

Appendix

Steel Industry Adjustment Policy (2015 Revision)

(Draft for Comment)

The iron and steel industry is an important basic industry of our national economy and plays a vital role in the process of industrialization and urbanization. In order to implement the strategic plan of the Party Central Committee on comprehensively deepening reform; to make the market play a decisive role in resource allocation and to more effectively realize the role of the government; in an effort to solve the problems of severe overcapacity, disorderly competition, insufficient indigenous innovation capabilities, and weak overall competitive strength in the steel industry; and to prompt the steel industry to adapt to the new model of economic development, the new normal situation, and to realize structural adjustment, transformation, and upgrading; the *Development Policy for the Steel Industry* promulgated by the State in 2005 is thus amended and the *Steel Industry Adjustment Policy* is formulated.

Chapter I: Policy Objectives

By 2025, steel products and services should fully satisfy the development needs of the national economy and should realize transformation and upgrading by creating resource-conserving, eco-friendly steel enterprises with strong innovative capabilities, positive economic benefits, and international competitiveness. Products and services, industrial equipment, energy and environmental conservation, and indigenous innovation, etc. should reach globally advanced levels, and a fair and open market environment should basically take shape.

Article 1 [Structural adjustment]

Upgrade Product Mix. The variety and quality of large-and-medium-sized steel enterprises' products should reach internationally advanced levels, and they should possess a set of globalized steel manufacturing standards. Service systems and service capabilities should be globally aligned in order to transform steel manufacturers into customer-focused materials service providers.

Essentially Rational Steel Production Capacity. By 2017, the contradictions of serious overcapacity in the steel industry should effectively be resolved, and the scale of production capacity should be essentially rational. The capacity utilization rate should reach 80% or higher, and the industry's profit margins and return on assets should return to a reasonable level. Large-scale production equipment and the level of automation should further be improved.

Short steel processing technologies and equipment utilization using steel scraps as raw materials should be encouraged. By 2025, the scrap ratio of China's steel enterprises should not be less than 30%, and the steel scrap processing and delivery system should be basically established. The annual labor productivity of large-and-medium-sized steel enterprises' core businesses should exceed 1,000 tons/person/year and that of advanced enterprises should exceed 1,500 tons/person/year.

Adjustments to Improve the Organizational Structure. The pace of mergers and restructuring should be accelerated, and the development of mixed ownership should yield positive results. By 2025, the crude steel output of the top ten steel enterprises (groups) should account for no less than 60% of the national crude steel output. Three to five ultra-large steel enterprise groups with remarkable competitiveness in the global market will be formed, along with a group of regional market players and market segment leaders.

Optimization of Spatial Distribution.

Actively promote restructuring and relocation of steel factories in urban centers to concentrate domestic steel production capacity in more competitive enterprises and in regions with comparative advantage.

Continue to Improve the Technological Innovation System. By 2025, an indigenous innovation and research & development system that can support the development of the industry should be formed. Establish a number of research & development centers, laboratories and industrial alliances with early involvement, follow-up service, and application promotion functions. Construct a globally first-rate training system for leading talent in scientific research and occupational skills. Revenue from sales of new products by large-and-medium-sized steel enterprises should account for more than 20% of the enterprises' total sales revenue, and R&D expenditures should account for no less than 1.7% of the income from core business activities.

The level of deep integration of industrialization and automation should be significantly improved. Great progress should be made in establishing the industry's big-data resource development and utilization and comprehensive cloud computing service platforms. Industrialization and automation integration technologies and evaluation criteria guarantee systems should be gradually perfected. The use of intelligent equipment should steadily increase, e-commerce should be fully popularized, and the integration of industrialization and automation should become an important feature of the steel industry's new model of industrialization and development. The proportion of statistically important enterprises using the manufacturing execution system (MES) should exceed 80%; the level of e-commerce transactions should reach 20% of the industry's total sales; and a group of model intelligent steel manufacturing facilities should be established.

