

SGCC | **Guidance for the
Implementation of CSR**

Foreword

The 17th National Congress of CPC submitted that the increase of material wealth and the improvement to the quality of life should come about through development; that the safeguard of social equality and justice, as well as the advancement of social harmony should also come through development. The State Council laid down more stringent requirements on enterprises in fulfilling their Corporate Social Responsibilities (CSR). Article 5 of the Corporate Law of China clearly stipulates that “the economic activities of enterprises must abide by laws and regulations, observe social morality, business ethics and integrity, accept the supervision of the government and scrutiny of the public, and take on social responsibilities”. President Hu Jintao elaborated that “enterprises shall be encouraged to adopt modern concept in their management, to take on social responsibilities in a tangible manner”. The fulfilment of Scientific Outlook on Development and social harmony require the implementation of CSR. The State-Owned-Enterprises (SOEs) Executives Summit held at the end of 2007 pointed out that State-owned Assets Supervision and Administration Commission of the State Council (SASAC) would promulgate “Guidance and Advice on the Fulfilment of Social Responsibilities” requiring all SOEs to proactively take on CSR and set example for others.

Following the trend of global economic development and

social progress, the implementation of CSR is deemed as a crucial foundation for building a harmonious society. The international community pays much attention and gives active support to the implementation of CSR. The United Nations (UN) released the Ten Principles of the Global Compact in 2000, advocating all enterprises to actively implement their social responsibilities. Since 2004, the International Organization for Standardization initiated to draft ISO 26000—the social responsibility international standards.

State Grid Corporation of China (SGCC) published the first CSR report in response to the call for fulfilment of CSR, which pioneered in Chinese business environment. This initiative enhances the corporate value, projects a positive brand, and accelerates the building of SGCC image and competence.

The formulation and implementation of “SGCC Guidance for the Implementation of CSR” (the Guidance) is a significant move to emphasize the importance of social responsibility in the efforts to develop and build a world-class power grid and a first-class global enterprise with a reliable grid, excellent assets, service and performance. This move aligns itself behind the drive for sustainable development, demonstrates a proactive enterprise management in pioneering CSR for other SOEs, and

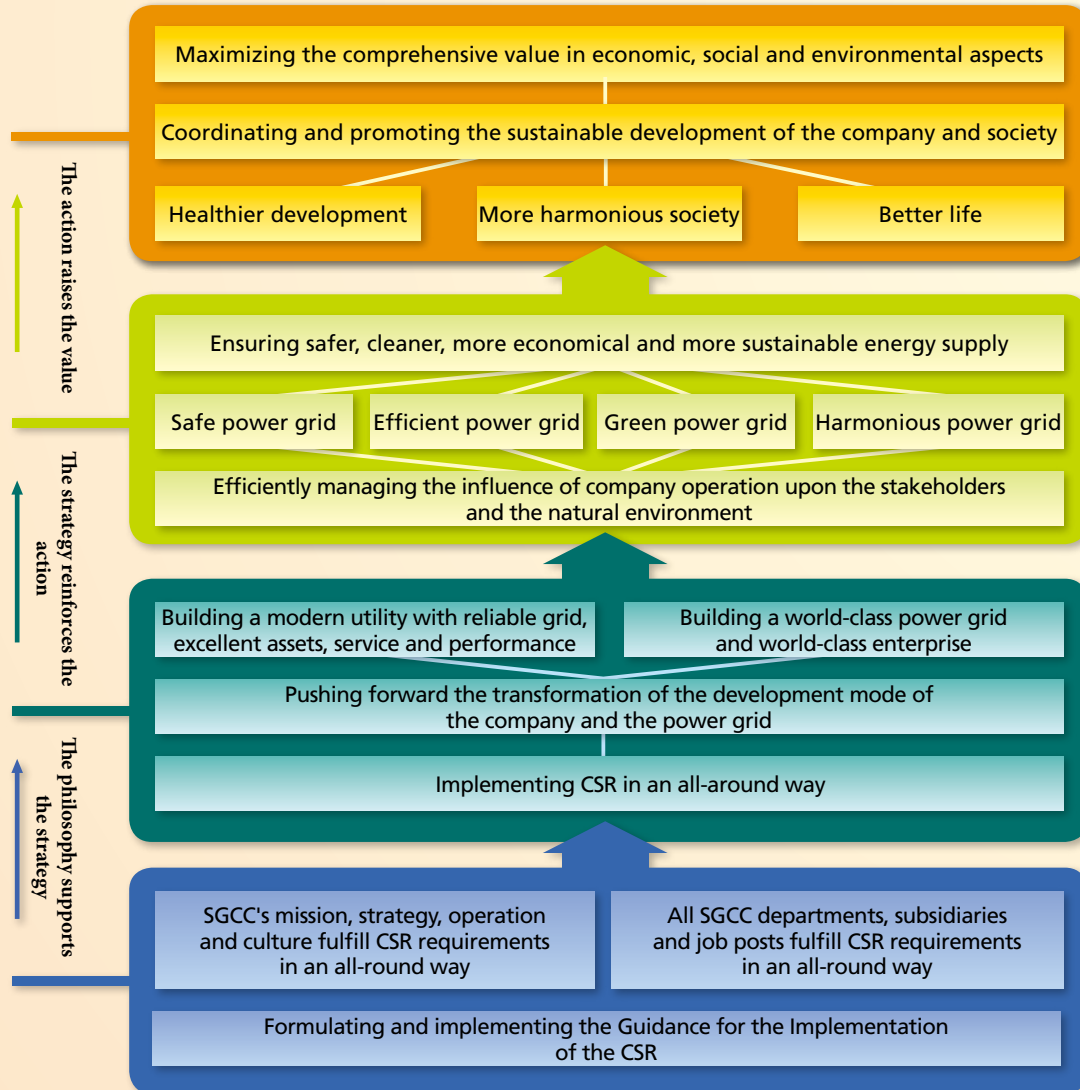
accelerates the wide-spread implementation of CSR in China. This move is the strategic vanguard to the fulfilment of CSR in the regular operation and management system of Chinese enterprises.

The Guidance clearly defines eight key terms in CSR application and systematically addresses four fundamental issues in the implementation of CSR: the definition, the reasons, the extent and the methods of CSR fulfilment. The Guidance takes into account both the national and the corporate interest specific to the grid industry in illustrating the definition and significance of the fulfilment of CSR; in highlighting the relationship between the company and stakeholders; in demonstrating 12 CSR aspects to which the company is committed. The Guidance details the strategy of fulfilling CSR obligations: firstly, incorporating the fulfilment of CSR into the corporate mission, strategy, operation and culture; secondly, actively upholding eight fundamental principles of complying with laws and regulations, honesty and integrity, being transparent and open, being people oriented, risk management, continued improvement, sustained development and creating value.; thirdly, expediting the establishment of CSR management system, reinforcing CSR fulfilment capability, introducing CSR performance assessment, encouraging stakeholders' participation, arranging CSR information disclosure mechanism and CSR index system.

The Guidance pointed out that the essence of CSR implementation is to realize optimized allocation of corporate and social resources and to coordinate and advance the sustainable development of the company and the society. In other words, we shall fulfill the requirements for a safe, efficient, green and harmonious power grid, ensure cleaner, safer, more economical, and more sustainable power supply, satisfy the stakeholders' needs and maximize the comprehensive value of the company.

The formulation and implementation of the Guidance is a significant policy to fulfill CSR in an all-round way. In accordance with the requirements stipulated in the Guidance, all SGCC departments and subsidiaries shall actively accelerate the improvement of CSR management system, motivate the employees to consciously fulfill the CSR requirements in daily work, improve the implementation of CSR, promote sustainable development, and maximize the company's comprehensive value in economic, social and environmental aspects.

Active fulfilment of CSR, comprehensive realization of corporate value



Maximize the economic, social and environmental value in the development of the company by advocating the corporate spirit of “In search of excellence, in pursuit of out-performance”, adhering to the social responsibility outlook of “developing the company, serving the society, people-oriented and mutual growth”, pursuing healthier development, more harmonious society and better life, coordinating and promoting the sustainable development of the company and society.

The operation of the company shall persist in effectively managing the influence of the corporate operation upon the stakeholders and the natural environment. The construction and operation of the power grid must achieve safety, efficiency, environmental and harmony standards, and ensure a safer, cleaner, more economical and more harmonious power supply.

SAFETY: Promote safety at all steps of the value chain of energy production, transportation, and utilization. Ensure the safety and health of the personnel.

EFFICIENCY: Ensure reasonable pricing of electric power supply by effective utilization of energy and resources, and by efficient construction and operation of the power grid.

GREEN: Advocate environmentally friendliness in the conservation of energy and resources, green power development and utilization, construction and operation of the power grid.

HARMONIOUS: Coordinate the sustainable development of the enterprise and society, and cultivate harmonious coexistence of mankind and nature.

We shall adhere to the Scientific Outlook on Development, and build a world-class power grid and a world-class enterprise with a reliable grid, excellent assets, service and performance. The total workforce, in the entire process, shall in all locations implement CSR in an all-round way.

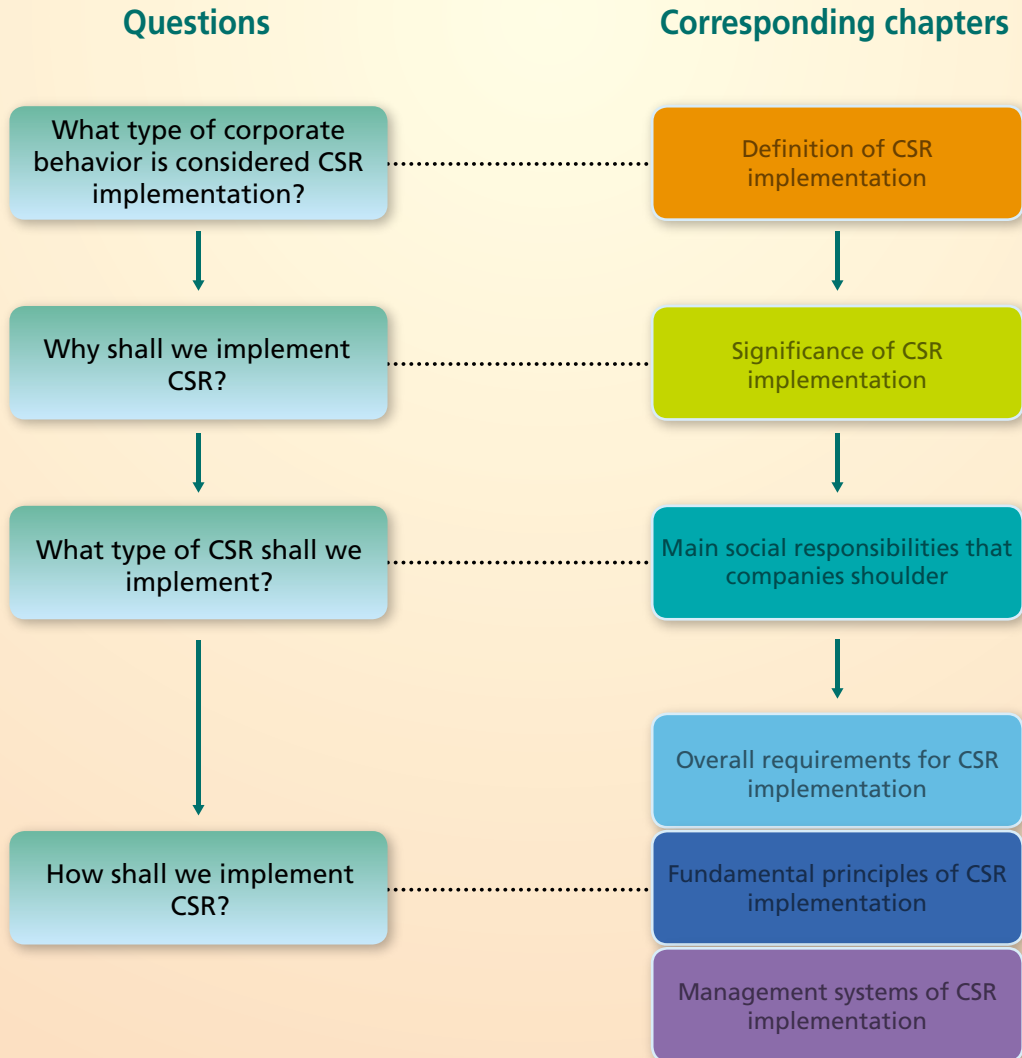
ALL-ROUND: CSR requirements shall be satisfied in every aspect of the power grid construction as well as in each SGCC subsidiary and affiliate.

THE TOTAL WORKFORCE: Every job post of the steering level, the managerial level, executive level and operative level shall fulfill CSR requirements.

THE ENTIRE PROCESS: CSR is implemented in every process in the corporate strategy, planning, budget, and performance assessment.



IN ALL LOCATIONS: Each department, subsidiary and employee shall implement CSR requirements.

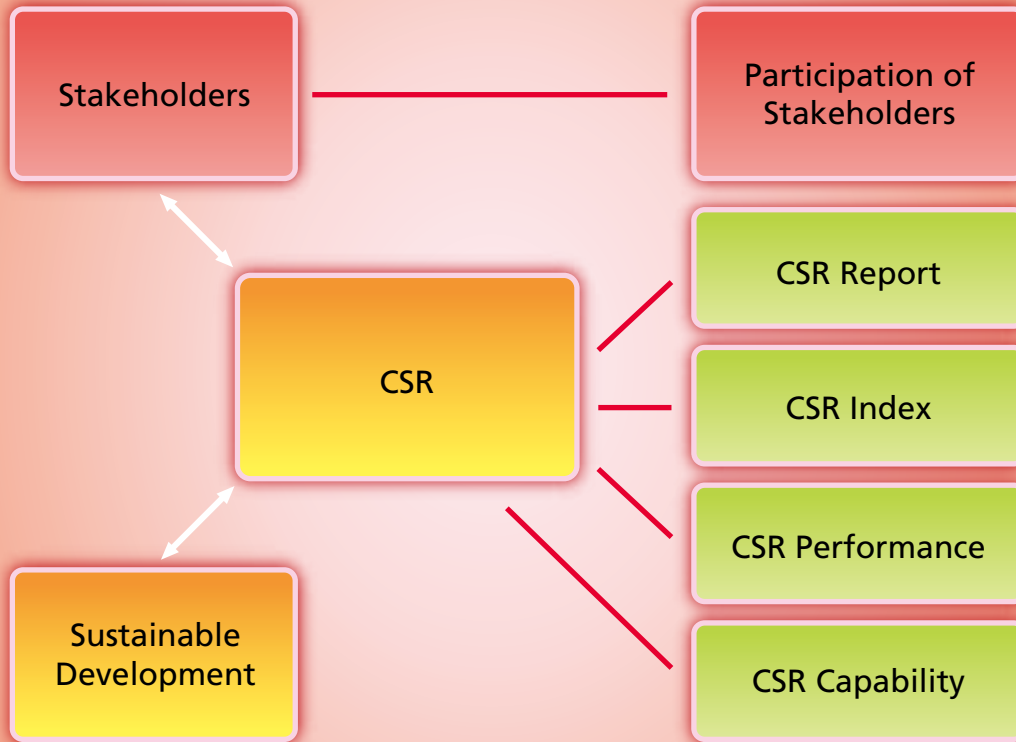
We integrate CSR requirements into the corporate mission, strategy, operation and culture, impel the establishment of CSR management system, improve CSR implementation in routine work of each department, subsidiary and job post, and improve the sustainable development capability and maximize the comprehensive value of the company.



