



China Shenhua Energy Company Limited 2011 CSR Report

About this Report

The Social Responsibility Report for 2011 ("2011 CSR Report") is the fifth annual social responsibility report issued by China Shenhua Energy Company Limited ("China Shenhua" or the "Company"). This report mainly discloses information on the work of the Company in aspects of corporate governance, operation in good faith, safety production, employees' interests, environmental protection, energy conservation and emission reduction, technological innovation and public welfare in order to enhance the understanding and relationship between the Company and its stakeholders.

The Board and all the Directors of the Company guarantee the content of this report does not contain any false representation, statement, or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Main Scope of the Report:

China Shenhua Energy Company Limited, including the companies and assets acquired or established in 2011. For details about the main scope of the report, please refer to "Equity Structure Diagram".

Reporting Period

This CSR Report is an annual report, which is generally issued at the end of March every year. The reporting period of this report is from 1 January 2011 to 31 December 2011, while part of the content covering a brief review of the relevant activities in the past. The timeframe of the statistical data of the associated organisations that are involved in this report is in line with the timeframe of this report.

Release of Reports for Previous Years:

The Company has issued the CSR report for four consecutive years since 2007. The 2010 CSR Report was issued on 26 March 2011, the reporting period of which was from 1 January 2010 to 31 December 2010.

Preparation Basis of the Report:

This report was prepared based on the disclosure requirements of the "Notice on Strengthening Listed Companies' Undertaking of Social Responsibilities and Issuance of 'Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange", "Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange" and Disclosure recommendation of "Guidelines on Preparation of 'Corporate Report on Performance of Social Responsibilities' (Appendix II)" issued by the Shanghai Stock Exchange (collectively referred to as "Shanghai Stock Exchange Guidelines"). This report is also prepared based on the indicator system and relevant disclosure requirements of the third edition of Sustainability Reporting Guidelines (G3.1) issued by Global Reporting Initiative ("GRI"). The index of GRI (G3.1) and Shanghai Stock Exchange Guidelines is listed in the appendix section of this report.

Principles on Data Processing:

The reporting period of this report is the same as that of the various information and representations disclosed herein. The methods of collecting information, representations and cases used in this report are the same as those used in the previous report. The financial information came from the Company's 2011 financial report, which has been audited by KPMG Huazhen. Unless otherwise indicated, Renminbi is used as the denomination currency in this report. The major indicators on safety and environmental protection of the Company are calculated or computed in accordance with the State's regulations or industry standard.

In 2011, the Company completed the acquisitions of equity interests or assets ("Target Companies", please refer to the "Important Notice" of the 2011 Annual Report) of 10 direct or indirect subsidiaries engaged in coal, power and related businesses from Shenhua Group Corporation, the controlling shareholder of the Company and its subsidiaries. Data of the relevant periods has been restated according to the principle on the treatment of data from business acquisition under common control of the PRC ASBE in this report. Data that is not restated are indicated with "*" in the report. The relevant indicative data on social responsibilities such as environmental protection, safety, technology and employees' interests of the Target Companies throughout 2011 have been included into the relevant indicators in 2011 in this report, other indicating data on social responsibility for the assets acquired from third parties are included in the 2011 relevant data in this report with the data from operation during the period since the actual delivery.

Assurance:

This report has been assured independently by our independent auditor KPMG Huazhen pursuant to the reporting standard and International Standard on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The scope, methodology and conclusion of the assurance are included in the Appendices.

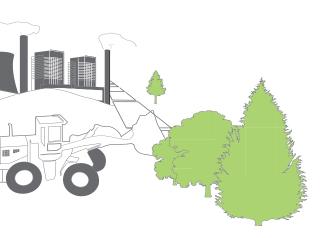
Reporting Languages:

The CSR report of the Company is published in Simplified Chinese, Traditional Chinese and English. In case of any discrepancies, the Simplified Chinese version shall prevail.

How to Obtain This Report:

This report is distributed to shareholders and investors in printed copies and issued to stakeholders and the general public as an electronic document in PDF form. Please email to 1088@csec.com or dial 86-10-5813 3355 to request for a printed copy of this report, or download an electronic document copy from the official website of China Shenhua at www.csec.com.

We have taken into consideration the interests and requirements of different stakeholders as much as possible in the compilation of this report, and striven to make it plain, clear and easy to read. The compilation of this report may not be satisfactory owing to a number of objective restrictions imposed on it. The Company shall in the future continue to improve on the content and delivery of information disclosed in the report. You are welcome to express your opinions and suggestions by filling in and returning the Feedback Sheet attached or by any other means.



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Company Profile

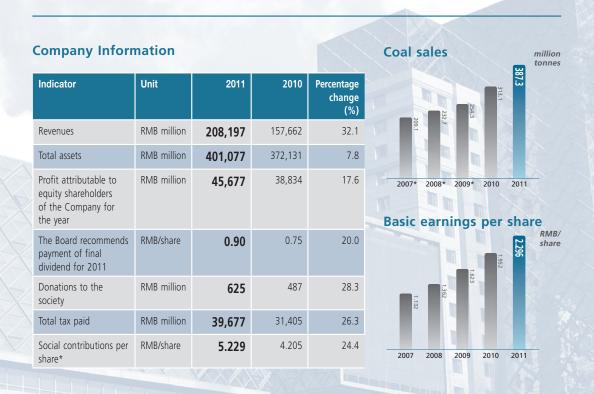
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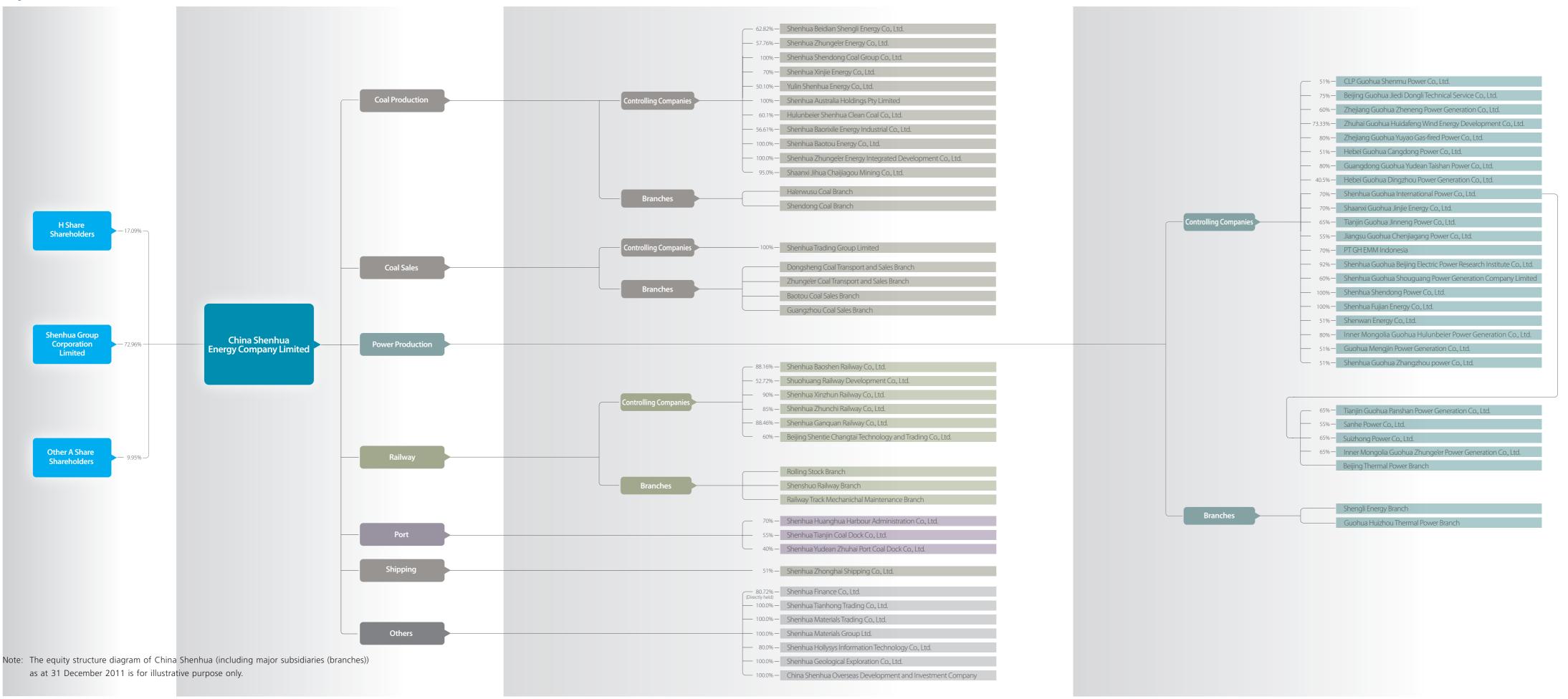
Company Profile

China Shenhua Energy Company Limited is a listed company of H shares and A shares controlled by Shenhua Group Corporation Limited ("Shenhua Group"). The Company is a coal-based energy enterprise that has been carrying out an integrated operation of its coal, power, railway, port and shipping business. It is primarily engaged in the production and sales of coal and power, railway, port and fleet transportation of coal.

China Shenhua is the largest listed coal supplier and seller both in China and in the world. The Company's coal business has become a role model in China in terms of scale, efficiency and safety production mode. The Company owns a large-scale integrated rail, port and marine fleet transportation network, and operates five rail routes, two ports and one fleet which provide the Company with tremendous synergy and the advantage of low transportation costs. China Shenhua owns the large-scale, highly efficient and rapidly expanding power generation operations, which is complementary to the Company's coal operation to achieve a synergetic development.



EQUITY STRUCTURE DIAGRAM



Chairman's Statement

Dear Friends,

In 2011, by using the Company's development strategy as guidelines, the Board of China Shenhua led the staff members to strive to utilize the integrated advantages of coal, power, railways, port and shipping operations, accelerated the transformation in economic development method, strengthened cost control and carried out merger and acquisition. All these efforts brought about record performance in various operations. The commercial coal production volume and sales volume reached 281.9 million tonnes and 387.3 million tonnes respectively, representing a yearon-year increase of 14.8% and 23.7%; power output dispatch reached 167.61 billion kwh, representing a year-on-year increase of 27.3%. Revenues of the Company reached RMB208,197 million, representing a year-on-year increase of 32.1%; whereas profit attributable to equity shareholders of the Company for the year amounted to RMB45,677 million, representing a year-on-year growth of 17.6%.

While creating value diligently, China Shenhua remains highly conscious of corporate social responsibility. We deeply understand that the support from different parts of society is an essential catalyst for the development of China Shenhua. The Company adheres to the social responsibility philosophy of "Contribution with Energy, Scientific Development and Mutual Success in Harmony", giving consideration to the interests of shareholders, customers, employees, suppliers, communities and regulatory authorities, thereby blending the social responsibility philosophy into corporate strategy, cultural and production operation processes. In 2011, the Company set the goal of building a five-model enterprise that possesses "quality and efficiency, intrinsic safety, technological innovation, resource conservation and harmonious development", monitoring the process with reference to feedback, increasing the efforts on carrying out social responsibility, facilitating and enhancing safety production, technological innovation, low carbon economy and harmonious development, taking a solid step on promoting the coordination among economy, environment and social benefit.