Article 2 [Energy Conservation and Emissions Reduction]

By 2025, pollutant emissions and the energy consumption of steel enterprises' production processes should fully comply with national standards and local regulations. The total per-ton energy consumption of the steel industry should decline to 560kgce, the water consumption volume should fall below 3.8m³, SO₂ emissions should drop to 0.6kg, smoke and dust emissions should decrease to 0.5kg, and 100% utilization of solid waste should be achieved.

Article 3 [Resources Security]

By 2025, iron ore supply channels and commerce platforms should make significant progress. Equity ore and trading in imported iron ore should develop in tandem to realize diversified development of equity ore, contract ore and spot traded ore and basically form a rational and stable guarantee system for global iron ore resources. The domestic mining industry should develop in an orderly manner, and a rational guarantee system of complementary domestic and overseas mines and a guarantee system for recycled mining resources should be formed.

Article 4 [Market environment]

There should be continuous innovation in the means of governmental administration; ongoing and retrospective oversight and services should be continuously strengthened; and the role of the government should be more effectively realized. Relevant laws and regulations should be better implemented in the industry in order to basically build a fair and competitive market environment. A sound investment project information disclosure system and corporate credit record system should be established in order to form an open, honest community oversight system.

Chapter II Market Entry

The market entry requirements on energy, land, and water conservation; the environment; technology; and safety should be strengthened. Entry standards should be perfected regarding the overall arrangement of newly installed (modified and expanded) steel projects, the list of approved technological equipment, and the concept of bottom-line thought on energy conservation and environmental protection.

Article 5 [Production Distribution]

Newly installed (modified and expanded) steel projects should satisfy the requirements of national main functional zone plans, industrial development planning, regional development planning, urban master planning, energy conservation and emission reduction planning, water resource development and utilization planning, environmental protection and pollution prevention and control planning and should comply with the rational distribution environmental impact assessment reports.

Article 6 [Technological equipment]

Newly built (modified and expanded) steel projects should not use technological equipment that is restricted or prohibited as set forth in the *Guiding Catalogue for Industrial Structure Adjustment*.

Article 7 [Energy conservation and environmental protection]

The energy consumption of all production processes in newly built (modified and expanded) steel plants should satisfy the threshold value as set forth in the *Unit Energy Consumption Limits for Coke Products* and *Unit Energy Consumption Limits for Main Working Procedures of Crude Steel Production*.

The pollutant emissions of all production processes of newly built (modified and expanded) steel projects should satisfy the requirements set forth in the *Air Pollutant Emission Standards for Coking Chemical Industry*, *Steel Sintering and Air Pollutant Emission Standards for Pelletizing Industry*, *Air*

Pollutant Emission Standards for Iron Industry, Air Pollutant Emission Standard for Steel Making Industry, Air Pollutant Emission Standards for Steel Rolling Industry, Air Pollutant Emission Standards of Steel Industry and Announcement on Implementing Special Emission Limits of Air Pollutants.

Article 8 [Water conservation]

The water consumption per ton of steel and water recycling ratio for newly built (modified and expanded) steel plants should satisfy the requirements as set forth in the *Water Conservation Standards for the Steel Industry*.

Article 9 [Land conservation]

The building occupancy index for newly built (modified and expanded) steel plants should not be lower than 30%, the floor ratio should not be lower than 0.6, the ratio of green space should not exceed 15%, the land area for administrative offices and life service facilities should not account for more than 7% of the total area.

The project land index of long-process steel facilities with production of over 5 million tons should not exceed 0.8 m² per ton of steel. The project land index of long-process steel facilities with production of less than 5 million tons should not exceed 1.0 m² per ton of steel. The project land index of short-process steel facilities should not exceed 0.2 m² per ton of steel.

Article 10 [Production Safety]

Steel enterprises should comply with the *Production Safety Law* and other laws and regulations governing production safety, establish and perfect the production safety compliance system and production safety rules and regulations, and should meet the production safety standards as set forth by relevant laws, administrative regulations and national standards or industrial standards.

Steel enterprises should set up a production safety management agency equipped with production safety management staff. All production processes should be accounted for and should comply with the relevant provisions on safety precautions and protective production facilities. They should be capable of detecting potential hazards, assess and install control measures, and have in place contingency plans and rescue operation systems.

