

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 01088



## Our Philosophy of Social Responsibility

#### Corporate Values:

"Scientific harmony, virtuous cordiality, pursuing innovation and changes"

#### Corporate Mission:

"To provide green energy for the development of the whole society"

#### Corporate Vision:

"To build China Shenhua into a world-class, large energy company"

#### **Entrepreneurial Spirit:**

"Plain living and hard struggle, pragmatic expansion and excellent seeking"

Coal will remain in a leading portion for long term as the major component in the energy composition in China. As the largest coal-based listed energy company in China, the operation of China Shenhua will directly or indirectly affect the operations of other enterprises, the life of the public, the changes in environment and the social development. For years, China Shenhua has been insisting in balancing its business development and its performance of social responsibilities. To strive to become a "five-model enterprise", China Shenhua endeavors to coordinate the relationships among all interested parties and achieve a harmonious development of the enterprise, society and natural environment. The philosophy of corporate social responsibility adopted by China Shenhua is "Contribution with Energy, Scientific Development and Mutual Success in Harmony".

"Contribution with Energy" reflects the corporate mission and vision of China Shenhua, namely, to develop green energy for the social development and to build China Shenhua into a world-leading, large energy company. This is the basis for China Shenhua to perform its corporate social responsibilities.

"Scientific Development" is a guiding principle for the corporate development as well as the corporate values of China Shenhua. China Shenhua has incorporated the areas such as production safety, environmental protection and energy conservation and emission reduction into its strategies for corporate development so as to achieve the harmonious development of quality and efficiency. This is the method and manner for China Shenhua to perform its corporate social responsibilities

"Mutual Success in Harmony" is not only what China Shenhua regards as the relationship between the Company and its interested parties, but also an objective of China Shenhua to perform its social responsibilities. China Shenhua is hoping to establish a harmonious and mutually beneficial relationship with the interested parties such as regulatory authorities, its staff, suppliers and customers and the community. By increasing communications with them and enhancing understanding, China Shenhua aims to achieve mutual development.

Adhering to its entrepreneurial spirit of plain living and hard struggle, pragmatic expansion and excellent seeking, China Shenhua is active in implementing its strategies for social responsibilities step by step.

## Company Profile

China Shenhua Energy Company Limited is a listed company of H shares and A shares controlled by Shenhua Group Corporation Limited. The Company is primarily engaged in the production and sale of coal, the provision of railway and port transportation of coal-related materials and the power generation and sales. China Shenhua is the largest coal supplier and seller with the largest amount of coal reserve among the listed companies in China.

The Company owns a large-scale integrated rail and port transportation network, and operates five rail routes including Baoshen, Shenshuo, Shuohuang, Dazhun and Huangwan and two ports namely Huanghua Port and Shenhua Tianjin Coal Dock where Shenshuo-Shuohuang Railway is the second largest rail route for coal transportation from the west to the east in China. This network provides the Company with tremendous synergy and the advantage of low transportation costs. China Shenhua also owns the large-scale, highly efficient and rapidly expanding power operation, which is complementary to the Company's coal operation to achieve a synergetic development

The Board recommends payment of a final dividend for 2009 in the amount of **RMB0.53** per share.

Profit attributable to equity shareholders of

31,706 million

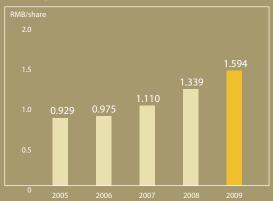
In 2009, the Company's revenue for the year amounted to RMB

**121,312** million

The Company's domestic seaborne coal



#### **Earnings Per Share**



In 2009, the national coal transhipment volume for domestic sales through domestic ports was **430 million tonnes**, from which it was estimated that the market share of China Shenhua in the coastal seaborne coal market was approximately

33.8%

The gross power generation of the Company sustained a growth, amounting to

105.09 billion kwh,

representing a year-on-year growth of

7.5%

The sales volume of commercial coal of the Company amounted to

**254.3** 

million tonnes,

growth of 9 3%

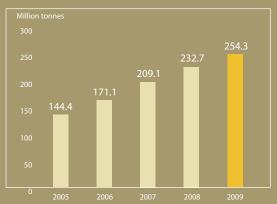
The fatality rate per million tonnes of raw coal production was

0.017

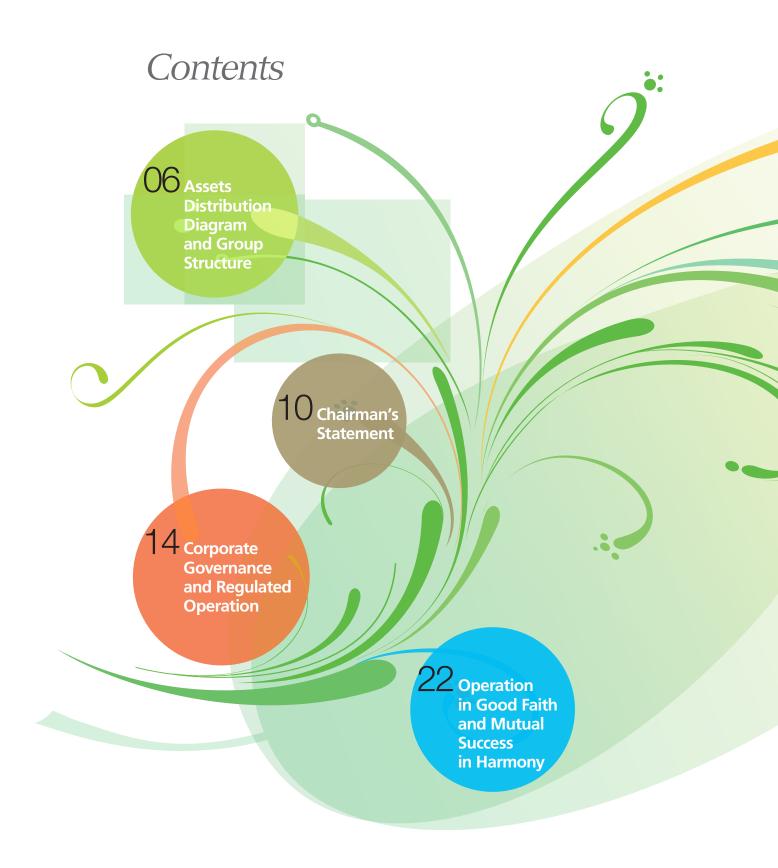
China Shenhua will be committed to making contributions to China's energy industry and creating value for shareholders of the Company. At the same time, China Shenhua will achieve the harmonious development between the enterprise, society, employees and the environment with a view to developing itself into a world-leading, large-scale integrated energy company with sustainable development and high responsibility.

For the Company's power segment, the total installed capacity of coal-fired generators amounted to **22,724MW**.

#### **Coal Sales**

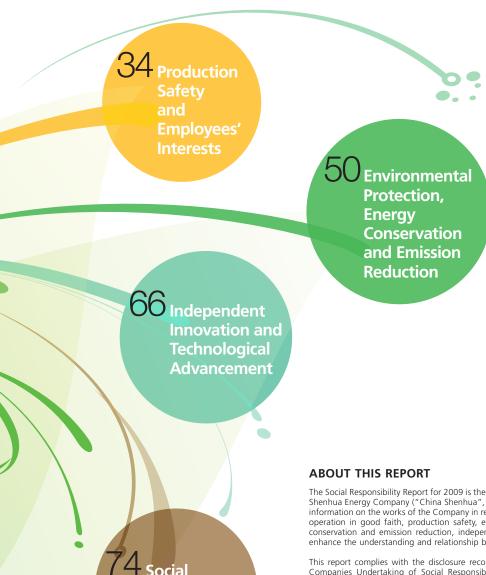






#### IMPORTANT NOTICE

The board of directors of the Company together with all directors guarantee that the information contained in this report does not contain any false statements, misleading representations or material omissions, and all of them jointly and severally accept responsibility as to the truthfulness, accuracy and completeness of the content of this report.



Commonweal

and Social Appraisal The Social Responsibility Report for 2009 is the third annual social responsibility report issued by China Shenhua Energy Company ("China Shenhua", the "Company" or "We"). This report mainly discloses information on the works of the Company in respect of scientific development, corporate governance, operation in good faith, production safety, employees' interests, environmental protection, energy conservation and emission reduction, independent innovation and social commonweal in order to enhance the understanding and relationship between the Company and its stakeholders.

This report complies with the disclosure recommendations of the "Notice on Strengthening Listed Companies Undertaking of Social Responsibilities and Issuance of 'Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange'", "Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange" and the Appendix 2: "Guidelines on Preparation of 'Corporate Report on Performance of Social Responsibilities'" of the "Memorandum No. 1 on 2009 Annual Report for Listed Companies: Preparation and review of internal control report and social responsibility report" issued by the Shanghai Stock Exchange (Appendix II) and with reference to such documents as the "Guideline on Fulfilling Social Responsibility by Central Enterprises" issued by State-owned Assets Supervision and Administration Commission of the PRC and the "G3 Sustainable Development Reporting Guidelines" of Global Reporting Initiative.

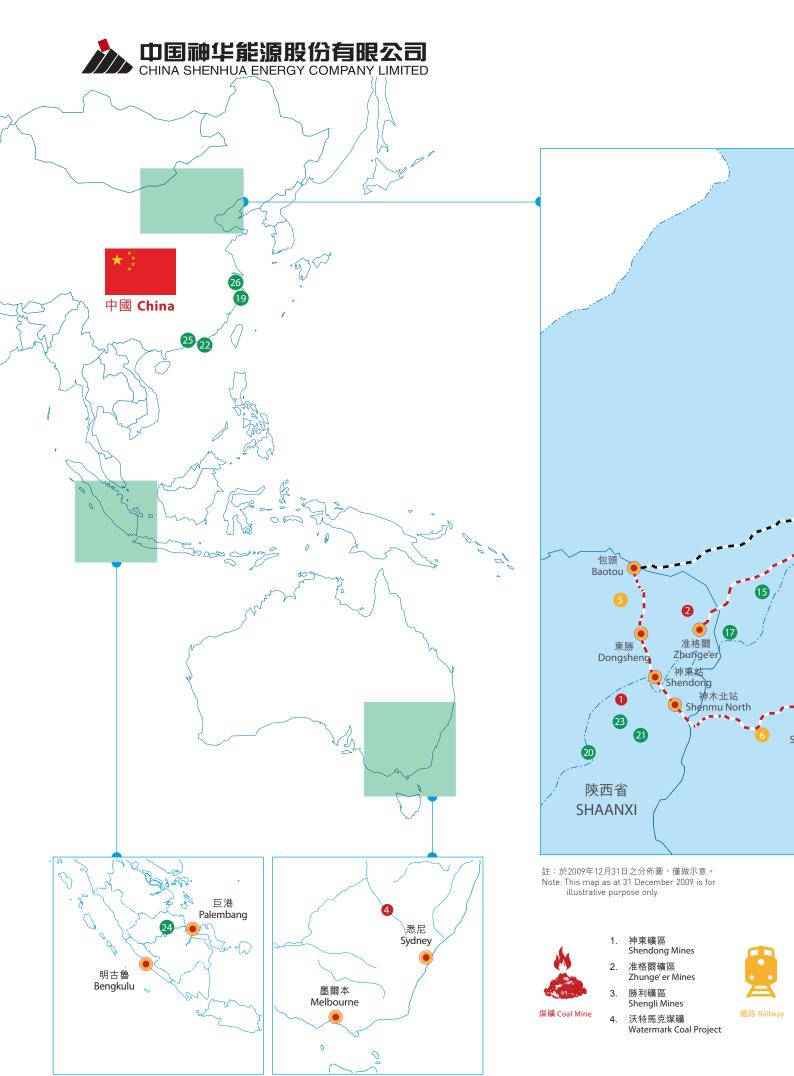
On the basis of the annual social responsibility reports for 2007 and 2008 issued by the Company, this report further incorporates more information on social responsibility related business indicators, data and matters reflecting the operation of the Company and industrial features, aiming to reflect the continuous efforts made by China Shenhua on social responsibility works in a more comprehensive and indepth manner in the reporting period.

Except as otherwise specifically stated, this report mainly describes the economic, environmental and social work activities in, among others, the coal mining, railway, port and power generation businesses operated and managed by China Shenhua for the period from 1 January 2009 to 31 December 2009, while at the same time providing a brief review of the relevant activities in the past. Unless otherwise indicated, the financial figures contained in report is denominated in Renminbi (RMB).

Due to restrictions imposed by various objective conditions, this report may not be satisfactory. The Company will continue to improve and perfect the disclosure content and the form of this report, and will update the social responsibility report once a year.

This report has been assured independently by KPMG Huazhen pursuant to the disclosure recommendation of the relevant guidelines issued by the Shanghai Stock Exchange (Appendix III).

We have taken into consideration the interests and requirements of different stakeholders as much as possible in the compilation of this report, and strive to make it plain, clear and easy to read. You are welcome to express your opinions and suggestions by filling in and returning the Feedback Sheet attached or any other means.



### Assets Distribution Diagram/資產分佈



- 包神鐵路 Baoshen Railway
- 神朔鐵路 Shenshuo Railway
- 朔黃鐵路 Shuohuang Railway
- 大准鐵路 Dazhun Railway
- 黃萬鐵路 Huangwan Railway



10. 黃驊港 Huanghua Port

神華天津煤碼頭 Shenhua Tianjin Coal Dock



電廠 Power

13. 盤山電力 Panshan Power

14. 三河電力 Sanhe Power

12. 黃驊電力

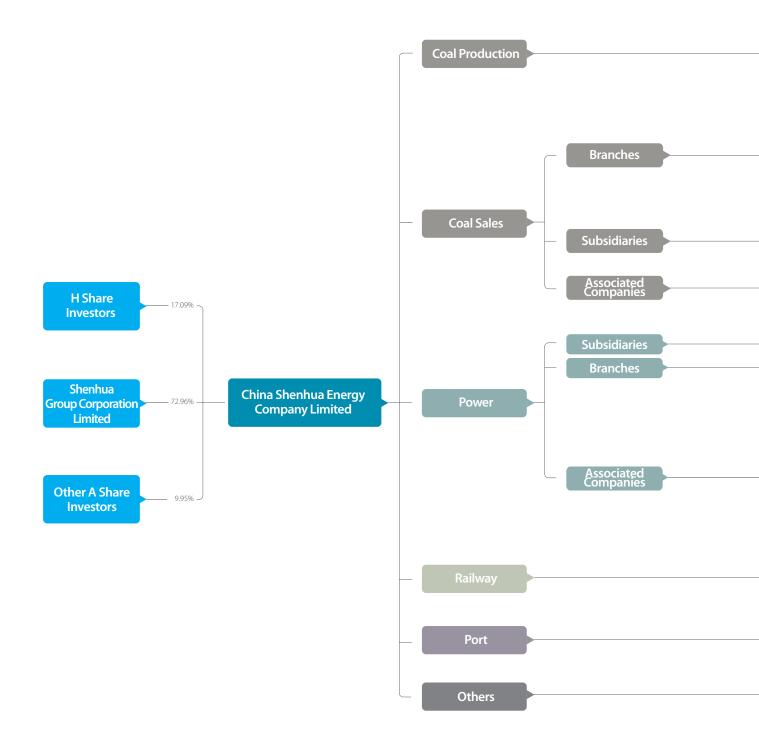
15. 國華准格爾 Guohua Zhunge'er

Huanghua Power

- 16. 北京熱電 Beijing Thermal
- 17. 准能電力 Zhunge'er Power
- 18. 綏中電力 Suizhong Power
- 19. 寧海電力
- Ninghai Power
- 20. 錦界能源 Jinjie Energy
- 21. 神木電力 Shenmu Power
- 22. 台山電力 Taishan Power
- 23. 神東電力 Shendong Power
- 24. 南蘇煤電項目 PT.GH EMM Indonesia
- 25. 珠海風能項目 Zhuhai Wind Energy Project
- 26. 余姚電力 Yuyao Power



### **Group** Structure

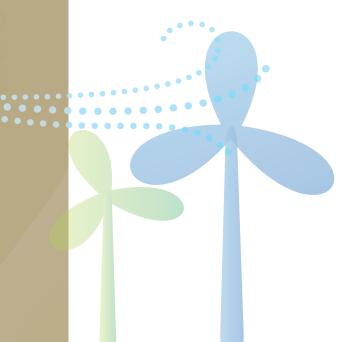


Note: The Group structure of China Shenhua (including major branches and subsidiaries) as at 31 December 2009 is for illustrative purpose only.

	Shendong Coal Branch				
57.76% —	Shenhua Zhunger'er Energy Co., Ltd.				
	Ha'erwusu Coal Branch				
62.82% —	Shenhua Beidian Shengli Energy Co., Ltd.				
50.01% -	Yulin Shenhua Energy Co., Ltd.				
100% -	Shenhua Australia Holding Pty Ltd.				
	Dongsheng Coal Transport and Sales Branch				
	Zhunge'er Coal Transport and Sales Branch				
	Baotou Coal Sales Branch				
	Guangzhou Coal Sales Branch				
80% –	Beijing Shenhua Changyun High Technology Coal Blending Co., Ltd.				
100% —	Beijing Shenhua Hengyun Energy Technology Co., Ltd.				
90% —	Shanghai Shenhua Coal Sales Co., Ltd.				
100% —	Gang Hua International Energy Ltd.				
65% -	Shenhua Inner Mongolia Coal Transport & Sales Co., Ltd.			Beijing Thermal Power Branch	
50% -	Zhuhai New Century Shipping Ltd.	_	65%—	Tianjin Guohua Panshan Power Generation Co., Ltd.	
 43.83% —	Tianjin Yuanhua Shipping Co., Ltd.	-	55%—	Sanhe Power Co., Ltd.	
20% —	Huanghua Foreign Ships Agency Co., Ltd.	-	65%—	Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.	
			70% —	Shenhua Guohua International Power Co., Ltd.	
40.5%	Hebei Guohua Dingzhou Power Generation Co., Ltd.	_	60% —	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	
	Guohua Huizhou Thermal Power Branch	_	51%—	CLP Guohua Shenmu Power Co., Ltd.	
	Shengli Energy Branch		80%—	Guangdong Guohua Yuedian Taishan Power Co., Ltd.	
20% -	Zhejiang Zheneng Jiahua Power Co., Ltd.		51%—	Hebei Guohua Cangdong Power Co., Ltd.	
10% —	Northern United Power Co., Ltd.	_	75% —	Beijing Guohua Jiedi Dongli Technical Service Co., Ltd.	
40% -	Inner Mongolia Menghua Haibowan Power Co., Ltd.	-	80%—	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.	
30% —	Inner Mongolia Menghua Wuhai Power Co., Ltd.	7	73.33%—	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.	
30% —	Inner Mongolia Jingda Power Co., Ltd.		15%—	Suizhong Power Co., Ltd.	- 50%
30% —	North China Power Technology Institute Co., Ltd.		92% <b>—</b>	Shenhua Guohua (Beijing) Electric Power Research Institute Co., Ltd.	
		_	70% —	Shaanxi Guohua Jinjie Energy Corporation	
			65% —	Tianjin Guohua Jinneng Power Co., Ltd.	
		-	55%—	Jiangsu Guohua Chenjiagang Power Co., Ltd.	
			70% —	PT GH EMM Indonesia	
	Rolling Stock Branch				
52.72% —	Shuohuang Railway Development Co., Ltd.				
	Shenshuo Railway Branch				
88.16%—	Shenhua Baoshen Railway Co., Ltd.				
70%—	Shenhua Huanghua Harbour Administration Co., Ltd.				
55%—	Shenhua Tianjin Coal Dock Co., Ltd.				
21.42% —	Shenhua Finance Co., Ltd.				
 100%—	Shenhua Shendong Coal Group Co., Ltd.				
100%-	Shenhua Shendong Power Co., Ltd.				