Safety development is of paramount concern to the Company, and the Company is committed to safeguarding the safety and health of the employees. 2011 is the benchmarking year for the intrinsic safety system. The Company made further improvement to the safety production responsibility assessment, strictly inspected and remedied hidden threats to safety, reinforced technology application in problem solving, improved management of emergency rescue, extended safety training and carried out activities including "I Want Safety" and "Family Love Calls for Safety" to create a safety culture. Throughout the year, the Company maintained a fatality rate of 0.0196 per million tonnes of raw coal production, well ahead of the average rate of 0.564 for coal mines across the country, and also ranked among the advanced manufacturers in the world. The power and transportation operations continued to deliver a safe operation record. The Code on Safety Risk Prevention, Control and Management System of Coal Mines, an industrial standard which is based on the intrinsic-safety system of the Company, was promoted nationwide as a national industrial standard in December 2011. The Code contributed to the improvement of safety production management standard and the image of the industry.

The Company raises its core competitiveness by putting forward technological advancement



Zhang Xiwu

Chairman's Statement

and improving the capability of indigenous innovation. In 2011, the Company broadened the recruitment and training of research experts, created an open innovation model that makes use of the society's technological resources, explored and implemented research topics related to safety production, recycle of resources and environmental protection while working hard on technological innovation for the principle operations. 80 new technological innovation projects were initiated, with more than 70 ongoing projects. The Company invested approximately RMB2.39 billion in technological innovations during the year. The Company obtained 270 patents in 2011, representing a year-on-year increase of 164.7%. Breakthroughs were seen on technological projects including the building of Shenhua digitalized mines and the extraction of alumina from fly ash, giving solid backing to the safe, efficient and sustainable development of the Company.

With green and low carbon as its direction of development, the Company is deeply concerned about energy saving and environmental protection, and takes it as the mission in promoting the scientific development of the Company, the measure in transformation and upgrade and the benchmark in assessment and management. In 2011, the Company proceeded with environmental-friendly coal extraction, stepped up on energy saving initiatives, commenced the comprehensive use of water resources and raised the efficiency of energy utilization. With the principle of "reduction, recycling and resourceoriented utilization", the Company actively explored comprehensive utilization approaches to coal fly ash and coal gauge. Thereby creating a coal based economic development cycle of "resource-product-waste-renewable resource". The Company conserved energy of 0.61 million tonnes of standard coal in the year and recorded an average standard coal consumption rate for power output dispatch of coal-fired generators of 324 g/kwh, continuing to maintain its leading position in China. The Company treasures the environment of the mine areas and actively seeks to achieve harmonious development with the nature. The Company created an additional 7.79 million square meters of vegetation throughout the year, with the Shangwan Mine and Heidaigou Open-pit Mine included into the first batch of pilot construction of state-level green mines.

Harmonious development is the goal of China Shenhua in carrying out its social responsibility. The Company is dedicated to operating with integrity, enthusiastic to social welfare and strives to achieve harmonious win-win with the stakeholders:

- With an aim to establish itself as a world first class integrated energy enterprise, the Company adheres to the idea of "human resources is the top resource" by creating a safe and healthy working environment for the employees, providing all-around protection for their rights and setting a favorable platform for their development. In 2011, the Company enhanced the career development path for the management staff, specialized technical staff and skilled operators, advanced on democratic management of the employees, implemented proposal initiated by employees and proceeded with the "Joyful Employee Project", striving to increase the employees' sense of belonging and happiness.
- As a listed company, China Shenhua is dedicated to regulated operation and

development, striving to create value for shareholders. The Company improved its corporate governance strictly in accordance with regulatory requirements and timely information disclosure. To protect the legal rights of the shareholders, investor relation work was dealt with in an active and regulated manner through results announcement meetings, roadshows, on site and online discussion with shareholders. The Company held a stable dividend distribution policy. The Board proposes the distribution of the 2011 final dividend of RMB0.90 per share, representing 39.9% of the profit attributable to the equity shareholders of the Company as calculated by the ASBE.

- As an energy enterprise, we actively carried out the important duty of defending the nation's energy security and assuring energy supply. We are committed to motivating the advancement of the industry, honoring the commitment with suppliers and customers and improving service quality in all aspects. The satisfaction rating of the Company's coal customer reached 94.7% in 2011.
- As a corporate citizen, we put our commitment to contribute to the society into the whole process of the corporation's operation by actively seeking mutual development for both the locality and the corporation and carrying out social welfare activities, showing the caring side of Shenhua. The external donation made by the Company in 2011 amounted to RMB625 million, thereby realizing the sharing of the fruits of development with the society.

Looking forward to 2012, China Shenhua shall strive to carry out the strategy of "build a world first-class coal-based integrated energy enterprise with global competitiveness", taking development and social responsibilities with equal importance, to further improve and enhance social responsibility management. The Company will exert itself by benchmarking leading listed energy companies in the world, finding differences, carrying out remedy and facilitating upgrade, raising the standard of regulated operation, maintaining a high standard for safety production, nurturing a top-notch indigenous innovation capability, implementing green and low carbon development, and achieving new records and breakthroughs, so as to create greater value for stakeholders including the shareholders, customers and employees, and to achieve a harmonious development among the corporation, nature and society.

> Zhang Xiwu Chairman



Beijing, China 23 March 2012

CSR Management



Our Philosophy in CSR

Coal will maintain its most prominent position of primary energy consumed in China in the long run. The operations of China Shenhua, being the largest coal-based energy enterprise listed in the PRC, exert, either directly or indirectly, influence on the operation of some other enterprises, the everyday life of the general public, environmental changes and social development. For years, China Shenhua placed equal emphasis on its business development and on the performance of its social responsibilities. The Company proactively maintained its relationship with various stakeholders through the construction of a "five-model enterprise", in order to realize the harmonious co-development of our enterprise, the society as well as the nature. China Shenhua's philosophy on corporate social responsibility can be summarized as "Contribution with Energy, Scientific Development and Mutual Success in Harmony".

"Contribution with Energy" reflects the corporate mission and vision of China Shenhua, namely, to provide green energy for the development of the whole society and to build a world first class coal-based energy enterprise with global competitiveness, which lays a foundation for China Shenhua to perform its corporate social responsibilities.

"Scientific Development" is a guiding principle for the corporate development of China Shenhua. China Shenhua has in-depth studies in the value of scientific development and puts it into practice, solidly performed its social responsibilities and obligations as a large enterprise, and played the role of key enterprise in safeguarding energy supply, maintaining market stability and supporting the economic development in places where China Shenhua operates. It has also actively striven for a safe, green and sustainable development.

"Mutual Success in Harmony" not only marks China Shenhua's recognition of its relationship with enterprise stakeholders, it is also the fundamental objective China Shenhua aims to reach in performing its social responsibilities. China Shenhua is looking forward to establishing a harmonious and mutually beneficial relationship with stakeholders such as its shareholders, customers, staff, suppliers, creditors, the community and regulatory authorities, as well as promoting understanding and achieving mutual development through increased communications.

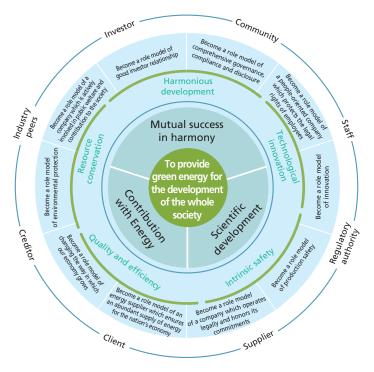
The performance of corporate social responsibility is a step-by-step process during which continuous improvements can be made over time. Hence, China Shenhua shall uphold its corporate spirit of "plain living and hard struggle, pragmatic expansion and excellent seeking" in order to push forward the implementation of its corporate social responsibility strategy one step at a time.



China Shenhua's Approach to CSR

In a bid to integrate corporate social responsibility deeply into our business operation, China Shenhua carries out its mission to "provide green energy for the development of the whole society" by upholding our values of "Contribution with Energy, Scientific Development and Mutual

Success in Harmony". With an aim to perform corporate social responsibility step by step, China Shenhua also lays out a strategy to attain our CSR goals while allowing adequate exchange of ideas with stakeholders, and, by first evolving into a "five-model enterprise" focusing on quality and efficiency, intrinsic safety, technological innovation, resource conservation and harmonious development.



The Implementation of CSR



The management of society responsibility by China Shenhua, which promoted the integration of social responsibility and corporate development strategies with operational management, is based on the construction of a "five-model enterprise". "Five-model enterprise" facilitated the performance of China Shenhua's social responsibilities and improved both the efficiency and the result of the same.

Intrinsic safety

Upholding the "people-oriented" principle with safety production as the basic requirement, the "Four Persistence and Strengthening" as the cornerstone, fostering of safety culture as the carrier and preventive risk management as the means, safety will be placed in the top priority in every aspect ranging from site development argumentation, design, construction to production and business management in pursuit of the unification of staff, equipment, materials, environment and management, hence achieving safety development.

Quality and efficiency

Aiming at the alteration of modes of economic growth with the adjustment of product and industrial structure plus intensive production, intensive operation and scientific management as the means, the path of connotative development will be persistently followed for the coordination and unification of pace, quality, structure and efficiency of the corporate development, hence driving the enterprise to grow rapidly and soundly.

Technological innovation

Aiming at the realization of selfinitiated innovation, emphasis will be placed on two fundamental aspects namely technological and market development; efforts will be put in enhancing capabilities of original innovation; integrated innovation and developing creative technology upon absorption of innovations; transformation of technological achievements into actual productivity will be accelerated and the protection of intellectual property will be strengthened, driving for continuous improvement of the core competitiveness of the enterprise.



Resource conservation

Aiming primarily at the continuous improvement of the recovery rate of coal resources and the rate of resource utilization as well as the promotion of the reduction in energy consumption, efforts will be made to build the Company into an economic system of great circulation integrating coal, power, railway, port and freight operations with coal as the foundation and power as the lead while complementing with the extension of industrial chain and the comprehensive utilization of waste resources, hence pushing forward sustainable and healthy development of the enterprise.

Harmonious development

Aiming at the comprehensive construction of a harmonious and relaxed environment for development, each relationship will be properly handled with efforts focused on the promotion of harmony in terms of industry, internal organization, corporate culture and the relationship between the locality and enterprise, achieving coordinated development.

Social Responsibility Management of the Company

Social Responsibility Management Structure

China Shenhua progressively establishes and optimizes its management structure for its corporate social responsibilities. The Company's Board of directors and special committees under the Board are responsible for determining and managing the Company's social responsibility strategies. The headquarters of the Company has established the human resources department, safety supervision bureau, science and technology development department and environmental protection department that are in charge of the

implementation and management of tasks related to social responsibilities of the Company. The general office has created a managerial position for social responsibilities responsible for the dayto-day administration in relation to the social responsibilities of the Company. The investor relationship department is responsible for the information disclosure relating to corporate social responsibilities and replying to relevant inquiries. Each subsidiary (branch) and production unit have set up respective special standing bodies/positions to perform duties related to social responsibilities, including (among others) safety management, energy conservation and emission reduction, technological innovation, remuneration and benefits, occupational health and employees' interest.