Steel companies must strictly adhere to the construction project safety installations system known as the Three Simultaneities. Safety installations of a construction project must be designed, built and put into production at the same time as the main part of the project. Moreover, these safety installations must be inspected and accepted by the Administration of Work Safety in accordance with the law.

Steel enterprises should strictly implement relevant regulations including but not limited to the *Safety Production License, Ordinances and Measures for the Implementation of Safe Production, and License for the Production of Dangerous Chemicals*. The production activities for the production of dangerous chemicals including but not limited to coke, oxygen preparation and other gas preparations should only be started after the safety production license is obtained in compliance with the law.

Article 11 [Supervision and administration]

By the end of 2017, newly built (modified and expanded) steel projects should, in strict accordance with the procedures and requirements as set forth in the *Measures for the Implementation of Productivity Replacement of Industries with Serious Overcapacity*, formulate replacement programs, implement equal or reduced production replacements, and strictly control new production capacity.

Together with market access requirements, ongoing and retrospective oversight of newly built (modified and expanded) steel projects should be strengthened, and steel enterprises should be guided towards standard development.

Chapter 3: Market Exit

Phase out outdated production capacity according to laws and regulations. Perfect the exit mechanism for outdated production capacity of steel enterprises, and effectively resolve the contradictions of excess steel production capacity.

Steel enterprises must strictly implement the environmental protection law and pollutant

emission standards, energy consumption quota standards and other laws and regulations. Enterprises with pollutant emissions that exceed the pollutant emission standards or the control targets for major polluting emissions should be ordered to limit production or shut down. If they still do not meet the standards after the rectification, they should be closed down in accordance with the law. Enterprises that are over the standard energy consumption quota should be subject to differential electricity prices or punitive water and electricity prices to force them to exit the market.

Article 13: [Phasing out in Accordance with the Law]

Steel enterprises must strictly abide by the *Industrial Structure Adjustment Guidance Catalogue*, and *Catalogue of Guidance of Phasing out Backward Production Technology Equipment and Products in Certain Industries*, to phase out outdated production technology, equipment and products.

Article 14 [Guiding Market Exit]

Existing steel enterprises that do not meet the entry requirements of the industrial policies should actively upgrade. Enterprises that still cannot meet the entry requirements should gradually exit the market to reduce excess production capacity in an orderly manner. Existing urban steel mills are encouraged to actively implement environmental relocation.

Chapter 4: Structural Adjustment and Industrial Upgrading

Around the main line of "structural adjustment, transformation, and upgrading," speed up the construction of innovation systems, promote product upgrades, organizational adjustments and technological progress.

Article 15 [Adjustments to Product Mix]

Phase out outdated steel products; improve the quality and performance of widely available common products, increase the development and application of high strength, highly corrosion resistant, highly specialized performance and other key steel varieties.

Energetically develop functional materials, and actively develop new alloy materials, high-quality special steel and other advanced steel materials, speed up the research and development of material design, preparation and processing, and high-efficiency utilization and engineering technology. Promote the cooperation of industry, academia, researchers, and end-users. Realize the integrated development of the new materials industry and raw materials industries. Support the development of strategic emerging industries. Safeguard major national engineering projects and construction.

Article 16 [Upgrade Standards]

Strengthen the assessment of the life cycle of steel products. Reasonably establish steel use standards for steel consuming industries. Strengthen the coordination of steel product standards, downstream steel industry standards, design specifications and international standards, and timely organize revisions.

Article 17 [Consumption Upgrade]

Energetically promote the application of high-strength, corrosion-resistant, high-temperature-resistant, and long-life high-performance steels. Speed up upgrading to new-generation steel products. Further popularize the application of 400MPa reinforcing bar. Implement pilot demonstrations of high-strength, weather-resistant, fire-resistant and corrosion resistant reinforcing bar greater than 500MPa.

Article 18 [Service Upgrade]

Build and perfect a new, high-efficiency customer service system, enrich the content of services, improve the quality of service, and carry out service standardization operations. Encourage the model of early involvement by suppliers and provide a full range of technical support and service for the customers.