ZHANG Xiwu Chairman



# Chairman's Statement

### Dear Friends,

2009 was an extraordinary year. Against the backdrop of the global financial crisis, China Shenhua successfully pursued business development and enhanced its efficiency in adherence to the new strategies of "pursuing scientific development, reshaping Shenhua and doubling economic aggregate output within five years" under the leadership of the board of directors. The Company saw a growth in times of adversity in the production and sales volume of commercial coal, power generation and output, revenues and profits, and made great achievements in the area of social responsibilities.

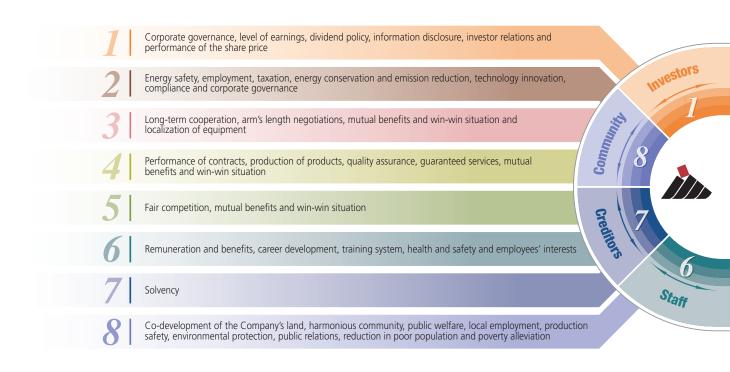
As the largest PRC coal-based integrated energy listed enterprise with the largest market capitalization among listed coal companies in the world, the operation of China Shenhua will directly or indirectly affect the operations of other enterprises, the life of the public, the changes in environment and the social development. China Shenhua and I understood that the growth and development of China Shenhua are attributable to the supports from various parties. For years, in adhering to scientific development and striving to become a "five-model enterprise", China Shenhua endeavors to coordinate and balance the interests of various parties such as its shareholders, customers and employees and the regulatory authorities and voluntarily incorporates social responsibilities into formulating the corporate strategies, culture and production and operation activities. In 2009, the Company further outlined its development objectives in the areas of safety development, human resources, low-carbon economy, technology innovation and harmonious development. In executing the key management measures of becoming a "five-model enterprise", the Company pushed ahead its social responsibility efforts whilst continuing to improve its business operation.

China Shenhua regards production safety as its primary social responsibility. In 2009, the Company promoted the development of the "intrinsic-safety management system" by raising safety awareness, providing more skill training, increasing its investment in safety and enhancing the level of informationisation and mechanization. For the year, the fatality rate per million tonnes of raw coal production was 0.017, which was far lower than the average rate of domestic key coal mines and at a world-leading level.

Employees are the main driving force for the development of China Shenhua. In 2009, China Shenhua endeavored to create a safe and healthy work environment; to attract high level professionals; to strengthen its skill training to employees; to improve the personnel selection and designation mechanism and the incentive and restraint mechanism; to improve the living conditions of its staff; and to implement the "Felicity Project" so as to make Shenhua's employees "the corporate employees with highest felicity index".

To explore clean energy and low-carbon economy is the development direction of China Shenhua. It is an inevitable choice for China Shenhua in order to cope with the climate change and seek sustainable development. China Shenhua is dedicated to adjusting its industrial structure and product mix in respect of "coal" and promote the upgrading of the industry with a view to turning the "black" industry into "green" and developing China Shenhua into an "environmentally-friendly" company. In 2009, through various environment protection and resources saving measures such as the commencement of the ecological management, emission treatment and integrated utilization at mining areas, energy conservation and emission reduction, the Company increased its coal resources recovery rate, utilization rate, protection of water resources, promoted its harmonious co-existence with the ecological environment, and increased the sharing composition of renewable resources. Meanwhile, the Company is operating and establishing a number of integrated utilization power plants to increase the utilization rate of energy. In 2009, the emission of sulfur dioxide and COD (chemical oxygen demand) satisfied the emissions reduction target levels set under the "Eleventh Five-Year Plan" in advance and the gross energy consumption per RMB10,000 production in respect of our coal production and transportation businesses represented a year-on-year reduction by approximately 5%. The Company will persevere in continuously providing the public with clean, green energy and develop low-carbon business.

The Company insists in technology innovation, and increases its competitiveness by advancing its technologies. In 2009, the Company was active in conducting researches and promotion of key technologies and core equipment. The application of the achievements in technology innovation, particularly the 7-meter high mining height hydraulic support, effectively enhanced the production efficiency of the Company, reduced the procurement costs and promoted the technological upgrading by domestic suppliers. It also strengthened the production safety, environmental protection and energy conservation and emission reduction through the research of such technologies as efficient exploitation of coal, improvement in coal quality, integrated utilization of resources, energy-saving power generation and efficient and safe coal combustion.



Harmonious development is China Shenhua's objective of its performance of social responsibilities. The Company improved its governance structure, strengthened its internal control, adhered to the principle of operation in good faith, enthusiastically participated in public welfare activities and achieved win-win situation with its shareholders, customers, suppliers and creditors and the community. In 2009, the Company made donations of more than RMB40 million and made active contributions to the relief efforts of the snow storm in northern China and energy conservation for national day. The Company also endeavored to maintain the national energy safety and guarantee stable supply of energy.

Looking forward to 2010, committed to developing into the "five-model enterprise", the Company aims to further refine and optimize the work of corporate social responsibilities and incorporate the awareness of social responsibilities into the DNA of the Company. The Company will also strive to perfect its management structure of social responsibilities and communication mechanism, enhance the mutual understanding with the relevant interested parties, reinforce the international exchanges and communications, upgrading corporate competitiveness, strengthen the building up of its credibility, maintain market and economic order, insist a balanced development between its business development and performance of social responsibilities, so as to achieve a harmonious development of the enterprise, society and natural environment.

#### **Zhang Xiwu**

Chairman



Beijing, China 12 March 2010

Regulatory meeting, information disclosure, investor hotline and investor mailbox, investors' meeting, roadshow, reverse roadshow and Company's website

Participating in the enactment of laws, regulations and policies, attending the relevant meeting, reporting, statistics and statements and filing of information

Contracts, agreements, products and services and cooperative development

Contracts, agreements, customer services and tailor-made development products

Industrial association and conferences

Labor contracts, the employee representative committee, trade unions and the office for petitions and appeals

Contracts and agreements

Cooperation and co-development, public welfare activities, advertising activities and guaranteed employment



# Corporate Governance and Regulated Operation

China Shenhua has firmly established the concept of strict compliance with laws and regulations, carrying on regulated operations according to law and is committed to establishing a modern corporate governance structure whereby the shareholders' general meeting, board of directors, supervisory committee and senior management have defined terms of reference, undertake their own responsibilities, execute check and balance and conduct independent operations.

The Company has adhered to the relevant requirements of the regulatory authorities and listing rules to regulate corporate governance. The Company has also formulated a set of rules and procedures for shareholders' general meetings, board meetings, special committees of the board and the supervisory committee; designed the rules on daily work and annual report of the audit committee; and strengthened the Company's strategic decision-making and risk management ability. The board of directors has set up the strategy committee, the audit committee, the remuneration committee, the nomination committee, and the safety, health and environment committee to promote the regularized operations of corporate governance.

In 2009, China Shenhua won the "Corporate Governance Awards – Top Ten Board of Directors Award" granted by the Shanghai Stock Exchange.

# Corporate Governance and Regulated Operation

#### General Meetings

In accordance with the requirements of the listing rules in the place of listing, the Articles of Association and Rules and Procedures of Shareholders' General Meetings, the Company defines the procedures for assembly, notification, convening, consideration and approval of proposals, voting and disclosure. Shareholders fully enjoy various rights such as right of information, to speak, to address questions and to vote. To fully safeguard minority shareholders' interests, Shenhua Group Corporation Limited, controlling shareholder of the Company, participates in the decision-making for the operations of China Shenhua through general meetings and board meetings. Connected shareholders or connected directors are required to abstain from voting on any issue relating to the controlling shareholder considered at a general meeting.

Generally, the Company holds the general meeting in Hong Kong or Beijing. The notice of such general meeting shall be given at least 45 days prior to the convening of the meeting with particulars of the meeting being published at the website of the stock exchange in the place of listing in accordance with the listing rules in the place of listing and the requirements of the regulatory authorities. Apart from accepting preregistration of shareholders' attendance, the Company also actively invites the attendance of minority shareholders and fund analysts. The procedures of the meeting are conducted in strict accordance with the listing rules of the PRC and Hong Kong and the

Articles of Association. Sufficient time shall be given to shareholders for consideration of resolutions proposed and for Q&A session, realizing good communication exchange between the management and shareholders. The scrutineers of the meeting consist of representatives of shareholders, representatives of supervisors and lawyers. The whole process of the meeting shall be attended and witnessed by the PRC and overseas legal advisers and auditors of the Company. The resolutions of the meeting shall be disclosed fully and timely in accordance with the requirement of the listing rules of the place of listing.



2008 annual general meeting

Following the listing of its H shares in 2005, the Company held three general meetings in Hong Kong, namely the 2005 AGM, 2006 AGM and the first EGM of 2007.

Following the listing of its A shares in 2007, the Company held the 2007 AGM and 2008 AGM in Beijing. At the 2008 AGM held in Beijing on 5 June 2009, shareholders attending in person and by proxy totaled 28, and the number of shares represented by them was 16.49 billion shares, representing 82.9% of the total share capital of the Company, which fully reflected the will of shareholders. Meanwhile, the Company held the 2009 first class meeting of the holders of A Shares and the 2009 first class meeting of the holders of H Shares at which resolutions in relation to the grant of general mandate to the Board of the Company to repurchase the A Shares and H Shares of the Company were considered.

## Board of Directors and Board Committees

Directors of the Company are elected at the general meeting. The Company has established a Board whose members are from a variety of backgrounds. Members of the Board have extensive experience in macro economics management, management of coal industry, financial and accounting management and legal affairs. Each director's knowledge base and area of expertise are professional and complementary, which ensure the scientific decision-making of the Board and the effectiveness of significant decision-making of the Company. The Company has established

five Board Committees under the Board. Prior to the board meeting, the special committees of the Board will consider and review the items in the agenda to enhance the operational efficiency of the Board and provide support for the right decision-making of the Board. The offices of each Board Committee and part-time departments cooperate closely to facilitate the smooth operation of the Board and the special committees of the Board.

As at 31 December 2009, the Board of the Company comprises of 8 members, of which 2 are executive directors, 2 are non-executive directors and four are independent non-executive directors. 10 board meetings were held in 2009.

The Company is committed to complying with the relevant laws and regulations and the Articles of Association, the rules and procedures of board meetings and has put in place the System of Independence of Directors of China Shenhua Energy Company Limited, the System of Decision-making of Related Party Transactions of China Shenhua Energy Company Limited and the Rules on Work of Audit Committee of the Board of China Shenhua Energy Company Limited that further define the terms of reference of independent non-executive directors to protect the independent non-executive directors in the commencement of work, adhere to the independence of independent non-executive directors and execute the independence function of independent non-executive directors with a view to regulating the operations of the Company and safeguarding the legal interests of medium and small shareholders.

CHINA SHENHUA ENERGY COMPANY LIMITED

In 2009, Mr. Gong Huazhang was elected as the independent non-executive director of the Company. The number of independent non-executive directors of the Company is thereby increased to account for half of the members of the Board. At the same time, Mr. Gong Huazhang was appointed by the Board as members of the audit committee, remuneration committee, safety, health and environment committee of the Board to execute the duties of independent non-executive director more effectively and ensure the regulated operation of the Company.

#### **Supervisory Committee**

The Supervisory Committee of China Shenhua, had, under the principle of integrity, honestly carried out their supervisory duties, protected the interests of shareholders and duly overseen the operations and the financial position of the Company as well as the performance of duties by the directors and senior management of the Company, in accordance with the Company Law of the People's Republic of China and the Articles of Association. The section only contains a brief description of the Supervisory Committee. Please refer to the relevant sections of the Supervisory Committee's Report in the Company's 2009 Annual Report for more details.

#### Internal Control

Since its establishment, the Company has been dedicated in the establishment and improvement of an internal control system and continued improvement of its control procedures with an aim to increase operation efficiency and reduce operation risks. The Board of the Company has established a leader group and a work group for review and assessment for internal control, and the internal control audit department is responsible for the internal control tasks. The Company has established a series of internal control

systems and control mechanisms on various aspects covering assets supervision and management, capital management, investment management and personnel management, ensuring that the Company's business activities are systematically conducted in accordance with appropriate authorization, achieving the target of protecting the Company starting from basic staff, and a closed-end monitoring system to promote establishment of internal control culture starting from the management.

The connected transactions are crucial to the Company's internal control. The Company has a related party transaction team under the direct leadership of the Chief Financial Officer, which is responsible for the management of connected transactions (including related party transactions); and has established a business process which properly delineates the responsibilities of the Company, its branches and subsidiaries in the management of related party transactions. The team has also established routine examinations, reporting systems and accountability system in the branches and subsidiaries of the Company. In 2009, the Company formulated and improved the "Application and Reporting Requirements for Connected Transactions of China Shenhua Energy Company Limited" to regulate and strengthen the management of related party transactions of the Company.

This section only contains a brief description of the Company's internal control. For more information, please refer to the Company's Self-assessment Report on Corporate Internal Control for 2009.



Chairman Zhang Xiwu attended the award presentation ceremony of "Corporate Governance Awards – Top 10 Board of Directors Award"

#### Social Responsibility Management Structure of the Company

China Shenhua endeavors to improve the governance structure for its corporate social responsibilities. The Company's board of directors and its strategic committee, audit committee, remuneration committee and safety, health and environment committee are responsible for determining and managing the Company's social responsibility strategies. The senior management of the Company is responsible for implementing the decision-making of the Board and supervising the daily operations in relation to the social responsibilities of the Company. The headquarters of the Company and each of its subsidiaries and branches have set up a special standing body respectively such as energy-saving and emission-reduction office, and designated management staff and personnel to the relevant departments to perform social responsibilities and affairs, including remuneration and benefits, occupational health, energy conservation and environmental protection, technology innovation, production safety and employees' interests. The general office of the Company has created a managerial position for social responsibilities, who is responsible for day-to-day administrative work in relation to the social responsibilities of the Company. The investor relations department is responsible for the information disclosure relating to the corporate social responsibilities and replying to inquiries from stakeholders such as investors and regulatory bodies in relation to the performance of corporate social responsibility.

Since 2007, the Company has implemented a corporate annual business evaluation system with a view to developing into a "five-model enterprise". By turning a number of tasks of the enterprise in regard to production, management and social responsibilities into indicators and targets, layers have been disintegrated into primary units and individuals, hence ensuring the implementation of the relevant work of corporate social responsibilities. In 2009, the Company further revised the "Measures of developing into a "five-model enterprise" assessment cum annual performance appraisal", with the annual appraisal clarified by way of a performance appraisal responsibility letter as signed by the President of the Company and the subsidiary alongside the formulation of corresponding incentive measures, in an attempt to propel effective implementation of the targets of becoming a "five-model enterprise".

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Five-model enterprise	Targets				
Quality and efficiency	Aiming at the alteration of the format of economic growth with the adjustment of product and industrial structure plus intensive production, intensive management and scientific management as the means, the path of connotative development will be persistently followed for the coordination and unification of development pace, development quality, structure and efficiency of the enterprise, hence driving the enterprise to grow rapidly and soundly.				
Intrinsic safety	Upholding the "people-oriented" principle with safety production as the basic requirement, the "Four Persistence and Strengthening" as the cornerstone, fostering of safety culture as the carrier and preventive risk management as the means, safety will be placed in the top priority in every aspect ranging from site development arguments, design, construction to production and business management in pursuit of the unification of people, machines, materials, environment and management, hence achieving safety development.				
Technological innovation	Aiming at the realization of independent innovation, two fundamental aspects namely technological and market development will be captured; efforts will be put in enhancing original innovation; new capabilities will be recreated on integrated innovation and absorption; transformation of technological achievements into actual productivity will be accelerated and the protection of intellectual property will be strengthened, driving for continuous improvement of the core competitiveness of the enterprise.				
Resource reservation	Aiming primarily at the continuous improvement of the recovery rate of coal resources and the rate of resource utilization as well as the promotion of the reduction in energy consumption, efforts will be made to build the Group into an economic system of great circulation integrating coal, power, railway and port operations with coal as the foundation and power as the lead while complementing with the extension of industrial chain and the comprehensive utilization of waste resources, hence pushing forward sustainable and healthy development of the enterprise.				
Harmonious development	Aiming at the comprehensive construction of a harmonious and relaxed environment for development, each relationship will be properly handled with efforts focused on the promotion of harmony in terms of industry, internal organization, corporate culture and the relationship between the enterprise and locality, achieving coordinated development.				

#### Anti-corruption

The Company attaches great importance to anticorruption. In 2009, the Company established the Supervision Department which is responsible for anticorruption tasks. China Shenhua formulated and promulgated the directives including "Summary of Anticorruption Development for 2009" and "Education and Learning Proposal of Anti-corruption Development and Promotion for 2009" to arrange for various anticorruption tasks on full scale. Leverage on its own conditions, all branches and subsidiaries have studied and formulated the specific measures for thorough implementation to ensure the execution of anticorruption tasks in terms of publicity, organization and supervision. The Company has taken such measures as strengthening anti-corruption education, establishing and improving the policy system and enhancing supervision to effectively improve the Company's ability to fight against corruption and promote the healthy, steady and harmonious development of the Company.

The report only contains brief information on corporate governance. For more details, please refer to the relevant sections of the Company's 2009 Annual Report.