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CSR

Definition

CSR is an abbreviation for Corporate Social Responsibilities. The implementation of CSR means that enterprises abide by laws, regulations, social norms and business ethics, effectively manage the influence of the corporate operation upon the stakeholders and the natural environment, and maximize the comprehensive value in economic, social and environmental aspects in order to realize sustainable development of the enterprise and society.

Key Points

- CSR has two annotations: One is the social responsibilities that an enterprise should assume, which emphasizes the nature of social responsibilities; the other is the means by which an enterprise should implement CSR, which emphasizes the action for fulfilment of social responsibilities.
- The fulfilment of CSR implies the responsible behavior of an enterprise towards its stakeholders and the natural environment. Behind the responsible behavior of an enterprise are (i) corporate behavior bound by laws, social norms and business ethics, (ii) effective management of the impact on stakeholders and the environment, stimulation of active participation of stakeholders in sustainable development, minimizing negative and maximizing positive influence of the enterprise.
- The modes of CSR implementation include (i) upholding and observing a high standard in the code of conduct, (ii) integrating CSR into all business processes.
- The essence of CSR implementation is to pursue maximum comprehensive value in terms of economy, society and environment, which is beyond the simple pursuit of financial value, and to coordinate sustainable and harmonious development of the enterprise and society.

●● Stakeholders

Definition

Stakeholders refer to the organizations or individuals who can exert influence on the behavior and process in sustainable development and in creating economic, social and environmental comprehensive value of enterprises, or are influenced by the behaviors of enterprises, including stockholders, employees, customers, government, suppliers, investors, competitors, communities, societies, media, and organizations.

Key Points

- The stakeholders can be understood in a broad and a narrow sense. In a narrow sense, it means human social subjects such as stockholders, employees, and customers, including this generation and future generations. In a broad sense, it extends to natural subjects including ecological environment and biological species. The Guidance adopts the former annotation.



●● Sustainable Development

Definition

Sustainable development means that the behaviors of specific entities can maintain their long-term sound development.

Key Points

- Sustainable development has three understandings in practice. The most frequently quoted definition is that it is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. In addition, the content of sustainable development includes protecting ecological environment, properly utilizing natural resources and promoting the coordinate development of the economy, society and environment. It also means that specific entities realize their sound sustained development.
- The promotion of sustainable development mentioned in the Guidance means that the behavior of enterprises can coordinate and push forward the long-term sound development of the enterprise and society.

●● Participation of Stakeholders

Definition

The participation of stakeholders refers to the behavior, process and result of adopting measures to influence the sustainable development, and the pursuit of maximum comprehensive value in terms of economy, society and environment.

Key Points

- Based on the nature of the participating entity, stakeholders' participation can be classified into external and internal stakeholder participation. In the case of internal stakeholder participation, staff participation is the most critical which in turn can be divided into active and passive participation.
- Active participation of stakeholders helps enterprises understand and respond to the expectations of stakeholders, identify opportunities for the sustainable development, prevent and mitigate social and environmental risks, and promote the maximization of enterprises' comprehensive value. Furthermore, it is the core of CSR management to facilitate active participation of stakeholders.



●● CSR Report

Definition

CSR Report is an information disclosure channel for complete response to the impact of corporate operation upon stakeholders and the natural environment. It is an important process and carrier of communication between enterprises and stakeholders, and is a comprehensive reflection of CSR philosophy, behavior, performance and planning.

Key Points

- CSR Report is a key channel for disclosing information about CSR implementation. The reports may have different titles under other enterprises, such as sustainable development report, corporate citizen report, corporate society and environment report and corporate responsibility report.
- Regardless, CSR Report provides answers to four fundamental issues: why shall we implement CSR; what type of social responsibilities shall we implement; how shall we implement CSR; the future goals and plans of CSR implementation.
- The release of CSR report is not only a periodic response to the expectations of stakeholders but also an interactive communication process between the enterprise and stakeholders to increase mutual understanding of both sides. The report is an important means by which stakeholders evaluate CSR performance. In addition, it is an important tool for promoting the fulfilment of CSR.

●● CSR Index

Definition

CSR index is the basis or criteria for reflecting and measuring the effect and efficiency of implementing CSR by enterprises, internal organizations and employees.

Key Points

- CSR index breaks down the implementation process and result to reflect and evaluate the performance in realizing goals by organizations and employees. It is an effective tool for evaluation on the performance of CSR and the employees, and is an important foundation for communication between enterprises and stakeholders about CSR performance.
- CSR index includes organizational and employee index; process and result index. It reflects not only how the process and result conforms to the target, but also the relationship between goals achieved and resources consumed.
- CSR index generally follows the SMART principle: specific, measurable, attainable, realistic, and time-bound. It is usually classified into economic performance index, social performance index, and environmental performance index.



●● CSR Performance

Definition

CSR performance expounds to what extent the behavior and performance of enterprises, internal organizations and employees effectively comply with CSR duties and goals with regard to managing the impact of corporate operation upon stakeholders and the natural environment.

Key Points

- CSR performance is classified into overall CSR performance, internal organizational CSR performance and employee CSR performance, respectively reflecting the implementation of enterprises, organizations and individuals. As the basis for evaluating CSR performance by stakeholders, it reflects the effectiveness of the result and the process.
- The overall performance of an enterprise is usually reflected by the following index: economic performance, social performance and environmental performance.

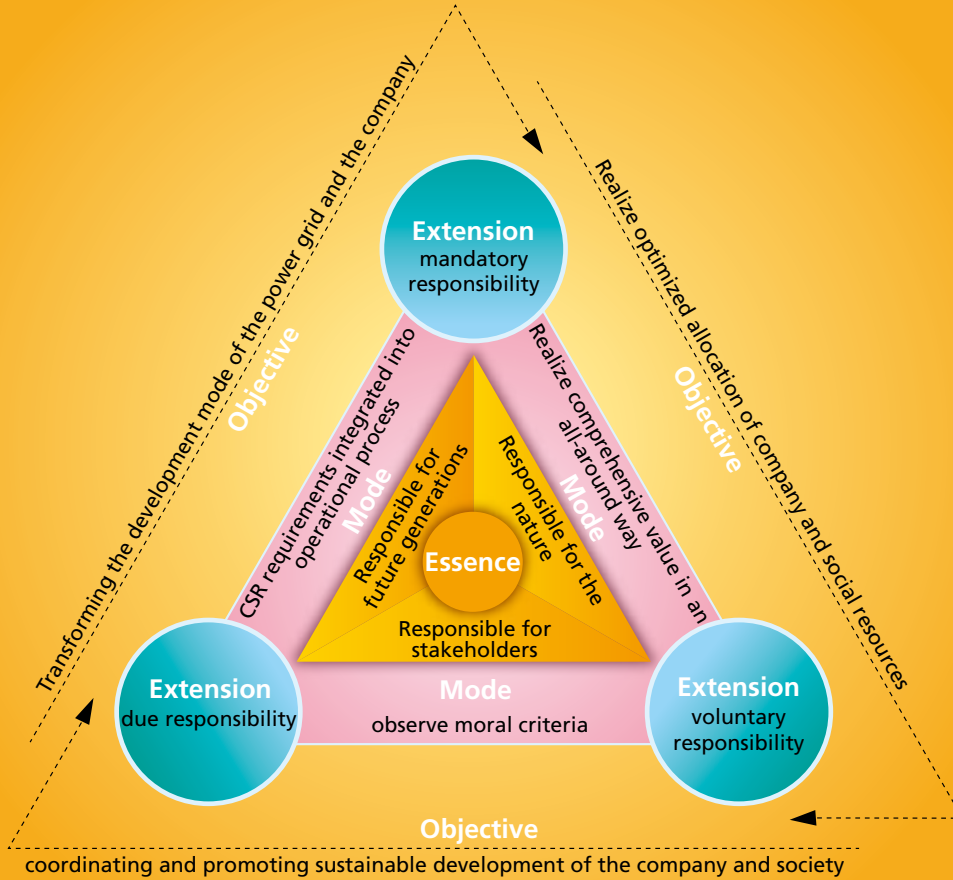
●● CSR Capability

Definition

CSR capability refers to the ability of realizing maximum economic, social and environmental comprehensive value. It is the knowledge, skills and ambitions with which an enterprise and its employees realize CSR goals or duties.

Key Points

- CSR capability includes the competence of the enterprise and abilities of the employees.
- The enthusiasm of the enterprise and employees in bearing CSR will directly impact the capability of the enterprise in fulfilling its obligations. Motivation is an important element in building the CSR capability of an enterprise.



Specific Definition of CSR Implementation

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●● Meaning of CSR Implementation

CSR implementation implies that the company abides by laws, regulations, social morality and business ethics, efficiently manages the influence in process of power grid construction and operation, and pursue maximized economic, social and environmental comprehensive value in order to realize the sustainable development.

- CSR implementation means that the company shall be accountable to stakeholders, future generations and the natural environment.

- An enterprise shall be responsible for stakeholders, motivate the passion of the stakeholders such as employees, customers, generating companies, suppliers and communities, give full play to the transmission capacity of the power grid and optimization of energy allocation, and guarantee safer, cleaner, more economical and sustainable energy supply.
- We shall promote the development of the power grid to adapt to the development of the economy and society to the maximum extent, impel the coordinate development of rural and urban areas, protect the environment and improve the efficiency of energy exploitation and utilization.
- The behavior of the company shall obey laws, regulations, social morality and business code of conduct, fulfill the requirements of "serving the country, customers and business partners, and promoting economic and social development", and carry out the corporate philosophy of "Oriented to people, faithful to company and committed to serving the society", carry forward the corporate spirit of "In search of excellence, in pursuit of out-performance", and persist in the social responsibility outlook of "developing the company, serving the society, human-oriented and common growth".
- We are committed to the harmonious development of the company, power grid and society.

●● The Extension of CSR Implementation

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- The extension of CSR implementation means the content or scope of social responsibilities that the company shoulders.

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- Social responsibilities come in three levels: mandatory responsibility, due responsibility and voluntary responsibility. The first one means economic and legal liability that enterprises have to fulfill. The second means the moral responsibility that enterprises shall implement. Finally, the third means other responsibilities that enterprises will voluntarily take on.

- It also includes the responsibilities for the stakeholders and the environment. Stakeholders' responsibilities include scientific development, power supply safety, management excellence, quality service, win-win cooperation, serving agriculture, countryside and farmers, technical innovation, employee development, environmental protection and energy conservation, international operation, communication and corporate citizen responsibility.



●● Modes of CSR Implementation

● Modes of CSR implementation refer to the code of conduct and operational requirements.

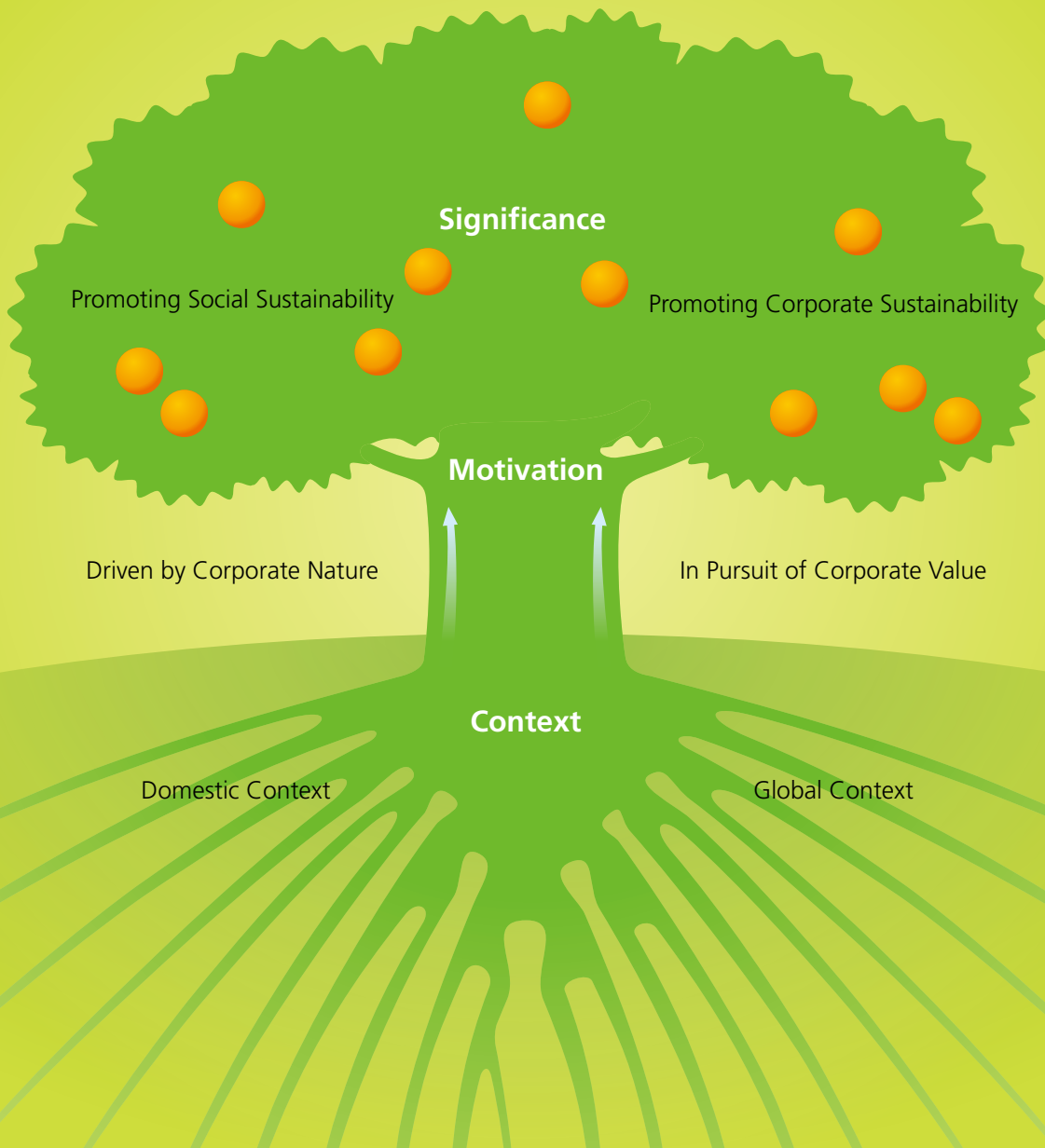
- Establish and observe moral standards, carry forward good social practice, comply with corporate code of conduct, and assume more responsibilities for the society and the environment in the process of sustainable development.
- Incorporate CSR implementation requirements into the process of the corporation operation, take into consideration expectations of stakeholders and requirements for sustainable development and pursue coordinate development of the economy, society and environment.
- Maximize the comprehensive value of the company, create value for investors and other stakeholders such as customers, partners and communities, ensure value protection and appreciation of state-owned assets, and realize the maximization of economic, social and environmental comprehensive value.