Article 19 [Method of Mergers and Reorganizations]

Through acquisition, equity transfer, technology investment, management integration, private capital participation, and various other modes, encourage steel enterprises to engage in substantive combination and reorganization; optimize capital, technology, talent and other allocations of production factors; implement the reengineering of business processes and technological upgrading and transformation; reduce excess capacity; phase out outdated production capacity; and remove

inefficient production capacity from the market.

Article 20 [Orientation of Mergers and Reorganizations]

Support the combination of large, strong steel enterprises, and implement strategic restructuring. Encourage strong steel enterprises to carry out cross-border mergers and acquisitions to optimize the allocation of resources on a global scale. Encourage mergers and reorganizations among steel enterprises and upstream and downstream enterprises, relying on the advantages of the industrial chain to improve competitiveness. Guide mergers and reorganizations of steel enterprises in the provinces (regions and cities) to form an industry structure with coordinated development among strong, superior leading enterprises and highly specialized, niche, small-and-medium-sized enterprises to optimize the market environment and speed up the transformation and upgrade.

Article 21 [Oversight of Mergers and Reorganizations]

Strengthen and improve oversight of major merger and reorganization transactions among enterprises. For mergers and reorganizations of enterprises that reach the statutory industry concentration reporting threshold, carry out the investigation of industry concentration according to the law. Further perfect the administrative rules for foreign capital mergers and acquisitions. Establish a robust national security review system for foreign capital mergers and acquisitions of domestic firms to safeguard national security.

Article 22 [Service System for Mergers and Reorganizations]

Further perfect the public information service platform for enterprise mergers and reorganizations to widen the channels for the exchange of information. Give full play to the role of intermediary service agencies. Provide services such as consultation, evaluation, investigation, analysis, forecasting, information, statistics, and policies and regulations, so as to promote mergers and reorganizations of enterprises.

Strengthen the work of information and statistics regarding mergers and reorganizations. Build the statistical index system for enterprise mergers and reorganizations. Establish and improve the system of statistical investigation, monitoring and analysis, and publication. Integrate the industry associations and intermediary organizations and other information resources, clear the channels of statistical information, and provide timely and effective information services for enterprises.

Further realize the role of inter-ministerial coordination mechanisms for mergers and reorganizations. Solve the major problems of enterprise mergers and reorganizations and cross-border mergers and acquisitions. Organize to carry out evaluations, oversight, and inspections of policy implementation.

Optimize credit financing services. Fully give play to the role of capital markets. Implement and perfect policies regarding finance, taxation, land use, and employee relocation.

Article 23 [System Reform]

Encourage steel enterprises to actively develop mixed ownership. Promote reform of the enterprise shareholding system. Allow shareholding by employees. Form socialized public companies that are in conformance with the rules of market economy operations.

Article 24 [Construction of an Innovation System]

Establish robust mechanisms to promote original innovation; integrated innovation; and introduction, absorption, and re-innovation. Establish a robust mechanism for market-oriented technological innovation. Bring about the guiding role of the market for the direction of technological research and development, strategic decisions, factor prices, and the allocation of various innovation factors. Establish mechanisms for coordinated innovation among producers, academia, and researchers. Strengthen the dominant position of steel enterprises in technological innovation. Realize the central role of strong, high-quality enterprises in innovation.

In key areas and key products, rely on major national construction projects, major scientific research projects and infrastructure projects. Construct platforms and coordination mechanisms for sharing the risks and benefits of research and development and the promotion of key technologies

common to the steel industry. Improve the efficiency of scientific and technological resources and research and development investments.

Encourage steel enterprises to set up end-user-oriented technological innovation systems and systems for the transformation of technological achievements, increase investment in research and development, and develop processes, equipment, technologies and products with indigenous intellectual property rights. Further promote indigenous innovation, localization, and "going out" of steel technology and equipment.

Article 25 [Construction of Talent Force]

Further improve the construction of channels for training and growing talent that is beneficial to indigenous innovation, and bring about an incentive mechanism for talent. Form an innovative culture of respecting talent, respecting knowledge, encouraging innovation and tolerating failure, so as to create a force of technological innovation talent, technological management talent, and high-skill talent that meets the development needs of enterprises.

