Bonds payable - current portion	11,270,086	-	-	11,270,086	Current portion of bonds payable	
Restricted assets - current	6,906,442	(6,906,442)	-	-			Long-term debt - current portion	11,715,737	-	-	11,715,737	Current portion of long-term bank borrowings	
Others	2,778,286	(329)	1,232	2,779,189	Other current assets		Others	6,396,128	(3,296,843)	(80,349)	2,961,132	Other current liabilities	
Total current assets	176,596,878	(3,686,443)	363,006	173,272,641	Total current assets		Total current liabilities	148,805,031	-	(80,349)	148,724,682	Total current liabilities	
INVESTMENTS					INVESTMENTS		LONG-TERM LIABILITIES					LONG-TERM LIABILITIES	
Financial assets at fair value through profit or loss - noncurrent	23,979	-	-	23,979	Financial assets at fair value through profit or loss - noncurrent		Hedging derivative liabilities - noncurrent	42,475	-	-	42,475	Derivative financial liabilities for hedging - noncurrent	
Available-for-sale financial assets - noncurrent	3,369,657	-	12,960,526	16,330,183	Available-for-sale financial assets - noncurrent	a)	Bonds payable	37,944,340	-	-	37,944,340	Bonds payable	
Held-to-maturity financial assets - noncurrent	109,171	-	-	109,171	Held-to-maturity financial assets - noncurrent		Long-term debt	75,533,461	-	-	75,533,461	Long-term bank borrowings	
Hedging derivative assets - noncurrent	124,920	-	-	124,920	Derivative financial assets for hedging - noncurrent		Long-term notes payable	24,813,719	-	-	24,813,719	Long-term bills payable	
							Total long-term liabilities	138,333,995	-	-	138,333,995	Total long-term liabilities	
Financial assets carried at cost - noncurrent	10,603,195	-	(10,603,195)	-	-	a)							
Bond investments with no active market - noncurrent	4,050,222	-	-	4,050,222	Bond investments with no active market - noncurrent		RESERVE FOR LAND VALUE INCREMENT TAX	10,194,138	(10,194,138)	-	-		D
Investments accounted for by the equity method	2,618,593	(462,631)	(10,079)	2,145,883	Investments accounted for using equity method	Note 2							
Investments in real estate	381,905	(381,905)	-	-	-		OTHER LIABILITIES					OTHER LIABILITIES	
Prepaid long-term investments	10,000	(10,000)	-	-	Prepaid long-term investments		Accrued pension cost	774,185	-	6,916,895	7,691,080	Accrued pension liabilities	b)
Other financial assets - noncurrent	2,119,688	998,736	-	3,118,424	Other financial assets - noncurrent	A	Deferred income tax liabilities - noncurrent	543,499	10,194,138	2,342,512	13,080,149	Deferred tax liabilities	B, D, d)
Total investments	23,411,730	(455,800)	2,346,852	25,302,782	Total investments		Others	946,519	(462,631)	-	483,279	Other noncurrent liabilities	Note 2
							Total other liabilities	2,264,518	8,731,507	9,259,407	21,255,428	Total other liabilities	
PROPERTY, PLANT AND EQUIPMENT					PROPERTY, PLANT AND EQUIPMENT								
Cost and revaluation increment	623,552,077	(3,554,278)	181,113	620,178,912	Cost		Total liabilities	299,577,678	(462,631)	9,179,058	308,294,105	Total liabilities	