## Case Improving the mode of corporate governance and Study: facilitating the intensive management of the Company

In 2009, under the guideline of strategic objectives of "pursuing scientific development, reshaping Shenhua and doubling the economic aggregate output within five years" and the principle of enhancing the management level, increasing the management efficiency and optimizing the resource allocation, the Company adjusted the layout of the function departments at the headquarters and optimized the duties of the management at the headquarters to appropriately to meet more difficult and deep management, whilst implemented the mode of segmental management and moved ahead the professional management and refined management to increase its core competitiveness.

Shendong Mines is the major mine area of China Shenhua. However, as China Shenhua has four branch companies in Shendong Mines for a long time, it results in organizational duplication, repeated purchase of equipment, excess accumulation of spare parts inventory and considerable duplication of construction. In 2009, the Company restructured the four companies in Shendong Mines into Shendong Coal Group. After integration, Shendong Coal Group's output of commercial coal in 2009 amounted to 149.9 million tonnes, representing approximately 71.3% of China Shenhua's output of commercial coal. Through the integration of the four companies in Shendong Mines, the Company can enjoy the strengths of low costing and high profitability thus enhancing the level of intensive management of the Company.



# Operation in Good Faith and Mutual Success in Harmony

Since its establishment, by adhering to the principle of "operation in good faith and mutual success in harmony", China Shenhua has achieved sustainable and rapid growth of its businesses and significantly improved its profitability.

The support from all relevant interested parties forms the basis on which China Shenhua survives and develops. In balancing business development and social responsibilities, China Shenhua will focus on the key management measures to develop into a "five-model enterprise", through continuously strengthening its management, increasing its investment, fully utilizing the scientific advancement and technology innovation to upgrade the safety level of each business segment of the Company and improving the occupational health conditions of employees. China Shenhua will also honor its commitments to its business partners such as customers and suppliers so as to achieve a win-win situation. Besides, China Shenhua will take initiative to promote energy conservation and emission reduction, increase the utilization efficiency of resources and improve the ecological environment of the places where the Company carries out its businesses with an aim to achieve a sound interaction and mutual development with the local government and the community. China Shenhua strives to maximize the common interests of the Company and its relevant interested parties, and reward them with its development achievements.

# Operation in Good Faith and Mutual Success in Harmony

#### **Investor Relations**

The H shares and A shares of China Shenhua were listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June 2005 and October 2007 respectively. As a publicly listed company, the Company strives to provide timely information of the Company to investors and share the achievements of its corporate development with the investors. The Company is concerned about investor relations and therefore established an information disclosure system, whereby information will be disclosed on a timely, accurate and complete basis. China Shenhua has an active, interactive, professional and standardized investor relations program, and has put in place stable dividend policies with high dividend rate. For details, please refer to the relevant sections of the Company's 2009 Annual Report.

#### Information disclosure

The Company attaches great importance to information disclosure. In view of the different requirements and practices of the investors and markets of A shares and H shares, the Company discloses its information on a timely, accurate and complete basis in strict accordance with the regulatory requirements of the places of listing.

The Company's annual report, social responsibility report, interim report and quarterly reports were issued in 2009 in accordance with the laws and regulations. Periodic reports form the basis on which

the Company enables its investors to have a correct understanding of the Company's profit model and make correct assessment of the Company's value, and carries out daily investor relations activities. Further, periodic reports also serve as an important means of the Company to improve the transparency of its corporate governance, encourage improvement of its operation as required by the capital market, convey its corporate culture and establish the corporate image.

In 2009, the compilation of the Company's annual reports and interim reports has been changed to focus on the description on how each business segment met the challenges of the financial crisis and strived to achieve a sound results of operation. Quarterly reports provide more disclosure of the key issues concerned by the market such as the Company's operation highlights, its implementation of strategies, results of negotiations of contractual coal price and the growth trend of costs. These reports meet the expectation of the market and receive satisfactory response. The corporate social responsibility report prepared in accordance with the new requirement of the Shanghai Stock Exchange sets forth a set of indicators for the major social responsibilities of the Company. Such report has received well response from different sectors of the society. In 2009, the Company's 2008 social responsibility report has won various awards in different overseas and domestic report preparation competitions and in the assessment of the performance of social responsibilities.

Save for the publication of results announcements by the Company in accordance with the listing rules, the Company has issued a total of 140 announcements in Hong Kong and Shanghai in relation to its operation and management, including:

- Monthly disclosure of major operational information, so that investors may be informed of the production and operating conditions of the Company in a timely manner;
- Announcements on approved projects and commencement of operation of production units relating to railway, ports and power plants according to the progress of the projects conducted in various business segments, and announcements on adjustment of tariffs and redesignation of functions of the headquarters;
- Subject to the regulatory requirements, the announcements on directors' resolutions and resolutions at general meeting, and other announcements on connected transactions and unusual share price fluctuations.

In addition, the Company revamped its company website, expanded the coverage on the operation of various segments of the Company which the investors are concerned about and set up interactive forums and launched network platforms of the Company. The Company continued to improve its information disclosure procedures and systems. Based on its established "Information Task Force", the Company further strengthened internal exchanges and mutual learning and enhanced the efficiency in information collection and handling, and further enriched the information of the periodic reports.

#### Investor Relations Activities

The year of 2009 was a year with challenges and opportunities. The market began to regain confidence with the launch of a series of economy stimulus measures by various governments worldwide and the stabilization of the international capital market. China Shenhua disclosed its latest development to both domestic and international investors in a timely, comprehensive and objective manner and shared with them China Shenhua's analysis of the industry and macro-economy, thus strengthening the interactive exchanges between the domestic and overseas capital markets and attaining satisfactory achievements.

Case study:

The Company was active in conducting reverse road shows to promote the understanding by the investors of the Company's business

On 11 August 2009, China Shenhua organized the 2009 reverse roadshow and visited Bu'ertai mine of Shendong Coal Group and the coal to liquid production line of Shenhua Group in Ordos with 88 domestic and overseas investors and securities firms, and attained positive results.

In Bu'ertai mine, the management of China Shenhua introduced the specific conditions of Shendong Coal Group after consolidation and responded to the queries raised by investors and analysts. The head of Bu'ertai mine gave out the description of Bu'ertai mine and arranged the visit to the working place for investors and analysts. In terms of the coal to liquid production line of Shenhua Group in Ordos, investors and analysts visited on-site the procedures of the related technology and listened to the specific introduction by the head of China Shenhua Coal Liquefaction Company Limited on coal to liquid operations.

Through the exchange, the investors and investors were very supportive to the Company in organizing the reverse roadshow and intended to participate in the relevant activities in the future.

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#### Performance of Share prices



In 2009, China Shenhua communicated with investors and analysts in a positive and frank manner through various channels such as results announcement conference, worldwide roadshow, reverse roadshow, 2008 AGM, investment forums, company visits and teleconference, meeting in aggregate more than 2,000 analysts and fund managers.

The Company pays close attention to individual investors. To ensure the full interest of the minority investors of China Shenhua, the Company has continued to make use of the convenient and popular means of communication such as mail box to the secretary of the Board and investors' hotline for communication with investors of different levels, and to ensure they can access the information of the Company in a timely and comprehensive manner.

In 2009, the Company further improved the investor relations systems including the "Reception System for Investors of China Shenhua" and a number of work processes namely the "Work Process of Results Announcement Conference", the "Work Process of Reverse Roadshow", the "Work Process of Reception for Investors", the "Work Process of Investors' Feedbacks" and the "Work Process of Non-Trading Roadshow" to facilitate the systematic development of investor relations work.

#### Dividend distribution policy

The Company distributes dividends in accordance with the Company Law and the Articles of Association. The Company adopts an on-going and stable dividend distribution policy. After listing, a total of cash dividend of RMB43.684 billion has been distributed by the Company from 2005 to 2008. The Board recommends a final dividend of RMB0.53 per share for 2009. Total amount of cash dividends was approximately RMB10.541 billion, representing 34.8% of the basic earnings per share in accordance with the PRC GAAP.

Dividend year	Distribution time	Amount of cash dividend per share (tax inclusive) (RMB/share)	Amount of cash divided (tax inclusive) (RMB million)
Final dividend for 2005 (from 15 June 2005 to 31 December 2005)	June 2006	0.125	2,261
Final dividend for 2006	July 2007	0.34	6,150
Special dividend for 2007	October 2007/June 2008	1.13	22,544
Final dividend for 2007 (from 1 July 2008 to 31 December 2008)	June 2008	0.18	3,580
Final dividend for 2008	June 2009	0.46	9,149



2009 interim results presentation

#### **Customer Relations**

The Company is primarily engaged into the production and sale of thermal coal products and the conduct of sizeable power generation business. Under the mission of "The Customer is God", the Company places great emphasis on its relationship with customers and is committed to implementing the system of "Two Markets with Two Kinds of Resources", enhancing the quality of after-sales services, establishing a long-term and stable work relationship with customers in an effort to drive the win-win cooperation with the customers and enhance the industry position and corporate image.

#### Coal sales

The Company's coal production operations are mainly located in the Inner Mongolia Autonomous Region, Shaanxi Province and Shanxi Province and the coal products are mainly transported to the domestic and overseas markets through the Company's railways and ports, whereas part of the coal is sold at the mine mouths. Domestically, the coal is primarily sold to the coastal areas in the eastern and southern regions.

As for exports, the coal is mainly sold to Korea, Japan, China Taiwan. In 2009, the sales volume of China Shenhua's commercial coal amounted to 254.3 million tonnes. The sales volume of the Company's seaborne coal in domestic sales amounted to 145.6 million tonnes and the national coal transhipment volume for domestic sales through domestic ports in 2009 amounted to 430 million tonnes, accounting for approximately 33.8% of the China Shenhua's market share along the coastal regions. The sales volume of the coal exported amounted to 13.6 million tonnes, accounting for approximately 60.7% of the coal exports in China.

The Company's coal products are generally sold to domestic and overseas coal-fired power plants, metallurgy and chemical companies. In 2009, the Company focused on establishing a long-term relationship with the customers and entered into a long-term coal supply agreement to set up the national coal reserve base and actively rolled out the mega sales strategies to ensure stable coal supply and achieve a win-win condition with the customers.

## Case China Shenhua went full steam ahead to protect study: energy supply

At the end of 2009, the northern part of China was hit by severe snowstorms. The snowstorms led to blockages in railway for coal transportation. In particular, the coal reserves in Qinhuangdao Port dropped substantially. The power plants in various regions nationwide faced severe shortages in coal reserves and might experience shutdown at any time. To cope with the severe weather and shortage of power and coal across China, China Shenhua took the initiative to undertake its social responsibility to hold onto the coal and power related production, transportation and sales to ensure the energy supply.

As the largest modern coal production base in China, Shendong Coal Group adheres to improving productivity with technology and enhancing production efficiency of coal and power with a view to maximizing the potential production capacity.

During the severe snowstorms, all employees of Shuohuang Railway responded swiftly and participated in the anti-snowstorm campaign with a high sense of responsibility and mission to ensure smooth and safe passage of the main arm of Shenhua's transportation operations and protect the safety of national energy resources.

In 2009, the coal market in China was under considerable impacts from the financial crisis. In order to stabilize the market, reduce the transaction costs and establish a win-win condition with customers in the long run, the Company carried on active communication with a number of key customers including China Resource Company and Shenzhen Energy Group and entered into long-term coal supply agreements to lock the quantity of commercial coal supply from the Company to its customers in the future, satisfying the customers' coal demand for development. To help our long-term key customers to overcome the interim difficulties, the Company agreed to receive acceptance bills on a conditional basis to alleviate the liquidity pressure of the customers.

To provide better services to the customers and expand the sales market of Shenhua coal, the Company kicked off the project of constructing the coal reserve base and the intermediary distribution base. In 2009, the Company conducted a trial run of the intermediary base in Zhangjiagang, providing services to customers in Jiangsu, Zhejiang, Shanghai, Anhui and Jiangxi. It also made use of the existing facilities of Taishan Power Plant to set up Shenhua's coal reserve base where such coal reserve base has commenced trial operation and recorded sales. The Company has further improved the sales channels and extended the sales terminal with the coal reserve base and intermediary distribution base, which can ensure the continuous and steady coal demand from the customers, enhance the market stability and safeguard the safety of national energy resources.

### Quality of services to coal customers

The Company constantly improves its customer services and strives to improve customer satisfaction. The Company also improved its service quality and reduced and prevented disputes with its customers through the establishment of communication associations which are open to customers, customized product development based on customers' needs and strict control over coal quality.

### Conduct regular customer visits to increase bonding with customers

The sales center of the Company arranges for visits with key customers each quarter to listen to their comments and recommendations and help customers solve the coal combustion issues. The customers found our visits satisfactory. The Company disseminates the customer satisfaction questionnaire survey once every two years. According to the results of our survey in 2008, the customer satisfaction rate for Shenhua's coal quality was 97% and the other satisfaction indicators exceeded 95%.

# Establish a good relationship with customers through the platform of "Shenhua coal" laboratory association

The Company has set up the "Shenhua coal" laboratory association comprising regulatory bodies at the port and the place of origin and customers' technicians to identify the problems encountered by customers in using "Shenhua coal" and provide timely and effective support, so as to strengthen the communication and exchange with our customers. In 2009, the Company made use of the platform of "Shenhua coal" laboratory association and invited the laboratory representatives of our key customers for technology exchange, which further reduced the laboratory deviation between the Company and the customers and minimized the unnecessary quality disputes. At the same time, the Company set up the internal mining, processing and sampling training program to further regulate the procedures of mining, processing and sampling.



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Satisfy customers' various needs through customized product development

Besides visiting customers, the Company also conducts customized product development and research to satisfy our customers' needs based on their requirements and suggestions in the following manner:

- Provide customized services for customers and develop the coal category that best satisfy customers' needs by such means as pre-sales coal blending. In 2009, the Company formulated 46 export shipment plans and 172 domestic coal supply plans in addition to the coal quality analysis of 23 basic coal categories of Shenhua's five major lines, further improving the content of customized services;
- Optimize the product mix to satisfy customers' needs. In 2009, the Company completed two rounds of preparation for the proposals of product mix optimization and selected 30 product mix optimization proposals, and formulated the "Coal Product Mix Optimization Proposal". In upgrading the quality and processing of coal and optimizing the product mix, the Company further satisfied the customers' needs and enhanced the potential profitability of coal.

Establish a systematic management and control system to ensure satisfactory coal quality

Pursuant to the national and industry standards and requirements of the ISO9001 quality management system, the Company established a regularized, systematic and informationized coal quality control and management system. Details of the measures taken are as follows:

- improve the measures on management of coal quality and the coal quality management system, implement coal quality control to enhance the quality standard of our coal products; and produce high quality and clean coal products;
- maintain the systems for on-site management of coal quality, system for inspection and forecast of coal quality, coal quality information network system and system for coal upgrading and processing to ensure stable coal quality;
- proceed the mixed washing renovation and research on coal quality upgrade technology to control coal quality at the level of source;
- apply the advanced "Super Iron-separators" in Huanghua Port, Shenhua Tianjin Coal Dock and Qinghuangdao Port to remove the debris that are mixed in the coal in the course of production, transportation and storgage and improve the exterior quality of "Shenhua coal";
- provide product design and services support, provide customized services to customers and develop the coal category that best satisfy customers' needs by such means as pre-sales coal blending.

In 2009, our sales center successfully passed the recertification approval of ISO9001 quality management system, consolidating the foundation for the ongoing improvement of our coal quality management tasks.



President Ling Wen attended the inauguration ceremony of the coal-fired project in South Sumatra, Indonesia

#### Sales of power

The power generation operations of the Company are mainly located in mine mouth and areas along the railway routes and the coast. Its direct customers are power grids where the sales is made to the end users by them. The Company's power generation operations ensure power supply in a timely and effective manner in accordance with the dispatch of the power grids.

Under the guidance of the principle of "proximity to market, customers and production", the Company's power generation business has strengthened its control of production and sales. In 2009, Guohua Power Branch set up five marketing centers in Hebei, Guangdong, Dongbei, Jiangsu and Inner Mongolia so as to reinforce the overall competitiveness of the Company in the power market and establish a vivid image of "Reliable, Flexible, Standardized and Credible" for the Company's power generation business.

In response to the relevant State's policies, the Company is active in exploring the transaction of direct power dispatch with its major customers. In 2009, the Guohua Zhunge'er power plant and Baotou Aluminum entered into a power supply contract for 3-year supply of 10 billion kwh which signifies the win-win cooperation among power generation enterprise, power supplier and power users.

#### Supplier Relations

The Company adheres to the principle of "Arm's Length Negotiations and Achievement of Mutual Benefits" and strives to build long-term strategic partnership with suppliers possessing sound qualification and credibility as well as high quality products and services.

The Company has formulated, and strictly implemented, the "Procurement Management Policy of China Shenhua Energy Company Limited (Trial)", under which the Company has established a unified supplier management system in accordance with the principles of "Centralized Management, Dynamic Appraisals and Survival of the Fittest". The Company carries out a quantitative qualification test and appraisal of suppliers and has established long-term cooperative relations with suppliers that have high product quality, strong service capability and sound credibility by entering into agreements with them. The Company conscientiously performs its contract entered into with the suppliers and received good commercial credibility and strong support from suppliers.

## Case Process of localization of gate conveyors used in Study: Shendong Mines

At the initial stage of establishment of the Company's Shendong Mines, most of the gate conveyors used by the Company were imported from overseas. The time required for the delivery of such imported equipment was relatively long and the prices were expensive. Also, there was no manufacturer of similar equipment in China.

To reduce the operating costs of the Company, advance the technological level of China's coal machinery industry and satisfy the Company's requirements of high productivity and efficiency, the Company entered into the conveyor technology agreement and the purchase contract with Ningxia Tiandi Xibei Coal Machinery Co., Ltd. to jointly conduct the research and development of conveyor equipment that is capable to satisfy the conditions of mines with high production and efficiency in China and their production requirements.

The industrial trial operation of the sample machines of the trough conveyor jointly developed was conducted in 2005. In 2006, the sample machines were put in operation in Daliuta mine at Shendong Mines. The performance of such machines is high with the major indicators of performance such as total installed power capacity, loading capacity and reliability comparable to the levels of imported products. The Company gave comments and advice on the performance of such machines according to their actual operation. After the completion of major technological improvements and successful application to the remaining approximately 30 sets of machines to be manufactured, the procurement costs of the Company was reduced while the upgrading of the domestic manufacturing industry was promoted, thus achieving a win-win situation.