Daily Work and Reporting of Social Responsibilities

Beginning of year

- Strategic decision makers of social responsibility set clear the work focus for this year's social responsibility strategy and issue the working proposal for the year
- Various departments of the Headquarters and subsidiaries (branches) execute the working proposal

Mid-year

- Each department of the headquarters, and each subsidiary (branch) communicates with stakeholders and implement social responsibility work in accordance with the plan.
- Each department of the headquarters collects the relevant information of social responsibilities on a regular basis and manages the same accordingly.
- The competent department of the daily management of social responsibilities coordinates with all departments to advance the social responsibility work and carry out social responsibility research.
- Decision makers of social responsibility strategies resolve significant events on a regular basis and when necessary, as well as receive reports.

End of year

- Each department of the headquarters, and each subsidiary (branch) summarizes the relevant social responsibility work for the year, and significant proposals and statistics
- The competent department of the daily management of social responsibilities and the competent department of information disclosure collect proposals from stakeholders, proposals in relation to significant social responsibility work for the year and social responsibility research materials and prepare the annual social responsibility report
- Decision makers of social responsibility strategies publish the social responsibility report after due consideration



Social Responsibilities Evaluation

Since 2006, the Company has been advocating Shenhua's unique "five-model enterprise". management system and set up performance indicators that were specifically designed for every aspect of operation, including corporate social responsibility. The indicators were made clear by the signing of letters of responsibility regarding the assessment of annual operating performance and linked to the remuneration. Performance indicators of "five-model enterprises" were allocated and implemented in various levels of the Company and facilitated the steady progress of Shenhua's various tasks.

In recent years, the Group has been perfecting the appraisal systems of "five-model enterprise" and gradually stepped up assessment. By obtaining results through assessments and utilizing appraisal systems as a control measure, the Company continued to instruct each subsidiary (branch) to uphold value creation and sustainable development while generating profit and making expansion.

Future Outlook

Looking ahead, we see the "Twelfth Five-Year Plan" as a critical period full of strategic opportunities for the PRC to grow. During this period, the national economy will maintain a steady and relatively fast growth. This will result in a growth in energy demand, bringing favorable development opportunities for China Shenhuathe largest coal-based listed energy enterprise in

the PRC. In the future, the internationalization progress is expected to speed up through further industrial upgrade in the course of the government's initiative to position China as an innovative country. These will create favorable conditions for the Company to optimize its resources allocation and to gain driving force for its future potential growth.

With opportunities, there are also challenges and risks. We observed the slowdown in the growth of the global economy, and the rising inflation pressure on domestic production resources and labor costs, rendering a more complicated external environment for the development of the Company. The intensifying energy and climate issues brought further resource environment constraints on China's future economic growth, which will challenge the Company's development.

China Shenhua will adhere to the strategic development goal of "building a world first-class coal-based integrated energy enterprise with global competitiveness" on the basis of "five-model enterprise", so as to improve risk prevention and pursue the path of sustainable development, thereby promoting the overall improvement in safety, management, technology, innovation, environmental protection and social responsibility, and achieving the harmonious development of the enterprise, economy and society.



Corporate Governance and Regulated Operation



Principal duties: to conduct researches and to submit proposals regarding the long-**Strategy Committee** Shareholders' term development strategies and material **General Meeting** investment decisions of the Company Principal duties: to review and supervise **Audit Committee** the preparation procedures of the Company's financial reports and internal control procedures Remuneration Supervisory **Board of** Principal duties: to study and review the remuneration policy for directors, Committee Committee **Directors** supervisors, the president and other senior management Principal duties: to regularly review the **Nomination** structure of the board of directors and Committee the selection criteria and procedures for proposed directors, supervisors and other senior management, and to make recommendations Management Principal duties: to supervise the Safety, Health and

Environment Committee

Corporate Governance Structure

China Shenhua has asserted the solid philosophy of strict compliance with laws and regulations and is committed to establishing a modern corporate governance structure whereby the general meeting of shareholders, board of directors, supervisory committee and senior management have defined terms of reference, undertake their own responsibilities, execute check and balance and conduct independent operations.

Team

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

Company

implementation of safety, health and

environmental protection plans of the

General Meetings

The Articles of Association and rules of procedures of shareholders' general meetings of the Company define procedures of assembly, notification, convening, consideration and approval of proposals, voting and disclosure.

Corporate Governance and Regulated Operation

Shareholders fully enjoy various rights such as right of information, speaking, inquiry and voting. Shenhua Group Corporation Limited as the controlling shareholder of the Company, duly exercises its shareholder's right by participating in the decision-making and the operation of China Shenhua through general meetings and board meetings. To fully safeguard minority shareholders' interests, connected shareholders or connected directors are required to withdraw from voting when participating in the discussion of a connected proposal.

Generally, the Company holds the general meeting in Hong Kong or Beijing. The notice of such general meeting which contains the details in relation to the general meeting is usually given at least 45 days prior to the opening of such meeting. Apart from accepting pre-registration of shareholders' attendance, the Company also actively invites minority shareholders and analysts to attend the meeting. Before general meeting, the Company usually arrange interviews to certain minority shareholders in order to collect their opinions. Procedures of the general meeting are conducted in strict accordance with the listing rules and the Articles of Association. Sufficient time is given to shareholders for consideration of proposals and for Q&A session. The resolutions of the meeting shall be disclosed fully and timely in accordance with the requirement of the listing rules of the place of listing.

Convening of the 2011 general meetings of the company

Name of meeting	Date of meeting	Venue of meeting	Number of shareholders/ proxies present at the meeting	Total number of shares represented by attendees	Percentage of total share capital/class share capital
			person	no. of share	%
2011 First Extraordinary General Meeting	25 February 2011	Beijing	34	16,663,010,950	83.78
2010 Annual General Meeting	27 May 2011	Hong Kong	75	16,331,553,843	82.11
2011 First A Share Class Meeting	27 May 2011	Hong Kong	5	14,525,570,389	88.08
2011 First H Share Class Meeting	27 May 2011	Hong Kong	61	1,749,329,018	51.47

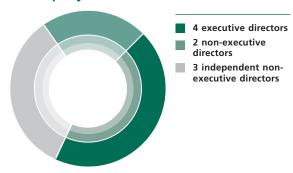


2011 First Extraordinary General Meeting of Shenhua

Board of Directors and Special Committees of the Board

The board of directors of the Company is elected at the general meeting. The current Board of the Company comprises 9 directors. Directors of the Company have extensive practical and managerial experience in macro economy, coal industry, finance and accounting and legal affairs. Each director's knowledge base and area of expertise are complementary, which ensures the scientific and the effectiveness of decision-making of the Board.

Composition of members of the Board of the company



The Company has put in place the Independent Director System of China Shenhua Energy Company Limited and the System of Decision-making of Related Party Transactions of China Shenhua Energy Company Limited that further define the terms of reference of independent non-executive directors to protect the independent non-executive directors in the commencement of work and safeguard the legal interests of minority shareholders.

Prior to the board meeting, the special committees of the Board would consider and review the items in the agenda to enhance the operational efficiency of the Board and provide support for the right decisions of the Board. The Company has set up the office of each committee and the supporting department under the committee to support the smooth operation of the Board and the special committees of the Board.

Supervisory Committee

In accordance with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association, the Supervisory Committee of China Shenhua has honestly carried out their supervisory duties, protected the interests of shareholders and duly overseen the operations and the financial position of the Company as well as the performance of duties by the directors and senior management of the Company.

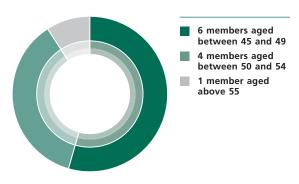
The current Supervisory Committee of the Company comprises 3 supervisors, of whom 2 are shareholder representative supervisors and 1 is employee representative supervisor. Based on the attitude of being responsible to all shareholders and welcoming employees' supervision, the Supervisory Committee of the Company honestly carried out their supervisory duties and held a total of 6 meetings in 2011.

Corporate Governance and Regulated Operation

Senior Management

Senior management is the executive body of the Company and is accountable to the board of directors. The senior management of the Company comprises a total of 11 members. There is a strict separation of duties and powers between senior management and the board of directors. Authorized by the board of directors, the senior management manages and makes decisions on the business operation within its scope of authority. The remuneration of the senior management of the Company is proposed by the Remuneration Committee of the Board of the Company in accordance with the Company's operating conditions (including among others environmental and social operating results) during the year and the "Provisional Measures for the Administration of the Annual Remuneration of the Senior Management of China Shenhua Energy Company Limited", and is considered and approved by the board of directors of the Company.

Age structure of the senior management of the company



The Company appointed an independent auditor to audit the Company's financial statements and the relevant internal control in relation to the preparation of the financial statements. The Company commenced actively in risk control and internal special audit, which effectively avoided the relevant risks.

Please refer to the relevant chapters in the 2011 Annual Report of the Company for detailed information in respect of general meetings, board of directors, supervisory committee, senior management of the Company and corporate governance.

Risk Management and Internal Control

With an aim to increase the efficiency of operation and lower operating risks, the Company puts much emphasis on risk management and internal control and constantly improves the construction of systems and basic platforms of the internal control and risk management and steps up relevant supervision. The Company has established a vertical and hierarchical risk management system of "centralized leadership, regional supervision and hierarchical accountability" comprising the Board, the audit committee under the Board, the internal control and audit department and local audit centers, which secures the safety net for the Company.

In 2011, the Company strengthened internal compliance management on an on-going basis and improved risks prevention and control in areas of material importance. The Company began enhancing economic safety on materials procurement, bidding, management of property rights, sales and fund management, which are the five high-risk businesses that involved capital and assets. A total of 117 risks on economic safety were identified. Based on evaluation and analysis, points of risks under weak control were regulated through control systems, the construction of information system and the creation of cards on position risks, etc. Each department of our headquarters and every

secondary subsidiary (branch) underwent internal control and self-investigations. The Company's audit centers recorded a total of 45 audits performed. The weak spots in relation to the relevant business processes were revealed during the self-investigations and audits, and remedial actions had been taken.

Our internal control system operated satisfactorily in 2011, with no material flaw identified in connection with its design or execution. Please refer to our 2011 Annual Report for the third party audit report of internal control in connection with the Company's financial report.

Anti-corruption

China Shenhua attaches great importance to its anti-corruption endeavors. The responsibilities of managing and coordinating our fight against corruption and the promotion of a corruption-free workspace rest on the shoulders of our monitoring department. We implemented our anti-corruption measures comprehensively in education, system, supervision, punishment, and reform mainly by clearly defining the terms of reference of the respective departments. We have also established a punishment and prevention system which combined organically with our enterprise intrinsic safety system and which is characterized by the spirit of Shenhua.

