CHINA STEEL

2014

CORPORATE SUSTAINABILITY REPORT

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

CDP
DRIVING SUSTAINABLE ECONOMIES

ROBECOSAM
Sustainability Award
Bronze Class 2015

CSR 天下企業公民
Excellence in Corporate Social Responsibility

CONTENTS


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1

Overview

1.1 Message from Top Management

Chairman Jo-Chi Tsou

CSC successfully promoted our products of titanium screws and nuts into the supply chain of Apple in 2014, and CSC will continue supplying the demands of screws and nuts on iPhone 6. Meanwhile, the annual production of the steel products from the third pickle CR line has reached 1.43 million tons, which will be supplied to Toyota Japan, Honda Japan, the major car manufactures for the high-specification automotive steel and for home appliances. In addition, China Steel Sumikin Vietnam JSC (CSVC) has already signed memorandum of understanding with Samsung, and is expected to be the biggest partner of Samsung in South Easter Asia to supply the material. China Steel Corporation (CSC) has reached a great achievement on the development of premium and green products.

In order to reduce global warming, the current major trend is to develop low carbon economy, and green industry and green products brought by a low carbon economy will be the focus of international competition in the future. CSC actively participates in visionary and potential low carbon businesses and establishes technologies related to green energy. The major items included the development of biomass technologies, the development of wind power business, advanced heat recovery technology for mid and low temperature sources, development of hydrogen energy application technology, and so on. Moreover, CSC also brought in the anaerobic fermentation technology from America LanzaTech to be applied to the production of ethanol with furnace gas of steel plants of CSC, and CSC will try our best to continue striving in order to reach the perspective.

CSC has already finished identification on what greenhouse effects might bring, such as related regulations(including carbon tax, cap restriction, and emission trade), climate change (including Extreme rainfalls and the frequency change of dry and wet weather), business image (including the information and communication of climate change), and other risks and correspondent opportunities. According to the results of the identification, CSC plans the concrete counter measures, including water resource management and development, responses and adaption to disasters, enhancement of city and value chain cooperation, and so on.

In order to fulfill the social responsibilities, CSC also actively collects, compiles, and analyzes the information about energy and environment regulations and policies in advanced countries for government. In addition, CSC will suggest the results and consensus from the open forums held by CSC and industrial associations to government (such as Energy Conference, White Paper on Chinese National Federation of Industries) through Chinese National Federation of Industries, Taiwan Steel & Iron Industries Association, Kaohsiung Chamber of Industry, and other groups. CSC expects to set a reasonable target of energy saving and environmental protection to benefit the sustainability development of economy, environment, and society.

CSC, in its pursuit of “living among benevolence,” devotes to playing the role of a good neighbor to be dedicated to social harmony. After the tragic Kaohsiung Gas Explosions happened in 2014, CSC immediate informed Kaohsiung City Government that CSC could offer all the necessary supports, including large equipment, manpower, and made earmarking donation. In

President Jyh-Yuh Sung

addition, CSC has kept devoting to the reconstruction after Typhoon Morakot. Besides participating the contract farming of organic rice and white jade radish on Yongling Organic Farm, CSC also continue holding the batch purchase of the organic vegetables in Yongling Organic Farm and other activities in order to increase the employment activities for aborigines and improve the industrial economy in reconstruction areas.

Safety performance of CSC wasn't good enough in 2014, mainly due to the lack of personal security awareness, aging employees and poor implementation of safety measures and contractors' safety management. After in-depth review, CSC will enhance safety training, management and supervision, on-site behavior care, and health protection actions, with bottom-up full participation in safety activities, to strengthen CSC's safety constitution. In addition, CSC helps improve safety self-management of contractors, to establish their company safety culture by setting up rational salary system, safety reward system, and reducing employee turnover rate and subcontracting rate...etc.

To prepare for many employees who are going to retire in the near future, CSC has planned to hire new employees year by year and practiced the knowledge management system to maintain the corporate core competitiveness and to establish a knowledge-sharing culture. Furthermore, CSC also sponsored and participated in the activity "HelloCities" held by W.island in 2014. It hopes that people can use open minds and creative thoughts to create the future path for Taiwan and mankind through seeking a more balanced way with "environmental sustainability" in "comfortable and convenient" by Taiwanese youths who seek for Eco-life through comprehensive Eco-life practice in a sincere heart all over the world.

CSC participated 2014 TCSA held by TAISE, and was awarded "Taiwan Top 50 Corporate Sustainability Report Awards" ,"Ten Most Sustainable Company Awards", "Growth through Innovation Awards", and "Climate Leadership Awards." Moreover, CSC again participated in DJSI, which has the fame of the international corporate social responsibility Olympics, and was chosen DJSI-World and DJSI-Emerging Markets business again because of the great performance.CSC was also chosen as the Asia climate disclosure leader in material type in CDP Asia Ex-Japan, which shows the sustainability of the business operation of CSC is highly affirmed by International society and related sustainability investment institutions.

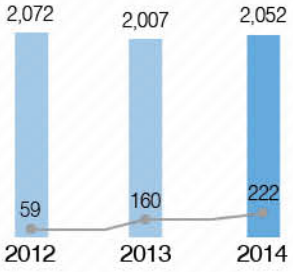
Looking into the future, CSC will keep improving corporate social responsibilities of all aspects, assuring the great interaction with all stakeholders, creating a multi-win situation, and creating a sustainable development society. Moreover, CSC hopes the public can keep encouraging and urging CSC to strive for our beloved surroundings together.

1.2 The List of the sustainability performance

Economy | Environment | Society

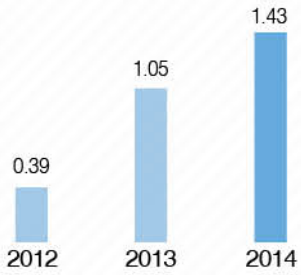
Operating Revenues and Net Profit for the year

Operating Revenues
Net Profit for the year
(NTD 100 millions)



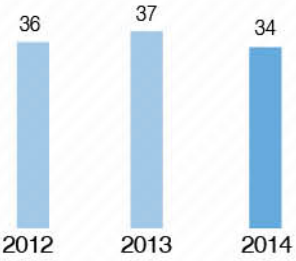
EPS

(NTD)



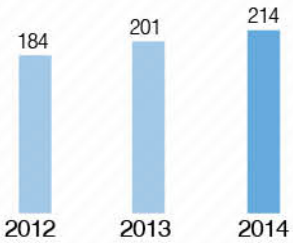
Total liabilities to total assets

(%)



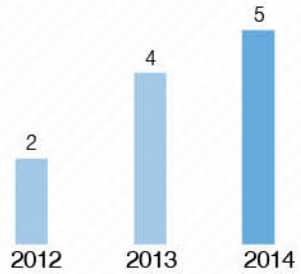
Ratio of long-term liabilities and stockholders' equity to fixed assets

(%)



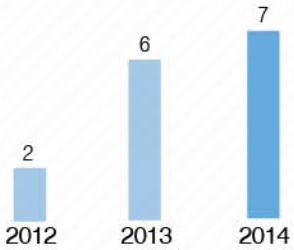
Return on Total Assets

(%)



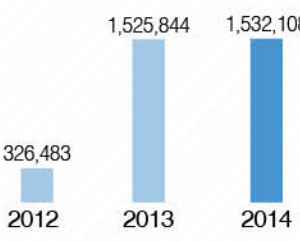
Return on Equity

(%)



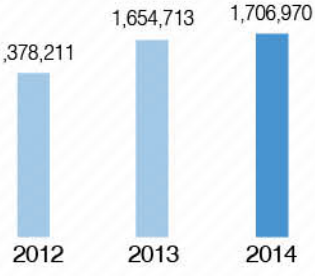
Income Tax

(NTD 1,000)



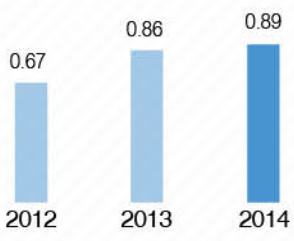
R & D

(NTD 1,000)



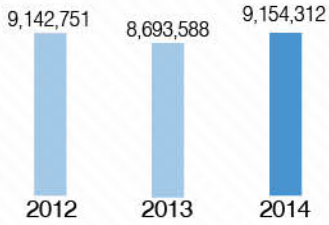
Ratio of R&D to total expenses

(%)

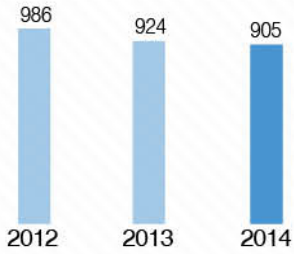


Economy Environment Society

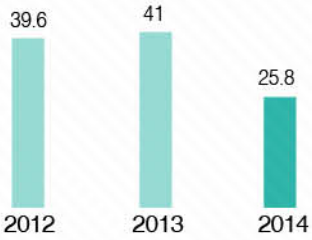
Production of Crude Steel
(ton)



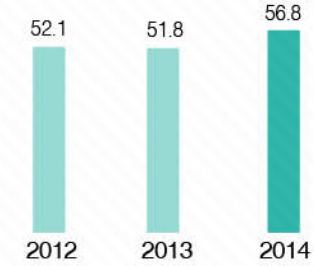
Production of Crude Steel per employee
(ton per person per year)



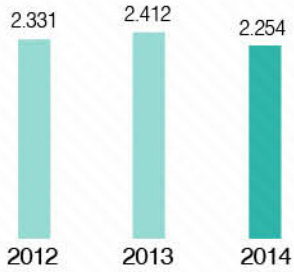
Investment Amount on Energy and Environment
(NTD 100 million)



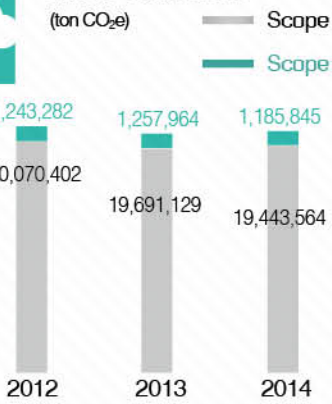
Self-generated Electricity
(%)



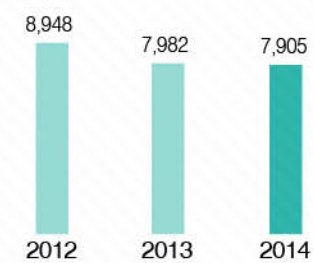
GHGs Emission intensity
(ton CO_2e / ton Crude Steel)
Note: CO_2e: CO_2 Equivalent



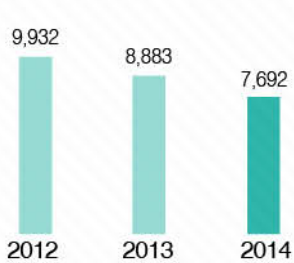
GHGs Emissions
(ton CO_2e)



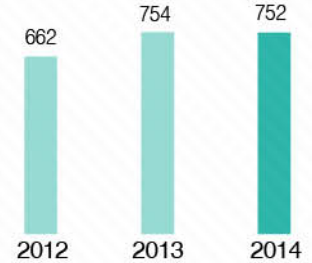
NOx Emission
(ton)



SOx Emission
(ton)

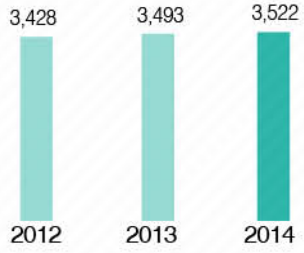


VOCs Emission
(ton)

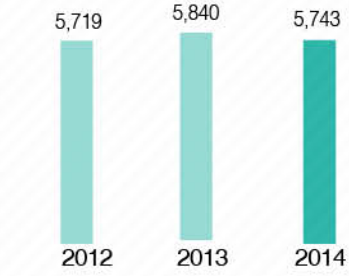


Economy Environment Society

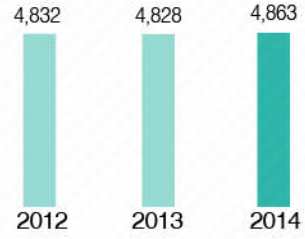
Particulate Emission
(ton)



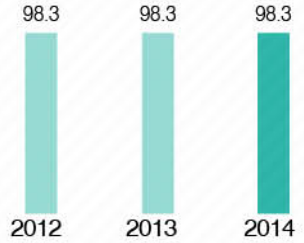
Energy Consumption intensity
(Mcal/ton crude steel)



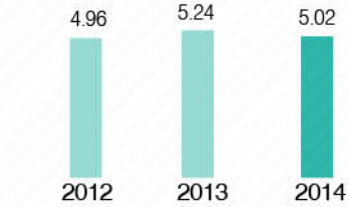
Raw Water Replenishment
(10,000 tons)



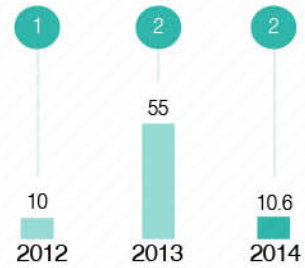
Recycling Rate of Water Used for Production
(%)



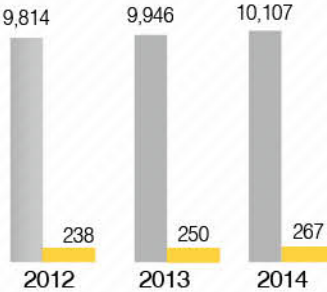
Water intensity
(ton/ton crude steel)*
* : Deduct the sold Steam



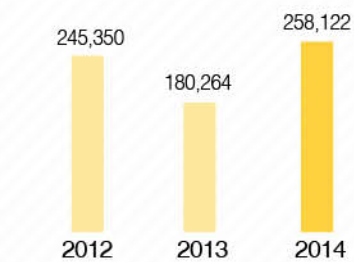
Number of Environmental Violation Notices/Amount
(NTD 10 thousand)



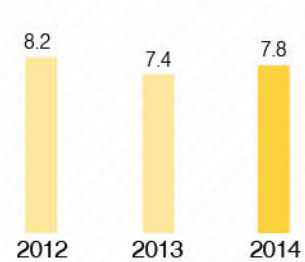
Number of Employees
(person)
Number of Female Employees



Total Hours of Training
(hour)

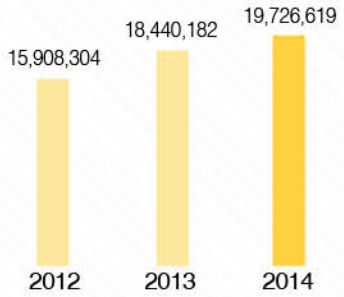


Total Expense of Employee Training
(NTD 10 million)

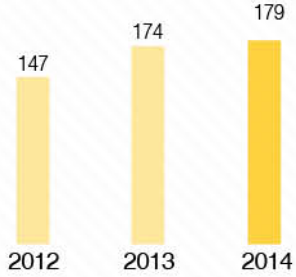


Economy Environment Society

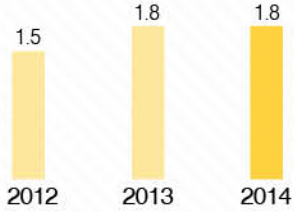
Employees' salaries and welfare
(NTD1,000)



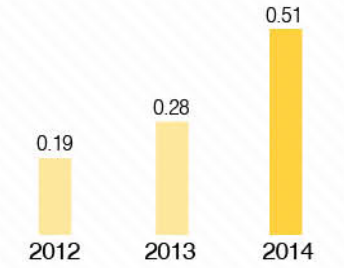
Disabled Hires
(person)



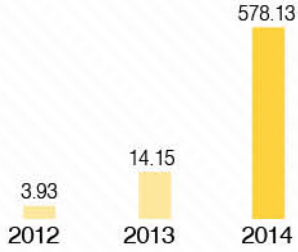
Employment rate of Disabled People
(%)



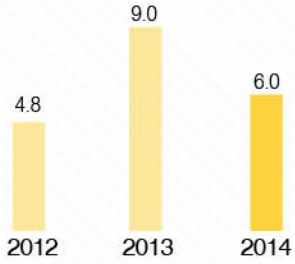
Disabling frequency rate of employee
(times of disabling occurrence / million working hours)



Disability severity rate of employee
(days of disabling occurrence / million working hours)

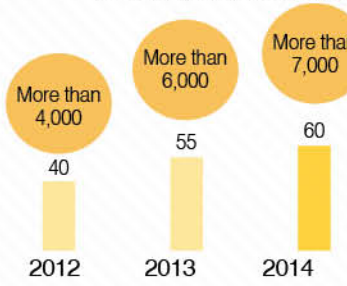


Social Expense (including charity donation)
(NTD 10 million)

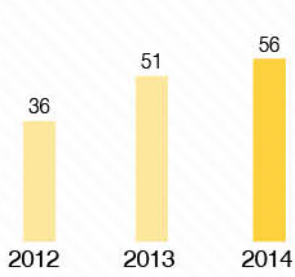


The number of sessions of Environmental Education bus event

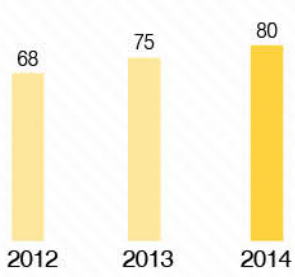
The number of people attending Environmental Education bus event



The number of schools attending Environmental Education bus event



The manpower invested by CSC Group Education Foundation
(number of people)



1.3 Awards


CDP
Listed on CDLI for CSC's CDP climate information disclosure and at the second place in Taiwan
RobecoSAM
Rated CSC as Bronze Class in international steel industry
Taiwan Top 50 Corporate Sustainability Report Awards
"Ten Most Sustainable Company Awards", "Growth through Innovation Awards", and "Climate Leadership Awards" in 2014 TCSA
DJSI
Dow Jones Sustainability Indices, "DJSI-World" and "DJSI-Emerging Markets" Businesses
the 12th "Information Disclosure Evaluation of Public and OTC companies"
A++
Securities & Futures Institute-the highest A++ rating
2014
Architecture Prize in the U.S.
"The plan of Golden Grade Green Building"
(CSC Headquarter Building)
Sustainability Governance Practice Award
by BSI
CommonWealth Magazine
awarded CSC as "CommonWealth Corporate Citizen" and "Taiwan's best reputation benchmarking corporation in steel industry"

Ministry of the Interior – "Certification and Mark of Diamond grade Green Building" (CSC Headquarter Building)

Industrial Development Bureau, Ministry of Economic Affairs – the commendable corporate for **"Deduction of industrial GHG "**

Environmental Protection Administration – **"Commendable Unit of Green Procurement"**

Environmental Protection Bureau, Kaohsiung City Government – **"Commendable Unit of Green Procurement"**

Environmental Protection Bureau, Kaohsiung City Government – **"2014 premium environmental patrol"**

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Dow Jones Sustainability Indices

In 2014, Dow Jones Sustainability Indices (DJSI) selected 319 enterprises among global enterprises into DJSI-World and 86 enterprises into DJSI-Emerging Markets, and only 2 of these selected into DJSI-World are steel industry. In 2012, CSC participated in the Corporate Sustainability Assessment of the DJSI for the first time and it 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. CSC was included again in 2014, and was awarded the bronze award by RobecoSAM.

CDP
DRIVING SUSTAINABLE ECONOMIES

CDP

On October 15, 2014, Carbon Disclosure Project (CDP) report for Asia (excluding Japan) was announced, and CSC was listed on Climate Disclosure Leadership Index in material category in 2014, which shows that CSC is highly affirmed by international institution on the information disclosure responding to climate change.

CommonWealth Corporate Citizen

In order to promote the concept of corporate citizen, Taiwan's CommonWealth Magazine conducted the selection with authorized and independent jury together by four aspects, corporate governance, enterprise promise, social participation, and environmental protection. In 2014, CommonWealth Magazine awarded CSC as "CommonWealth Corporate Citizen" as well as "Taiwan's best reputation benchmarking corporation in steel industry."

CSR 天下企業公民
Excellence in Corporate Social Responsibility

1.4 About CSC

1.4.1 Chronicle

1971

December 3, 1971 — China Steel Corporation[1] is officially registered, with head office located in Taipei.

1972

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

1974

September 1, 1974 — Phase I construction commences

December 26, 1974 — CSC stock is listed on Taiwan Stock Exchange Corporation.

1975

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

1977

July 1, 1977 — CSC becomes a state enterprise.

December 16, 1977 — Phase I is completed, with capacity[2] of 1.5 million tons[3] per year.

1978

July 1, 1978 — Phase II construction commences

1982

June 30, 1982 — Phase II is completed. Capacity[2] reaches 3.25 million tons[3] per year.

1984

July 1, 1984 — Phase III construction commences

1988

April 30, 1988 — Phase III is completed. Capacity[2] reaches 5.652 million tons[3] per year.

1993

July 15, 1993 — Phase IV construction commences

1995

April 12, 1995 — CSC is privatized.

1997

May 31, 1997 — Phase IV is completed. Capacity[2] reaches 8.054 million tons[3] per year.

1998

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

2006

April 15, 2006 — Annual production capacity[2] is officially raised to 9.86 million tons[3] owing to success in equipment renovations and improvements carried out over the years.

November 22, 2006 — Groundbreaking for the China Steel Building takes place

2008

October 6, 2008 — Dragon Steel Corporation[4] becomes a wholly owned subsidiary of CSC.

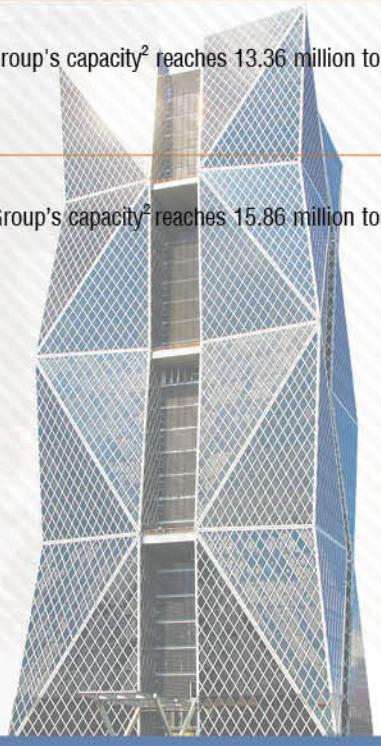
2010

June 30, 2010 — DSC's stage II phase 1 expansion project is completed. CSC Group's capacity[2] reaches 13.36 million tons[3] per year.

2013

March 5, 2013 — DSC's stage II phase 2 expansion project is completed. CSC Group's capacity[2] reaches 15.86 million tons[3] per year.

October 22, 2013 — China Steel Building is inaugurated.



Note:
1 Hereinafter also referred to as "the Corporation", "the Company" or "CSC".
2 In terms of crude steel.
3 All references to "tons" mean metric tons of 1,000 kilograms.
4 Hereinafter also referred to as "DSC".

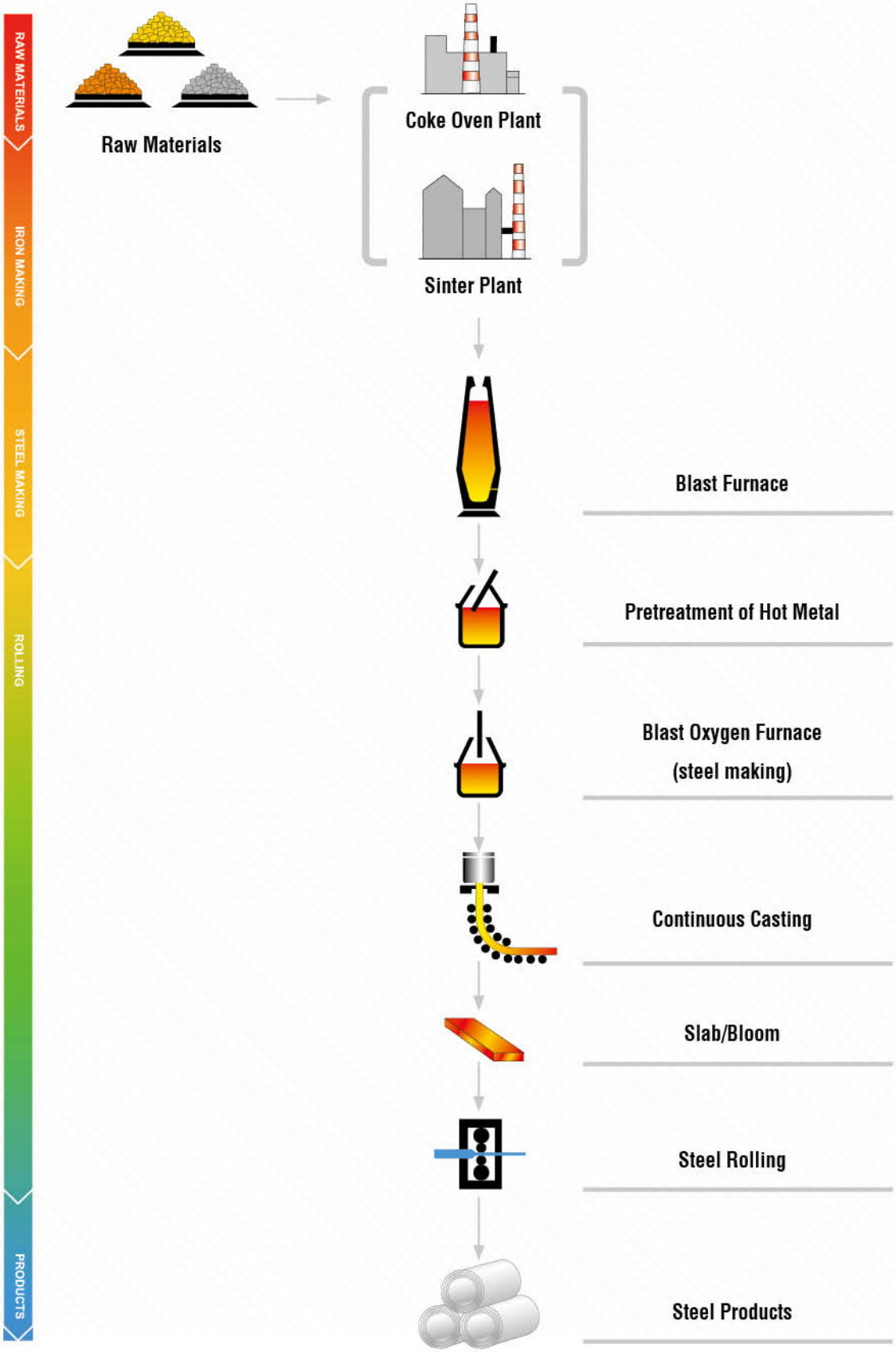
1.4.2 CSC's Corporate Culture

CSC has held its values of teamwork, entrepreneurial approach, down-to-earth nature, and pursuit of innovation since its starting constructions to establish complete systems. CSC has also accumulated and created abundant experience and knowledge by innovating and cultivating talents unceasingly to from its excellent corporate culture and core values. With the employees getting older, the senior employees retiring and new employees being recruited, the managers are facing to be replaced substantially. Meanwhile, the opportunity of abroad assignment for managers is increasing owing to the gradual increase of the number of CSC's related companies which business domain is expanding from domestic to overseas. In order to make the appointed managers have the necessary know-how for their new positions through training, as well as fully understand CSC's corporate culture and even advance it as time goes by through teaching and receiving, CSC established "CSC's Corporate Culture Committee" in October 2000.The purpose of the Committee is to fulfill the teaching and spread of CSC Values among employees, so as to break the tradition and start a new situation through innovation and change when facing the challenges for making the excellent CSC's culture be new and everlasting, and CSC be sustainable.

1.4.3 Business and Scale

CSC is a global steel corporation of which the annual production of crude steel reaches 10 million tons. According to Top steel-producer 2013 of World Steel Association (wordsteel), the production of CSC was ranked as the 25th in the world in 2013. While in an evaluation done by World Steel Dynamic (WSD) in June 2014 for 23 items including innovation, expansibility, and integration of industrial chain among 36 global steel makers, CSC was ranked 18th. The major products of CSC are steel plate, steel bars, wire rods, hot-rolled, cold-rolled, electro-galvanized steel coil, magnetic steel coil, hot-dip galvanized steel coil, and other steel products. About 65% of the products are supplied to the domestic market, and 35% are exported. CSC is the largest iron and steel company. In order to exert operating synergy, CSC choose diversified operation, and the coverage of the business include steel core, engineering business, industrial materials, logistics, and service investment.

1.4.4 Integrated Steel Production Workflow



2

About This Report

2. About this Report

2.1 Principle

(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, Labor Union, and so on. The Office of Energy and Environmental Affairs (EA) is in charge of overall planning, 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.
- 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 Core Working Group in compliance with the administrative procedure confirmed the fitness to the functions of this CSR Report. Among them, accountants certified the numbers of the costs and accounting information in CSC's financial statements. In addition to internal auditing, the management system for environment, labor safety and health received yearly external ISO 14001 and OHSAS 18001 audits. External auditors according to ISO 14064-3 verified the GHG inventory reports, and the ISO 50001 energy management system was verified and obtained the certificate.

2.2 Range of Data

This report includes the contents of relevant operational systems and activities of CSC headquarter in Taiwan and its overseas offices from January 1 to December 31, 2014, 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.

2.3 CSR Assurance

- Internal Review and Approval: the relevant managers initially verified the information and data in the report. Members of the Core Working Group from each department confirmed the completed draft. 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 independent third party, the British Standards Institution (BSI) in accordance with the core option of GRI G4 Guidelines and principles of AA1000 Assurance Standard.

2.4 The previous CSR

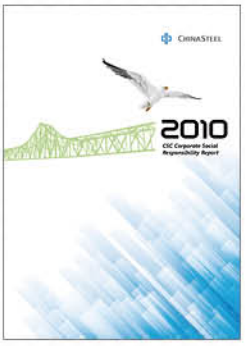
CSC began publishing its environmental report in 2002, and along with the wider scope and contents covered in the report, different names were given to the continuously published reports. However, the contents are all centered on corporate social responsibility. Since 2010, CSC compiled 2010 CSR according to GRI Guidelines and has published CSR every year. CSC also established a complete cooperate social responsibility website. The report was renamed "CSR" according to "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" of Taiwan Stock Exchange Corporation.

2005

2007

2008

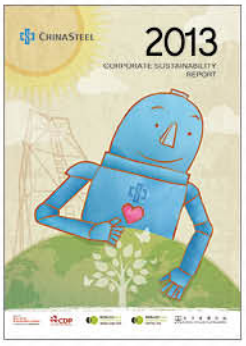
2009



2010

2011

2012



2013

You can get information related to CSR on CSC corporate social responsibility website:
http://www.csc.com.tw/csc/hr/csr/index.htm
Download pdf file of this report: http://www.csc.com.tw/csc_e/hr/e/hr-2014e.pdf
We also welcome you to join CSC Corporate Social Responsibility fans club to get related information any time

QR Code of the website

QR Code of the file

Facebook QR Code

3

Corporate Governance

3.Corporate Governance

3.1 Sustainable Governance

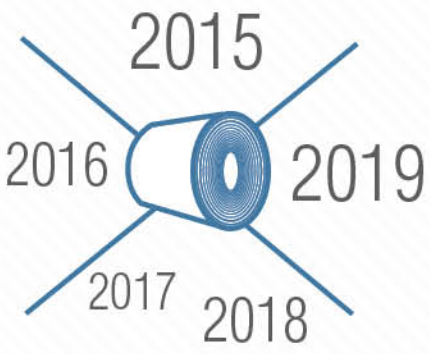
3.1.1 Vision and Directives

CSC draws its short-, mid- and long-term strategies based on its vision "We aspire to be a trustworthy steel company of global distinction that pursues growth, environmental protection, energy saving, and value innovation" for the sustainable development. For pursuing the sustainable development, CSC focuses on the endeavors in: (1) proactively fulfilling its values of "teamwork, entrepreneurial approach, down-to-earth nature and pursuit of innovation," (2) deeply rooting its core businesses in steel by new technologies and new thoughts of management, (3) insisting on honest and fair norms, and (4) striding forward to the CSC Group's position as "CSC Group which deems environmental protection and energy saving important bases its headquarters in Taiwan, centers its development in Asia and categorizes the businesses of steels and materials, engineering and services, mines and resources." CSC's sales volume of steel products exceeded its annual benchmark value as 4% through the efforts of all our employees owing to the performance of new production lines fulfilled as expected, the proactive deployment of sales channels made the oversea sales offices and coil centers increase, and deeply rooting the field of special alloy steel materials to raise the rate of high-end and high value-added steel products.

Review of 2014 performance and the target of 2015

	The target of 2014	The real performance of 2014	The target of 2015
Reduction of costs	≥NTD 3.7 billion	NTD 4.39 billion	≥NTD 3.5 billion
Delivery of steel products	≥9.26 million tons	9.677 million tons	≥9.8 million tons
Orders for high-end products	≥5.76 million tons	5.99 million tons	≥6.2 million tons
Cases of major occupational injuries	0	2(Failed)	0
The revenues of outside engineering business	-	-	≥NTD 2.8 billion

Directives of 2014	Executive Results of 2014	Directives of 2015
Overall reduction of costs and enhancement of efficiency	• Utilization of raw materials mix, improvement in production processes, research and development of new technology, quality upgrades, and improvement in management. • CSC continued to reduce costs systematically by using scientific methods.	Improve cost advantage and stabilize the root to increase the profit
Expansion of the global market and offering of better customer services	• Expand overseas technical service to 12 spots and dispatch marketing teams to China, Japan, Europe, America, and Mexico. • Expansion of sales channels: Establish coil center and Qingdao China Steel Precision Metals Co. Ltd. to serve as CSC's headquarters in northern China. 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 Steel Global Trading Corporation (CSGT). • More active technical service: Organize many technical workshops and increase the frequency of visiting key customers.	Innovative technology and ability, ,increase the value, and expand markets
Research and development of high-end products and addition of value by upgrades	• Grow into special alloy steel materials and increase the rate of premium and high value-added steel products. • Finish 57 development cases of new products, which is the best record of all time. • The orders of premium steel products reach 51.39% of total orders.	Develop engineering profession, and expand markets
Innovation of green production, energy conservation, and reduction of carbon emissions	• Coordinate with Corporate Synergy Development Center to provide the service of energy saving diagnosis and keep promoting "District Energy Integration" of Linhai Industrial Park. • Responding to the more strict standards of air pollutant emissions in Kaohsiung in 2015 and coordinating the EIA Commitment of NGO production lines, CSC plans to install new de-Sulfurization (de-SOx) and de-Nitrification (de-NOx) system to lower SOx emissions as an annual benchmark task.	Rebuild labor safety culture, and do not make any occupational injuries happen.



The major operation strategies of CSC for 2015-2019 are as follows:

01

Advancement of the corporate culture, promotion employees' career development, establishment of the LOHAS environment, promotion of the Group's image.

02

Enhancement of lean customer services, strengthening of strategic partnerships and sales position in domestic market, and expansion of the export distribution channels.

03

Increase of the self-sufficiency rates of raw materials, mapping out of the green industry, and enhancement of strategic investments in key supply chains.

04

Research and development of advance products, their application technology, and highly efficient green production processes to increase the values of the steel industry chain.

05

Enhancement of the Group's engineering autonomy, active developmentof the wind power business, and exploration of the engineering business.

06

Value and quality upgrade of the Group's products, continuous reduction of costs, improvement of energy saving and environmental protection, and enhancement of industrial safty.

3.1.2 Respond to major impacts

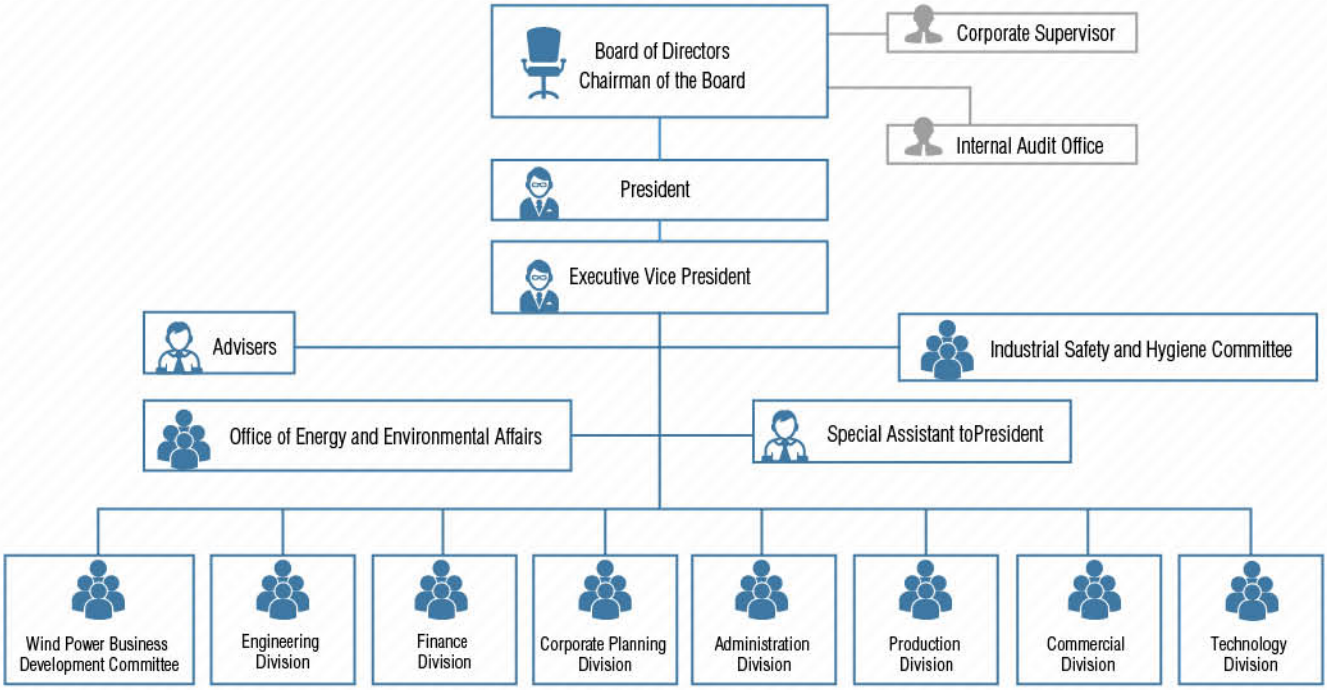
IMF predicts that the global economic growth rate of 2015 will be 3.5%, which is 0.2% higher than the previous year. Oil price fell sharply and US dollar raised strongly, the price of raw materials fell along. The prices of iron ore, coking coal, and coke will fall because their supply exceeds the market demand, so the cost pressure on the operation and the production of steel plants will be relieved. However, the production capacity which makes the supply exceed the market demand, especially the production in China is still high, poses a great pressure on the steel market. On the other hand, the slow growth of downstream industries is not helpful to relive the gap between the supply and the demand. Therefore, the price of steel is suppressed, and the risk for price reduction increases greatly.

CSC has developed a series of reasonable and effective inspiring measures to get more orders in 2015, such as, establish marketing channels actively, increase overseas sales spots, stabilize customer relations, and so on. CSC will strive to reach the sales target. Moreover, CSC continues to strengthen customer relations, increases the supply of premium and strategic steel products, examines the bottlenecks of the production equipment, increases new equipment, and replaces old equipment in order to reach the target of improving the productivity of the orders of high-end products.

Potential major impacts
The supply of steel materials exceeds the demands in global markets: The global steel trading is filled with pressure.
International protectionism keeps happening all over the world: Europe, America, China, and emerging economies take the measures of anti-dumping, anti-subsidies, and importing safeguards to limit the imports of steel materials, which is unfavorable for domestic steel corporation to expand export markets.
Global logistics development speeds up: It causes the downstream industries to move out of the country and the reduction of the domestic steel material demands.
ECFA (Economic Cooperation Framework Agreement): Steel items will gradually be opened to China under the structure of Economic Cooperation Framework Agreement, ECFA, which will affect the survival and operation of domestic steel industries.
FTA (Free Trade Agreement): The validation of FTA for other countries, FTA between China and South Korea is expected to be signed and valid in 2015, which will affect the export competitiveness of Taiwan.

The measures taken by CSC
CSC has set production bases and increase coil centers in regional economic cooperation system
Actively develop emerging markets which has explosive growth, such as India and others
Create new value by the development and trial production of new products
Expand the supply of products, focus on the R&D and supply of high-end industrial steel materials needed in cars, home appliances, electric motors, and so on
Actively seek investment opportunities in downstream steel plants and other parts of the iron and steel industry
Actively arrange the investment of raw materials resources to increase self-sufficiency rates
Assist the government to promote FTA

3.1.3 Framework



3.1.4 Board of Directors and Supervisors

Board of Directors

CSC adopts nomination system to elect directors according to Company Act 192-1. Independent directors and directors are nominated respectively, and the shareholders elect from the lists accordingly. The current members of the Board are all male with ages from 57 to 72.

Chairman of the Board
Jo-Chi Tsou
(Representative of the Ministry of Economic Affairs, MOEA)

Director
Jong-Chin Shen
(Representative of the MOEA)

Director
Ming-Jong Liou
(Representative of the MOEA)

Director
Jyh-Yuh Sung
(Representative of Ever Wealthy International Corporation)

Director
Horng-Nan Lin
(Representative of Gau Ruei Investment Corporation)

Director
Jih-Gang Liu
(Representative of Chiun Yu Investment Corporation)

Director
Cheng-I Weng
(Representative of Hung Kao Investment Corporation)

Director
Chao-Chin Wei
(Representative of Labor Union of CSC)

Independent Director
Shen-Yi Lee

Independent Director
Juu-En Chang

Independent Director
Ting-Peng Liang

For the detailed information of directors, please refer to "Investor Relations" on China Steel website: http://www.csc.com.tw/csc_e/cg/bi.html

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 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.

Supervisor

Ming-Te Su

(Representing Hsin Kuang Steel Corporation)

Chairman of Hsin Kuang Steel Corporation.

Supervisor

I-Lin Cheng

(Natural person)

Chairman of Zentech Material Technologies, Inc.

Supervisor

Andrew Deng

(Natural person)

CPA of Andrew Deng & CO., CPAs

Major resolutions adopted by the 2014 meetings of the Board of the Directors:

January	Establishment of a Company to Process and Handle Desulfurization Slags
	Change of part management positions for the needs of business, effective from February 1, 2014
March	Appropriation of distributable earnings for 2013
	Capital increase from earnings in 2013 for the Issuance of Common Stocks
	Process revamping to reduce Ammonia Nitrogen emission.
	Change of Shareholding Structure of Formosa Ha Tinh Steel Corporation
	Investment in the East China Coil Center in Kunshan City, Jiangsu Province
	Date and venue for CSC's 2014 shareholders' meeting
	Relief of business strife limitation for directors
May	Change of part management positions to be effective from June 1
	An adjustment in employees' salary
	Establishment of a company with OEM finishing process for producing hot rolled steel plates, bars and wire rods
August	Increase of cash capital for China Steel Resources Corporation
	Increase of investment in Sakura Ferroalloys Sdn. Bhd.
	Purchase of Sumitomo Corporation's ownership in China Steel Sumikin Vietnam Joint Stock Co.
November	Schedule change of capital expenditure projects
	Signing turnkey contract with China Steel Machinery Corporation for revamp of blast furnace gas reservoir
	Fund endowment for the operations of CSC Group Education Foundation in 2014
December	The meeting agreed to sell a CSC' s building to Steel Precision Metal Industry Co., Ltd.
	Purchase of the land and buildings of LCY Chemical Corporation

Profession Committees

CSC has set up two committees: Corporate Governance Committee and Remuneration Committee to enhance the operation of the Board of Directors

Members	Major Responsibilities	Major Responsibilities	Performance of 2014
Corporate Governance	An independent director(convener) and 2 directors	To review and assess the corporate governance organizations and systems for their soundness and make suggestions to the Board. To draw up the revisions of the rules of meeting procedures for the Board and submit the revisions to the Board meeting for approval. To draw up or revise the drafts of the organizational rules for each committee of the Board and submit the drafts to the Board for approval.	Three meetings were held in 2014, the key points of which were the discussion of the related systems of corporate governance and revisions of the corporate governance regulations, and the minutes of the resolutions were presented to the Board of Directors.
Remuneration Committee	3 independent directors	To establish performance appraisal policies for the Chairman, the President, Executive Vice Presidents, department heads and deputies, and review them on a regular basis. To establish and review regularly any policies, systems, standards and structures relevant to the remuneration of directors, supervisors, President, Executive Vice Presidents, department heads and deputies (including travel allowances for directors and supervisors). To determine and review the level of remuneration to directors, supervisors, President, Executive Vice Presidents, department heads and deputies (including travel allowances for directors and supervisors).	Three meetings of the Remuneration Committee were convened in 2014, the key points of which were the discussion of the performance evaluation system for commissioned managers and their pay adjustments, and the proposals drawn from the resolutions of the meetings were presented to the Board of Directors.