China Shenhua is committed to cooperating with domestic suppliers, speeding up the localization process of high-end equipment and giving priority to domestic materials and equipment featuring sophisticated production technology, reliable product quality and significant price advantage. This not only reduces the Company's procurement costs, but also effectively promotes the upgrading of the domestic manufacturing industry and creates a win-win situation. For details of the equipment localization, please refer to the relevant sections of "Achievements in Technological Innovation" of this report.

Besides purchasing quality products featuring excellent quality, comprehensive services and sophisticated technology, the Company also sets the indicators for energy conservation and consumption reduction and avoid using phased-out domestic products and low-technology equipment, so as to ensure the energy conservation and environmental protection in the production process of China Shenhua and urge suppliers to perform their social responsibility as to energy conservation and consumption reduction.

The Company's five largest suppliers in 2009 were domestic suppliers. The Company's purchases therefrom represent approximately 20.4% of the Company's total purchases.

#### **Creditor Relations**

Based on its relatively solid financial structure and sufficient cash flows, the Company actively takes advantages of its financial leverage to create greater value for the shareholders. The Company's major creditors are banks.

The Company has placed constant emphasis on its cooperative relationship with banks, and is committed to establishing a competitive and diversified financing system. The Company strives to consolidate its indirect financing channels and ensure the availability of financial supports to its production and operation, and enjoys relatively favorable financing costs through the entering into of cooperation agreements and facility and borrowing agreements with major financial institutions. The banks provide loans in a timely manner as they have sufficient confidence in the financial structure and healthy operation of the Company. The Company repays the principal and interest thereon on schedule and has established a long-term friendly cooperative relationship with the banks.



Full view of Ninghai Power Plant



# Production Safety and Employees' Interests

#### Objective of Production Safety:

"Endeavoring to prevent serious liability accidents, striving to reduce general accidents, and targeting to eliminate liability fatality accidents with zero fatality rate per million tonnes of raw coal production"

#### **Principle of Production Safety:**

"Reaching zero fatality rate in coal mines"; "Keeping gas emission within the restricted level to avoid any accidents"

#### To Maintain Safe Production in Every Workplace:

"The coal miners' workplaces are under the mines, the railway workers' workplaces are on the lines, the port workers' workplaces are on the routes and the power plant workers' workplaces are in the workshops"

# Production Safety and Employees' Interests

#### **Production Safety**

China Shenhua regards production safely as its primary social responsibility. The Company is committed to becoming an "intrinsically-safe" enterprise strictly according to its principles of "safe development" and "people orientation". Since its inception, the Company's operations including coal production, transportation and power generation have a good history of safety. The Company has become a role model in China's coal industry in terms of scale, efficiency and production safety model. In 2009, the Company's fatality rate per million tonnes of raw coal production was 0.017, reaching a world-leading level. For our transportation operations, no general and more severe liability traffic accidents and marine accidents occurred, nor any general and more severe liability equipment accidents occurred for our power generation operations.

#### Safety management mechanism

From the headquarters to each subsidiary, branch and production unit, the Company has set up a safety production function at each level of the Company, responsible for the implementation of the hierarchical and vertical management model in accordance with the principle of "The headquarter supervises, the production units undertake, and all staff participate in". The board of directors, together with its safety, health and environmental committee and vice presidents in charge of safety affairs in are responsible for production safety. In 2009, to further reinforce

its efforts in the production safety management, the headquarters of the Company has the safety, health and environmental department, which was a special department originally responsible for production safety, upgraded as the Safety Supervision Bureau primarily responsible for the management of safety, health and environmental protection matters of the Company, while safety supervision functions were set up at each level of the subsidiaries, branches and production units. The functions of safety management and supervision are integral parts of the day-to-day production of the Company.

In 2009, the safety, health and environmental committee of the board of directors properly discharged its responsibilities in strict accordance with the "Articles of Association of China Shenhua Energy Company Limited" and "Rules of Procedure for the Safety, Health and Environmental Committee of China Shenhua Energy Company Limited", including obtaining the most updated information as to safety of the Company on a timely basis, studying and overcoming all problems relating to the resolutions, and promoting the coordination and stable development of all safety measures of the Company.

Name	Date	Venue	Attendants	Resolutions Passed
The ninth meeting	26 March 2009	In written form	Huang Yicheng, Zhang Yuzhuo, Ling Wen and Han Jianguo	"CSR Report 2008 of China Shenhua Energy Company Limited", and "Summary of the Safety, Health and Environmental Work for the First Quarter and Report on Key Work Arrangement for the Second Quarter of 2009 of China Shenhua Energy Company Limited"
The tenth meeting	25 December 2009	In written form	Huang Yicheng, Zhang Yuzhuo, Ling Wen and Han Jianguo	"Summary of the Safety, Health and Environmental Work for 2009 and Key Work Arrangement and Planning in 2010"

The Company discussed the issues of production safety through convening general production safety meetings and special production safety meetings to enhance the level of production safety of the Company. In particular, a total of 4 general production safety meetings were held in 2009.

Name	Date	Venue	Attendants
Production safety meeting for the year 2009	1 January 2009	On-site	Chairman Senior management General managers of each department Heads of each subsidiary and branch
Meeting on the development of the intrinsic safety management system	7 May 2009	On-site	Senior management General managers of each department Heads of each subsidiary and branch
Video/phone conference on production safety	2 November 2009	Video/phone conference	Senior management General managers of each department Heads of each subsidiary and branch
Production safety meeting for the year 2010	31 December 2009	On-site	Chairman Senior management General managers of each department Heads of each subsidiary and branch

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Last two years, the Company has formulated and set up various rules, measures and systems such as the "Safety Responsibility System of China Shenhua Energy Company Limited" and the "Administrative Measures of Rewards and Penalties for Production Safety of China Shenhua Energy Company Limited", and adopted the systems such as "Interim Rules on the Special Fund for Mining Safety of Shenhua Group Company". Our subsidiaries and branches have further revised and improved the mechanisms effective for the production safety management by improving and modifying various administrative systems including emergency aid, work group management, elimination of potential hazards, monitoring and control of sources of potential serious accidents, investment in safety measures, safety education and trainings, safety prediction and warnings, accident investigation and accountability, safety examination and review management and labor insurance management.



While establishing and improving the management mechanism, in 2009, the Company ensured the safety of its production and made progress in the establishment of the "Intrinsic Safety Management System" by raising awareness of safety, strengthening skill training, increasing its investment in safety as well as encouraging the use of information technology and machines. The "Intrinsic Safety Management System" aims at achieving production safety and applying the safety management into every process of production and operation so as to ensure a high standardization of staff, equipment, environment and management and achieve the goal of intrinsic safety. In 2009, the achievements of the research on the "Intrinsic Safety Management System" of the Company have been accredited with Class 1 Science and Technology Award in the China's coal industry.

As of 31 December 2009, 19 coal mines in production of the Company have adopted the "Intrinsic Safety Management System"; Huanghua Port was awarded 4 stars under the NOSA system, and is the first enterprise reaching 4-star level in the port industry in China; and Guohua Jinjie Energy Company was awarded 3 stars under the NOSA system.



Safety operation drill conducted by underground mine worker

#### Strengthening safety training

In 2009, the Company improved the safety awareness and operating skills of its front-line staff by particularly providing specific safety training to its employees at the basic level with a view to guard the first gate of production safety. Such training mainly covers the areas such as the qualification for safety management, the skills of safe operation, the standards on techniques, the emergency response management, the selfhelp actions and first aid and the relevant laws and regulations. The practicality of such training was also improved by combining after-work training with offjob training, safety training with job-specific training and theories with on-site operation. Through the measures such as the star rating of working units and the improvement of examination and review on working units, the employees' awareness of safety and operating skills and the motivation of basic working units have been enhanced. In 2009, all subsidiaries and branches of China Shenhua provided 855 various safety training sessions to its employees of 61,858 person-time.

Besides, the Company accelerated the training of mining professions and talents and the technical staff required urgently by the front-line production by cooperating with education institutions to organize the relevant courses and programs and provide continuing education, and adopting the measures such as the launch of commissioned education and training and the provision of scholarships to those engaged in tough professions.

### Reinforcing production management

To reinforce the management of coal production and to keep abreast of the changes in coal production are the basic measures to ensure the production safety of the Company's coal operation. The Company reinforced the management of production licences in order to carry out its coal production under safe conditions and in compliance with the relevant rules and regulations. The Company set up the accountability system for the detection and elimination of potential hazards, under which regular inspection would be conducted to address any potential hazards and risks of accidents at workplaces and facilities and equipment. Any identified potential hazards and risks of accidents shall be rectified in accordance with the relevant quality requirements within a prescribed period. In 2009, the Company improved the safety function of the mining system by optimizing its production system, application of new technologies, facilitating gas emissions, preventing the spontaneous combustion of coal and eliminating the defects of systems and equipment, which have laid down a solid foundation for the production safety of China Shenhua.

#### Increasing investment in production safety

Through the increase in investment in production safety, the Company managed to improve its production conditions, enhance the level of mechanization, ease its labor intensity and reduce the potential hazards and risks that may hinder the safe production. In 2009, the Company's investment in production safety amounted to approximately RMB2.88 billion. To ensure production safety, safety expenses incurred by the Company were calculated according to a particular percentage of their respective actual coal output.

In 2009, the investment in safety by the Company in respect of its coal segment was primarily used for the revamping and optimization of ventilation systems for coal mines, the improvement of the mining safety monitoring and control system and the gas pumping and emission system, the implementation of the fire prevention and extinguishing works and the flood prevention works, the upgrading of protection facilities for mechanical and electrical equipment, the purchase of antiknock devices for washing and loading systems and the first-aid and fire-fighting equipment; the investment in safety in respect of the transportation segment was mainly used for the abutment reinforcing works, the sub-grade reinforcing and slope reconditioning works, the installation of safety screen and the standardization of safety quality; the investment in safety in respect of the power segment was primarily used for inspection, repairing and maintenance of equipment and the operation of the NOSA system.





Director Zhang Yuzhuo visited the underground mine working face for supervision of work

### Promoting the application of technology in production safety

The Company actively made efforts in planning and carrying out the projects such as the application of technology in production safety, which cover the areas closely relating to the safety of coal production such as mining methods, fire prevention and fighting, the monitoring and supervision of mines with high gas content, the monitoring, prevention and control measures. The Company has ensured its production

safety by utilizing of its technological achievements. In 2009, the Company studied the layout of high-strength bolts support and the features of the parameters systematically to work out a full application pattern and applied such in support of the roofs under high pressure in the gates of the large mining height fully mechanized working face in Shendong Mines to ensure production safety effectively. As of 2009, all coal mines in production of the Company have been installed with the underground mobile communication system, the underground worker management information system and the monitoring systems for CO, CO<sub>2</sub> and gas. The mechanization rate of mining and excavation in all such mines reached 100%. The application for information technology in respect of the transportation and power generation segments reached the advanced level in the industry. Innovative researches and their achievements create a good condition for safe production by the Company, and effectively safeguard the maintenance of its production safety.

#### Achievements in production safety

The production safety of the Company's mines reaches the advanced level in the international coal mining industry. In 2009, the fatality rate per million tonnes of raw coal production of the Company was 0.017, reaching a world-leading level.

		2007	2008	2009
Fatality rate per million tonnes of raw coal	China Shenhua	0.006	0	0.017
	Key state-owned coal mines	0.383	0.330	0.374
	Coal mines in China	1.485	1.182	0.892
Number of serious accidents and of China Shenhua <sup>Note</sup>	0	0	0	

Note: As defined in the "Production Safety Accident Report and Investigation and Treatment Regulations" (No. 493 Order of the State Council).

### Case Shangwan coal mine at Shendong Mines has maintained Study: safe production condition for more than 10 years

Shangwan coal mine is located in Shendong Mines of the Company. In 2009, Shangwan coal mine had the commercial coal output of approximately 13 million tonnes, and is one of the important coal mines of China Shenhua with production volume of 10 million tonnes. Since 1998, Shangwan coal mine has kicked off the work on the standardization of the quality of safety and established an "intrinsic safety" management system applicable to mining safety management in 2007.

The specific functions of the "intrinsic safety" management system of Shangwan coal mine include: Establishing and improving a sound safety and production regulatory system and safety and production accountability system: conducting the routine risk identification work and incorporating it into day-to-day business; implementing rigid inspection system to eliminate the blind spots of safety management; establishing scientific examination and review methods and strengthening the supervision and examination of procedures; specifying the criteria of assessment to encourage everyone to reach the standard; carrying out the "Finger Pointing and Oral Narration" safety confirmation method to ensure the safety of operation; implementing the safety education and training to improve the integrated quality of safety; organizing team-building activities in order to solidify the foundation of the safety management.

Currently, Shangwan coal mine has completed the automation of the monitoring, supervising and surveillance systems and the centralization of the coordination control over the main transportation system, the water supply and drainage system for mines and the power supply system. Shangwan coal mine also promoted the use of trackless plastic wheels to facilitate the transportation and the adoption of the underground worker attendance and positioning management and the mobile communication with PHS (Personal Handy-phone System). As of 2009, the actual raw coal output of Shangwan coal mine reached 90 million tonnes, and there has been no accident causing material injury or relating to the electrical and mechanical operation for more than 10 years consecutively in Shangwan coal mine.

Up to 2009, Shangwan coal mine has been accredited as one of the super-safe and high efficiency mines nationwide for 10 years consecutively and has been awarded as one of the first National Demonstrative Intrinsic-safe Coal Mines, National Double Ten-Best Coal Mines and National Technology-Innovative Coal Mine; titled as superior enterprise in the "Cup of Safety and Health in China" Contest and Shenhua's super-safe standardized quality mine. Shangwan coal mine has become a model coal mine for China Shenhua to set the standards on the quality of safety.

No fatal liability accident has ever occurred in seven subsidiaries and branches of the Company for 3 consecutive years.

12 out of 19 coal mines in production have maintained safe production with zero fatality rate for more than 1,000 days, among which Shangwan coal mine at Shendong Mines has even maintained safe production with zero fatality rate for more than 10 years. 11 coal mines in production have been awarded as super-safe and high efficiency mines in the coal industry nationwide for 2008 by China National Coal Association, representing approximately 52.4% of the total number of mines in production of the Company and approximately 80% of the total output of the Company's raw coal.

For consecutive three years, neither traffic liability accidents nor water transport accidents at general and more severe level have occurred.

Since 2007, Guohua Power Branch has maintained a good record of production safety without any occurrence of general and more severe equipment accidents for three consecutive years.

In 2009, a number of branches and subsidiaries of the Company were awarded the title of superior enterprise in the "Cup of Safety and Health in China" Contest in 2008 jointly assessed by All China Federation of Trade Unions and State Administration of Work Safety.

#### Future Plan

China Shenhua is fully implementing the "intrinsic-safety management system", with a focus on prevention, control and management of risks in the four major aspects, i.e. personnel, equipment, environment and management. 2010 will be the "Year for Full Implementation of the 'Intrinsic-safety Management System'". In this year, through deepening the implementation of the "Intrinsic-safety Management System", more measures to promote the "intrinsically-safe production" will be implemented by the Company. In the next 3 to 5 years, the Company will strive to achieve the following goals:



Watermark project in Australia began geological exploration

Operation staff: with strong safety awareness, good safety skills, job-specific expertise and knowledge of standard operation procedures, achieving no "three breaches" (i.e. supervision in breach of regulations, operation in breach of regulations and conduct in breach of discipline) and ensuring personal safety.

Equipment and facilities: being in safe operation at any time of operation and forming a safety system that "operators and equipment are supplementary and conditional to each other".

Environmental system: ensuring a safe, healthy and orderly work condition for employees.

Management system: establishing a long-term mechanism for production safety which comprises the safety culture, the regulatory system for safety, the safety responsibility, safety technologies and the investment in safety, and meets the operation and management requirements of the Company.

#### Employees' Interests

With the solid establishment of the philosophy of "People Orientation and Enterprise Flourishing with Support of its Talents", the Company has set up the personnel mechanism for nurturing, attracting and making best of talents and their expertise. The Company is also committed to creating an open, fair and just atmosphere for the use of human resources, providing a smooth career path for the growth of employees and establishing a platform for the development of talents. The Company endeavors to attract more talents to join Shenhua so as to guarantee the sufficiency of competent professionals for Shenhua's development.

China Shenhua has actively implemented the relevant laws and regulations, including the "Labor Law of the People's Republic of China" and the "Labor Contract Law of the People's Republic of China", which strictly regulated the employment, human resources management and remuneration management.

China Shenhua safeguards its employees' rights to know, to choose and to complain by establishing the employee representative committee and labor union; establishes a protection system for various benefits to employees by establishing a more comprehensive remuneration and benefit system, providing job opportunities, improving work condition and paying attention to employees' health; and sets up a dependable platform for empolyees' career development by designing their career plans systematically and providing training. In view of the work condition and the labor intensity of the industry in which the Company operates, in addition to protecting basic interests of employees, the Company continues to focus on their career development and occupational health and the improvement in their felicity index.

As at 31 December 2009, the Company had a total of 62,286 employees, details of which are as follows:

#### Composition of employees

		2005	2006	2007	2008	2009
1.	Operation and repair staff	27,707	28,644	38,227	38,670	41,431
2.	Management and administration staff	4,026	5,852	6,833	7,455	7,555
3.	Financial staff	488	529	748	891	988
4.	Research and development and technical support staff	4,414	3,913	4,948	5,170	5,251
5.	Sales and marketing staff	945	902	1,072	1,264	1,475
6.	Other staff	4,207	5,176	6,999	6,093	5,586
Total		41,787	45,016	58,827	59,543	62,286

Employees of the Company are mainly located in Beijing, Inner Mongolia, Shaanxi, Hebei and certain coastal provinces and cities. It is the Company's policy to prohibit any employment of child labors. However, the Company is committed to providing job opportunities to the disabled and the ethnic minority. In 2009, the Company employed a total of 222 persons with disabilities and 2,651 ethnic minority employees, thereby effectively promoting the community employment. The mining industry in which the Company operates is characterized by high labor intensity, which therefore determines that most of our underground workers are male. On the other hand, the Company endeavors to arrange positions for female workers in the related ancillary business. The Female Worker Committee has been established in the headquarters of the Company, primarily responsible for the matters relating to female works. In 2009, the Company had a total of 11,402 female employees, accounting for 18% of the total number of employees. Besides, the Company is actively promoting the reemployment of laid-off workers and providing veterans with other job opportunities.

#### Basic interests of employees

The Company has established the employee representative committee and labor union. In this regard, all material rules and systems closely relating to the interests of employees are subject to the consideration and review by the employee representative committee in accordance with the legal procedures. Through standardized regulatory systems and communication methods, the Company is able to ensure the employees' rights to know and choose in respect of remuneration and benefits, training and development, performance assessment and human resources management. There are complaint channels such as labor union, human resources department and office for petitions and appeals provided by the Company to its employees to safeguard their rights to complain.