The Company strengthened risk management and promoted a corruption-free culture centering on prevention and control. In 2011, the headquarters of the Company and each of its subsidiaries (branches) engaged in a variety of educational activities on anti-corruption and self-investigation. Such activities included the showing and viewing of anti-corruption video clips, tours of our anti-corruption and education center as well as a call for advertisement on the theme of anti-corruption, for the purpose of creating a clean and honest environment and a firewall to defend against the spread of corruption. The Company held over 337 anticorruption education activities during the year and over 23.4 thousand person-time of our staff participated in the activities^{Note}.

The Company implemented a "macro-monitoring" system which consists of supervision, audit and the delegation of supervisory committee whose members co-ordinate and perform their duties respectively. It deployed anti-corruption measures in high-risk areas, enhanced supervision on the procurement and tendering of materials and resources, and cracked down cases involving "offbook accounts". The Company's 2011 customer satisfaction survey indicated that 100% of our customers expressed satisfaction regarding the honesty and integrity of our sales personnel. The Company kept open channels to receive reports and complaint letters and we subject ourselves to the scrutiny of our staff and the relevant parties.

Note: The survey period is from 1 December 2010 to 30 November 2011

Operation in Good Faith and Mutual Success in Harmony



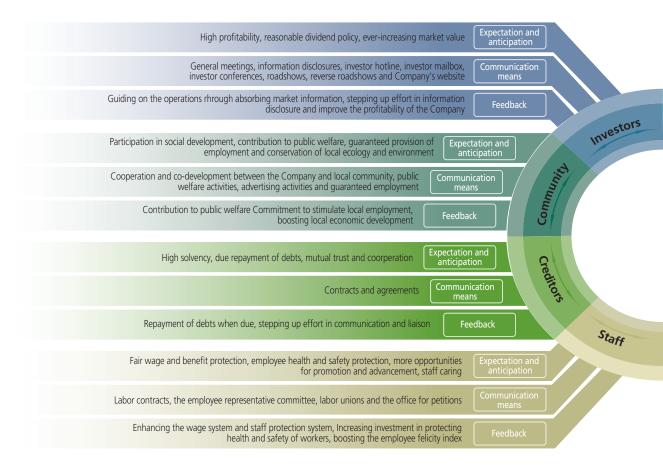


Mutual success in harmony is the ultimate objective of China Shenhua's performance of social responsibility. Operation in good faith is our solemn commitment to each of the stakeholders.

The support from all stakeholders is the foundation on which China Shenhua exists and thrives. Since the establishment of the Company, in balancing business development and social responsibilities, China Shenhua commenced its transition to a "five-model enterprise" and used it as a stepping stone to improve corporate management, enhance information disclosure and investors relationship and fulfilled our commitment to stakeholders including our customers, staff and suppliers. As an enterprise, we were honored to embark on the mission of ensuring energy safety and promoting the balanced development of the economy, society and environment with an aim to spark the positive interaction between the government and the community and facilitate their mutual development. The Company strives to maximize the mutual interests of both the Company and its stakeholders, and reward the stakeholders with its development achievements.

The Company identifies and selects stakeholders according to their impacts on the sustainability based on the requirements of its development strategy, and maintains sufficient communications with its stakeholders. The Company enables involvement of the stakeholders in the sustainability of the Company to the maximum extent and works together with the stakeholders to undertake social responsibilities.

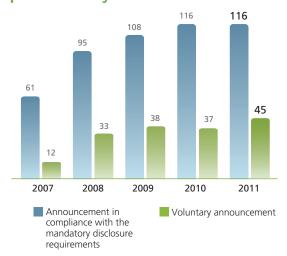
Operation in Good Faith and Mutual Success in Harmony

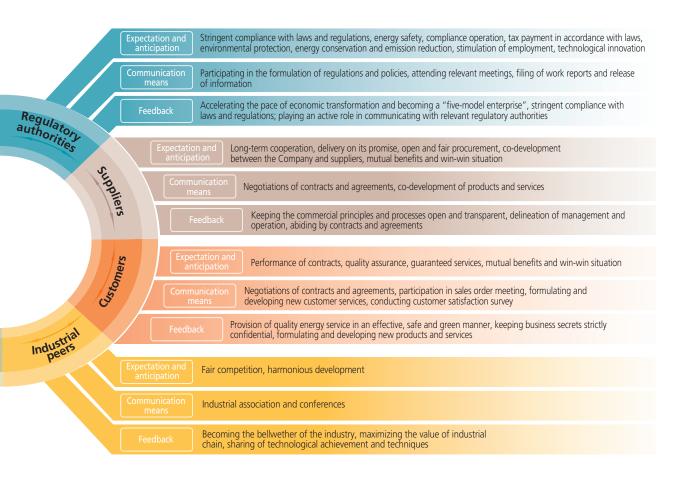


INVESTOR RELATIONS

As a listed company, the Company strives to provide investors with information on the Company in a timely manner and share the achievements of its development with investors. The Company combines the regulatory requirements and the investors' needs for information and continued to enhance the transparency and speed of information disclosure. The Company maintains its investor relations in an active, interactive, professional and standardized manner and determines a relatively stable dividend distribution policy with high dividend payout ratio.

Number of announcements published by China Shenhua





Stepping up the frequency, perspective and coverage of information disclosure

The Company attaches great importance to information disclosure. Taking into account of the differences in needs and practices between A shares investors and H shares investors, the Company discloses its information on the principles of authenticity, accuracy, completeness, timeliness and fairness in accordance with the regulatory requirements of the places of listing. The Company also improves the content depth and frequency of the disclosure of information required by investors on the basis of compliances.

The Company continues to step up its effort in voluntary disclosure in the form of announcements. Pursuant to the mandatory disclosure requirements of the places of listing, the Company issued 161 announcements in Hong Kong and Shanghai in 2011, among which 28% were voluntary announcements. Information disclosed in the voluntary announcements included monthly update on primary operating data, progress of projects, changes in industry policies, preliminary financial data, pre-disclosure of acquisition, all of which effectively provide investors with a better understanding of the operations of the Company.

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The Company continues to utilize different communication channels such as the information disclosure staff and Internet to further enhance the efficiency in information collection and processing with an aim to upgrade the standard of corporate information disclosure and corporate governance. In 2011, the Company won awards including the Special Mention Award (H-share Category) by Hong Kong Institute of Certified Public Accountants in the Best Corporate Governance Disclosure Awards, and the 2011 Award for the Best Corporate Governance and Disclosure by the IR magazine of England.

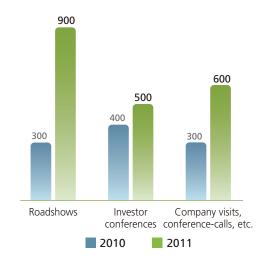
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Facilitating comprehensive communications through various channels with an aim to enhance investor relations

China Shenhua communicates with investors and analysts in a positive and frank manner through various channels such as results announcement conferences, results roadshows, reverse roadshows, investment forums, investor hotline and mailbox. In light of the Capital Injection Project in early 2011, the Company

has initially carried out the roadshows, visited and interviewed 123 domestic and overseas investors and addressed gueries raised by them.

Number of investors met by China Shenhua





Reverse road show in 2011: investors were touring the control center of Guohua Hudian

The Company is concerned about individual investors and maintained good communications with them by means of conducting online discussions and theme discussions. In 2011, the Company held shareholders online discussions in a timely manner to create a platform on the Internet for the Company to facilitate better communications with its shareholders. The online discussions played an active role in effectively delivering a correct perception of the operations and development of the Company to investors so as to boost their confidence in the Company.

The Company met over 2,000 analysts and fund managers in 2011, which doubled the figure in 2010.

Maintaining a relatively stable dividend distribution policy with high dividend payout ratio

The Company distributes dividends under a continuous and stable dividend distribution policy and in accordance with the requirements under the relevant laws and regulations and the Articles of Association. Since the listing, the Company has distributed cash dividend of RMB87,043 million in total from 2005 to 2011, including a final dividend of RMB0.90 per share

recommended by the board of directors for the year 2011. Total cash dividend of 2011 amounted to RMB17,901 million, representing 39.9% of the net profit attributable to equity shareholders of the Company under the ASBE.

CUSTOMER RELATIONS

The Company is primarily engaged in the production and sale of thermal coal products and the conduct of sizeable power generation operations. The major customers for the Company's coal operations are enterprises engaged in power generation, metallurgy and chemical industry, etc. The major customers for our power generating operations are power grid companies who sell the electricity to the end users. The Company delivers on its promise, attaches great importance to communication with customers and strives to provide products and services to the customers' satisfaction with an aim to establish stable and mutually beneficial cooperation with customers in the long run.

In 2011, total sales revenue from top five customers of the Company amounted to RMB44,920 million, representing 21.6% of the total revenues of the Company.

Dividend distributed in each year	Date of distribution	Cash dividend per share (tax inclusive)	Amount of cash dividend paid (tax inclusive)
		(RMB/share)	(RMB million)
Dividend distributed in 2009 and previous years	-	-	54,225
Final dividend for 2010	June and August 2011	0.75	14,917
Final dividend for 2011 (recommended by the Board)	-	0.90	17,901
Total	-	-	87,043

Operation in Good Faith and Mutual Success in Harmony

Coal operations

The Company's major product of coal operations are thermal coal and are mainly transported to the domestic and overseas markets through the Company's railways and ports, whereas part of the coal is sold at the mine mouths and a small amount of coal is for export. Domestically, the coal is primarily sold to the coastal areas in the eastern and southern regions. As for exports, the coal is mainly sold to Korea, Japan and China Taiwan, etc. In 2011, the sales volume of the Company's commercial coal amounted to 387.3 million tonnes. Domestic seaborne coal sales volume amounted to 204.5 million tonnes. In 2011, the domestic coal transshipment volume for domestic sales through domestic ports was 639 million tonnes, from which it was estimated that the market share of China Shenhua in the coastal market was approximately 32.0%. The coal export volume of the Company was 5.6 million tonnes, accounting for approximately 38.2% of the coal exports in China.

Based on the unified mode of operation, the Company further categorized the market, created distribution channels and built a unified sales system. The Company set up the Shenhua Trading Group Limited in 2011 to make use of the function of the regional trading company, while expanding sales coverage and market share. A series of breakthrough in sales was achieved:

- A pricing mechanism for spot sales based on the Bohai-Rim Steam-Coal Price Index was established, under which pricing is made on an open and fair basis to stabilize price level;
- Coal procurement at the mine mouths and railway routes was stabilized, more coal was purchased at the docks from third parties and the capability in obtaining coal sources was enhanced;

Innovative sales model: the Company improved the capacity of organized transportation of coal by fully capitalizing the advantages of coal transit bases; the implementation of sales on order at the railway routes enhanced customer satisfaction; the Company increased sales efforts for special types of coal and pushed forward detailed sales management.

The Company will capitalize the advantages of the integration of production, transportation and sales, so as to strengthen sales related services and continuously enhance brand image, thereby achieving the transition from a coal producer and supplier to a coal distributor at the soonest.

Quality of services to coal customers

The Company continues to improve customer service and maintain the quality of coal. It actively communicates with customers to minimize and prevent disputes and to improve customer satisfaction.