●● The Essence of CSR Implementation

● The essence of CSR implementation is to realize optimized allocation of the company and social resources as well as coordinating and promoting sustainable development of the company and society by transforming the development mode of the company and the power grid.

● In order to implement CSR, we shall not only satisfy the fundamental requirements of economy, society and environment, and maintain the social legal right of existence, but also promote the transformation of the development mode, improve operational efficiency, create more wealth and boost overall social progress.

● CSR implementation is an important move in transforming the development mode of the company and the power grid. The power grid construction and operation is not only a physical process of realizing technical function of the power grid, but a social process of handling the relationship between the enterprise and society. It should fulfill the expectations of stakeholders and the requirements for sustainable development. It is the essential guarantee for developing cohesion and risk management as well as advancing sustainable development to win the trust and support of stakeholders.



The Significance of CSR Implementation

Significance

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●● The Context of CSR Implementation

Domestic Context

● Specific requirements in laws and regulations

Article 5 in The Corporate Law stipulates that companies engaged in their business operations must abide by laws and administrative provisions, respect social morals and business ethics and behave in a manner of honesty and integrity. Furthermore, they shall be subject to the surveillance of the government and the scrutiny of the public and fulfill their social responsibilities.

● Great importance attached by the central government and the country

CSR implementation is a significant move to fulfill the Scientific Outlook on Development and fuel the building of a harmonious society. It is reiterated by government leaders that companies should be directed to update their business concept and assume their social responsibilities.

● Expectations from all circles of society

The government and various organizations and societies have released the Guidance for CSR implementation and CSR declaration. Hence, social responses and appraisal for CSR have increased largely with a growing of public attention.

● Strong support from Investors

SASAC points out that all SOEs shall consciously implement social responsibilities and act as a leader in doing business legally and honestly, protecting the environment and saving resources, and building a harmonious enterprise on basis of being people-oriented. All SOEs should grow to be the backbone of the national economy as well as a corporate model in society.

Global
Context**● Impetus of international communities**

A large number of governments and non-governmental organizations, global organizations and international communities show their great concern and positive support for CSR. The Ten Principles of the United Nations Global Compact win wide support from over 4000 enterprises and organizations in more than 100 countries. International Organization for Standardization (ISO), with 157 member bodies, drafts international standards on CSR (ISO 26000). Global Reporting Initiative (GRI) in liaison with United Nations Environment Programme (UNEP) publicizes the Guidance on the compilation of the G3 edition of Sustainable Development Report worldwide.

● A new look in CSR fulfilment by global companies

Global companies have made great changes in the implementation of CSR. The focus has already shifted from simply bearing responsibilities and obligations to fully enhancing corporate core competitiveness. The CSR implementation is driven more likely by voluntary pursuit than external forces such as environmental protection organizations. The competition over CSR engagement is becoming an important means in another round of international competition on the heels of the competition over price and quality.

● CSR serving as an important factor influencing global economy and trade

With the penetration of worldwide economic globalization, CSR is developing into an important binding requirement for enterprises in developing nations to enter the global supply chain. Likewise, it is a mighty challenge that China has to face on its way to implementing the “going global” strategy.

● More global concern on CSR

From the beginning of 2004, the FORTUNE Magazine has released globally the annual ranking for the 500 largest corporations in terms of CSR implementation.



●● Motivation for CSR Implementation

Driven by
Corporate
Nature

● SOEs' accountability in public interest

As one of the leading SOEs which are vital to the national energy safety and national economy lifeline, we shoulder political, economic and social responsibilities.

● Utilities are imposed with strong sense of social responsibility

As a utility responsible for supplying electric power and closely related to the life of the public, we must take into account both corporate yields and social benefits.

● CSR implementation is deemed as a good guarantee for sustainable and sound growth of power grid companies

As a utility which is crucial to the national economy and the people's livelihood, we must ensure open and transparent business operations and be active to accept the government and social surveillance.

● An inevitable option for SOEs to pioneer in CSR fulfilment

As one of the largest SOEs in China, we are able and obliged to act as a leader in CSR implementation.

In Pursuit of
Corporate
Value

● **CSR implementation is an essential mission**

We are committed to safer, cleaner, more economical and sustainable energy supply with contribution to healthier development, more harmonious society and prosperous life.

● **CSR implementation is an indispensable part of corporate core values**

It well renders the principles of CSR from the corporate vision to the corporate spirit, from the corporate tenet to the corporate philosophy.

● **CSR implementation is a concrete component of strategic goal for corporate development**

Steady efforts have been made to fulfill the requirement for constructing and operating a safe, efficient, green and harmonious power grid. We work in a way to satisfy the expectations from all circles of society and the requirement for sustainable development.

● **CSR implementation is an important part of corporate culture**

We seek to foster business culture incorporating CSR implementation with a view to creating material, intellectual and spiritual wealth.



●● Significance of CSR Implementation

Corporate Development

● Reinforcing public image and core competence

CSR implementation contributes to raising the capability of corporate strategy management, improving the quality, thinking pattern and work style of employees and inspiring their dedication, innovation and team spirit. It thereof strengthens corporate competence in an all-round way. In addition, it is devoted to enhancing interaction with stakeholders to win their understanding and support so as to forge a harmonious relationship with stakeholders and shape a good corporate image. The brand value of SGCC is thus heightened.

● Pursuing corporate comprehensive value in an all-round way

CSR implementation will play a favorable role in facilitating the transformation of the development pattern of both power grid and the company, optimizing resource allocation and maximizing comprehensive value of the economy, society and environment.

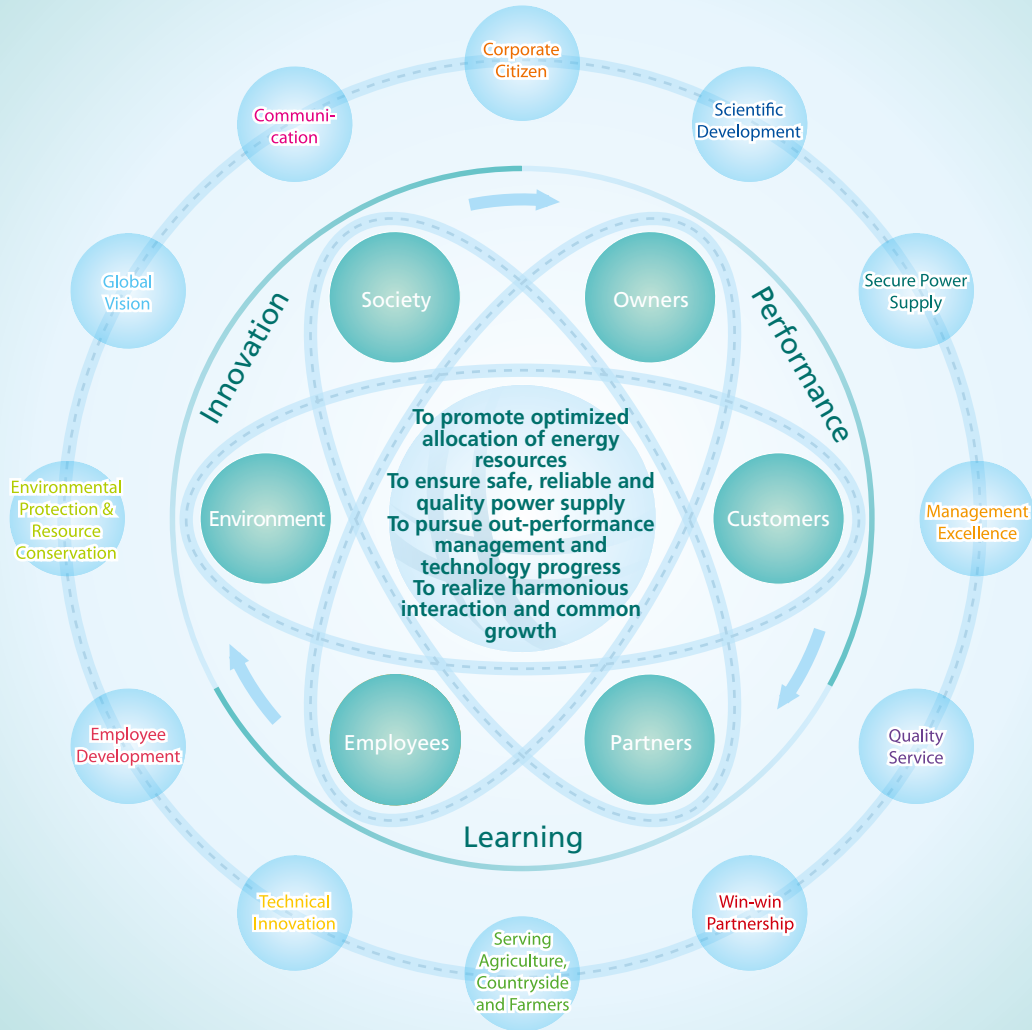
Serving
Society

- Ensuring safer, cleaner, more economical and sustainable energy supply and promoting energy sustainability

CSR implementation will intensify our efforts in actively serving the national energy strategy and integrating the development of power grid into the overall situation of the economic and social development. It will also be conducive to propelling energy sustainability by fully leveraging the advantage of power grid to optimize energy resource allocation, increase energy exploitation and utilization efficiency, and push forward environmental protection and resource recycle.

- Acting as a leader among SOEs to impel the application of the Scientific Outlook on Development

SGCC is committed to exerting a leading role in the implementation of CSR and encouraging more enterprises to promote socialist core values. The company is directed to be people-oriented, place development as the top priority, and fulfill the requirement for overall, well-balanced and sustainable development. By taking into consideration the interest and expectations of stakeholders, SGCC is devoted to integrate cohesive forces, encourage initiative, and improve development quality, hence achieve a better and faster growth of the national economy.



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Main Social Responsibilities that SGCC Shoulders

Main
Responsibilities

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Scientific Development

Meaning

In order to meet the target of achieving a healthier development, making a better life and building a more harmonious society, we work hard to propel the change of grid development pattern, optimize the capability of allocating energy resources and eventually guarantee a safer, cleaner, more economical and sustainable power supply.

Main Content

- **Building reliable power grid, making the most of power grid's optimization capability in energy resource allocation**
SGCC develops a strong hybrid grid with UHVAC and UHVDC as the backbone and coordinate development of nationwide grid at different voltage levels, and implements the strategy of "Constructing UHV Grid to facilitate Large Thermal, Large Hydro and Large Nuclear Power Plants". Such strategy will promote the intensive exploitation of coal-fired bases in the West and North and hydro bases in the Southwest, push the construction of large-scale nuclear bases as well as cross-regional and inter-provincial grids coordinately. Meanwhile, we should strengthen the construction of power grid in major cities to improve the grid resource allocating capability for the economic and social development in China.
- **Upgrading power grid technology, tapping the potential of resource allocation capability**
Increase the existing transmission capability, reduce grid loss and fully implement existing power grid allocation capability.
- **Market's role in allocating power resources**
Establish an open and orderly power market system tailored to China's situation by opening provincial market, developing regional market and fostering national market. Fully utilize the market mechanism to optimize the power resource allocation so as to promote sustained growth of the power market exchange volume.

●● Power Supply Safety

Meaning

Adhere to the principles of **Safety First, Prevention Predominant and Overall Control** and take comprehensive approaches involving all operational aspects, total workforce, entire process and all locations to ensure safe and stable operation of the grid by mobilizing both internal and external forces.

● Main Content

- **Establishing security system covering the whole process of power grid construction and operation**
SGCC sticks to overall prevention, tightens safety management system and advances risk management. We must ensure grid safety controllable and under control during the whole process of strategic planning, engineering construction, scientific innovation, equipment procurement, construction and operation, team building and safe environment.
- **Establishing regular mechanism on power supply safety**
Further progress is made in anti-accident campaigns. We spare no effort to identify and resolve hidden risks and carry out the Loving Care Project and Safety Project. Self-management and self-discipline mechanism have been built for realizing transformation from compulsory to voluntary safety control on power supply.
- **Intensifying Grid Safety Management**
Following the principle of overall control, SGCC implements safety accountability, reinforces management, regulation and performance evaluation and upgrades equipment and technology for reliable grid with the support of intensified scientific research. At the same time, we promote standardized operation and risk management, prohibit any instruction or operation in conflict with the regulations and raise employee's safety consciousness, competence and capability. We also work closely with generation companies, customers, the government and society to ensure grid safety.
- **Building emergency response mechanism to secure power grid**
We reinforce emergency response organization and establish a complete emergency response mechanism, including counterplans for the safety of the grid, equipment, personnel, network information and society. More emphasis is placed on the implementation of these counterplans with tangible actions, such as joint drills for blackouts, to further improve our capability of handling emergencies.



●● Management Excellence

Meaning

Management Excellence means that we work vigorously to transform the development pattern by pursuing conglomerated operation, consolidated development, streamlined management and standardized construction and establish a participation mechanism involving all stakeholders. To increase stakeholder's satisfaction with SGCC and maximize corporate and social benefits, we make efforts to allocate corporate resources and energy resource efficiently.

● Main Content

- Propelling conglomerated operation, consolidated development, streamlined management and standardized construction, and further optimizing various corporate resources

We work hard to build a competent headquarters to optimize strategic decision, management control and power grid dispatching for comprehensive corporate development. Corporate development strategy, comprehensive planning, overall budgeting, performance assessment and internal control have been improved to strengthen corporate control capability.

We impel consolidated development, streamlined management and standardized construction, deepen benchmarking and push forward professional management to exert overall corporate strength, integrate internal resources in an efficient way and improve operational efficiency and profit.

- Continuously enhancing satisfaction among stakeholders and promoting the harmonious development of the company and the society

Efforts also cover institutional reinforcement and logistics guarantee in relation to stakeholders. With synergy and innovation, we encourage stakeholders to cooperate with us for sustainable development, social wealth and harmony, and enhance satisfaction among stakeholders.

Quality Service

Meaning

Quality service responsibilities start from knowing customers needs and end at satisfaction of such needs. We provide safe, reliable and quality power products and services for customers with high level of customer satisfaction, and realize corporate value while creating value for customers.

Main Content

- **Implementing our commitment to quality service**
We strive to improve service quality for sustainable and healthy development of the company, earnestly implement power supply regulation measures, and strictly carry out Ten Prohibitions against Service Misbehavior, and Ten Promises on Power Supply Service. We also make regular surveys about customer satisfaction, participate in ethics appraisals, and reinforce supervision and assessment over the service performance.
- **Improving the regular mechanism for quality service**
We intensify management system building of quality service, integrate service resources, deepen service concept, enhance service skill training and infrastructure construction, improve service quality and optimize 95598 Customer Service System. We also enhance system construction of supervision and assessment, reinforce supervision over the assessment process and results and strengthen mechanism on rewards and punishments.
- **Shaping SGCC Brand**
We unify 95598 Customer Service Hotline, logos on service centers, and service standards. Meanwhile, tailored services, excellent service teams and service stars emerge from different subsidiaries.