The Company enters into labor contracts with its employees in accordance with the relevant laws and regulations such as the "Labor Law of the People's Republic of China" and the "Labor Contract Law of the People's Republic of China" and in line with the principles of "equality, free will and mutual agreement". Such labor contracts set forth complete and lawful terms on contractual period, title and position, job duties, conditions of employment, labor protection,

### Case Company provided assistance to the employees Study: in difficulty

The Company is concerned about employees in difficulty. Labor unions at all levels regard assistance to employees in difficulty as an important mission. The Company has maintained a long-term mechanism to help employees in difficulty and opened up files for employees in difficulty, and all of its subsidiaries and branches have also formulated the "Administrative Measures for Showing Warm Care and Love". Certain individual departments have set up a foundation to raise funds via various channels. Through rolling out various activities such as the "Warming Up Project" and "One-to-One Assistance", under which all assistance are regularized and systematicized, the Company helps the problems of the employees in difficulty on a timely basis.

In 2009, China Shenhua provided financial assistance amounting to approximately RMB6 million to approximately 2,100 employees in difficulty or with disease.

remuneration, labor discipline and termination or release of contracts and liability for the breach of labor contracts

#### Protection system for employees

The Company has built a relatively comprehensive protection system for employees, which aims to provide employees with competitive remuneration packages and complete and personalized benefits, and to focus on the protection for employees' occupational health.

The remuneration system of the Company is in line with the market requirements. The Company provides its employees with competitive remuneration packages and benefits, reflecting the market position of the Company. The Company ensures equality of opportunity in respect of the system and structure of remuneration

Repairs and maintenance site for the trains of Baoshen Railway

in accordance with the principles of remuneration commensurate with positions and capabilities, and values employees' sense of competence and achievement. Well-performed employees will receive more opportunities for promotion and rewards.

The Company has taken up various social insurance, including basic pension insurance and medical insurance, unemployment insurance, labor injury insurance and maternity insurance, and contributed to the housing fund in accordance with the laws. The Company also maintains commercial insurance such as supplementary pension insurance and medical insurance, and group accidental injury insurance and family property insurance for its employees. The Company has set up a family member medical benefits system for its employees so as to provide the initial employees' protection and benefits.

#### Employees' health

The Company has established a complete holiday system to safeguard its employees' rights for work, leave and holidays. Subject to the requirements of the State, the Company encourages its employees to take holidays, provides them with fitness facilities and organizes outings, cultural or sports games and other group activities for employees.

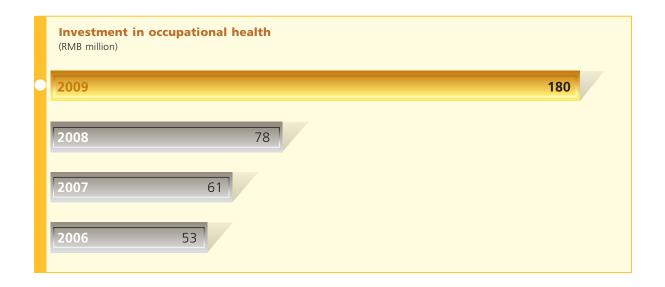


The Company endeavors to improve work condition for employees and eliminate potential hazards and occupational hazards by increasing its investment in production safety and occupational health, adopting new technology and techniques and upgrading the levels of mechanization and automation in operation. Catering services are provided in front-line production units in mines, whereby free meals are provided to all underground workers, and the meal quality is gradually improved. In 2009, against the dark, wet, noisy and dusty work conditions of mines, the Company designed the nutritious recipes for mining workers, which have been used in Shendong Mines, improving the diet structure of the employees. The system of "4 shifts with 6 hours for each shift" is implemented in power plants and certain coal mines, which helped ease the working intensity of front-line workers.

The Company always regards the safety and health of its employees as its most vital assets. As such, the Company has established a relatively sound annual physical examination system and an occupational health database for its employees, and has provided the employees suffering from occupational diseases with proper treatment and arrangements. By installing dedusting and sound-proof facilities, eliminating sources

of potential hazards and mitigating all harmful factors, the Company aims to prevent occupational diseases. The Company has made efforts in establishing and implementing the OHSAS18001 occupational health and safety management system, which has been successfully operated in the subsidiaries and branches such as Shendong Coal Group and Huanghua Port and certain power plants of Guohua Power Branch.

The total investment of the Company in occupational health in 2009 amounted to approximately RMB180 million, representing a consecutive increase for years. Such investment is mainly used in the control of harmful factors causing occupational diseases, the workplace inspection of harmful factors causing occupational diseases, the provision of catering services to underground workers, labor insurance and labor protection products and the provision of physical checkup. In 2009, according to the the results of the physical examination on occupational health for employees of the Company, no new case of occupational disease was identified. The prevention measures for occupational diseases have attained remarkable achievements.



### Case The Company endeavored to promote the "Felicity Project Study: for Employees" as well as the "Felicity Index"

In 2009, the Company was devoted to promoting the "Felicity Project for Employees" with an aim to increasing the "Felicity Index" of Shenhua's employees and sharing its operating achievements with them. All subsidiaries and branches have strived to tackle the problems of employees and their children such as education, employment and medical assistance, and improve the work and living conditions for its employees.

Taking Shendong Coal Group as example, it cooperated with Tsinghua University to launch the "Felicity Project for Mining Workers" and formulate the "Framework of the Felicity Index System for Shendong Mining Workers", which sets forth the information closely relating to employees' interests, including training and development, career satisfaction and achievements, self and family relationships, children problems, management methods, work arrangement, remuneration and benefits, labor protection, administrative support and community.

In 2009, Shendong Coal Group ensured the health and energy of mining workers through raising the standards on catering services and improving the nutritious recipes for them; provided more training opportunities to employees by accelerating the establishment of Shendong Education and Training Center; and further improved the career path for its employees' development by organizing open recruiting competitions for talents and leaders for professional technology. Besides, in view that Shendong Mines is situated at a rather remote location, Shendong Coal Group endeavored to cooperate with the key high schools in nearby cities to offer better education conditions to its employees' children in order to solve their high-school education problems and to provide job opportunities to them. To solve the employees' accommodation problems and improve their accommodation conditions, Shendong Coal Group was committed to solving these problems step-by-step by constructing and providing them with quarters for single workers, apartments and residential buildings at the mines. The "Felicity Projects for Employees" of Shenhua Coal Group has made a material progress.

#### Career planning for employees

The Company endeavors to conduct career planning and design for all of its employees, and design different "tracks" for the management, professionals, technicians and skilled workers to facilitate their career development.

In 2009, the Company commenced a "democratic, open, competitive and competence-based" process to select potential management staff and supporting talents. A group of high-quality talents with sufficient experience were selected through such a scientific and equal process. In November, the headquarters of the Company carried out an open recruiting competition for office managers. The assessment was based on 4 major criteria, namely general image, speech performance, past performance appraisal results and democratic election result, and 62 persons fulfilling the conditions as office managers took their office in December. Subsidiaries and branches such as Guohua Power Branch and Shendong Coal Group also commenced an open election of supporting talents.



Underground mine workers carried out tests on the equipment and devices

In 2009, the Company organized an open recruiting competition for senior experts, experts and leaders for professional technology at corporate level and developed an "obstacle-free path" for the career development of technological talents and staff. The Company also improved the career development management system for professional technological staff and technicians.

#### Employee training

Adhering to the philosophy of "training is the greatest benefits and career development is the best incentive", the Company endeavors to provide various training programs to its employees so as to enhance their capabilities and overall quality. Under the creditbased system, the Company requires its employees to obtain a requisite number of credits by participating in training sessions and assesses their performance based on the credits they gain. This measure aims to encourage employees' participation in training. In 2009, the Company continued to reinforce the staff education training, focusing on strengthening the training on the following: management operation of listed companies, legal knowledge, control of investment and financing, enterprise management and safety management; technical professionals' mining technologies, low-carbon clean energy, electrical railway technology, safety technology and information technology; front-line operators' occupational health, production safety and team management. In 2009, the Company had trained employees of total of 77,936 person-time, which helped improve the overall quality of our employees.

For a better development of the employee training, the Company established Shendong Education and Training Center, responsible for the management training, skill training, safety training, network training and occupational skill certification. Shendong Education and Training Center was recognized as "National Exemplary Training Base for High-skilled Talents" by Ministry of Human Resources and Social Security. In addition, Guohua Power Branch was awarded the "Award for Outstanding Contribution to Education of National Skilled Talents".

#### Future plan

China Shenhua will promote its business development and provide an extensive platform for its employees' career development and promotion. It will further improve the capabilities of all employees by the implementation of comprehensive training programs with full coverage, and facilitate employees' career development and improve their felicity index. In the next 3 to 5 years, China Shenhua will strive to become a first-class energy company with high sense of social responsibility, and to progress with its employees to develop harmonious labor relation.





### Environmental Protection, Energy Conservation and Emission Reduction

The Company is one of the pioneers in the coal production, transportation and power industry of China in terms of environmental protection, energy conservation and emission reduction.

The Company's coal production, transportation and power operations involve the use of energy and water resources, and the solid, liquid and gaseous wastes released in the course of production and operation will cause considerable pollution to the environment. In adherence to the fundamental policies of the State including the scientific concept of development and environmental protection, the Company is committed to complying with the laws and regulations for environmental protection and emission standards issued by the State government and local government, as well as implementing various environmental protection management systems. In developing into a "five-model enterprise", the Company actively implements the strategies of sustainable development and continues to drive the energy conservation and emission reduction and environmental protection work with a view to attaining a balanced development between the economy and the environment. In 2009, there was no major environmental protection accidents occurred.

### Environmental Protection, Energy Conservation and Emission Reduction

The Company attaches great importance to climatic changes. In 2009, in accordance with the principle of "controlling pollution at the source, implementing cleaner production, achieving harmonious development" and with the primary objective of building ecological mines and pollution-free power plants, the Company focused on increasing the investment in environmental improvement and energy conservation and emission reduction, introducing the concept of low-carbon recycling, improving the efficiency of energy utilization, developing and utilizing alternative energy and new energy, protecting water resources, building a number of facilities for pollution prevention and control and environmental protection, actively launching the integrated utilization of "solid, liquid and gas waste", enhancing the recovery rate of resources so as to reduce the impact of its production and operation on the environment and making positive contribution to improve the climate. With respect to the payment of sewage charges, the Company made efforts to communicate and coordinate with the competent administrative authorities of environmental protection on the basis of daily monitoring and statistics gathering. In 2009, the total amount of sewage charges was RMB186 million.

#### Management Mechanism for Environmental Protection, Energy Conservation and Emission Reduction

The Company has established departments and positions responsible for environmental protection, energy conservation and emission reduction. As to environmental protection, the Company has established the Safety, Health and Environmental Protection Committee under the Board of Directors



Water resources protection in Shendong Mines

and designated a vice president of environmental protection and a specialized department, Safety Supervision Bureau to integrate the environmental protection functions of the authorities. Each major subsidiary or branch of the Company has its own department or position for environmental protection to execute specific tasks. As to energy conservation and emission reduction, the Company has formed a leading group led by the president of the Company comprising relative departments such as Science & Development Department and heads of subsidiaries and braches, to facilitate the implementation of energy conservation and emission reduction of the Company.

The Company has incorporated the objectives of environmental protection, energy conservation and emission reduction into the performance assessment criteria system and set clear objectives and criteria for each subsidiary and branch. The Company has also formulated management rules including the "Planning for Energy Conservation and Emission Reduction during the 'Eleventh Five-Year Plan' period", the "Rules for Data Statistics of Energy Conservation and Emission Reduction" and the "Provisional Rules for Management of Energy Conservation and Emission Reduction", conducting energy conservation and emission reduction in accordance with the targets of the State for energy conservation and emission reduction for the 'Eleventh Five-Year Plan' period. The Company has made aggressive efforts to set up and

implement the ISO 14001 environmental management system, and currently the system has been in operation in Shendong Coal Group, Huanghua Port and part of the power plants of Guohua Power Branch. In 2009, the Company rolled out the energy audit and analysis tasks. Third parties were invited by subsidiaries and branches including Shendong Coal Group and Huanghua Port to conduct the enterprise energy audit and satisfactory achievements were made. The four enterprises under the Company participated in the thousand-enterprise energy-saving campaign in China and outperformed all energy-saving target assessments according to the "Announcement of Results on the Assessment of the Performance of Energy-Saving Targets by 1,000 Enterprises in 2008" issued by the National Development and Reform Commission in 2009.

The Company carries out large-scale examination on environmental protection regularly to identify potential hazards and problems for environmental protection, impose rectification orders within a prescribed timeframe and conduct repeated inspection at any time. At the same time, the Company has also been active in the promotion, education and training in environmental protection, so as to raise the awareness of its staff on environmental protection and strengthen the sense of social responsibility of the enterprise.





Hectic operations at Shenhua Tianjin Coal Dock

#### Investment

In 2009, China Shenhua continued to accelerate the implementation of the environmental protection, energy conservation and emission reduction project in mines, railways, ports and power plants. The Company's investment in environmental protection amounted to approximately RMB570 million, among which RMB240 million in coal operations, RMB190 million in power operations, 70 million in port operations and 70 million in railway operations respectively.

In addition, the Company strives to acquire the relevant financial subsidies according to the financial subsidies policy for energy conservation and technological reform projects promulgated by the government. In 2009, China Shenhua had been granted the financial subsidies for three of its energy conservation and emission reduction projects by the government amounting to approximately RMB31.3 million.

The investment in environmental protection of the Company is primarily used for greening and reclamation, ecological development, development of smoke, gas and dust removal and desulphurization and denitrification facilities in power plants, development of wastewater prevention and treatment facilities, development of dust treatment in coal storage yard and development of integrated utilization of solid disposal such as ganque.

### Environmental Research and Development

Technological innovation is an effective means to drive energy conservation, emission reduction and integrated utilization of resources. In building a comprehensive management system and expanding the investment in environmental protection, the Company has stepped up its efforts in the R&D of energy conservation, emission reduction and integrated utilization of resources. In 2009, the headquarters of China Shenhua invested approximately RMB18 million in the R & D of environmental protection. The areas involved are mine

shaft water processing technology, energy conservation and integrated utilization, ecological and environmental protection and sewage discharge reduction. The kicking off of these projects can effectively apply technology on the development of energy conservation, emission reduction and integrated utilization of resources. The major projects include:

## Research on water-saving power generation technology in thermal plants

System research, summary and upgrade were conducted on water saving technology of coal-fired power generation including seawater desalination technology and direct air-cooling technology in alpine areas, further reducing the water consumption of coal-fired power generation of the Company.

#### Research on industrial and largescale development of seawater desalination project in Huanghua Power Plant

The Company extended the application of the seawater desalination technology leverage on the existing seawater desalination power generation devices that have been put in operation, stepped up its efforts to study for the

expansion of the scale of water treatment and explored the technology system and technology parameters of the large-scale seawater desalination devices.

## Research on the mining technology for thin coal seam below 1.7m in Shendong Mines

Research and analysis were conducted on the resource reserve, distribution and general conditions of coal seams ranging from 0.8m-1.7m in Shendong Mines. After the research on the mining method and equipment, the Company proposed the technology project for the mining of 0.8m-1.7m coal seams, enhancing the coal recovery rate in Shendong Mines and achieving energy conservation in the course of mining.

#### Promotion of the achievement of the GGH blocking treatment project

In view of the GGH (fume reheater) blocking issues commonly found in the desulphurization system of power plants, the Company focused on research on the GGH blocking treatment in Taishan Power Plant and Dingzhou Power Plant and applied such achievements in Guohua's Zhunge'er Power Plant and Sanhe Power Plant.



Zhuhai Hengqin Island Wind Farm project

CHINA SHENHUA ENERGY COMPANY LIMITED

#### Promotion of the achievement of the desulphurization localization technology in units with a capacity of 1.000 MW

Two sets of 1,000MW units in Ninghai Power Plant (Phase II) utilizing the desulphurization localization technology in units with a capacity of 1,000 MW commenced operation in 2009. The project applied the "innovative domestic integrated limestone – gypsum wet desulphurization technology" which effectively lowered the project price and drove the domestic development of localization technology desulphurization equipment.

#### Resources Utilization

The Company's coal production, transportation operations and power operations involve the utilization of energy and water resources. Improving the energy



Seawater desalination facilities at Huanghua Power Plant

utilization rate, developing and applying alternative energy and new energy and protecting water resources are the key areas of concern of the Company.

#### Energy utilization

The Company conducts energy conservation and consumption reduction in accordance with the requirements of the State for energy conservation for the 'Eleventh Five-Year Plan' period. The Company's coal production and transportation operations consume relatively less energy, and the energy consumption is mainly caused by power operations. In 2009, the aggregate energy consumption per RMB10,000 of the coal production and transportation operations amounted to 0.49 tonne of standard coal per RMB10,000, representing a decrease of 4.85% as compared to that in 2008, and the average consumption of standard coal for power supply in our power operations remained its leading position in China.

In 2009, Guohua Power Branch optimized the application of thermal power and electricity through a number of energy-saving measures including the launch of minimal oil ignition, optimization of auxiliary steam and activation of air pumps, which significantly enhanced the utilization rate of resources. In 2009, Guohua Power Branch's average consumption of standard coal for power supply was reduced to 321g/kwh, representing a decrease of 4g/kwh and continued to maintain a leading position in China. The gross energy consumption of Guohua Power Branch amounted to approximately 17.6 million of standard coal (I tonne of standard coal = 29.3076 gigajoules).

The Company made great efforts to facilitate the onthe-spot processing and utilization of low heat coal in coal mines to replace quality commercial coal. In 2009, Guohua Power Branch kicked off the replacement of low quality coal and the trial combustion project. Accordingly, the combustion of low quality coal for the year amounted to 1.62 million tonnes. While making full use of the coal resources with low calorific value, it effectively lowered the cost of combustion, generating positive economic efficiency.

In addition, the Company aggressively conducted power generation with coal gangue. Please refer to the section headed "Key Emissions and Their Treatment".

#### Recovery rate in coal mines

Resources are vital to China Shenhua's future development, and are the life line for its coal operations. Through improving the recovery rate in coal mines, the Company can reduce wastage of coal resources, protect natural resources and facilitate the sustainable development of coal mines. The Company increased the recovery rates in coal mines mainly through the

following ways: scientific and reasonable layout of working face, upgrade of coal mining equipment, adoption of high production and high efficiency technique on thick coal seam and thin coal seam and reinforcement of on-the-spot management. In 2009, the average recovery rate of the Company's coal mines amounted to 82.2%, which was among the leading companies in the industry.