Less: Accumulated depreciation	317,415,604	(276,865)	11,330	317,150,069	Less: Accumulated depreciation								
Accumulated impairment	443,719	(274,340)	-	169,379	Accumulated impairment		STOCKHOLDERS' EQUITY OF PARENT COMPANY					EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION	
	305,692,754	(3,002,873)	169,783	302,859,664		C	Capital stock	150,844,773	-	-	150,844,773	Share capital	
Construction in progress and prepayments for equipment	96,851,192	(721,960)	212,309	96,341,541	Construction in progress and equipment to be inspected		Capital surplus	36,247,785	-	(63,189)	36,184,596	Capital surplus	c)
Net property, plant and equipment	402,543,946	(3,724,833)	381,092	399,201,205	Net property, plant and equipment		Retained earnings					Retained earnings	
							Legal reserve	52,829,289	-	-	52,829,289	Legal reserve	
INTANGIBLE ASSETS	2,246,179	(398,685)	(21,224)	1,826,341	INTANGIBLE ASSETS		Special reserve	7,615,701	-	21,636,278	29,251,979	Special reserve	e)
							Unappropriated earnings	19,606,971	-	-	19,606,971	Unappropriated earnings	D, b), c), d)
-	-	8,890,127	-	8,890,127	INVESTMENT PROPERTIES	C	Total retained earnings	80,051,881	-	21,636,278	101,688,159	Total retained earnings	
												Other equity	
OTHER ASSETS					OTHER ASSETS		Unrealized revaluation increment	26,757,590	-	(26,757,590)	-	-	D
Assets leased to others, net	3,065,847	(3,065,847)	-	-	-	C	Unrealized gain on financial instruments	3,020,919	(317,084)	2,803,837	5,507,672	Unrealized gain on available-for-sale financial assets	a), c)
Idle assets, net	2,111,960	(2,111,960)	-	-	-	C							
Refundable deposits	428,431	-	-	428,431	Refundable deposits		-	-	317,084	-	317,084	Cash flow hedges	
Deferred income tax assets - noncurrent	-	5,623,367	3,483,564	7,106,931	Deferred tax assets	B, b), d)	Cumulative translation adjustments	17,192	-	(17,192)	-	Exchange differences on translating foreign operations	
Restricted assets - noncurrent	335,660	(335,660)	-	-	-								
Deferred charges and others	945,793	1,203,023	(18,744)	2,130,072	Other noncurrent assets		Net loss not recognized as pension cost	(230,590)	-	230,590	-	-	b)
Total other assets	6,887,691	(380,077)	3,464,820	9,665,434	Total other assets		Treasury stock	(8,172,481)	-	(167,784)	(8,290,145)	Treasury shares	c)
							Total other equity adjustments	21,462,659	-	(23,908,139)	(2,865,480)	Total other equity	
							Total stockholders' equity of parent company	288,587,069	-	(2,334,970)	286,252,039	Total equity attributable to owners of the Corporation	
							MINORITY INTEREST	23,520,928	-	(308,542)	23,212,386	NON-CONTROLLING INTERESTS	
							Total stockholders' equity	312,107,937	-	(2,643,512)	309,464,425	Total equity	
TOTAL	$ 611,685,615	$ (462,631)	$ 6,535,546	$ 617,758,530	TOTAL		TOTAL	$ 611,685,615	($ 462,631)	$ 6,535,546	$ 617,758,530	TOTAL	