●● Win-win Cooperation

Meaning

Sticking to the principle of long-lasting, sincere win-win cooperation and mutual benefits, SGCC strengthens cooperation and closely collaborates with generation companies, suppliers, scientific and research institutes, construction companies as well as banking and financial agencies for mutual benefits and sustainable development.

● Main Content

- **Persisting in coordinated development of power plants and grid, providing safe and sustainable power supply for economic and social development**
In order to serve national energy roadmap and give full play to the advantages of the power industry, SGCC pushes forward coordinated construction and development of the power grid and power sources.
We also stick to sound coordination between the power plant and power grid so as to improve the liaison system.
SGCC is fully in compliance with the principle of Open, Fair and Just Dispatching, maintains the market order and ensures the safety and sustainability of the power system.
- **Deepening business cooperation to enlarge profit of the power industry**
SGCC promotes extensive cooperation with manufacturers, planning and designing institutions as well as construction companies to encourage self-innovation and technical upgrading and propels localization of the key equipment.
SGCC enhances project management by integrating efforts of designing, supervisory and construction enterprises, propels the application of new equipment, techniques of energy conservation and low emission to raise the project quality for sustainable development of resources-saving and environment-friendly society.
- **Advancing the cooperation between banks and enterprises for common development**
SGCC intensifies the cooperation with financial institutions to ensure sufficient funds for power grid construction. Efforts are also made to increase capital efficiency and effectively hedge risks. The convenient billing system helps us to ensure timely tariff collection.

●● Serving Agriculture, Countryside and Farmers

Meaning

We carry out the Central Government's strategy of building new socialist countryside, make industry support agriculture and urban area support rural areas, and offer more favorable and flexible policies to the countryside. Given the advantage of conglomerated resources, we are dedicated to serving the rural economy and farmers.

● Main Content

- **Promoting the Power for All Project in Rural Areas**
Thanks to the government support, we facilitate the Power for All Project with the help from all the parties. By the end of the 11th Five-Year Plan period, the Power for All Project can be primarily realized in our service areas.
- **Rural Electrification Construction**
We fully implement the development plan and refurbishment of rural power grid, push forward rural infrastructure construction and demonstration project aiming at building 100 counties, 1000 towns and 10,000 villages by the end of the 11th Five-Year Plan period within our service areas.
- **Strengthening Rural Power Management**
We actively carry out Serving Agriculture, Countryside and Farmers strategy so as to promote the development of the rural electrification driven by corporate development. We innovate rural electricity management, service and technology to improve supply quality, and realize the quality service commitment in an all-round way.
In addition, more attention has been focused on introducing advanced technologies, reducing energy loss, protecting rural eco-environment and saving operational cost.
- **Team building of rural electricians**
We implement the training programs for rural electricians to improve their professional competence while propelling prior certification mechanism. We care about safety and health of rural electricians and help those in trouble.



●● Technical Innovation

Meaning

As a leader of SOEs in technical breakthrough, SGCC sticks to the policies of innovation and pioneer to provide strong scientific and technical support for a safe, economic, clean and sustainable energy supply and contribute to an innovative country.

● Main Content

- **Establishing technical innovation system**
We make intensive efforts to optimize scientific and technological resource allocation and reinforce the team building for coordinated technical innovation system with reasonable framework, explicit responsibility and priority.
SGCC reinforces entire process management on intellectual property and application of scientific outputs and actively participate in developing both international and domestic standards.
- **Fully Propelling Technical Innovation**
We should persist in self-innovation with focus on front line of production, and cutting-edge technology of the corporation, construct world-class test bases, and actively develop UHV technologies and stable power grid operation.
Along with advanced technology and equipment promotion, SGCC launched SG186 IT project for a digital and IT-based company.
- **Commercialization of the first-class scientific achievement**
We master state-of-the-art technologies in UHV, power grid construction and operation, marketing, automation, communication and information, environment protection and energy saving. We also obtain great achievement with independent intellectual property, take the lead in world power technology development and increase the international competence.

●● Employee Development

Meaning

SGCC sticks to the managerial philosophy that talents are the most invaluable resources of an enterprise, and implements the strategy of vitalizing the company through human resource development. Great importance has been attached to the employees civil rights, their professional capability has been improved, and the personal performance development mechanism has been enhanced. The employees are mobilized to achieve personal value through the democratic management and to support the development of the Company.

● Main Content

- **Ensuring reasonable salary system, health care and team stability**
We provide rational remuneration, welfare and social security system in accordance with the national and corporate conditions. Meanwhile, we establish incentive and constraint mechanism to ensure employee safety, hold high regards for the retired employees, and enrich the employee's spiritual life.
- **Strengthening the employee training**
We make more input into employee training and enhance position shift and reshuffling to boost their competences in a comprehensive way.
- **Perfecting the personal development mechanism for employee**
We standardize the management of labor contracts and establish an open, fair and just recruitment mechanism. In accordance with the division of labor, employee development proposals have been raised, and specific development channels for management, engineering and technical personnel have been provided respectively. The executive team is required with integral political caliber, business performance, team spirit and morality.
- **Deepening democratic management and supervisory system**
Staff Congress System ensures issues concerning the decision-making process and employees interests to be deliberated and approved by the Staff Congress. Meanwhile, we promote transparent management as well as strengthen scientific and democratic decision-making process.



●● Environmental protection and energy conservation

Meaning

We take steps to curb the impacts of power grid construction and operation upon the environment, meet the requirements of environmental protection and energy conservation, and help establish a resource-saving and environment-friendly society.

● Main Content

- **Implementing the strategy for coordinate and sustainable development of society and environment**
SGCC sticks to sustainable development strategy and national energy roadmap. The development of the UHV grid contributes to lowering line loss, optimizing the power grid structure, and saving land resources. We take advantage of environment capacity, alleviate environment impact and, as a result, save reserve capacity and shift peak loads. Other benefits include cross-drainage compensation, mutual complementation between hydropower and thermal power generation.
In addition, the development of pumped storage power stations could meet the demand of peak loads, improve load characteristics and reduce consumption. We develop environment-friendly, economized and energy-efficient technology to facilitate the study and application of new technologies and equipment such as energy storage, NAS battery and electric vehicles.
- **Satisfying the requirements for environmental protection and energy conservation**
We strictly comply with national environmental regulations, satisfy the requirements for environmental protection and energy conservation and environmental acceptance of power grid projects as well as standardize environmental protection management. We promote general design, apply energy-saving equipment, and take into consideration the environmental factors in selecting of transmission corridor and substation sites. Meanwhile, we try our best to realize harmonious development between power grid construction and landscaping by utilizing green techniques during engineering.
- **Implementing energy conservation policy during operation process**
We carry out the energy conservation and loss reduction program and optimize energy-saving and environment-friendly dispatching, implement energy conservation and emission reduction task to address serious environmental issues of noise, pollutant and waste. We advocate scientific, efficient and energy-saving power utilization, popularize the knowledge about saving power and enforce the differential tariff policy.
- **Actively supporting the renewable energy development**
We abide by the Renewable Energy Law and other national industrial policies, and formulate supporting rules to promote the development of renewable energies such as wind power, biomass energy and solar energy.

●● Global Vision

Meaning

We actively participate in the economic globalization process, implement globalization strategy, attend to international energy cooperation and transnational operation, and strengthen international cooperation. We are keen to ensure safe, economical, clean and sustainable energy supply and have been making great contribution to addressing issues regarding the global environment and energy.

● Main Content

- **Expanding international operation**
We fully utilize our experience and technology on power grid construction and operation to promote global cooperation.
We comply with internal regulations, respect local culture and religions, push communication and harmonious development and support local community construction.
- **Promoting cross-border transmission and international energy cooperation**
We cooperate with neighboring countries on exploring energy resources based on win-win cooperation policy. The cooperation provides job opportunities, promotes economic social development and enhances energy supply capability.
- **Implementing the global strategy and improving sustainable development capacity**
We absorb international advanced experience, fully take advantage of global market, technologies, talents, fund and management resource, improve power grid capability of construction and operation and participate in international competition. In order to be a world-class power grid and a world-class enterprise, we are engaged in formulating and promoting international power grid technical standards and implementing benchmarking in an all-round way.
Along with our international peers and followed by the international tradition, we will continue to improve safe, efficient and environment-friendly power grid operation, maintain energy sustainability and actively cope with issues such as global climate changes and energy problems.



●● Communication

Meaning

Committed to transparent and open business operation and better communication with stakeholders, we seek to learn the expectations of stakeholders and make timely response, build harmonious relations with stakeholders, develop consensus with them on future development, integrate their force in tackling challenges and promote the sustainable development of the society with concerted effort.

● Main Content

- **Enhancing the awareness and capability of communication**
We view communication as the basic management concept and code of conduct, build up communication consciousness, and explicitly define responsibility and communication capability.
- **Reinforcing corporate information disclosure**
We intensify organizational management system construction, set up information disclosure department, and clearly define the information disclosure responsibilities of each department, subsidiary, and work position. With continual improvement of the channels, models, and procedures, the information disclosure mechanism also goes through further development, so as to ensure timely response to the stakeholder's expectations. Furthermore, we strengthen the supervision and evaluation of corporate information disclosure process with emphasis on assessing and analyzing the feedback, aiming at continual improvement of the efficiency and effects of information disclosure.
- **Fully demonstrating the CSR Report's role as a communication platform**
All departments, subsidiaries and stakeholders are encouraged to participate in the compilation, release and publicity of the CSR Report and make it a communication platform for optimizing the relationship between SGCC and stakeholders, and promote innovation and sustainable development of CSR implementation.

Corporate Citizen

Meaning

Playing a leading role in SOEs, we fulfill our obligations as a responsible corporate citizen and comply with laws, regulations and social value standards. With a strong commitment to promoting social morality, welfare, and justice, we contribute to the construction of a harmonious socialist society.

Main Content

- **Credible Business Operation**
 We strictly comply with laws and regulations, social ethics and industrial standards as well as international convention, and actively implement the idea of law-based corporate governance.
 We strengthen prevention, detection and penalty for corruption to build a fair and self-disciplined management team.
- **Committed to social morality and business ethics**
 We implement corporate tenet of serving the country, customers and business partners and promoting economic and social development, expand corporate philosophy of people oriented, faithful to company and committed to serving the society. We enhance industrial ethics construction for community development.
- **Active involved in public undertakings**
 We initiate SGCC Loving Care Fund, serve social development, and support social welfare. We create job opportunities, bridge gaps in development between urban and rural areas and help the disadvantaged.
- **Make efforts to become an excellent partner of Beijing 2008 Olympics and 2010 Shanghai World Expo.**
- **Promoting volunteer activities**
 We strengthen management and guidance on volunteer activities, advocate voluntary services, build SGCC volunteer brand and boost volunteer activities as well as foster harmony.



Incorporate CSR requirement into corporate mission, strategy, operation and culture

Overall Requirement

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●● Incorporate CSR Requirement into Corporate Mission

- Corporate mission is the beacon and engine for corporate development. The employees are expected to accept and fulfill CSR, incorporate it into their daily work, and voluntarily contribute to safe, efficient, green and harmonious construction and operation of the power grid. Consequently, SGCC will develop at a higher pace towards a world-class power grid and world-class utility.
We take every measure to secure safer, cleaner, more economical and sustainable energy delivery, and because of our contributions, the economic and social development will be healthier, people's lives will be better and the society will ultimately be more harmonious.

●● Incorporate CSR Requirement into Corporate Strategy

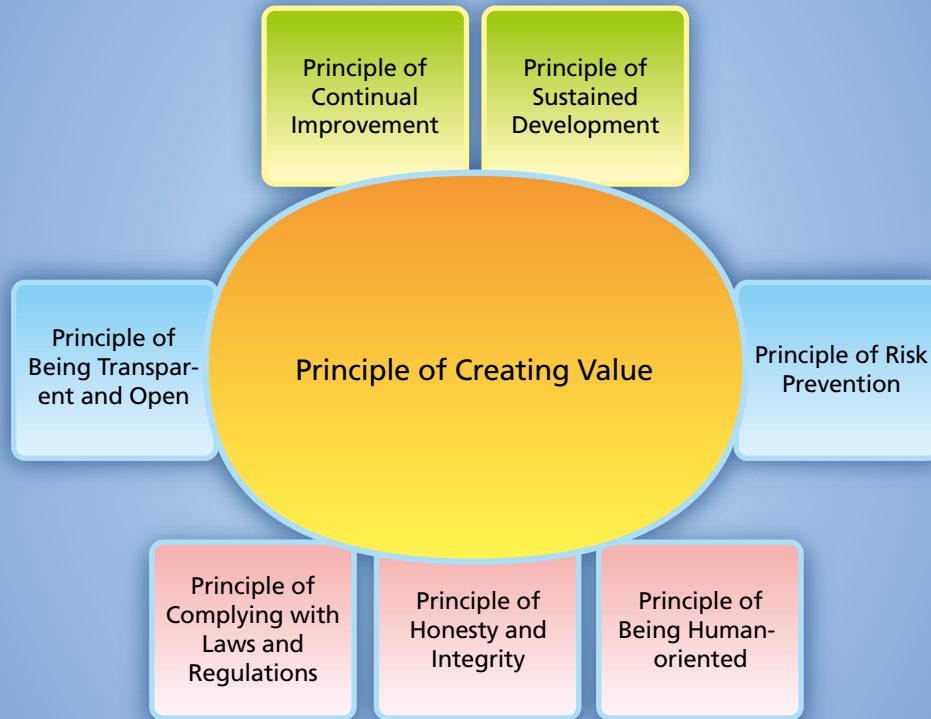
- As a must for realizing corporate mission, the corporate strategy guides the long-term development of the company. By integrating the CSR requirement into corporate development strategy, efficiently managing the impact on society and environment, we could actively promote the transformation of power grid and corporate development pattern, and the building of a modern utility with a reliable grid, excellent assets, service and performance.
- **Reliable grid**
Build and operate safe and efficient power grid with strong capability of power transmission and power exchange; optimize energy resource allocation to satisfy harmonious development of economy, society and environment.
- **Excellent assets**
improve the quality of tangible assets.
- **Excellent services**
ensure safe, economic, clean and sustainable power supply and in pursuit of out-performance. Satisfy stakeholders' expectations and the requirement for sustainable development, and raise social satisfaction.
- **Excellent performance**
in search of excellent financial performance. In pursuit of maximized comprehensive value.

●● Incorporate CSR Requirement into Corporate Operation

- The integration of the CSR requirement into the corporate operation system is the key point to ensure substantial results of CSR implementation. It is necessary to incorporate the requirement of CSR implementation into the existing organizational and daily management system, enrich and optimize management policies, standards and procedures, hence instill them into all business and work as well as the entire process of the corporate operation.

●● Incorporate CSR Requirement into Corporate Culture

- The corporate culture is expected to support the building and fulfilment of social responsibility philosophy. We shall extensively enhance publicity and training on CSR, carry forward the social responsibility outlook, integrate CSR implementation requirement into the corporate culture and establish the regular mechanism for CSR implementation.