#### Development of renewable energy

The Company vigorously develops renewable energy power projects to provide green energy and reduce emission of greenhouses gases. The Zhuhai Hengqin Island Wind Farm project of China Shenhua Guohua, currently being developed and operated by the Company, has a total installed capacity of approximately 16 MW and has been in smooth operation since the commencement of its commercial operation on 1 January 2008. In 2009, the annual utilization hours of Zhuhai Hengqin Island Wind Farm project amounted to 2,128 hours and its power generation amounted to approximately 34 million kwh, realizing profitability to the Company. Based on

the average consumption of standard coal for power supply of Guohua Power Branch, the Zhuhai Hengqin Island Wind Farm project can reduce coal consumption by approximately 10,800 tonnes of standard coal and reduce CO<sub>2</sub> emission by approximately 28,300 tonnes.

#### Utilization of water resources

The Company's major mines are located in dry regions, where the water resources are scarce. Shendong Coal Group achieved self-supply of underground water for production and supplemented domestic water and water for ecology, greening and reclamation by reserving water with underground goafs and filtering wastewater with gangue in goafs to convert goafs into reservoirs with filtering function, therefore relieving the issue of serious water shortage in the mine areas. In Shengli Mines, through the development of the wastewater drainage precipitation tank, the drained wastewater is used for spraying to remove dust in goafs and irrigating vegetation after preliminary filtration. In 2009, the accumulated drained wastewater used was approximately 1.20 million cubic meters.

Case Study:

### Integrated utilization of water resources in Shengli Mines

Xilinguole, the place where the Company's Shengli Mines operate, is rich in coal resources but lack in water resources. As the economy of China grows fast and steadily and with the subsequent commencement of production of coal-related industry players, the shortage in water will be a major constraint for industrial development in Xilinguole.

In August 2009, Beidian Shengli Energy and other companies jointly invested in the construction of Huatang Multi-Water Sources Company, which is principally engaged in the management and operation of Shengli Coal Field Drainage, Xilinhaote Sewage Treatment Plant and Xilinhaote Reclaimed Water Plant. Currently, the annual drainage capacity of the Company's Shengli No.1 Open cut coal Mine is 6 to 8 million tonnes where approximately 400,000 tonnes are used for spraying road and irrigating the greens in the open cut coal mine and the rest is discharged to Xilin River. The daily processing capacity of Xilinhaote Sewage Treatment Plant is 40,000 cubic meters. The discharge from the sewage plant will then undergo the advanced processing in the reclaimed water plant with a daily processing capacity of 18,700 cubic meters. Following the subsequent commencement of production of the new projects in the northern industrial region and eastern industrial region in Xilinhaote City, the annual water supply from Shengli Mines to Xilinhaote City is expected to be 7.50 million tones by 2012 and the drained water from Shengli open cut coal mines can be recycled completely by the end of the "Twelve Five-Year Period Plan" period.

The Company also made great efforts in the utilization of water resources in respect of transportation operations. In 2009, Shuohuang Railway implemented the recycling of reclaimed water in part of the sewage treatment plants in the network of Shuohuang Railway and the reclaimed water produced was used for irrigating vegetation and spraying roads, which effectively saved the water resources and increased the repeated utilization rate of water resources. There are two coal sewage reservoirs in Shenhua Tianjin Coal Dock. After the precipitation of coal sewage from the coal storage yard and the dock, the coal sewage is processed in the coal sewage treatment plant and will be used for spraying to remove dust upon meeting the qualify standard for removing dust. In addition,

Shenhua Tianjin Coal Dock has set up recycling facilities for water from vessel tanks, which recycle and purify water before using it to remove dust. In 2009, the total accumulated water processed and recycled by Shenhua Tianjin Coal Dock was 27,000 tonnes, which alleviated the shortage of fresh water in ports.

The Company reduces water consumption in power generation through technological innovation and actively carrying out seawater desalination and utilization of urban sewage. In the year of 2009, the water produced from seawater desalination amounted to approximately 4.6 million tonnes, and the reclaimed water produced by urban sewage treatment amounted to approximately 10.1 million tonnes. Guohua Power

#### Case Study:

### Jinjie Mine at Shendong Mines made great efforts to develop water projects

The water inflow of Jinjie Mine is approximately 2,500 cubic meters per hour. It is one of the key mines of mine water control at Shendong Mines. The mine water inflow presents a safety concern to Jinjie Mine. At the same time, the relatively severe wastage of water resources has considerable pressure on the environment. In order to make full use of the water resources, Jinjie Mine not only controls water inflow, but also fully utilizes the water resources.

In 2006, Jiejie Mine invested RMB14 million in the construction of the currently largest mine water treatment plant in Shendong Mines with a daily processing capacity of 18,000 cubic meters. In 2009, Jinjie Mine established the project to build a new mine water treatment plant with a designed daily processing capacity of 43,000 cubic meters. The mine water from Jinjie Mine can meet the national standard for industrial water after processing and be used for spraying to remove dust and other industrial water usages.

In order to facilitate the recycling of mine water, Jinjie Mine actively negotiates with the enterprises in the surrounding regions to drive the utilization of processed mine water. At the beginning of 2009, Jinjie Mine and Shaanxi Shenmu Chemical Industrial Co., Ltd. entered into the water supply agreement with an hourly water supply of 350 cubic meters. Apart from supplying water to Shaanxi Shenmu Chemical Industrial Co., Ltd., Jinjie Mine also supplies mine water to Guohua Jinneng Power Plant, Yahua Power Plant and the local peasants in the surrounding regions. Through reasonable utilization of the mine water resources, Jinjie Mine can effectively protect the environment and generate considerable economic profit at the same time. As the price of mine water from Jinjie Mine is far below the price of urban water supply, the users can realize a substantial reduction in the costs of production, thereby achieving a win-win condition.

Branch's water consumption for power supply decreased to 0.89 kg/kwh. The No.3 seawater desalination devices of Huanghua Power Plant commenced operation. It is the largest 10,000-tonne grade low temperature multieffect seawater desalination device with independent intellectual property rights in China with a daily saturated water production capacity of 12,000 tonnes. Apart from satisfying its own demand for water, it also supplies water to Huanghua Port.

### Key Emissions and Their Treatment

The Company produces emissions during its coal production, transportation and sales and power generation. In 2009, the Company reduced the adverse effect brought by its production and operation through increasing capital investment, emphasizing on environmental research and actively building a number of facilities for pollution prevention and environmental protection.

#### Key emissions

Solid			
Coal production	Coal gangue, coal dust		
Transportation operations	Coal dust		
Power operations	Fly ash, soot		
Liquid			
Coal production	Mine water, industrial sewage, domestic sewage		
Transportation operations	Industrial sewage, domestic sewage		
Power operations	Industrial sewage, domestic sewage		
Gas			
Coal production	Methane (gas)		
Power operations	SO <sub>2</sub> , nitrogen oxide, CO <sub>2</sub>		
Others	Noise		

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#### Solid emissions

The key solid emissions of the Company's coal production include coal gangue and coal dust and those of the transportation operations are coal dust, and the key solid emissions of the Company's power operations are fly ash and soot.

#### Gangue

Gangue is the key emissions produced in the process of coal mining and washing, and is combustible. The Company actively controls the production of gangue at the source. Through advanced technologies such as rockless tunnels and disposal of gangue in abandoned tunnels, the Company endeavored to prevent the emission of the majority of underground gangue and avoid the environmental pollution as a result of the occupation of large amount of land by gangue mountains and gangue mountain fires. In 2009, the gangue produced by the Company amounted to approximately 20.9 million tonnes. The Company utilizes gangue mainly through gangue power generation, construction material manufacturing and reclamation; the 2009 comprehensive usage of gangue was 0.88 million tonnes and all of the unused gangue will be disposed of safely.

#### Coal Dust

Coal dust is one of the key emissions in the course of coal production, transportation and storage. In the course of production, the Company implements daily inspection of the density of coal dust at the dust-generating points at the workshops and adopts a number of measures to minimize the coal dust produced in its processing, so as to reduce the environmental pollution and ensure the health of workers.

The Company has adopted various effective measures to reduce dust discharge in its underground coal mines and open cut mines including equipping its coal cutters with internal and external spraying system, shutting down the crusher with a sprinkler to remove dust, cleaning its transport roadway and spraying rock dust, sprinkling the open cut mines and open cut coal storage yard to remove dust, setting up the wind-proof and dust prevention wall and spraying system, introducing the sealing system or sprinkler to remove dust in a conveyor belt, and developing the sealed coal storage yard in the coal washing plants. The Company developed and applied the coal dust integrated treatment projects in the coal washing plant of Heidaigou open cut mine and the coal washing plant of Haerwusu open cut mine at Zhunge'er Mines, which effectively controlled the production of coal dust with a dust reduction rate of 80%.

#### Case Study:

#### Integrated utilization of gangue of the Company

With the substantial growth in the coal production and large-scale production of gangue and coal sline, part of the low calorific value coal has to be consumed in proximity for the development of integrated utilization power plants that enable the combustion of coal gangue, low quality coal and coal sline, avoiding wastage of resources and minimizing environmental pollution. Meanwhile, it helps reduce the operating costs of the power plants, resulting in the enhancement of economic efficiency, social efficiency and environmental efficiency of the Company.

As at the end of 2009, China Shenhua operates and controls a variety of integrated utilization power plants including Zhunge'er Energy and Gangue Power, Shenhua Sunshine and Shenhua Yili with a total installed capacity of 2,044 MW. The Company also has a number of integrated utilization power plants under construction with an installed capacity of 3,120 MW. The integrated utilization power plants are crucial to effectively dispose of the gangue, minimize environmental pollution and enhance utilization rate of resources.

The Company actively applied the dust removing technology in the course of coal transportation, effectively reducing the production of coal dust at source. The loading stations of Shendong Coal Group and Zhunge'er Energy are all equipped with the loader surface dust sealing curing agent, which could substantially reduce the leakage of coal dust along railways and tunnels, thereby minimizing the impact on the environment. It could also reduce the potential safety danger as a result of dust suspension in electrical railways and tunnels, and at the same time reduce the loss of coal in transportation. In 2009, Huanghua Port set up a new dust screen with a dimension of 23m x 1,400m. Shenhua Tianjin Coal Dock applied the electrostatic de-dusters throughout the process with a recovery rate of coal dust of up to 99%.

The Company built fully sealed coal tanks in its power plants including Ninghai Power, minimizing the spread of coal dust to the residents.

#### Fly Ash

Fly ash is the major product of coal combustion and the primary solid emissions discharged by our power generation operations. In 2009, the fly ash generated by our power generation operations approximated 6.7 million tonnes (where the fly ash generated by power plants under Guohua Power Branch approximated 5.6 million tonnes), of which approximately 4.6 million fly ash was used as construction materials such as cement, representing an integrated utilization rate of approximately 69%, and the unused fly ash was transported to the centralized ash yard for safe disposal or temporary disposal.

#### Soot

Soot is the small particles generated in coal combustion and is mainly derived from the smoke discharged from coal-fired power generation and heating boilers. It is one of the solid wastes discharged by our power generation operations. The Company strictly controls the density and gross emission of soot to satisfy the relevant national and local emission standards and requirements. Currently, all of the coal-fired power generation units of the Company are equipped with de-dusting device with a de-dusting efficiency of more than 99%.

In 2009, the standard soot discharged throughout the year by Guohua Power Branch was approximately 0.1g/kwh, which is leading among the industry in China.



Residential complex in Ninghai Power Plant

#### Liquid emissions

The sewage produced in the Company's coal operations is largely mine water, industrial sewage and domestic sewage, whereas the sewage produced in the Company's transportation and power operations is mainly industrial sewage and domestic sewage. All sewage produced by the Company is processed and fulfils the discharge standard for recycling to the largest extent. The sewage after processing is mainly used as water for mining, water for coal washing and selection, cooling water for power plants, water for spraying mine sites and roads, water for greening and reclamation.

In 2009, the total sewage produced by the Company was approximately 116.1 million tonnes and the discharge was approximately 46.7 million tonnes with an integrated utilization rate of approximately 60%. Of which, the mine water produced accounted for approximately 59.5 million tonnes and the discharge was approximately 30.8 million tonnes with an integrated utilization rate of approximately 48%; the industrial sewage produced accounted for approximately 23.7 million tonnes (a decrease of 17% yoy) and the discharge was approximately 2.1 million tonnes with an integrated utilization rate of 91%; the domestic sewage produced accounted for approximately 32.9 million tonnes and the discharge was approximately 13.9 million tonnes with an integrated utilization rate of approximately 58%.



#### Case Study:

### Shendong Coal Group's application of dust sealing curing solidifier to control coal dust

Coal dust is one of the key sources of environmental pollution and a kind of resource wastage. Shendong Coal Group controls coal dust through applying the dust sealing curing solidifier. The spraying of the dust sealing curing agent can effectively minimize the impact of fly ash arising from the rail routes, reduce the potential safety concerns due to dust suspension in electrical railways and tunnels and reduce the loss of coal in transportation.

In 2009, the nine loading stations under Shendong Coal Group transported a total of 118 million tonnes of coal. It is estimated that loss of coal can be reduced by close to 300,000 tonnes after applying Shendong Coal Group's dust sealing curing solidifier, thus saving approximately RMB150 million. In 2009, Shendong Coal Group invested approximately RMB35 million in the dust sealing curing agent, generating a net growth of approximately RMB115 million. The application of the dust sealing curing agent by Shendong Coal Group to remove coal dust has achieved satisfactory economic efficiency, environmental efficiency and social efficiency.

In 2009, the Company's COD emission decreased 11.1% yoy to approximately 3,400 tonnes, fulfilling the emission reduction target under the "Eleventh Five-Year Plan" one year early.

#### Gaseous emissions

Gaseous emissions from our coal production mainly include methane (gas) and those from our power operations mainly include SO<sub>2</sub>, nitrogen oxide and CO<sub>2</sub>.

#### CO2

China Shenhua endeavors to incorporate the concept of low-carbon economy into the production and operation of the enterprise and is committed to conducting R&D and promoting various technologies namely the low-carbon technology, new energy-saving and emission reduction technology, advanced coal conversion technology, clean coal power generation technology and coal-based IGCC polygeneration application technology, and at the same time is making great efforts to implement coal conversion, upgrade of coal quality, clean coal power generation and improve power generation efficiency in an effort to enhance the utilization rate of resources. It has also kicked off the research on the carbon capture and storage (CCS) project to minimize the emission of CO<sub>2</sub>.

The Company has been active in the implementation of the clean development mechanism (CDM) projects to encourage CO2 emission reduction. At present, three CDM projects of Yuyao Gas, Zhuhai Wind Power and Ninghai Power have been approved for UN registration and the annual emission reduction of CO<sub>2</sub> was approximately 1,087,000 tonnes CO<sub>2</sub> equivalent. Besides, the CDM project of Sanhe Power Plant's heat supply reform and the CDM project of Panshan Power Plant's capacity expansion and reform are under review and approval. Among which, the CDM project of Sanhe Power Plant's heat supply reform has become the first heat supply reform CDM project in China approved by the National Development and Reform Commission and the emission reduction of CO<sub>2</sub> is expected to reach 226,000 tonnes CO2 equivalent. In 2009, the Company generated a cumulated revenue of close to RMB3 million from the emission reduction of CO2.

#### Methane (gas)

Gas content in coal seam is relatively low in most of coal mine areas of China Shenhua. On the basis of the relevant PRC laws and regulations, the methane gas from the coal seam is mainly discharged through ventilation and is not collected for integrated utilization.

#### 500

SO<sub>2</sub> is mainly derived from the coal-fired generation units from our power operations and the coal boilers from other operations. Through equipping with the desulphurization devices and reforming the boiler technology, the Company reduced the SO<sub>2</sub> emission to approximately 47,000 tonnes in 2009, representing a year-on-year decrease of 37.6% and outperforming the target for emission reduction under the "Eleventh Five-Year Plan".

#### Nitrogen Oxide

Nitrogen oxide is one of the gaseous emissions from our power operations. The Company applied the denitrification technology in advance in its power operations, and the denitrification devices had remarkable effect in removing the nitrogen oxide from boiler flue gas.

#### Case Study:

### Guohua Power Branch drove the development of desulphurization and denitrification units

Guohua Power Branch has been the leader among its industry players in China in terms of energy conservation, emission reduction and environmental protection. It is the pioneer in launching the environmentally-friendly concept of "no chimney smokes, no gas leaks, no sewage water discharges, no noise pollution to local community, and ash and gangue recycling". Guohua Power Branch has maintained a leading position in the power industry in China for years in the areas of nitrogen oxide and SO<sub>2</sub> control.

For desulphurization, Guohua Power Branch has completed the installation of desulphurization devices for all of its new units and accelerated the desulphurization reform on units that have commenced production in earlier years. In 2009, Guohua Power Branch completed the desulphurization reform project for 2X 800MW coal-fired power generation units of Suizhong Power Plant (Phase 1), signifying that all of the 39 coal-fired generation units owned by Guohua Power Branch have completed the installation of dedusting and desulphurization devices. The percentage of the capacity of the desulphurized units to the total installed capacity of Guohua Power Branch increased from 91% as at the end of 2008 to 100%, which is significantly higher than the level of the national desulphurized units (2008 industry average: 60%). In 2009, the total capacity of Guohua Power Branch's desulphurization units amounted to 20,680 MW and the standard emission of SO<sub>2</sub> was 0.4g/kwh, as compared to the industry average of 3.8g/kwh in 2008.

For denitrification, Guohua Power Branch was the pioneer in the installation of the denitrification devices in China. In 2009, the denitrification system in Ninghai Power Plant and Taishan Power Plant under Guohua Power Branch operated smoothly with a denitrification rate of more than 65%. At the same time, the Company completed the denitrification technological reform for four thermal power generation units and installed the denitrification system for the four new units that have commenced production. Currently, Guohua Power Branch has a total of 10 denitrification units, and the gross denitrification capacity was 5,620 MW, which is increased by 12 percentage points yoy to account for 26% of the total installed capacity and is far beyond the average industry standard of 3.2% for 2008. In 2009, the standard emission of nitrogen oxide of Guohua Power Branch was approximately 1.3g/kwh.



#### Other emissions

Other emissions of the Company mainly include noise which mainly comes from mine ventilation machines, coal washing plants and railways etc. The Company has invested heavily in controlling such noise in recent years.

In recent years, the Company has reduced noise pollution from underground mines through taking measures such as installation of silencer and sound arrester to mine ventilation machines and applying the frequency-changing regulating technology such as mine belt and main fan.

The Company satisfactorily made noise from coal washing plants under control through installation of silencer and building soundproof wall for noise-generating plants and devices and achieved remarkable results.