The remuneration for CSC's directors, supervisors, President, Executive Vice President and Vice Presidents is determined according to the Articles of Incorporation. 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 (net profit) and is not associated with future risks. The traveling expenses for directors and supervisors, the remuneration of independent directors, and the salary of the chairman of the board refer to the payment level of industrial peers and public companies.

3.1.5 Ethical Conduct

Avoiding Conflicts of Interest

The CSC "Code of Ethics for Directors and Supervisors" strictly stipulates avoiding conflicts of interest and sets anti-corruption principles. In addition, by the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies," if there is a conflict of interest for any director with respect to any agenda item at a meeting of the Board of Directors, the director must recuse oneself from discussion and voting on that matter and must not exercise voting rights as proxy for another director on that matter.

Preventing Malpractice

CSC deems soliciting, accepting, and agreeing to accept bribes or other improper benefits from suppliers or stakeholders as serious misconducts. Complying with the Political Donations Act, CSC does not contribute to political donations. Political donations of CSC personnel are also bound by the Act and company regulations. In addition, CSC takes the following precautions:

Organizational Regulations	Stipulate moral requirements of CSC.
Employee Training	New employees are trained on ethical practice and organizational regulations. Such training is regularly updated by the Corporate Culture Committee and made accessible to all employees through the CSC Semimonthly Journal and website.

Risk Assessment	The Auditors Office (IA) assesses risks and formulates annual audit plans based on the assessments, complying with the Financial Supervisory Commission regulations.
Self-inspection	Every January, 40 departments, 9 divisions (including 7 divisions, Office of Energy & Environmental Affairs, and Wind Power Business Development Committee), and 22 subsidiaries compiles self-inspection reports to be reviewed by the Internal Audit Office (IA) and presented to the President to respond the environmental change, adjust the design and execution of the internal control system, and practice the mechanism of self-supervision.
Complaint Channels	Complaint Hotline: 886-7-8021111#2191 (CSC Hsiao-Kang District) 8867-3371111#22191 (China Steel Building) Complaint Fax: 886-7-8010736 Complaint Mailbox: P.O. BOX 47-13 Kaohsiung, R.O.C. Information is also noted in the procurement inquiry (in the e-commerce system) for reporting of malpractice, bribery, and fraud. Complaints are collected and processed by IA. In 2014, 36 cases were received, all carefully examined and processed with the cooperation of related units. No case was with major drawbacks or serious loss of corporate profits.
Countermeasures against Misconduct	All cases of misconduct are reviewed by the Employee Reward & Punishment Committee and dealt with accordingly.

Socializing Guidelines

- The CSC "Rules Governing Gifts, Benefits, Banquets, and Social Activities Operations" provide guidelines for the engagement of CSC employees in socializing activities. Items of value offered by stakeholders during business interactions, unless otherwise specified, shall be rejected or returned. If failing to be returned, the items shall be reported and sent to the General Affairs Department for handling.
- IA collects lobbying cases and reports to the Chairman and in the Board of Directors meeting. In 2014, 23 lobbying cases were collected, all incorporated into auditing reports for tracking and emailed to independent directors and supervisors.
- The CSC "Rules Governing CSC Employee Participation in Business Related Banquets" provide guidelines for the participation of CSC employees in banquets for the development of external relationships.

Follow-up of Dih Yeon Co. Case

Taiwan Kaohsiung District Court ruled Special Investigation Division unable to prove the value of desulfurization slags of CSC was underestimated, meaning CSC calculated the value with standard sales formula and the 6 defendants of CSC, including current and retired managers, did not violate the duty of loyalty. The defendants were acquitted on Jan. 15th, 2015. To ensure proper processing and compliance of environmental regulations of reuse of desulfurization slags, CSC set CHC Resources Co. to assist the processing of desulfurization slags. The investment is estimated to complete commissioning at the end of May, 2015.

3.1.6 Human Rights Management and Commitment of No Conflict Minerals

All CSC operations and investment agreements follow local regulations without specifically incorporating human rights terms, and CSC does not participate in the assessment of investment with terms that violating human rights. All contract agreements with commercial partners comply with local human rights regulations.

The human rights assessment of raw material suppliers and international investment projects in 2014 (Reference: 2014 Human Rights Risk Indices by Verisk Maplecroft (UK))

The human rights assessment of raw material suppliers and international investment projects in 2014

(Reference: 2014 Human Rights Risk Indices by Verisk Maplecroft (UK))

Commitment of no conflict minerals

CSC promises that conflict minerals from Democratic Republic of the Congo and surrounding countries including armed-forces controlled areas of these countries are not used or contained in products and packaging. CSC enforces supply chain management to effectively identify and trace the origin of metal materials and ensure the legality of materials used. CSC does assess or consider the investment of raw materials where there is doubt for conflict minerals.

3.1.7 Internal Auditing and Correction

Purpose of Internal Auditing

The Auditors Office (IA) is under the Board of Directors. The chief auditor reports audit performance to each supervisor on a regular basis and attends the board of directors meeting to report the situation of internal control. Main purposes of internal auditing are to assist the Board of Directors and managers in checking and reviewing defects of internal control system, to evaluate the effect and efficiency of operations, and to provide timely suggestions of improvement to ensure the continuous practice of internal control systems.

Correction and Operation

- IA requested that related units revise internal control procedures and control keypoints of 15 operations, and assisted subsidiaries to revise their regulations for internal control systems, practice details of internal auditing, and procedures of internal control self-assessment.
- IA reviewed internal control system self-assessment reports of divisions and subsidiaries in 2014 and prepared a summary report combining all the reviews and reviews of all transaction . The summary report serves as the primary basis for evaluating the overall efficacy of all internal control systems and to produce Internal Control System Statements.
- Audit items of 2014 include the procedure of eight transaction cycles, crosschecking functions between systems, compliance with Financial Supervisory Commission regulations, and internal control systems of subsidiaries. A total of 50 auditing reports and 438 suggestions of improvement were proposed, subject to timely improvement measures of the audited units and subsidiaries and filing in the CSC IA management system for follow-up. Every audit item is submitted to the supervisors and independent directors for review.

3.1.8 Transparency of Information

CSC regards information disclosure as an essential element of corporate governance. To ensure transparency if information, CSC makes filings through designated online filing system in accordance with "Guidelines for Online Filing of Public Information by Public Companies" of the Securities and Futures Bureau CSC's information is also disclosed on the company website and is accessible through the shareholder service hotline, spokesperson, and designated media contact.

CSC has been awarded obtained the highest A++ rating in annual the "Information Disclosure Evaluation of Public and OTC companies" carried out by the Securities & Futures Institute for 7 years in a row. Only top 3% of public lists have this honor and it shows that the transparency of information of CSC is highly affirmed.

About CSC

- CSC Profile, News Center, Web-Service
- Corporate Citizen: Community friendliness, energy saving and environmental protection, CSC corporate social responsibility
- Research and Development: R&D results, R&D alliances
- Technology Innovation: research concepts, organizational resources, research fields, advanced analysis equipment

Investor Relations

- Stockholder Service: stock information, financial information, stock prices information, Q&A for stockholders, information for shareholder meeting, material information
- Corporate Governance: articles of incorporation, directors and supervisors, functional committees of the board of directors, election of independent directors, advanced studies for directors and supervisors, board's important resolutions, internal auditing
- Investments: subsidiaries and affiliates, other businesses

Customer Services

- Customer Service
- Production
- e-Commerce

Corporate Social Responsibility

- Message from Top Management, Corporate Governance, Employee and Contractor, Energy and Environment, Engagement in Social Harmony

Other Information

- Service Chain, Supply Chain, Cash Flow Service, Employee Area

Spokesperson and Media Contact

886-7-802-1111#2575

- New messages and information from divisions or departments
- Press release after meeting 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

3.2 CSR Management

CSC aspires to be a trustworthy steel company of global distinction that pursues growth, environmental protection, energy saving and value-innovation. To realize this vision, CSC dedicates to enhancing the steel industry value chain and building the environment for sustainable development.

3.2.1 CSR Principles and Directives

Under the CSC operating principles of "promotion of social well-being, result orientation, implementation of teamwork, and emphasis on employees' self-realization", CSC develops policies for corporate social responsibility in accordance with the worldsteel sustainable development policy and the Sustainable Development Charter of the World Steel Industry CSC was invited to sign in 2012. CSC strives to practice corporate social responsibility as outlined by the policy in economical, environmental, and social aspects and improve information disclosure and stakeholder engagement.

3.2.2 Communication with Stakeholders

Besides disclosing information online and in Operation Reports, CSC issues CSR Reports annually to serve as an important tool for communicating corporate social responsibility efforts. In addition, CSC enhances overall accessibility, transparency, timeliness, completeness, and interactivity of information with the company website and the CSR webpage, and uses these for stakeholder feedback and continuous improvement.

Identification of Stakeholders

To identify major stakeholders, the Core Working Group referred to experiences of divisions and fellow steel companies and the AA1000 Stakeholder Engagement Standard (AA1000SES) according to dependency, responsibility, influence, diverse perspectives, and concern level. These stakeholders include employees and contractors, customers and traders, shareholders, suppliers, government, communities and local organizations, reporters, and NGO and opinion leaders.

Communication with Stakeholders

CSC values the rights and opinions of stakeholders. Open and direct communication channels are set to garner and address stakeholder concerns and for CSC to improve CSR performance.

communication with stakeholders

Stakeholders	Concerning Issues	Communication Channels and Frequency	2014 Engagement Highlights
Employees	• Occupational Safety and Health • Labor/Management Relations • Employee Welfare and Salary • Talent Recruit and Retention	• Chairman Suggestion Mailbox, board representation by Labor Union • Top management-employee communication meeting (every week) • Departmental communication meeting, Labor Safety and Health Committee meeting (every 2 months) • Management-Labor Union Committee meeting, Pension Fund Supervisory Committee meeting (every 3 months) • Top management-Labor Union council members communication meeting, Stock-holding Trustees Committee meeting (every 6 months) • Human Resources Development Committee meetings (every year) • Collective agreement with the Labor Union (very 3 years) • Rewards and Punishments Review Committee (aperiodically)	• 42 mails received in Chairman Suggestion Mailbox • The fourth collective agreement signed on Dec. 5th.
Contractors	• Occupational Health and Safety	• Contractor job safety meeting, contractor environment, safety, and health meeting, Contractor Safety and Health Committee meeting (monthly) • Cooperation organization meeting, outsourcing management meeting (every year) • Contract lease (updates every 2 years)	• Communicated and promoted safety and health issues monthly • Ensured outsourcing unit price and common contract terms amendments • Assisted contractors management related affairs

Stakeholders	Concerning Issues	Communication Channels and Frequency	2014 Engagement Highlights
Customers and Traders	• Product Quality/ Technology Development • Material Use and Recycled Materials • Green Product/ Service Design and Development • Hazardous Substance Control • Product/Service Responsibility	• Production-sales meeting (every 3 months) • Customer Satisfaction Survey (every year) • Customer feedback through exposition (aperiodically) • R&D alliances, workshops, market investigation, visits, interviews (aperiodically) • Process customer feedback and adopt for improvement of products and services quality • Investigate market for new products, industrial materials and trends (aperiodically) • Assist customers with process improvement and materials use (aperiodically)	• 36 joint production and marketing meetings for import, 4 for export • 12 local and international technology seminars • 118 key customer visits • 42 customer feedback items processed and adopted to improve quality • 8 new products market investigations • 11 industrial materials and trends investigations • 179 technology services projects to assist customers with process improvement and materials use • Improved results of Customer Satisfaction Survey
Individual Shareholders	• Operational and Financial Performance • Product Quality/ Technology Development	• Free service line (886-0800-746-006) and email (f1000@mail.csc.com.tw) • Publicly disclose operating revenues and preliminary result on the Market Observation Post System and the company website (every month) • Convenes shareholders meeting in the second quarter and adopts electronic voting with full shareholder participation in the voting process and announces results on Market Observation Post System and the company website (every year) • Issue online and paper versions of annual and operation reports (every year)	• Third year of e- voting adoption, utilization rate increased to 14.85% of total issued shares and over 85% for foreign investors
Institutional Shareholders	• Operational and Financial Performances • Product Quality/ Technology Development	• Update and announce monthly preliminary operating results and every results of list prices • Non-regular communication with local and foreign institutional shareholders through face-to-face visit, conference calls, and video conference. (Irregularly) • Participate in investor conferences held by domestic and foreign securities firms. (Irregularly)	Participated in 5 investor conferences: • Morgan Stanley 13th Annual Asia Pacific Summit (Singapore) • Credit Suisse 2014 Asia Technology Conference (Taipei) • UBS 2014 Taiwan Conference (Taipei) • Credit Suisse Asia Investment Conference (Hong Kong) • Merrill Lynch 2014Taiwan Technology Conference (Taipei)
Suppliers	• Energy Consumption and Management • Material Use and Recycled Materials • Hazardous Substance Control	• Participate in workshops (averages 20 per month) • Visits, forums, provisions of safety design specifications (aperiodically) • Local supply partnerships (aperiodically)	• Discussed specifications, terms, and price • Visits for production and quality status • Communicated and discussed market information • Assessed and awarded suppliers for local purchase
Government	• Waste Management	• Conferences, forums, public hearings, training courses, visits (aperiodically) • Participate in communication meetings, seminars, and assessment by authorities (aperiodically) • Coordinate authorities to hold the activities related to investors (aperiodically)	• Attended the Energy Conference • Attended public hearings related to water footprint, environmental impact assessment, Kaohisung and Pingtung air pollutants cap, power industry standards, and Kaohsiung City environmental maintenance and management • Hosted seminar series for awarded performances in energy saving by Ministry of Economic Affairs

Stakeholders	Concerning Issues	Communication Channels and Frequency	2014 Engagement Highlights
Communities and Local Organizations	• Environmental Grievance Mechanisms • Water Resources and Waste Water Management • Air Pollutants • Waste Management • Hazardous Substance Control	• Visits and negotiation through the Public Affairs Department (aperiodically) • Visits and negotiation through the CSC Labor Union (aperiodically) • Visits and negotiation through CSC Group Education Foundation (aperiodically) • Visits and negotiation through CSC employee clubs (aperiodically)	• 250 visits and negotiation through the Public Affairs Department • CSC Labor Union representatives went to Legislative Yuan to show concerns for the reconsideration of the CSC shares release case and hoped for case overrule • Disadvantaged groups invited by the CSC Caring Club to participate in employee retreat • 23 teams participated in the Steel Cup Softball Invitation Tournament hosted by the CSC Softball Club for CSC subsidiaries and customers
Steel Industry Peers	• Product Quality/ Technology Development	• Participate in meetings held by the Taiwan Steel & Iron Industries Association, worldsteel, and South East Asia Iron and Steel Institute (aperiodically) • Bilateral and multi-lateral communication, official visits and meetings (aperiodically)	• 6 company-level technical communications with Nippon Steel & Sumitomo Metal Co., BaoSteel, JFE, Shougang, and Anshan Iron and Steel Group
Reporters	• Corporate Governance • Sustainable Development Strategy • Moral/Ethical Code • Environmental Policy/ Management System	• Press release (aperiodically) • Spokesperson interview (aperiodically)	• 84 news releases • 21 spokesperson interviews
NGO and Opinion Leaders	• GHGs Emissions • Sustainable Development Strategy • Communication with Stakeholders	• Participate in forums, workshops and meetings held by professional associations, institutes, and guilds. (periodically and aperiodically)	• Participated in “Earth Hour” and educational lectures held by the Society of Wilderness • Participated in Chinese National Federation of Industries, Formosa Association of Resource Recycling, Taiwan Institute for Sustainable Energy, Sustainable Industry Forum, etc.
Academic Researchers	• Product Quality/ Technology Development	• Progress review of Engineering Research Center (ERC) and Major League of Industry and Academia (every 2 months) • Progress review of Joint Research Laboratory (JRL) (every 3 months) • Mid-term report of outsourced research cases, research instruction (every 6 months) • Proposal and final reports of ERC, JRL, and outsourced researches (every year) Keynote speeches (aperiodically)	• 16 keynote speeches by international experts and scholars • 70 outsourced research cases • 6 research instruction cases by local and international experts and scholars

3.2.3 Material issues

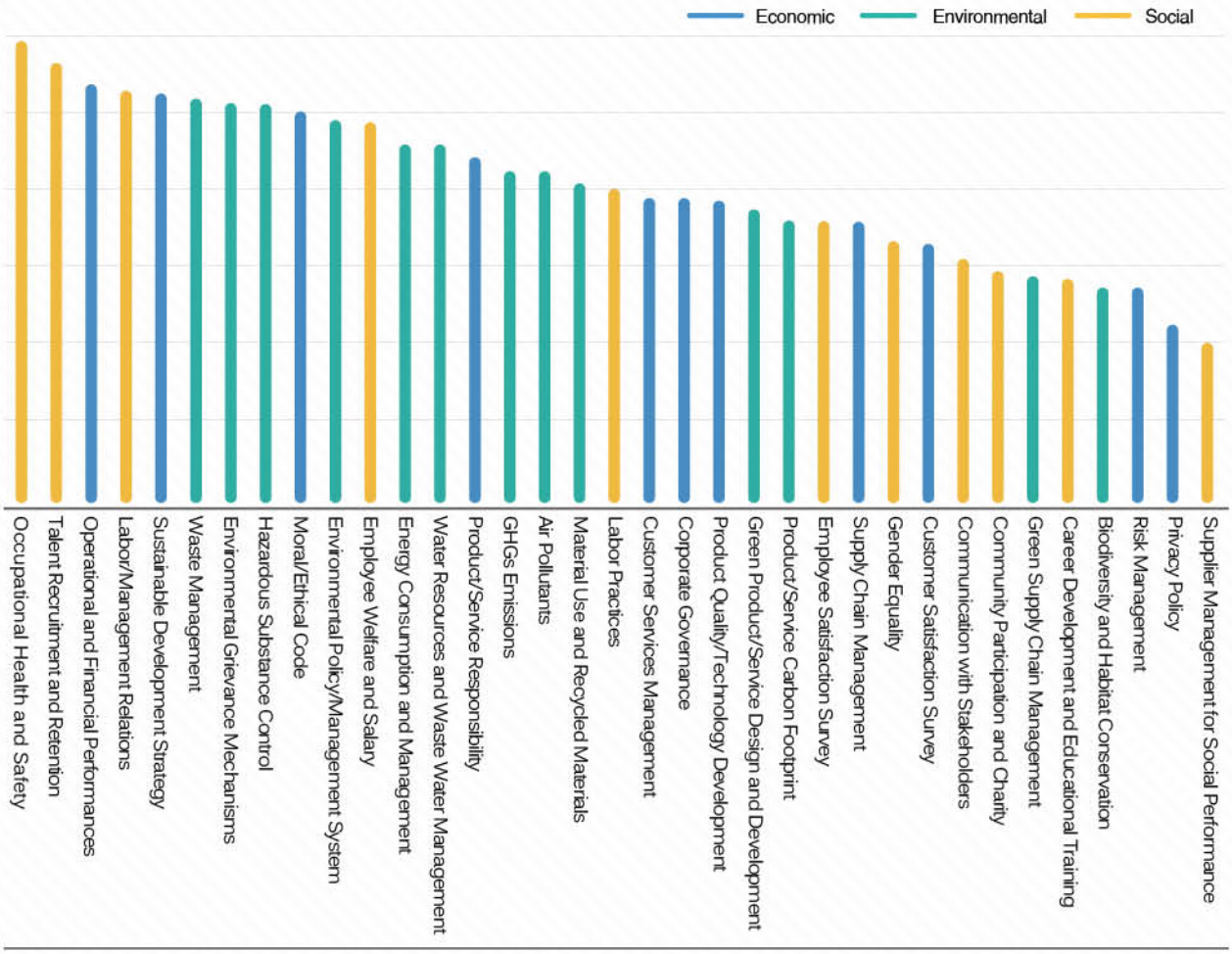
- CSC collected stakeholder concerns with the following three methods and conducted materiality analysis to identify issues of materiality.

Identification and Categorization of issues

Stakeholder opinions in 2014 were collected through the communication paths described above and with the GRI Guidelines. Collected opinions were then analyzed by the Core Working Group and categorized into three major aspects and 35 issues.

(1)Questionnaires

Concern levels of stakeholders for each of the 35 issues were quantified by means of questionnaires. E-questionnaires were distributed by the Core Working Group to relevant CSC units on Feb. 4 2015 and by the units to their stakeholders in contact. The purpose of the survey was clearly explained to stakeholders, and the questionnaires were reclaimed by Feb. 20 2015 and analyzed. The 35 issues in descending order of stakeholder concern:



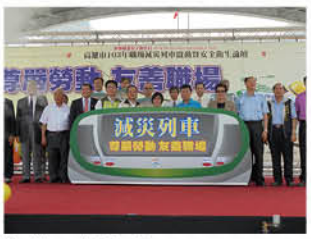
(2)Supplier Management for Social Performance

The Core Working Group assessed the impact of each issue on the economical, environmental, and social performances of CSC and its probability to calculate its overall impact on CSC operations. The issues are then plotted by their concern level of stakeholders and overall impact on CSC operations into Materiality Matrices in three major aspects. A total of 18 issues of materiality was identified: in the economical aspect, corporate governance, sustainable development strategy, operational and financial performances, and moral/ethical code; in the environmental aspect, environmental policy/management system, environmental grievance mechanisms, GHGs emissions, energy consumption and management, material use and recycled materials, water resources and waste water management, air pollutants, waste management, and hazardous substance control; in the social aspect, occupational health and safety, labor/management relations, employee welfare and salary, talent recruitment and retention, and product/service responsibility.

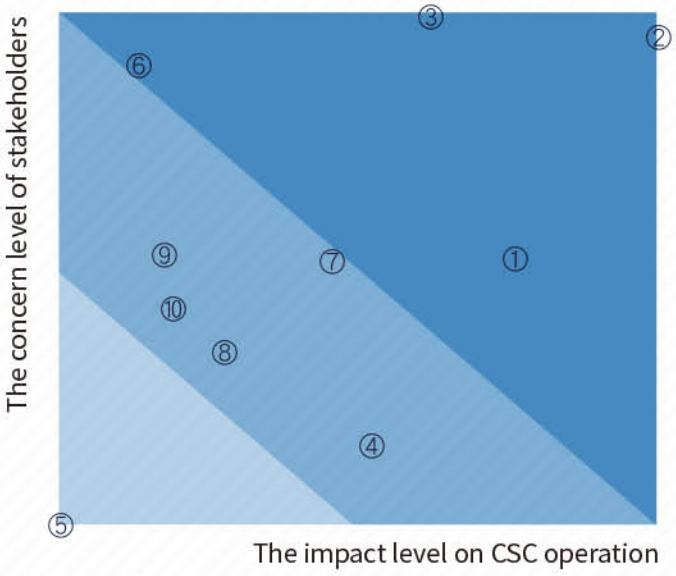

Conference with Contractor


Communication with Suppliers-1


Communication with Suppliers-2

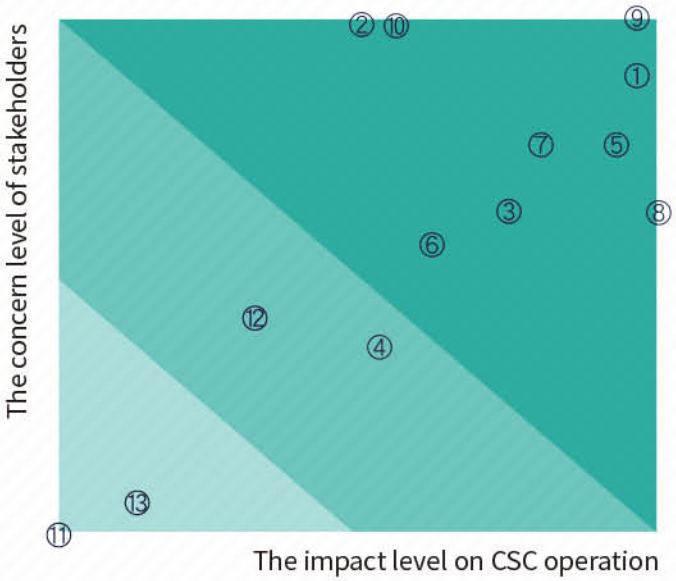


Health and Safety Forum



Economic

①	Corporate Governance
②	Sustainable Development Strategy
③	Operational and Financial Performances
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



Environmental

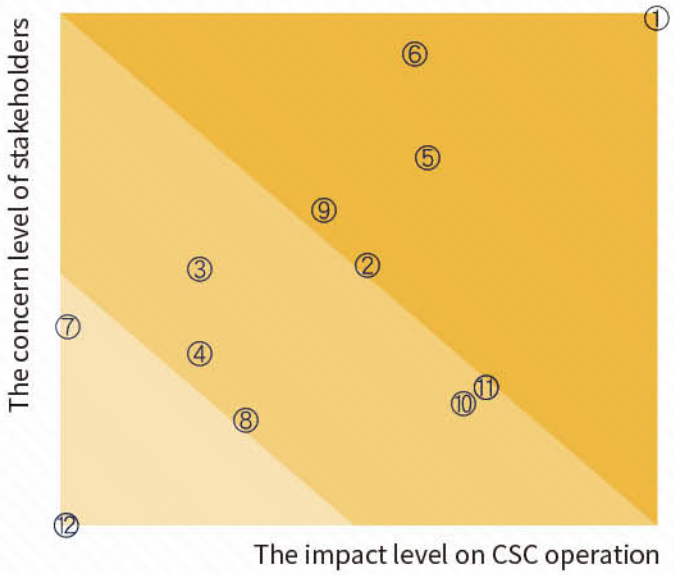
①	Environmental Policy /Management System
②	Environmental Grievance Mechanisms
③	GHGs Emissions
④	Product/Service Carbon Footprint
⑤	Energy Consumption and Management
⑥	Material Use and Recycled Materials
⑦	Water Resources and Waste Water Management
⑧	Air Pollutants
⑨	Air Pollutants
⑩	Hazardous Substance Control
⑪	Hazardous Substance Control
⑫	Green Product/Service Design Development
⑬	Green Supply Chain Management


Metal Industry's Safety and Health Seminar


2014 TECO-5 Meeting

The Fourth Technological Exchanges with Shougang Steel

Seminar for Coating Application Technology



Social	
①	Occupational Safety and Health
②	Labor-Management Relations
③	Labor Practices
④	Gender Equality
⑤	Employee Welfare and Salary
⑥	Talent Recruitment and Retention
⑦	Employee Satisfaction Survey
⑧	Career Development and Educational Training
⑨	Product/Service Responsibility
⑩	Community Participation and Charity
⑪	Communication with Stakeholders
⑫	Management for Social Performances of Suppliers

Materiality Issue

Economical Aspect (4)	Chapter	Environmental Aspect (9)	Chapter	Social Aspect (5)	Chapter
Corporate Governance	3.1	Environmental Policy / Management System	6.1	Occupational Health and Safety	8.3
Sustainable Development Strategy	3.2	Environmental Grievance Mechanisms	6.5	Labor/Management Relations	8.2
Operational and Financial Performances	4.1	GHGs Emissions	6.5	Employee Welfare and Salary	8.2
Moral/Ethical Code	3.1	Energy Consumption and Management	6.3	Talent Recruitment and Retention	8.1
		Material Use and Recycled Materials	6.3、6.6	Product/Service Responsibility	5.1、5.2、5.3、5.4
		Water Resources and Waste Water Management	6.5		
		Air Pollutants	6.5		
		Waste Management	6.5		
		Hazardous Substance Control	6.5		

(3) Expert Forums

CSC and the CTCI Foundation co-convened seven "Taiwan Steel Industry's Challenges and Opportunities" series forums in 2014. Experts and scholars from industry and academia discussed various aspects and proposed ten policy suggestions. Eight of which relate to the aspects of CSC corporate social responsibilities and therefore categorized and regarded as material issues in this report and fully disclosed.

Conclusions and Suggestions for the Government	Material Issue	Chapter
Develop national standards assurance mechanism for steel products	Product Quality/Technology Development	4.2, 5.2
Assist industrial chain in labor safety and environmental protection	Occupational Health and Safety	8.3
Assist in communication with the general public	Communication with Stakeholders	3.2
Promote the use of steel products for energy saving and carbon reduction of the society	Product/Service Responsibility	5.1, 5.2, 5.3, 5.4
Set proper control standards for environmental protection and energy saving	Sustainable Development Strategy	3.2
Plan the reuse of resources at national level	Material Use and Recycled Materials	6.3
Develop downstream steel industries of carbon reduction	Product Quality/Technology Development	4.2, 5.2
Encourage the use of green steel materials for carbon reduction	Green Product/Service Design and Development	5.3

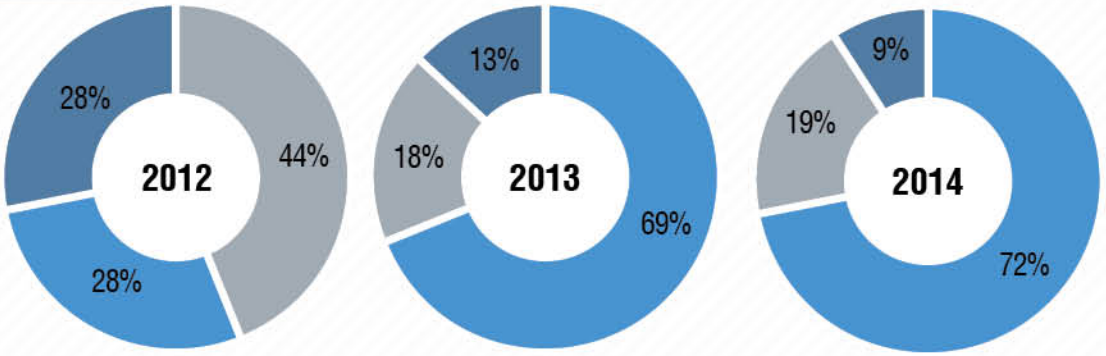
Media Reports

For the identification of material issues, CSC also refers to media reports, collecting new pieces of China Times, Liberty Times, Apple Daily, United Daily News, and Formosa E-news for comprehensiveness and objectivity. Online new pieces from 2012 to 2014 related to CSC were collected, analyzed, and categorized by content as environmental, social, economic, or other issues. For negative reports of the four categories, the most heavily reported issues are regarded as material issues in this report and fully disclosed.

Negative Reports

● Positive ● Neutral ● Negative

Environment Issues	Social Issues	Economic Issues	Other Issues
① Basic Oxygen Furnace	① Dih Yeon Co. case	① Investment / operation strategies	① Comments on Dih Yeon Co. case
② Furnace slag processing	② Directors / personnel arrangement	② Deficits on consolidated revenue	② Corruption incidents
③ Sludge processing	③ Corruption	③ Anti-dumping / FTA	③ Biased stance for policies



Content of Negative Reports	Material Issues	Chapter
Biased political stance	Corporate Governance, Moral/Ethical Code	3.1
Deficits on consolidated revenue	Operational and Financial Performances	4.1
Investment / operation strategies	Sustainable Development Strategy	3.2
Anti-dumping / FTA	Anti-competitive Behavior	3.1
BOF and furnace slag processing, pollution processing	Waste Management, Environmental Policy/Management System	6.1, 6.5

Boundary Identification of Material Aspects

For each material aspect, the information disclosure boundary is set based on the internal and external impacts on CSC and according to GRI-G4, industrial characteristics, , and the experiences of international steel industry peers to attend to and respond to stakeholder concerns.

GRI-G4 Specific Standards

	Material Issue	Boundary within CSC	Boundary outside CSC	Material	GRI Indicators	Chapter for Disclosures on Management Approach (DMA)
Economical	Operational and Financial Performances	CSC, subsidiaries, joint ventures	Shareholders	Economic Performance	EC1~4	4.1、6.4
	Product Quality/Technology Development	CSC	Customers	Indirect Economic Impacts	EC7	4.2、5.2、7.2
Environmental	Environmental Grievance Mechanisms	CSC	Communities	Environmental Grievance Mechanisms	EN34	6.5
	GHGs Emissions	CSC	-	Emissions	EN15~19	6.2、6.4、6.5
	Energy Consumption and Management	CSC, subsidiaries	Suppliers	Energy	EN3~7	6.1、6.2
	Material Use and Recycled Materials	CSC	Suppliers, Customers	Materials	EN1~2	6.1、6.2、6.3
	Water Resources and Waste Water Management	CSC	Communities	Water; Effluents and Waste	EN8~10；EN22、26	6.5
	Air Pollutants	CSC	Communities	Emission	EN20~21	6.5
	Green Product/Service Design and Development	CSC	Customers	Products and Services	EN27~28	5.3
	Waste Management	CSC, subsidiaries	Communities, Government	Water, Effluents and Waste	EN23~25	6.5
	Hazardous Substance Control	CSC	Suppliers, Communities, Customers	Water, Effluents and Waste	EN23, 25	6.5
Social	Occupational Safety and Health	Occupational Safety and Health	Contractors	Occupational Health and Safety	LA5~8	7.6、8.3
	Labor/Management Relations	Labor/Management Relations		Labor/Management Relations	LA4	8.2
	Employee Welfare and Salary	Employee Welfare and Salary		Employment	LA2	8.2
	Talent Recruitment and Retention	Talent Recruitment and Retention		Employment, Training and Education	LA1~3、LA9~11	8.1、8.3、8.4
	Product/Service Responsibilities	Product/Service Responsibilities	Customers	Customer Health and Safety	PR1~2	5.1、5.2、5.3、5.4
	Anti-competitive Behavior	Anti-competitive Behavior		Anti-competitive Behavior	SO7	3.1、7.1

GRI-G4 Specific Standards

	Material Issue	Boundary within CSC	Boundary outside CSC	Material	GRI Indicators	Chapter for Disclosures on Management Approach (DMA)
Expert Forums and Media Reports						
Governance	Corporate Governance	CSC		-	G4-34	3.1
	Sustainable Development Strategy	CSC		-	G4-1	1.1
	Moral/Ethical Code	CSC		-	G4-56	3.1
	Environmental Policy / Management System	CSC		-	G4-34	6.1. 6.2
	Communication with Stakeholders	CSC		-	G4-24~27	3.2

3.2.4 Risk Management

Type of Risk	Potential Risks	Risk Control Strategies and Measures
Finance Risk	Exchange Rate Risk	• Respond to the foreign exchange market trend to improve the capital utilization efficiency
		• Offset between revenue and expense and increase demands for short term and long-term foreign currency borrowing and forward exchanges for long term
		• Balance with offsetting between revenue and expense is about USD 50 million per month, excluding capital expense procurement and long-term foreign investment; if the exchange rate of NTD to USD raises by 0.1 NTD, the annual income decreases by NTD 60 million.
	Rising Interest Rates	• Set a strict tolerance rate for variable interest rate liabilities
		• Issue corporate bonds to lock the mid-term and long-term capital cost and avoid increasing interest rates
		• Liability with variable interest rate is about NTD 31.3 billion; if the interest rate rises by 1%, the annual interest expense of CSC increases about NTD 313 million
	Inflation Risk	• Expense of utility, fuel, materials, and others take up less than 10% of the whole cost; if the inflation rises 1%, the annual expense of CSC increases less than NTD 150 million
	Pickup by Customers	• Assist customers in increasing bank credit amounts by negotiating with banks for forfaiting of account receivables
		• Use e-commerce and security mechanisms of digital signatures to simplify payment procedures
	Service Quality	• Monitor the correct operation of e-security mechanisms and computerize financial operations to ensure data accuracy and timeliness
	Capital Utilization Efficiency of CSC Group	• Use various indicators to regularly analyze financial structures of group affiliates and set up an alarm mechanism
		• Conduct real-time monitoring of financial asset values to enhance capital management among group affiliates and improve the capital utilization efficiency
Production Risk	Economic Recession	• Simulate and plan for production and sales situations based on orders estimation
		• Coordinate cast quota
		• Adjust blast furnance production and maintenance schedule according to storage capacity
		• Adjust production line quarterly/yearly maintenance schedule
		• Adjust storage limits according to the production of molten iron
		• Outsource rolling when necessary

Type of Risk	Potential Risks	Risk Control Strategies and Measures
 Market Risk	Concentrated sales	• Adopt marketing channel strategies for "primary domestic sales and supplementary export sales" and make adjustments according to market changes
		• Set up coil centers overseas to manage and control marketing channels.
	Imbalanced Production and Sales	• Simulate production and sales conditions based on orders received to timely adjust production plans
 Transportation Risk	Interruption of Raw Materials	• Prime directive: preventing interruption
		• Review stock in weekly meeting to make the best plans for transportation
		• Arrange long-term or temporary chartered vessels with flexibility and track vessel status
		• Convene quarterly meetings to review shipping costs, market change, and contracted freight
	Shipment of Finished Goods	• For export: buyer assumes sea transportation risks and takes responsible for arranging insurance
		• For land transportation: carrier submits an affidavit and an irrevocable bank guarantee with a fixed guarantee amount
 Raw Material Source Risk	Interruption of Supply	• For suppliers: carefully assess and actively develop material sources
		• For stocks: maintain adequate stocks for production flexibly
		• For transportation: operate with own vessels for material shipment and use chartered vessels as alternatives when necessary
		• Increase self-supply of raw materials
		• Grasps market conditions by businessinformation collection and investigation of plants.
	Material Investment	• Choose carefully miners and/ or partners for raw materials resources investment
		• Hire advisors to assist with feasibility evaluation
		• Conduct on-site due diligence on the project and miners.
		• Convene meetings for comprehensive evaluations
		• Monitoring the operation and development of the invested projects and/or companies.
		• Participate in the decision making process of the invested projects and/or companies.
		• Set up overseas branch offices to enhance business liaisons and command investment trends
 Information System Risk	Information System Abnormality	• Standardized operation procedures
		• Enforce disaster prevention, information safety, monitoring, reporting mechanism, abnormality management and back up
		• Carry out training and periodic drills
 Utility Risk	Unstable Supply	• Inspect and change pipeslines to maintain a steady and reliable supply
		• Conduct periodic emergency drills
	Unstable Supply	• Comply to regulations to ensure he quality of effluent meets standards

Type of Risk	Potential Risks	Risk Control Strategies and Measures
Equipment Maintenance Risk	Machinery Equipment Maintenance	• Spare Parts Maintenance and Control: Maintain appropriate inventory level. Enhance information management. Promote domestic manufacturing.
		• Maintenance Records Establishment: Decrease equipment unscheduled downtimes through equipment shutdown and failure management.
		• 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, and use information tools to enhance knowledge management.
	Electrical Equipment	• Practice the TS 16949 Standard Maintenance Procedure
		• Practice the ISO 9000 Standard System Development Procedure
		• Established "Information Safety Management Regulations of Production Divisions" with reference to ISO 17799
Water Risk	Water Resources Management	• Collect rainwater for reuse
		• Add a secondary water source; participate in the municipal and industrial wastewater reclamation project of Fengshan River and conduct R&D for seawater desalination
		• Prepare for extreme precipitation
		• Set run-off pools and treatment systems to improve effluent quality
Climate Change Risk	Carbon Management	• Develop carbon reduction roadmap
		• Develop energy saving and carbon reduction steel products and perform Life Cycle Analysis
		• Develop new green businesses; participate in local and international cooperative initiatives and activities for carbon reduction, capture and storage, and credit
		• Promote low-carbon lifestyle to the whole CSC Group
ESH Risk	Labor Safety Culture	• Conduct comprehensive hazard identification and risk assessments; adopt risk mitigation measures; conduct emergency response drills
	Environmental Protection	• Reduce air pollutants and wastewater discharge; increase water saving and wastewater recycling
		• Enhance risk control and management for resource utilization and products
	Administrative Justice	• Watch for the imposition of various types of environmental and energy taxes to ensure that they are just
Engineering Management Risk	Internal Management	• Developed engineering management system and capital expenditure management system for control and management of labor safety, quality, schedules, and budgets
	Contractor Performance	• Track contractor financial status by entrusting local investigators and filing investigation results in the engineering management system and integrated platform
		• Conduct periodic credit checks of specific suppliers

4

Investor

4.Investor

4.1 Operation and Finance

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 advanced initiatives. Among them, the cost saving initiative is an important strategy as well as a key performance indicator to respond to the circumstances of the steel industry.

CSC has continued to reduce its operating costs systematically by using scientific methodson utilization of raw materials mix, process improvement, research and development of new technology, quality upgrades, and management improvement in management. Every division reviews the executive results every month and reports in TQM committee and review meeting of operational budget execution every quarter in order to analyze the reasons and improve immediately. In 2014, CSC finished 127 major items of Cost Reduction Activities and reduced the target amount by NTD 3.7 billion, and the real cost reduction reached NTD 4.39 billion adding the reduction from the controllable costs of general affair. The annual executive rate is 119%.

4.1.1 Business Performance and Dividend Distribution

Operating Revenues

(Unit: NTD 1,000)

	2013	2014	The main reason of increase or decrease from 2013 to 2014
Sales Revenues	194,564,974	199,607,615	Increase 5,042,641 because the sales increase about 200 thousand tons
Service Revenues and Others	6,161,294	5,551,987	The income from sales of utility fluid, materials, decreased.
Total Operating Revenues	200,726,268	205,159,602	Increase 4,433,334

Note: For detailed financial information, please refer to: http://www.csc.com.tw/csc/ss/fin_month.htm

Operating Expenses

(Unit: NTD 1,000)

	2013	2014	The main reason of increase or decrease from 2013 to 2014
Operating Costs	184,156,015	183,377,897	
Cost of Goods Sold	180,133,904	179,744,905	The reduction of the cost of raw coal and iron materials resulting in the decrease of cost of goods sold
Service Costs and Others	4,022,111	3,632,992	The cost reduction of utility fluid, materials ,
Operating Expenses	7,345,870	8,215,262	HR, depreciation, and other expenses increase
Total	191,501,885	191,593,159	Operating expenses increase, but operating costs decrease.

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 Income and Expenses

In 2014, CSC's net non-operating income increased NTD 2,530,917 thousand dollars mainly due to the increase of share of the profit of subsidiaries and associates.

To sum up, compared to net profit for the yesr 2013, CSC's net profit for the yesr 2014 increased NTD 6,184,990 thousand dollars.

	2013	2014
Operating Revenues	NTD 200.726 billion	NTD 205.160billion
Net Profit before Income Tax	NTD 17.507 billion	NTD 23.692 billion
Net Profit for the year Tax	NTD 15.982 billion	NTD 22.167 billion
EPS (after Tax)	NTD 1.05	NTD 1.43

Note: Numbers are shown according to IFRSs.