Ensuring coal quality

The Company has established a coal quality control and management system that covers the whole process of coal exploitation, washing and selection, transportation and procurement in accordance with the requirements of national and industrial standards as well as the ISO9001 quality management system. In 2011, the Company strengthened various aspects such as coal exploitation transportation, sales and coal management, to increase the efforts on purchasing quality coal from third parties, to

timely track and analyze customer feedback and to ensure the Company's quality of coal. Specific measures included:

- The Company carried out unified coordination and made full use of the coal quality prediction system, it also held numerous coal quality management working conferences to increase the interaction between coal production and the market;
- Increased sample testing during the production process to ensure stable quality of the stored coal products; increased the efficiency of washing and selection by making use of coal selection technique and slime reduction technology that were suitable to the mines of the Company during the cutting, washing and selection process of raw coal. The Company washed all the coal that was suitable for washing, with 254.0 million tonnes of coal washed, selected and processed during the year;
- Further enhanced the quality control of coal procured from third parties along railway routes and at ports;
- The Company developed products to cater the specific needs of customers through allocating coal before making sales. The Company also made regular visits to users to provide technical services.

Ensuring service quality

The Company manages its customers by dividing them into different levels and regions based on the length and status of cooperation. Services are tailor-made to meet the needs of the customers in each level and to shorten the response time for services. With an aim of building long lasting, stable and win-win cooperative relationship with the customers, the Company further regulated and integrated its customer management system in 2011 by enacting the 'Methods on Customer Management', which brought maintenance of customer information and service management under uniform regulation.

The Company pursues a tolerant and harmonious environment for cooperation, fosters a stable and healthy marketing order and establishes close strategic partnerships through sales and order meetings, regular seminars, daily visits, phone communication and questionnaires. The Company also put great emphasis on promoting social responsibility in the supply chain. Priority for customers is given to power plants with huge capacity and complete environmental protection facilities, as well as other customers that abide to regulations and actively carry out social responsibility. The Company has imposed measures to safeguard the secrecy of the customers' information and to prevent the commercial secrets of the customers from leaking.

The Company carries out survey on customer satisfaction according to the actual situation. In 2011, the satisfaction rating of the Company's customers for coal amounted to 94.7%.

Operation in Good Faith and Mutual Success in Harmony

Special Topic: 2011 Survey on Customer Satisfaction

In 2011, the Company chose major customers from North Western, Northern, Eastern, Southern China and certain market customers with long business relationship and representative status for a survey on satisfaction. The survey lasted for two months and was conducted by sending customers with questionnaires for them to complete, sign, seal and return. The scope of the survey included:

Quality of products

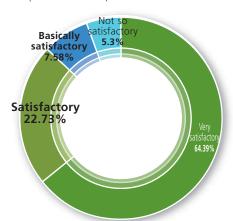
Including the customers' overall ratings to the reliability, suitability, environmental impact and coverage of offerings of Shenhua's coal products, as well as the overall ratings to various indicators and the price of coal;

Quality of services

Including service attitude, problem solving, technical support and financial settlement;

Focusing on the satisfaction level of the customers towards operations of the departments which were mainly responsible for sales.

140 questionnaires were collected this time with 132 of them valid. The full marks of the questionnaire was 100, with over 90 marks referred as very satisfactory, 80 to 90 marks (not inclusive) as satisfactory, 70 to 80 marks (not inclusive) as basically satisfactory, 60 to 70 marks (not inclusive) as not so satisfactory and under 60 marks as very unsatisfactory.



- The satisfaction rating of the customers towards the coal products of China Shenhua in the comprehensive evaluation amounted to 100%;
- 97.71% of the customers considered the market price of coal based on Bohai-Rim Steam-Coal Price Index was reliable to some extent, and helpful in understanding market conditions;
- The customers had high ratings on the after-sale service of the Company, especially in service attitude, communication channels and accuracy in settlement, which had satisfaction ratings of over 100%;
- 100% of the customers interviewed were satisfied with the efficiency of Shenhua's salespeople, with the satisfaction ratings in business capability, professional knowledge and sense of service.

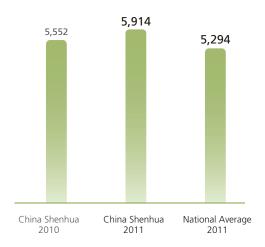
In this survey, many customers took the questionnaire as a medium and provided the Company with numerous opinions and recommendations such as a further reduction of time for vessels to wait for berth, etc. In response to the opinions of the customers, the customer service staff of the sales department of the Company in various regions carried out in-depth communication with the customers. Reasonable suggestions were adopted and demands that cannot be met due to technological or environmental requirements were explained to the customers in order to gain their understanding.

Sales of power

The power generation operations of the Company are mainly located in mine mouths and areas along the railway routes and the coast. The Company's power generation operations ensure power supply in a timely and effective manner in accordance with the dispatch of the power grids. Under the guidance of the principle of "proximity to market, customers and production", the Company's power generation operations made full leverage on the characteristics of the generating units with large capacity and high parameter. The Company ensures that the planned power output is met while actively promotes that power transactions are in manner of environmental friendly power generation and substituted power generation, achieving a unification of economic and social benefits.

As for the domestic power market, parts of certain regions faced power shortage while power companies generated power at light loading in 2011. The Company overcame adverse factors such as rising costs and ensured power supply to the greatest extent possible. The annual average utilization hours of coal-fired power plants reached 5,914 hours, a year-on-year increase of 362 hours, higher than the national average for thermal power plants of 620 hours. The annual output parameters for power plants such as the Ninghai Power, Taishan Power and Jinjie Energy Company maintained a high level of over 80%.

Average utilization hours of coal-fired power generators



Note: The data of the national average utilization hours of thermal power generators is extracted from the "Flash Report of Statistics Data of National Electric Power Industry 2011" of China Electricity Council.

The Company captured the opportunity of the under-valued power industry by obtaining quality power spots, as marked by the acquisition of Mengjin power plant. This could optimize the structure of the industry and make use of the Company's advantage of having an integrated coal power supply chain, thereby laying the foundation for stable energy supply in China.

Operation in Good Faith and Mutual Success in Harmony

Supplier relations

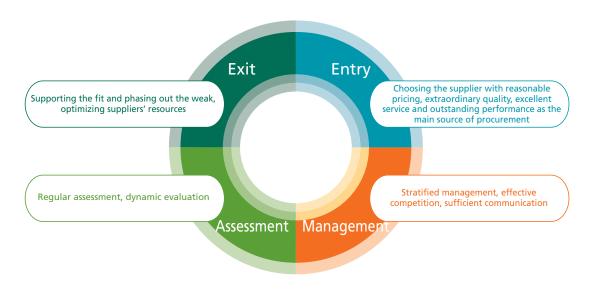
The Company adheres to the principle of "Arm's Length Negotiations and Achievement of Mutual Benefits" and strives to build long-term strategic partnership with suppliers possessing sound qualification and credibility as well as high quality products and services.

To strengthen the assurance of materials supply for the Company and the integration with external resources, the Company established a managing system for the whole life cycle of suppliers in accordance with the principle of 'unified management, dynamic assessment, supporting the fit and phasing out the weak'. The Company actively promotes the establishment of a stable strategic partnership with quality suppliers which are also the leading players in their respective industries. The Company's five

largest suppliers in 2011 were domestic suppliers. The Company's purchases from the five largest suppliers amounted to RMB14,415 million, representing 12.0% of the Company's annual total purchases.

The Company established a large materials system in 2011, exploring the potentials in each segment of materials management and enhancing the management standard of the Group's entire materials supply chain. The Company sees the importance of creating an open and fair environment for procurement, therefore putting procurement bidding under strict regulation through 'the separation of management and execution'. Procurement was collectively carried out by the headquarters and branches (subsidiaries), with centralized procurement by the two levels amounted to over 98% of total procurement.

China Shenhua – Management concept on supplier's life cycle



China Shenhua is committed to cooperating with domestic suppliers, speeding up the localization process of equipment such as high-end hydraulic support for use in underground mines and electric shovel for use in open-pit mines. The Company promoted the development of our nation's industry by partnering with various domestic manufacturers and providing them with technical support. Priority was given to domestic materials and equipment with sophisticated production technology, reliable product quality and significant price advantage. This not only reduces the Company's procurement costs, but also effectively promotes the upgrading of the domestic manufacturing industry and achieves a win-win situation. In 2011, the Company entered into agreements in relation to purchase of 11 sets of domestically manufactured highend hydraulic support and owns 21 sets of domestically manufactured electric shovel with volume of more than 20 cubic meters.

The Company carried out regular communication with suppliers through suppliers' conference, onsite study and joint research and development with an aim to foster good business relationships. In 2011, the Company organized a total of 12 suppliers' conferences and numerous study trips to the manufacture partners, through which indepth discussion was conducted and mutually beneficial cooperation was further enhanced. Over the course of the co-operations, the Company actively carries out green procurement by putting great emphasis on the benchmark estimates on energy consumption and emission

reduction indicators as the evaluation criterion for materials procurement and the bidding of construction work. Use of products phased out by the State and technologically obsolete equipment is forbidden to ensure energy conservation and environmental protection during the construction and production process. The Company also actively urges its suppliers to perform their social responsibility as to energy conservation and consumption reduction.

Creditor relations

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

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

Safety Production and Employees' Interests





Safety production principle:

- "Accidents can be avoided and risks are controllable"
- "Reaching zero fatality rate in coal mines"
- "Keeping gas emission within the restricted level to avoid any accidents"

Safety production objective:

"Preventing serious work-related accidents and keeping safety indicators among national forerunners"

Safety production principle and achievements

China Shenhua regards safety production as its primary social responsibility and the primary prerequisite to safeguard staff interests. The Company is committed to creating an "intrinsically-safe" enterprise and its operations which include coal production, transportation and power generation have maintained a good record of safety. The Company has become a role model in China's coal industry in terms of output, efficiency and safety production.

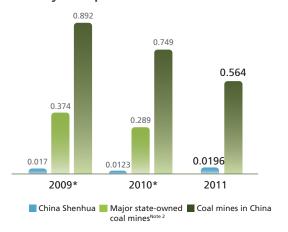
Safety Production and Employees' Interests

Safety Production

Achievements in safety production

In 2011, the Company experienced no major or extra serious accident, maintaining internationally leading in safety production. Our fatality rate per million tonnes of raw coal production^{Note 1} was 0.0196 for the year, which was significantly better than the average of the coal mines in China, and continued to maintain a leading international position. At the Company, 9 coal mines in production have maintained continuous

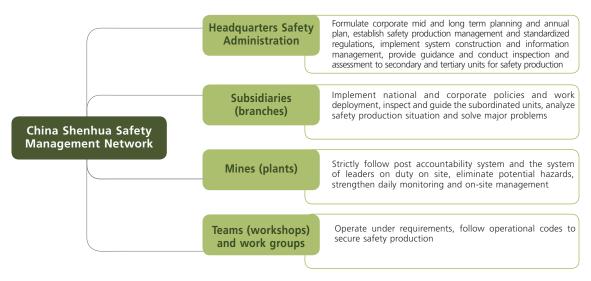
Fatality rate per million tonnes of raw coal



safe production for more than 1,000 days. No fatal accidents occurred for any of our power, railway, port and shipping segments. No serious problems that imperil the society exist in the Company.