Fundamental Principles of CSR Implementation

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●● Principle of Complying with Laws and Regulations

- The principle of complying with laws and regulations means that the company and employees voluntarily abide by national laws and regulations, follow international conventions and practice recognized or approved by the government, and observe social morality, business ethics, corporate commitments and regulations.
 - This principle is a fundamental requirement of CSR implementation. We shall firmly establish the awareness of complying with laws and regulations, improve the management system, and foster the regular mechanism of implementing the principle.
-

●● Principle of Honesty and Integrity

- The principle of honesty and integrity means that the company and employees keep and practice CSR commitments, and consciously obey the social norms such as honesty, integrity, fairness, justice, and credibility.
- Honesty and integrity is a crucial value that enterprises shall keep, and moral foundation which ensures CSR implementation and sustainable development. Employees shall follow SGCC's Code of Conduct, observe the Ten Promises on Power Supply Service, Ten Measures for the Open, Fair and Just Power Dispatching, Ten Prohibitions against Employee Misbehavior, and build up the brand image of the company.

●● Principle of Being Human-oriented

- The principle of being human-oriented means that the company takes into full consideration the expectations of stakeholders and requirements for sustainable development, gives full play to the initiative and creativity of employees and stakeholders, realize the value of employees and enlarge the satisfaction degree of stakeholders.
- This principle is a fundamental requirement of CSR implementation. We are aware that the creativity of employees and the support of stakeholders are the guarantee for sustainable development of the company. Meanwhile, we shall improve the management mechanism, better serve the society and coordinate the common development of the company, employees and society.

●● Principle of Being Transparent and Open

- The principle of being transparent and open means that the company, by means of system improvement and resource support, enhances information disclosure, motivates stakeholders' participation in sustainable development, and ensures stakeholders' right to know, superintendence and right for participation.
- Transparent and open operation is the important guarantee for the company to win the understanding and support of stakeholders. We shall improve the information disclosure mechanism, channel and mode, persist in regular release of CSR Report, reveal accurate and complete information to stakeholders, and accept the supervision of the public. Furthermore, we shall improve the mechanism of stakeholders' participation, the corporate governance structure, and decision-making procedure, listen to the opinions and suggestions of stakeholders as well as strengthen the communication and cooperation with them.



● Principle of Risk Prevention

- The principle of risk prevention means that the company and employees actively take prevention measures, manage potential risks in corporate development and avoid those actions and results that may affect sustainable development of the stakeholders, environment, company and society.
- The implementation of risk prevention principle is an active move for fulfilling corporation social responsibility and improving risk management. We shall enhance risk prevention awareness among employees, and regard it as an important principle in decision-making and routine work. Risk prevention is carried out in construction and operation of the power grid. Adverse impact on the environment and society should be mitigated to the highest possible extent.

● Principle of Continual Improvement

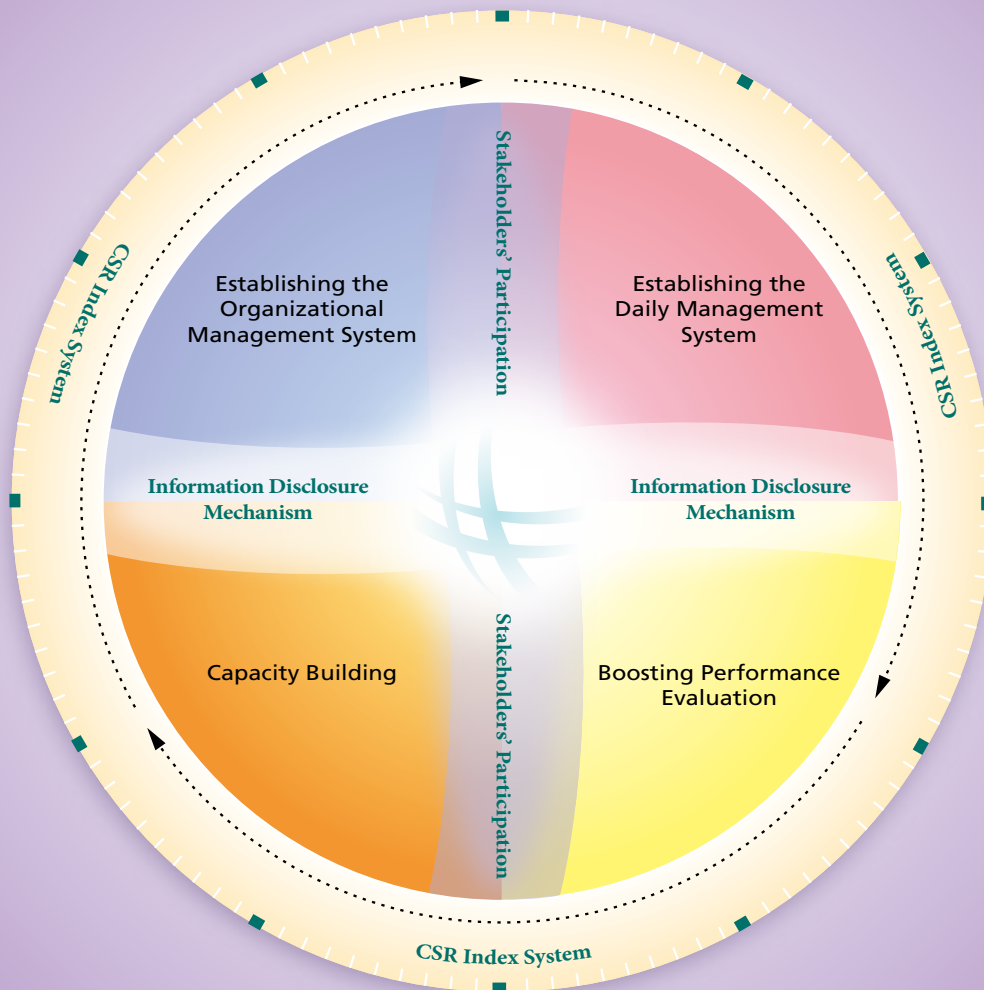
- The principle of continual improvement means that the company fulfills the CSR general requirement, constantly optimize management system of corporate building and social responsibility, and increase effect and efficiency of corporate management to the society and environment so as to maximize corporate comprehensive value.
- Continual improvement is a lasting requirement for improving CSR performance. The company should constantly learn from its past experience and raise efficiency of the CSR management system with continual improvement and increase its capability of facing challenges and handling social and environment risks.

●● Principle of Sustained Development

- The principle of sustained development means that the company takes into full account short-term and long-term benefits, persist in the sustainable utilization of resources and environment, promote coordinated development of the economy, society and environment, and coordinate sustainable development of the company and society.
- This principle is the objective requirement for fulfilling the Scientific Outlook on Development and serving harmonious society. Through management and technical innovation, we shall meet the requirements for environmental protection and sustainable utilization of resources in building and operating the power grid to ensure safer, cleaner, more economical and more sustainable power supply, make healthier development, more harmonious society and more prosperous life, and promote the sustainable development of the company and society.

●● Principle of Creating Value

- The principle of creating value means the company views the realization of economic, social and environmental comprehensive value as the goal of CSR implementation. In other words, we shall create value for investors and other stakeholders, attach importance to the performance in financial, social and environmental aspects as well as ensure the benefits of this generation and future generations.
- The pursuit of maximized comprehensive value is the basic requirement and guideline for CSR implementation. In accordance with requirement for comprehensive value maximization, we shall adhere to the corporate tenet, improve all development areas such as corporate mission, development strategy, operational mode, performance appraisal, communication and optimized allocation of social resources, satisfy the needs of stakeholders, and enlarge the comprehensive value of the company.



Management Systems of CSR Implementation

SGCC
Guidance for the
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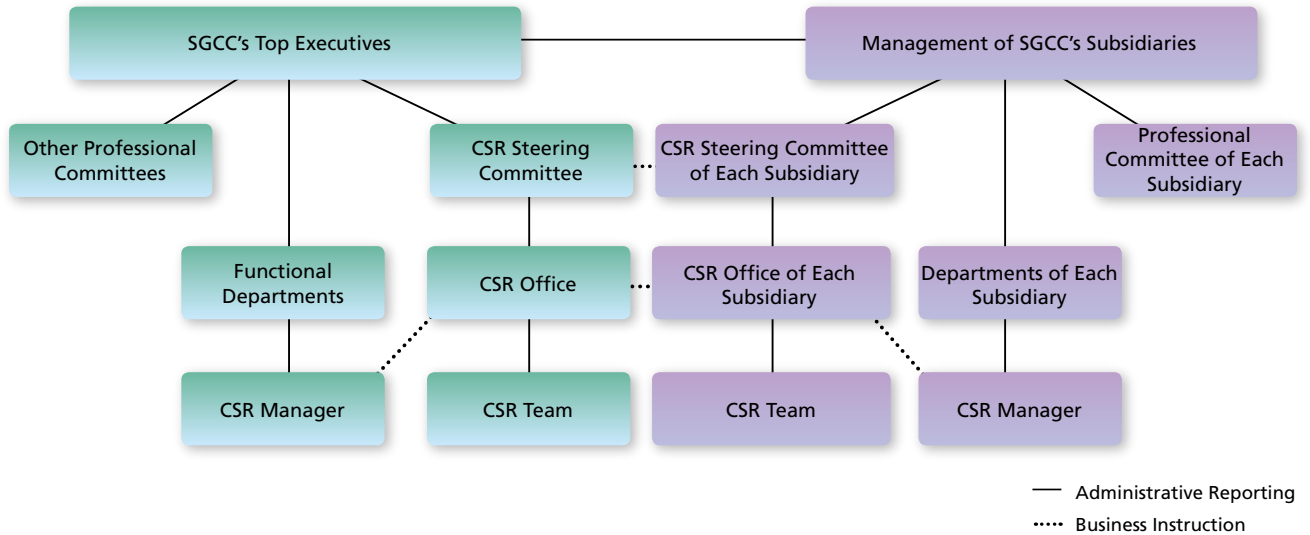
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●● Establishing the Organizational Management System

- The CSR organizational management system is viewed as an organizing framework and operating procedure that is to serve and promote corporate commitment in compliance with its social responsibilities in all operational aspects.
- The CSR Steering Committee has been set up for defining CSR missions and principles and implementing a unified management for CSR activities, with SGCC's President as director general and other top executives as deputy directors. Committee Members are either the chief of SGCC's functional departments, or the head of subsidiaries. CSR Office has been set up under the Steering Committee, with Administration Office handling daily affairs.
- Each subsidiary of SGCC has set up their respective CSR Steering Committees, with the chief executive as director and a member of top management as deputy director in charge of all CSR work. A CSR Office has been set up under the committee, with Administration Office handling daily affairs.

● CSR Organizational Management System



- Responsibilities of CSR Steering Committee
 - Lay out CSR strategy and general objectives
 - Implement CSR management and make decisions and plans
 - Steer the establishment of a CSR management system
 - Review CSR work plan
 - Review and release CSR Report
 - Recruit CSR experts to assemble an expert team
 - Organize CSR events

- Responsibilities of other professional committees
 - Implement social responsibility in conjunction with relevant departments
 - Assist CSR Committee in fulfilling CSR requirements



● **Responsibilities of CSR Office**

- Implement decisions and plans
- Coordinate establishment and implementation of CSR management system
- Make CSR work plans, propose budget and training programs
- Conduct research on CSR key subjects
- Develop CSR management tools
- Draft CSR Report
- Manage CSR website
- Communicate with counterparts at home and abroad

● **Responsibilities of other departments on CSR**

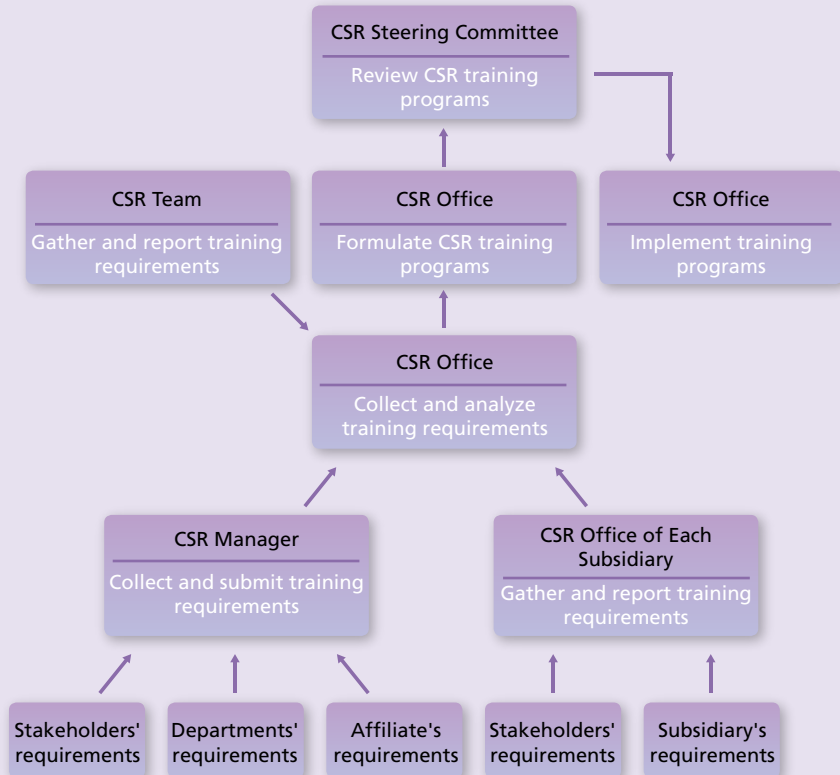
- Identify CSR subjects involved
- Promote dialogues and cooperation with stakeholders
- Undertake CSR tasks
- Organize internal trainings on CSR
- Define job responsibilities, the scope of management system and work procedures
- Collect CSR statistical indexes
- Work out CSR plans
- Assess CSR performance

● **Responsibilities of CSR Manager in departments**

- Assist CSR Office in launching CSR trainings
- Gather and Submit CSR subjects
- Coordinate efforts to draft programs for stakeholders' participation
- Coordinate efforts to implement CSR work plans
- Collect and submit information on CSR implementation