Distribution of Earnings

In 2014, CSC's earnings available for distribution totaled NTD 21.862 billion dollars, with a dividend distribution of 1.4 dollars per preferred share and 1.0 dollar per common share. The dividend distribution and return on investment over the past five years are listed below:

(Unit: NTD)

	2010	2011	2012	2013	2014
EPS	2.83	1.36	0.38	1.05	1.43
Cash Dividend	1.99	1.01	0.4	0.7	1.0
Stock Dividend	0.5	0.15	0.1	0.2	0
Dividend Payout Ratio	88.00%	85.30%	131.60%	85.70%	69.90%

Note: the distribution of dividend of 2014 will be valid after it is passed in shareholders' meeting on June 23rd , 2015

	2010	2011	2012	2013	2014
P/E Ratio	11.27	23.51	72.61	24.65	17.98
P/D Ratio	16.03	31.66	68.98	36.97	25.71
Cash Dividend Yield	6.24%	3.16%	1.45%	2.70%	3.89%

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.

4.1.2 Invested Business

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 and to enhance investment in the green energy industry and to achieve green energy development strategies of CSC Group. CSC will actively and continuously promote the "New Asia Project", which will choose Asian emerging countries that has higher demand growth of steel materials as the priority investing area. The production of Qingdao Cutting Center has been completed in the fourth quarter of 2013, and the production of CSC India's "magnetic steel coil production line" and the production of "East China Cutting Center" are also scheduled at the first half of 2015. Moreover, the production of "Coating steel plate for home appliance production line" of CSVC Xinglong, which is the joint investment of CSC and Taiwanese businesses in Vietnam, is schedule in the third quarter of 2015. The overall CSC production and sales layout and production line support mutually to make the plan. According to the difference on demands for steel materials of every area and the product items that CSC has market priority, CSC will decide the types and scale set for investment to gradually practice the international layout of CSC.

The number of reinvested corporates of CSC reached 60 at the end of 2014, and 3 new reinvested corporates (China Energy Resources Corporation, CSC Precision Metal Industrial Corporation, China Steel Precision Metals Kunshan Co., Ltd.) added in 2014, , and they respectively belong to desulfurization slag processing, titanium and nickel alloy finishing, and steel materials cutting and processing industries. Due the drastically increasing sales of reinvested steel related industries, the operational revenues grow compared to 2013. The annual recognized reinvestment income of CSC is more than NTD 12 billion, which has an obvious growth compared to NTD 8.8 billion in 2013.

Investment on raw material source: Actively look for the raw material source that has the investing value to improve self-sufficiency rate, and stabilize the supply of coal and iron raw materials. At the end of 2014, the self-sufficiency rate of metallurgical coal is 1.9%, the self-sufficiency rate of iron is 15.0%, and the average self-sufficiency rate is 11.0%. Plans in the future: Actively look for high-quality Brown Field and Green Field. Coordinate the plan of the extension service for coking furnace and based on the market trends to look for the most suitable raw material source to invest. Continuously keep strategic alliances with steel plants or steel business to increase the rate of succeeding in the investment of the investment on raw material source.

Businesses	Corporate	Operational Performance in 2014
Steel businesses	Dragon Steel Corp.	Production and sales grows, the costs for raw materials decrease, and the gross margin of sales increases, so the revenue and profit all grow greatly.
	Chung Hung Steel	Because the costs reduce and the profit of reinvestment increases, net profit before tax grows for almost 50% compared to 2013.
	CSC Malaysia(CSC steel Sdn. Bhd.), CSVC	Due to the influence of low price steel products of China on local markets and the less production and sales, there are deficits on consolidated revenue
Logistics and trading businesses	China Steel Express Corp	New-built bulk carrier is invested into the operation to increase the traffic volume, and the profit grows slightly.
	China Steel Global Trading Corp.	The production and sales of steel products and agency business grows and recognized reinvested profit grows, so the profit grows 16%.
	Qingdao China Steel Corp.	Production has already been finished and the plants were established in 2013, and the operation in 2014 had profit.
Industrial material businesses	CS Aluminum Corp.	Unit gross profit of products raises and phase 2 expansion of construction is completed, so the earnings before tax grow almost 10%.
	China Steel Chemical Corporation (CSCC)	The production and sales increase, so EPS before tax reaches NTD 10.81.
	CHC Resources Corp.	The sales of Basic Oxygen Furnace powder increase , the average sales price rises, and the sales of Resources Recycling both grow, so the operational revenue and profit both grow.
	Himag Magnetic Corp.	The sales of special chemicals grow, so the profit grows.
	Changzhou China Steel Precision Material Corp.	The sales of products related to titanium and nickel grow, so the operational revenue and profit both grow.
Engineering businesses	China Steel Machinery Corporation, China Ecotek Corporation	Both operational revenue and earnings before tax grow.
	China Steel Structure Co., Ltd.	Because the price competition on the market is intense, the net profit before tax declines.
	Info-Champ Systems Corp.	Because the recognized income from information system project grows and the gross margin is high, so the operational revenue and profit both grow.
Service and investment businesses	Gain Investment Corp.	Net profit before tax reaches NTD 499 million, which grows 17%.
	China Steel Security Corp.	The operational revenue declines slightly, but because the recognized statement of settlement of reinvested CSSSCT Corp. makes the increase of gains recognized under the equity method, the net profit before tax grows.
	China Prosperity Development Corp.	Because the profit of reinvestment decreases, annual earnings before tax are NTD 211 million, which declines 2.25% compared to last year.

Businesses	Corporate	Operational Performance in 2014
Estimated investment on reinvested corporate in 2015	CSC India' s (China Steel Corp. India Pvt. Ltd.)	The production of "magnetic steel coil production line" is scheduled on the first half of 2015.
	China Steel Precision Metals Kunshan Co., Ltd.	The production of "East China Cutting Center" is scheduled on the first half of 2015.
	CSVC Xinglong	The production of "Coating steel plate for home appliance production line" is scheduled on the third quarter of 2015.

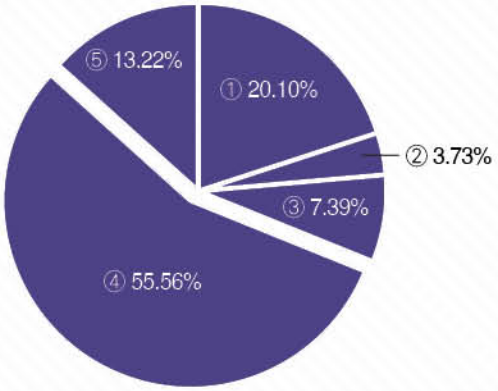
4.1.3 Capital Sources and Major Subsidies

- **CSC's shareholder structure:**

The introduction of shareholder structure

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

(According to the date of book closure date on August 20th , 2014)



- **According to Article 10 of "Statute for Industrial Innovation", CSC uses the R&D investment by a company to reduce business income taxes of the same year and does not accept other governmental subsidies.**

Investment tax creditobtained

(Unit: NTD 1,000)	2012	2013	2014
Investment tax credit used for the year	14,082	15,818	27,311

4.2 Upgrading and Innovation of the industry

In order to continuously grow and expand CSC businesses and assist in the upgrading of downstream steel-using industries, CSC adopts a "deepened, broadened and innovative integration" R&D transform and expects to extend its energy of technology and innovation by expanding the R&D functional direction from current R&D to RD&ES and consequently leads CSC to continuous progress and growth.

E(Engineering) is an capability of industrialization and commercialization which can put the research results into the practice of application

S(Service and Solution) is an capability which can offer the service of technology marketing and complete solution. (For detailed information, please refer to: http://www.csc.com.tw/csc/ts/tsMain.htm)

4.2.1 Important Research Results

In 2014, CSC achieved outstanding R&D accomplishments on production, process, equipment technology, and other fields, and the most important research results are listed as follows:

The development of thin size of 20CS1200 Electrical Steel Sheet

Results

Overcome the difficulty of the rolling for thin size Electrical Steel Sheet and the decreasing of high-frequency iron loss

Benefits

- Able to provide the more complete thin size Electrical Steel Sheet products for the usage on high-frequency main motors, hybrid vehicles, and motors of electric cars.
- It can be implemented immediately when the demands increase to gain business opportunities.

Use 6N materials of anisotropic hard ferrite to develop the motor of BLDC

Results

Successfully develop 6N materials of ferrite, which has the same magnetism as TDK products, and finish 60 tons of trial production. The magnetism has reproducibility.

Benefits

- The rotator of the motor of BLDC use hard ferrite magnet to replace silicon steel sheet, which can reduce almost 40% of energy loss. The annual demand of 6N material magnet is about four thousand tons.
- CSC is about to introduce MagTech to undergo manufacture in order to provide Dyna RECHI energy, and the sales revenue at the early stage can reach about NTD 180 million per year.

The improvement of process and trial production of Bio-coal plants

Results

Able to manufacture for at least 5 straight days, and the stability of the process of carbonization is greatly improved, which makes the manufacture steady.

Benefits

- After the experiment, bio-coal can replace the coal in power plant, and 2 tons of CO_2 emission can be reduced by burning one ton of bio-coal.

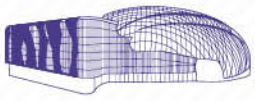
Establish cooling water treatment agents and online monitoring system for power plants

Results

Develop an online detecting system for the density of the agents on the site, and compare to the traditional analysis results in the lab to confirm the feasibility of the measured data.

Benefits

- Save the personnel for analysis, reach the target of real-time monitoring, and improve the stability of water system.
- Able to break the technical obstacle set by international water treatment corporates during the bidding.



The development of cold roll titanium coil for the roofs and curtain walls of Taipei Dome.

Results

Manufacture the 0.6 mm Gr.1 titanium coil meeting ASTM B265 on machinery quality, flatness, and dimensional tolerance, and this is already passed the review of the committee of Department of Urban Development, Taipei City Government.

Benefits

- Receive the order of 230 tons of titanium plate from Taipei Dome, which increases the volume of business by about NTD 200 million.
- There are potential orders of 250 tons of titanium roof building materials in negotiation.
- This is already applied to 2 projects, LOHAS Center of National Taiwan University and the music hall in Kang Chiao Bilingual School, Shanghai, China.

Establish a long-term stable CO_2 capture technology

Results

Establish a standardized operation, develop an innovative batch operation control, and continuously operate for 25 days steadily.

Benefits

- Energy consumption of carbon capture greatly decreases from 5.8 to 4.6 GJ/ton CO_2.

3105 Develop the materials for aluminum caps

Results

The products will have high strength, high extending rate, and low plastic strain rate. The new procedure developed after May, 2014 has already replaced the traditional procedure of single hot-rolled producing machine completely.

Benefits

- CS Aluminum Corp. sold more than 3000 tons of aluminum materials for aluminum caps in 2013.
- 3105 aluminum caps have already been sold for 1,700 tons currently, which increases the output value of CS Aluminum Corp. for about NTD 200 million.
- The concept of production and procedure is also applied to manufacturing aluminum caps of different alloys successively.

4.2.2 Green Business Development

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 has long contributed to the improvement of environmental protection and R&D for the technology of green energy, and CSC has already developed all kinds of energy-saving steel products and applied these commonly. There is also certain performance on the aspects of environmental protection, recycle and reuse of resources, the integration of energy, and others. For recent years, CSC is focusing on the reduction of CO2 emmission and development of alternative energy. CSC actively participates in advanced and potential low carbon businesses to minimize our CO2 emissions and establish renewable energy technologies in a practical manner.

The overall prospective and promotion of energy in the new energy policy that President announced in 2011 is “ensure the nuclear safety, reduce the carbon steadily, build a green-energy low carbon environment, and gradually head to a non-nuclear family”, so Ministry of Economic Affairs, Bureau of Energy promotes the project “Thousand Wind Turbines” to set up about 600 off-shore wind turbines before 2030, which the capacity can reach 3,000 MW. With the land wind turbines, there will be totally more than 1,000 wind turbines and the total capacity will reach 4,200 MW, which takes up more than 33% of the renewable energy setting goal and is expected to be one of the major sources of domestic energy.

In order to cooperate the sustainable energy policies of the government described above, to respond to the expectation of government on CSC to invest wind power generation business, and to create another new core business which can make annual production value of more than NTD 10 billion in addition to steel industry, CSC set up the Committee for Wind Power Generation Business Development inside the corporate in 2014 to develop the following developing plans and targets. In addition to developing wind power business, CSC has also developed green related business, such as high-valued gas, motors, cars, bio-coal, biomass, Magnetic Steel Sheet, recycling of waste heat, application of hydrogen energy, photovoltaic, and so on.

The exhibition of wind power poster

Performance

- Establish the Committee for Wind Power Generation Business Development
- Obtain the bid of Southern Taiwan Sea Meteorological Tower.
- Participate in the steel exhibition of Federation of Indian Chambers of Commerce and Industry.

Short-term (2014-2020)

Target

- Turn-key project of off-shore demonstration wind field
- Establish the energy for marine engineering

Scheduled work items

- Establish R&D center of wind power technology
- Strive for the bid on demonstration wind field.
- Complete the assessment and selection of object for wind power technology transfer.
- Establish exclusive wind power harbor and industrial park
- Invest in the bid and the development of off-shore wind power field

Mid-term (2021-2025)

Target

- establishing a wind power industrial chain
- Service of developing and maintaining wind field

Scheduled work items

- Localize the supply chain of wind power system
- Establish the maintenance energy for offshore wind power system.
- Participate in the plan of developing local offshore wind field

Long-term (after 2026)

Target

- Expand local wind power business.
- Promote the internationalization of the offshore wind power business.

Scheduled work items

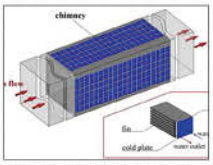
- The engineering of offshore wind field and stabilization of the revenues of operation and maintenance businesses
- Strive for the businesses of replacing the old domestic wind power system
- Strive for the domestic and international wind power related businesses

Items		
White Biotech Corp.	Summary	Set up White Biotech Corp. with related business, and use the anaerobic fermentation technology of America LanzaTech to undergo the use of high-valued self-generated fuel gas, and to promote and create high-quality green energy.
	Performance	Finish the construction of demonstration plant for producing ethanol with Basic Oxygen furnace gas and accredit the technology' s feasibility. Control the operating technology for making the product ethanol concentration of produced ethanol in 52 g/l, and the conversion rate of CO in 79.5% to reach the head of the international standards.
	Prospect	Investment and establishment of plants will be made in 2015 to undergo commercial production, and the annual production is 52.5 thousand tons. Furthermore, CSC will develop the industrialized technology and related key technologies.

Items		
Dyna RECHI	**Summary**	CSC set up Dyna RECHI jointly with Rechi Precision Co. to produce BLDC motors
	Performance	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.
	Prospect	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
Honley Auto Parts Co., Ltd	**Summary**	Honley established its hot stamping parts plants in Pingtung, Taiwan, and Changchuan, China.
	Performance	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 3.5 million pieces.
	Prospect	Increase the sales of automotive materials of CSC while saving energy and reducing carbon emissions.
Bio-coal project	**Summary**	Establish CSC Bio-Coal Sdn. Bhd. And set a pilot plant in Penang, Malaysia.
	Performance	After several tests and modification, the operating patterns of production line has been established.
	Prospect	Develop more competent and value innovative bio-coal technology with carbon reduction and environmental protection.
Fukuta Motor Case	**Summary**	Fukuta is the only supplier of the world biggest electric car manufacturer, TESLA Motors, for the iron core of the motors, and all the Magnetic Steel Sheets Fukuta needs are provided by CSC.
	Performance	In addition to environmental appeal, the electric cars released by the world-leading battery electric vehicles manufacturer, TESLA, are also commented positively on the market on the performance and security. The global sales in 2014 reached 35 thousand tons.
	Prospect	Under the global trend of developing green energy, the market of electric cars has great growing potentials in the future.
Heat recovery technology for mid and low temperature sources	**Summary**	Thermoelectric Generation (TEG)
	Performance	A kW-level thermoelectric generation system on reheating furnace wall was developed, and the performance was validated after the system construction, which is the first thermoelectric generation system in Taiwan.
	Prospect	The thermoelectric generation system with embedded heat-collection technology was developed and will be applied in the boiler duct that will be completed in 2016. Another application on continuous casting slab was under development.
	Summary	Organic Rankine Cycle (ORC)
	Performance	Technologies of system design, thermal design, and operation optimization of Organic Rankine Cycle system were developed in 2014.
	Prospect	The Organic Rankine Cycle systems of billet reheating furnace and boiler plant are planning and will be constructed in 2016 to provide an overall solution and enhancement for waste heat recovery.
Biomass technologies	**Summary**	The bio-coal project with short fibers of palm fruit as input
	Performance	This has been in the commissioning stage, and the bio-coal is transported back to CSC power plant for test. Combustion tests of 20% bio-coal mixed with 80% coal were completed, and control the burning characteristics of mixed burnt bio-coal as the basis of following long-term application.
	Prospect	Actively develop the second generation of continuous low-temperature carbonization system of bio-coal to overcome the value-added application of producing by-products and the problems of self-heating of bio-coal.
Biomass technologies	**Summary**	Fast pyrolysis bio-oil (waste wood as the material source)
	Performance	CSC has begun to use a 30kg/h fast pyrolysis bio-oil demo system and has the capability of producing and 150 liters of bio-emulsified oil per day. CSC will also apply the produced emulsified oil to equipment of feeding in raw materials, and collection and emission of pollutants to replace the high price diesel oil.
	Prospect	Actively conduct tests in order to produce crude bio-oil meeting ASTM standards, and further conduct the development of bio-oil reforming technology to improve the bio-oil mixed rate.
Hydrogen energy application technology	**Summary**	Solid Oxide Fuel Cell, SOFC.
	Performance	CSC set up a 1kW SOFC system in the laboratory. CSC has promoted the electrical efficiency to 40%.
	Prospect	CSC plans to install a 50 kW SOFC system at the end of 2015. CSC also proposes to construct a 200 kW SOFC pilot plant using biogas from gasification at the end of 2017.
The establishment of photovoltaic system	**Summary**	Photovoltaic (PV) is to use Solar Cell to directly convert solar energy into power, which is the most convenient, low-polluting, non-noise, high-safety, easy-operated, and distributed power system of renewable energy
	Performance	CSC has set totally 517.24 kWp, and the total power generation in 2014 is 541,308 kWh (sold to TaiPower), which can reduce CO_2e for 288 tons.
	Prospect	The construction of solar power for Maoda warehouse is expected to complete and operate in June, 2016, which will increase 499 kWp of power generation.


The bio-coal project with short fibers of palm fruit as input


Fast pyrolysis bio-oil



Thermoelectric Generation (TEG)


Organic Rankine Cycle (ORC)


Technology for Hydrogen Energy Application


Photovoltaic system

4.2.3 Connection to Global Trend

The procedure of improving the overall value of steel plants can take three areas as leading indicator, including the development of newly applied steel, improvement of steel material application technology, and the connection to advanced steelmaking technology. CSC has participated international auto steel affairs for years, which is exactly connecting technology units and practicing application to feedback the real action of material development.

In response to the open attitude of auto makers towards the selection of materials, CSC's participation in WorldAutoSteel(WAS) projects focuses on continuously drawing attention to the application of steel materials; presenting application value of next generation steel materials; building positive relationship between the link of steel materials and clean environmental protection; assistance to boost the product competitiveness of steel plants; and participation in the development of the international automotive market.

Items in 2014	Content	Benefit
Minimum Thickness Study	Analyze the restriction on the application of super thin plates, and realize that the thinning high-strength steel has direct benefits on lightweight.	Provide car manufacturers a compromising solution for the 2 conflict issues, lightweight and steel thickness.
The influence of CFRP on steel materials	Cooperate with America A2Mac1 to dismantle and analyze BMW i3.	Establish reference data of CSRP auto body application function in order to realize the possible influence on steel material application.
The comparison and analysis on Aluminum Bumper, engine mount, and design of optimization on steel materials	Undergo functional benchmark analysis and the reconstruction of iron and steel plates.	Develop the demonstration design of the optimization of steel materials and plates.
Study on the GHGs Emissions of Car Life Cycle and promotion and legislation	Cooperate with Technical University of Berlin to promote the legislation of using LCA to replace the regulations about the emission from auto tailpipe.	Completely present and reflect the influences and impacts of different materials on the environment
Editing of AHSS Application Guidelines V5.0	Edit the contents of AHSS Application Guidelines, and increase and explain the applying characteristics of the three-layered plate point welder and laser beam welder.	Improve the understanding of industries on AHSS to reach the target of reducing energy consumption and emission of CO_2.

WAS members

AHSS Application Guildines

5

Customer

5.Customers

The major products of CSC are steel plates, steel bars, wire rods, hot-rolled coils and sheets, cold-rolled coils, electro-galvanized coils, hot-dip galvanized coils, magnetic steel coils, and so on. CSC follows the quality policy, “based on customer orientation to keep the innovation of R&D, provide excellent and eco-friendly products and consequently fulfill responsibility to society.” In order to win the appreciation and trust of customers and to assist customers to succeed, CSC adopts two policies, “R&D the advanced products to speed up the development of new products and strategic steel products, and upgrade to increase the value”, and “Try best to save energy, reduce carbon, and improve the value of gas, and stop the hazardous substance, and take good care of corporate social responsibilities” to develop all kinds of operational activities. The production of crude steel in 2014 was 9,154,312 tons, which raised 460,724 tons, compared to 8,693,588 tons in 2013, and the growth rate is about 5.3%, However, because the number of employees increases, the production of crude steel per employee decreases 19 tons/ per person per year. In addition to that, the rate of orders for high-end steel reached 51.39%, which is the operational target CSC required, in 2014, the performances of the development of new products, improvement of processes and technologies, the accreditation of quality management system, and other aspects are all great.

5.1 Products and Applications

5.1.1 Major Products

steel plates

Applications

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

steel bars

Applications

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

Applications

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 coils and sheets

Applications

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 coils

Applications

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 coils

Applications

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 coils

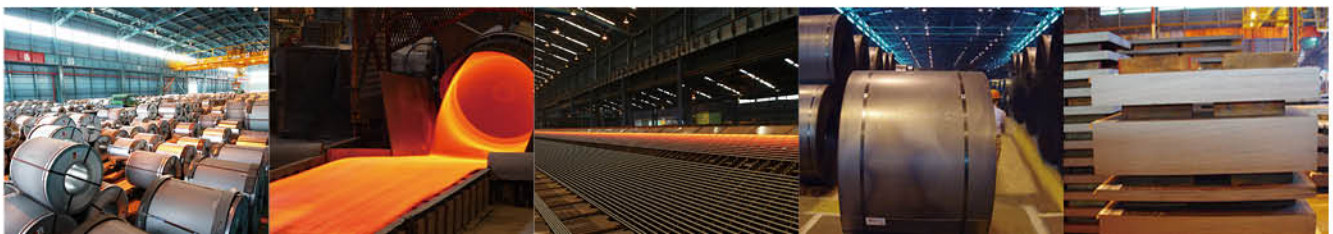
Applications

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 coils

Applications

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



Product Output

(Unit: ten thousand tons)

	2010	2011	2012	2013	2014
steel plate	106.3	105.7	98.4	94.2	96.4
bar	57.5	70.1	56.4	59.9	62.1
wire rods	126.5	128.3	109.7	132.8	131.7
Hot-rolled steel products	389.4	256.4	227.3	216.2	237.6
Cold-rolled steel products	282.4	304.3	320.6	358.5	365.9
Commercial billet&slab	9.3	10.1	25.0	21.3	9.8
PIG	0.6	0.6	0.9	0.5	0.5
Total	972.1	875.6	838.3	883.4	904.0

5.1.2 By-products

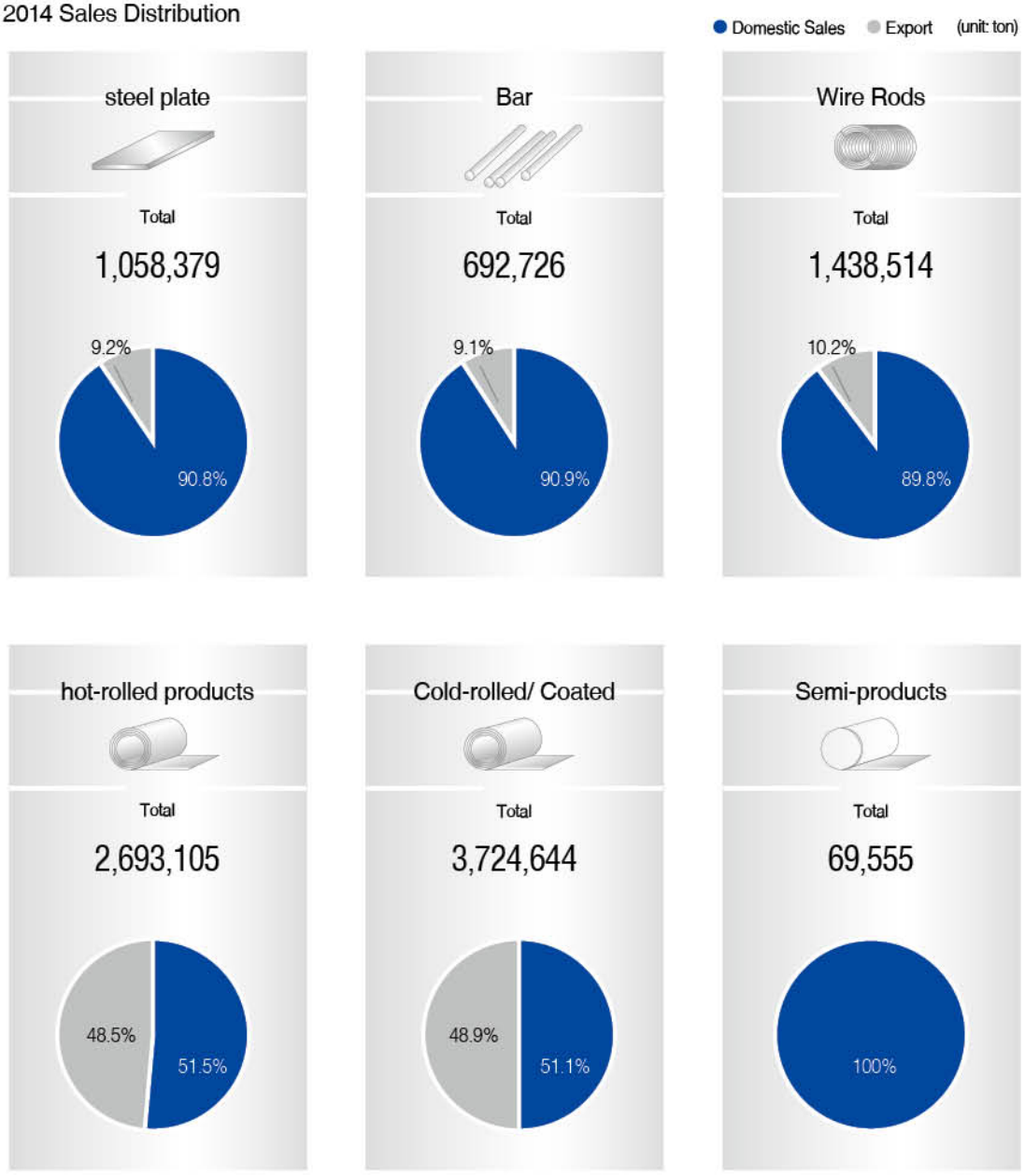
The by-products produced from CSC procedure include coal tar, crude light oil, blast furnace slag, BOF slag, iron oxide powder, desulfurization slag, and so on. Except that desulfurization slag and part of granulated BF slag are sold to domestic businesses, other by-products are processed through related industries to be provided to chemical, construction, civil engineering, electrical, commodity, and other industries.

5.1.3 Product Sales

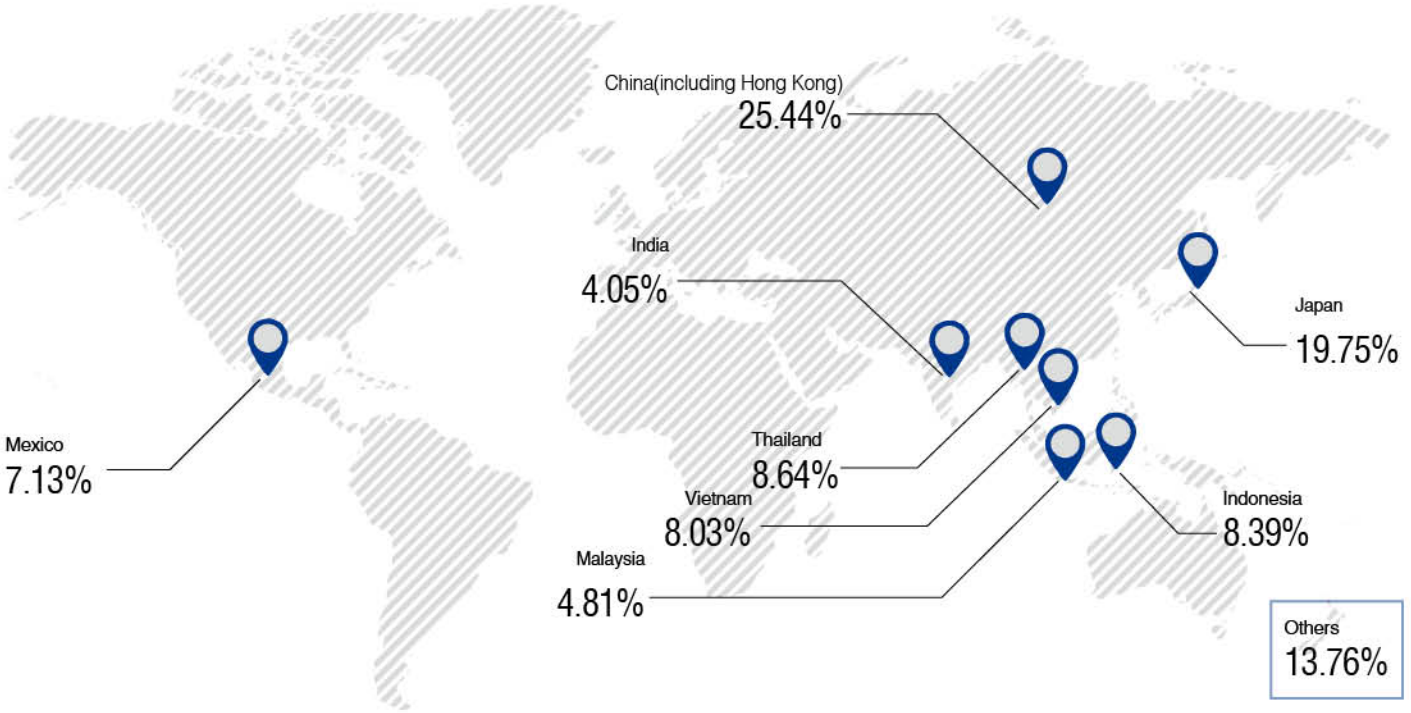
The total sales of steel products in 2014 are 9.677 million tons, increasing 20 thousand more tons and 2.11% than that in 2013. Domestic sales accounted for 64.1% (6.207million tons) of the total sales, mainly cold-rolled/coated steel products, 38.5%, followed by hot-rolled products, 27.8%.

Exporting sales accounted for 35.9% (3.47 million tons), and the major exporting markets are China, Japan, and Southeast Asia.

2014 Sales Distribution



2014 Export Sales by Country



5.2 Quality Control

Under the instruction of quality policy that focuses on customers, the mandatory procedures for identifying the quality management system include 11 items of "the procedures of customer orientation", 9 items of "the procedures of supports", and 13 items of "the procedures of management." Moreover, the quality policy is promoted through the procedures to avoid the obstacles and barriers in administrative organization. Been carefully estimated the internal and external operation environment and the company vision, the operational directives of the company were enacted and necessary resources were fully provided for all the procedures on management activities. Customer satisfaction is the target for all the procedures, and CSC actively operates all of them smoothly to produce high-quality products with no hazardous substance. CSC monitors, measures, and analyzes on all kinds of products and procedures, and keeps improving the system and makes the company sustainable development through internal and external audit, corrective action, preventive action, improving projects of the quality and procedures of products, management and reviews, and other activities.

5.2.1 Quality Management System Certification

CSC passed the certification of ISO/ TS 16949, ISO 9001 QC080000, and quality management system of various of countries.

ISO/TS 16949 QC080000 Hazardous substance processing management system	Finished surveillance audit of steel products is finished Special alloy products are included into ISO 9001 system.	Provided customers premium products with higher quality assurances
Thai Industrial Standards Institute (TISI) Standard National Indonesia (SNI) The Standard and Industrial Research Institute of Malaysia (SIRIM) Factory Production Control(FPC) The Bureau of Indian Standards (BIS) End of Life Vehicles(ELV)	Passed the surveillance audit CSC's GI products were also certified by BIS of India	CSC effectively eluded trade barriers of adjacent countries and enhanced the competitiveness of its export products
Japanese Industrial Standards (JIS MARK)	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

Chinese National Standards in Taiwan (CNS)	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.

5.2.2 Development of new products and Advancement of Manufacturing Technology

In 2014, 57 development projects were completed, creating the best record to date, including the development of new products and advancement of manufacturing technology for steel plates, wire rods, hot-rolled coils and sheets, cold-rolled coils, hot-dip galvanized coils, magnetic steel coils, and other steel products.

Type	Development of new products	Benefits	Advancement of Manufacturing Technology	Benefits
 steel plates	Super thick EH47 75 mm steel plate for vessels structure	The strength and toughness reached the highest standards, and it can reduce 14% of the weight of steel plate used compared to EH40 one level lower.	Enhanced the maintenance of RH VACUUM DEGASSER and improved its capability.	Effectively improved the quality of center part of steel plates
			Continuously improved the steelmaking and continuous casting technologies of tire cord, bearing steel, hot forging non-quenched and tempered steel, and so on.	Effectively controlled the types and contents of inclusion.
 wire rods	SUJ2 bearing steel	Listed as a qualified supplier by the largest auto bearing manufacturer, JTEKT, CSC successfully steps into the critical safety class market of bearing steel.	Focusing on the scratch and collision of the products, CSC adopts the improvement of production equipment, transportation practices, and raw materials.	Effectively lowered the rejection and claim for compensation from customers, which saves NTD 21.09 million cost this year.
	Produce 9254 with great cleanliness, narrow decarburization less, and excellent drawability.	Applied to manufacturing "valve spring", the highest level of spring products.		
 hot-rolled coils and sheets	Rerolled to cold- roll pure titanium plate grade of the materials, ASTM B265 G.1The steel strengthened by heat treatment method used for casing, API 5CT J55PThe steel used for front engine cover of cars, CUST C45E PAS	Used in Taipei Dome project.	Finished to reduce the additive for edge cutting. Established low silicon Cr-Mo steel characterized by red scale free.	Decreased the loss on cutting ends to cut down costs.
		Been able to improve to the strength of P110, which can assist domestic piping industry to create blue ocean market.		Improved the surface quality of steel products and solved customers' distress on using materials.
		Used in German vehicle manufacture. CSC is the only qualified supplier in Asia.		

Type	Development of new products	Benefits	Advancement of Manufacturing Technology	Benefits
 Cold-rolled products	cold roll high-strength steel for hot stamping materials of cars	Expanded auto parts market and increased the orders of premium products.	Improved 1/8 of the thickness tolerance for CQSF thin plate.	Improved the size precision of products.
	Cold roll super extra deep drawing steel, EN DC07	DC07 is the formability steel at the highest level of EN , so it can improve the technology level of CSC and be helpful on receiving orders.	Improved the edge wave of No.2 CAL CQSF and the scratch defect of lower surface of thick plate of BA.	Lowered the defect rate and claiming rate sharply.
	ASTM B265 Gr.1, Gr.2	Beginning mass production and accepting orders, CSC officially steps into the field of special alloy.	Change the 2 times of cut edge for hot dip galvanizing laser welder to 1 time.	Raise the production of cold roll and lower the loss from 2 times of cut edge.
 Hot-dip galvanized coils	Used new paint to develop excellent corrosion resistant chromate-treatment GA	Improved the pitting corrosion existed for a long time	Changed the twice trimming edge to 1 time, through CG tailor welded blanks	Raised the rolling yield and reduced the yield loss by 1 time edge trimming .
 Magnetic Steel coils	High thermal conductivity product, 50CS470T	Constantly satisfied the demands of customers and expanded magnetic Steel Sheet market.	Developed semi-processed electrical steel product with relative low roughness, and improve the sticking between laminations after stress relief annealing.	Improved the efficiency of motors.
	Magnetic Steel used for motors of compressor.			
	Extreme thin plate products, 20CS1500HF			
	The product used for motor lamination, DC01			
	Finished the study of cost-performance ratio of Magnetic Steel Sheet			

5.3 Green Products

5.3.1 Types of Products and Benefits

CSC is the upstream supplier of steel-using industries and is dedicated to the development and supply of more green steel 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 51.39% in 2014. In all these orders, especially for green steel products which have the benefits of external energy saving and carbon reduction are 2.9278 million tons, and can reduce 5.4457 million tons of carbons for consumers. In addition, 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, all series of 0.35mm top standards and extreme thin plant products, and keeps developing extreme plate products of 0.25mm, 0.20mm, and 0.15mm. This creates great benefits in the energy savings of electrical and mechanical goods.

CSC's green products in green supply chain are described below:

Steel Products	Benefits about environmental protection, energy saving, and carbon reduction	Main Purpose
Top grade and extreme thin plate Magnetic Steel Sheet m	Lowers the temperature increase of motors, reduces motor weight as well as material used; it also enhances motor efficiency.	Electric cars, compressor
High grade magnetic steel sheet with high magnetic flux density and low iron loss:	Excludes hexavalent chromium, poses no threat to human health, and helps to extend the product life cycle (PLC) of home appliances.	used for home appliances, 3C, and hardware parts
Anti-fingerprint chromate-free galvanized and passivation chromate coating steel sheets	Replaces lead-containing free cutting steel	the parts and axis components of high-grade office machines
Contamination-free desulfurized carbon steel	The toughness is so great that the customers don' t need patenting.	Motorcycle suspension springs and pre-stresses steel wires
Non-lead Patenting High Carbon Wire Rod	Simplifies two-stage wire spheroidized and drawing manufacturing process for customers	The components of manual tool (air screwdriver)
Steel used for air screwdriver bits	Elides the heat treatment processing (decrease costs by 10 to 15%)	Auto parts
Hot forging non-quenched and tempered steel	Enhances the safety of car body structure and reduces the weight of car bodies	Cars
High-strength hot- and cold-rolled and hot-dip galvanized dual phase steel sheets for cars	Improves the resistance of constructional structure to high temperature, reduces fire protective coating requirements, thereby enhancing the aesthetic appeal of steel structures and reducing the use of decorative materials.	Buildings
Fire resistant steel	Improves the safety of buildings. (Reduces energy consumption by more than 25% and CO_2 emissions by more than 40% when applying to the high-rise steel structured buildings).	Buildings
Higher-strength building structural steel	Enhances the safety of vessels and lighten the weight of vessels.	Vessels
High-strength hull structural steel	Enhances the safety of vessels and lighten the weight of vessels.	Vessels

5.3.2 Life Cycle Assessment

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 as follows:

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

The orders for green steel products of CSC were 2.9278 million tons in 2014, which can help consumers to reduce carbons by about 5.4457 million tons per year. In addition, CSC will conduct life cycle assessment on thermoelectric materials and modules of recyclable waste heat. CSC also builds the technology of life cycle assessment for Bi2Te3 thermoelectric materials and modules, which is to use international database and the real inventory checking methods for the suppliers of quartz pipe, Teflon wire, solder paste, and others to gradually establish the carbon emission of thermoelectric modules on raw materials phase, manufacturing phase, and transportation phase. For example, the total carbon emission can be 1.64 kg CO_2e/set or 48.45 kg CO_2e/kg. Currently, CSC is establishing the decision supporting trial tool of the feedback mechanism, which will serve as the simulated assessment tool designed for low carbon of thermoelectric materials and as the comparison of design project, the set of decision and direction in order to reach the target of green design of thermoelectric materials and modules.

	Raw Material Phase	Manufacturing Phase	Transportation Phase
Carbon Emission (kg CO_2e/ set)	0.37	1.26	0.009
Percent (%)	22.43	77.03	0.54

5.3.3 Hazardous Substance Control

CSC includes the index "the qualifying rate of hazardous substance in steel products meeting the regulations" into the directives of division operation, and lists it into management and tracks. The qualifying rate of the execution in 2014 was kept at 100%. 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 with the bans imposed by the EU on RoHS restriction requirements regarding cadmium, mercury, lead, hexavalent chromium, PBB and PBDE.

5.4 Optimization of Customer Service

To improve customer service quality, we provide customers with total-stage and multi-phase pre-sale, on-process, and after-sale technical services; supply steel products of the right quality, in the right quantity, at the right time; and assist customers in solving product use and technical problems, so as to boost sales in steel-using industries.

5.4.1 Service Performance

As a technology-service-based provider, we provide total-stage and multi-phase pre-sale, on-process, and after-sale customer technical services and make proper use of external service workforce, in-plant technical support, and R&D experts, so as to meet customer requirements and provide steel products of the right quality, in the right quantity, and at the right time. Taking charge of customer technical service, the Service Section of the Metallurgical Department aiming to "assist customers in improving technology and promote steel industry upgrade" plays a double role. Internally, it represents customers to request the company to develop and supply products fulfilling customer requirements. Externally, it represents the company to provide customers with product application knowledge and help them solve product use problems

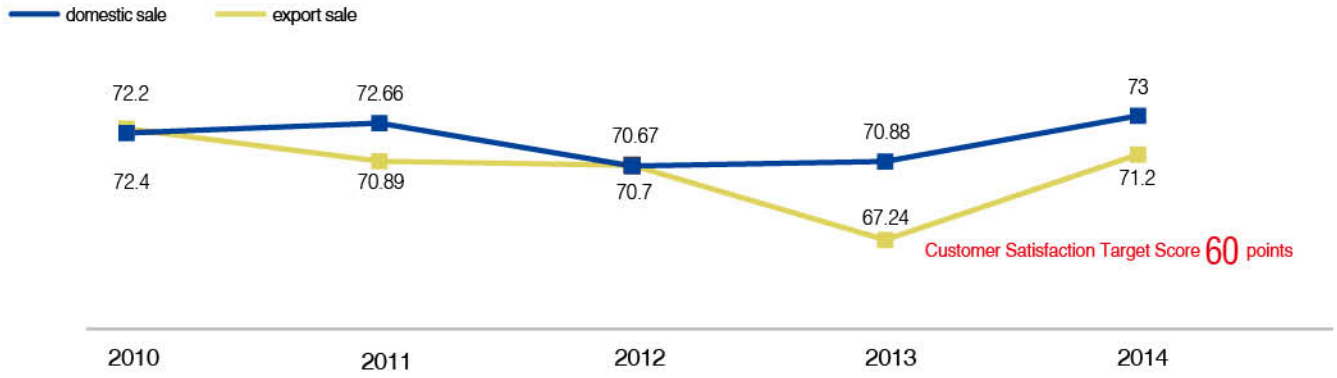
To improve customer service quality, we hold each quarter a production-marketing meeting with the trade unions of major downstream steel-related industries or professional teams. Through customer interviews, technology exchange meetings, and seminars, we actively discover customer needs; and by combining with the company's technical capacity, we help downstream industries to improve technology. In addition, we provide differential services for individual customers; aggressively seek opportunities for investments in downstream steelworks or steel-using industries; and engage in collaborative development with customers to provide them with customized products. Our service achievements in 2014 included:

Service Type	Achievements in 2014
Technical Service	Referral of market quality feedback for plant quality improvement: 42 cases.
	Assistance for customers in improvement process technology and solving product use and processing technology problems: 179 cases.
	Completion of surveys on product uses and trends by industry: 11 cases.
	Completion of new product surveys and quality function deployment: 8 items.
	Addition of auto material certification: 22 items; and cultivation of new automaker accounts: 2 automakers.
	Organization of domestic and foreign technical seminars and workshops: 12 sessions.
	Visits on key accounts: 118 times.
	Dispatch of technical missions to mainland China, Japan, Southeast Asia, Europe, and the USA for visit and product promotion: 453 man-days.
	Organization of domestic and foreign technical seminars and workshops: 12 sessions.
Sales Service	Organization of domestic production marketing meetings: 36 sessions and export production marketing meetings: 4 sessions.
	Through the introduction of e-commerce and supply chain system, customers were provided with overall business services.
	Frequent visits on customers by sales-related personnel and officers.
	Enhancement of on-time delivery rate by planning order acceptance volume by production capacity.
	Expansion of customer service by integrating marketing resources of CSC and subsidiaries.
Product marketing Supply Chain System	At-source Management: Determining reasonable delivery time and various order filling SOPs in collaboration with customers to enhance production efficiency, shorten lead-time, and raise the order fill rate (OFR) of build-to-order high-quality products.
	Acceleration of defective product sales: Building a sales system and on-line auction system of finished but defective products to increase product market value and strengthen inventory control.
	Promotion of on-line sales: Promoting on-line sales of in-stock electromagnetic coils and hot-rolled products and leeway to increase orders for stock and enhance delivery efficiency.
	Customization information reporting: Reporting real-time information regarding the contract type, order type, payment type, B/L type, and shipping methods selected by customers.
	Data linking service: Linking the procurement, product receipt, acceptance, and claim data of customers with the company' s order, production, shipping, and invoice information system with 30 customers.