Note 1: The reference refers to Note 40 b.

Note 2: Under IAS 28, reclassify to investment reduction accounted for using equity method.

TABLE 2

CHINA STEEL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Assets

ROC GAAP Item	ROC GAAP Amount	Effects of Transition to IFRSs: Presentation Difference	Effects of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Reference (Note 1)
CURRENT ASSETS					CURRENT ASSETS	
Cash and cash equivalents	$ 20,345,123	$ (2,444,389)	$ 3	$ 18,100,737	Cash and cash equivalents	A
Financial assets at fair value through profit or loss - current	3,653,688	-	304,655	3,940,343	Financial assets at fair value through profit or loss - current	a)
Available-for-sale financial assets - current	4,763,787	-	21,228	4,785,015	Available-for-sale financial assets - current	a)
Hedging derivative assets - current	67,930	-	-	67,930	Derivative financial assets for hedging - current	-
Notes receivable, net	1,490,986	-	-	1,490,986	Notes receivable, net	
Accounts receivable, net	10,560,747	-	-	10,560,747	Accounts receivable, net	
-	-	7,432,666	-	7,432,666	Amounts due from customers for construction contracts	
Other receivables	1,530,801	(56,646)	-	1,474,155	Other receivables	
-	-	58,085	-	58,085	Current tax assets	
Other financial assets - current	4,237,454	9,286,260	-	13,523,714	Other financial assets - current	A
Inventories	84,282,534	(7,432,666)	17,150	76,867,018	Inventories	B
Deferred income tax assets - current	2,058,931	(2,058,931)	-	-	-	
Restricted assets - current	6,942,080	(6,942,080)	-	-	-	
Others	4,775,299	(1,439)	1,862	4,775,722	Other current assets	
Total current assets	144,869,380	(2,159,140)	144,898	143,055,138	Total current assets	
INVESTMENTS					INVESTMENTS	
Financial assets at fair value through profit or loss - noncurrent	259	-	-	259	Financial assets at fair value through profit or loss - noncurrent	
Available-for-sale financial assets - noncurrent	3,579,163	-	14,584,929	18,164,092	Available-for-sale financial assets - noncurrent	a)
Held-to-maturity financial assets - noncurrent	183,139	-	-	183,139	Held-to-maturity financial assets - noncurrent	
Hedging derivative assets - noncurrent	6,983	-	-	6,983	Derivative financial assets for hedging - noncurrent	
-	12,449,537	-	(12,449,537)	-	-	
Financial assets carried at cost - noncurrent	3,536,086	-	-	3,536,086	-	a)
Bond investments with no active market - noncurrent	2,806,330	(431,396)	10,303	2,385,237	Bond investments with no active market - noncurrent	
Investments accounted for by the equity method	381,905	(381,905)	-	-	Investments accounted for using equity method	Note 2
Investments in real estate	13,942	(12,942)	-	-	-	
Other financial assets - noncurrent	33,943	425,028	-	458,971	Other financial assets - noncurrent	A
Total investments	22,792,569	(401,213)	2,145,695	24,536,969	Total investments	
PROPERTY, PLANT AND EQUIPMENT					PROPERTY, PLANT AND EQUIPMENT	
Cost and revaluation increment	669,417,853	(2,978,876)	181,313	666,620,066	Cost	
Less: Accumulated depreciation	340,666,791	(186,819)	18,090	340,498,062	Less: Accumulated depreciation	
Accumulated impairment	895,559	(188,784)	-	216,775	Accumulated impairment	
-	328,345,503	(2,603,267)	163,223	325,905,259	-	C
Construction in progress and prepayments for equipment	108,359,528	(2,235,876)	283,356	106,427,780	Construction in progress and equipment to be inspected	
Net property, plant and equipment	436,705,023	(4,839,143)	446,579	432,333,039	Net property, plant and equipment	
INTANGIBLE ASSETS	3,303,202	(1,725,856)	(41,439)	1,535,907	INTANGIBLE ASSETS	
-	-	8,689,136	-	8,689,136	-	
					INVESTMENT PROPERTIES	C
OTHER ASSETS					OTHER ASSETS	
Assets leased to others, net	2,920,089	(2,920,089)	-	-	-	C
Idle assets, net	2,715,449	(2,715,449)	-	-	-	C
Refundable deposits	431,779	-	-	431,779	Refundable deposits	
Deferred income tax assets - noncurrent	3,980,714	2,098,931	2,690,859	7,879,804	Deferred tax assets	b), d)
Restricted assets - noncurrent	424,819	(424,819)	-	-	-	
Deferred charges and others	749,324	3,885,448	(28,135)	4,806,737	Other noncurrent assets	
Total other assets	11,221,874	(15,973)	2,662,464	12,868,360	Total other assets	
TOTAL	$ 617,891,988	$ (431,396)	$ 5,357,877	$ 623,018,569	TOTAL	