Article 26 [Supporting Technological Innovation]

Strengthen the utilization and protection of intellectual property rights. Improve the incentive mechanism for technological innovation. Integrate science and technology plans and resources. Perfect government support mechanisms for basic, strategic, and new-age science research and general technological research. Research and draft a *Steel Industry Technology Policy* to promote the upgrading and structural optimization of steel industry technology.

Article 27 [Integrating Automation with Industrialization]

Improve the system to enhance integrating automation and industrialization in the steel industry. Vigorously promote an evaluation system and industry assessment standards for steel enterprises' integration of automation and industrialization. Intensify the support of pilot demonstration projects. Construct a public platform for common technological development of technologies for integrating automation with industrialization. Emphasize breakthroughs in industrial technology improvements for intelligent steel enterprises and the integration of automation and industrialization.

Strengthen the transformation to the digital workshop and the construction of intelligent factories, intelligent business platforms, and the integration of the internet of things, equipment monitoring technology, green intelligent methods and intelligent systems and other emerging technologies. Construct intelligent factories that are highly efficient, energy conserving, environmentally friendly, and comfortable. Gradually use big data, cloud computing and information logistics systems to promote digitalization and virtualization of the manufacturing systems. Build production methods involving whole life cycle system integration, flexible manufacturing, and customized products and services.

Encourage qualified steel enterprises to set up e-commerce, internet finance, future goods, logistics services and other new service fields. Promote the deep integration of the chain of production, sales, and supply. Accelerate the transformation of manufacturers into service providers. Realize the maximization of value to the user, and create the value of the industry chain.

Article 28 [Technological Orientation]

Technology development direction: Green, recycled steel manufacturing process technology; high efficiency and low cost clean steel production platform integration technology; low carbon steel manufacturing technology; efficient resource development and comprehensive utilization technology; high efficiency and low energy consumption, long lifetime comprehensive smelting technology; high efficiency and low cost clean steel production platform integration technology; high performance and low cost steel material design and manufacturing technology; high precision, high efficiency rolling and heat treatment technology; composite materials manufacturing technology; comprehensive production technology for the stable quality control of the whole process; "informationized" and "intelligentized" steel manufacturing technology.

Development orientation of steel product types: steel for building bridges; steel for energy fields; steel for ship and maritime work, steel for cars and rail transit; and key special steel.

Chapter 5 Environmental Protection

The steel enterprises must strictly implement national and local standards for pollutant emissions for the steel industry and the system of total emission control of pollutants and pollutants discharge permits. Steel enterprises must meet emissions standards. In terms of the quantity of pollutants discharged, they must meet the requirements of emission permits and total emission targets for major pollutants.

Article 29 [Information Disclosure]

The mechanism for enterprises' environmental information disclosure should be established. Steel enterprises should timely publish information related to self-monitoring results and pollutant emissions. In addition, they should prepare and publish a corporate environmental report regularly to accept public supervision. Meanwhile, the system of environmental monitoring and information disclosure by third parties should be established.

Article 30 [Clean Production]

Steel enterprises must implement clean production audits strictly in accordance with relevant laws and regulations. They should be encouraged to use advanced clean production technologies for upgrading and improving resource utilization efficiency from the source to reduce generated pollutants. For today's enterprises, they should ensure that their clean production levels reach the standard of Grade III or above in the *Assessment Indicator System of Clean Production of the Steel Industry*.

Article 31 [Environmental Protection Facilities]

Adhering to the concept of green development, steel enterprises must provide advanced and efficient environmental protection facilities for dust removal, desulfurization and sewage treatment stations for the whole factory and ensure their synchronous operation. For some main emission sources such as sintering, coke ovens, wastewater discharge outlets, on-line automatic monitoring systems must be installed and networked with local environmental protection departments. Steel enterprises must comprehensively reuse or safely and properly dispose of all kinds of solid waste according to the requirements of *Standard for Pollution Control on Hazardous Waste Storage*.

Chapter 6 Resource Security

Steel enterprises should be encouraged to coordinate the use of domestic and international resources and markets and actively participate in competition for global resources allocation and markets, widening the road to international development.