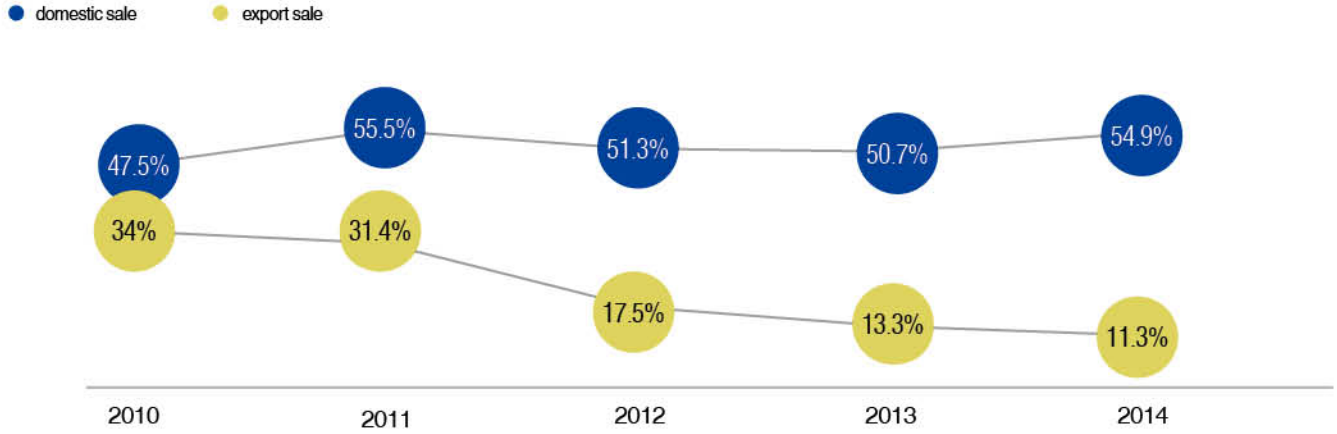
5.4.2 Customer Satisfaction

Each year we commission academic institutions to conduct the "customer satisfaction survey" on domestic and foreign customers and review and improve issues concerned about by customers for the reference of establishing business policies and operational guidelines. Based on the three items with the lowest score and the issues reflected by domestic and foreign customers, we request responsible units to establish and adequately implement corrective action plans; specify the status of implementation in the "Customer Satisfaction Survey: Customer Recommended Improvement Report"; submit the results for discussion at the "Steel Product System Management Review Meeting"; and follow up the progress and effectiveness of implementation. After collation, customer suggestions in the survey questionnaire, the results of improvement made by relevant units and relevant policy documents should be published on the e-commerce system and delivered to customers together with the questionnaire of the survey in the next year. By doing so, we aim to show respect for customers, ease their doubts, and thereby strengthen mutual understanding and mutual trust between CSC and customers.

Customer Satisfaction



Customer Satisfaction Coverage



Referring to the regulations governing customer satisfaction measurement, the overall satisfaction score should fall in the "good" grade (60<satisfaction score<=80) or above. Coverage (domestic sale)=number of questionnaire reclaimed from the customers/ number of questionnaire sent to the customers (not all the customers of domestic sale). Coverage (export sale)= number of questionnaire reclaimed from the customers/ number of questionnaire sent to the customers. (all the customers of export sale)

Satisfaction	Domestic Sales	Export Sales
	73 points (2.12 points up from 2013)	71.2 points (3.98 points up from 2013)
Top 3 satisfaction items	Service attitude of sales personnel	Transaction account accuracy
	Response speed to customer inquiries of sales personnel	Service attitude of sales personnel
	Interaction between sales personnel and customer interaction	Product labeling
Last 3 satisfaction items	Price difference between CSC products and import products.	Price difference between CSC products and local products.
	Price competitiveness between CSC products and import products.	Price difference between CSC products and import products.
	Assistance of CSC product prices in boosting international competitiveness of customers	Speed of product price adjustments to business environment changes after quotation opening.
		Level of consideration of prices advised by customers and speed of new specification and product development.

5.4.3 Customer Privacy

At CSC, we are committed to providing customers with the best service and the best protection for the information provided by customers. In 2014, no complaint regarding compromising customer privacy or customer information was recorded.

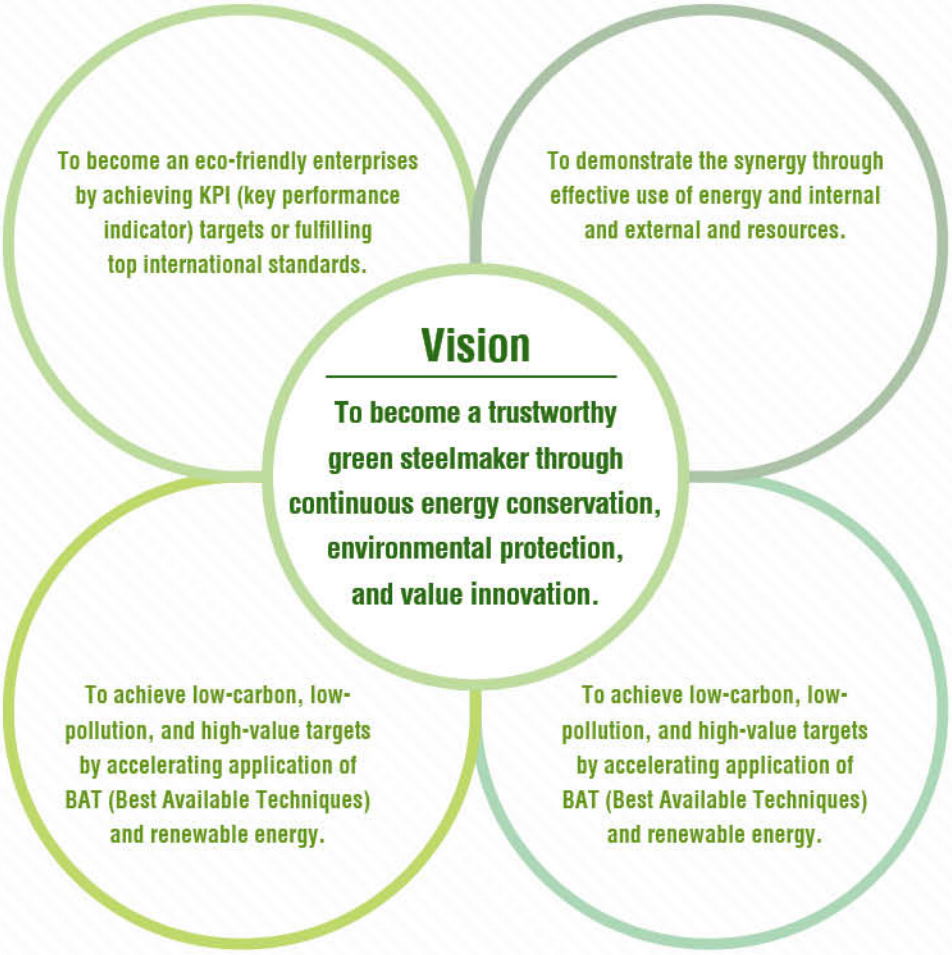
- All CSC IT equipments are protected by antivirus software to prevent computer virus spread through e-commerce.
- E-commerce inquiries and operation are account- and password-protected to ensure only corresponding customers, suppliers, and transporters access data.
- The Regulations on Management of Digital Certificates for Use on E-commerce Systems is established to ensure access to the e-commerce system only with valid digital certificates.

6

Environment

6. Environment

6.1 Visions and Principles of Energy and Environment



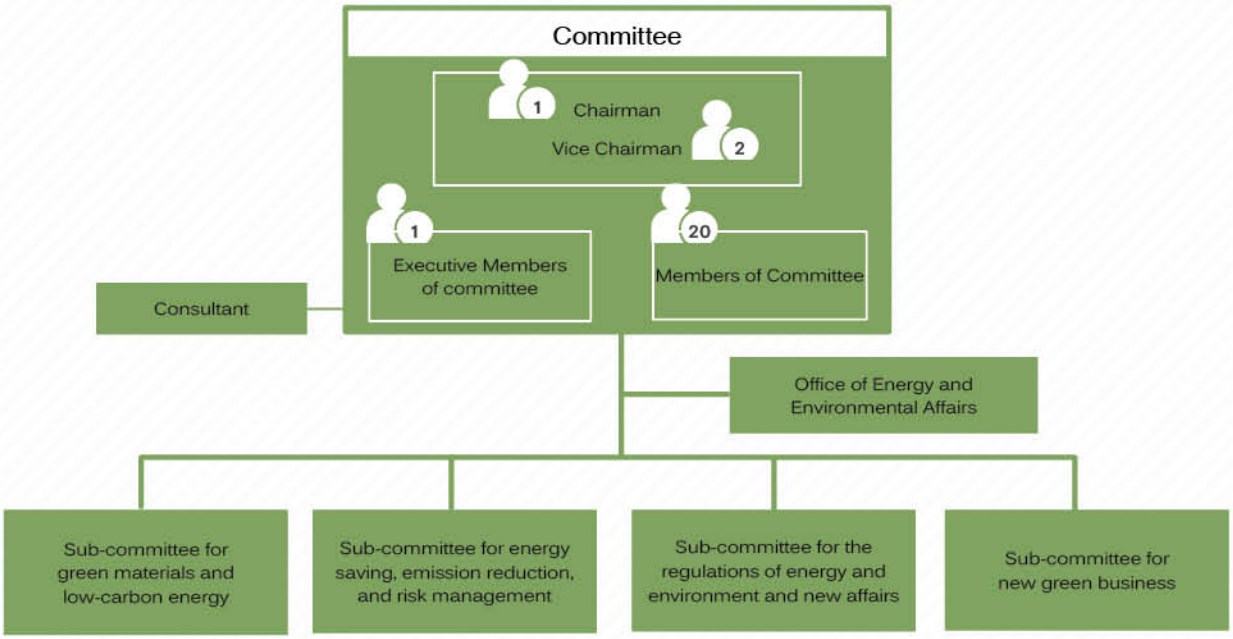
6.2 Framework of Environmental Management Organization

To effectively perform our responsibility for environmental protection, energy conservation, and emission reduction, under the Production Division (W) we have established the Environmental Protection Department and Utilities Department (W5) to handle business related to environmental protection, energy conservation, and emission reduction, with the Iron and Steel Research and Development Department (T1) developing and promoting relevant technologies. In addition, two cross-department committees, Committee for Energy Conservation and Committee for Environmental, Safety and Health (ESH) Management, are established to team up with the group's Committee for Energy and Environmental Promotion to reinforce communication and coordination within the group and thereby enhance the effectiveness of environmental protection, energy conservation, and emission reduction.

6.2.1 CSC Group Committee for Energy and Environmental Promotion

To reduce the operational risk derived from energy and environmental protection so as to pursue sustainable development, we established on March 1, 2011 the Office of Energy and Environmental Affairs (EA) to follow the trend of low-carbon economy, low-carbon city, and green industry and set low-carbon, low-pollution, and high-value processes and products as the targets for business development. Later on in April 2010, we established the Committee for Energy and Environmental Promotion, with CSC

chairperson as the concurrent chairperson and the Office of Energy and Environmental Affairs assisting in implementing relevant work with reference to PDCA (plan-do-check-act) continual improvement spirit.

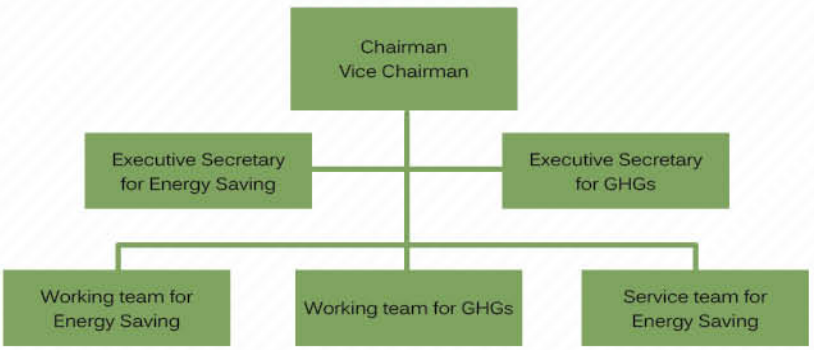


6.2.2 ESH Management System

In 1997, we passed ISO14001 certification for environmental management system (EMS) and were approved for registration. Later on in 2005, we launched the ESH Management System by combining our EMS with OHSAS 18001 (Occupational Health and Safety Management System) and established the Committee for Environmental, Safety and Health Management chaired by the group's executive VP to make decisions for ESH management. ESH policies are approved by the group's chairperson before implementation and are audited by external auditors every year.

6.2.3 Committee for Energy Conservation

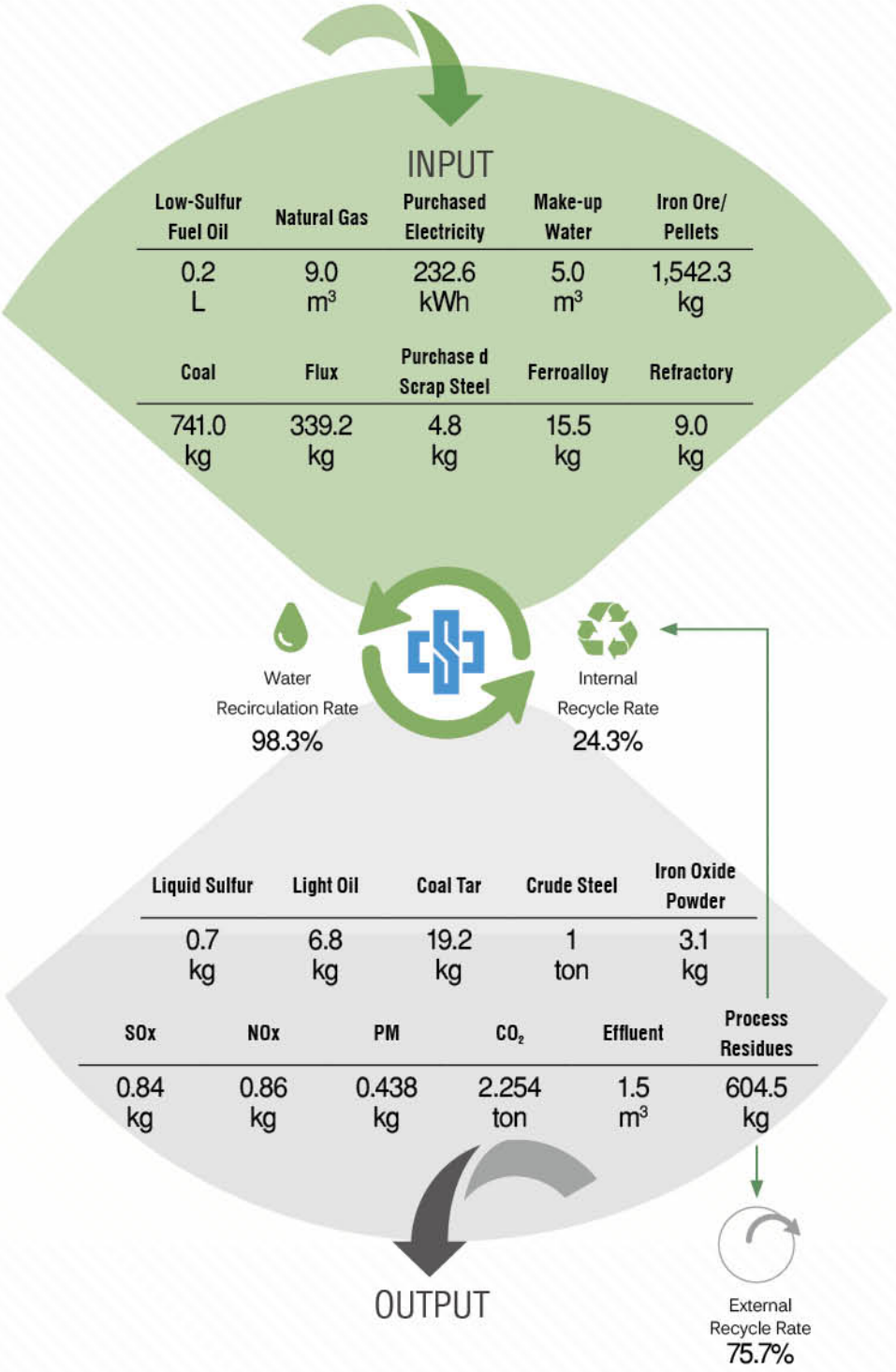
To effectively reduce energy expenditures, we have established the Committee for Energy Conservation chaired by the production VP on a concurrent basis. Under the committee there are three working teams taking charge of energy conservation and emission reduction work in CSC plants. In addition, to improve performances in energy conservation and emission reduction, we began implementing the ISO 50001 energy management system (EnMS) in February 2011 and combined it with the ESH management system, and this combination has passed third-party verification. With the control of management systems and the efforts of the Committee for Energy Conservation, the targets for energy conservation, emission reduction, and continual improvement are achieved.



6.3 Application of Energy and Resources

6.3.1 Resources and Energy

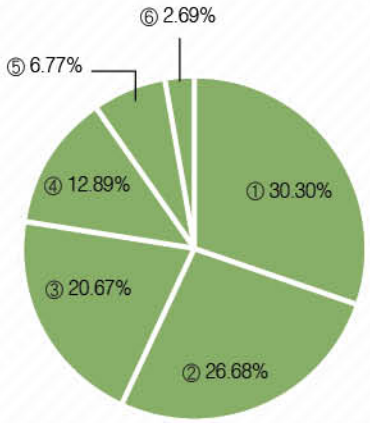
Resources and energy input for producing each ton of steel billet in 2014 are tabulated below:



In 2014 we consumed a total of 2.84 million tons of flux (wet base), 8.13 million tons of coal (wet base), and 15.68 million tons of iron ore (wet base). Previously flux was all supplied domestically. After the mining right of the Shoushan Mountain was terminated earlier for the eco-development of Kaohsiung, we began using import flux. Currently, the marble, serpentine, and dolomite supply from Hualien fills a quarter of our demand, and the other three quarters are imported. As supply is unavailable domestically, all coal and iron ore are imported.

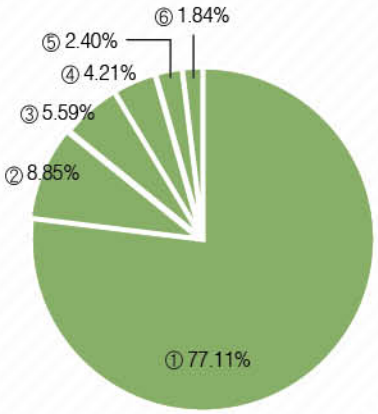
Flux Sources

① Domestic
② Japan
③ The Philippines
④ Vietnam
⑤ Mainland China
⑥ Thailand



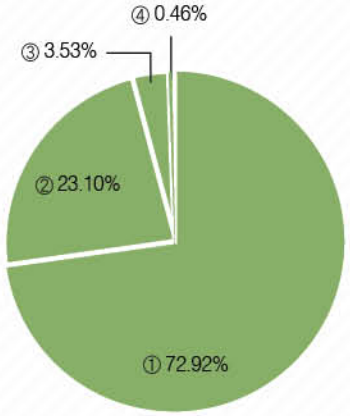
Coal Sources

① Australia
② Canada
③ Russia
④ Indonesia
⑤ Mozambique
⑥ North Korea
⑦ Russia



Iron ore Sources

① Australia
② Brazil
③ Canada
④ Venezuela



6.3.2 Energy Consumption

Besides using for heating in the production process, byproduct fuel gases produced from the coking coal used in the smelting process are used to fuel co-generation to produce and generate steam and electricity. We also use fuel coal, fuel oil, and natural gas for the co-generation set to produce and generate the steam and electricity required for production and purchase electricity to fill up insufficiency.

Direct and Indirect Energy Consumed and Self-Produced Secondary Energy in 2014

Direct Energy (GJ)[1]	Coal	225,431,901
	Natural Gas	3,219,887
	Diesel	118,651
	Petroleum	6,664
	low-sulfur fuel oil	55,550
Indirect Energy (GJ)[2]	Purchased Electricity	19,935,509
Self-Produced Secondary Energy	Medium-pressure Steam	3.63 million tons
	COG	1.94 billion m^3
	BFG	13.84 billion m^3
	LDG	0.958 billion m^3
	Cold Blast Air	9.23 billion m^3
	Oxygen	0.934 billion m^3
	Nitrogen	1.15 billion m^3
	Argon	1.86 million m^3

[1] 1 GJ=10^9 joule

[2] The value of thermal efficiency to energy conversion has been considered in the energy consumption of purchased electricity.

The energy consumption for producing every ton of crude steel was 5,743 Mcal in 2014, which is 97 Mcal less than 2013. The main reason is the overall production of slab, the great use of back-up steels, the efforts of every unit on energy saving, and so on.

(unit: Mcal/ton crude steel)

	2010	2011	2012	2013	2014	Target in 2015
Energy consumption for unit crude steel	5,672	5,537	5,719	5840	5,743	≦ 5,600

6.4 Climate Change and Carbon Disclosure Project

Every year, CSC implements GHG inventory and carbon reduction programs, and discloses GHG management information to stakeholders. In addition to that the inventory result was published on the national GHG registration platform and disclosed in this report, CSC also continuously participates in International Climate Action and also answered the Carbon Disclosure Project's (CDP) questionnaire (including carbon disclosure and water disclosure). Moreover, CSC invited 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.

Climate Action Member

Responding to global warming, extreme climate, environmental protection and energy saving, safety and health, and the rise of conservation awareness, the industry needs to be take responsibility so that the industry can keep the status. The potential major impacts CSC might face in the future include:

(1)The issues of safety and health about energy and environment and the related policies and regulations become the external constraints (such as the greenhouse gas reduction act, energy taxes, carbon taxes, and so on). If these are excessive, the fairness of international competition will be affected.

(2)Low-carbon energy, low-carbon electricity, carbon footprint, and others will gradually become the major items of steel industry operation and have more influence on the overall competitiveness.

Focusing on the major impacts above, CSC enhance the strategic cooperation with domestic and international steel businesses, green energy industries, suppliers, and academic communities in addition to adjusting and planning the responding strategies in order to lower the influence on CSC and to build a more advantageous operating condition.

We have identified the potential legal, physical, and reputational risks and corresponding opportunities posed by climate change. We have also planned and defined responsive strategies with reference to the identification results. These strategies include management and cultivation of water resources, response and adaptation to disasters, and reinforcement of city-value-chain cooperation.

Item		Potential Risk	Impact Level	Opportunity	Positive Impact	Impact Level	Countermeasure
Legal Risk	Carbon tax	Increasing operating costs	Medium-High	Fuel/Energy tax	Simulating investments in local new energy and renewal energy; and reducing dependency on import petrochemical fuels.	Low-Medium	• Environmental protection • Administrative justice • Assisting the government in drawing up policies and regulations that can correctly connect with the world.
	Cap & trade	Increasing operating costs	High	Caps and trade	Reducing new plant quantity and moderating local competition	Medium-High	
	Product emission standards	Increasing operating costs	Medium-High	Product emission standards	Increasing demand and markets for energy-performance green steel products	Medium-High	

Item		Potential Risk	Impact Level	Opportunity	Positive Impact	Impact Level	Countermeasure
Legal Risk	Air pollution limitation and control (power plant emission standards)	Increasing operating costs	High	Product labels and standards	Increasing demand for and sales of high-efficient products.	Medium	
	Mandatory declaration	Increasing operating cost	Low	Voluntary agreements	Acquiring carbon credits to reduce operating costs through voluntary reduction programs.	Low-Medium	
Physical Risk	Changes in extreme rainfall and drought frequency	Reducing/ interrupting production Capacity	High	Increasing product demand	Increasing steel demand for building infrastructures damaged by floods and typhoons.	Medium	• Harvesting rainwater for reuse • Increasing seawater desalination and domestic wastewater recycling, and improving water supply pipelines. • Preparedness for extreme torrential rain. • Building facilities for collecting and processing wastewater runoff.
				Reducing operational risk	Producing biomass fuels with bio-waste (e.g. driftwood) caused by increasing typhoons.	Low-Medium	
	Changes in extreme temperature frequency	Increasing operating costs	Low-Medium	Increasing product demand	Increasing steel demand for repair and maintenance due to accelerated corrosion by high temperature.	Low-Medium	
Reputational Risk	Information and communication of climate change	Causing one-sided or incorrect information	Low-Medium	Increasing product demand	Involving in emission reduction and adaptation to improve reputation.	Low-Medium	• Low carbon consumption within CSC.

6.5 Green Process

6.5.1 GHG Inventory

With reference to domestic and international GHG-related regulations and guidelines, the guidelines for GHG inventory and GHG registration announced by Taiwan EPA, the specification for quantification and reporting of greenhouse gas emissions and removals for organizations in ISO14064 and the inventory initiatives of the Intergovernmental Panel on Climate Change (IPCC) and World Business Council for Sustainable Development (WBCSD), we have established a professional GHG inventory system. We have also established the GHG Management Regulations with reference to the ISO standard. Apart from internal audits, we submit inventory data for third-party verification every year and obtain the certificate in GHG verification. In addition, we register the inventory information to the Taiwan National Greenhouse Gas Registry to support Taiwan EPA's policy.

6.5.2 Energy Conservation and Carbon Reduction

Energy Conservation Measures and Performance

We have established energy conservation and emission reduction strategies with reference to the BAT of worldwide steel enterprises. In 2014, we completed a total of 78 energy conservation programs to conserve up to 170,577 Gcal (714,171 GJ, equivalent to approx. 19,000 kL) and reduce emissions of 33,300 tons of CO_2-e. Major items included increasing TRT electricity generation of blast furnace #2 at the ironworks and adding TRT to blast furnace #4.

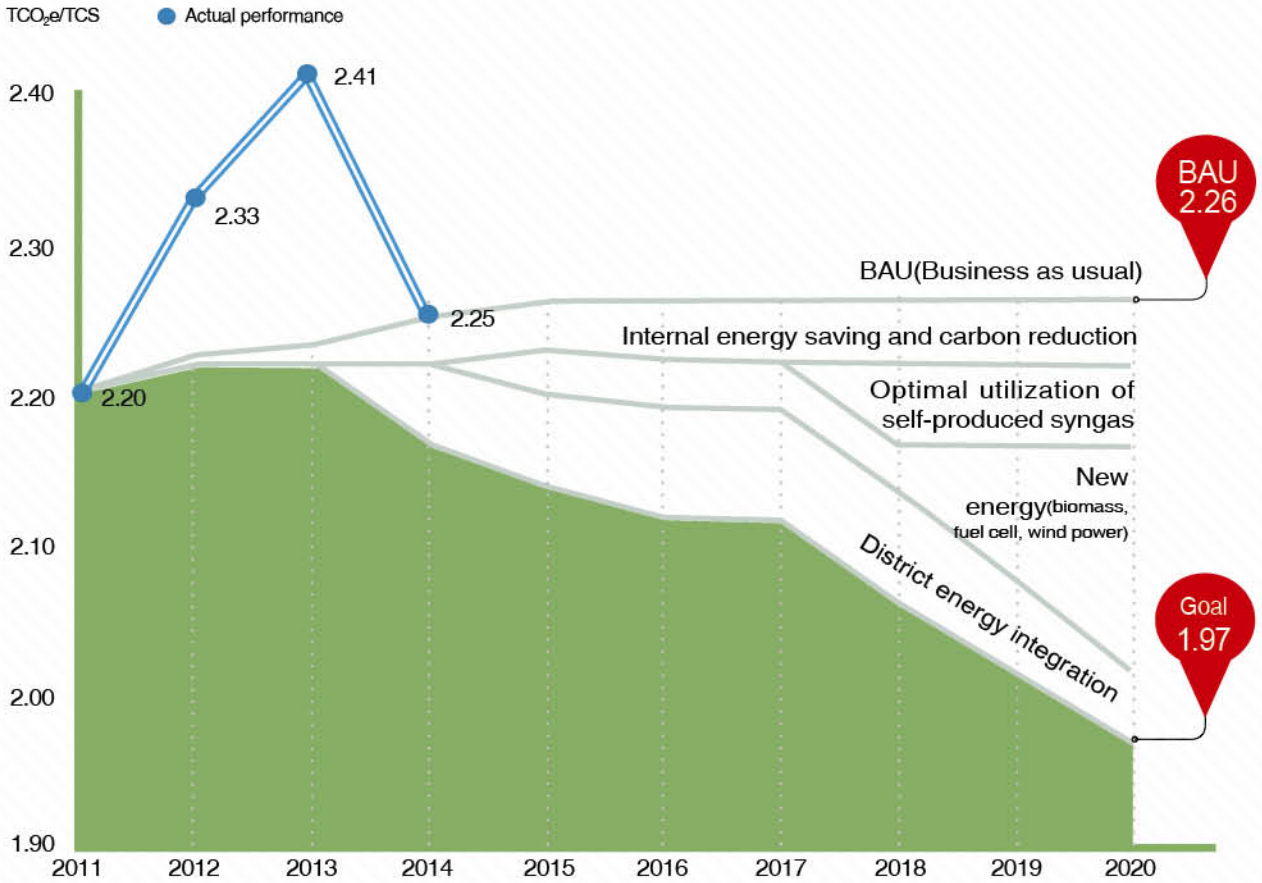
Emission Reduction Target, Strategy, and Roadmap,

Emission intensity is an important indicator for measuring GHG management performance. In order to clearly present the necessary carbon-reducing measures of CSC plans according to the trend of GHG emission of CSC and potential to reduce the emission, CSC have planned a roadmap for carbon reduction after implementing major emission reduction countermeasures with the emission intensity of business as usual (BAU) as the baseline in 2011. It is estimated that the emission intensity target at <1.97 tons of CO_2-e of each ton of crude steel will be achieved in 2020.

Currently planned major countermeasures for energy conservation and emission reduction until 2020 include: internal energy conservation and emission reduction, optimization and use of self-produced fuel gases, use of low-carbon new energy, and acquisition of external emission credits through regional resource integration.

The following table is the planned emission carbon reduction roadmap (BAU and target) and real performance. CSC did not reach the expected target of emission intensity from 2012 to 2014 is because the economy of steel industry was bad, the production decreased, the blast furnace was being fixed, CSC could not acquire external emission credits through regional resource integration, and so on.

RoadMap For Carbon Reduction



Emission Reduction Strategy		Work Plan (2015-2020)
Internal Energy Conservation and emission reduction		Continuously promote the 5-year energy saving project
Optimization and use of self-produced fuel gases	The project of using Converter Gas to produce ethanol	Investment on producing 52.5 thousand tons of glycolic annually.
Use of low-carbon new energy	Use bio-oil (carbonized) to replace coal fuel	Replace 50% of coal fuel
	Fuel Cell (combine with bio-coal gas)	Invest and establish machinery unit for 60 MW Solid Oxide Fuel Cell
	Bio-oil co-generation	Invest and establish 200 MW bio-oil co-generation
	Wind Power	Invest and establish 16 MW land wind turbines
Regional resource integration		Obtain the carbon rights of external reduction

6.5.3 Environmental Loading Reduction and Commitment

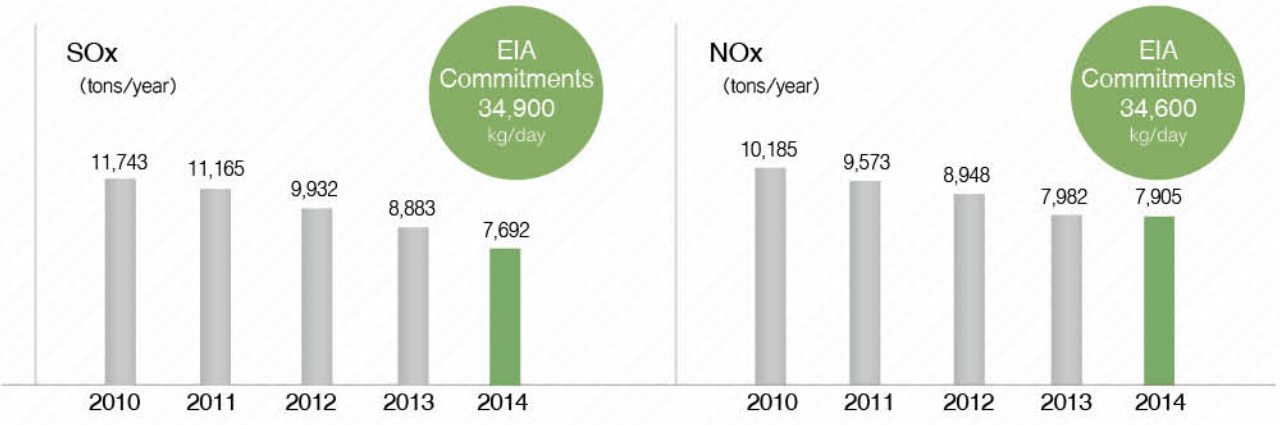
As far as environmental load is concerned, reduction commitments and cap control have become the requisites of steel investment projects. For effective control, we have thus established a strict environmental load assessment system for investment projects. Under this system, the environmental load of investment projects is assessed by scaling up or down the environmental load of current equipment and production capacity, and energy boundary is defined to calculate energy variation of investment projects through division of labor among CSC departments, so as to assess CO_2 emissions and thereby assess full environmental load of investment projects., we completed five projects of environmental impact analysis in 2014, including Effluent TAN (total ammonia nitrogen) Reduction and Improvement Program, Maoda Cold Rolled Steel Products Warehouse Investment Project, BFG Storage Tank Renewal and Improvement Project, and BF #3 Generation 2 Overhaul, Renewal and Improvement Project, and PL-TCM #1 Master Motor Electric Control Renewal and Improvement Project.

6.5.4 Air Pollution Control

Environmental Monitoring and Measurement

We have established six air quality-monitoring stations under our environmental monitoring center. In addition, we have equipped the center with two digital signage to display the data of air quality around the CSC complex and offer to citizen for reference. If there is any abnormalities, you can directly respond to CSC by phone. (office hour: (07) 802-1111#3799. Off work or holidays: (07) 802-1111#3072) In monitoring fixed pollution sources, we have installed the continuous emission monitoring system on 29 factory stacks to monitor the intensity and total quantity of emissions of traditional pollutants, and 25 of them are directly connected with the Kaohsiung City Environmental Protection Bureau to accept government supervision.

Air Pollutant Emissions and Improvement Countermeasures

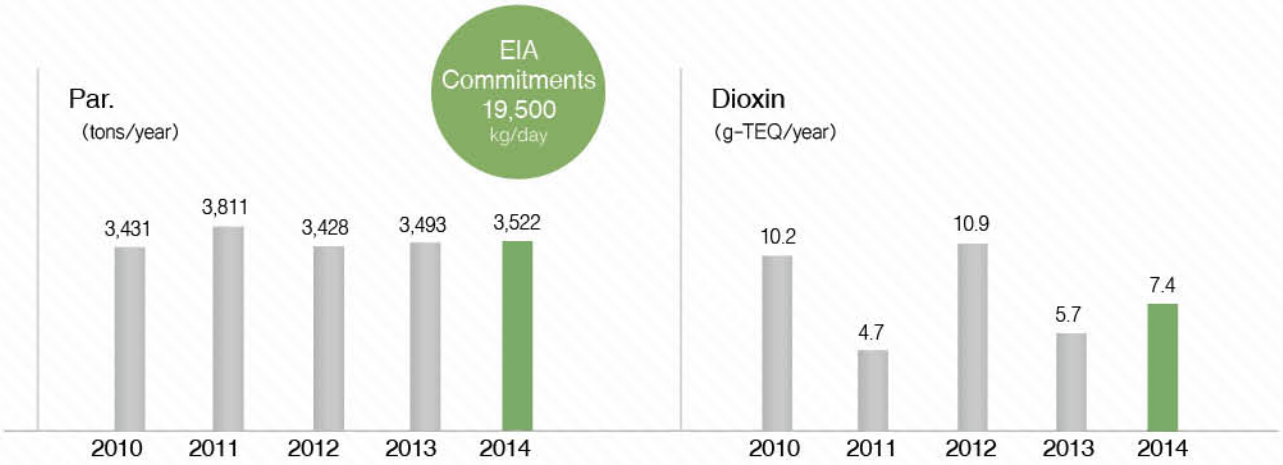


Improvement Countermeasures

Adding alkaline desulfurization equipment to coke oven plant #4 and desulfurization equipment to the sinter plant and boilers of power plant to reduce SOx emissions by 5,039.6 tons/year in 2018.

Improvement Countermeasures

Adding denitrification equipment to the boilers of power plant and sinter plant #2 to reduce NOx by 1,369.5 tons/year in 2018.



Improvement Countermeasures

Continuously enhancing the efficiency of electrostatic precipitators in sinter plants to reduce PM by 724.2 tons/year in 2018.

Improvement Countermeasures

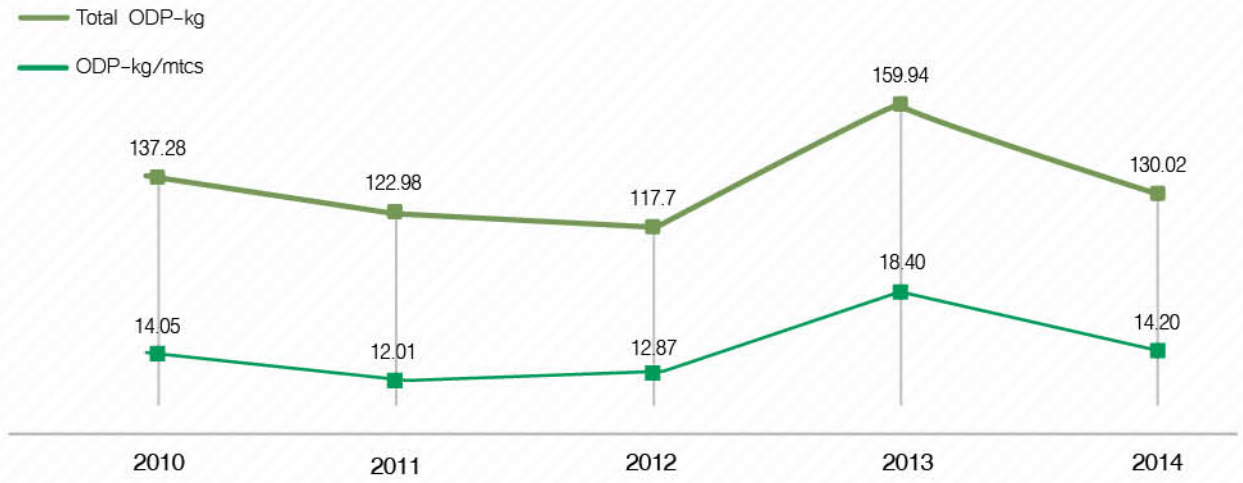
Installing activated carbon injection equipment; replacing selective catalyst reduction (SCR) system with denitrification/ dedioxination functions at the same time at sinter plants; improving electrostatic preceptors; and building a rotary hearth furnace to process miscellaneous solid materials to reduce the recycling quantity of miscellaneous solid materials of sinter plants

Major Improvement Countermeasures for $PM_{2.5}$/Odor/Ozone

- $PM_{2.5}$

Pollutant		Reduction Item	Estimated Performance		Time of Completion
Native $PM_{2.5}$		Anti-dust net for ore piles	1,592	kg/day	Dec, 2013
		Installation of anthracite coal shelf	--		Mar, 2013
		PM2.5 test and measurement for main process stacks	--		Nov, 2013
		De-SOx equipment at sinter plants for removing participles.	162	kg/day	Dec, 2017
$PM_{2.5}$ precursors	SOx	De-SOx equipment at sinter plants.	12,640	kg/day	Dec, 2017
		De-SOx on coal-fired boilers	882	kg/day	Mar, 2017
	NOx	De-NOx equipment at sinters	2,534	kg/day	Dec, 2017
		De-NOx on coal-fired boilers	1,059	kg/day	Jan, 2014
	VOCs	VOCs Investigation and Reduction Measure Study conducted by National Sun Yat Sen University	--		Dec, 2012

- Odor reduction: At the end of 2012, we installed stationary odor monitoring stations, meteorological stations, and three sets of automatically triggered sampling systems at the border with CSBC Corporation. When an odor incident occurs, we can trace the source direction of odor with the meteorological information and the sampling systems will be triggered automatically to gather samples for more accurate analysis.
- Control of ozone depleting substances: Control of ozone depleting substances: Our major countermeasures include the integration of air conditioning systems, improvement of equipment maintenance, self-development of high-efficiency models, and switching to eco-friendly coolants, and reuse of recycled coolants.