Liabilities and Shareholders' Equity

ROC GAAP Item	ROC GAAP Amount	Effects of Transition to IFRSs: Presentation Difference	Effects of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Reference (Note 1)
CURRENT LIABILITIES					CURRENT LIABILITIES	
Short-term loans and overdraft	$ 25,617,977	$ -	$ -	$ 25,617,977	Short-term borrowings and bank overdraft	
Commercial paper payable	28,679,430	-	-	28,679,430	Short-term bills payable	
Financial liabilities at fair value through profit or loss - current	4,562	-	-	4,562	Financial liabilities at fair value through profit or loss - current	
Hedging derivative liabilities - current	240,380	-	-	240,380	Derivative financial liabilities for hedging - current	
Notes payable	281,617	-	-	281,617	Notes payable	
Accounts payable	10,332,163	-	-	10,332,163	Accounts payable	
Income tax payable	3,008,608	-	209	3,008,817	Current tax liabilities	
Accrued expenses	12,477,314	(12,477,314)	-	-	-	
-	-	3,647,356	-	3,647,356	Amounts due to customers for construction contracts	
Other payables	9,175,241	11,316,624	-	20,491,865	Other payables	
-	-	2,176,179	-	2,176,179	Provisions - current	
Bonds payable - current portion	11,272,543	-	-	11,272,543	Current portion of bonds payable	
Long-term debt - current portion	20,979,868	-	-	20,979,868	Current portion of long-term bank borrowings	
Deferred income tax liabilities - current	8,941	(8,941)	-	-	-	B
Others	7,018,591	(4,562,643)	1,414	2,457,360	Other current liabilities	
Total current liabilities	128,185,555	(8,941)	1,623	128,178,237	Total current liabilities	
LONG-TERM LIABILITIES					LONG-TERM LIABILITIES	
Hedging derivative liabilities - noncurrent	1,739	-	-	1,739	Derivative financial liabilities for hedging - noncurrent	
-	-	-	-	86,829	Bonds payable	
Bonds payable	47,069,227	-	-	47,069,227	Bonds payable	
Long-term debt	92,255,495	-	-	92,255,495	Long-term bank borrowings	
Long-term notes payable	31,783,751	-	-	31,783,751	Long-term bills payable	
Total long-term liabilities	171,197,821	-	-	171,197,821	Total long-term liabilities	
RESERVE FOR LAND VALUE INCREMENT TAX	10,240,123	(10,240,123)	-	-	-	D
OTHER LIABILITIES					OTHER LIABILITIES	
Accrued pension cost	722,667	-	6,716,615	7,439,282	Accrued pension liabilities	b)
Deferred income tax liabilities - noncurrent	1,074,759	10,249,064	1,598,297	12,922,120	Deferred tax liabilities	B, D, d)
Others	972,905	(431,396)	-	541,109	Other noncurrent liabilities	Note 2
Total other liabilities	2,769,331	9,817,668	8,314,912	20,902,511	Total other liabilities	
Total liabilities	312,392,830	(431,396)	8,316,535	320,277,769	Total liabilities	
STOCKHOLDERS' EQUITY OF PARENT COMPANY					EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION	
Capital stock	153,187,445	-	-	153,187,445	Share capital	
Capital surplus	36,673,528	-	(97,531)	36,575,997	Capital surplus	c)
Retained earnings					Retained earnings	
Legal reserve	54,778,577	-	-	54,778,577	Legal reserve	
Special reserve	7,615,701	-	21,633,290	29,248,991	Special reserve	d)
Unappropriated earnings	5,961,915	-	194,806	6,156,721	Unappropriated earnings	D, b), c), d)
Total retained earnings	68,356,193	-	21,828,096	90,184,289	Total retained earnings	
Other equity adjustments					Other equity	
Unrealized revaluation increment	28,750,124	-	(28,750,124)	-	-	D
Unrealized gain on financial instruments	3,458,747	280,366	7,545,790	3,283,803	Unrealized gain on available-for-sale financial assets	a), c)
-	-	(280,366)	-	(280,366)	Cash flow hedges	
Cumulative translation adjustments	(393,229)	-	(24,591)	(417,820)	Exchange differences on translating foreign operations	
Net loss not recognized as pension cost	(184,893)		184,893	-	-	b)
Treasury stock	(8,415,340)		(166,940)	(8,582,297)	Treasury shares	e)
Total other equity adjustments	20,214,901	-	(24,211,881)	(3,996,980)	Total other equity	
Total stockholders' equity of parent company	278,352,867	-	(2,480,916)	275,871,151	Total equity attributable to owners of the Corporation	
MINORITY INTEREST	27,147,291	-	(277,842)	26,869,449	NON-CONTROLLING INTERESTS	
Total stockholders' equity	305,499,158	-	(2,758,758)	302,740,600	Total equity	
TOTAL	$ 617,891,988	$ (431,396)	$ 5,357,877	$ 623,018,569	TOTAL	

Note 1: The reference refers to Note 40 b.

Note 2: Under IAS 28, reclassify to investment reduction accounted for using equity method.