Article 32 Domestic Development

The exploitation of mines must comply with the *Mineral Resources Law*. The enterprises must obtain mining permits in accordance with law before mining and ensure safe production, ecological environmental protection, governance and restoration of the mine, land reclamation in the mining area and soil and water conservation in mining. Unauthorized and disorderly mining should be prohibited.

Domestic iron ore resources must be protected and utilized rationally. Great efforts in ore prospecting must be made to improve the ability to guarantee domestic iron ore resources. In addition, the research and development and application of efficient mining, processing and metallurgical techniques for low-grade ores should be supported to improve resource utilization. The healthy and orderly development of domestic iron ore resources should be actively promoted. The differentiated management pilot areas should be established to accelerate the steps of major iron ore resources development projects in progress.

The tax reform of metallurgical and mining resources should be accelerated, and the ecological compensation mechanism should be improved to promote the sustainable development of metallurgical mining.

Article 33 [International Development]

The development of overseas mineral resources should be enhanced. The overseas resources can be controlled through holding shares, equity participation, acquisition and cooperation. In addition, the bases for production and supply of iron ore, chrome ore, manganese ore, nickel ore, scrap steel and coking coal should be established to increase the quantity of equity resources.

Strategic investors should be actively introduced, capital operation should be studied and

implemented, and the transformation of mineral resources from increases in quantity to increases in value should be accelerated.

Article 34 [International Trade]

The domestic steel enterprises should strengthen the coordination with iron ore suppliers to establish long-term stable channels for importing iron ores. They should make full use of futures, indices and other financial instruments to promote and construct an open and transparent market price mechanism for iron ores.

Article 35 [Renewable Resources]

The renewable resources guarantee system should be established. The industrialized system of scrap recycling, processing and distribution should be constructed on the basis of standardizing industry management according to entry standards for the steel scrap processing industry and the relevant management requirements to standardize the management of scrap flows. The recycling of waste plastics and rubbers should be strengthened, that is, the enterprises should actively play an important role in disposal of wastes.

Article 36 [Construction of Steel Scrap Recycling System]

The establishment of demonstration bases for industrialization of steel scrap recycling should be promoted, and supportive tax policies for steel scrap recycling should be studied and formulated.

Chapter 7 Resources and Energy Conservation

Steel enterprises should actively promote the utilization of solid waste resources and strengthen the construction of energy audits, energy statistics and energy control centers, improving energy utilization efficiency.

Article 37 [Use of Solid Waste]

The establishment of a steel scrap processing and distribution system should be accelerated. The scrap recycling, the efficient recycling of iron-containing precipitator dust, dust sludge and iron oxide scale in the factory and the high value-added utilization of smelting slag, desulphurization slag and furnace slag should be encouraged. The techniques, products and application standards of metallurgical solid waste utilization should be developed as soon as possible, and the expansion of the market in which products can be comprehensively utilized should be emphasized.

Article 38 [Water Conservation]

Steel enterprises should implement the most stringent national water management system. Specifically, they should set up a sound water management institution, establish the system of assessment on water conservation, control the amount of water consumption and improve the efficiency of water consumption, aiming at creating a water-conserving enterprise.

Steel enterprises should regularly conduct water balance tests and prepare reports on water balance tests. In addition, they should gradually implement water consumption audits, establish archives for water consumption, and develop the assessment reports on enterprises' water consumption. For steel enterprises, it is necessary for them to implement the system of "four implementations" in water management, that is, successful implementation of the plan for enterprises' water use, successful implementation of water-conservation goals, successful implementation of water-conservation measures, and successful implementation of water management systems.

Steel enterprises should improve the three-level water measurement system of water supply, establish the on-line monitoring system of water consumption and provide water metering and monitoring devices and instruments according to the relevant requirements.

Article 39 [Energy Conservation]

Steel enterprises should fully recycle residual heat and energy in the steel production process and ensure that the energy consumption in the main processes can meet national standards for the maximum allowable values of energy consumption and that the total energy consumption amount complies with the local requirements for total energy consumption control.