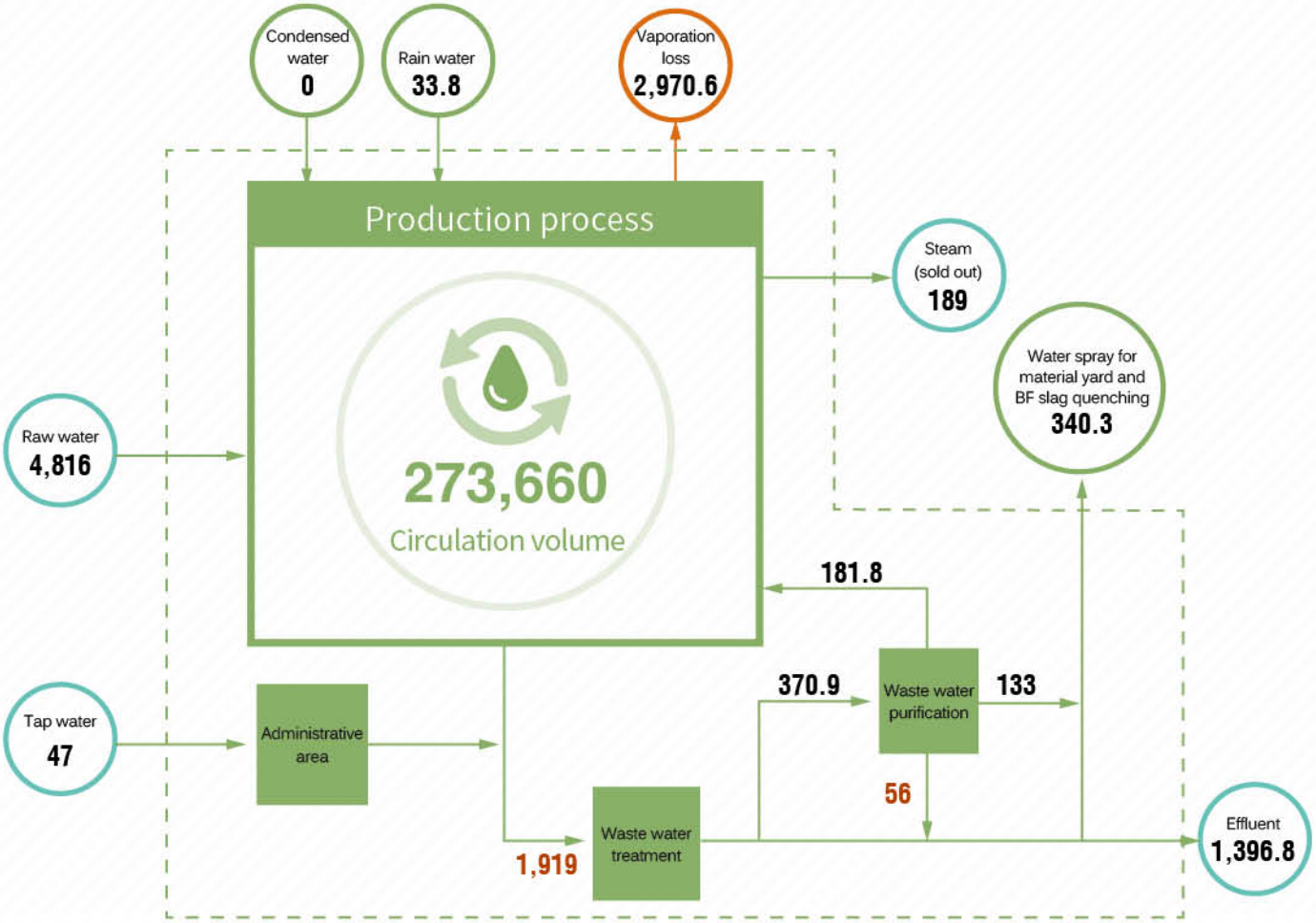


Note: ODP means Ozone Depletion Potential

6.5.5 Water Conservation and Pollution Prevention

CSC Water Consumption Balance Diagram 2014

unit: 10,000 tons



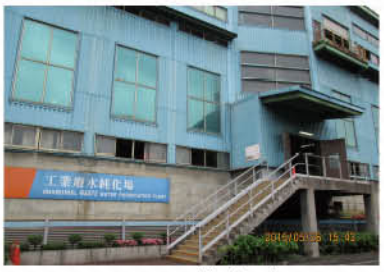
Water Conservation Measure and Effectiveness

Integrated Steel Production needs a great deal of raw water for cooling, rust cleaning, lubrication, dust washing, environmental protection, and so on. The source of raw water of Siaogang plants is from Kaohsiung Fengshan Reservoir (the current effective water storage capacity is 3.4 million tons), and daily industrial water consumption is about 300 thousand tons. Since 2003, the related production line of CSC has been expanding. By reinforcing pipeline management and water recycling and reuse over the years, with the energy integration in Linhai industrial park, however, daily average raw water consumption for production has reduced to 12,600 tons in 2014, which takes up only of the industrial water consumption of Fengshan reservoir while process water recycling rate has raised to 98.3%. The usage of raw water increases 0.8% compared to 2013, but the water consumption for unit crude steel has reduced to 5.02 tons. The total water usage of Cianjhen Headquarter Building was 51,879 tons in 2014, and the source is tap water.

	2010	2011	2012	2013	2014
Raw water consumption (10,000 tons)	5,200	5,269	4,832	4,828	4,863
Process water recycling rate	97.9	98.2	98.3	98.3	98.3
Process water recycling volume (10,000 tons)	237,632	280,190	278,065	275,264	273,660
Water consumption intensity (m^3/TCS)	5.09	4.84	4.96	5.24	5.02

Water Conservation Cases: Improvement of raw water softening function:

- Investments in raw water softening process equipment with 8,000 tons/hour capacity.
- Rooftop rainwater harvesting system: Installation of the rooftop rainwater harvesting system at CSC plants. Rainwater harvested in 2014 was approx. 33,800 tons.
- Installation of wastewater purification plant: Removal of most part of suspended solids and ions in industrial effluent with ultra-filtration (UF) and a reverse osmosis (RO) membranes and use of the ion exchange system to ensure output water quality complies with the demineralized water standard for use in high-pressure boilers.
- Seawater desalination: As desalination is still not economically efficient at the moment, we will continue to develop novel, energy-efficient desalination technology.
- Recycling and reuse of RO concentrated water from the wastewater purification plant: About 4,800-6,800 tons are recycled for use by the quench blast furnace.
- Municipal wastewater reclamation and reuse: We have signed a letter of intent with relevant government agencies to establish a tertiary reclamation plant at the Fengshan River Sewage Treatment Plant to transport reclaimed water to Linhai Industry Plant for industrial water use. The initial output will be 25,000 tons/day after project completion in 2017 to reduce water consumption.



waste water purification plant

rainwater harvesting

Water Pollution Control:

In water pollution control, we focus on improving water quality by improving the operational management of existing equipment and building backup facilities. We also strengthen the monitoring and management of rainwater drainages to improve the performance of rainwater drainage management.

In addition to setting waste water processing facility whose total capacity reaches 79,600 tons/day, CSC waste water processing plant also processes the waste water in the procedure to the effluent standards and discharges to the ocean through a 60-meter discharge. CSC also set runoff waste water collecting pool and processing plant with the capacity of 40,000 tons (processing capacity: 36,000 tons / day)for the runoff waste water from the iron, steel, and other raw material areas. CSC will process the runoff waste water from the heavy rain to the effluent standards and discharge into the ocean through a 60-meter discharge, which effectively lowers the pollution of runoff waste water.

rainwater harvesting

The total discharge in 2014 was 13,970,000 m^3, 980,000 m^3 less than 14,950,000 m^3 in 2012. COD in discharge was 45.9 mg/L and suspended solids (S.S.) were 5.5mg/L, with the former slightly higher than 44.9 mg/L and the latter slightly lower than 7.4mg/L in 2013. Nonetheless, they all were much better than relevant statutory effluent standards. (COD<100 mg/L, S.S.<30 mg/L)

EPA announced "the industrial effluent standard" on January 22, 2014, and added the new ammonia control value of 20 mg/L, and the date of practice is December 31, 2017. Because the coking and coal chemical process of CSC belongs to general chemical industry, the effluent must meet the control standards. Therefore, according to the regulations, CSC has filed the reduction plan to Environmental Protection Bureau, Kaohsiung City Government before March 31, 2014, and has planned to establish coking waste water de-nitrogen system. The overall improvement construction is estimated to complete before October 31 , 2017.

6.5.6 Soil and Groundwater

In order to control the quality of soil and groundwater, CSC practices the prevention of soil and groundwater pollution. CSC sets 16 groundwater monitoring wells in all the plants and examine periodically in order to reach the precaution. The analysis data over years are normal, which can help CSC to control the status of the quality of groundwater. When leasing, buying, or selling lands, CSC will strictly conduct the investigation of underground environment to ensure there will not be any pollution disputes.

- Referring to the Soil and Groundwater Pollution Remediation Act, in 2014, we reported and paid a sum of NT$47,909,706 for soil and groundwater remediation. We also reported the monitoring records of underground oil storage tanks and oil input/output balance sheets of gas stations.
- We conducted soil and groundwater pollution investigation on the land in the Port of Hualien leased from Taiwan International Ports Corporation; land in Daliao surrendered to Yuen Chang Stainless Steel; land purchased from Ching Shiang Chemical; and the three plots of land added to the factory registration of CSC.
- We also hired National Pingtung University of Science and Technology (NPUST) to investigate soil and groundwater pollution on the said property before and after the lease, surrender of tenancy, and purchase, so as to clarify relevant responsibilities and to ensure CSC operations comply with legal requirements.

6.5.7 Control of Toxic Substances

Before using toxic substances, we must obtain relevant permits, registrations, and approvals for toxic substance use by the law and report use and release quantities to Taiwan EPA on a regular basis. For venues with using quantities over the thresholds for accidental release of regulated substances, we implement exercises on accidental release of regulated substances every year. In 2014, no accidental release of toxic (regulated) substances was recorded. In addition, we have joined Kaohsiung City's joint prevention system for accidental release of toxic substances and we participate in relevant courses and activities to strengthen our prevention and emergency response abilities in toxic substance disasters.

In 2014 a total of 14 toxic substances were used in our operations, and benzene and chromium trioxide were the most used toxic substances. The quantity of use and handling of both toxic substances are tabulated below:

Control Code	Toxic Substance	Utilization	Quantity	Handling
052-01	Benzene	From light oil(more than 76% benzene content) which is a residual of the coking process	Approx. 60,000 tons/year	Sold to China Steel Chemical Cooperation(CSCC) for refining into high purity benzene, toluene, and xylene for sales.
055-01	Chromium trioxide (Chromic acid)	Purchased for steel sheet surface coating.	Approx. 680 tons/year	-

6.5.8 Handling of Hazardous Waste

Lead slag produced from the rolling mill process, most waste chemicals come from laboratories in very low quantities. Lead slag is sold to legal waste recycling vendors for recycling and certified vendors in Taiwan dispose of waste chemicals. None of them is shipped overseas for handling.

The variety and weight of toxic waste disposed through outsourcing of over the past five year

Year	Handler	Waste	Weight (ton)
2010	Super Max Engineering Enterprise	Chloric solvent	0.859
2011	Super Max Engineering Enterprise	Chloric solvent	0.950
	Thye Ming Industrial	Lead slag	13.07
2012	Super Max Engineering Enterprise	Chloric solvent	0.840
2013	Logos Technology Development	Lead slag	7.74
	RSEA Engineering	Corrosive waste	1.586
		Flammable waste	0.090
2014	None	None	0

*Almost all the toxic waste are recycled and reused in 2014, so no outsourcing needed.

6.6 By-product Utilization

In the reduction, on-plant recycling, and off-plant recycling of byproduct, we have demonstrated excellent performance. After years of efforts and close cooperation with the academia and other industries, we successfully achieved "zero solid waste landfill" in July 2001. In 2014 we produced a total of 5.534 million tons of process byproducts (wet base), with 24.3% (1.3447 million tons) recycled on-plant and 75.7% (4.1892 million tons) processed off-plant.

Type	Characteristics	Annual output (10,000 tons)	%	On-plant Recycling (%)	Off-plant Recycling (%)	Application after Recycling
BF slag	Produced when smelting raw materials into liquid iron in the BF.	272.5	49.2	1.2	98.8	Producing slag powder after granulating or various construction materials after cooling.
BOF slag	Produced when refining liquid iron into liquid steel in the BOF.	111.6	20.2	16.5	83.5	Some was used as raw materials of the sinter plant after entrapped metal recovery, and others were used for asphalt concrete and concrete agent materials.
De-S slag	Produced after desulfurization of liquid iron.	31.2	5.6	0.0	100.0	After entrapped metal recovery, residues were used as materials for land grading, temporary roads, soil improvement, low strength concrete, and concrete materials.
Dust	Dust collected by the dust precipitator in the process (including fly ash).	32.6	5.9	96.7	3.3	Fly ash and sludge were mixed as cement materials; zinc oxide powder produced 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	Produced after treatment, concentration, and dehydration of wastewater containing mineral dust	39.2	7.1	81.7	18.3	High Zn sludge was sold to zinc refineries in Japan and the rest part of sludge was recycled internally for making iron. Unrecyclable sludge was sold to cement plants as materials.
Mill scale	Rust on steel surface during production.	31.8	5.7	100.0	0.0	Recycled for iron making

Type	Characteristics	Annual output (10,000 tons)	%	On-plant Recycling (%)	Off-plant Recycling (%)	Application after Recycling
Spent refractory	Scrap spent refractory from high temperature facilities.	7.6	1.4	80.1	19.9	After entrapped metal recovery, some was recycled as steel making flux and the protective base layer for slag pots, and the rest was recycled by suppliers to product refractory through reverse engineering.
Construction residues	Waste earth from construction projects	10.1	1.8	0.0	100.0	After the South Star Project was shut down in 2012, construction residues were used as materials for soil material plants in 2013.
Limestone cake	Cakes of limestone after rinsing and dehydration.	2.7	0.5	81.9	18.1	Recycled as materials for iron making.
Others	Including slag steel, condensed steel, de-S cinder, fly ash, rubber pads, waste grease, cold rolling fluids, fluid barrels, and zinc dross.	14.1	2.6	50.6	49.4	Mostly recycled on-plant and others reversely recycled by suppliers, sold, recycled by relevant agencies, and processed by vendors.
Total		553.4	100	24.3	75.7	

6.7 Environmental Accounting

The accumulative amount of investments in various environmental facilities totaled NTD57.1 billion at the end of 2014. Among them, 66% were invested in air pollution control, 16% in water pollution control, 8% in waste reduction and cleanup, and 1% on noise control, 7% in energy conservation and GHG reduction, and 2% in other items. Because part of the planned capital expenses cases of environmental protection investment in 2014 was closed and the annual expenses lowered, the investing amount of energy and environmental protection decreased NTD 1.42 billion compared to 2013.

Energy and environmental investments (capital expenditure) in the past five years is listed below: (unit: NTD 100 million)

Item	2010	2011	2012	2014	2014
Amount of energy and environmental investments	17.4	17.6	39.6	41.0	25.8

Utilization of energy and environmental investments (recurrent expenses) in the past five years are listed below: (unit: NTD billion)

Item	2010	2011	2012	2014	2014
Government charges and fees	1.5	1.5	2.0	1.9	1.7
R&D	2.5	2.8	1.7	0.8	0.8
Depreciation	12.9	11.3	11.1	12.5	10.2
Operation and Maintenance	46.5	45.5	46.5	49.7	36.3

In 2013, we completed the environmental accounting computer system (see the environmental accounting guidelines of Taiwan EPA). The system was trialed in 2014 and went live in 2015.

6.8 Legal Compliance

In 2014, we received only two violation notices for pollution, and the number of violation notices has reduced significantly in recent years. This suggests that the target for self-control and improvement has achieved: under five tickets a year.

	2010	2011	2012	2014	2014
Pollution item	Air pollution	Air and water pollution	Air pollution	Air pollution	Air pollution and waste
Issued by	KEPB	KEPB	KEPB	KEPB	KEPB
Counts/fines (NTD million)	7 cases/0.7	4 cases/0.580	1 cases/0.1	2cases/0.55	2cases/0.106

6.9 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 are all designed and built in accordance with green building specifications. The best examples include the Main Office Building of #3 Cold Rolling Mill as well as China Steel Building, both completed in 2013.

The green building concept was incorporated into China Steel Building when it was first designed in 2004. The building was accepted as a green building candidate based on the 8 indicators, Greening, Site Water Conservation, Daily Energy Saving, CO_2 Emission Reduction, Waste Reduction, Indoor Environment, Water Resource, and Sewage and Waste Disposal Improvement, according to "Evaluation Manual for Green Building Material (updated version in 2005)"in September, 2009. The building license was then issued on November 14, 2012. China Steel Building was upgraded from Gold Class to the highest Diamond Class in November, 2014, after recalculating the scores based on the completed design, and was awarded the green building certification by the Ministry of the Interior.

Certification of Diamond Grade Green Building

The current status of the 9 indicators:

Biodiversity

- Biodiversity emphasizes on the quality of environmental greening.
- 29 native species or bird-attracting and butterfly-attracting plants are planted.
- Methods such as cultivation of dense forest, construction of porous habitat, eco-friendly design of multidimensional greening, and organic horticulture are seen throughout the landscape.

Greening

- Greening, along with Biodiversity, are indicators evaluating the effort of environmental greening, while Greening focuses more on the aspect of quantity.

Site Water Conservation

- This indicator represents the site's ability of retaining water through soil and harvesting rainwater in lawns, plants, and flower gardens.
- China Steel introduced a permeable pavement in the landscape to increase water conservation area. Designed site water conservation value $\lambda = 0.84 \geqq$ site water conservation standard $\lambda C = 0.32$.

Daily Energy Saving

- Building envelope energy saving: The structure of Double Skin Curtain Wall design with Low-E glass complies with energy-saving requirements.
- Air conditioning energy saving: Prevent chillers overload and use energy-efficient models.
- Lighting energy saving: Use electronic ballasts and high luminous efficiency tubes to enhance lighting efficiency.

CO_2 Emission Reduction

- Preventive measures: Eliminate unnecessary building materials acts as taking the precaution prior to waste production.

Waste Reduction

- Control procedures: Reduce the amount of pollution during construction and demolition.
- Experiment with Taiwan Sugar's organic fertilizer to transform 6000m^3 of waste soil to be fertile enough for a variety of trees, shrubs and flowers after 2 years.

Indoor Environment

- Sound: Double skin curtain wall design with low-E glass is effective in soundproofing.
- Lighting: The shape of the building helps capture daylight for natural illumination, and anti-glare devices effectively block IR & UV rays.
- Ventilation: Fresh air is introduced to all floors through central air-conditioning system, and exhaust is emitted through the balcony of the same floor.
- Interior Decoration: Use certified green building materials.

Indoor Environment

- Use certified water conserving toilet facilities and install landscape ponds, rainwater reservoir, and Greywater recycling system.

Sewage and Waste Disposal Improvement

- Sewage Water Treatment Improvement: Wastewater collected from hand basins, showers and baths is processed by the Greywater recycling system. Sewer pipes are connected to the septic tank, before directed towards the Zhongzhou Sewage Treatment Plant.
- Waste Disposal Improvement: Food waste is collected and sorted accordingly, and pre-treatment facility is installed behind 2 roller shutters. An art exhibition hallway featuring environmental protection slogans is also established.
- Recycling: Designate a waste disposal and recycling area in closed type facility.

7

Partners

7.Partners

7.1 Fair Trade

As crude steel output in Taiwan is lower than the demand, a considerable amount of semi-finished and finished steel products is imported every year. After import tariff was reduced to zero in 2004, market competition became keener, and monopolization no longer exists. In compliance with the Taiwan Fair Trade Act, CSC and affiliates do not engage in price fixing. In addition, CSC offers the same price to affiliates as to other customers in accordance with accounting regulations. Overseas subsidiaries and trading partners are treated fairly and equally in terms of commission and service charges, and all transactions with related parties are included in accounting audits.

7.2 Upgrading of Steel-using Industries

To raise the competitiveness of steel-using industries, CSC works closely with academic and strategic partners on R&D alliances and industrial upgrade projects launched through these alliances. The approach to raising the overall competitiveness is to increase the value of steel products downstream through R&D, innovation collaboration, strategic investments, channel establishment, and brand development. In partnership with the government, CSC launched 13 projects through two R&D alliances during 2006-2013, initiated the five-year "Industries and Academy Alliance Plan" in 2013, and established Engineering Research Centers, Joint Research Laboratories, and Alliances for Steel-using Industries. CSC commits to optimizing the industrial chain, supply chain, and value chain for steel-using industries.

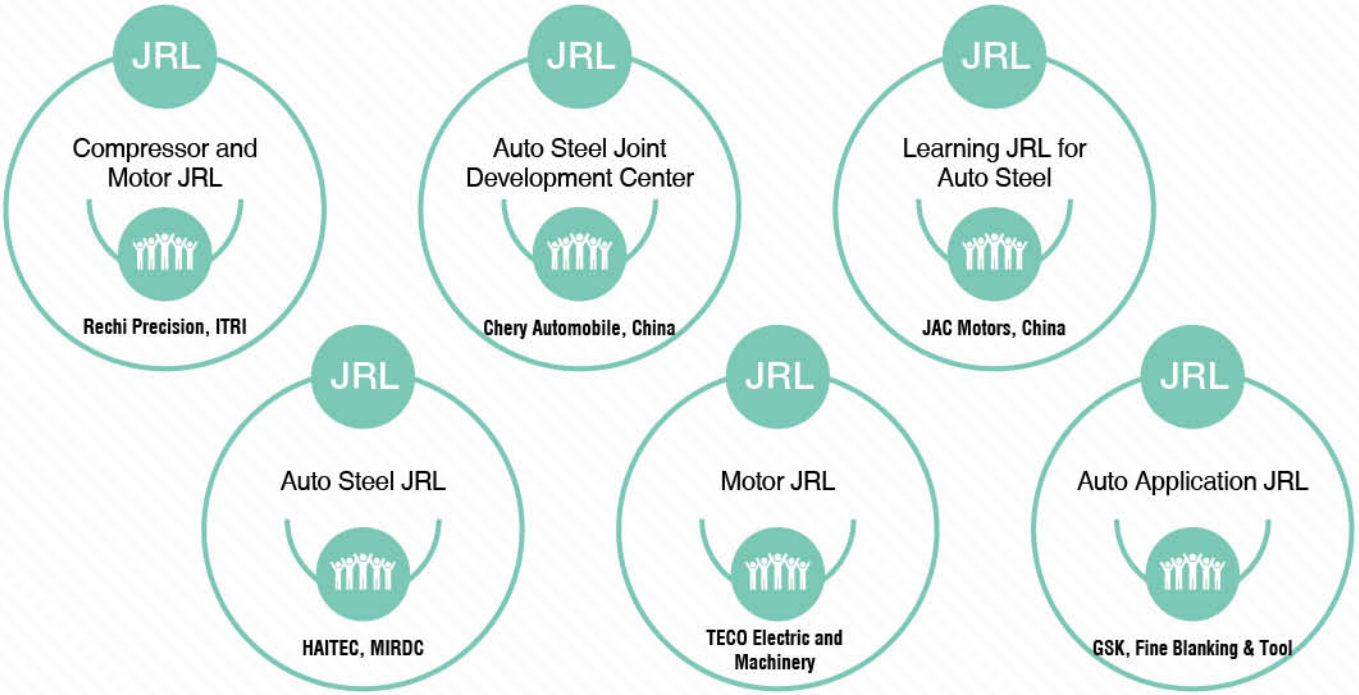
7.2.1 Engineering Research Center (ERC)

For open innovation practice and to effectively align the R&D drive with industrial development needs, the CSC cooperation on research projects has been gradually changed from commissioning individual professors to strategic cooperation with schools and professors on a long-term team basis. The ERC, established by CSC and the academia, integrates professional workforce and implements systemic, profound, and comprehensive fundamental research. On 2 October 2014, the Next-Generation Handtool Engineering Research Center was founded by CSC and National Yunlin University of Science and Technology. A total of six ERCs are in operation and five are in planning for auto forming, smelting, special alloy, rolling, and forging roll forming.

The unveiling of the Next-Generation Manual tool ERC

7.2.2 Joint Research Laboratory(JRL)

To provide differentiated technical services, CSC established six JRLs with customers. By troubleshooting at plants and enhancing the suitability of CSC materials with customers' processes, JRL helps winning customer trust and increasing business opportunities. Moreover, long-term plans for strategic technical cooperation are tailored for mutual needs.



7.2.3 Alliances for Steel Industries

Taiwanese steel-using industries, while internationally competitive, are mostly OEM/ODM service providers without own distribution channels or brands. Encountering the low-price competition of Chinese suppliers, these industries face difficulties in transformation and quality improvement and thus are unable to expand market share. CSC aims to improve the international marketing and service capabilities of these quality steel-using enterprises. In cooperation with the Corporate Synergy Development Center, CSC plans world-class manufacturing and sales center for various steel-using industries. On 19 December 2014, the Taiwan Elite Handtool Organization is established with members being CSC, Bosin Technology, Redai Precision Tools, Yih Cheng Factory, King Tony, Jaco International, Lion Tool, and All Professional Mfg. An alliance for the fastener industry is in planning for 2015.

7.3 Green Life

In response to the government's Sustainable Environment—low-carbon LOHAS homeland and energy and water conservation in the government's Golden Decade National Vision, CSC voluntarily launched the Employee Eco-Life Program, the first of all enterprises in Taiwan, to turn CSC into a "low-carbon green enterprise". The five categories are LOHAS, green community, green enterprise, green products, and green sharing and training. Program contents in 2014 are as follows:

Item	Contents
LOHAS	Physical fitness and health promotion
	Canteen e-shopping website
	Green product promotion
	Purchase of local food ingredients and agricultural products by the canteen
	Light diet with one white meet biweekly.
	Low-carbon food promotion by the canteen
	Taking stairs for lower floors to save energy and improve physical strength.
	Installing and using personal carbon footprint calculator.
	Organizing charitable talks and activities.
Steel Forest	Promoting landscaping and green measures in areas administered by each unit.
	Greening plant sites with biodiversity.
	Sponsoring public facilities and green belts.
	Assisting the government in collecting source water quality samples and beach cleanup
Green Enterprise	Building renewable energy systems
	Recycling byproducts and waste
	Recycling wastewater and sewage with purification for reuse
	Integrating regional energy.
Green Product	Developing green products
	Developing green processes
	Applying carbon credit for process innovation and reengineering or investment projects.
Green Sharing and Training	Promoting and implementing garbage classification among all units
	Green procurement
	Training volunteer workers for environmental protection
	Promoting and publicizing environmental education

Green Procurement:

In accordance with the governmental promotion of civic green consumption, CSC started procuring products with green marks since 2005. Those procured were initially green products in the employee grocery store and office papers, later expanded to lighting, computer equipment, leasing equipment (including official vehicles and printers), printed matters, slag and cement, and green building materials. CSC also posts green consumption information on the company website to increase the employee knowledge and will for green procurement in daily life. In

Awarded for Green Procurement

2014, the CSC green procurement reported to EPA was NTD 125,861,830, and CSC was awarded "Commendable Green Procurement Units of Private Corporate and Groups" by Kaohsiung City Government Environmental Protection Bureau.

(Unit: NTD)

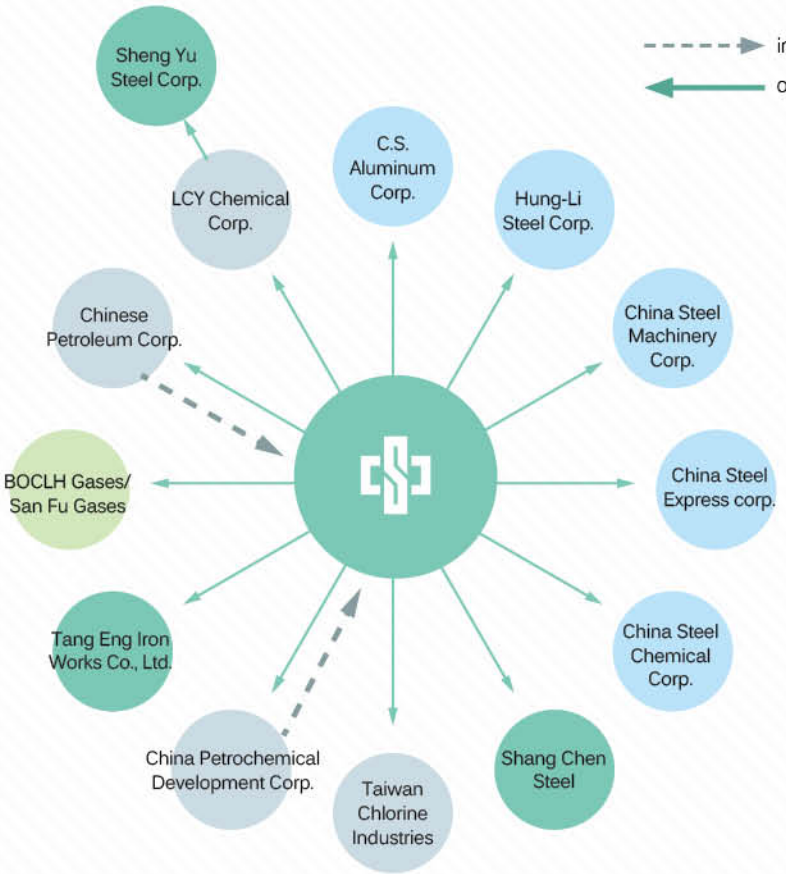
Year	2000	2011	2012	2013	2014
Amount of Green Procurement	49,266,870	12,161,980	157,245,978	187,189,478	125,861,830

Amount of green procurement in 2012 and 2013 were approved by EPA, and Amount of green procurement in 2010, 2011, and 2014 were the stats reported to EPA.

7.4 Green Partners

7.4.1 District Energy Integration

CSC promotes District Energy Integration in Linhai Industrial Park for effective energy and resources utilization. Using by-products in the integration steel production process, CSC produces various industrial gases and steam. Mutual benefits are created and costs are lowered substantially as CSC provides neighboring factories with generated steam, oxygen, nitrogen, argon, coke oven gas, and compressed air.

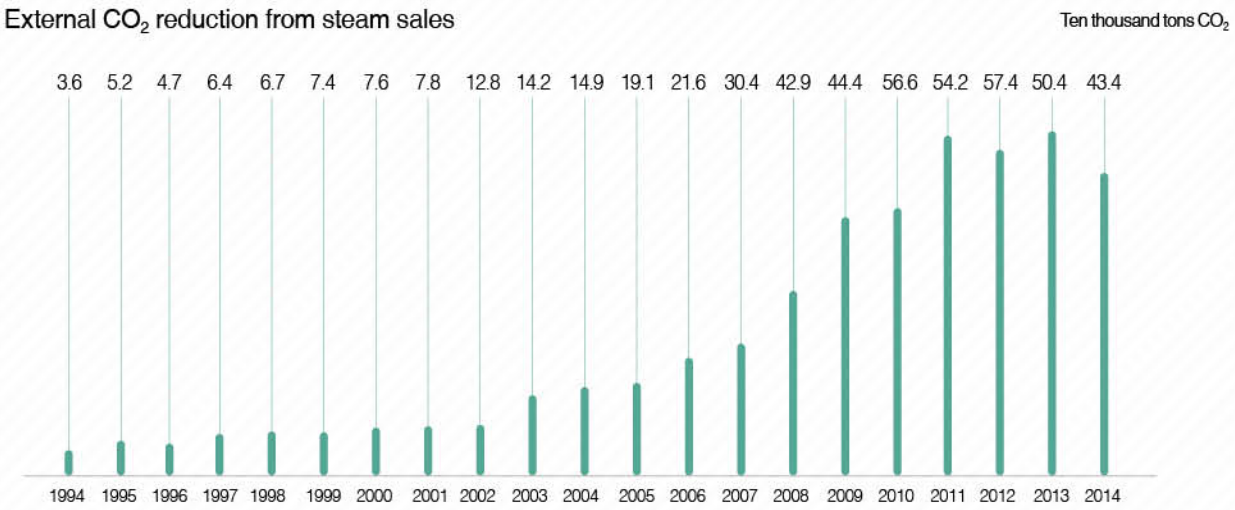


input	
China Petrochemical Development Corp.	Condensated water Waste Fuel Gas,H_2
Chinese Petroleum Corp.	H_2, Fuel Oil

output	
C.S. Aluminum Corp.	Steam, N_2, Ar
Hung-Li Steel Corp.	Steam
China Steel Machinery Corp.	NG
China Steel Express corp.	COG
China Steel Chemical Corp.	Steam, Air, COG, N_2, Electricity
Shang Chen Steel	Steam
Taiwan Chlorine Industries	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
China Petrochemical Development Corp.	Steam, N_2
LCY Chemical Corp.	Steam, N_2
Sheng Yu Steel Corp.	Steam

The external sale of steam, the major product, is 1.89 million tons in 2014. The drop from 2.20 million tons in 2013 is due to the decreased market demand as steam users were affected by the economic climate. External steam sales in 2014 saved 145,000 kL of fuel oil, comparable to emissions reduction of 434,000 t CO2, 1,382 t SOx, 959 t NOx, and 136 t particulate.

External reduction of CO2 emissions by external sales of steam over the years is shown below:



Note: Energy-saving of fuel oil=1.89 million tons÷13 tons/kl=145,400 kiloliters；Reduction of CO_2 emissions =145,400 kiloliters x 2.985 tons CO_2/kl=434,000 tons CO_2

7.4.2 Energy Saving Service

The CSC Energy Saving Service Team was formed in 2007 upon the call of the Bureau of Energy. Through vertical integration and horizontal coordination, the team enhances energy conservation of the group and provides services for customers. In 2014, CSC accompanied the energy saving group of Kaohsiung City Government for Energy Audit and Service in Goldsun Dahu Factory, Chung Ker Steel, and Tang Eng Iron Works. CSC also completed the Off-plant Energy Saving Service in CSC Steel Holdings Berhad and Meng Sin Materials and proposed 21 suggestions with annual energy saving potential up to NTD 600,000.


Energy Saving Service

7.4.3 Construction of an Eco-Society

Upon the call of Taiwan EPA and Industrial Development Bureau, CSC expanded the industry ecological network inside and outside of the Linhai Industrial Park in Kaohsiung City to ensure effective recycling and reuse of industrial waste. In 2014, the CSC-centered industry ecological network included 20 enterprises, mostly traditional industries, for BF slag, BOF slag, sludge, waste oil, zinc dross, waste acid, and refractory.

Eco-society in Lin-Hai Industrial Park

input	
China Steel Express Corp.	Vessel Waste Oil
Hung-Li Steel Co.	Waste Acid
C.S. Aluminum Corp.	Scrap Iron
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
China Ecotek Corp.	Calcium Carbonate Crystal
Kinik Company, Carbo Tzujan Industrial Co., Ltd	Scrap Grinding Wheel
KUANG TAI Metal Industrial Co. Tientai Electrode Co.	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
KUANG TAI Metal Industrial Co. Tientai Electrode Co.	Welding Slags
Sun Beam Tech Industrial Co., Ltd	Zinc Dross
Tai Share Chemicals Co., Ltd, Green World Environmental Preservation Service Co.	De-S Slag
HT CEMENT CO.	Granulated Slag
Young Ching Industry Co., Ltd	Granulated Slag

CSC will continue supporting the governmental Industrial Park Energy and Resource Integration Promotion Plan by expanding the scope of cooperation in waste recycling and reuse with other Park enterprises, building a network for Park resource sharing, recycling, and reuse, improving Park operational conditions, and improving the competitiveness of Park enterprises to connect with the international trend for sustainable development.

7.5 External Communication and Cooperation

7.5.1 Domestic Associations and Institutes

As the supplier of products and by-products for domestic industries, CSC participates in various activities organized by domestic industry unions, institutes, and associations to reinforce mutual communication and cooperation.

Steel Industry	Taiwan Steel and Iron Industry Association	For collaboration and development of the steel and iron industry
	CSC chairman Tsou as the president	For close ties among members and international institutes worldwide, joint efforts with government authorities and private sector, and technology advancement
	Chinese Institute of Engineers	For steel construction technology development and infrastructure safety improvement
	CSC President Sung as the managing director of CIE and the president of CIE Kaohsiung Chapter	For technology transfer from worldwide leading wind turbine makers and market development of domestic wind power industry
Corporate Sustainability	Business Council for Sustainable Development of Taiwan (BCSD Taiwan) Formosa Association of Resource Recycling. Taiwan Resource Recycling Industries Association Taiwan Carbon Capture, Storage, and Reuse association. Association of Industry for Environmental Protection	For corporate sustainability and environmental protection in Taiwan

7.5.2 International Exchange and Cooperation

Organization	Approach	Achievements
worldsteel ASSOCIATION World Steel Association	Core member	Obtaining the latest information and closely connect with the world through exchange and cooperation.
	Participating in the sustainability reporting work group, providing data, making recommendations, and engaging in promotion activities.	
	Participating in committees on technology, safety and health, and environmental policy.	
	Participating in work groups for collecting CO_2 emission data and life cycle assessment.	
SEAISI South East Asia Iron and Steel Institute (SEAISI)	Core member	Through actively assisting the steel industry of neighboring countries and maintaining good interaction and cooperation with them, we obtain information regarding regional industry and technology development and policies for the reference of own business expansion and strategic alliance.
	Chairing the institute's ESH committee and assisting in technology development and ESH implementation.	
	Supporting the arrangement of steel technology and ESH conferences and visits on plants and sharing national reports every year	
OECD BETTER POLICIES FOR BETTER LIVES Organization for Economic Cooperation and Development (OECD)	We participate in the Steel Committee of OECD on a regular basis upon the call of the Ministry of Economic Affairs.	From this platform, we obtain new material information regarding industry and environmental protection and speak for Taiwan so as to raise Taiwan's visibility and involvement.

7.6 Supply Chain Management

7.6.1 Integrated Information Platform

When evaluating new contracted supplier candidates, CSC performs on-site investigation and completes the Supplier Evaluation Sheet. Candidates are also requested of relevant documents for their legal business registration, sound financial status, and clean record of tax arrears. CSC then verifies if the candidate complies with the Labor Standards Act of Taiwan in human rights and labor condition, such as arranging labor insurance, health insurance, and employers' liability insurance. The CSC facility management section re-evaluates suppliers every three years with reference to the ISO 9000 Supplier Management Regulations. 82 out of the 347 qualified service suppliers are re-evaluated every three years.

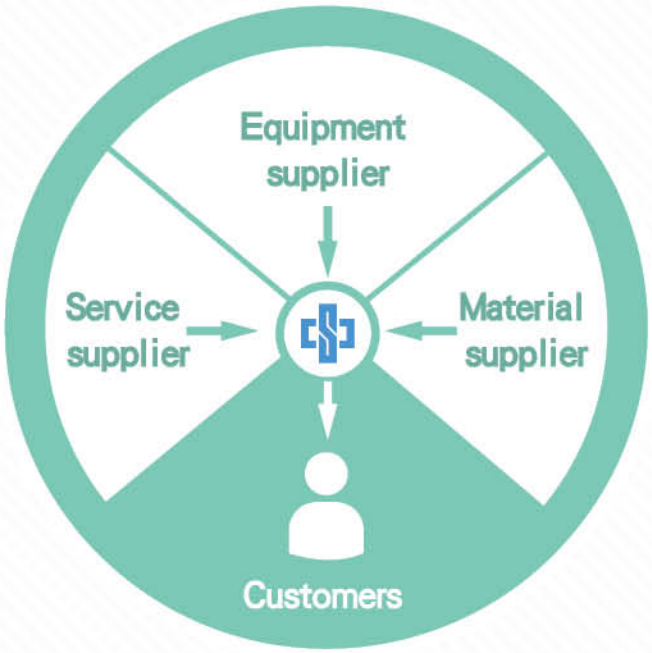
The integrated structure of the information disclosure for supply chain

The planning for CSC CSR Supply Chain Disclosures Integration Platform started in 2014. At the first stage, the platform is open to major suppliers. Questionnaire is used to understand their status of sustainability management in the issues of environmental management, labor human rights, fair operations, and sustainable procurement. Results will be used for the CSC supplier management to optimize the supply system and share sustainability practices.

Issues in supply chain management:

- Environmental management: Environmental impact, mitigation measures (e.g. process energy consumption, office electricity usage, chemicals usage), accountability for products/services (e.g. environmental impacts from product use, energy efficiency and disposal of electronic products, product recycling).
- Labor rights: Human resource management (e.g. occupational safety and health, work condition, social engagement, career planning, training and education opportunities) and human rights (e.g. child labor, forced/compulsory labor, non-discrimination).
- Fair operations: Anti-corruption, anti-competitive behavior and fair trade, confidentiality.
- Sustainable procurement: Material procurement, service subscription, sustainable green procurement actions.

7.6.2 Major Suppliers



Service Suppliers

Engineering contractors
Work contractors
General affairs contractors

Raw Material Suppliers

Coal	Adaro	Indonesia
	Anglo	Australia
	Ashton	Australia
	BMA	Australia
	Glencore	Australia
	Peabody	Australia
	Rio Tinto	Australia
	Teck	Canada
	Vale	Mozambique
	Wesfarmers	Australia
Iron ore	BHP	Australia
	IOC	Canada
	Rio Tinto	Australia
	Samarco	Brazil
	Vale	Brazil
Flux stone	Hsin Hsin Cement	Taiwan
	Blooming	Vietnam
	Nittitue Mining	Japan
	PMSC	Philippines
	Sumitomo Osaka	Japan

Equipment Suppliers

PWRE	Germany	#4 blast furnace first champion revamping
Seoul Engineering	Korea	
ThyssenKrupp Industrial Solutions AG.	Germany	waste water desulfurization and denitrification
CSMC	Taiwan	
TMEIC	Japan	#2 hot strip mill drive and control system revamping
Ecotek, CSMC	Taiwan	#2 sintering exhaust desulfurization and denitrification
CSMC	Taiwan	Quenching plate equipment for plate mill
SPCO	Japan	
Primetals	UK	
SPCO	Japan	#2 continuous casting plant BOF sensible heat recovery
CSMC	Taiwan	
SAB、KIC、EJP	Germany	Titanium and nickel alloy finishing line
Gwo Lian Machinery Industry, Sheng Chyean Enterprise, Jainnher Machine	Taiwan	
CSMC, Ecotek	Taiwan	#3/#4 sintering plant revamping and #7A stacker for raw materials yard
Mitsubishi-Hitachi Metals Machinery	Japan	NGO electrical steel sheets production lines
Hitachi	Japan	
Chugai Ro	Japan	
Chugai Ro Taiwan	Taiwan	
CSMC	Taiwan	
Didier-M&P Energietechnik Asia	Taiwan	#1 blast furnace stove cooler partial repair
PWRE	German	
Ecotek, CSMC	Taiwan	#3 sintering plant exhaust desulfurization
SMS Mevac	Germany	#3 ladle furnace in steelmaking department
Hitachi Chugai Ro	Japan	#2 continuous annealing line equipment updating
Mitsui Heavy Industries	Japan	Blast furnace gas tank updating
Friedrich Kocks	Germany	#2 bar steel plant steel coil and rolling line equipment of replacement
Morgardshammar	Sweden	
TMEIC	Japan	
CSMC, Green Union, USEC	Taiwan	#1 steel mill B4154 crane addition and ladle construction/repair area transfer
TMEIC	Japan	#1 wire rod plant equipment of extension service
Tatung	Taiwan	
CSSC, USEC, CSMC, Ecotek	Taiwan	Maoda cold rolled products warehouse

7.6.3 Partnership with Contractors

CSC does not outsource to freelancers and demands contractors of Taiwan nationals for works in CSC. Workers sent by the contractors to CSC must have insurance as mandated by the government, wear uniforms and safety equipment, and comply with CSC's safety and health work rules. A penalty is to be imposed for any violation, and the fine will be designated to the fund for supervision, correction and improvement of the safety and health of contractor employees. CSC is responsible for monitoring and supervising the working conditions of contractor employees to ensure that contractors comply with national labor laws.

For disaster prevention, the most crucial issue regarding contractor employees, CSC enhances inherent safety of facilities, improves interaction with contractor employees and their working conditions, and offers training of professional skills.

Solid Partnership

High workforce turnover rate and aging are common problems of contractor employees in recent years. CSC advises contractors on workforce structure and working conditions improvement, thereby preventing work-related accidents and building long-term partnerships.

Based on cooperation and mutual trust with its contractors, CSC in 2014 assisted contractors in achieving working conditions as regulated by the Labor Standards Act and in improving salary systems for workers to understand pay and associated records. Major measures include:

- Simplify items and details on monthly salary statement and select appropriate items based on operational characteristics and management demands.
- Define reasonable base salary and appropriate bonus percentage.
- Set up salary calculation basis.
- Maintain a transparent salary system to employees.
- Allow choices between a daily or monthly salary system for the employees.