Illustration

Formulation and Implementation of CSR Training Programs



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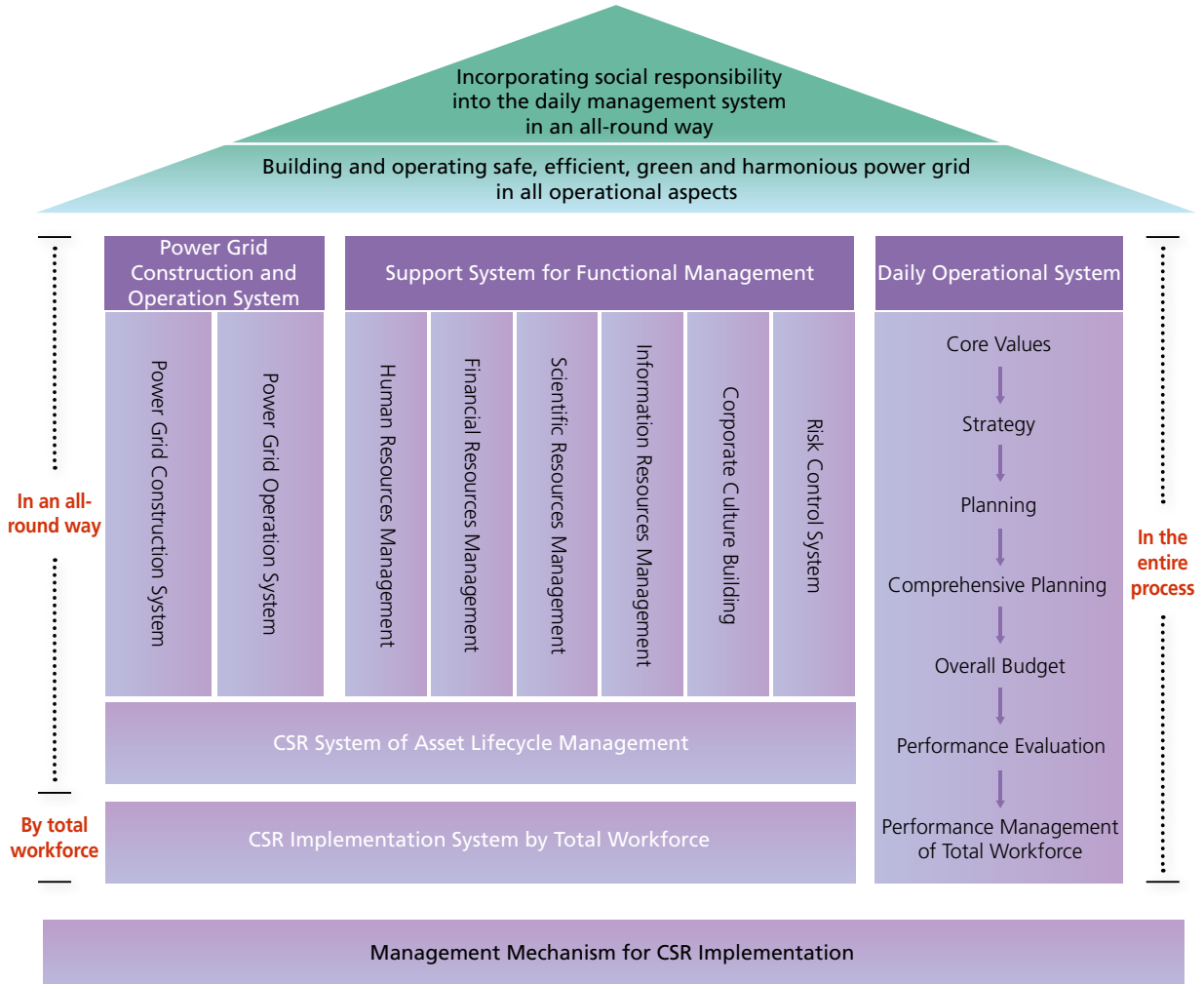
Management Systems



●● Establishing the CSR Daily Management System

- The CSR daily management system is intended to assign social responsibility to the entire process and daily management of corporate operation, and further define job responsibilities, management requirements and Code of Conduct for departments, subsidiaries and work positions.
- The CSR daily management system is an improvement in the existing management systems. Such a system should be instilled into all the aspects of daily management in each department, subsidiary and job position. It contains concrete measures in terms of policies, resources and workforce to make corporate operations satisfy the requirement of being safe, efficient, green and harmonious so as to maximize comprehensive value.

● CSR Daily Management System



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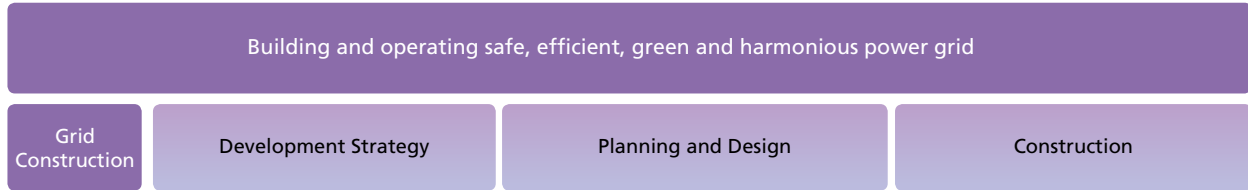
Fundamental Principles

Management Systems



● Building and operating safe, efficient, green and harmonious power grid

Integrating social responsibility into the entire process of power grid construction and operation

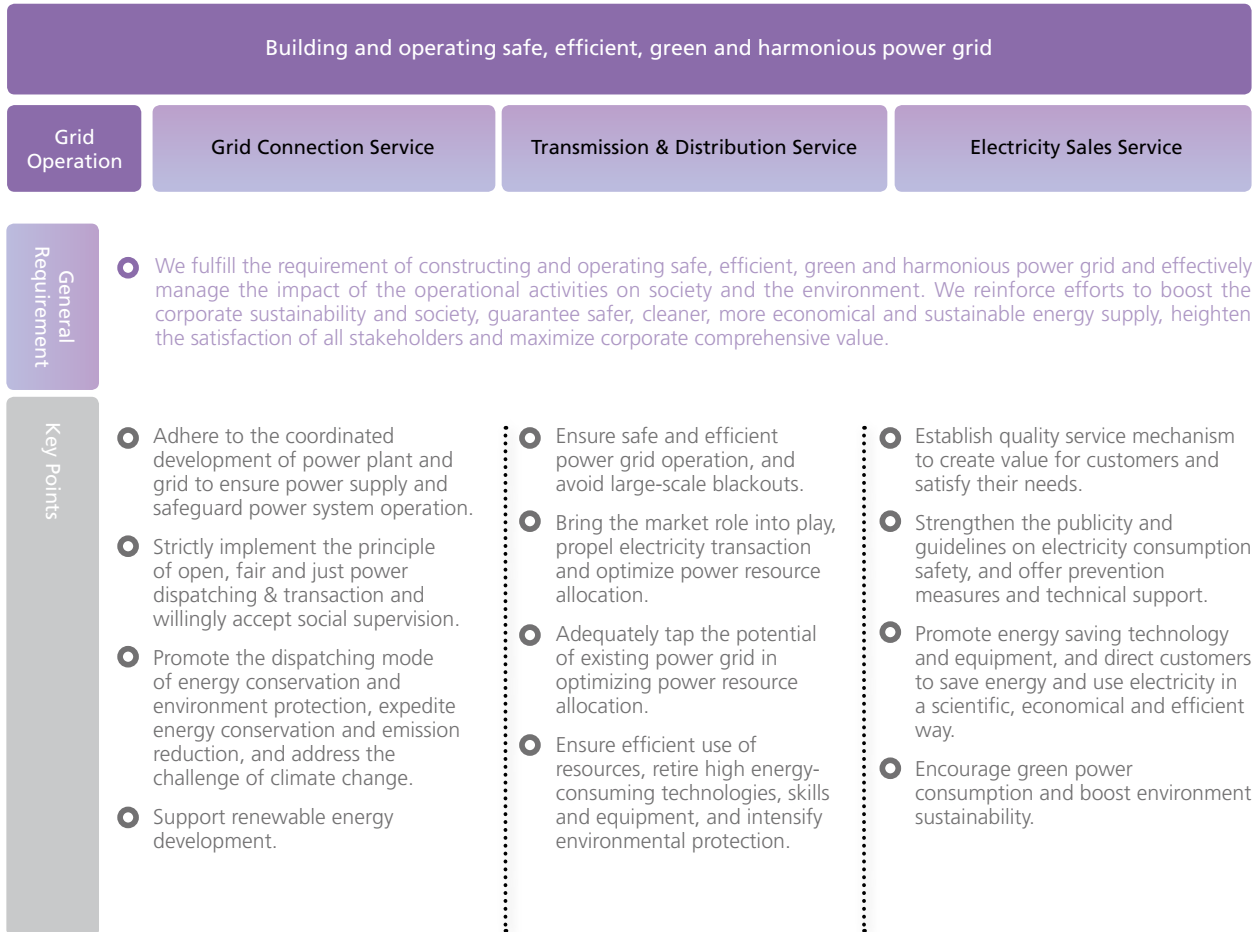


General Requirement

- We fulfill the requirement of being safe, efficient, green and harmonious throughout the process of power grid construction and operation and keep the impacts of the operational activities of the company on society and the environment under effective control. We reinforce efforts to boost the sustainability of the company and society, guarantee safer, cleaner, more economical and sustainable energy supply, heighten the satisfaction of all stakeholders and maximize corporate comprehensive value.

Key Points

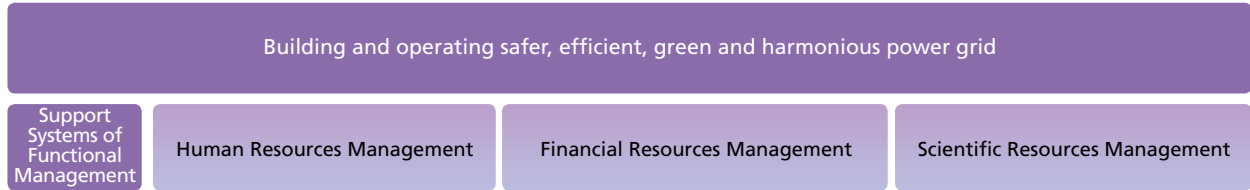
- Corresponding to the national energy strategy and local conditions, the development strategy of power grid contributes to the economic and social development as well as the sustainable development of China's energy by ensuring sufficient and reliable power supply.
- Give adequate consideration to the views and suggestions of stakeholders and achieve comprehensive benefits in economic, social and environmental aspects.
- Devote ongoing efforts to sustainable development, increase energy and resource efficiency, and facilitate the building of an environment-friendly and resource-saving society.
- Take stakeholders' requirements into full account in power grid construction, ensure power grid planning and design conform to power source projects, local development plan and regional conditions.
- Stakeholders' expectations and requirements are weighed in power grid planning and design.
- Make vigorous efforts to save resources and protect environment, voluntarily improve the standards on environment protection and promote the application of environment friendly and energy-saving equipment.
- Secure the safety and health management system to guarantee the personal safety and health of the construction workers, community residents and grid operators.
- Evaluate the impact of power grid projects on environment, and handle inspection and acceptance formalities of project completion concerning environmental protection.
- Establish the dialogue mechanism with stakeholders, and maintain harmonious relation with the communities.
- Mitigate adverse impact on the environment to the highest possible extent.





● Fully ensuring the construction and operation of safe, efficient, green and harmonious power grid

Integrating social responsibility into the support systems of functional management

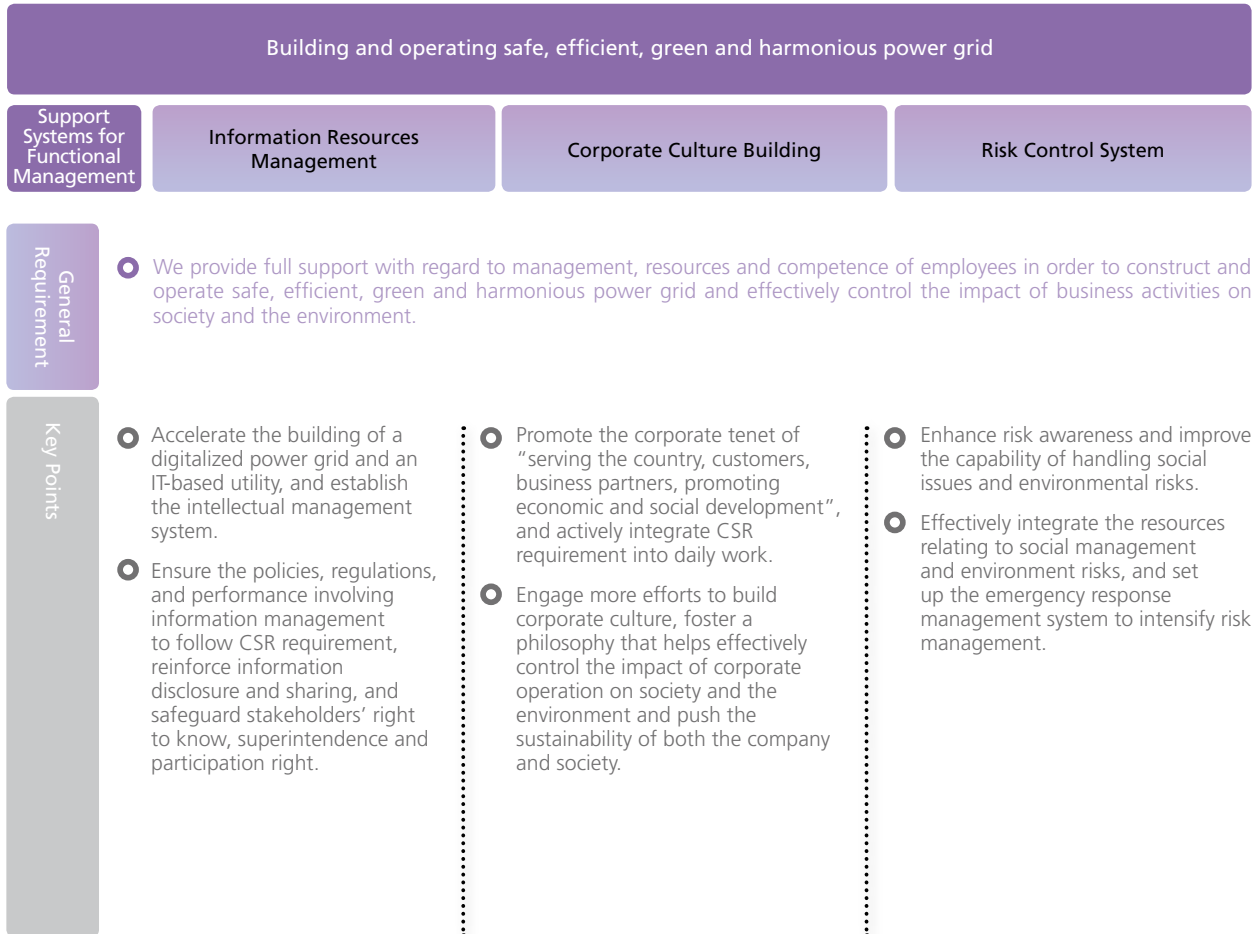


General Requirement

- We provide full support with regard to the management, resources and employees' competence in order to construct and operate safe, efficient, green and harmonious power grid and effectively control the impact of business activities on society and the environment.