The system of energy efficiency standards in the steel industry should be improved. Steel enterprises should formulate standards for the energy efficiency of "leaders," establish the system of announcing the "leaders" in energy efficiency in the industry, clearly set up industry benchmarks, encourage the full exploration of energy saving potentials and improve energy utilization efficiency,

promoting the improvement of energy efficiency in the whole industry.

Article 40 [Energy Audit]

Steel enterprises should improve the system of assessment and post-assessment on the energy conservation of project construction, promote energy benchmarking, diagnosis and tapping. Steel enterprises listed as key energy-using entities should regularly submit reports on energy utilization conditions to the energy conservation authorities and publish the information on energy consumption and conservation to accept public supervision.

Article 41 [Energy Management]

Steel enterprises should construct enterprise energy management and control centers, which can dynamically supervise and manage energy production, distribution and use and secondary energy use through the use of advanced information technologies applicable to enterprises. By virtue of it, they can achieve the “informationization” of energy management, coordinated balance of energy media and optimized scheduling of energy systems, promoting energy conservation and consumption reduction.

Chapter 8 International Development

The new system of economic openness should be constructed, and the restrictions on foreign investments in the domestic steel industry should be loosened to allow domestic and foreign enterprises to enjoy equal investment policies.

Article 42 [International Development]

Domestic enterprises should be supported to accelerate their international development. They can participate in the acquisition or construction of steel enterprises in other countries and regions and establish the corresponding technical centers and R & D platforms to construct marketing channels worldwide.

Foreign-owned enterprises should be encouraged to participate in the merger and reorganization of domestic steel enterprises to establish a sound sharing mechanism in technology, resources, brands, marketing channels, management philosophy and financing services.

The cooperation between the domestic enterprises of steel production, engineering technology, equipment manufacturing and consulting services should be encouraged to actively explore overseas markets and promote exports of metallurgical technology, complete equipment, intelligence services and other products.

Chapter 9 Market Environment

The service and supervision of investment in the domestic steel industry from various market entities should be strengthened. In addition, the credit system and warning and forecasting system should be established in the industry to create a fair and competitive market environment.

Article 43 [Market Fairness]

Fair, open and transparent market rules should be established, and the unified market access system should be implemented. On the basis of making a negative list, various market entities can legally and equally enter fields other than those on the list.

The market supervision system should be reformed through implementing unified market supervision, cleansing and abolishing those rules and practices hindering the national unified market and fair competition, and forbidding local governments to provide illegal preferential policies to steel enterprises, such as refunding, electricity price subsidies, tax exemptions and land disposal at low prices.

For downstream steel-using industries, the pace of “transformation from business tax to VAT” should be accelerated.

Article 44 [Credit System]

A sound social credit system should be established in the steel industry to enhance credit supervision, which aims at encouraging steel enterprises to honor contracts and keep their promises through information disclosure and sharing and other means.

According to the requirements in *Opinions of the State Council on Promoting Fair Competition in the Market and Maintaining Normal Market Order*, the system of “blacklisting” should be established for those steel enterprises that violate the principle of market competition and infringe upon the lawful rights of consumers and laborers to restrict and prohibit them from business

operations, land use, investment and financing, import and export, security authorizations, production permits and other aspects. The system of prohibition from the market should be established for those entities that break the law and their promises on a serious scale.

Article 45 [Industry Warning]

The forecasting and warning system for steel industry capacity and relevant businesses should be established to strengthen effective self-discipline, resolve conflicts in serious excess production capacity and improve operational efficiency in the steel industry.

Chapter 10 Other Items

This industrial policy is revised by some relevant departments under the organization of the Ministry of Industry and Information Technology and submitted to the State Council for approval and implementation supervision. Government administrative departments at all levels, industry intermediary agencies and enterprises and other relevant entities should observe and implement it.

This industrial policy applies to all steel enterprises registered legally in the People's Republic of China.

For those national standards, policies and legal regulations which are concerned in this industrial policy but have been revised, they are subject to the latest standard after the revision.

The industrial policy is implemented as of the publication day, and may be modified timely according to the situation. The "Iron & Steel Industry Development Policy" promulgated in 2005 should be annulled as of the same date.