Health education seminars for contractors	Held once a month to inform contractors of the latest safety and health information and CSC requirements.
Contract employee license evaluation	Arranging safety and health training activities for contractor employees by the licensing unit through interviews (registered on the system of Occupational Safety and Health Administration).
Safety concerns	Held once a month (registered on the system of Occupational Safety and Health Administration)
Near miss reporting	Encouraging near miss reporting with cash prizes.
Intrinsic safety promotion	Continuously introducing system scaffoldings and lift platforms to enhance scaffolding strength and reduce scaffolding-related accidents.
Safety observation	Officers of all levels conduct tour inspection of contractor construction sites and records are maintained (registered on the system of Occupational Safety and Health Administration).

Training for Contractor Employees

CSC maintenance units are responsible for arranging training courses and certifications in accordance with the needs of safety and health as well as professional techniques required for workers to perform their work at CSC. In 2014, contractor employees received a total of 32,434 hours of training in CSC as shown in the table below:

Item	Training course	Persons	Hours per course	Total hours
Safety training	New hire training	5,157	6	30,942
Technical training	Scaffolds	61	3	183
	Roofing corrugated sheets	88	1	88
	Fire watch personnel	70	3	210
	Bearing training	114	2	228
Skill certification	Scaffolding certification	58	3	174

7.6.4 Domestic Manufacturing

CSC invests in high-value downstream production lines, environmental protection and energy saving facilities, and replacement of outdated equipment, and requests suppliers to increase the percentage of domestic supply. These efforts reduce costs and foster domestic industries.

For the domestic procurement of equipment repair and maintenance, CSC cuts the dependence on foreign suppliers to assist the upgrade of relevant domestic industries for on-time delivery, exceptional service, and lower cost. Moreover, CSC supports domestic manufacturing by signing long-term contracts with domestic refractory material manufacturers. The 2014 domestic procurement amount for spare parts and equipment of NTD 400,156,000 exceeded the target of NTD 322,500,000.

Item	Domestic Procurement Achievements in 2014
Refractory materials	66.43% domestic supply
Spare parts and equipment	132 work orders for mechanical parts; NTD 232,140,000
	91 work orders for electrical parts; NTD 168,016
Production line equipment	37 production line and turnkey engineering projects; NTD 3.005 billion.

8

Employees

8.Employee

8.1 Recruitment and retention

8.1.1 Workforce Structure

CSC strictly follows the Labor Standards Act of Taiwan and never hires child labor to engage in work of any kind. To ensure the basic human rights of employment equality, employees are hired only by expertise and by experience, which discriminations upon race (ethnic origin), thought, religion, political affiliation, native place, place of birth, gender, sexual orientation, marital status, facial appearance, physical/mental disability, or past labor union membership are eliminated. In 2014, no incident involving human rights abuse or discrimination was reported.

By the end of 2014, the workforce of CSC ranked as 18,308 people, 10,107 of which are official employees and 8,163 of which are contractors (6,743 of them are male and 1,420 of them are female, mainly served as work contractors and engineering contractors). Other than the abovementioned,therewere 38 dispatched workers, (1 of them is male and 37 of them are female) whose jobs are mainly paperwork and general affairs. All of the official employees are localsfrom Taiwan, with no foreignersbeing hired.

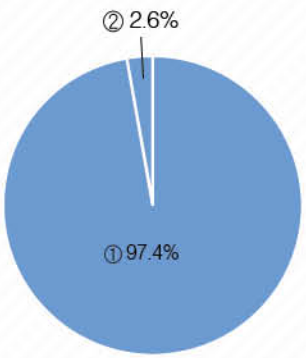
The average age and the service of length of employees were 49.46 years and 23.50 years respectively. As a steelindustry, it is natural that male employees outnumber female employees.

In 2014,7employees applied for the maternity leave without pay, 5of them are still leaving without pay, and the others have reinstated. The recurrence rate was 100%. In 2013,2employees applied for the maternity leave without pay, one of them are still leaving without pay, and the other applied for leaving without pay after reinstating, so the retention rate was 0%. In employment of people with disabilities, 197 were employed by the end of December 2014, accounting for 1.8% of all employees, which was higher than the 1% requirement of the People with Disabilities Rights Protection Act.

2014 Employee Distributions

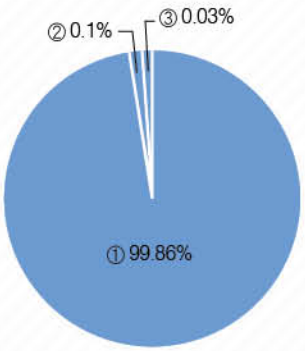
Gender

①	Male	9,840
②	Female	267



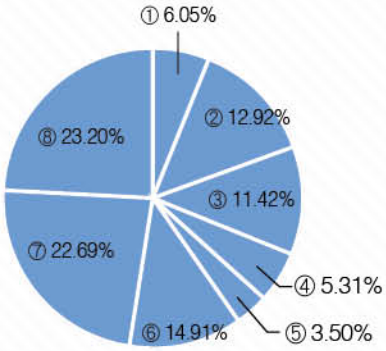
Region

①	Kaohsiung	10,093
②	Taipei	3
③	Hualien	11



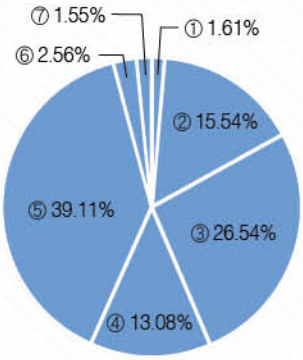
Age (yrs.)

① 20-29	611
② 30-34	1,306
③ 35-39	1,154
④ 40-44	537
⑤ 45-49	354
⑥ 50-54	1,507
⑦ 55-59	2,293
⑧ 60+	2,345

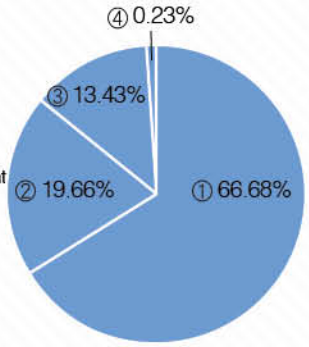


Education Background

① PhD	163
② Master's degree	1,571
③ Bachelor's degree	2,682
④ Diploma/Certificate	1,322
⑤ Senior High (Vocational)	3,953
⑥ Junior high	259人
⑦ Elementary school and below.	157人



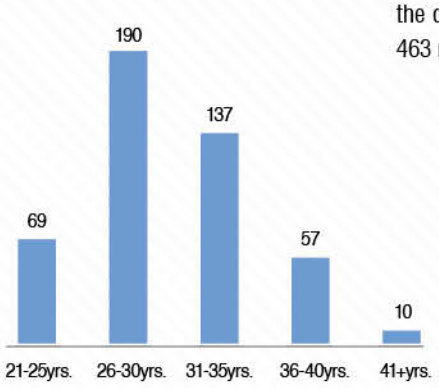
① Base Level
② Professionals
③ Management
④ Top Management

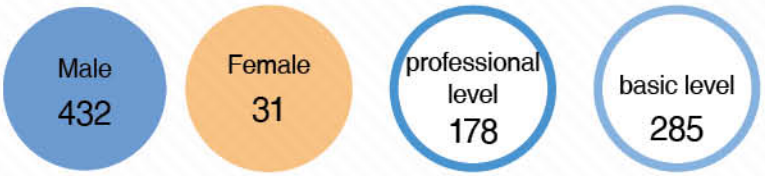


2014 Employee Rank Distributions

	Top Management	Management	Professionals	Base Level	Total
Female	0	11	161	95	267
Male	23	1,347	1,826	6,644	9,840
Total	23	1,358	1,987	6,739	10,107

One external recruitment was organized in 2014. Information regarding the number or employees to be recruited, test subjects, and work contents was published. Applicants were requested to take the written test on common and professional subjects. Based on the test results, at least twice the number of the job vacancies was selected for interviews. Lastly, the decision was made based on the written test and interview scores. In 2014, we hired 463 new employees.



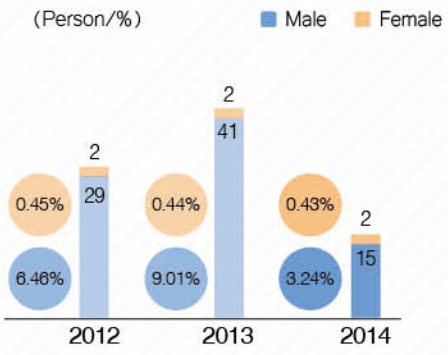


8.1.2 Employee turnover

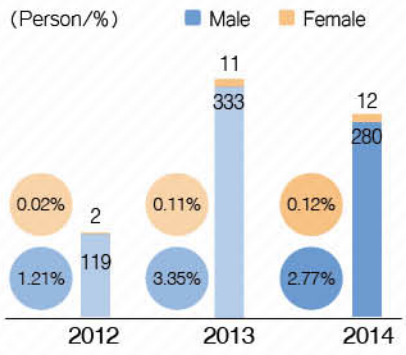
The personnel change, resignation, and retirement of employees are handled referring to relevant CSC regulations. Official employees can apply for retirement at the age 65 or for voluntary retirement at an earlier age with reference to the Labor Standards Act. Regulations governing personnel change and voluntary resignation or retirement are as follows:

- Personnel change: The line manager of an employee will first discuss the personnel change with the employee a few weeks in advance. Personnel change will only be announced after the agreement is made with the employee. When difficulties in labor service performance arises from a personnel change, employees may request for termination of the employment contract or file a grievance within 24 calendar days after personnel change became effective. Employees can also request for termination of the employment contract within 7 calendar days after the grievance is rejected.
- Voluntary resignation/retirement: We have established the "Directions for Handling Employee Voluntary Resignation and Retirement" and the "Directions for Handling Compensations for Retirement, Relief, Occupational Accidents, and Layoffs" to institutionalize the application for voluntary resignation and retirement.
- Attrition: In 2014 a total of 292 employees resigned, with an attrition rate (number of resigned personnel/active employees at the end of year) at 2.89%. A total of 227 resigned personnel are aged 60 or older, and retirement was the major cause of attrition.

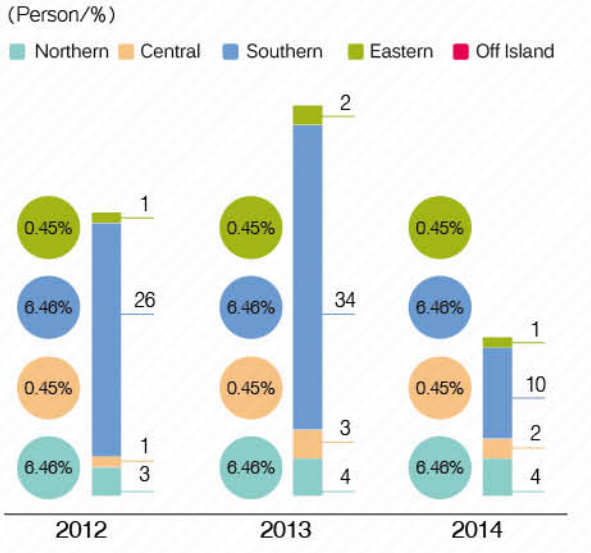
2014 Newcomer Attrition
Gender Distribution



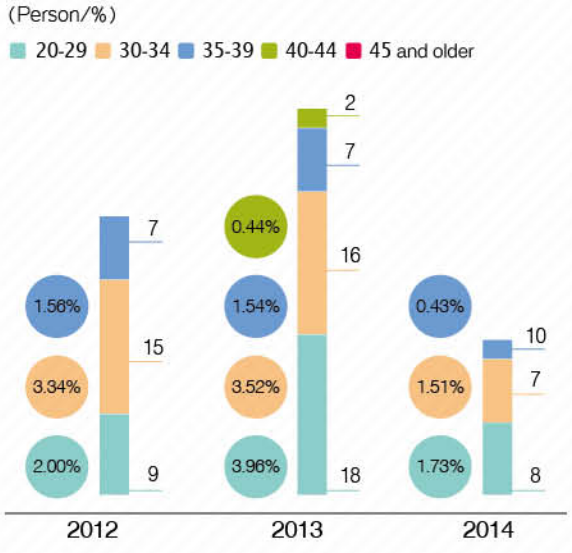
General Employees
Area Distribution



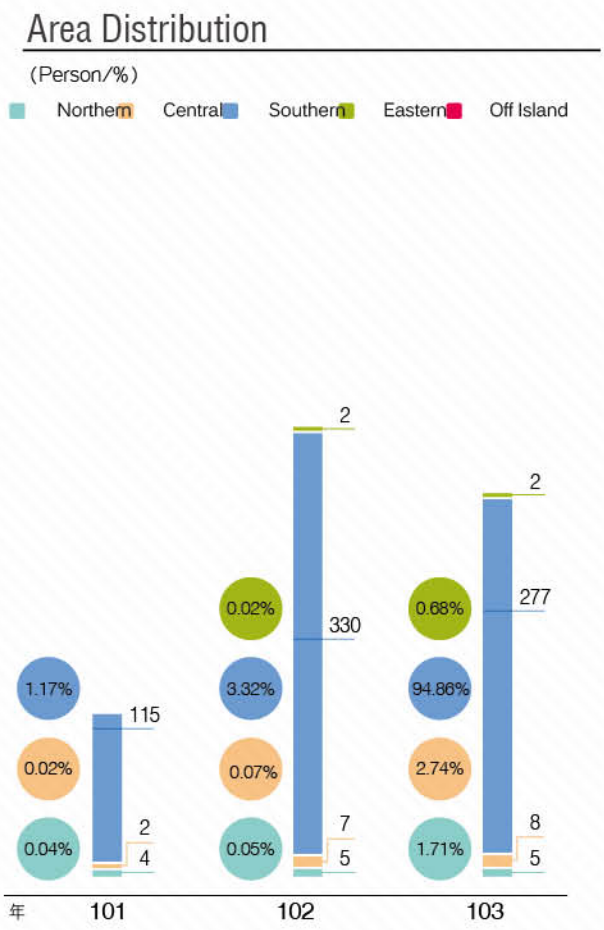
2014 Newcomer Attrition
Area Distribution



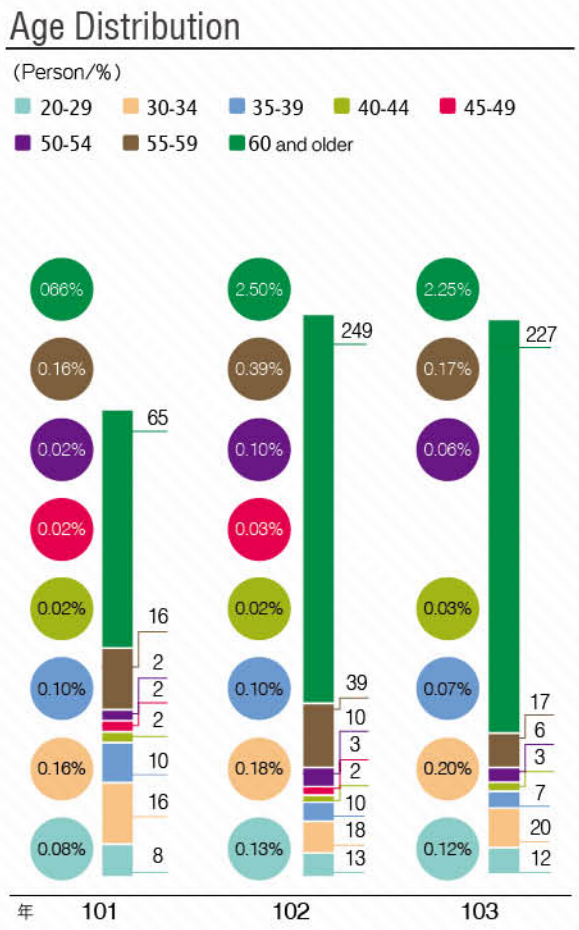
Age Distribution



General Employees



General Employees



8.2 Human Rights and Benefits

8.2.1 Human Rights Management

We strictly follow domestic and international codes on labor and human rights totreat and respect all employees equally. Our practices include:

- Establish labor conditions with reference to relevant laws and regulations.
- Ensure diversity and equal opportunities for all jobseekers with reference to the Employment Services Act.
- Establish grievance mechanisms for employees to appeal infringement of legal rights to work and inequalities in treatment.
- Establish the Employee Reward and Punishment Review Committee to review major rewards and punishments of employees.
- Establish the Workplace Sexual Harassment Prevention, Grievance, and Disciplinary Action Regulations to provide employees and jobseekers with a work environment free from sexual harassment and eliminate workplace sexual harassment.

8.2.2 Wages, Benefits and Promotion and Transfer

Remuneration Management

Employee remunerations include basic salary (including base salary, meal allowance, and allowance for special work environments or special maintenance), year-end bonus, and production/sales profit bonus. Employees are remunerated based on their duty and the

company's system, current market wage standards, the company's financial status, organization, and structure. Remunerations for male and female employees are equal, and the basic salary of male and female employees of the same position and grade is the same. As we also remunerate employees by the length of service, the pay grade of the same position may vary due to differences in seniority. In sum, remunerations for employees of the same position and same service length will be the same regardless of gender.

Remuneration Structure by Position	Basic Management	Professional	Base level
Female	1	1	1
male	1.50	1.26	1.12

Remunerations for new employees

We determine the pay standard of new employees with reference to workforce supply and demand and remuneration standards on the market and it must be superior to the basic wage specified in Taiwan's Labor Standards Act. We also consider the duty, education background, relevant experience (length of service), market workforce demand, and the pay of current CSC employees of the same position and with similar length of service. The start point for base-level employees and engineer employees is NT$26,500 and NT$36,000 per month respectively. The wage will be adjusted with reference to the employee's past work experience and work performance after three months of trial period.

Evaluation

Employees are rated into five grades from A to E (from the best to the poorest) by performance. The performance grade and remuneration structure of employees will affect the amount of their rewards, bonus, and salary adjustment. Employees receiving an "E" in the evaluation will be dismissed. Employees receiving a "C" in the evaluation will receive no salary raise. In addition, the supervisor must interview these employees and submit a performance improvement plan.

	2012	2013	2014
Employees receiving an "A" in the evaluation	697	647	701
Employees receiving a "E" in the evaluation	0	0	0

Employee Benefits

We provide decent working conditions for employees and are committed to fulfill their demand for benefits. For example, we have established a CSC Employee Welfare Committee with 26 members from the employer and employees, which provides various welfare services, and organizes various activities through the CSC employee benefit section. Every year, through different departments, we subsidize employee and family activities, such as mountaineering, hiking, and picnics, and encourage employees to take their family to these activities. In 2014, a total of 9,815 employees joined these activities, accounting for 96.07% of total employees. In addition, we encourage employees to join employee clubs to provide themwith a channel for work-life balance, and also an approach of blending into society, and humanity caring. In 2014 there were 43 clubs organizing 442 activities with 16,487 participants, including both the employees and their families.

Welfare Facilities
Employee Tuck Shop
Employee cafeteria and Mingbong Restaurant
Single employee dormitory
Gymnasium
23 routes of shuttle bus
Self-service laundry center
Reading room

Welfare Services
Employee credit loan service.
Benefits for four major festivals and birthday cash gift.
Subsidy for marriage, childbirth cash gift, and scholarships and loans for children
Emergency care and assistance
Union member activities
Subsidy for year-end dinner and year-end lucky draw.
Flexible subsidies for welfare points of union members
Contract stores

8.2.3 Communication

In 2010, we set up the chairman mail box on our EIP homepage for our employees' direct communication with our Chairman, hoping to provide employees with a free communication channel with top management. On the chairman mail box, all employees can directly express their opinions and give suggestions on the given topics to our chairman. The main topic for 2014 was "Cost Reduction and Care for Employees." We have received 42 opinions or suggestions from employees regarding cost reduction to optimize CSC's cost structure in 2014.Among which eight were under followed-up.

Chairman' s Mailbox

8.2.4 CSC Labor Union

Refer to: (http://www.cscunion.org.tw/)

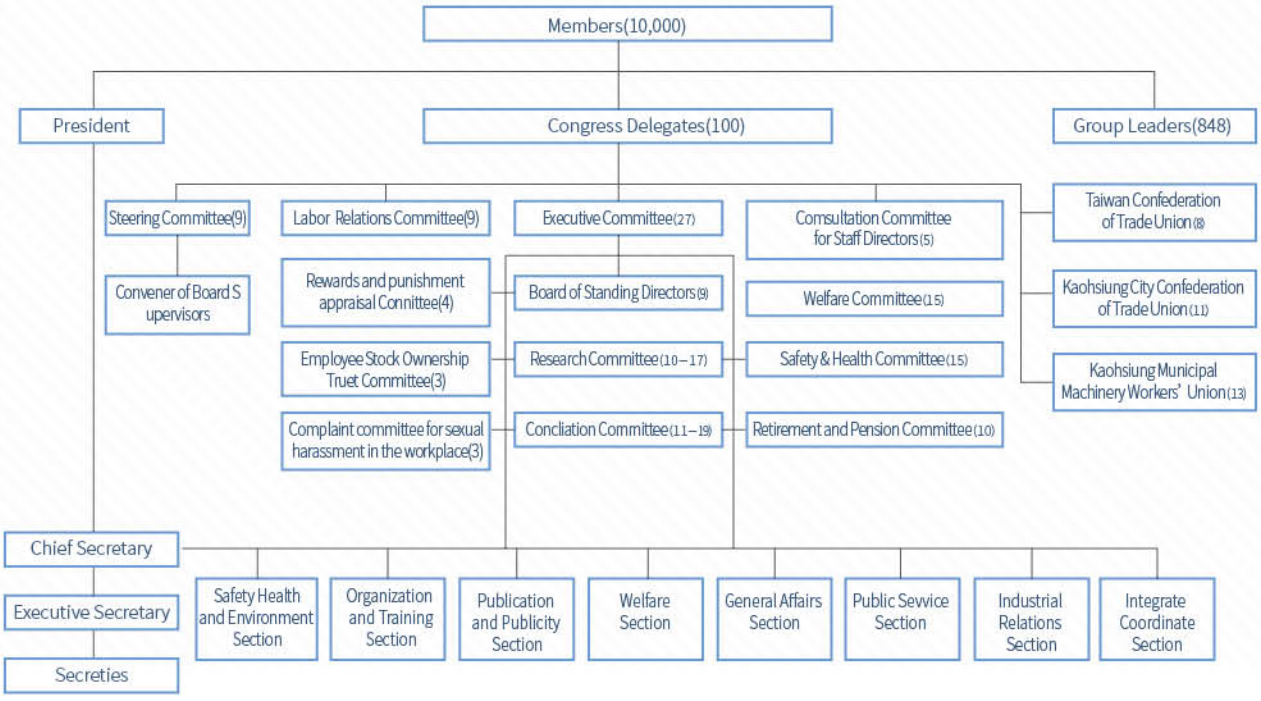
A healthful labor union can speak for employees and make suggestions for the company, so as to strive for a decent work environment, benefits, and career development for employees. Therefore, it is beneficial to promote balanced development of business operations and expand the breadth and depth of social involvement of the enterprise.

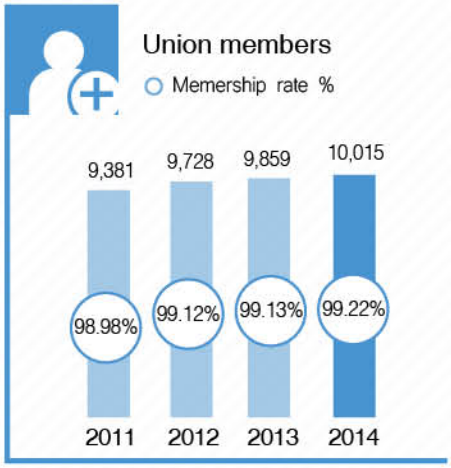
Members and Aims

CSC Labor Union was established on December 30, 1980 with the members from each department, except for top managements. The aim of the union is to promote business development from the labor's point of view, to urge unification among members, to protect the rights and benefits of the members, to improve the living of members, and to enhance their competencies.

Union Organization Framewor

The delegate congress is the highest authority of the union. A total of 100 delegates are elected by members from each department in each plant site. The Board of Directors with 27 directors elected by delegates is the supreme authority during the adjournment of the delegate congress. The Steering Board is set to supervise the Board of Directors. The delegates also elect 9members of the Steering Board, with the convener elected from among members of the Steering Board. The chairperson of the union is directly elected by all members to represent the union and administers routine union affairs. Under the union chairperson there are the secretariat and eight functional groups implementing routine union affairs. Except for top managements from vice general managers, the manager of Employment Section, and the manager of the Guard and Fire Brigade who are unqualified to be a union member, all employees must join the union. Therefore, it is a compulsory labor union with all qualified employees as members.





Delegate Meeting of Union

"Fight Low Wage and Ban Agency Workers" Parade


Launched the Donation for Kaohsiung Gas Explosions Accident

Collecive Agreement

At CSC, we value the employer-employee relationship. To maintain unobstructed communication channels for both parties, to ensure fair and decent labor conditions, to provide a dependable reference for both parties, and to develop a stable and harmonious employer-employee relationship, we signed the 1stcollective agreement with the labor union on February 14, 1997 to set a milestone for employer-employee harmony and settlement of employer-employee affairs. As the content of this collective agreement was comprehensive, many terms and concepts in the agreement has surpassed relevant legal requirements atthat time, and the agreement has since become a sample for the collective agreement of other laborunions. On December 5, 2014, we signed the 4thcollective agreement with the labor union to further protect the rights and benefits of both parties, enhance work efficiency, and improve employer-employee harmony. In addition, protection for the health, safety, and hygiene of employees was also specified in this 4th collective agreement.

Involvement in Corporate Governance

Besides holding employer-employee meetings on a regular basis, CSC helped the Labor Union to get a directorship in the board to participate in company decision-making and providing labor point of view to the Board of Directors. Since May 31 2001, an employee representative was present as a director of the board to enforce true industrial democracy. The labor union also participated in the corporate governance committee to play an active role in corporate governance. In addition, the labor union has sent delegates to be members of the HRD committee and reward and punishment review committee.

Pursuit of Labor Rights and Benefits

The CSC Labor Union has spared no effort to pursue labor rights and benefits with rational and peaceful means, for example, through the employer-employee meeting, seminars with directors, supervisors, and management and collective bargaining to strive for employee rights and benefits through employer-employee negotiations. Protests or litigations were only used in rare situations. In 2014, no major employer-employee dispute was reported.

External Exchange and Cooperation

In recent years, apart from pursuing rights and benefits for members and improving the quality of member services, the CSC Labor Union has exchanged with and visited domestic and foreign trade unions on a regular basis and engaged in frequent exchange with leading domestic labor unions. The labor union has participated in the Labor Day Parade organized by the Taiwan Confederation of Trade Unions in northern Taiwan many times to express concerns for various labor issues to speak for workers and pursuit labor rights and benefits.

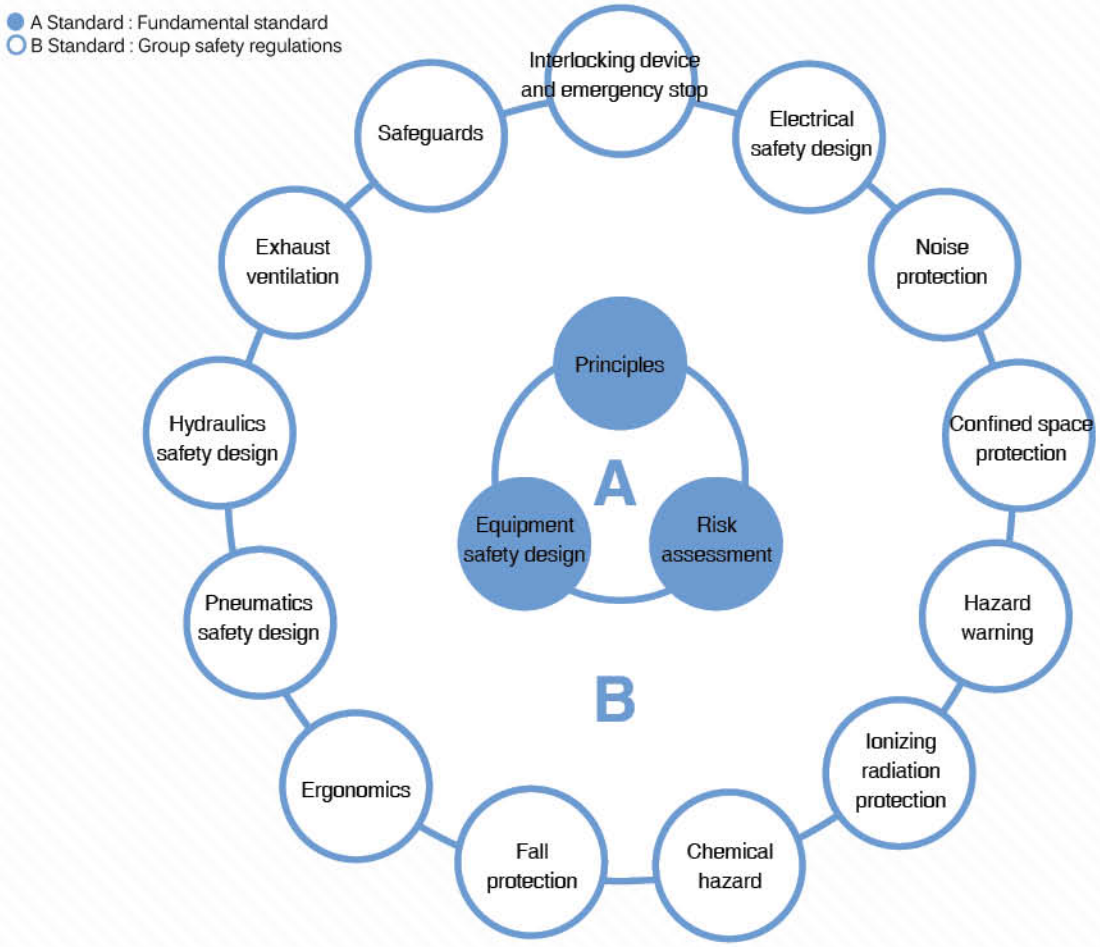
8.3 Occupational Safety and Health

8.3.1 Safety and Health Philosophy and Management

CSC Safety Culture and Intrinsic Safety

Workplace safety is the basic element to ensure worker safety. To implement and improve equipment intrinsic safety, we establish facility safety guidelines with reference to the relevant domestic and international standards, such as ISO standards for machinery safety, IEC specifications, European standards (EN), and Chinese National Standards

(CNS). These facility safety guidelines aim to identify hazards and assess risks. When planning and designing equipment, basic safety design principles, relevant safety conditions, and safety devices will be the reference for CSC to discuss equipment safety with equipment suppliers.



Policy	Safety policy statement, management organization, and resource provision.
Management	Building the corporate system framework by responsibility, control of safe practices, licenses and training, rewards and punishments, audits, improvement results, and promotion of safety concerns plans.
Individuals	Changing employee safety concept and improving personal safety culture through training/education, employee involvement, safety concerns, health concerns, and two-way communication.

Safety and Health Management System

In addition to setting system certification and effective risk assessment as the lowest standards, we make continual improvement with reference to the system certification requirements. In 2000, we implemented the occupational safety and health management system (OSHMS). In 2002 we pass OHSAS 18001 certification. In 2008, we passed TOSHMS certification.

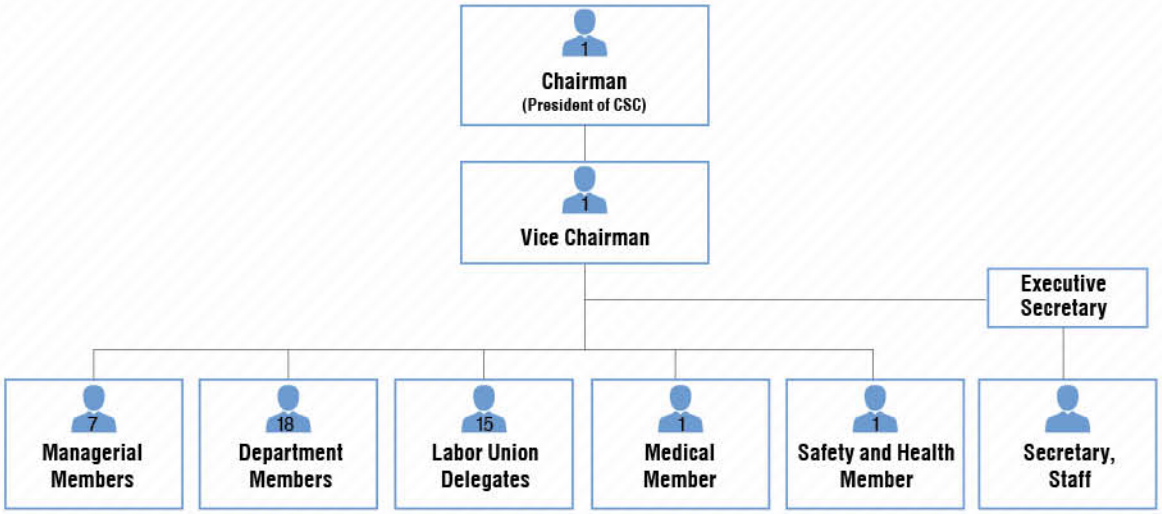
In 2014, the internal audit of the TOSHMS/OHSAS 18001 system was completed in March and found no nonconformity, and the audited units have completed the correction and prevention of all 68 recommendations. The system external audit by the Bureau of Standards, Metrology & Inspection, was completed in July. We passed the audit and received relevant certificates.

Care for Life	Respect life and implement environmental protection, safety, and health management to prevent occupational injury and illness and promote employee health.
Risk management	Asses risks and environmental aspects and reinforce risk control and pollution prevention.
Training and communication	Educate employees with ESH concepts, establish a self-motivated culture, encourage employee and contractors involvement, and strengthen communication with stakeholders.
Legal Compliance	Enforce the identification and execution of legal requirements and strengthen correction and prevention functions.
Continual improvement	Promote zero disaster, energy conservation, and emission reduction; improve ESH performance; and pursue sustainable operations.

Occupational Safety and Health Committee

To effectively discuss and resolve practical problems, we have established the Occupational Safety and Health (OSH) Committee with the group's president as the concurrent chairperson and executive VP as the concurrent vice chairperson. The labor union sends 15 representatives as the committee members (account for 35% of all committee members). The OSH Committee holds meeting bimonthly and report the OSH management performance to the shareholders' meeting for public review.

Council of Labor Affairs host "series of activities concerning safety and health in national workplace week" in 2014, and there are 186 units proposing the plan of the activity, including government institutions, public businesses, private businesses, and so on. The reports about executive results of CSC are affirmed by Council of Labor Affairs and CSC was awarded the proof of "2014 series of activities concerning safety and health in national workplace week."



Safety and Health Targets

safety and health in national workplace week

8.3.2 Training, Education and Publicity

Accidents occur easily on employees after a major change of working condition. Therefore, it is necessary to establish a change management mechanism. At CSC, our change management focuses on identifying all hazards and accessing all risks before making a change and taking all necessary precautions with reference to the assessment results to ensure and maintain the safety of all processes, activities, and services.

As most accidents occur out of human negligence, how to train employees to avoid negligence at work has become the focus of our training and education. As we have computerized the safety and health training management system, training data can be updated in real time for online enquiries to make safety and health training control and audit more effective.

In addition, we actively promote the "Bottom-up Safety SOP Revision" activity for employees and suppliers to participate in the revision of safety SOPs. We also combine it with the zero disaster and danger pre-recognition training to replace professional writing with collective discussions, so as to improve the hazard identification ability of workers through communication and understanding to reduce occupational accidents.

Industrial Safety Training Courses and Trainees in 2014

Industrial Safety Training Course	Classes	Trainees
In-service Training on Safety and Health Regulations	13 types of courses, 42 classes	1,401
In-service Training for Radiation Protection Personnel, Radiation Workers, and Radiation Detection Personnel of Steel and Iron Construction Materials	4 classes	308
Supplier Employee Recurrent Training for License Renewal	98 classes	4,139
Industrial Safety Physical Training	5 types of courses, 221 classes	2,504
Traffic Safety Training/Education	16 classes	584
TOSHMS/OHSAS 18001 Lead Auditor Training	1 classes	25
ESH Internal Auditor Training	2 classes	60
Accident Investigation	2 classes	210
Management by Walking Around	12 classes	955

8.3.3 Environment Inspection and Accident-Prevention Maneuvers

Work Environment Inspections

With reference to the Regulations for Implementing Work Environment Monitoring, all units identify health hazards in the work environment, assess their risks, and prioritize high-risk hazards in work environment monitoring. These units should submit the improvement/follow-up management measures for hazards exceeding the control thresholds to ensure the acceptable risk of personnel exposure. In 2014, work environment inspection was completed on 2,751 testing points (including areas and personnel) with reference to the inspection plan. The inspection includesthe following five items: noise, wet bulb globe temperature (WBGT) index, CO_2, chemical substances, and dust.

Disaster Prevention Exercis

To improve the ability to disaster emergence response of all plants to avoid or reduce personnel injury, property loss, and environmental impact, apart from the emergency response exercise organized by each plant according to local needs, in 2014 we planned the enterprise-wide emergency response exercise which included the following five items (no severe leak incident was reported since 2010).

Accident-Prevention Maneuver

Emergency Response and Disaster Prevention Exercise	Date
Emergency Response Plan for COG Tank Leak of Coal Chemical Process	May 8, 2014
Emergency Response Plan for Liquid Ammonia Tank Leak of Sinter Plant	November 12, 2014
CSC Utility Failure Emergency Response Plan	July 31, 2014
Emergency Response Plan for LDG Leak of Steel making Process (Plant 1)	October 16, 2014
Emergency Response Plan for LDG Leak of Steel making Process (Plant 2)	November 14, 2014

8.3.4 Abnormally Control and Prevention

Overtime Work Control

For the health of employees, employees should not work over 12 hours a day, including regular and overtime work. The length of overtime work should not exceed 46 hours each month, except for special needs in work, such as emergency repair, approved by authorized officers. Nonetheless, sufficient rest should be arranged afterwards.

Disaster Prevention Plan

To implement the TOSHMS requirements of the Council of Labor Affairs (now Ministry of Labor), after setting industrial safety targets, we achieve comprehensive safety and health management and create a zero-disaster work environment through the PDCA management cycle.

Safety Observation and Audit

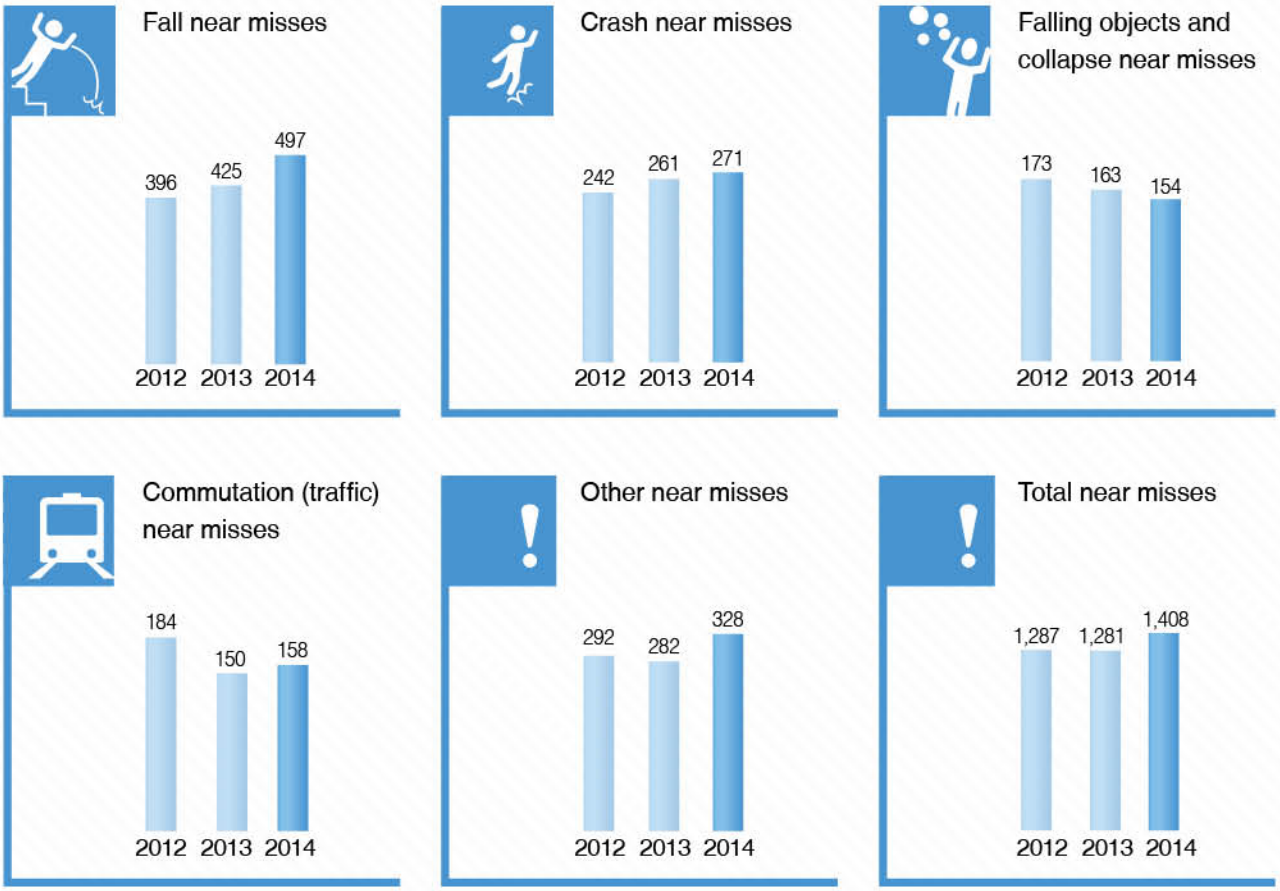
For early discovery and correction of the unsafe behavior of workers and improvement of the unsafe condition of work environment and equipment, we request site managers to patrol work sites regularly. Apart from observing the behavior of employees and contractors and the work environment with reference to the 5-step procedure “decide, stop, observe, act, and report”, site managers should require them to make immediate corrections. After detecting employee or contractor behaviors violating safety SOPs, or performing unsafe behaviors, or in unsafe situations, site managers should immediately communicate with them and ask them to make corrections without affecting operation safety. Since July 2014, site managers were requested to enhance management by walking around. During July to December, site inspection totaled 40,331 times.

Safety Concerns

To raise the safety and health awareness and ability of basiclevel employees and encourage them to care about the work and traffic safety of each other, we encourage all employees and contractors to voluntarily communicate with and help others with goodwill and equality, so as to develop total and all-time safety habit and improve overall safety culture. Care for employee mental health is part of our work. If employees or contractorsshow anxious, slow in response, or seemingly drunk, it is the responsibilityofsite managers to take care of them by suspending their work or send them to medical attention according to relevant regulations.

Near Misses

After a near miss occurs, the responsible unit, personnel, or contractor should register the near miss incident to the "Near Miss Report Registration" on the CSC EIP website. After a section or plant manager approves it, the case is referred to the Occupational Safety and Health Department for confirmation, archival, publicity, or announcement on the EIP. In 2014, a total of 1,408 near misses were reported, and potential hazards were reviewed and improved afterwards to prevent them from happening again.