There are many villages along the rail routes of Shuohuang Railway and the train flow is high. The passing of trains through the railways in proximity to the villagers will result in considerable noise pollution. The Company set up sound barriers with a length of 20,000 meters in vicinity of the 49 villages with a dense population. In 2009, Shuohuang Railway set up a new sound barrier in Daping Village along the rail routes and will subsequently set up sound barriers in other places where noise pollution is serious so as to minimize the possible noise pollution on the residents along the rail routes. Shenshuo Railway also effectively reduced noise pollution through setting up additional sound barriers, planting vegetation at the sides of the road and replacing with seamless railway.

### Water and Soil Conservation and Ecological Diversity

Water and soil conservation and ecological construction is one of the important elements in our environmental protection projects. In upholding the philosophy of "producing environmental-friendly coal and constructing an ecological mine area", the Company focused on wind resisting and sand stabilizing, water source control and subsidence area control and greening and reclamation to enhance the local ecological environment. In 2009, the Company invested approximately RMB140 million in water and soil conservation and ecological construction, generating a new green area of 8,872,000 square meters.

After years of implementation, Shendong Mines gradually figured the new ways of "advance reclamation" and commenced the comprehensive ecological development in the mine areas systematically. Prior to mining, we have to carry out the overall planning and define the mine area into "three circles and one water area", namely the surrounding guard circle, the surrounding green circle, the central landscaped area and the river course landscape. We have also formulated integrated preventive measures and implemented them accordingly and increased vegetation coverage at targeted areas so as to improve the regional ecological environment.

Other mines of the Company also actively implemented the water and soil conservation and ecological development projects. As at the end of 2009, the reclamation area of the soil dump site of the Heidaigou open cut mine at Zhunge'er Mines occupied 12 million square meters on which 60 million trees and shrubs of various kinds are planted with a grassland area of approximately 12 million square meters, rendering a vegetation coverage of approximately 70%. Shengli Mines made great efforts to drive the ecological development by carrying on the protection of the slopes of the soil dump sites and the maintenance of vegetation along the rail routes. As at the end of 2009, the greening and reclamation area of Shengli Mines was 3 million square meters with vegetation coverage of approximately 55%.

Our transportation operations pursued ecological development through stepping up its greening and maintenance efforts.

The Company made provision for "advance reclamation expenses" in accordance with requirements of relevant laws and regulations. The balance of "advance reclamation expenses" at the end of the year amounted to RMB1,513 million and the reclamation expenses incurred by the Company for the year were RMB3.9 million.

#### Future Plan

China Shenhua will persist in the policy of simultaneous planning, implementation and development between business development and environmental construction; and attach great importance to environmental protection work. The Company will focus on energy-saving, integrated utilization of resources, pollution control and ecological development through implementing measures to increase investment in environmental protection, push ahead technological innovation and optimize environmental management procedures. At the same time, it will carry on clean production at full scale, step up its efforts in developing low-carbon recycling economy and actively respond to the climatic changes in an effort to establish itself as an "energysaving and environmentally-friendly enterprise", thus realizing sustainable development.

During the "Eleventh Five-Year Plan" period, the major targets of the Company are by the end of the "Eleventh Five-Year Plan" period, to achieve a 20% reduction as compared to 2005 in the integrated energy consumption per RMB10,000 our coal production and transportation operations and a 10% reduction in the total emission of SO<sub>2</sub> and COD, to continue reducing the average consumption of standard coal for power supply in our coal-fired units and maintain its domestic leading position, to continue reducing the emission of major pollutants such as SO<sub>2</sub> with desulphurization devices equipped in the units of Guohua Power Branch at a rate of 100% and to preliminarily build the Company into a premier international integrated energy enterprise that harmonizes resources and environment and values equally its business development and energyconservation and environmental protection.





## Independent Innovation and Technological Advancement

As the largest listed coal producer in the PRC, China Shenhua has always attached great importance to technological innovation and made use of technological innovation to drive the production and operation of the Company. In 2009, the Company strengthened the development of the decision-makers through improving Shenhua Technology Committee and enriching Shenhua Expert Advisory Committee and our expertise base and reinforced the development of the independent innovation capabilities leveraging on our core science and technology administrative entities namely Shenhua Technology Center (Science & Development Department), National-level Enterprise Technology Center and Coal, Power and Transportation Technology Center, alongside with our technology R&D entities namely Shenhua Technology Research Institute and Shenhua Post-Doctoral Science and Research Work Station, supplemented by the technological innovation organization featuring the social technological innovation power.

## Independent Innovation and Technological Advancement

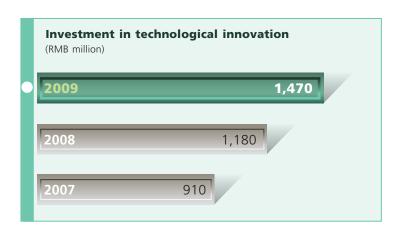
The Company formulated a set of relatively comprehensive administrative systems and measures in respect of organization and management, funding protection, project R&D and achievements protection of its technological innovation areas, which ensured a regulated and systematic management of the technological innovation functions. The Company successively promulgated a number of new fundamental administrative systems for technology innovation including the Provisional Measures on Management of Technological Innovation Projects of China Shenhua Energy Company Limited and the Requirements on Fund Management for Scientific R&D Projects of China Shenhua Energy Company Limited in order to gradually build up a systematic, regulated and standardized administrative mechanism for technological innovation. The investment in technological innovation and new achievements of technological innovation are included in the assessment system of the "five-model enterprise", facilitating the launching of technological innovation functions of the Company.

### Investment in Technological Innovation

Investment in technological innovation is the basic guarantee for an enterprise to strengthen the principal status of its independent innovation. China Shenhua has been expanding its investment efforts in technological innovation since its establishment in order to achieve fast, stable and sustainable development to achieve an investment in technological innovation equivalent to 1% of sales revenue by the end of 2012.

The investment in technological innovation is subject to the system of centralized application of scientific research funds, hierarchical management and special fund for special use. All scientific research projects approved by the headquarters shall be included in the budget of the Company for the financial year and be expensed by the finance department of the Company. In the past three years, the Company has invested a cumulative amount of approximately RMB3.56 billion in technological innovations, with the growth rate exceeding 20% for three years successively, focusing on high efficiency of coal mining, upgrading of coal quality, integrated utilization of resources, energy-saving power generation, safe and effective combustion of coal and etc.

In 2009, China Shenhua had a total of 46 scientific research projects approved for project establishment with a funding budget of more than RMB106 million. All branches and subsidiaries stepped up its investment efforts in scientific research according to the needs of production and operation. Shendong Coal Group and Guohua Power Branch had a total of 60 scientific research projects financed by internal funding with an invested capital of RMB54 million. Besides, the Company was actively engaged in the application for state funding support in respect of the state projects



and provincial technological projects. The "Study on Heavy Haul Railway and Bridge and Road Infrastructure Detection and Enhancement" of the Company has been accredited as one of the "National High Technology Research and Development Program" (the "863 Program") and was granted a national special project funding support of RMB3.10 million. The proposals on the "Research on and demonstration of large-scale mining of resources in mines, balanced environment and key technology for scientific development" and the "Development, integration and demonstration of 400MW grade IGCC multiple production and CCS

key technology" have been filed with the Ministry of Science and Technology for application as one of the state's major technology R&D projects.

### Achievements in Technological Innovation

In 2009, the Company generated a number of significant technological achievements in the area technological innovation despite the technological challenges that arose in the course of China Shenhua's development and acquired the corresponding intellectual property rights, generating enormous economic benefits. In 2009, the Company was granted the National Scientific Technology Progress Award (Second Class) as a result of the "Coal Development Utilization Technological Innovation Project through Technology Resources Integration" and "Large Mining Height Fully Mechanized Comprehensive Technology and Equipment with an Annual Capacity of 6 Million Tonnes", and set new records in 33 achievements among the PRC enterprises, accounting for one-third of those in the coal industry.



Smoke-tower combination technology equipped with desulphurization facilities applied in Sanhe Power Plant

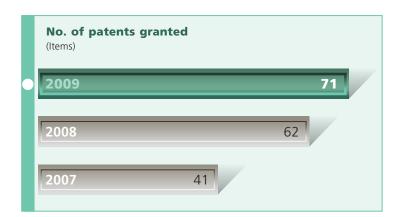


#### Intellectual Property Rights

China Shenhua attaches importance to patent application and protection and was granted a total of 253 patents as of 31 December 2009. In 2009, China Shenhua accelerated its research on the strategies of intellectual property rights and formulated the "Intellectual Property Rights Strategies of China Shenhua Energy Company Limited" and the "Implementation Guide on Intellectual Property Rights Strategies of China Shenhua Energy Company Limited", at the same time stepped up its efforts in intellectual property rights functions featuring patent application. It was granted with a total of 71 patents including 12 invention patents. The Company demonstrated an increasing growth momentum in respect of the grant of patents.

#### **Economic Benefits**

In 2009, the Company pushed ahead the research on practical technological projects and the introduction, digestion, absorption and application of the new technological achievements; and accelerated the application of technological achievements on production, providing the necessary technological support for the sustainable development of the Company. Meanwhile, it generated greater direct economic benefits as well as tremendous indirect economic benefits and social benefits.



With regard to intellectual property training, the Company subsequently organized 6 intellectual property rights training workshops in Shendong Coal Group, Guohua Research Institute and Shenhua Tianjin Coal Dock with more than 200 attendees, which effectively increased the dissemination of intellectual property rights knowledge and the awareness of importance of intellectual property rights among our staff.



China-made 7-meter hydraulic supporter applied in Shendong Mines

### Coal Operations:

- For coal mining, the trial run of the "Top Coal Caving Mining Technology" in Baode Mine at Shendong Mines was successful, increasing the recovery rate of the working face from 60% to 89%, and the trial application was also commenced; the trial run of the "Thin Coal Seam Automated Mining Technology in Shendong Mines" at one working face was completed, attaining initial success; achievements of the "R&D of Pre-warning System for Open Cut Mine Transportation Vehicles in Heidaigou" were applied on full scale, avoiding the occurrence of traffic accidents;
- For upgrade of coal quality, two trial operations of the "Development and Construction of Industrial Trial Line for Low Calorific Value Coal Quality Upgrade and Processing" were commenced which raised the calorific value to 4,900 kcal./kg, effectively enhancing the utilization value of the low calorific value coal;
- For integrated utilization, significant breakthrough was made in the "R&D of Fly Ash Integrated Utilization Industrial Technology System in Zhunge'er Mines", producing metallurgical alumina of the national standard (First Class) with a production cost lower than that applying the traditional technology in the production of alumina;
- with respect to facilities localization, satisfactory performance was achieved in the trial run of the domestic continuous miners with a monthly average recovery progression of 1,000 meters and a mining capacity of approximately 30,000 tonnes; in respect of the "7-meter Hydraulic Supporter and its Supportive Equipment" project, the design of the domestic 7-meter supporter and the research of prototype were completed; the domestic electro-hydraulic control system was successfully applied in two working faces in Tanggonggou Mines where its failure rate and part replacement rate were lower than those of the imported electro-hydraulic control system during the period.

#### Transportation Operations:

- Interim progress was made in the "Research on Small Radius and Reverse Curve Rail Wear Principle and Fast Detection Technology" project, which fully resolved the rail wear problems and enabled fast detection to prevent railway accidents;
- Acceptance check for the "Integrated Simulation Training System for Rail Transport" was completed, filling the gap of China in the development of such area and enhancing the operational and management training standards of our railway workers.

#### Power Operations:

- 10,000-tonne grade low temperature multieffect seawater desalination technology and equipment were successfully developed with independent intellectual property rights, producing a seawater desalination equipment with a daily production capacity of 12,000 tonnes desalinated water and realizing its saturated capacity;
- Achieved success in the "Research on Application of 500KV Line Series Compensated Transmission and Sub-synchronous Resonance Suppression Technology", realizing tentative steady operation.

## Case Trial production of Shendong Mines 7-meter high large Study: mining height working face

On 31 December 2009, the world's first 7-meter high large mining height working face commenced trial production in Bulianta Mine at Shendong Mines. The equipment of such working face comprised the world's first 7-meter high large mining height hydraulic support jointly developed by China Shenhua and Zhengzhou Coal Machinery Group which ensured the velocity of moving the supporter and stability of the supporter to control the top plate in a safe and effective manner.

The new technological innovation highlights of the 7-meter high large mining height working face of the Bulianta mine are as follows: after the commencement of production of the working face, it will have a monthly unit production of approximately 1.40 million tonnes and the resource recovery is also increased by more than 10% as compared to that of the 6.3-meter high mining height working face.

The commencement of production of the 7-meter high large mining height working face signifies another technological innovation achievement of China Shenhua that aligns with the leading international standard which effectively enhances the recovery rate of coal resources and drives the domestic development of advanced facilities in the coal industry, marking a significant milestone for the mining technology and equipment upgrade in the coal industry in China.

The Company will accelerate the R&D of core technologies and the next key areas of scientific research include:

- On the basis of expanding the trial run of the fully mechanized automated working face, the "Thin Coal Seam Automated Mining Technology in Shendong Mines" can accelerate the research on the coal plough mining technology to further enhance the recovery rate of coal resources. In ensuring high yield and high efficiency, it also ensures a recovery rate of no less than 85%;
- In completing the technological development, the "Fly Ash Integrated Utilization Industrial Technology System in Zhunge'er Mines" has accelerated the development of pilot test equipment and demonstration plants to make demonstrations for fly ash integrated utilization;
- Shengli Mines will actively commence the research on the technology to improve the quality of brown coal and strive to achieve breakthroughs in the research on the steam dry technology of low quality brown coal, providing technological support for the largescale development of brown coal.

### Future Plan

Looking into the future, the overall objectives of China Shenhua's new independent technological innovation functions are:

Firstly, we endeavor to establish an independent technological innovation system with the enterprise's technological centre as the principle, and its capability of independent innovation and management level reaches the first class in China; Secondly, we aim to acquire the core coal development utilization technologies and attain core technological achievements with the world's leading scientific development and that supports China Shenhua's coal, power and transportation businesses and possesses independent intellectual property rights;

Thirdly, we will initially form the technological innovation driven enterprise development pattern and the impact of technological innovation will be increasingly strong on supporting the enterprise development and industry growth. We expect that the technology level of our coal operations will remain at the internationally leading level; whereas the technology level of our power operations will reach the internationally and domestically advanced level; and the technology level of our transportation operations will remain at the domestically advanced level. We will be the pioneer in formulating a set of industry practices and national standards based on China Shenhua's core technologies;

Fourthly, we will train, attract and retain a group of qualified technological professionals to build a research team of scientists and technological leaders with related expertise and international influence;

Fifthly, we will gradually establish an operational mechanism to encourage innovation so as to build up China Shenhua's unique culture of innovation.



## Social Commonweal and Social Appraisal

While creating economic benefits, China Shenhua takes root in the community, always adheres to the principle of win-win cooperation and with the community, remains enthusiastic in participating in social commonweal activities, which gradually develops China Shenhua's unique way to repay society.

# Social Commonweal and Social Appraisal

### Social Contribution

China Shenhua actively donates to the community and facilitates local employment and corporate development through "win-win" cooperation with the community.

The Company has formulated measures including "(Provisional) Administrative Measures on Donations of China Shenhua Energy Company Limited" to define provisions on the content, amount and procedures of donations. In 2009, the community donation made by China Shenhua amounted to over RMB40 million, involving the donation to the construction of local infrastructure and homes for the elderly, education funds and schools with financial aid, and financial aid to the local households to ensure heat supply in winter. After the occurrence of Typhoon Morakot, China Shenhua donated money and supplies of up to RMB10 million to help people in the affected area in China Taiwan to relieve and rebuild homes.

In terms of recruiting graduates and arranging employment, the Company gives priority to people from the place where the business operates to help with local employment. In terms of project construction and procurement, the Company endeavors to ensure local interests whilst maintaining equality and quality.

The Company has actively participated in the joint development between the enterprise and the local community and cooperated with the community where the Company operates its business, benefiting the people in the local community. In 2009, China Shenhua officially commenced the construction of Shenhua New Village in Ordos, Inner Mongolia. Shenhua New Village is the landmark project in relation to joint development of a new rural village between the Company and the local government. The Shenhua New Village project will focus on Shenhua Shendong Coal Group's resettlement of more than 1,000 rural households are expected to be relocated in the coming five years, which can effectively solve the housing settlement issue of the rural households in the affected mines and is highly recognized by the local government and the local households.

In growing its business, China Shenhua actively supports the poor community, unschooled children and deprived undergraduates through the establishment of donation and education projects namely "Caring Fund", "Jinqiu Education" and "1+1 Hope Education Project" to contribute to the education development in the places where it operates. In 2009, China Shenhua and all of its branches and subsidiaries raised a total fund of approximately RMB16 million, assisted to build school premises and replace school desks and other facilities and provided direct assistance to 677 deprived children and undergraduates in support of the local education development.

### Social Services

As for social services, China Shenhua has launched numerous social commonweal services with special features and made them part of daily lives and systemized them.

Beijing Thermo cooperated with State Power Technology Exhibition Centre to conduct the construction of popular science bases in industrial parks and the industrial tourism demonstration, targeting students and residents with a view to raising the awareness on the popular science of power and environmental protection. Beijing Thermo has organized the summer camp on popular science for the youth during summer vacation four years in a row. In 2009, a total of 10 summer camps were held with approximately 500 participants. The summer camp has enriched the children's summer vacation and facilitated the harmonious development between the enterprise and the community.

During the period of the 60th anniversary of the founding of China, the Company aggressively arranged for the supply of high quality environmental-friendly steam coal in Beijing and the surrounding areas to ensure the supply of power coal. Part of the power plants of Guohua Power Branch undertook crucial responsibility to ensure the stability of power supply. It subsequently conducted three large-scale power quarantee drills and completed them successfully.



The Company organized the children's summer camp on popular science

During the snowstorm in North China at the end of 2009, China Shenhua actively performed its social responsibilities by increasing the coal production for power generation and maintaining the railway transportation capacity to relieve the shortage of coal supply and protect the safety of national energy.



Inauguration ceremony of Shenhua New Village

In 2009, China Shenhua made full use of its own railway transportation resources and rolled out the counter-transportation when demand for railway transportation arises and in areas without state-owned railway coverage to serve our society. The Company opened the railway transportation lines along the existing routes for the transportation of ores, coking coal and imported facilities. The launch of counter-transportation can enhance the utilization rate of China Shenhua's assets such as railways and truck and increase the profitability of the Company's transportation operations, marking the significance of the win-win cooperation between the enterprise and the community.

### Social Contribution Value Per Share

Social contribution value per share represents the values the Company created for its shareholders, employees, clients, creditors, community and the society, and could help the society have more comprehensive understanding of the Company's social contributions. In 2009, the social contribution value per share of China Shenhua amounted to RMB3.449 (PRC GAAP) and RMB3.521 (IFRS) respectively.