Safety management mechanism

The board of directors, as the superior decisionmaking body for safety management, together with its safety, health and environmental committee, are responsible for safety production. The headquarter of the Company has established the Safety Supervision Bureau, responsible for company-wide safety production and employees' occupational health management. In accordance with the principle of "The headquarter supervises, the production units undertake, and all staff participates in", a tiered safety production management mechanism has been established for the headquarter, subsidiaries (branches) and mines (plants, divisions, sections) under a safety management network extending to the lowest level and covering all aspects with specific roles.



- Note 1: Only underground production activities of coal mines in operation are accounted for in
- Note 2: As at the date of the report issued, the statistics of major state-owned coal mines in 2011 has not been published.

Safety meetings were held on a timely basis to address the safety production issues of the Company. In 2011, 7 special safety production meetings were convened by the safety, health and environmental committee meetings or in the form of safety production meetings or president-chaired safety meetings under the leadership of the board of directors, through which a number of major obstacles to safety production were discussed and solved. Monthly safety meetings and weekly safety video conferences were held to consider and deploy safety production initiatives.

The Company developed and improved 16 safety production rules and regulations including the Administrative Measures on Pledged Rectification of Major Potential Safety Hazards in Coal Mine Segment and the Investigation Procedures for Power Generation Accidents, and revised 13 special plans including the Emergency Response Plan for Safety Production Accidents covering the Company and its businesses in 2011. Under a

further improved safety management system, the workflows were optimized to ensure safety regulations are scientific, rational and practical.

Safety management standards

Building an "Intrinsically-safe" enterprise is the basis for building China Shenhua into a "fivemodel enterprise", as well as the cornerstone for its sustainable development. According to its business characteristics, the Company pressed ahead the study on intrinsic-safety standards, and an intrinsic-safety production standard system has been established covering opencut mines, underground mine, coal production supportive units, power and transportation businesses. Through implementation of the standard system, safety awareness of staff was further enhanced with better identification of systematic major hazard sources and post hazard sources as well as improved abilities of the units for risk prevention, control and management.

Set out below are subsidiaries (branches) of the Company that have passed NOSA certifications:

Certification ranking	Number of certified branches (subsidiaries)	Name of certified subsidiaries (branches)
5-star	3	Panshan Power, Taishan Power, Sanhe Power
4-star	4	Shenmu Power, Ninghai Power, Jinjie Energy Company, Huanghua Harbour Administration
3-star	1	Huizhou Thermal

Safety Production and Employees' Interests

In 2011, the "Benchmarking year for intrinsic-safety system", the Company further expanded the coverage of its intrinsic-safety production system, under which the assessment and rating methods and acceptance standards were established for all businesses. As at the end of 2011, the Company had 16 units of intrinsic-safety level one, 40 units of intrinsic-safety level two and 26 units of intrinsic-safety level three. In particular, Shendong Coal Group, Huanghua Port and Shenhua Tianjin Coal Dock further established intrinsic-safety information system which improved efficiency and quality for operating and managing the system.

In addition to the intrinsic-safety production system, the Company's production units conducted in-depth benchmarking activities against international standards to improve safety production practices. As at the end of 2011, 6 power plants of the Company including Panshan Power were awarded 4 stars or above and Huanghua Port was awarded 4 stars under the NOSA system, which was the first enterprise with port operation in China awarded 4 stars under the NOSA system. In 2011, Guohua Power Branch trained 232 internal inspectors for safety, health and environment and 25 NOSA accident investigators under the NOSA system, laying a solid ground for improving daily management and safety production level.

Case study: China Shenhua's achievements in construction of intrinsic-safety production system were recognized by the industry

The intrinsic-safety production system of China Shenhua was appreciated by the national safety regulatory authorities. With reference to this management system, the Code on Safety Risk Prevention, Control and Management System of Coal Mines (AQ/T1093-2011) was published as a national industrial standard by the national safety regulatory authorities in August 2011. The standard was promoted nationwide with effect from 1 December 2011 to continuously improve the safety production practices of coal mines across the country.



Focusing on risk prevention and control and based on the "Iceberg theory", the Company's intrinsic-safety system for coal mines employs the chain of causation featuring identification of hazard sources and preclusion of accidents, centering on control over unsafe behaviors of staff to forge a continuously improving safety management system for the closed management loop from P (plan) to D (do), C (check) and A (action).

Figure: China Shenhua intrinsic safety management system documentation (for Shendong Coal Group), including management manual, procedure document, unsafe staff behavior management booklet, hazard source management booklet, compilation of management rules, assessment scoring criteria, safety culture implementation booklet, etc.

Measures for safety production

While establishing and improving the management mechanism, the Company continued to increase its investment in safety production, where measures including enhancing identification of potential hazards, strengthening safety training, implementing safety technologies and fostering safety culture were adopted to continuously improve safety production management so as to comprehensively boost safety management standards and safety assurance. In 2011, our investment in safety production amounted to RMB4.23 billion, representing a year-on-year increase of 8%. The key measures for safety production are set out below:

Reinforcing identification and treatment of potential hazards to eliminate blind spot of safety management

Reinforcing safety production management is the basis to ensure safety production of the Company. Management rules on identification, treatment and pledged rectification of major potential hazards were respectively formulated for coal, power and transportation segments of the Company, which define the management principles for recognition criteria, pledged rectification, accountability and punishment in respect of major potential hazards.

In 2011, our coal segment continued to implement both dynamic and regular inspection and appraisals while launching large-scale safety inspection programmes, sudden checks and winter safety general inspection. A total of 56 safety inspection teams were established to conduct uninterrupted safety inspection at important times and on major units and key areas. Specific rectifications were made to the obvious problems and potential safety hazards discovered during inspections. Operations that seriously violated safety production regulations or caused potential hazards and problems that

may lead to major accidents were suspended for rectification. The system of leaders on duty on site was further promoted to address safety production issues in time. Under the daily night dynamic inspection system, Shendong Coal Group dispatched 3,471 person-time of inspection in the year, playing an important role in eliminating safety weakness.

On power operations, the Company took efforts in securing stability of power generation equipment through equipment management. The annual equivalent availability factor of the units of Guohua Power Branch was 94.0% in 2011, representing a year-on-year growth of 3.1 percentage points. Unit No.3 of Guohua Jinjie Energy Company was named as the National Gold Medal Unit of the Year.

To further reinforce safety management of its railway segment, the Company conducted overhauls for 24 station areas, 103 station sections (work teams and work groups), 5 traction substations, 540 km of lines, 580 km of contact network and more than 3,200 rolling vehicles of 4 railway companies, which eliminated potential safety hazards in time and secured railway transportation safety.

Enhancing safety education and training for overall quality improvement of the staff

Attaching high importance to safety training, the Company always bases its safety production upon enhancing safety awareness and technological capabilities of the staff. By combining after-work training with off-job training, safety training with job-specific training and three-dimension simulation with on-site operation, the Company emphatically conducted trainings on safety management and regulations with respect to intrinsic-safety system, registered safety engineer and internal inspectors for quality and environment

Safety Production and Employees' Interests

in 2011. Staff emergency management and various rehearsals of emergency response as well as safety training for new recruits and special skilled workers were also provided to increase the practicability of training, thus effectively improving staff safety awareness, operational skills and safety management practices. In 2011, the Company provided various safety training sessions to its employees, totaling more than 310 thousand person-time.

Strengthening research on key technologies to facilitate technology-based safety

Proactively pressing ahead scientific research, the Company has joined the efforts of China Coal Research Institute to establish Northwest Academy of Safety Production Science, Northwest Mine Hydrogeology Research Institute and Northwest Coal Mine Fire Fighting Institute. Emphases were placed on the research on key difficulties in flood, fire, gas, bump and other safety technologies for coal mines, providing technical assurance for eliminating major potential safety hazards and achieving safety production. In 2011, the Company continued to promote the utilization of technological achievements to boost the safety production level of the Company.

Pushing ahead with plan rehearsals to improve the emergency system

Highly valuing the emergency system construction, the Company strengthened dynamic management on emergency response plan, effectively combining its comprehensive plan with special plans and solution plans, which contributed to more specific and practicable plans. The "Six systems" for safety and refuge were also pushed forward proactively. As at the end of 2011, all mines in production of the Company were equipped with monitoring and control system, communication system, water supply rescuing system, personnel positioning system and ventilation self-rescuing system and 11 mobile rescue capsules had been acquired, while the permanent emergency refuses were under smooth construction.

Carrying out safety-themed activities to foster safety consensus

Safety working culture is an integral part of modern safety management. Aggressively fostering the consensus of "Care for life and concern about safety", the Company established three fronts namely safety video education base, safety culture corridor and "Ankang Cup" Contest to expand the enlightenment channels for safety culture and publicize safety knowledge and culture. In 2011, the Company staged a series of safety-themed activities including on-site family cares to mining workers, signatures for oath, quiz, speeches and family participation, while publicizing model deeds of pioneering units and individuals in safety production to foster a strong safety production consensus.

Case study: Embarking on the Shendong innovative, safe, green and efficient mine project

On 15 September 2011, China Shenhua convened the mobilization meeting for the Shendong innovative, safe, green and efficient mine project, marking another significant move for its mine construction. Under the project, Daliuta Coal Mine of Shendong Coal Group as a pilot will be constructed into an innovative, safe, green and efficient mine with the characteristics of China Shenhua.

According to the Company's plan, Daliuta Coal Mine is to leverage the information technology platform, as a role model, to achieve major breakthroughs in digitalization, automation, intelligence, intrinsic safety and low carbon recycling based on its existing model. With an ultimate aim at whole process of information-based coal production, automatic mining and intelligent operation for major production processes, the mine will be equipped with expert decision support system for a range of professional areas, allowing effective improvements in mine safety, health and environment to meet the goal of green mining.

Future plan

In 2012, a year of upgrading the intrinsic-safety system, China Shenhua will focus on "Five aspects of efforts" and "Five resolutions" with an aim at uplifting its safety production level, namely: 1) efforts in promoting the intrinsic-safety system and resolution to uplift safety management level; 2) efforts in managing major areas and resolution to prevent serious work-related accidents; 3) efforts in rectifying major potential hazards and resolution to push forward special treatment of disasters; 4) efforts in building up infrastructure of primary units and resolution to prohibit fatal accident; and 5) efforts in fulfilling safety responsibilities and resolution to implement the management systems, thus ensuring the stability of safety production and healthy development of the Company.

China Shenhua has set out the overall target for safety production for the "Twelfth Five-year Plan" period, namely building itself into an integrated energy developer with well-established system, top-notch management and internationally leading safety production performance which wins the global attention and respects by virtue of its sound social responsibility image. The Company will continue to implement the "intrinsic-safety management system", with a focus on prevention, control and management of risks in four major aspects including personnel, equipment, environment and management. The Company will strive to achieve the following goals:

Operational staff: possessing strong safety awareness, proven safety skills, job-specific expertise and knowledge of standard operational procedures, achieving no "three breaches" (i.e. breach of supervision regulations, breach of operational regulations and breach of labor discipline) and ensuring personal safety.