8.3.5 Absence and Disabling Injury

In 2014, 9 minor workplace injuries, 11 disabling injuries (including two deaths), 20 minor commutation injuries, and 20 traffic-disabling injuries were reported. For employees and contractors of incident responsible units, we reinforced physical training, management by walking around, occupational safety diagnosis, bottom-up occupational safety activities with basiclevel employees or in collaboration with labor union team leaders, near miss reporting management, 5S self-management and self-protection, mutual protection and mutual supervision, so as to achieve continual improvement. In addition, through good management practices, such as work environment monitoring, special health examination and management, hazard training/education, use of personal protective equipment and audit, we significantly reduced personnel from exposing to the risk of health hazards to minimize the incidence rate of occupational illness. In the past five years, no occupational illness case was reported.

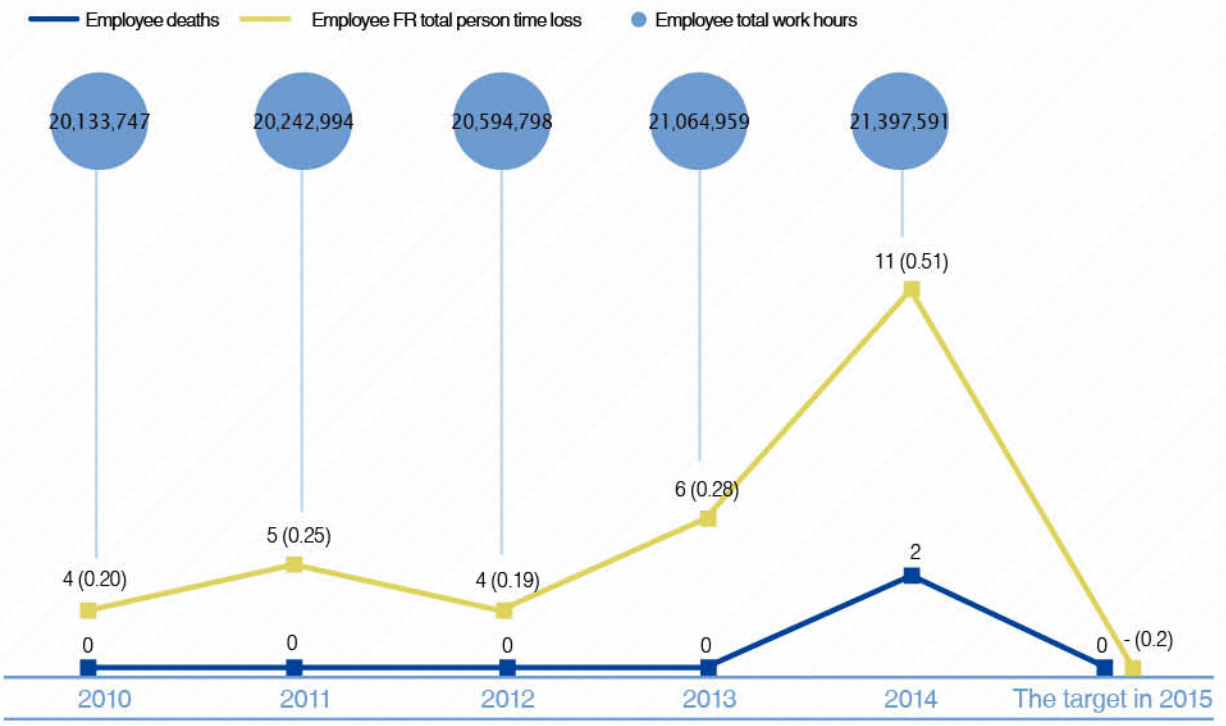
Insufficient ability of hazard identification and safety awareness and ineffective training/education were the main causes of employee deaths in 2014. Horizontal reviews of similar hazards and reinforcement of safety awareness education have been implemented for improvement. In 2014, employee FR increased because of employee aging and it was the peak of generation change, which resulted in poor connection in supervision and employee skills. Due to two deaths in 2014, employee SR was much higher than in 2013.

Stats of Absent Rate

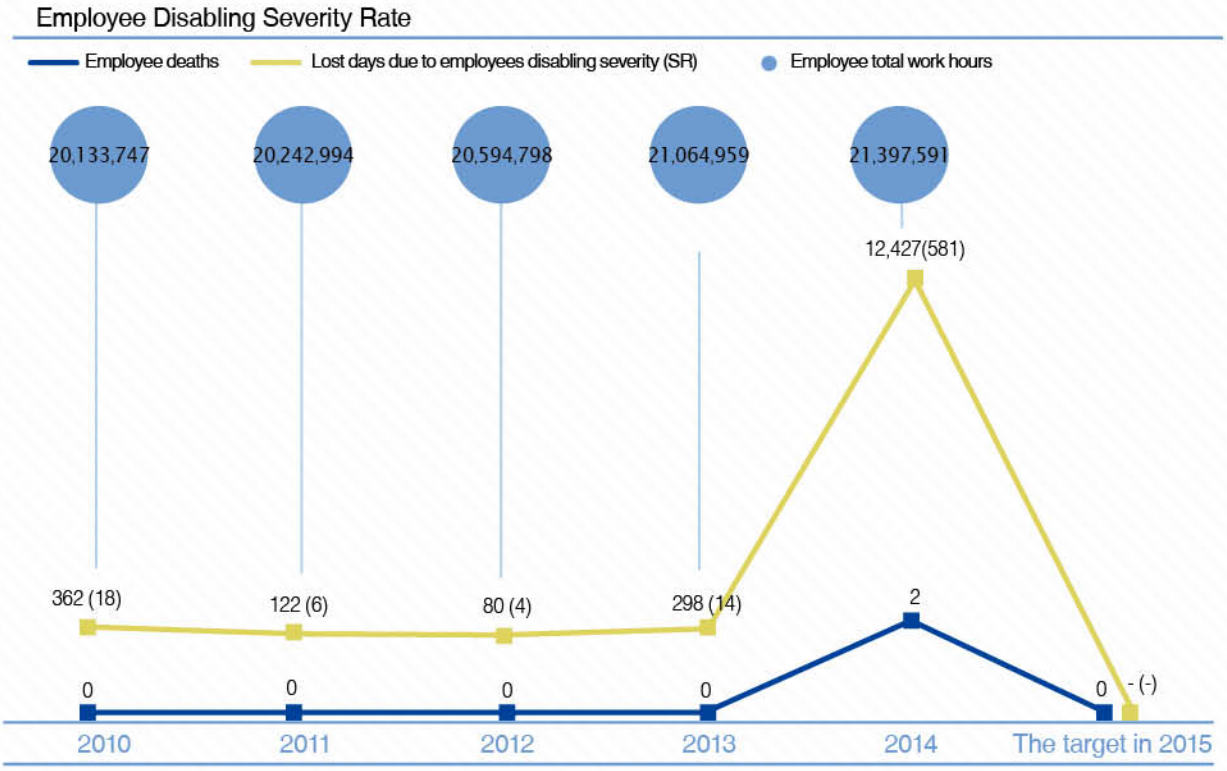
	Work-related injuries		Sick Leave		Total	
Gender	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**
Number of absent days		1,617	924.4	10,628.5	950.9	12,245.5
Absent Rate (AR)	1.982	120.911	69.112	794.744	71.094	915.655
Absent Rate (AR)	122.892		863.865			
Absent Rate (AR)	986.758					

Note: Absent Rate (AR)= total absent days during the reports/ total working days during the reportsx200,000
Total real work hours in 2014 were 21,397,591 hour, which were 2,674,699 days

Employee Disabling Frequency Rate

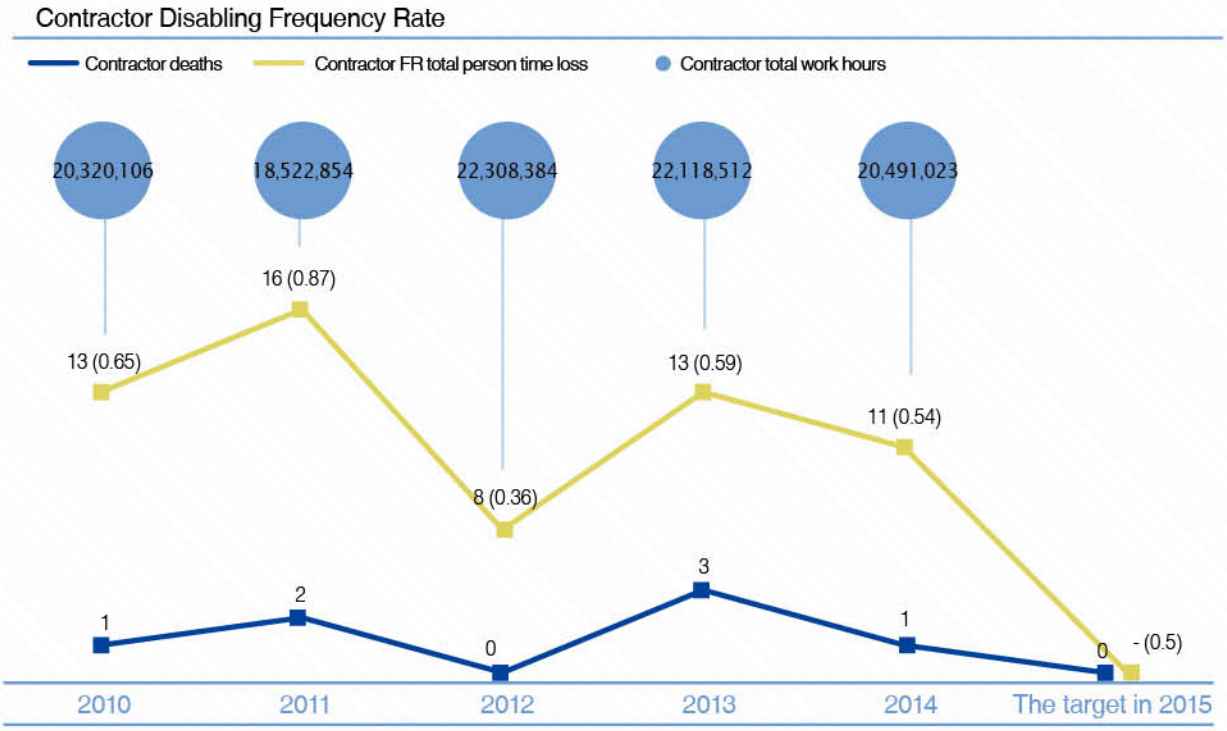


Note: Disabling Frequency Rate(F.R.) is the times of disabling per million work hours, and the formula is, disabling times x 1,000,000÷ total work hours during the time.



Note: Disabling Severity Rate (S.R.) is the lost days of disabling per million work hours, and the formula is, disabling days x 1,000,000÷total work hours during the time.

In 2014, disobedience was the main cause of contractor deaths. Strict control on personnel access to controlled area by the responsible unit has been implemented as improvement. Contractor FR reduced in 2014 because of increased punishment and the establishment of the contractor safety culture system, whereby each unit requested the responsible person of contractors to explain to their personnel, with CSC playing the supervisor role, and the contractors make improvement in policy, system, and management with CSC simultaneously.



Note: Disabling Frequency Rate (F.R.) is the times of disabling per million work hours, and the formula is, disabling times x 1,000,000÷ total work hours during the time.

Employee Commutation Traffic Accidents

To prevent employees from traffic accidents on their way to work, we continuously implement traffic safety promotion, education, and audit; remind employees of the importance of preventive driving; and advise them to take public transport or company shuffle bus. For the employees who need to ride a motorbike to work, their supervisors must interview them once a year to improve their traffic safety awareness. To eliminate traffic blind spots in the plant, it is requested that at least 5 traffic improvement plans are submitted each year.

8.3.6 Employee Health Examinations

Health Examination

At CSC, we have a well-equipped infirmary attended by professional medical personnel to provide employees with early diagnosis and intervention of their illness. We also subsidize the medical fee of employees. As employees grow old, it is our responsibility to reinforce health examination to all employees and give earlier medical advice to employees by the examination unit to prevent critical illness. Special health examinations are arranged for employees working in special environments. Examination items include high temperature, noise, lead, dust, and organic and special chemicals. In 2014, a total of 2,489 employees working in special environments received the special health examinations, and no one needed level 4 health management.

Health Management Plan

The Health Management Center of CSC Infirmary is mainly designed for employees and contractor employees. The infirmary also reminds employees of the focus of health improvement. We also hire experts to conduct relevant research with the information from employment examinations and work environment tests, so as to capture hazard factors and plan preventive education/training plans. In 2014, various activities and health promotion activities were promoted. As for nearby communities, apart from organizing spirit growth talks through the CSC Education Foundation, we planned education and training activities on critical diseases and communicable diseases and risk control for employees, their family, and local citizens.

Employee Weight Loss Class	350 participants, lost 1,237 kg
Health Talks	6 sessions, 518 participants
"Manager Care Skill for Employee Health" Talk	5 sessions, 296 participants
Workplace Protection Training Workshop	15 sessions, 432 participants

Statistics on participants of health promotion activities

Item	2012	2013	2014
Physical Fitness	616	549	606
Talks	1,142	1,610	1,246
Bone Mineral Density Test	913	604	531
Telecare Project	133	-	36
Female Employee Health Project	694	395	409
Precision Body Fat Analyzer	806	600	515
Others (health concerns, health promotion, cardiovascular disease, and blood donation)	-	2,035	2,057
Total Participants	4,304	5,793	5,400

8.4 Vocational development and Career Planning

8.4.1 Vocational development and Career Planning

In the next 15 years, over 6,100 senior employees will retire. Therefore, enhancing corporate culture, promoting knowledge management, and strengthening workforce training will be the foci of future workforce development.

	Female	Male	Average people per hour every level
Managers	0.00	42.22	42.22
Management job(1st level)	43.00	43.20	43.19
Management job(middle-level)	53.00	63.09	63.05
Management job(4th level)	0.00	5.65	5.65
Professional job	77.50	38.33	38.80
Basic level	28.91	24.24	16.66
Average training hours/person by gender	24.67	20.78	20.88

There was no female top management in CSC in 2014

Talent Cultivation:

Six major items for building the "CSC Talent Cultivation and Development Framework"

Apart from arranging training/education on human rights for new employees immediately after employment, we continuously explore the organizational and individual needs during the talent development and review and initiate all necessary training, so as to enrich the knowledge and skills required for personal career development. During year-end performance evaluation, we will review the performance and rate the duty planning of all employees. In 2014, the average physical and online training length of each employee was 22.9 hours and 2.6 hours respectively.

New hire training

1.Sales person training
2.Steel simulation competition
3.Professional technological training
4.Basic training

Training of group managerial talents

1.Managerial employee
2.Mid-management staff
3.Base management staff
4.Reserve personnel

Training of group expatriates

1.Experience exchange with returned expatriates
2.Adoption of cross culture
3.Local language
4.Corporate Culture

General education

1.Seminar
2.Technology lectures
3.Health lectures
4.Cultural lectures

e-Learning

1.Application of computer
2.Language learning
3.Professional knowledge
4.Management knowledge
5.Corporate Culture

Professional and quality control training

1.Creative agitation
2.6-σ
3.CDA quality control circle
4.Professional knowledge

New Employee Cultivation and Experience Inheritance

Every year we review workforce demand with reference to the organizational development strategy, investment plans, and employee retirement/resignation status and make short-, medium-, and long-term workforce planning. We also inventory higher-level workforce regularly to facilitate and implement successor planning. In recent years, we have progressively hire over 1,000 outstanding new employees. Apart from guiding them to understand more about CSC with the mentorship program and knowledge management, we have arranged various training courses to cultivate their professional competencies and promote exchange with various activities. In addition, to cope with the future retirement peak, we have actively built the knowledge management system to systemically implement inventory, storage, inheritance, and innovation of workforce and documents based on organizational core competencies.

New Employee Training	CSC Corporate Culture Course360 participants.	
	Fundamental Training	Arranged two and a half day off-plant collective training courses for employees to have a basic understanding of CSC.
	Sales Personnel Training	Arranged new employees to understand CSC steel product applications at downstream industries.
	Professional Skill Training	Organized professional training related to steel and iron making, including machinery, electrical engineering, and mechanical maintenance.
	Steel Vitality Camp	Participated in the on-line steel production simulation competition organized by the Steel University of worldsteel to new employees to better understand steel making process. In 2014, 116 trainees and 42 instructors participated in the competition. Of 1,656 teams from 34 countries, we won the champion of the Asia-Pacific region.
e-Learning	Knowledge map and knowledge inheritance	Every April we organize domestic and overseas continuing education and the management/technology best practice knowledge-sharing forum where higher-level managers guide employees to share knowledge. We also arrange knowledge and innovation experience sharing with other enterprises with outstanding performance. In 2014, a total of 5,196 knowledge documents and 124 pieces of e-learning courseware were completed.
	Knowledge Community	We encourage employees to establish knowledge communities of different fields to reinforce knowledge sharing through community discussions. In 2014, we established 76 knowledge communities.
	Successor Training Program and Mentorship System	The program and system are established to maintain organizational core competitiveness, develop the sharing culture, stimulate employee learning enthusiasm, and flourish organizational learning. We won the "Workforce Innovation Award" and "Outstanding Enterprise Learning Network Award" from the government for our efforts.

Group Management Staff Training

To develop production, R&D, technology, management, and foreign language energy, and to cope with the needs for diversification and internationalization, in 2014 we send 81 employees to take relevant professional courses at overseas academic institutions and enterprises and selected potential employees to receive continuing education in domestic universities.

Higher level managers	CSC Higher Level Managers Management Course (in collaboration with National Cheng Chi University)
	CSC Higher Level Managers Advanced Management and Case Study Course (in collaboration with National Taiwan University)
	Wangdao Business Leader Program (organized by Stans Foundation)
Mid-level managers	CSC Group Middle-level Managers Management Course (in collaboration with National Taiwan University)
	Keynote speech The Core of an Organization: Cultural Values and Attitudes Toward Work
	Internal instructor courses: management skills, management talent rating, and base-level manager training.
Base-level managers	Encouragement leadership, communication and coordination, systematic thinking, and conflict management courses.
	Mid-level managers were the instructors sharing the status of operation and corporate culture of CSC.

8.4.2 Training for Expatriates

Work Experience and Living Culture Workshops

In recent years, we have set up rolling plants in Vietnam and India. For expatriates to learn local languages and understand local cultures, we organized work experience and living culture workshops for expatriates.

Training for Directors and Supervisors for CSC and subsidiary 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 hours of advanced management training every year for directors, supervisors and vice president of group companies.

The Training Records of CSC's Directors and Supervisors in 2014

Title	Name	Date	Organizer	Course	Length
Chairman of the Board	Jo-Chi Tsou	10/15	Taiwan Corporate Governance Association	Brand New Games for Taiwan Enterprises	3
Director	Ming-Jong Liou	11/13	Taiwan Corporate Governance Association	Unveiling Future Corporate Competitiveness: Corporate Social Responsibility	3
Director	Jong-Chin Shen	11/28	Taiwan Corporate Governance Association	Directors' and Supervisors' Responsibility for Information Disclosures and False Financial Statements	3
		11/25	Taiwan Corporate Governance Association	Corporate Governance and Efficient Board Building for New Directors and Supervisors	3
Director	Ming-Jong Liou	10/15	Taiwan Corporate Governance Association	Brand New Games for Taiwan Enterprises	3
Director	Jong-Chin Shen	11/20	Taiwan Corporate Governance Association	The 10th Taipei Corporate Governance Forum	6
Director	Jih-Gang Liu	10/15	Financial Supervisory Commission	Brand New Games for Taiwan Enterprises	3
Director	Chao-Chin Wei	09/30~10/01	Taiwan Corporate Governance Association	2014 Competency Training for Cross-Strait Trade Agreements and Labor-Director Affairs	7.5
Independent Director	Shen-Yi Lee	11/21	Ministry of Labor		3
		06/13	Taiwan Corporate Governance Association	Brand New Games for Taiwan Enterprises	3
Independent Director	Juu-En Chang	08/01	Securities and Future Institute	Trade Secrets and Non-Competition Management: A Corporate Governance Perspective	3
Independent Director	Ting-Peng Liang	11/13	Taiwan Corporate Governance Association	Trade Secret Protection: Directors' and Supervisor's Duty	3
		03/25	Securities and Future Institute	Trade Secret Protection: Directors' and Supervisor's Duty	3
Supervisor	Ming-Te Su	12/15	Chinese National Association of Industry and Commerce, Taiwan	Corporate Governance Evaluation and Corporate Governance and Board Operation Practice	3
		11/11	Chinese National Association of Industry and Commerce, Taiwan	Corporate Governance and Board Operation Practice	3
Supervisor	Andrew Deng	11/11	Taiwan Corporate Governance Association	The Crime and Punishment of Insider Trade: A Judicial Case Study	3
		10/13	Taiwan Corporate Governance Association	How Can Accountants Help Enterprises to Establish the RMB Pool and Taxation Planning for Cross-border Trade (Taipei)	4
		09/24	Taiwan Corporate Governance Association	Comparison of IFRS 2013 and IFRS 2010	3
		09/23	National Federation of Certified Public Accountant. Associations of the Republic of China	"More Tax for the Rich" Share Transfer, Tax Migration of Dividends and Salaries, and Business Opportunities for Insurance Products (Taipei)	3
		08/26	National Federation of Certified Public Accountant. Associations of the Republic of China	Income Tax Levies and Payments under IFRS (Taipei)	3

8.4.3 Employee Self-Management

Creative Development Activities(CDA, like Quality Control Circle) and Suggest System(SS)

To encourage base-level employees to voluntarily find and solve problems out of team spirit and simulate employees to make defined recommendations for corporate policy improvement, we actively promote the activities such as CDA and SS.

Items	Contents	Benefits
CDA	584 activity circles and 5,533 participants (87.0% of base-level employees) on 503 topics	Over NTD47 million
SS	Received 24,117 recommendations and accepted 23,915 recommendations (acceptance rate 99.2%)	Over NTD90 million

8.4.4 Patent System

To promote patent applications for overall deployment and competitiveness enhancement, we have especially established the Patent Promotion Committee. To reward units with outstanding performance in patent promotion, we have founded the Outstanding Patent Promotion Awards on an annual basis to recognize these units at the Research Outcome Award Ceremony.

We have recently completed our patent system for all employees. Under this system, intellectual property (IP) education and training are arranged for cultivating IP seed talents of each unit. In 2014, the patent promotion team customized teaching materials for each unit. The incentive system and training/education programs have sped up patent applications and increased patents granted to effectively maintain CSC's IP rights. In 2014 we made 236 patent applications, ranking 8 among top 100 enterprises in Taiwan; and were granted 247 patents, ranking 10. Both are number 1 among domestic conventional industries. CSC was also awarded National Invention and Creation Prize of Ministry of Economic Affairs in 2014. With patent for "Development of High Sputtering Rate Aluminum Target for Liquid Crystal Display", I. T. Hong and 3 others won the silver medal for invention prize with cash reward of NTD200,000 from the National Invention and Creation Award; and with patent for "Spreader", C. Z. Liao and 3 others won the silver medal for innovation award withcash reward of NTD100,000. The quality and quantity of patents are deeply appreciated outside the corporate.

8.5 Legal Compliance

Referring to the OHSAS 18001 and ISO 14001 management systems, enterprises are requested to comply with relevant legal requirements and identify relevant laws and regulations. At CSC, we distribute relevant ESH legal requirements to relevant units for identification over the intranet, so as to find the legal requirements we should comply with and take relevant precautionary measures. Except for accidents and violation notices due to employee negligence, no other violation was reported in 2014. During the 37 in-plant inspections conducted by the Kaohsiung Labor Standards Inspection Office (KLSIO), we were punished with administrative fine twice for operation negligence.

	2010	2011	2012	2013	2014
Reported unit	KLSIO	KLSIO	N/A	KLSIO	KLSIO
Punishment/Amount	2 cases/ NTD180,000	1 cases/ NTD60,000	None	1 cases/ NTD60,000	2 cases/ NTD120,000

9

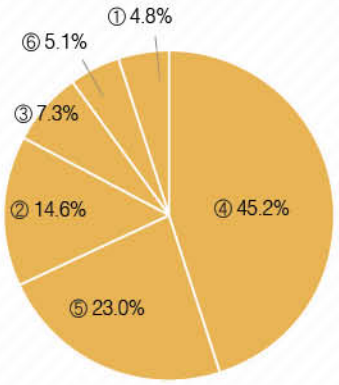
Society

9.Society

9.1 CSC Group Education Foundation

CSC Group Education Foundation aims to promote steel education and talent cultivation, ecology conservation, humanistic education, and sustainable development. The foundation develops educational activities to realize the idea of holistic social education. (CSC Group Education Foundation website: http://www.csc.com.tw/csc/gef)

Budget Item in 2014	Fund (NTD)	Proportion
① Administrative expenses	680,000	4.8%
② Steel education	2,077,843	14.6%
③ Research grants	1,028,927	7.3%
④ Sustainable environment development promotion	6,413,031	45.2%
⑤ Cultural and arts education	3,266,784	23.0%
⑥ Other philanthropic and educational affairs	725,000	5.1%
Total	14,191,585	100.0%



Regular Work Items

Targeted Audience	Activity	Achievements in 2014
Elementary Schools	Ecology Education Camp	Co-organized the 8th ecology education camp with the Kaohsiung Metropolitan Park. Outdoor ecology observation and plant search were arranged for students. 8 sessions; over 240 elementary schoolchildren participants (accumulative participants over 1,500)
	Environmental Education Tour Bus	In collaboration with the National Science and Technology Museum, CSC offers operating fund and provides tour buses to carry teaching aids developed by the NSTM for environmental and popular science education, including interactive experiments. --The tour covered five elementary schools such as Minsheng and Jintan, and four elementary schools near Chonglong, such as Lungcyuanand Longgang. --Teaching aids experiencing activities included the Earth Day activities organized by the Society of Wilderness, CSC Anniversary Fair, and Dragon Steel Anniversary Fair. 2 buses; over 80 environmental education volunteer workers; 60 school tours; over 7,000 elementary schoolchildren participants

Regular Work Items

Targeted Audience	Activity	Achievements in 2014	
Junior High Schools	The Wanderer's Story Talk	Co-organized with the Cloud Gate Foundation and invited two Cloud Gate Wanderer speakers to junior high schools to encourage students to learn and experience outside the classroom.	2 sessions; over 500 participants.
Senior High (Vocational) Schools	E-week Popular Science Education Activity	Co-organized the Kaohsiung Session with IBM. CSC employees interacted with and encouraged high school students to step out of the box and demonstrate team creativity. 	3 sessions with over 800 participants.
	Humanistic and Social Talks	Co-organized with the United Daily News and invited speakers to senior high schools in Kaohsiung City. We invited President Emile Chih-jen Sheng of L'Hotel de Chine Group, travel expert Shi-ying Chu, film director Zi-xiang Ma, and English learning expert Dr. Chao-ming Chen to give speeches at Sinsing, Renwu, Gangshan, and Fucheng senior high schools.	4 sessions with over 1,500 participants
Colleges and Universities	CSC Camp	Organized the 7th CCS Camp and arranged for visits to TYG and CSBC, downstream industries, to attract students to the metal industry. 	60 out of 250 applicants were accepted.
	Steelmaking Process Introductory Course	Continued to offer at National Cheng Kung University in the first semester of academic year 2014 and began to offer at National Tsing Hua University (an inter-school selection available for National Chiao Tung University students).	150 enrollments
	Industrial Talent Training Project	Continued to sponsor 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 Heat Treatment." Instructors included CSC New Materials and Iron and Steel R&D Departments specialists, downstream industries representatives, and C&ME professors.	60 enrollments
	Steelmaking Talent Scholarship	Scholarship recipients were selected in November and awarding ceremonies are scheduled, in which CSC management representatives will present to recipients at NTU, NCKU, and NSYSU. 	15 recipients

Regular Work Items

Targeted Audience	Activity	Achievements in 2014	
General Public	Steelmaking and Environmental Technology Seminars	Seminars on offshore marine steel structures, non-oriented electrical steel, manual tool innovation, hot stamping and auto parts weight reduction, fastener development, laser welding, construction steel structure, steel industry operational management, metallographic practices and analysis, and steel technology 2014.	1,000 participants
	CSC Citizen Talks	Invited experts from different fields to give talks. 	12 sessions; over 3,000 participants
	Spirit Growth Talks	Co-organized with Teacher Chang Foundation to host talks on spiritual growth and parenting.	4 sessions; over 1,000 participants

Other 2014 Events

- World Island Youth Travelers: 34 employees of the CSC Group were recommended as World Island Youth Travelers, and 4 were selected to participate in the "On-Mission Travel" green life program in 2014.
- Science Magic Camp: Co-organized with the Creativity Center of Kaohsiung Education Bureau and Environmental Education Tour Bus teaching aids designer Ci-Ping Chao. About 50 elementary school teachers joined the teacher session and 100 elementary students participated in two student sessions.
- Sponsored KRTC for cultural and arts activities to encourage citizens to take the KRTC.
- Sponsored underprivileged children to visit the "Snoopy 65th Anniversary Tour Exhibition".
- Sponsored Namasia Elementary School to pass on Cou and Bunon cultural legacy.
- Sponsored two "The Boar King" movie viewing and 500 tickets for CSC employees and family, and provided information of the filming location.
- Co-organized with cellist Chen-Chieh Chang "The 12 Cellists of the Berlin Philharmonic Concert" with over 4,000 audience.
- Sponsored the thanksgiving tour of Taivoan Dance Group: Employees collected all 300 tickets for the last performance at the Kaohsiung Municipal Social Education Center (Social Education Hall).
- Sponsored the 2014 Wordwave Festival by Huashan 1914 Creative Park and received 600 tickets of 15 sessions for employees.
- Sponsored the AIESEC International Congress, selected 74 young employees from the CSC Group to participate in the pre-congress summit, and promoted CSC with English company profiles on Enterprise Day.
- Sponsored the "Creativity Sports Day" by the Creativity Center of Kaohsiung Education Bureau. About 3,500 elementary and junior high school students and teachers participated in the creativity activities in mathematics, language, and natural science.

9.2 Corporate Citizen

9.2.1 Principles

- Proactivity and responsibility: Fulfills corporate responsibility for the safety, health, wages, benefits, human rights, and training of employees and contractors.

- Local first: Emphasizes on local environments and safety, pays business income tax and environmental protection fees to the Kaohsiung City Government, and promotes regional development in various aspects.
- Diversity: Tends to the rights and benefits of shareholders, employees, contractors, local communities, and contribute to public policies and international affairs.
- Accountability: Assumes social responsibility through departments, CSC Union, employee clubs, and CSC Group Education Foundation.

9.2.2 Diverse Social Involvement

CSC broadly engages in the society through diverse channels. Regular social involvements include:

Category	Responsible CSC Department	Work
Energy and environmental policies	Office of Energy and Environmental Affairs	Advice on the amendment to energy and environmental regulations.
		Advice on low-carbon economy, carbon credit policy, and industrial development of southern Taiwan.
		Advice on carbon emission responsibility for maintaining fair competitions with worldwide competitors.
National and local public affairs	Public Affairs Department	Negotiation for decent work environment policies
		Share of knowledge
Labor policy	CSC Union	Prevention of occupational accidents and epidemic diseases
		Domestic and international exchanges
National and local public affairs	Public Affairs Department	Good-neighbor acts, social care, and emergency relief
		Engagement with congresspersons, government agencies, media, and opinion leaders
Social education and culture	CSC Education Foundation	Educational activities regarding steelmaking and steel application
		Cultural, arts, technology, and science educational activities sponsorship
Labor policy	CSC Labor Union	National labor rights, benefits, and welfare policies
		Exchanges, collaboration, and interactions with other union groups
Social concerns and art and cultural activities	CSC, CSC Education Foundation, CSC Labor Union, and employee clubs	Emergency relieve and post-disaster reconstruction.
		Care for underprivileged groups
		Environment protection
		Improvement of humanities and art literacy in Kaohsiung

9.2.3 Volunteer Groups

CSC employees actively volunteer for external organizations The CSR Caring Club is registered at the Kaohsiung City Social Welfare Bureau as a legal group under the name of "Kaohsiung City Charity Association" and has participated in various community activities, services, and reliefs.

9.2.4 Feedback to Society and Good-Neighbor Acts

For environmental protection, CSC pays business income tax and air pollution fee to the Kaohsiung City Government. CSC also implements various good-neighbor policies to build a better living environment and to maintain a good relationship with local communities. In 2014, CSC donated Automated External Defibrillator (AED) to KRTC in an effort to build a safer environment for KRTC passengers.

AED Donating Ceremony

Local Culture and Education

- Sponsors communities and social clubs in Hsiaokang District for various activities.
- Sponsors schools in Hsiaokang District for equipment renewal and assists to improve the study efficiency of students with plantation and landscaping to mitigate global warming.

- Offers scholarships for academic achievements and to underprivileged schoolchildren in Hsiaokang District.
- Assists the district office in distributing aids to low-income families in Hsiaokang District on major festivals and for emergency relief.
- Offers extra points for candidates from Hsiaokang District in the CSC employee recruitment.
- Plans the "Steel Journey" fieldtrip for elementary schools in Hsiaokang District to improve the environmental and science literacy of students. A total of 13 elementary schools and Hsiaokang1,600 6-graders participated in 2014.
- CSC Kindergarten: Established by the CSC Welfare Committee, the kindergarten accepts children of CSC employees and citizens living in Hsiaokang District.
- Organizes activities for underprivileged groups to foster public care.
- Organizes summer camps for elementary schoolchildren with priority acceptance for underprivileged students to promote the harmony of local community.
- Hosts movie viewings every Saturday for the local community, opens sports facilities for locals, and invites the locals to join the CSC anniversary fair.
- Assists in local cultural and arts activities. In 2014, CSC assisted the Kaohsiung City Cultural Affairs Bureau in organizing the 228 Lawn Concert during the Kaohsiung Spring Art Festival.
- Cooperative education: Aiming for the local employment of native Kaohsiung students as well as saving recruit cost and shortening the gap for hiring, CSC signed a cooperation education contract with Kaohsiung Municipal Chung-Cheng Industrial High School under the witness of Kaohsiung City mayor, Chen Chu. A class of 40 electrical engineering majors is expected to develop professional techniques in school and to intern for one year in CSC with monthly allowance higher than the basic wage. An acceptance rate of 70% as official employees is guaranteed.

Emergency Assistance and Post-disaster Reconstruction

In response to the 2014 Kaohsiung Gas Explosions on 1 August, CSC donated NTD 15 million for emergency relief. In addition, CSC actively participates in post-Morakot reconstruction and assists residents in affected areas to support themselves.

Reconstruction Sites	Fair stalls	CSC has invited the Morakot Post-Disaster Reconstruction Council to match reconstruction areas in various counties to set stalls at the CSC Anniversary Fair for three consecutive years.
Shanlin Organic Farm	Employees and family activities	Four activities were held in 2014 with 1,658 participants.
	One-day Farmer Activity	Contract growing of organic rice and radish.
	Group buying of produce	The employee tuck shop has organized group buying of organic produce from Shanlin Organic Farm every 1-2 months for two consecutive years.

On 2 August, CSC co-hosted the unveiling ceremony of steel owls for post-Morakot Da-Ai Park of Shanlin District, Kaohsiung City, with Reconstruction Council, Executive Yuan. The pair of steel owls was an embodiment of the CSC Group technology as well as totems of the local indigenous. With the owls, CSC hopes to create a landmark for Provincial Highway 21 and promote Da-Ai tourism.

Donating Ceremony for Steel Owl

9.2.5 Service for Retired Employees

The "CSC Retirees Services Department" was established on 25 January 2011 to provide retirees services regarding health, finances, leisure, and friendship. In addition, the "CSC Retirees LOHAS Society" was established on 27 February 2014 by CSC Group retirees for healthy lifestyles and social welfare activities.

Target	Item	Content	Achievements in 2014
Employees near Retirement	Retirees LOHAS Seminar	Assistance for life management after retirement	4 sessions
	Farewell Party		2 sessions
	Retiree Talent Pool	Utilization of specific expertise of retirees for CSC and subsidiaries	68 retired employees were included in the pool after evaluation.
Retired Employees	Hotline	Enquiry and care by phone	203 calls
	Health	Discounted health examination	32 retired employees participated.
	Finances	CSC Stock ownership Trust Committee for Retired Employees	36 retired employees participated.
	Leisure and Friendship	Basic training for volunteer workers	45 retired employees and family member participated. Assistance in the CSC group Foundation "Environmental Education Tour" activity.
		Professional training for environmental volunteer workers	
		Monthly retiree birthday parties	
		Invitations to CSC activities	

9.2.6 Social Responsibility Expenditures

Item	Content	Amount in 2014
Donations for institutes and associations	Sponsorship for seminars and conferences	NTD 3.825 million.
Donations for philanthropy	For good-neighbor acts, local philanthropic activities, emergency relief, and post-disaster reconstruction.	NTD 44.78 million (including NTD 15 million for the Kaohsiung Gas Explosions).
Donations to CSC Education Foundation	For cultural and arts education, steel education, and steel talent cultivation	NTD 8.48 million

CSC joins domestic and international associations and participates in their activities. To build diverse communication channels between CSC and others and to elevate the company competivity, CSC sponsors seminars, forums, and conferences held by those organizations. In 2014, the CSC donation for seminars and conference is about NTD 3.825 million. Of the CSC sponsored institutes and associations, those related to environmental protection, sustainable energy, and safety and health were as follows:

Sponsored Institute and Association	Sponsored Event
The Society of Wilderness	Earth Hour "one-hour light out" on Earth Day
Kaohsiung Medical University	2015 International Conference on Industrial Hygiene and Occupational Medicine
The Taiwan Society of Ocean Engineering	The 36th Conference on Ocean Engineering and 2014 International Disaster Prevention Workshop
Chinese Environmental Analytical Society	2014 Environmental Analytical Chemistry Conference
Taiwan Nuclear Grade Industry Association	Energy Forum
Taiwan Wind Energy Association	2014 Taiwan Wind Energy Association Annual Conference and NEP-II Offshore Wind Power and Ocean Power Presentation
Business Council for Sustainable Development of Taiwan	GRI G4 Traditional Chinese Version Taiwan Release
SAE International Taipei Section	The 22nd National Colleges and Universities Environment-friendly and Energy-efficient Car Competition

Sponsored Institute and Association	Sponsored Event
Taiwan Energy Association	2014 Hydrogen Energy & Fuel Cell National Conference
Department of Materials Science and Engineering, National Cheng Kung University	2014 International Symposium on Materials Application and Nano Device Technology
Taiwan Youth Climate Coalition	United Nations Climate Change Conference (COP20)
National Taiwan University Hospital	International Symposium of Environmental Medicine
Taiwan Association of Environmental and Resource Economist	seminars

9.2.7 Advice for Public Policies

CSC gathers and collates the experiences of advanced countries and hosts open forums with the industry, the government, and the academia. Through representative institutes and associations, CSC contributes advice on regulations and policies.

GHG Reduction and Management Act	• GHG Reduction Act cannot pass through legislation for a long time, the main reasons being poor communication and too many details. After the suggestion of CSC, Chinese National Federation of Industry commissioned a research to academic institute since the end of 2014. This research will communicate among the representatives of stakeholders and hope to obtain better consensus, taking into account the generation justice.
	• Continue collecting carbon reduction law (or the like) in Japan, Korea and the UK, followed by discussions of the various versions proposed by legislators. The aim is to provide stakeholders with better views for communication such that this act can be completed as soon as possible.
	• The mainstream view is to divide the current Act into climate change framework law and special laws and to cover a larger scope (including mitigation, adaptation and green economy). The principles, responsibilities, and other major issues can be put into framework law. Details can be better regulated in special laws.
	• For better communication and integration, CSC participated in the working group on energy and climate change of BCSD-Taiwan (Business Council for Sustainable Development of Taiwan). The present goal of BCSD-Taiwan is to deliver suggestions through its white paper, complementing Chinese National Federation of Industry.
Environmental Impact Assessment Act	• Advocated in EPA hearings for the simplification of the EIA process for changes made to mitigate environmental impact. The current Act requires a lengthy EIA process for any changes made that are different from the previously approved EIA report.
	• Advocated for reasonability through CNFI and IDB and re-confirmed doubts in the Act at the TSIIA meeting on 10 April.
Water Pollution Control Act	• Advised on differential, reasonable penalties in response to the extremely harsh penalties for “bypass discharge” in the amendment.
Air Pollution Control Act	• The emissions reduction responsibility of sectors and industries should be clarified by EPA for it to base on appropriate reduction measures and regulations.
	• The Act should not be applied for GHG, for it does not consider the cost efficiency, economic efficiency, and lowest cost of air pollutant control, which is against the GHG control spirits of the UNFCCC.
	• With the air pollution fee and the energy tax of the Ministry of Finance overlapping, it is necessary for relevant government departments to discuss the collection method before tax implementation.
GHG Fee	• Urged the Legislative Yuan to discuss the draft by CNFI through CNFI, assisted BCSD-Taiwan in completing its energy and climate white paper, and urged EPA to drop the GHG air pollution fee through the CNFI in collaboration with Industrial Development Bureau.
Kaohsiung City Environmental Maintenance and Management Self-Government Ordinance	• No environmental control ordinance unfavorable of industrial development was passed by Kaohsiung City in 2014. The Environmental Maintenance and Management Selfe\-Government Ordinance has not been reviewed after first reading.
	• Scheduled for discussion of the CSC Group for impact of and response to Kaohsiung Environmental Bureau self-government ordinances in development. The ordinances govern small-scale air pollution sources that are not listed in the total capacity control of EPA, and a public hearing was held on 2 February.

Carbon Credit Operation	• Participated in the carbon credit operation management expert consultation committee, seminars of the Kaohsiung Environmental Protection Bureau, Kaohsiung City energy conservation and emission reduction guidance team, and carbon offset approval planning to provide advice for policy.
Industrial Safety Regulations	• Advised at the "Seminar between Business Leaders and Government Officials" on 28 October for the government to amend unreasonable regulations for waste heat recycling.

9.3 LOHAS Homeland

9.3.1 Environmental Impact Mitigation

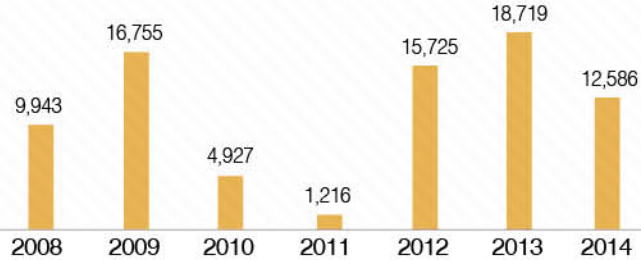
- Ecology conservation: CSC complies with EIA commitments in the industry park. In addition, CSC participates in River Watch of the Kaohsiung Environmental Protection Bureau to patrol the Yangang River three times a week. In November 2014, CSC was awarded with the "2014 Outstanding River Watch" by the Kaohsiung Environmental Protection Bureau.
- Photo Energy conservation and emissions reduction: For continual improvement and to meet with international standards, CSC reduces environmental impacts through target management and EMS operations. Outstanding performances have been made in air pollutant reduction, waste to resource, river protection, and dioxin prevention and control.
- Public transport sponsorship: To encourage employees to commute by the KRT, CSC launched Business Happiness Card in collaboration with KRT, for which CSC sponsors part of the fare, and provides free shuttle bus service to and from KRT R3 Hsiaokang Station. In 2014, 10,009 Business Happiness Cards were used and free shuttle bus services Hsiaokangwere provided to 71,538 persons.