Key Points

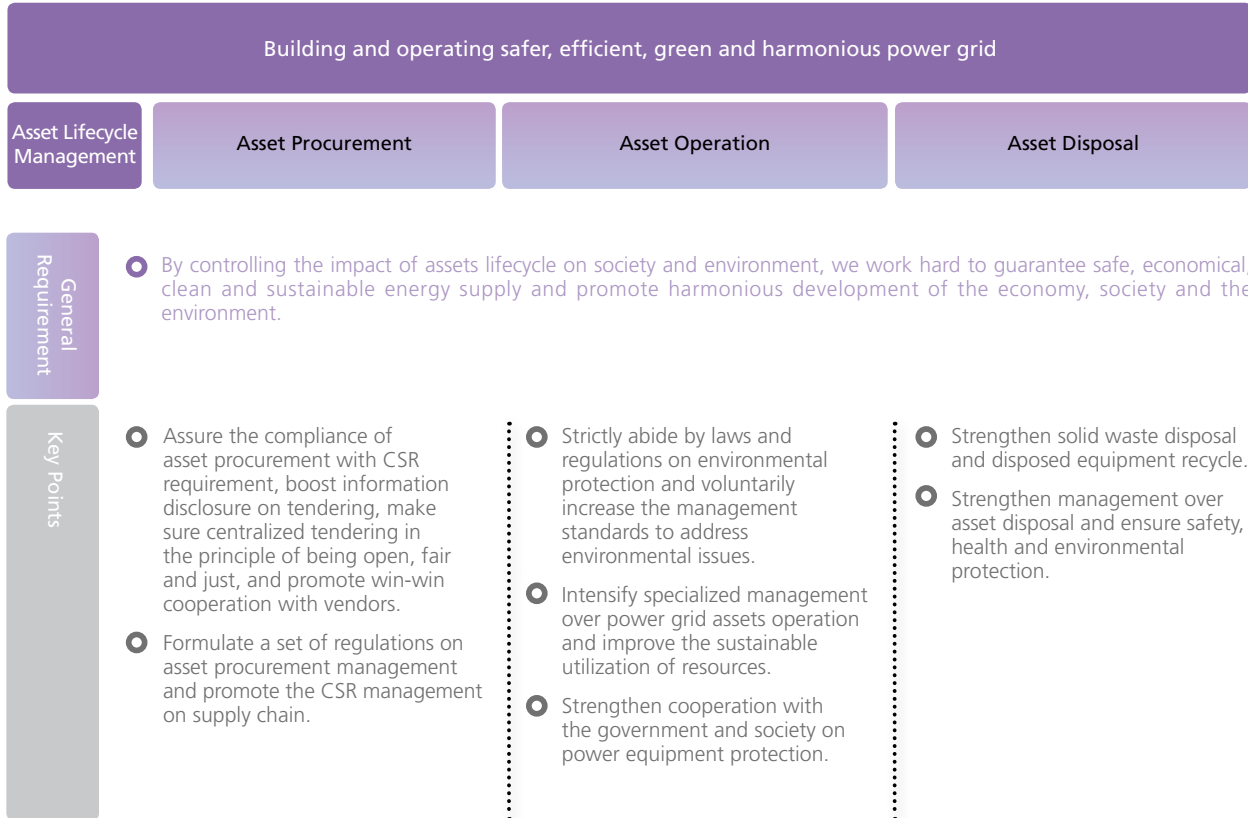
- Carry out CSR trainings on the total workforce, set up CSR philosophy and enhance employees' competence for sustainable development.
- Make sure the policies, regulations and performance concerning human resources management in conformity with CSR requirements as well as corporate commitment to employee development.
- Infuse financial support to implement CSR and speed up the balanced growth of the economy, society and the environment.
- Guarantee the compliance of corporate financial regulations and management performance with national financial and economic laws and regulations as well as CSR requirements
- Accelerate scientific innovation and technological advancement, take advantage of power grid's role in optimizing energy resource allocation, develop environment-friendly, clean and energy-efficient technologies, and increase the energy resource efficiency.
- Ensure the policies, regulations and performance concerning scientific resources management to comply with CSR requirements, protect intellectual property and encourage innovation.





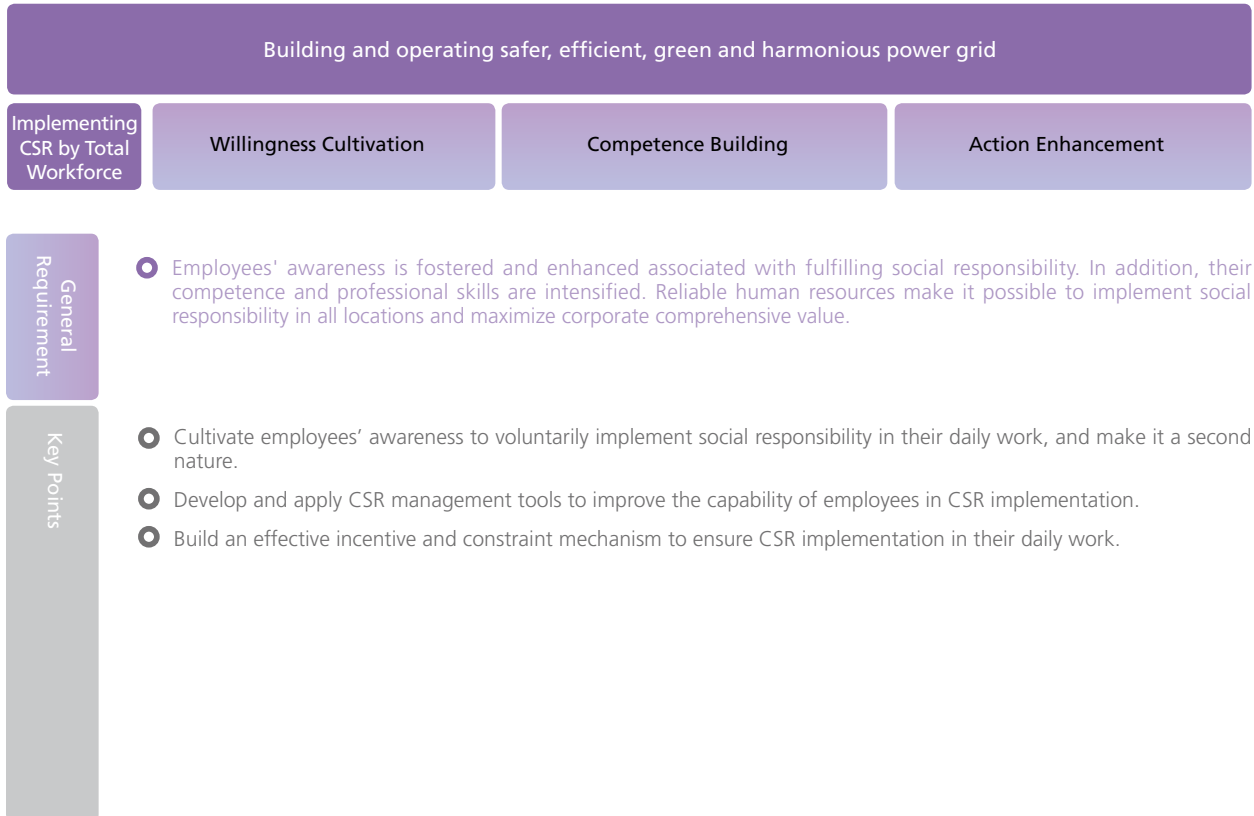
● Establishing the CSR system of asset lifecycle management

Integrating social responsibility into the entire process of asset lifecycle management



● Establishing the CSR implementation system involving the total workforce

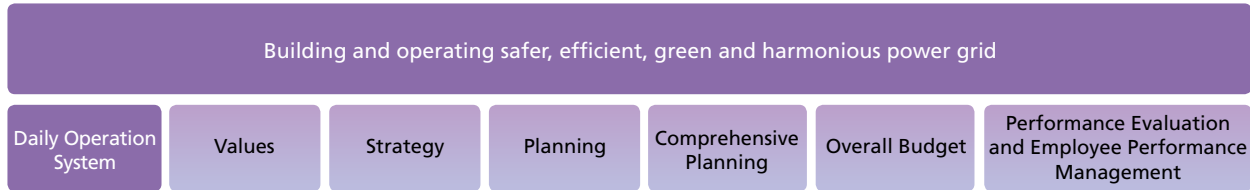
Incorporating social responsibility into daily work of the total workforce





● Establishing a CSR implementation system in the entire process

Embedding social responsibility into the daily operation system



General Requirement

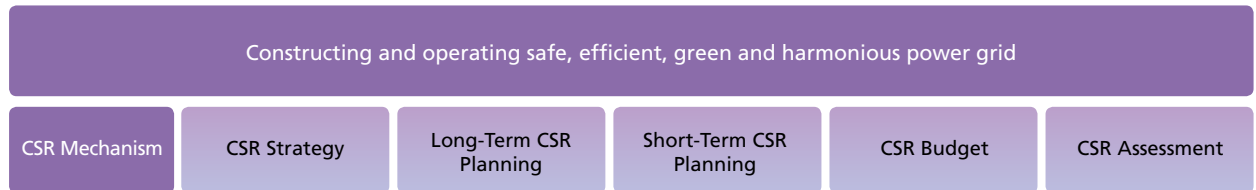
- CSR implementation is integrated into the daily operation of the company, which lays an institutional foundation to maximize comprehensive value.

Key Points

- Make sure that employees bear it in their mind that CSR implementation is not only a core part of corporate values but also an essential goal of the corporate development strategy.
- In accordance with the requirement of maximizing corporate comprehensive value, adopt an integral approach to adjust and optimize corporate planning, comprehensive planning, overall budget, performance evaluation and employee performance management, and ensure CSR implementation in an all-round way and across all organizational levels.

● Building organizational and coordinating mechanism for implementing CSR

Perform social responsibility in an all-round way



General Requirement

- Bring the role of CSR organization and management system into full play; establish CSR mechanism; formulate CSR strategy, planning and budget; steadily launch social responsibility assessment and perform social responsibility in an all-round way.

Key Points

- Put the role of organizing and coordinating CSR mechanism in place and accelerate CSR implementation.
- Work out CSR planning and annual work plan, arrange CSR budget and intensify CSR work in line with the actual situation of SGCC and subsidiaries.
- Strengthen business instruction and coordination of CSR Office within SGCC headquarters and subsidiaries. Propel CSR management system construction, and annually evaluate the construction efficiency of affiliates.



Strengthening the Building of CSR Capability

- CSR capability refers to SGCC's and the employees' knowledge, skills and willingness to fulfill CSR objectives and duties.
- With effective management system and logistics control, we propel staff training on CSR, strengthen management system construction, launch CSR events, develop and apply managing tools, intensify international and domestic communication and construction of CSR intellectual management system. We steadily establish dynamic CSR development mechanism on self-learning and continual improvement and reinforce our knowledge, skills and willingness of CSR implementation. We will build "State Grid" brand by enhancing CSR implementation capability in practice, management, research, social welfare, culture and knowledge.

● Propelling staff training on CSR

- Formulate and implement CSR training programs and incorporate it into overall education planning.
- Integrate training sources and launch various training programs, such as centralized training, on-the-job training, expertise training and remote-education training to ensure training coverage and effectiveness.
- Build CSR website, set up a specific training column and initially build a uniform CSR communication platform.
- CSR training enables each employee to understand CSR philosophy and the close ties between performing job responsibility and social responsibility, and voluntarily publicize and practice CSR philosophy. Consequently, our CSR implementation capability will be completely raised.

● Reinforcing CSR management system

- Accelerate comprehensive construction of CSR management system and build a long-term mechanism of CSR implementation.
- Improve routine management system, identify CSR duties of departments and subsidiaries and fulfill CSR requirement in an all-round way.
- Upgrade CSR systems in terms of the training, assessment, information disclosure and procurement, stakeholders' participation and management on sound environment.



● Launching CSR events

- Launch CSR events, encourage employees to admit CSR philosophy, promote the understanding and support from the government and society and enhance CSR implementation capability.

● Developing CSR management tools

- Introduce the overseas CSR management practice, incorporate national and corporate situation, integrate all sources and develop CSR management tools, including CSR strategy assessment tools, CSR index system, social and environmental risk management tools as well as tools for communication, investigation and performance assessment.

● Strengthening international and domestic communication on CSR

- As a leader among SOEs, SGCC is actively engaged in formulating international and domestic CSR standards, including ISO26000 and China's CSR standards.
- Steadily establish communication mechanism with world-class utilities, the world famous CSR organizations and research institutes, and adopt their best practice.

● Establishing CSR intellectual management system

- Establish mechanism for accumulating, publicizing and sharing CSR knowledge.
- Based on SGCC's internal website, we fully make use of information technology, steadily establish CSR intellectual management system and speed up the construction of intellectual management mechanism .

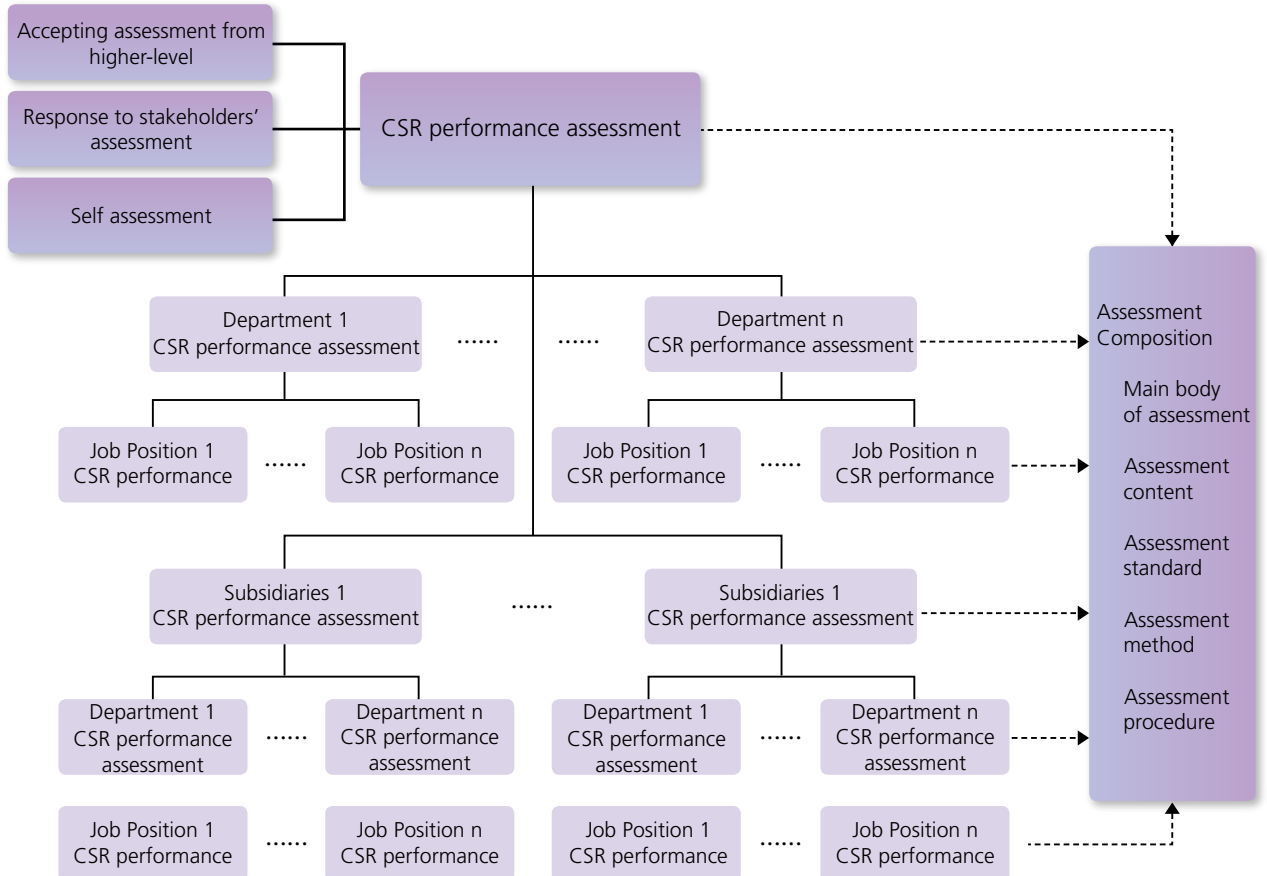


●● Promoting CSR Performance Assessment

- CSR performance assessment refers to the assessment, rewards and punishment upon SGCC, departments, subsidiaries and individuals based on their CSR behaviors and performance. The purpose is to promote the CSR incentives and constraints mechanism. As a significant part in performance assessment and employee performance management system, this mechanism consists of CSR performance assessment policy, organizational system and assessment procedures.
-

- Establish CSR performance assessment system and pursue the maximum comprehensive value.
- Establish CSR performance assessment organizational system and procedures to promote CSR implementation in an all-round way.
- Stick to the principles of effect-orientation and continual improvement and optimize CSR assessment contents, standards as well as methods to raise CSR management capability.