Note: The calculation of social contribution value per share: adding the basic earnings per share the Company created for shareholders and the value of tax paid to the country, salary paid to its employee, interests on borrowings paid to creditors such as banks and value created for other stakeholders such as external donations, and deducting other social costs of the Company as a result of factors such as environmental pollution caused. The calculation of other social costs as a result of factors such as environmental pollution caused includes the taxes and fees the Company paid and funds provided in accordance with relevant requirements of the State, including pollutant discharge fee, coal sustainable development fund, compensation for water and soil losses, compensation for land acquisition, security deposits for mine environment control and recovery and provision of reclamation expenses.

### Social Appraisal

## List of National or Provincial (Industrial) Scientific and Technological Advancement Awards won by China Shenhua in 2009

No.	Level of Award	Name of Award	Awarded Project	Awardee
1	National level	National Technology Advancement Award (Second Prize)	Coal development utilization technological innovation project through technology resources integration	China Shenhua
2	National level	National Technology Advancement Award (Second Prize)	Large mining height fully mechanized comprehensive technology and equipment with an annual capacity of 6 million tonnes	China Shenhua
3	Provincial (Industry) level	Science and Technology Award (First Prize) of Inner Mongolia Autonomous Region	6.3-meter one-off thick coal seam mining and heavy fully mechanized comprehensive technology	Shendong Coal Group
4	Provincial (Industry) level	Science and Technology Award (First Prize) for Civil Explosive Equipment Industry	Research and application on the key technology for explosive production in relation to large-scale throwblasting with dragline excavator in open cut mine	Zhunge'er Energy
5	Provincial (Industry) level	Science and Technology Award (First Prize) for Coal Industry in China	Steep end-slope mining method in ultra large open cut mines with mixed minerals deposit mine depositand development of upgraded equipment for transportation system	Zhunge'er Energy
6	Provincial (Industry) level	China Power Science and Technology Advancement Award (First Prize)	Research and application on the application of Shenhua's coal technology in coal-fired plants	Guohua Power Branch

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## List of National or Provincial (Industrial) Production Safety Awards won by China Shenhua in 2009

No.	Level of Award	Name of Award	Awardee
1	National level	2008 "Cup of Safety and Health in China"	Shenhua Tianjin Coal Dock
2	National level	2008 "Cup of Safety and Health in China"	Huanghua Port
3	National level	2008 "Cup of Safety and Health in China"	Guohua Panshan Power Plant
4	National level	2008 "Cup of Safety and Health in China"	Guohua Taishan Power Plant
5	Provincial (Industry) level (Second Prize)	600,000KW unit competition	No. 2 unit of Guohua Taishan
6	Provincial (Industry) level (Second Prize)	600,000KW unit competition	No. 2 unit of Guohua Cangdong
7	Provincial (Industry) level (Third Prize)	600,000KW unit competition	No. 2 unit of Guohua Dingzhou
8	Provincial (Industry) level (Third Prize)	600,000KW unit competition	No. 1 unit of Guohua Cangdong
9	Provincial (Industry) level (Third Prize)	600,000KW unit competition	No. 3 unit of Guohua Zheneng
10	Provincial (Industry) level (Third Prize)	600,000KW unit competition	No. 2 unit of Guohua Panshan

### List of Environmental Protection Awards won by China Shenhua in 2009

No.	Level of Award	Name of Award	Awarded Project	Awardee
1	Provincial (Industry) level	China Power Science and Technology Advancement Award (Third Prize)	Research and application on comprehensive control of GGH blocking in Guohua 600MW generation unit	Guohua Power Branch

### List of Capital Market Awards won by China Shenhua in 2009

No.	Name of Award	Awarder
1	Best Social Responsibility Report for Mining Industry 2009	Running & Loving Consulting for Common Welfare, Youcheng Foundation, Peking University
2	2009 Most Harmonious and Competitive Listed Company in China	Chinese Federation for Corporate Social Responsibility, Shanghai Jiaotong University
3	Benchmarking Enterprise for China's Green Companies 2008	Daonong Enterprise Institute
4	2008 Gold Bee Award for Social Responsibility – PRC Enterprise with Outstanding Leadership	WTO Tribune
5	2009 Gold Bee Award for Quality Social Responsibility Report	WTO Tribune
6	Corporate Governance Award – Top 10 Board of Directors Award	Shanghai Stock Exchange
7	Best Board for Corporate Governance, Best Board for Social Responsibility and Best Board	Money Week, CCTV
8	Taurus Award Top 100 Listed Companies 2008	China Securities Journal
9	No. 5 of Top 100 Listed Companies in China 2008	Warton Economic Institute, Shanghai Economy
10	Best Management Award for Large Companies	Asia Money
11	No. 5 of Top 100 Enterprises for Corporate Governance	Chinese Academy of Social Sciences, China National School of Administration
12	No. 4 of Top 100 Listed Companies of China in Market Value Management	China Center for Market Value Management
13	Prize of Gold Round Table of the Board of Listed Companies	Directors and Boards
14	No. 235 of Forbes Top 2,000 Global Enterprises	Forbes
15	No. 40 of Platts Top 250 World Energy Enterprises 2009	Platts
16	Excellence Chinese Enterprise for Social Responsibility	China Enterprise Reform and Development Society, Corporate Social Responsibility Research Association

CHINA SHENHUA ENERGY COMPANY LIMITED

## Appendix I:

## Indicators System on Social Responsibility Performance of China Shenhua

### **General Indicators**

First Tier Indicators	Second Tier Indicators	Third Tier Indicators	Performance in 2009
Social Contributions	Social contributions in RMB per share (PRC GAAP)		3.449
	Social contributions in RMB per share (IFRS)		3.521
	Cash dividend in aggregate (RMB billion) (2005-2008)		~43.684
	Final dividend for 2009 (RMB/share) (proposed)		0.53
	Social donations (RMB million)		>40
	Education donations and subsidies	Number of deprived young children and undergraduates	677
		Amount (RMB million)	~16
Financial	Revenues (RMB million)		121,312
	Net profit attributable to equity shareholders of the Company (RMB million) (PRC GAAP)		30,276
	Profit attributable to equity shareholders of the Company (RMB million) (IFRS)		31,706
Operational	Commercial coal production (million tonnes)		210.3
	Coal sales (million tonnes)		254.3
	Power output dispatch (billion kwh)		97.72
	Seaborne coal (million tonnes)		159.2
	Turnover of railway transportation (billion tonne km)		138.2
Supplier relations	Percentage of purchase from top five suppliers to total purchase (%)		20.4
Production safety	Capital investment (RMB billion)		~2.88
<b>,</b>	Production safety training	Terms	855
		Person-time	61,858

First Tier Indicators	Second Tier Indicators	Third Tier Indicators Pe	erformance in 2009
Environmental protection, energy conservation and	SO <sub>2</sub> emission	SO <sub>2</sub> emission reduction target under the "Eleventh Five-Year Plan" ('000 tonnes)	94
emission reduction		Total SO <sub>2</sub> emission for 2009 ('000 tonnes)	~47
		Percentage of YOY reduction (%	37.6
	COD emission	COD emission reduction target under the "Eleventh Five-Year Plan" ('000 tonnes)	4.0
		Total COD emission for 2009 ('000 tonnes)	~3.4
		Percentage of YOY reduction (%	) 11.1
	Utilization of water resources	Integrated utilization rate of industrial sewage (%)	91
		Integrated utilization rate of domestic sewage (%)	58
		Integrated utilization rate of mine water (%)	48
	CDM project	Number of existing CDM project	s 3
		Annual CO <sub>2</sub> emission reduction of the existing CDM projects ('000 tonnes CO <sub>2</sub> equivalent)	~1,087
		Number of CDM projects under approval	2
	Installed capacity of power plant with integrated utilization	Installed capacity in operation (MW)	2,044
		Installed capacity under construction (MW)	3,120
	Major environmental pollution accidents		0
	Capital investment in environmental protection (RMB billion)		~0.57
	Capital investment in greening and reclamation (RMB billion)		~0.14
Employees' interests	Basic conditions of employees	Number of employees	62,286
		Number of disabled employees	222
		Number of child workers	0
		Number of minority employees	2,651
		Number of female employees	11,402
	Prevention of occupational diseases	Capital investment (RMB million)	~180
		Incidence of occupational disease (number of patients)	e 0
	Staff training	Person-time	77,936



First Tier Indicators	Second Tier Indicators	Third Tier Indicators	Performance in 2009
Technological innovation	Capital investment in technological innovation (RMB billion)		1.47
	Number of projects undertaken		46
	Number of patents obtained		71

### Coal Production and Transportation Operations

First Tier Indicators	Second Tier Indicators	Third Tier Indicators Performan	ce in 2009
Customer relations	Coal customers	Customer satisfaction rate (%) (2008)	95
		Coal quality satisfaction rate (%) (2008)	97
	Market share	Coastal seaborne coal market in the PRC (%)	33.8
		Export coal market of the PRC (%)	60.7
Production safety	Basic conditions	The fatality rate per million tonnes of raw coal production	0.017
		Number of serious accidents and above	0
	Results	Mechanization rate of coal mining and excavation (%)	100
		Percentage of the ultra safe and highly efficient mines to total number of mines (%)	52.4
Utilization of resources	Average recovery rate in mining area (%)		82.2
Environmental protection, energy	Gaseous emissions	Integrated utilization rate of methane (gas) (%)	0
conservation and emission reduction	Solid emissions	Production of coal gangue (million tonnes)	~20.9
		Integrated utilization of coal gangue ('000 tonnes)	~880

### Power Operations (Guohua Power Branch)

First Tier Indicators	Second Tier Indicators	Third Tier Indicators Performanc	e in 2009
Production safety	Basic conditions	General and above accidents in respect of facilities	0
Utilization of resources	Consumption of energy	Average consumption of standard coal for power supply in power plant (g/kwh)	321
		Energy consumption (million tonnes of standard coal)	~17.6
	Utilization of water resources	Water consumption for power supply (kg/kwh)	0.89
		Reclaimed water utilized (million tonnes)	~10.1
		Water resource from seawater desalination (million tonnes)	~4.6
Environmental protection, energy	Gas emissions	Percentage of desulphurization units to total installed capacity	100%
conservation and emission reduction		Percentage of denitrification units to total installed capacity	26%
		Emission of SO <sub>2</sub> (g/kwh)	0.4
		Emission of nitrogen oxide (g/kwh)	1.3
	Solid emissions	Emission of soot (g/kwh)	0.1
		Emission of fly ash (million tonnes)	5.6
		Integrated utilization rate of fly ash (%)	69

## Appendix II:

Cross Reference Sheet of the Disclosure Recommendations of the Shanghai Stock Exchange and the Contents of this Report

	Disclosure Recommendation of the Shanghai	ons
No.	Stock Exchange	Index
Table I	5 5	tted Companies Undertaking of Social Responsibilities and Issuance of al Information Disclosure by Companies Listed on the Shanghai Stock
1	Article 1	Not a requirement regarding the content of this report
2	Article 2	"Chairman's Statement", "Corporate Governance and Regulated Operation", "Operation in Good Faith and Mutual Success in Harmony", "Employees' Interests", "Environmental Protection, Energy Conservation and Emission Reduction", "Innovation and Technological Advancement", "Social Commonweal", "Social Services"
3	Article 3	Not a requirement regarding the content of this report
4	Article 4	"Social contribution value per share"
5	Article 5(I)	"Customer Relations", "Production Safety and Employees' Interests", "Social Commonweal", "Social Services"
6	Article 5(II)	"Environmental Protection, Energy Conservation and Emission Reduction"
7	Article 5(III)	"Operation in Good Faith and Mutual Success in Harmony", "Employees' Interests"
8	Article 6	Not a requirement regarding the content of this report
9	Article 7	Not a requirement regarding the content of this report
10	Article 8	Not a requirement regarding the content of this report
11	Article 9	Not a requirement regarding the content of this report

	Disclosure Recommenda	tions
No.	of the Shanghai Stock Exchange	Index
Table II	"Guidelines on Environmer Exchange"	ntal Information Disclosure by Companies Listed on the Shanghai Stock
12	Article 1	Not a requirement regarding the content of this report
13	Article 2	Not applicable
14	Article 3(I)	"Environmental Protection, Energy Conservation and Emission Reduction"
15	Article 3(II)	"Utilization of Resources"
16	Article 3(III)	"Environmental Protection, Energy Conservation and Emission Reduction", "Investment in Technological Innovation".
17	Article 3(IV)	"Utilization of water resources", "Key emissions and their treatment"
18	Article 3(V)	"Utilization of water resources", "Key emissions and their treatment", "Independent Innovation and Technological Advancement"
19	Article 3(VI)	"Utilization of water resources", "Key emissions and their treatment"
20	Article 3(VII)	"Management Mechanism for Environmental Protection, Energy Conservation and Emission Reduction"
21	Article 3(VIII)	"Social Appraisal"
22	Article 3(IX)	"Other emissions", "Water and soil conservation and ecological diversity"
23	Article 4	Not applicable
24	Article 5	Not a requirement regarding the content of this report
25	Article 6	"Water and soil conservation and ecological diversity"
26	Article 7	Not a requirement regarding the content of this report
27	Article 8	Not a requirement regarding the content of this report
28	Article 9	Not a requirement regarding the content of this report

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	Disclosure Recommendation of the Shanghai	ns
No.	Stock Exchange	Index
Table III	Responsibilities'" of the "Mer	on Preparation of 'Corporate Report on Performance of Social morandum No. 1 on 2009 Annual Report for Listed Companies: ernal control report and social responsibility report"
29	Article 1	Not a requirement regarding the content of this report
30	Article 2	Not a requirement regarding the content of this report
31	Article 3	Content – Important Notice
32	Article 4(I)	"Customer Relations", "Production Safety and Employees' Interests", "Social Commonweal", "Social Services".
33	Article 4(II)	"Environmental Protection, Energy Conservation and Emission Reduction"
34	Article 4(III)	"Operation in Good Faith and Mutual Success in Harmony", "Employees' Interests"
35	Article 5	Social contribution value per Share
36	Article 6	App. III
37	Article 7	Not applicable

### Appendix III:

### Results of Third Party Verification



### **Independent Assurance Report**

#### To: The Board of Directors of China Shenhua Energy Company Limited

We have been engaged by China Shenhua Energy Company Limited ("CSEC") to provide independent assurance on the information disclosed in its 2009 Social Responsibility Report ("the SR Report") for the year ended 31 December 2009, in relation to the disclosure recommendation of the following guidelines issued by the Shanghai Stock Exchange:

- Notice on Strengthening Listed Companies' Undertaking of Social Responsibilities and issuance of 'Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange'
- Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange
- Appendix 2: Guidelines on Preparation of 'Corporate Report on Performance of Social Responsibilities' of the Memorandum No. 1 on 2009 Annual Report for Listed Companies: Preparation and review of internal control report and social responsibility report

(collectively known as the "SSE Guidelines").

### Purpose of report

This report is made solely to CSEC in accordance with the terms of our engagement. Our work has been undertaken so that we might state to CSEC those matters we have been engaged to state in this report and for no other purpose. We do not accept or assume responsibility to anyone other than CSEC, for our work, for this report, or for the conclusion we have reached.

## Responsibilities of the Board of Directors and the independent assurance provider

The Board of Directors of CSEC is responsible for the identification, presentation and accuracy of the information contained in the SR Report in accordance with the disclosure recommendation of the SSE Guidelines ("Disclosed Information").

Our responsibility is to express an assurance opinion to the Board of Directors of CSEC based on the work performed. Our work was conducted by a professional team who possess environmental and assurance experience. Our work and conclusion were limited to considering whether anything has come to our attention that causes us to believe that the Disclosed Information, in the form and context in which it appears in the SR Report taken as whole, was not fairly stated in all material respects, in so far as such information is not inconsistent with information made available to us at CSEC Head Office.



CHINA SHENHUA ENERGY COMPANY LIMITED





### Scope

The objective of our independent assurance engagement was to provide limited assurance on whether the Disclosed Information in the SR Report, prepared by CSEC, is not unfairly stated.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance. Our work and report were not undertaken for the purpose of opining on the effectiveness of CSEC's systems and procedures.

### Reporting criteria

CSEC has prepared the SR Report based on SSE Guidelines.

#### Assurance standard

We conducted our work in accordance with the International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information. This standard requires, amongst others, that the assurance team collectively possesses the specific knowledge, skills and professional competencies needed to understand and review the information in the SR Report, and that they comply with the appropriate requirements of the IFAC (International Federation of Accountants) Code of Ethics for Professional Accountants to ensure their independence.

### Summary of work performed

Our work was primarily limited to the following:

- Interviewing management and staff at CSEC Head Office responsible for collating and reporting the Disclosed Information; and
- Sighting, without verification, documentation at CSEC Head Office to support the Disclosed Information. We did not examine information relating to prior years or the source documents from the branches and subsidiaries.

#### **Conclusion**

Based on our scope and work described in this report, nothing has come to our attention that causes us to believe that the Disclosed Information in the SR Report, prepared by CSEC in accordance with the disclosure recommendation of the SSE Guidelines, in all material respects, is not fairly stated.

This is translation of the Chinese language version of the Independent Assurance Report. If there is any conflict in meaning between the Chinese and English versions, the Chinese version will prevail.

#### **KPMG Huazhen**

Beijing

12 March, 2010

### Appendix IV:

Postal code: 100011

### Feedback Sheet and Contact Information

China Shenhua is very concerned about your opinions on the Company's works on corporate social responsibility and this Corporate Social Responsibility Report. Your opinions and proposals are the contents that we are most interested in our continual improvement of our works and this report.

Please fax this sheet to +86-10-5813 1814 or email it to 1088@csec.com after you have answered the following questions.

1.	Do you have any topics that you are concerned but not covered in this Report? If yes, please write down the content that you are concerned.	
2.	Which part(s) of this Report are you most interested in?	
	are welcome to provide personal data	
Name	:	
Occupation:		Organization:
Contact address:		Postal code:
Telephone:		Fax:
Email	:	
Shenl 22 Xi Dong	a Shenhua Energy Company Limited hua Tower binhe Road, Andingmen cheng District g, China	

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PLEASE AFFIX
STAMP HERE

## China Shenhua Energy Company Limited Investor Relations Department

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This Report is published in Chinese and English, in case of any discrepancy between the two versions, the Chinese version shall prevail. This Report is distributed to shareholders and investors in published form, and issued to stakeholders and the general public as an electronic document in PDF form. The PDF electronic document can be downloaded from the China Shenhua website www.csec.com. In case of any query about the contents of this Report, please contact us by telephone or letter at:

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2008 CSR Report



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