9.3.2 Eco-city Development

Eco-city is a global trend and one of the administrative foci of the central and local governments in Taiwan. The CSC eco-city development efforts include:

- Donation of 8,500 shuttle bikes for Kaohsiung citizens to take the KMRT, so as to reduce emissions from commutation.
- Participation in reuse of waste energy and application of waste energy to processes to conserve energy, reduce emissions, and reduce pollutants.
- Expansion of the treatment, recycle, and reuse of industrial wastewater and domestic sewage.
- Promotion and implementation of smart grid in the industrial park.
- Expansion of the scope of CSC group green procurement and employee green consumption to promote green product development in Kaohsiung.
- Implementation of low-carbon life calculators for employees to record carbon footprint in daily lives and to promote emission reduction.

The amount of green procurement
unit : NTD10,000



9.3.3 Afforestation and Greenery

- CSC enriches the ecosystem with trees, shrubs, and vegetation for multilayer greening, and building roofs and walls are included for total greenery and beautification. Green area on the CSC plant site totals at 44.4 hectares, with a greening rate at 8.42%. These plants can reduce up to 5,003 tons of CO2-e every year.
- CSC sponsors the greening and beautification of Chongshan 4th Road, Kaohsiung City.

Operation Greenery

Item	2012	2013	2014
Item	441,742	439,652	443,871
Greening area (m^2)	8.38%	8.34%	8.42%
Greening rate	16,783	16,704	16,831
Trees	1,476,435	1,510,052	1,596,710
Shrubs	2,833	2,897	3,062
Trees and shrubs per hectare	173,724	174,161	175,270
Lawn (m^2)	258,973	253,188	248,513
Vegetation (m^2)	75	78	80
Resident and migratory birds (species)	4,711	4,786	5,003
CO_2-e reduction (tons/year)*	4,711	4,786	5,003

*Calculated based on "CO2 Reduction Efficiency of CSC Greening Report" by Pingtung University of Science and Technology, 2008.

9.3.4 Biodiversity Conservation

CSC is not located in or near ecological reserves, yet CSC has built an environment for biodiversity. The CSC Birdwatching Club has observed two mammal species, 5 reptile species, 32 insect species, and 80 bird species living on the CSC plant site. The efforts on biodiversity help to improve the ecosystem in Hsiaokang District.

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Appendix

Appendix 1 Global Reporting Initiative (GRI) G4 Indicator Comparison List

V: Disclosured and assuranced by BSI

Indicator	Description	Status	Chapter	Section	Page	Remark
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.	V	1.1	Message from Top Management		
G4-2	Provide a description of key impacts, risks, and opportunities.	V	3.1	Sustainable Governance		
		V	3.2	CSR Management		
G4-3	Report the name of the organization.	V	1.4	About CSC		
G4-4	Report the primary brands, products, and services	V	1.4	About CSC		
		V	5.1	Products and Applications		
G4-5	Report the location of the organization's headquarters	V	1.4	About CSC		
G4-6	Report the number and the name of countries where the organization operates.	V	1.4	About CSC		
G4-7	Report the nature of ownership and legal form	V	1.4	About CSC		
G4-8	Report the markets served	V	1.4	About CSC		
G4-9	Scale of the reporting organization	V	1.4	About CSC		
G4-10	The total number of employees	V	8.1	Recruitment and retention		
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	V	8.2	Employee Rights and Benefits		
G4-12	Describe the organization's supply chain.	V	6.3	Application of Energy and Resources		
		V	7.6	Supply Chain Management		
G4-13	Report any significant changes regarding the organization's size, structure, ownership, or its supply chain	V	-	--		none
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	V	3.1	Sustainable Governance		
		V	3.2	CSR Management		
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	V	3.1	Sustainable Governance		
		V	3.2	CSR Management		
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	V	7.5	External Exchange and Cooperation		
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents.	V	2.2	Range of Data		
	b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	V	3.2	CSR Management		
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries	V	2.2	Range of Data		
	b. Explain how the organization has followed the "Reporting Principles for Defining Report Content."	V	3.2	CSR Management		
G4-19	List all the material Aspects identified in the process for defining report content.	V	3.2	CSR Management		
G4-20	For each material Aspect, report the Aspect Boundary within the organization	V	3.2	CSR Management		
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	V	3.2	CSR Management		
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	V	-	-		none
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	V	3.2	CSR Management		
G4-24	Provide a list of stakeholder groups engaged by the organization.	V	3.2	CSR Management		
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	V	3.2	CSR Management		
G4-26	Report the organization's approach to stakeholder engagement	V	3.2	CSR Management		

V: Disclosured and assuranced by BSI

Indicator	Description	Status	Chapter	Section	Page	Remark
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	V	3.2	CSR Management		
G4-28	Reporting period for information provided	V	2.2	Range of Data		
G4-29	Date of most recent previous report	V	2.4	The previous CSR		
G4-30	Reporting cycle	V	2.4	The previous CSR		
G4-31	Provide the contact point for questions regarding the report or its contents.	V	2.5	Contact CSC		
G4-32	a. Report the chosen 'in accordance' option	V	2.3	CSR Assurance, Appendix		
	b. Report the GRI Content Index for the chosen option					
	c. Report the reference to the external assurance / assured report					
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance / assured report for the report.	V	2.1 2.3	Principles, CSR Assurance		
	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.					
G4-34	Report the governance structure of the organization, including committees of the highest governance body.	V	3.1	Sustainable Governance		
G4-56	In every country that the organization has significant operation, the ratio of the highest personal annual income in the organization to the total annual income other employees in the country.	V	3.1	Sustainable Governance		

The disclosure of DMA Management Directives

Type-Subtype	Aspects	Chapter	Section	Page	Status
Economic	Economic Performance	4.1 6.4	Operation and Finance, Climate Change and Carbon Disclosure Project		V
	Indirect Economic Impacts	4.2 5.2 7.2	Upgrading and Innovation of the industry, Quality Control, Upgrading Steel-using Industries		V
Environmental	Raw Materials	6.1 6.3	Visions and Principles, Application of Energy and Resources		V
	Energy	6.1 6.2	Visions and Principles, Framework of Environmental Management Organization		V
	Water	6.5	Green Process		V
	Emission	6.2 6.4 6.5	Framework of Environmental Management Organization, Climate Change and Carbon Disclosure Project, Green Process		V
	Waste Water and Wastes	6.5	Green Process		V
	Products and Services	5.1 5.2 5.3 5.4	Products and Applications, Quality Control, Green Products, Optimization of Customer Service		V
	Grievance Mechanisms of Environmental Problems	6.5	Green Process		V
Social: Labor Practices and Decent Work	The relationship between employers and employees	8.2	Employee Rights and Benefits		V
	Industrial Relationship	8.2	Employee Rights and Benefits		V
	Professional Health and Safety	7.6 8.3	Supply Chain Management, Occupational Safety and Health		V
	Training and Education	8.4	Vocational development and Career Planning		V
Social: Society	Anti-competitive Behavior	7.1	Fair Trade		V
Social: Product Responsibility	Health and Safety of Customers	5.2 5.3	Quality Control, Green Products		V

V: Disclosured and assuranced by BSI

Indicator	Description	Status	Chapter	Section	Page	Remark
Economic						
G4-EC1	Direct economic value generated and distributed from the organization.	V	4.1	Operation and Finance		
G4-EC2	Financial implications and other risks and opportunities on the organization's activities due to climate change.	V	6.4	Climate Change and Carbon Disclosure Project		
G4-EC3	Coverage of the organization's defined benefit plan obligations.	V	8.2	Employee Rights and Benefits		
G4-EC4	Financial assistance received from government.	V	4.1	Capital Sources and Government Subsidies		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	V	8.2	Employee Rights and Benefits		
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	V	8.1	Workforce Structure		
G4-EC7	Development and impact of infrastructure investments and supporting services.	V	9.2	Corporate Citizen		
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	V	3.1	Sustainable Governance		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	V	7.6	Supply Chain Management		
Environment						
G4-EN1	The weight or volume of Materials used	V	6.3	Application of Energy and Resources		
G4-EN2	Percentage of materials using recycled raw materials.	V	6.6	By-products Recycling		
G4-EN3	Energy consumption within the organization.	V	6.3	Application of Energy and Resources		
G4-EN4	Energy consumption outside of the organization.	V	6.3	Application of Energy and Resources		
G4-EN5	Energy intensity	V	6.3	Application of Energy and Resources		
G4-EN6	Reduction of energy consumption	V	6.5	Green Process		
G4-EN7	Reductions in energy demands of products and services	V	6.5	Green Process		
G4-EN8	Total water withdrawn classified according to sources.	V	6.5	Green Process		
G4-EN9	Water sources significantly affected by withdrawal of water.	V	6.5	Green Process		
G4-EN10	Percentage and total volume of water recycled and reused.	V	6.5	Green Process		
G4-EN11	Operation sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	V	9.3	LOHAS Homeland		
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.	V	9.3	LOHAS Homeland		
G4-EN13	Protected or restored habitats.	V	9.3	LOHAS Homeland		
G4-EN14	Explain the total number of species listed on IUCN Red List and national conservation list in the habitats affected by operations according to the level of extinction risk.	V	-		-	none
G4-EN15	Direct greenhouse gas (GHG) emission	V	6.5	Green Process	64	
G4-EN16	Indirect greenhouse gas (GHG) emission of energy	V	6.5	Green Process	64	
G4-EN17	Other indirect greenhouse gas emissions	V	6.5	Green Process	64	
G4-EN18	The intensity of Greenhouse gas emissions	V	6.5	Green Process	64	
G4-EN19	Reduction of greenhouse gas (GHG) emissions	V	6.5	Green Process	64	
G4-EN20	Emissions of ozone-depleting substances (ODS).	V	6.5	Green Process	64	
G4-EN21	NOx, SOx, and other significant air emissions.	V	6.5	Green Process	64	
G4-EN22	Total water discharge classified according to quality and destination.	V	6.5	Green Process	64	
G4-EN23	Total weight of waste classified according to type and disposal method.	V	6.5	Green Process	64	
G4-EN24	Total number and volume of significant spills.	V	6.5	Green Process	64	

V: Disclosured and assuranced by BSI

Indicator	Description	Status	Chapter	Section	Page	Remark
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	-	--	-	none
G4-EN26	Features, area, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	V	6.5	Green Process	64	
G4-EN27	Reduce the level of the impacts of products and service on the environment.	V	6.5	Green Process	64	
G4-EN28	Explain the percentage of products sold and their packaging materials recycled according to the category.	V	6.6	Byproduct Recycling	70	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	V	6.8	Legal Compliance	72	
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	V	6.5	Green Process	64	
G4-EN31	Explain the total environmental protection expenditures and investments according to type.	V	6.7	Environmental Accounting	71	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	V	3.1 7.6	Sustainable Governance, Supply Chain Management	19 81	
G4-EN33	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	V	3.1 7.6	Sustainable Governance, Supply Chain Management	19 81	
G4-EN34	Number of grievances about environmental impacts filed, addressed, and solved through formal grievance mechanisms.	V	6.5 6.8	Green Process, Legal Compliance	64 72	
Social: Labor Practices and Decent Work						
G4-LA1	Total number and rates of new employee hired and employee resigning by age group, gender, and region.	V	8.1	Recruitment and retention	87	
G4-LA2	Benefits provided to only full-time employees, classified by significant locations of operation.	V	8.2	Employee Rights and Benefits	90	
G4-LA3	The rate of returning to work and retention after parental leave, by gender.	V	8.1	Recruitment and retention	87	
G4-LA4	Minimum notice periods regarding operational changes, including whether there are specified in collective agreements.	V	8.1	Recruitment and retention	87	
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.	V	8.3	Occupational Safety and Health	92	
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.	V	8.3	Occupational Safety and Health	92	
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	V	8.3	Occupational Safety and Health	92	
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	V	8.2	Employee Rights and Benefits	90	
G4-LA9	Average hours of training per year per employee by gender and by employee category.	V	8.4	Vocational development and Career Planning	100	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	V	8.4	Vocational development and Career Planning	100	
G4-LA11	Percentage of employees receiving regular performance and career development reviews by gender and by employee category	V	8.2	Employee Rights and Benefits	90	
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.	V	8.1	Recruitment and retention	87	

V: Disclosured and assuranced by BSI

Indicator	Description	Status	Chapter	Section	Page	Remark
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	V	8.2	Employee Rights and Benefits	90	
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	V	7.6	Supply Chain Management	81	
G4-LA15	Significant actual and potential negative impacts on labor practices in the supply chain and actions taken.	V	3.1 7.6	Sustainable Governance, Supply Chain Management	19 81	
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance	V	8.2	Employee Rights and Benefits	90	
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.	V	3.1	Sustainable Governance	19	0
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.	V	8.4	Vocational development and Career Planning	100	
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	V	8.1	Recruitment and retention	87	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.	V	3.1 7.6	Sustainable Governance, Supply Chain Management	19 81	
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.	V	3.1 7.6	Sustainable Governance, Supply Chain Management	19 81	
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.	V	3.1 7.6	Sustainable Governance, Supply Chain Management	19 81	
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	V	-	-	-	Negotiate with Security company
G4-HR8	Total number of incidents of violations involving rights of aborigines and actions taken.	V	-	-	-	0
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	V	3.1 7.6	Sustainable Governance, Supply Chain Management	19 81	0
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	V	3.1 7.6	Sustainable Governance, Supply Chain Management	19 81	0
G4-HR11	Significant actual and potential negative impacts on human rights in the supply chain and actions taken.	V	3.1 7.6	Sustainable Governance, Supply Chain Management	19 81	none
G4-HR12	Number of grievances about human rights filed, addressed, and resolved through formal grievance	V	8.5	Legal Compliance	103	0
Social: Society						
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	V	9.2	Corporate Citizen	108	
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	V	9.3	LOHAS Homeland	112	
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	V	3.1	Sustainable Governance	19	
G4-SO4	Communication and training on anti-corruption policies and procedures	V	3.1	Sustainable Governance	19	
G4-SO5	Confirmed incidents of corruption and actions taken	V	-	--	-	0
G4-SO6	Total value of political contributions by country and recipient/beneficiary.	V	3.1	Sustainable Governance	19	

V: Disclosured and assuranced by BSI

Indicator	Description	Status	Chapter	Section	Page	Remark
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	V	7.1	Fair Trade	75	0
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	V	8.5	Legal Compliance	72	
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	V	3.1 7.6	Sustainable Governance, Supply Chain Management	19 81	0
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken.	V	3.1 7.6	Sustainable Governance, Supply Chain Management	19 81	0
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	V	3.1	Sustainable Governance	19	0

Social: Product Responsibility

G4-PR1	Percentage of significant product and service categories of which the impacts are assessed for improving health and safety.	V	5.3	Green Products	54	100%
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.	V	5.4	Optimization of Customer Service	55	
G4-PR6	Sale of banned or disputed products.	V	-	-	-	none
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	5.4	Optimization of Customer Service	55	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

Indicator	Description	Status	Chapter	Section	Page	Remark
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 sludge and their associated risks.	V	-	-	-	This indicator is applicable to mining industry
MM4	Number of strikes and lock-outs exceeding one week' s duration, by country.	V	-	-	-	Zero times

MINING AND METALS SECTOR SUPPLEMENT

Indicator	Description	Status	Chapter	Section	Page	Remark
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	-	-	-	Not located in or close to the aboriginal areas
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	-	-	-	Not located in or close to the aboriginal areas, and no problems of land usage and rights invasion.
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.	V	6.3	Application of Energy and Resources		

Appendix 2 ISO 26000 Comparison table

Core subjects and issues		Chapter	Section	Page	Remark
Organizational governance	Decision-making processes and structures	3.1	Sustainable Governance		
Human Rights	Due diligence	8.2	Employee Rights and Benefits		
	Human rights risk situations	8.2	Employee Rights and Benefits		
	Avoidance of complicity	8.2	Employee Rights and Benefits		
	Resolving grievances	8.2	Employee Rights and Benefits		
	Discrimination and vulnerable groups	8.2	Employee Rights and Benefits		
	Civil and political rights	8.2	Employee Rights and Benefits		
	Economic, social and cultural rights	8.2	Employee Rights and Benefits		
	Fundamental principles and rights at work	8.2	Employee Rights and Benefits		
Labor Practices	Employment and employment relationships	8.2	Employee Rights and Benefits		
	Conditions of work and social protection	8.2	Employee Rights and Benefits		
	Social dialogue	8.2	Employee Rights and Benefits		
	Health and safety at work	8.3	Occupational Safety and Health		
	Human development and training in the workplace	8.4	Vocational development and Career Planning		
The environment	Prevention of pollution	6.5	Green Process		
	Sustainable resource use	6.5 6.6	Green Process, By-products Recycling		
	Climate change mitigation and adaptation	6.4	Climate Change and Opportunities		
	Protection of the environment, biodiversity and restoration of natural habitats	9.3	LOHAS Homeland		

Core subjects and issues		Chapter	Section	Page	Remark
Fair operating practices	Anti-corruption	3.1	Sustainable Governance		
	Responsible political involvement	9.2	Corporate Citizen		
	Fair competition	7.1	Fair Trade		
	Promoting social responsibility in the value chain	7.6	Social Involvement		
	Respect for property rights	8.4	Vocational development and Career Planning		
Consumer issues	Fair marketing, factual and unbiased information and fair contractual practices	3.7 7.1	Sustainable Governance, Fair Trade		
	Protecting consumers' Health and safety	5.3	Green Products		
	Sustainable consumption	5.3	Green Products		
	Consumer service, support, and complaint and dispute resolution	5.4	Optimization of Customer Service		
	Consumer data protection and privacy	5.4	Optimization of Customer Service		
	Access to essential services	5.4	Optimization of Customer Service		
	R&D efforts	5.4	Optimization of Customer Service		
Community involvement and development	Community involvement	9.2	Corporate Citizen		
	Education and culture	9.2	Corporate Citizen		
	Employment creation and skills development	9.2	Corporate Citizen		
	Technology development and access	9.1	CSC Education Foundation		
	Wealth and income creation	9.3	LOHAS Homeland		
	Health	9.3	LOHAS Homeland		
	Social investment	9.2	Corporate Citizen		

Appendix 3 UN Global Compact Principles Comparison table

CATEGORY	10 PRINCIPLES	Chapter	Section	Page	Remark
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights	3.1 8.2	Sustainable Governance	19 90	
	Make sure that they are not complicit in human rights abuses	3.1 7.6	Sustainable Governance, Supply Chain Management	19	
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	8.2	Employee Rights and Benefits	90	
	The elimination of all forms of forced and compulsory labor	8.2	Employee Rights and Benefits	90	
	The effective abolition of child labor	8.1	Recruitment and retention	87	
	The elimination of discrimination in respect of employment and occupation	8.1 8.2	Recruitment and retention, Employee Rights and Benefits	87 90	
Environment	Businesses should support a precautionary approach to environmental challenges	6.1	Vision and Principles of Energy and Environment	59	
	Undertake initiatives to promote greater environmental responsibility	6.1	Vision and Principles of Energy and Environment	59	
	Encourage the development and diffusion of environmentally friendly technologies	5.3	Green Products	54	
Anti-Corruption	Businesses should strive to oppose all forms of corruption, including blackmail and bribes.	3.1	Sustainable Governance	19	

Appendix 4 Assurance

INDEPENDENT ASSURANCE OPINION STATEMENT

2014 China Steel Corporation Corporate Social Responsibility 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 verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of CSC only for the purposes of verifying its statements relating to its sustainability, 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 focus on systems and activities during the 2014 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 2014 CSC Corporation Social Responsibility (CSR) Report Review provides a fair view of the CSC programmes and performances during 2014. We believe that the 2014 economic, social and environmental performance indicators are fairly represented.

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 'in accordance' with the G4 sustainability reporting guidelines: the Core option were fairly stated.

Methodology

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

- 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
- 16 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 as well as the GRI G4 guidelines is set out below:

Inclusivity

In this report, it reflects that CSC has continually made a commitment to its stakeholders, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. 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.

Materiality

The CSC has established relative procedure in company level, as the issues which were identified by all departments have been prioritized according to the extent of impact and applicable criterion for sustainable development of company. Therefore, material issues were completely analyzed and the relative information of sustainable development was disclosed to enable 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 the inclusion for more diversified material issues to incorporate with current risk and opportunity analysis as for the further development of company's core strategy.

Responsiveness

CSC has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for the CSC is developed and provides the opportunity to further enhance the CSC's responsiveness to stakeholder concerns. 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 work towards a Type 2 of AA1000AS (2008) engagement with a view to providing the reliability of sustainability performance information that stakeholder concerns.

GRI-reporting

CSC provided us with their self declaration of 'in accordance' with the G4 sustainability reporting guidelines: the Core option (at least one Indicator related to each identified material Aspect). Based on our review, we confirm that social responsibility and sustainable development performance indicators with reference to the GRI Index are reported, partially reported or omitted. In our professional opinion the self declaration covers the CSC's social and sustainability issues; however, the future report will be improved by the following areas:

— Base on transparency principle, encouraging disclosure 'in accordance' with the GRI G4 Guidelines: Comprehensive option in order to strengthen stakeholder's confidence.

Assurance level

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

Responsibility

This CSR report is the responsibility of the CSC's chairman 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 Engineering 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
18 May, 2015

bsi.

AA1000
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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2015 (Reviewed) Amount	%	December 31, 2014 (Restated and Audited) Amount	%	March 31, 2014 (Restated and Reviewed) Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 15,507,186	2	$ 13,632,013	2	$ 16,822,994	2
Financial assets at fair value through profit or loss - current (Note 7)	5,360,203	1	5,418,751	1	5,930,983	1
Available-for-sale financial assets - current (Note 8)	6,339,750	1	6,651,624	1	6,494,744	1
Derivative financial assets for hedging - current (Note 10)	51,829	-	62,992	-	70,692	-
Notes receivable (Note 11)	1,303,317	-	1,243,767	-	1,137,224	-
Notes receivable - related parties (Notes 11 and 32)	348,064	-	162,202	-	485,801	-
Accounts receivable, net (Note 11)	9,265,429	2	10,818,647	2	12,034,720	2
Accounts receivable - related parties (Notes 11 and 32)	817,154	-	734,991	-	834,676	-
Amounts due from customers for construction contracts (Note 12)	8,213,986	1	7,313,482	1	7,351,529	1
Other receivables	1,413,869	-	1,484,045	-	2,007,182	-
Current tax assets	155,771	-	169,509	-	282,704	-
Inventories (Note 13)	84,007,314	12	81,203,168	12	80,621,899	12
Other financial assets - current (Notes 16 and 33)	12,531,770	2	13,714,418	2	14,645,221	2
Other current assets	5,935,429	1	5,757,202	1	5,654,471	1
Total current assets	151,251,071	22	148,366,811	22	154,374,840	22
NONCURRENT ASSETS						
Financial assets at fair value through profit or loss - noncurrent (Note 7)	-	-	31,842	-	-	-
Available-for-sale financial assets - noncurrent (Notes 8 and 19)	30,938,718	5	31,102,392	5	29,914,972	4
Held-to-maturity financial assets - noncurrent (Note 9)	250,788	-	222,989	-	214,676	-
Derivative financial assets for hedging - noncurrent (Note 10)	59,665	-	87,969	-	47,196	-
Debt instrument investments with no active market - noncurrent (Notes 14 and 19)	2,809,644	1	2,806,597	1	3,104,777	1
Investments accounted for using equity method (Notes 4, 15, 32 and 36)	13,513,710	2	13,419,402	2	11,312,621	2
Property, plant and equipment (Notes 10, 16, 17 and 33)	455,895,764	67	459,313,969	67	462,538,830	67
Investment properties (Notes 18 and 33)	8,408,320	1	8,436,098	1	8,353,152	1
Intangible assets (Note 32)	2,450,820	-	2,493,804	-	2,655,545	1
Deferred tax assets (Note 3)	6,267,690	1	6,065,105	1	5,979,079	1
Refundable deposits	440,051	-	436,833	-	563,484	-
Other financial assets - noncurrent (Notes 16 and 33)	2,387,177	-	2,376,787	-	2,381,111	-
Other noncurrent assets	7,802,026	1	7,579,422	1	8,176,875	1
Total noncurrent assets	531,224,373	78	534,373,209	78	535,242,318	78
TOTAL	$ 682,475,444	100	$ 682,740,020	100	$ 689,617,158	100

LIABILITIES AND EQUITY	March 31, 2015 (Reviewed) Amount	%	December 31, 2014 (Restated and Audited) Amount	%	March 31, 2014 (Restated and Reviewed) Amount	%
CURRENT LIABILITIES						
Short-term borrowings and bank overdraft (Notes 6, 19 and 33)	$ 35,886,151	5	$ 30,801,717	5	$ 27,125,087	4
Short-term bills payable (Notes 19 and 33)	25,080,391	4	20,112,096	3	35,050,921	5
Financial liabilities at fair value through profit or loss - current (Notes 7 and 20)	2,780	-	7,149	-	8,592	-
Derivative financial liabilities for hedging - current (Note 10)	115,229	-	46,327	-	21,333	-
Notes payable	849,207	-	1,384,782	-	420,114	-
Notes payable - related parties (Note 32)	1,997	-	88	-	-	-
Accounts payable (Note 21)	9,686,110	1	8,903,520	1	12,076,735	2
Accounts payable - related parties (Notes 21 and 32)	187,573	-	689,623	-	263,891	-
Amounts due to customers for construction contracts (Note 12)	4,591,379	1	5,403,038	1	5,793,217	1
Other payables (Notes 3 and 22)	21,904,626	3	23,131,466	3	21,452,825	3
Current tax liabilities	5,905,241	1	4,868,683	1	4,447,807	1
Provisions - current (Note 23)	3,801,091	1	3,795,700	1	3,786,732	1
Current portion of bonds payable (Note 20)	8,148,837	1	8,148,376	1	3,499,489	-
Current portion of long-term bank borrowings (Notes 19 and 33)	20,226,426	3	20,939,065	3	19,663,990	3
Other current liabilities	3,102,856	-	3,273,887	-	3,635,080	-
Total current liabilities	139,489,894	20	131,505,517	19	137,245,813	20
NONCURRENT LIABILITIES						
Derivative financial liabilities for hedging - noncurrent (Note 10)	48,291	-	10,060	-	13,755	-
Bonds payable (Note 20)	89,698,946	13	89,695,089	13	85,842,369	13
Long-term bank borrowings (Notes 19 and 33)	77,375,903	11	86,579,129	13	92,670,350	13
Long-term bills payable (Note 19)	17,082,744	3	20,019,412	3	27,617,342	4
Provisions - noncurrent (Note 23)	1,028,990	-	1,031,812	-	1,071,224	-
Deferred tax liabilities (Note 3)	12,587,696	2	12,678,234	2	13,031,192	2
Net defined benefit liabilities - noncurrent (Notes 3, 4 and 24)	5,500,032	1	5,503,901	1	7,171,628	1
Other noncurrent liabilities	1,066,196	-	1,072,632	-	507,808	-
Total noncurrent liabilities	204,388,798	30	216,590,269	32	227,925,668	33
Total liabilities	343,878,692	50	348,095,786	51	365,171,481	53
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 3 and 25)						
Share capital						
Ordinary shares	157,348,610	23	157,348,610	23	154,255,840	23
Preference shares	382,680	-	382,680	-	382,680	-
Total share capital	157,731,290	23	157,731,290	23	154,638,520	23
Capital surplus	37,223,095	6	37,217,876	5	36,965,456	5
Retained earnings						
Legal reserve	56,957,880	9	56,957,880	8	55,359,726	8
Special reserve	27,086,283	4	27,086,283	4	26,920,381	4
Unappropriated earnings	29,632,986	4	24,106,715	4	19,940,432	3
Total retained earnings	113,677,149	17	108,150,878	16	102,220,739	15
Other equity	9,760,597	1	10,162,015	2	8,562,010	1
Treasury shares	(8,577,748)	(1)	(8,587,461)	(1)	(8,498,235)	(1)
Total equity attributable to owners of the Corporation	309,814,383	46	304,674,598	45	293,888,490	43
NON-CONTROLLING INTERESTS (Note 3)	28,782,369	4	29,969,636	4	30,557,187	4
Total equity	338,596,752	50	334,644,234	49	324,445,677	47
TOTAL	$ 682,475,444	100	$ 682,740,020	100	$ 689,617,158	100

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

(With Deloitte & Touche review report dated May 8, 2015)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 10, 23, 26 and 32)	$ 80,803,702	100	$ 92,415,530	100
OPERATING COSTS (Notes 3, 10, 13, and 32)	70,938,700	88	84,305,462	91
GROSS PROFIT	9,865,002	12	8,110,068	9
OPERATING EXPENSES (Note 3)				
Selling and marketing expenses	1,238,014	1	1,274,223	1
General and administrative expenses	1,703,506	2	1,678,073	2
Research and development expenses	511,703	1	440,148	1
Total operating expenses	3,453,223	4	3,392,444	4
PROFIT FROM OPERATIONS	6,411,779	8	4,717,624	5
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 27 and 32)	361,998	1	612,128	1
Other gains and losses (Notes 10, 27 and 32)	(3,018)	-	397,891	1
Finance costs (Note 27)	(908,457)	(1)	(918,561)	(1)
Share of the profit of associates (Note 15)	177,017	-	256,002	-
Total non-operating income and expenses	(372,460)	-	347,460	1
PROFIT BEFORE INCOME TAX	6,039,319	8	5,065,084	6
INCOME TAX (Notes 3, 4 and 28)	1,244,690	2	794,082	1
NET PROFIT FOR THE PERIOD	4,794,629	6	4,271,002	5
OTHER COMPREHENSIVE INCOME (Notes 10, 15, 16, 25 and 28)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(1,489,302)	(2)	872,742	1
Unrealized gain on available-for-sale financial assets	263,817	-	16,431	-
Cash flow hedges	(189,725)	-	100,345	-
Share of the other comprehensive income of associates	599,364	1	(126,756)	-

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	$ 34,422	-	$ (32,463)	-
Other comprehensive income for the period, net of income tax	(781,424)	(1)	830,299	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 4,013,205	5	$ 5,101,301	6
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 5,526,271	7	$ 3,621,053	4
Non-controlling interests	(731,642)	(1)	649,949	1
	$ 4,794,629	6	$ 4,271,002	5
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 5,124,853	6	$ 4,227,210	5
Non-controlling interests	(1,111,648)	(1)	874,091	1
	$ 4,013,205	5	$ 5,101,301	6
EARNINGS PER SHARE (Note 29)				
Basic	$ 0.36		$ 0.23	
Diluted	$ 0.36		$ 0.23	

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

(With Deloitte & Touche review report dated May 8, 2015) (Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 6,039,319	$ 5,065,084
Adjustments for:		
Depreciation expense	9,011,144	8,559,973
Amortization expense	78,356	89,153
Net gain on financial assets and liabilities at fair value through profit or loss	(95,135)	(79,419)
Finance costs	908,457	918,561
Interest income	(119,104)	(118,316)
Share of profit of associates	(186,108)	(256,007)
Loss on disposal of property, plant and equipment	6,335	65,018
Gain on disposal of intangible assets	(685)	(71,563)
Gain on disposal of investments	(68,613)	(305,675)
Increase (decrease) in provision for loss on inventories	1,514,947	(128,165)
Recognition of provisions	2,759,953	1,522,930
Others	27,920	(7,943)
Changes in operating assets and liabilities		
Financial assets held for trading	53,081	(51,750)
Notes receivable	(59,550)	60,997
Notes receivable - related parties	(185,862)	121,261
Accounts receivable	1,562,467	(1,786,524)
Accounts receivable - related parties	(82,163)	(313,944)
Amounts due from customers for construction contracts	(900,504)	(42,059)
Other receivables	242,521	(34,436)
Inventories	(4,319,093)	2,548,734
Other current assets	(178,227)	19,140
Notes payable	(535,575)	(595,303)
Notes payable - related parties	1,909	(756)
Accounts payable	782,590	533,356
Accounts payable - related parties	(502,050)	106,519
Amounts due to customers for construction contracts	(811,659)	(25,232)
Other payables	(846,725)	(2,179,772)
Provisions	(2,758,991)	(702,947)
Other current liabilities	(166,666)	328,412
Net defined benefit liabilities	(3,869)	(122,556)
Cash generated from operations	11,168,420	13,116,771
Income taxes paid	(547,375)	(86,775)
Net cash generated from operating activities	10,621,045	13,029,996

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2015	2014 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	$ (1,634,092)	$ (1,599,184)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	1,496,535	799,619
Acquisition of available-for-sale financial assets	(466,613)	(3,066,706)
Proceeds from disposal of available-for-sale financial assets	427,787	798,964
Proceeds from the capital reduction on available-for-sale financial assets	85,426	-
Purchase of debt instrument investments with no active market	(45,441)	(9,690)
Proceeds from disposal of debt instrument investments with no active market	-	9,758
Acquisition of held-to-maturity financial assets	(30,216)	-
Acquisition of investments accounted for using equity method	(29,249)	(45,714)
Acquisition of property, plant and equipment	(6,523,592)	(8,250,095)
Proceeds from disposal of property, plant and equipment	1,771	6,586
Increase in refundable deposits	(3,218)	(50,304)
Acquisition of intangible assets	(13,910)	(35,093)
Proceeds from disposal of investment properties	-	89
Decrease (increase) in other financial assets	1,218,651	(1,178,836)
Decrease (increase) in other noncurrent assets	(74,873)	500,731
Interest received	124,905	112,979
Dividends received from associates	-	224,787
Dividends received from others	62	167
Net cash used in investing activities	(5,466,067)	(11,781,942)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	56,703,068	58,047,397
Repayments of short-term borrowings	(51,643,585)	(58,217,153)
Increase in short-term bills payable	4,968,295	4,264,621
Issuance of bonds payable	-	22,900,000
Proceeds from long-term bank borrowings	5,515,155	6,404,511
Repayments of long-term bank borrowings	(14,557,393)	(22,272,725)
Decrease in long-term bills payable	(2,936,668)	(7,264,691)
Decrease in other noncurrent liabilities	(6,160)	(28,987)
Dividends paid to owners of the Corporation	(2,457)	(2,205)
Purchase of the Corporation's shares by subsidiaries	-	(5,034)
Disposal of the Corporation's shares held by subsidiaries	13,324	-

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 6,039,319	$ 5,065,084
Adjustments for:		
Depreciation expense	9,011,144	8,559,973
Amortization expense	78,356	89,153
Net gain on financial assets and liabilities at fair value through profit or loss	(95,135)	(79,419)
Finance costs	908,457	918,561
Interest income	(119,104)	(118,316)
Share of profit of associates	(186,108)	(256,007)
Loss on disposal of property, plant and equipment	6,335	65,018
Gain on disposal of intangible assets	(685)	(71,563)
Gain on disposal of investments	(68,613)	(305,675)
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Recognition of provisions	2,759,953	1,522,930
Others	27,920	(7,943)
Changes in operating assets and liabilities		
Financial assets held for trading	53,081	(51,750)
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Accounts receivable	1,562,467	(1,786,524)
Accounts receivable - related parties	(82,163)	(313,944)
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Other receivables	242,521	(34,436)
Inventories	(4,319,093)	2,548,734
Other current assets	(178,227)	19,140
Notes payable	(535,575)	(595,303)
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Cash generated from operations	11,168,420	13,116,771
Income taxes paid	(547,375)	(86,775)
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(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
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Acquisition of available-for-sale financial assets	(466,613)	(3,066,706)
Proceeds from disposal of available-for-sale financial assets	427,787	798,964
Proceeds from the capital reduction on available-for-sale financial assets	85,426	-
Purchase of debt instrument investments with no active market	(45,441)	(9,690)
Proceeds from disposal of debt instrument investments with no active market	-	9,758
Acquisition of held-to-maturity financial assets	(30,216)	-
Acquisition of investments accounted for using equity method	(29,249)	(45,714)
Acquisition of property, plant and equipment	(6,523,592)	(8,250,095)
Proceeds from disposal of property, plant and equipment	1,771	6,586
Increase in refundable deposits	(3,218)	(50,304)
Acquisition of intangible assets	(13,910)	(35,093)
Proceeds from disposal of investment properties	-	89
Decrease (increase) in other financial assets	1,218,651	(1,178,836)
Decrease (increase) in other noncurrent assets	(74,873)	500,731
Interest received	124,905	112,979
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Dividends received from others	62	167
Net cash used in investing activities	(5,466,067)	(11,781,942)
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Repayments of short-term borrowings	(51,643,585)	(58,217,153)
Increase in short-term bills payable	4,968,295	4,264,621
Issuance of bonds payable	-	22,900,000
Proceeds from long-term bank borrowings	5,515,155	6,404,511
Repayments of long-term bank borrowings	(14,557,393)	(22,272,725)
Decrease in long-term bills payable	(2,936,668)	(7,264,691)
Decrease in other noncurrent liabilities	(6,160)	(28,987)
Dividends paid to owners of the Corporation	(2,457)	(2,205)
Purchase of the Corporation's shares by subsidiaries	-	(5,034)
Disposal of the Corporation's shares held by subsidiaries	13,324	-

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2015	2014 (Restated)
Interest paid	$ (1,042,092)	$ (690,416)
Increase (decrease) in non-controlling interests	(80,387)	30,254
Net cash generated from (used in) financing activities	(3,068,900)	3,165,572
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(334,335)	379,008
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,751,743	4,792,634
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	10,659,657	10,541,442
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 12,411,400	$ 15,334,076
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of March 31, 2015 and 2014:		
Cash and cash equivalents in the consolidated balance sheets	$ 15,507,186	$ 16,822,994
Bank overdraft	(3,095,786)	(1,488,918)
Cash and cash equivalents in the consolidated statements of cash flows	$ 12,411,400	$ 15,334,076

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

(With Deloitte & Touche review report date May 8, 2015) (Concluded)

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

1) Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%) March 31, 2015	December 31, 2014	March 31, 2014	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 aluminum 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. (CSAPH)	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	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	
	Himag 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	45	45	Refer to 1) below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	29	Refer to 1) below
	Chung Hung Steel Corporation Ltd. (CHSC)	Manufacture and sale of steel product	41	41	41	Refer to 1) 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 1) 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 1) below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture and sale of steel product	51	51	51	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Manufacture and sale of steel product (electromagnetic steel coil)	100	100	100	
	Kaohsiung Rapid Transit Corporation (KRTC)	Operation of mass rapid transit	43	43	43	Direct and indirect ownerships amounted to 50%
	China Steel Resources Corporation	Disposal and process of waste	100	100	100	
	CSC Precision Metal Industrial Corporation	Non-ferrous metals processing	100	100	-	Investment in June, 2014
	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	66	66	
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%

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) March 31, 2015	December 31, 2014	March 31, 2014	Additional Descriptions
United Steel International Development Corp.	Ningbo Huayang Aluminium-Tech Co., Ltd.	Manufacture and sale of aluminum 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	
	Betacera Inc. (BETA)	Manufacture, processing and trading of electronic ceramics	48	48	48	Refer to 1) below
	Universal Exchange Inc.	Software programming	64	64	64	
	Thintech Materials Technology Co., Ltd. (TMTC)	Target material and bimetal material tube sale	32	32	32	Direct and indirect ownerships amounted to 40%, and refer to 2) below
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruel 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%
	Chiun 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 Ruel 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	Jiing Cherng 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	100	
Thintech International Limited	Nantong Zhongxing Materials Technology Co., Ltd. (NZMTCL)	Manufacture, processing and trading of target material	47	47	47	Refer to 1) 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	84	84	84	
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sale and rental	80	80	80	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 1) 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	60	Direct and indirect ownerships amounted to 70%
	United Steel International Co., Ltd.	General investment	80	80	-	Investment from United Steel Investment Holding Co., Ltd. in July 2014; direct and indirect ownerships amounted to 100%
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	
United Steel International Co., Ltd.	United Steel Engineering and Construction Co., Ltd.	Civil engineering construction and other business contract and management	100	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) March 31, 2015	December 31, 2014	March 31, 2014	Additional Descriptions
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	100	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%
	CSGT Trading India Pvt. Ltd.	Steel trading	100	100	-	Investment in October 2014
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	100	
	China Steel Machinery Vietnam Co., Ltd.	Installation of machinery and equipment, and technology service	100	100	100	
	China Steel Machinery Corporation India Pvt. Ltd.	Manufacture of machinery	99	99	99	Direct and indirect ownerships amounted to 100%
China Steel Machinery Holding Corporation	CSMC (Shanghai) Global Trading Co., Ltd.	International trading	100	100	100	
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	100	
Info-Champ Systems Corporation	Info-Champ System (B.V.I.)	Information service	100	100	100	
Info-Champ System (B.V.I.)	Wuham 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	
	MagnPower Corporation	Magnetic powder trading	50	50	-	Investment in September 2014
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	100	100	
	China Ecotek Construction Corporation	Construction, interior design and decoration, and retail and wholesale of building materials	100	100	100	
CEC International Corp.	China Ecotek India Private Limited	Planning, maintenance and management of eco-construction and eco-equipment	100	100	100	
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	100	100	Investment in December 2013
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Carbon Technology Co., Ltd.	Processing and trading of mesocarbon microbeads products	100	100	100	
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation (TSC)	Not yet in operation	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	90	
China Steel Structure Co., Ltd.	United Steel Constructure Corporation (USCC)	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	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) March 31, 2015	December 31, 2014	March 31, 2014	Additional Descriptions
United Steel Constructure Corporation	United Steel Investment Holding Co., Ltd.	General investment	-	-	100	End of settlement in August 2014
	United Steel Investment Pte Ltd.	General investment	100	100	100	
	Lian Chuan Construction Consultation (Shanghai) Co., Ltd.	Engineering technology consulting	-	-	100	End of settlement in August 2014
	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	Reorganization to CSAPH in July 2014
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 Resources Corporation (CSRC)	Fa Long Storage Corporation	Storage and delivery of Waste	-	-	-	Investment in August 2014; merged with CSRC in November 2014

(Concluded)

Explanations for subsidiaries which are less than 50% owned but included in the consolidated entities are as follows:

a) The actual operations of CEC, CSCC, CHSC, CHC, CSSC, BETA and NZMTCL are controlled by the respective board of directors. The Corporation and other subsidiaries jointly had more than half of the seats in the board of directors of CEC, CSCC, CHSC, CHC, CSSC, BETA and NZMTCL. The actual operation of CSHB is also controlled by the board of directors. The Corporation's subsidiaries had control of more than half of the voting rights in the board of directors. Therefore, the Corporation had control-in-substance over the aforementioned entities and included them in the consolidated entities.

b) The chairman and general manager of TMTC are designated by other subsidiaries in order to control its finance, operation, and human resources. Therefore, the Corporation had control-in-substance over TMTC and included it in the consolidated entities.

Certain subsidiaries (all unlisted companies) included in the consolidated financial statements were unreviewed. As of March 31, 2015 and 2014, these subsidiaries' total assets amounted to NT$95,747,526 thousand and NT$91,219,809 thousand, respectively, and their total liabilities amounted to NT$30,318,010 thousand and NT$26,798,771 thousand, respectively. For the three months ended March 31, 2015 and 2014, their total comprehensive income amounted to loss NT$974,016 thousand and profit NT$894,589 thousand, respectively. These amounts were evaluated and disclosed from the subsidiaries' unreviewed financial statements for the same reporting period as that of the Corporation.

2) Honley Auto. Parts Co., Ltd. (Honely), of which the Corporation held 50% equity as of March 31, 2014 is not included in the consolidated entities since the Corporation expects to hold only 30% equity after the second capital increase based on agreements between shareholders and has no control over the board of directors. The Corporation held 30% equity of Honley as of March, 31 2015 and December 31, 2014.

3) The Corporation had no subsidiary with material non-controlling interests.

d. Other significant accounting policy

Except for the following , refer to the summary of significant accounting policy in the consolidated financial statements for the year ended December 31, 2014.

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