CSR performance assessment structures

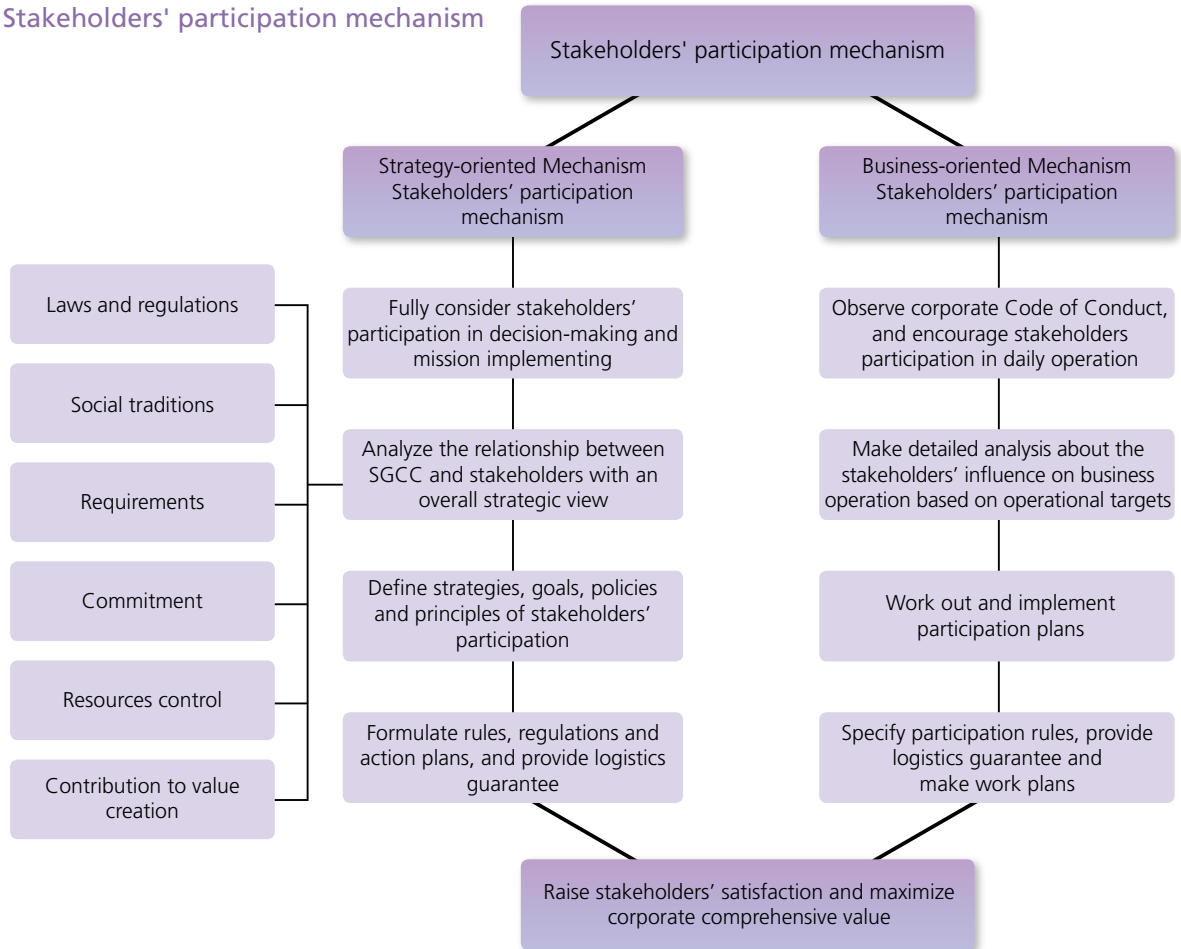




●● Establishing Stakeholders' Participation Mechanism

- Stakeholders' participation mechanism refers to the institutional arrangement, logistics guarantee and action plan to ensure the stakeholders' right to know, superintendence and participation right, and intensify their effort to propel sustainable development. It aims to increase stakeholders' satisfaction and maximize corporate comprehensive value.
- Be fully aware that stakeholders' participation mechanism is an important system guarantee to propel economic, social and environmental coordinative development, increase stakeholders' satisfaction and maximize corporate comprehensive value. Enhance initiative of building stakeholders' participation mechanism.
- Build stakeholders' participation mechanism and formulate concrete rules and implementation schemes.

● Stakeholders' participation mechanism



Key Terms

Definition

Significance

Main Responsibilities

Overall Requirements

Fundamental Principles

Management Systems



● Stakeholders' participation

Based on interaction between SGCC and stakeholders, the stakeholders' participation type covers information notification, specific consultation, communication and common action.

- Information notification helps stakeholders gain a better understanding of SGCC through information release and collect stakeholders' expectation. It includes corporate profile, news release, information disclosure on SGCC's website and forum.
- Specific consultation is to understand and respond to the stakeholders' expectation in a direct and effective approach through consultation on specific topics. It includes survey of stakeholders, comments and suggestions collected from stakeholders, active response to stakeholders' questions and participation in stakeholders' forum.
- Communication is to make dialogues with the representatives of stakeholders to find out solutions and incorporate their advice into corporate decisions. It includes dialogues and meetings with stakeholders and high-level talks.
- Common action is to deepen cooperation, integrate resources, complement each other's advantages, jointly hedge risks and share benefits to achieve a win-win situation. It includes cooperation agreement signing, cooperation to propel sustained development plan and jointly launch social welfare activities for cooperation alliance.

● The approach of stakeholders' participation

participation type	approach of participation	stakeholders	basic requirement
Information notification	Staff training, correspondence, corporate brochure, corporate website, corporate publicity, news release and work report	Employees, investors, customers, governments, generation companies, vendors, communities, societies and news media	Appropriate approach to information disclosure and timely response to stakeholders' concerns
Specific consultation	Questionnaire, expert interview, specific forum and visit	Investors, customers, governments, generation companies and specific organizations	Full consideration of suggestions and opinions from all interested parties
Communication	Multi-party forum, high-level talks, collective negotiation and regular consultation	Employees, investors, governments, generation companies, vendors, communities and environmental protection societies	Mutual trust, dialogue on an equal footing, sufficient communication, agreement and win-win situation
Common action	Participation in association, project cooperation, joint campaign and alliance	Customers, governments, generation companies, vendors, communities and societies	Win-win cooperation for comprehensive value



● Stakeholders' participation procedures

The stakeholders' participation procedures cover eight links featured by inter-connected and cycled improvement.



Identify Topics: Collect and sort out subjects.

Define Objectives: make clear the expectations on the role and result of stakeholders' participation.

Learn Expectations: Analyze expectations and requirements of stakeholders.

Analyze Impact: Analyze the possible impacts from stakeholders.

Make Plans: Specify participation rules, resource back-up and work plan.

Implement Plans: Draft participation plans.

Evaluate Performance: Evaluate results and efficiency.

Improvement: Timely summarize experiences, optimize regulations and process and keep progressing.

●● Building CSR Information Disclosure Mechanism

-
- CSR information disclosure mechanism refers to the approach, channel and procedures for stakeholders to timely and fully understand the performance of CSR implementation, guarantee stakeholders' right to know and superintendence, and promote mutual trust and consensus.
-
- Integrate CSR information disclosure mechanism into overall corporate planning, and standardize disclosure channel, approach and procedures to ensure timely, efficient and adequate CSR information disclosure.
 - Make full use of CSR organization and management system, and identify the information disclosure responsibility in departments, subsidiaries and job positions, to encourage each employee to publicize CSR information.
 - Strengthen the establishment of CSR information disclosure and report system, and improve news release system, reporting and disclosure system.



● Taking advantage of CSR information disclosure

- Establish and improve the compilation, release and publicity of CSR report, respond to stakeholders' CSR issues, and fully demonstrate significant performance of CSR implementation in 12 aspects. Develop the process into the corporate mechanism for internal learning, dialogue with stakeholders and CSR implementation.
- Each subsidiary should launch CSR compilation and publicity organized by CSR working office of headquarters and based on concrete requirement for CSR compilation and publicity.

● Strengthening CSR information report and release

- CSR information should be uniformly reported or released to the society according to relevant procedures. All CSR Working Offices at all levels are required to bring the role of coordination and Guidelines into full play.

● Strengthening regular CSR information disclosure

- We timely and accurately disclose CSR information within 12 aspects, focusing on the concerns of the government and society, as well as stakeholders' expectation and requirement. The information is disclosed by means of internal media, regular communication, work report, forum and press conference.

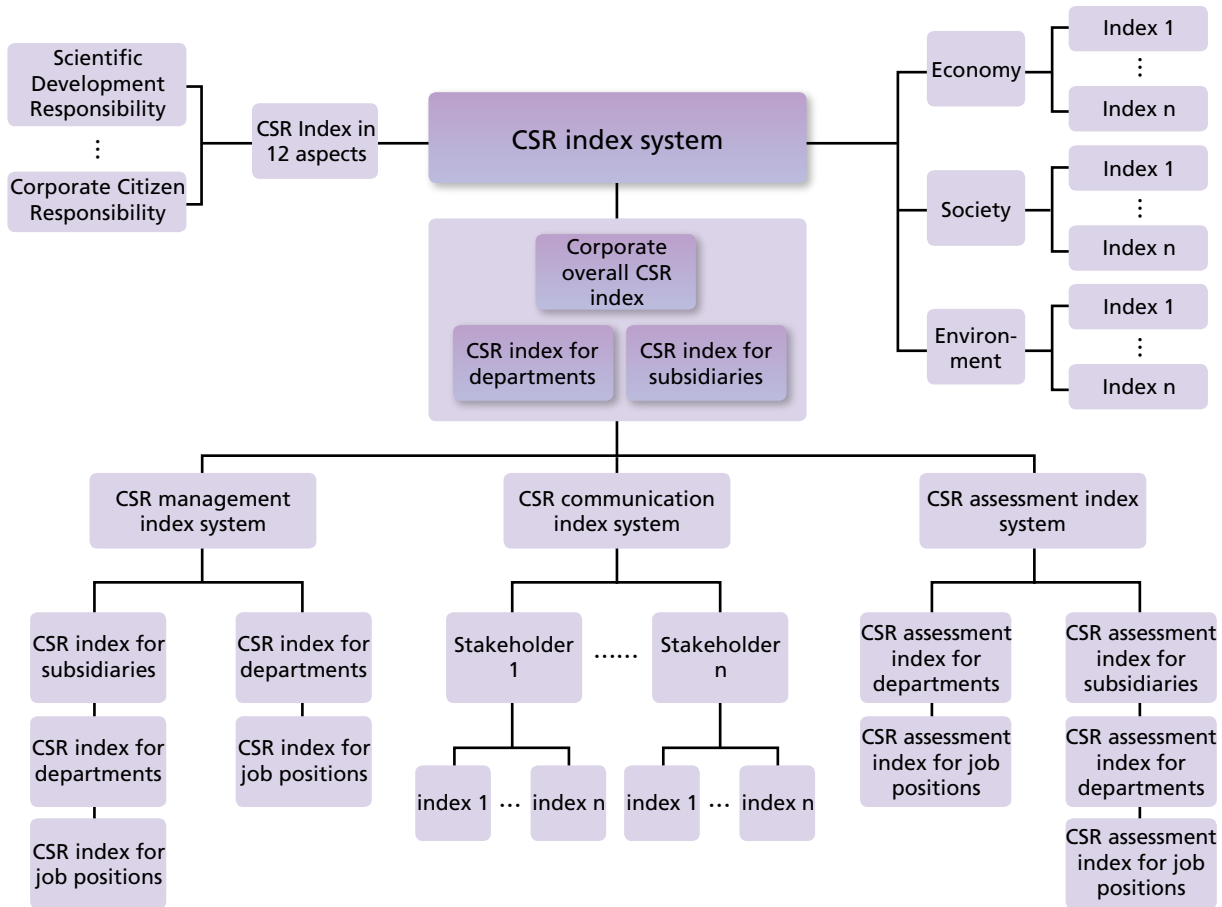
●● Building CSR Index System

● CSR index system is a standard system with which SGCC measures the efficiency and effect of the management over the corporate operational impact upon stakeholders and natural environment. In addition, it acts as an important tool for enhancing CSR management and assessment, strengthening CSR communication and improving CSR performance.

- Steadily propel CSR index system establishment and formulate the CSR index system covering the performance of company, departments, subsidiaries and individuals.
- In accordance with international practice and experience, we are required to build economic, social and environmental index system for international communication. Based on different management and communication requirement and major CSR scope, CSR index is classified into CSR management index, CSR communication index and CSR assessment index.
- The establishment of CSR index system should be linked with the existing statistics and performance assessment systems. By fully utilizing the achievement of IT construction, CSR index collection, summary and analysis procedures are integrated into information system.



● CSR index system



● Overall CSR index

- The overall CSR index is applied to reflect the efficiency and performance of CSR implementation.
- According to CSR management requirements, we break down the overall CSR index into different levels and form vertically integrated CSR management system.
- For the purpose of stakeholders' communication, we need to communicate with employees, customers, governments, business partners and communities for an overall CSR communication system.
- According to CSR assessment management requirements, we break down the CSR assessment index into different levels, and form the vertically integrated CSR assessment system.



● CSR index in departments and subsidiaries

- The CSR index in departments and subsidiaries is built to reflect efficiency and performance of CSR implementation. The CSR index includes sub-index and specific index for their internal CSR management, communication and assessment.
- According to CSR management requirements, we break down CSR index (sub-index and specific index) into different levels and form the vertically CSR management index system.
- In line with stakeholders' communication requirements, we strengthen communication with employees, customers, governments, business partners and communities, and form the vertically integrated CSR communication index system.
- According to CSR assessment requirement, we break down CSR assessment index into different levels and vertically integrated CSR assessment index system.

● CSR index for employees

- CSR index for employees is built to reflect the efficiency and performance of each employee in the implementation of CSR. It is the sub-index of CSR management, communication and assessment at different levels.

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