Safety Production and Employees' Interests

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

- Environmental system: ensuring safe, healthy and orderly work condition for employees.
- Management system: establishing a long-term efficient mechanism for safety production which incorporates safety culture, legal system for safety, safety responsibility, safety technologies and the investment in safety, and meets the operation and management requirements of the Company.

EMPLOYEES' INTERESTS

In light of the principle of "Human resource is the primary resource" and the well-established philosophy of "Human-oriented and talent-based prosperity", China Shenhua has set up the personnel mechanism for nurturing, attracting and making best of talents and their expertise. The Company is also committed to creating an open, fair and just atmosphere for the use of human resources, providing a smooth career path for the growth of employees and establishing a platform for the development of talents.

Human resource management functions together with labor unions are established at various levels, to jointly safeguard and protect legitimate interests of employees. Employee representative committees are established at the headquarter and subsidiaries (branches) of the Company to



Safety reminder: "families pray for your safe return"

ensure the effectiveness of employees' interests. While strictly regulating the employment and human resource management, the Company maintains a well-established remuneration and benefit protection system, pays attention to employee's health and enhances training for employees, thus allowing for mutual growth of employees and the Company. In 2011, the labor union of Shuohuang Railway was named the "National Model Family of Staff" by the All-China Federation of Trade Unions.

Basic interests of employees

The Company safeguards its employees' rights to know, to speak and to complain. Employees may keep informed of the operation updates through internal website, announcement and other channels. The employee representative committees and labor unions effectively facilitate democratic supervision and management functions of the Company. All major systems formulated and implemented by the Company, including those on employment, labor contract, employment management and remuneration that are closely related to employees' own

interests, have been considered by the employee representative committee under legal statutory procedures to ensure their compliance and effectiveness. There are complaint channels such as labor union, human resources department and office for petitions and appeals provided by the Company to its employees to safeguard their rights to complain.

Pressing ahead with employee democratic management, the Company established the collective contract system in accordance with the laws and regulations, it also endorsed democratic supervision over implementation of collective contract. The Company takes the opinions of the proposal submitted by our staff very seriously. In 2011, 122 proposals were submitted by employees through employee representative committee and labor union. As at the end of 2011, most of employees' proposals submitted in the previous year were implemented, for those which were not implemented, positive feedback had been given. The response rate of employees' proposals reached 100%.

China Shenhua Talent Development Strategy Implement scientific talent development value, adhere to "4 priorities" principle, carry on 10 talent projects, build top-class talent team in energy sector

"4 priorities" principle

- "Talent resources are primary resources" with priority to develop
- "Talent investment is most profitable investment" with priority to effect
- "Democratic, open, competitive, selective", to screen out talent for corporate development
- Adhere to "Value investment concept" with priority to develop high level talents

10 talent projects

- Eligibility organizational model project
- Institution innovation project
- Talent education and training project
- High level talent introduction project
- Business and management teambuilding project
- Technological professionals "tens-hundreds-thousands" project
- Skilled workers teambuilding project
- Backup talent teambuilding project
- Headquarter staff growth project
- Talent information project

Safety Production and Employees' Interests

The Company enters into labor contracts with its employees in accordance with the relevant laws and regulations such as the "Labor Law of the People's Republic of China" and the "Labor Contract Law of the People's Republic of China" and in line with the principles of "equality, free will and mutual agreement", pursuant to which the basic rights of employees such as labor and rest, personal safety, equal opportunity, ethnic equality, equal pay for equal work and annual leave are fully safeguarded.

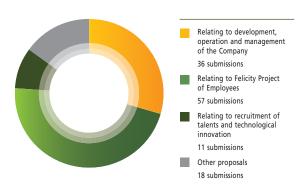
Employees of the Company are mainly located in Beijing, Inner Mongolia, Shaanxi, Hebei, certain coastal provinces and cities, Indonesia and Australia. In accordance with local employment regulations, the Company's headquarter and subsidiaries (branches) give a priority to local labor force in recruiting, making active contribution to local employment. It is the Company's policy to prohibit any employment of child labors. However, the Company is committed to providing job opportunities to the disabled, ethnic minority and veterans. As at the end of 2011, the Company employed 325 employees with disabilities and 4,003 ethnic minority employees.

Structure of employees

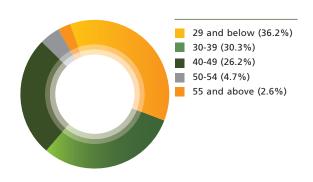
By specialty	2010*	2011		
Operation and maintenance	44,712	55,536		
Management and administration	9,029	11,389		
Finance and accounting	1,026	1,421		
R&D and technical support	5,015	6,656		
Sales and marketing	1,402	2,629		
Others	3,970	4,629		
Total	65,154	82,260		

By education background	2010*	2011	
Postgraduate or above	1,030	1,522	
University graduate	13,744	18,110	
College graduate	16,665	20,703	
Below College graduate	33,715	41,925	
Total	65,154	82,260	

Breakdown of proposals submitted by our staff in 2011



Employees of the company by age



The coal mining and railway industry in which the Company operates is characterized by high labor intensity, a majority of our workers are male. To respect and value female employees, the Company endeavors to arrange positions for female worker in the related ancillary business. The Female Worker Committee has been established in the headquarter of the Company primarily responsible for the matters relating to female workers, and Special Collective Contract for Female Workers was implemented to safeguard their legitimate rights and special interests. As at the end of 2011, the total number of employees of the Company amounted to 82,260, of which 15,887 were female employees, accounting for 19% of the total number.

Protection system for employees

The Company provides employees with competitive remuneration packages and complete and personalized benefits. Employee remuneration mainly consists of fixed remuneration, performance remuneration and benefit. Fixed remuneration is determined with reference to respective posts and the Company's policies; variable remuneration is determined according to assessment on employee performance and the Company's overall results; and benefit is determined in accordance with national and local regulations and the Company's policies. Remuneration is paid in the principle of equal pay for equal work and adjusted under the performance-based incentive mechanism, with a same remuneration system for both male and female employees which is free of sexual or regional discrimination. In 2011, the Company conducted annual assessment in relation to performance of its employees. Employees are entitled to pay leaves and statutory leaves

with remuneration paid under the national regulations.

The Company has taken up various social insurance, including basic pension insurance and medical insurance, labor injury insurance, unemployment insurance and maternity insurance, and contributed to the housing fund in accordance with the laws. The Company also maintains supplementary pension insurance, supplementary medical insurance and accidental injury insurance, as well as a family member medical benefit system for its employees. The Company provides benefits to employees such as free business meal and annual physical examination.

Occupational health

The Company always gives a priority to employee occupational healthcare and strictly follows the national measures for prevention and treatment of occupational hazards. Earnestly observing the China Shenhua Administrative Measures for Prevention and Treatment of Occupational Hazards, the subsidiaries (branches) maintain wellestablished functions to strengthen management and fulfill responsibilities, adopting measures combining "engineering technology, individual protection, healthcare and administration" to improve prevention and treatment including cooling, dust proof, antitoxin and noise reduction at working place which has effectively controlled the number of additional occupational patients. In 2011, China Shenhua recorded 0 case of additional occupational patient according to the statistical result of the physical examination of the Company.

Occupational health investment	2007 [*]	2008 [*]	2009 [*]	2010 [*]	2011
Occupational health investment					
of China Shenhua (RMB million)	61	78	180	100	221

Safety Production and Employees' Interests

Continuously increasing investment in safety and occupational healthcare, the Company endeavors to eliminate hazard sources and occupational hazard factors by introducing new technologies and techniques, upgrading the mechanization and automation levels and further renovating safety protection facilities. Labor protection supplies are equipped and used in accordance with the regulations, coupled with regular physical examinations and assessments on occupational safety and healthcare as well as specific psychological counseling and consultation for employees. The Company established a comprehensive annual physical examination system, where occupational health databases are maintained. In 2011, the Company invested over RMB221 million in respect of the occupational health of its employees. The coverage rate of physical examination of Shendong Coal Group achieved 95%.

The Company continues to improve the holiday system to safeguard its employees' rights for work, leave and holidays. Subject to the requirements of the State, the Company actively creates conditions to encourage its employees to take vacation.

Employee training and development

Adhering to the philosophy of "training is the greatest benefits and career development is the best incentive", the Company continues to improve training management and provide systematic and specific training sessions so as to enhance employees' capabilities and overall quality. The Company continues to press ahead with competitive talent selection, while expanding the career ladder to provide a broader growth platform for employees.

The human resources department of the Company is responsible for company-wide training management as well as the training organization and implementation for managerial staff and headquarter staff. At each business segment, a training base is established to meet the training requirements on professional expertise and post skills of employees. In 2011, the Company provided various training sessions to employees totaling more than 660 thousand person-time, and over 268 training hours for each employee.

The Company maintains a complete career development system, with internal career ladders designed especially for business and management



Staff were immersed in the acquisition of requisite skills

staff, technological professionals and skilled workers. In 2011, the Company promulgated the Management Measures for Career Development of Technological Professionals and the Management Measures for Career Development of Skilled Workers, providing a systematic ground for employees' growth, success and achievement of self-worth.

With staff libraries in place, the Company's units proactively carried out self-study activities and skill competitions to foster strong study atmosphere and forge a learning organization to facilitate growth and success of employees.

Employee felicity index

It is the Company's goal "to raise its employee felicity index". To achieve this, the Company implemented the Felicity Project for Employees in three different levels, namely safety, satisfaction and cultural needs. We advocate a humanistic approach to care for our employees and attend to their most pressing, needs and such needs that benefit them the most. The Company created

a fabulous working and living environment to boost our employees' pride in the Company and their sense of belonging.

The Company is adamant in providing our employees with a safe working environment, protective gears, clean uniforms and nutritious meals, allowing our employees to work free of worries. We renovated our staff quarters and improved their living conditions, carried out greening of our staff's living and working environment, continued the activities of poverty relief such as "Golden Autumn Education Promotion Program", provided assistance to our employees on issues such as travel, accommodation, medical care and employment, in a bid to provide them with peace of mind in their daily lives. We also organized a series of sports events, including staff football league and basketball competitions, and a variety of cultural activities, such as exhibitions of photography, Chinese calligraphy and painting as well as skills competitions for our female workers. These activities ignited the passion and enthusiasm of our staff.

Case study: China Shenhua 11th (Railway and Port) Skill Contest for Employees ignited enthusiasm

In July 2011, the Company staged the 11th (Railway and Port) Skill Contest for Employees, aiming to reinforce teambuilding of skilled workforce and provide more opportunities for skill leaning.

For the contest the Company defined three zones namely Ordos, Shenmu North Station and Tinjin Tanggu, 24 personal events and 1 group event. With a total of more than 20,000 employees in participation, it becomes a skill tournament for employees with the largest scale, most work types and most contestants.

After intensified competition, 28, 48 and 69 contestants were awarded the first, second and third prize for personal events respectively. Shuohuang Railway and Shenshuo Railway Branch won respectively No. 1 and No. 2 for the comprehensive group event. The contestants and units with excellent results were honored, and the 28 first prize winners were also named "Shenhua Skill Star".

The contest greatly motivated the employees to study expertise and learn skills, providing a platform for employees to exchange techniques and study experience.