TABLE 3

CHINA STEEL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

ROC GAAP		Effects of Transition to IFRSs		IFRSs		Reference
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	(Note)
Operating revenues	$ 358,536,702	$ -	$ (200,202)	$ 358,336,500	Operating revenues	
Operating costs	339,161,858	-	(171,284)	338,990,574	Operating costs	b)
Gross profit	19,374,844	-	(28,918)	19,345,926	Gross profit	
Realized gain from affiliates	31,236	-	-	31,236	Realized gain on the transactions with associates	
Realized gross profit	19,406,080	-	(28,918)	19,377,162	Realized gross profit	
Operating expenses					Operating expenses	
Research and development	1,683,491	-	(42)	1,683,449	Research and development expenses	b)
Selling	4,585,976	-	(3,331)	4,582,645	Selling and marketing expenses	b)
General and administrative	5,121,636	86,009	(90,222)	5,117,423	General and administrative expenses	b)
Total operating expenses	11,391,103	86,009	(93,595)	11,383,517	Total operating expenses	
Operating income	8,014,977	(86,009)	64,677	7,993,645	Profit from operations	
Nonoperating income and gains					Non-operating income and gains	
Interest income	422,510	-	-	422,510	Interest income	
Dividend income	288,315	-	(16)	288,299	Dividend income	
Gain on sale of investments, net	1,183,827	-	15,402	1,199,229	Gain on disposal of investments, net	
Exchange gain, net	479,626	-	4,311	483,937	Net foreign exchange gains	
Reversal of impairment loss, net	4,932	(4,932)	-	-	Reversal of impairment loss, net	
Others	1,065,981	(19,480)	3,268	1,049,769	Others	
Total nonoperating income and gains	3,445,191	(24,412)	22,965	3,443,744	Total non-operating income and gains	
Nonoperating expenses and losses					Non-operating expenses and losses	
Interest expense	2,790,260	-	-	2,790,260	Interest expense	
Investment loss recognized under equity method, net	230,005	-	(1,922)	228,083	Share of the loss of associates and joint ventures	
Others	758,970	(110,421)	31,557	680,106	Others	b)
Total nonoperating expenses and losses	3,779,235	(110,421)	29,635	3,698,449	Total non-operating expenses and losses	
Income before income tax	7,680,933	-	58,007	7,738,940	Profit before income tax	
Income tax expense	1,291,426	-	13,956	1,305,382	Income tax expense	
Net income	$ 6,389,507	$ -	$ 44,051	6,433,558	Net profit for the year	
					Other comprehensive income	
				(756,488)	Exchange differences on translating foreign operations	
				(6,683)	Unrealized loss on available-for-sale financial assets	
				(725,196)	Cash flow hedges	
				98,543	Actuarial gain arising from defined benefit plans	
				28,009	Share of the other comprehensive income of associates and joint ventures	
				110,410	Income tax expense relating to the components of other comprehensive income	
				(1,251,405)	Total other comprehensive income, net of income tax	
				$ 5,182,153	Total comprehensive income for the year	
					Net profit attributable to:	
				$ 5,894,806	Owners of the Corporation	
				538,752	Non-controlling interests	
				$ 6,433,558		
					Total comprehensive income attributable to:	
				$ 4,764,269	Owners of the Corporation	
				417,884	Non-controlling interests	
				$ 5,182,153		

Note: The reference refers to Note 40 b.

CHINA STEEL

HEAD OFFICE
1, Chung Kang Rd., Hsiao Kang, Kaohsiung 81233, Taiwan, Republic of China
Tel: 886-7-802-1111
Fax: 886-7-802-2511, 801-9427
Web-site: http: //www.csc.com.tw

CHINA STEEL BUILDING
88, Chenggong 2nd Rd., Qianzhen, Kaohsiung 80661, Taiwan, Republic of China
Tel:886-7-337-1111
Fax:886-7-537-3570

TAIPEI LIAISON OFFICE
Room A, 28F, Taipei 101 Tower, 7, Sec. 5, Xinyi Rd., Xinyi, Taipei 11049, Taiwan, Republic of China
Tel: 886-2-8758-0000
Fax: 886-2-8758-0007

SINGAPORE OFFICE
#14-01 MAS Building, 10 Shenton Way,Singapore 079117
Tel: 65-6223-8777~8
Fax: 65-6225-6054

OSAKA OFFICE
1F, Osaka U2 Bldg., 4-7 Uchihonmachi 2-Chome, Chuoku, Osaka 540-0026, Japan
Tel: 81-6-6910-0888
Fax: 81-6-6910-0887

INDIA OFFICE
S-3 Level, Block-E, International Trade Tower, Nehru Place, New Delhi-110019, India
Tel.: 91-11-4057-3739
Fax: 91-11-4057-3741

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Contact us if you have any comments or questions regarding this report.
Office of Energy and Environmental Affairs , CSC
Tel：886-7-3371111 Ext. 27143
E-mail：143016@mail.csc.com.tw

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