Safety Production and Employees' Interests

Case study: Happy sons and daughters of Shendong

Some say 2011 is a year of joy. Others, a year of sweat and hard work, or growth. To the staff of Shendong, however, 2011 is quite simply a year immersed in immense peace, glee and harmony – it was in 2011 that the Felicity Project for Employees was carried out in full swing, exerting its influence from dining to accommodation, from current employees to retired employees, from staff to their families.... The Felicity Project is a manifestation of the wondrously gleeful life that every son and daughter of Shendong lives.

"I can work with peace of mind". Shendong Coal Group spread the message of safety top-down and throughout the entire organization, to offer their underground miners extra peace of mind and confidence while working, and created a working environment based on the same philosophy. Shendong Coal Group spent RMB180 million on Chinese meals of its staff, invited professionals to conduct body checks on its staff, hosted health consultation sessions and lectures, thus eliminated any trace of doubts and worries its staff might have.

"My life is more comfortable than ever". Shendong Coal Group invested RMB44.71 million to upgrade its ancillary facilities that can provide its employees with improved accommodation, dining and bathing conditions, as well as mining conditions. Shendong approved the grants of various natures in an aggregate amount of RMB3.166 million and offered its helping hand to 1,157 staff and their families in grave financial difficulties. Shendong Coal Group also set up a help center to assist young employees in nurturing their marriage and romantic relationship. It organized 27 social gatherings for those employees, which registered an overall attendance of over 1,800 staff and was instrumental in bringing together 80 pairs of young persons who were romantically attracted to each other.

"I have more vigor at work". Shendong Coal Group established and perfected paths for the career development of its employees. By adjusting assessment and recruitment standards as well as enhancing the remuneration level of the staff, Shendong continuously improved

training methods by inviting renowned educators from Tsinghua University and Peking University to give lectures and host trainings. The "Chairman's mail box" ensured an open channel for its staff to address their needs and express their valuable opinions in relation to the operation and development of the Company.

May every son and daughter of Shendong sing along in the highway of happiness and harmony!



Relaxing time after work

Future Plan

In the coming years, China Shenhua will implement its talent development strategy and plan by further reinforcing reforms, strengthening human resource fundamentals and improving the quality of staff teams, aiming to provide strong organization and talents to support corporate development.

Overall Target of corporate talent development plan during the period of the "Twelfth Five-Year Plan" is set out below: by 2015, quadrupled total number of state-level talents, the major talent indicators of the segments leading in respective industries and a top-notch talent team in the energy sector taking shape.



Environmental Protection, Energy Conservation and Emission Reduction





China Shenhua aims at developing into a "resource conserving" and "environment-friendly" enterprise and building green mines and environment-friendly power plants. The Company earnestly complies with the policy directions, laws and regulations and management systems relating to energy conservation, emission reduction and environmental protection issued by the State government and local government. Basing its sustainable growth upon energy conservation and environmental protection, the Company is committed to business mix optimization and technological advancement including increasing energy utilization efficiency and reducing emission through strengthened management under a strict assessment mechanism, aiming at balanced development between economy and environment. In 2011, there were no major environmental pollution accidents.

In 2011, the Shangwan Coal Mine of Shendong Coal Group and the Heidaigou Open-cut Coal Mine of Zhunge'er Energy were included by the Ministry of Land and Resources of the PRC into the first batch of pilot construction of state-level green mines.

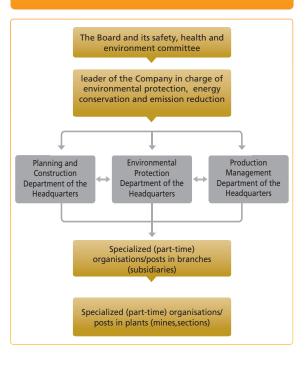
Environmental Protection, Energy Conservation And Emission Reduction

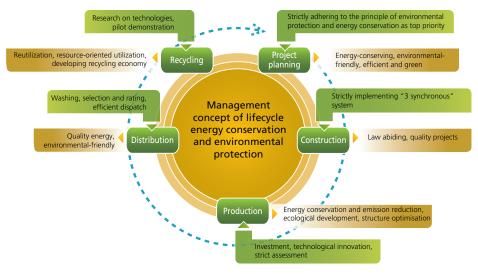
MANAGEMENT MECHANISM FOR ENVIRONMENTAL PROTECTION, ENERGY CONSERVATION AND EMISSION REDUCTION

With the board of directors of China Shenhua together with its safety, health and environment committee as the superior decision-making body, a three-tier system for environmental protection, energy conservation and emission reduction has been established which covers the headquarters, subsidiaries (branches) and plants (mines, sections). Energy conservation and environmental protection indicators are included in the performance evaluation system of "Five-model Enterprise". In 2011, the Company put efforts on facilitating the statistics, monitor and evaluation systems of the environmental protection and energy conservation commitment.

In light of the project lifecycle environmental management concept, projects are subject to environmental requirements from the project planning stage, with efforts in energy conservation, emission reduction and environmental protection throughout the stages such as equipment selection, infrastructure construction, production, sales, asset recycling, etc.

China Shenhua's management system for environmental protection, energy conservation and emission reduction





The Company endeavors to improve and enhance environmental protection management standard by aggressively promoting ISO14001 environmental management, NOSA and HSE standard management systems. Professional environmental training is highly valued and green environmental concept is earnestly promoted and disseminated. Began with a paperless office system in the headquarters of the Company, the Company employs a wide range of means including television, network, newspaper and internal publications to publicize low carbon development and related knowledge. The Company organized themed activities including "Energy Conservation Week" and "World Environment Day" so that a sound atmosphere for energy conservation and environmental protection was fostered for all employees.

INVESTMENT IN ENVIRONMENTAL PROTECTION, ENERGY CONSERVATION AND EMISSION REDUCTION

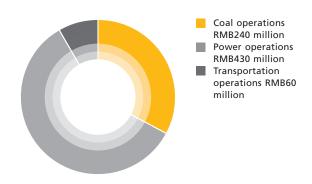
In 2011, the Company continued to accelerate the implementation of the environmental protection, energy conservation and emission reduction projects in mines, power plants, railways, ports and shipping. Our investment in environmental protection amounted to RMB730 million. An investment of more than RMB260 million was made in energy conservation.

REASONABLE DEVELOPMENT AND UTILIZATION OF RESOURCES

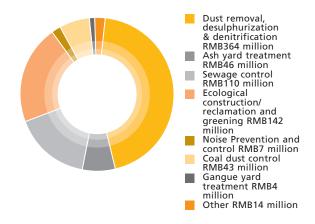
As a resource-based enterprise, China Shenhua is aware of the importance of reasonably developing and utilizing resources and enhancing energy and resource utilization efficiency. The

Company mines coal resources efficiently, takes initiatives to develop alternative and new energy sources.

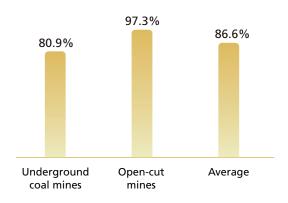
Investment structure in environmental protection of China Shenhua in 2011 – by business



Investment structure in environmental protection of China Shenhua in 2011 – by purpose



The recovery rate of China Shenhua's coal mines



Environmental Protection, Energy Conservation And Emission Reduction

DEVELOPMENT OF COAL RESOURCES

Coal resources are vital to China Shenhua's future development, and are the life line for its coal operations. Targeting at establishing a resource-conservative enterprise, the Company maintains sustainable development by improving resource recovery through precise and thorough mining and tapping on internal potential. The recovery rate for coal mining area is included into performance assessment with increasing criteria for assessment, incentive and penalty year by year. In 2011, the average recovery rate for our coal mining area was 86.6%, the average recovery

rates for underground and open-cut mining areas were 80.9% and 97.3% respectively, both taking the lead in the industry.

The major measures of the Company to increase recovery rate in coal mining areas include:

Optimizing the traditional layout and increasing length and width of working face.

According to coal seam geological conditions, the Company adheres to the principle of maximizing recovery rate as the top priority to arrange working face, flexibly adopting methods

Case study: The 7-meter height fully-mechanized working face marks a new coal mining story of China Shenhua

On 6 May 2011, the last hydraulic support at working face No. 22303 of Bulianta Coal Mine of Shendong Coal Group, the first 7-meter height working face in the world, was removed, marking the accomplishment of mining at the first 7-meter height fully-mechanized working face of China Shenhua.

The highest and extra-heavy fully-mechanized working face in the world, working face No.22303 of Bulianta Coal Mine, was equipped with the internationally leading and largest fully-mechanized facilities, including 143 supports of 7-meter and 9 supports of 6.3-meter. During the production period from 1 January 2010 to 24 April 2011, the working face

produced 12.98 million tonnes of raw coal in total with a recovery rate of 96%, hitting a new coal mining record of China Shenhua.

In light of the development philosophy based on high starting point, quality, technology, efficiency and profitability, the Company takes initiatives in innovations and introduction of new techniques. Currently, three 7-meter height working faces are in operation which effectively improved the recovery rate of mining areas.



including group roadways across all fields and extra length and width of working face to minimize the resource loss of coal pillars. In 2011, Shendong Coal Group optimized the mining techniques for Cuncaota Mine and Daliuta Mine, reducing the size of coal pillar from 20-25m to 14.1-18.4m to maximize the recovery rate of coal resources.

Improving technological standard of equipment and coal mining techniques. By upgrading equipment, the Company applied 6.3-7m height large mining supports for thick coal seams and 1.3-2m mining machines for thin coal seams to minimize coal seam loss.

Techniques such as fully-mechanized top caving coal mining and automatic mining for thin coal seam were also adopted to minimize abandoned mining volume. In 2011, Shendong Coal Group reformed the mining techniques at Yujialiang Coal Mine, which prevented the potential safety hazard due to large-area ceiling at gob areas and also increased the recovery rate.

Expanding technological research and increasing flexibility in mining methods.

According to occurrence conditions of coal seams, the Company made adequate demonstration for unsafe areas such as thin bedrock and waterrich area, adopting technologies including

MAJOR ENERGY CONSUMPTION INDICATORS OF THE COMPANY IN 2011:

No.	Indicator	Unit	2010	2011	Year-on-year Change
1	Comprehensive energy consumption	10,000 tonnes of standard coal	2,813	3,509	△ 24.7%
2	Comprehensive energy consumption per RMB10,000 output value	tonne standard coal/RMB10,000	2.00	1.95	∨ 2.5%
3	Comprehensive energy consumption for raw coal production	kg standard coal/ tonne	2.44	2.64	8.2%
4	Coal consumption for power output dispatch by coal-fired generating units	g standard coal/kwh	327	324	v 0.9%
5	Comprehensive energy consumption per 10,000 tonne-km	kg standard coal/10,000 tonne km	28.34	27.84	∨ 1.8%
6	Comprehensive energy consumption per 10,000 tonne port handling	kg standard coal/10,000 tonne	3,278.66	3,153.73	∨ 3.8%
7	Comprehensive energy consumption per 1,000 tonne-nautical mile	kg standard coal/1,000 tonne-nautical mile	6.20	6.00	➤ 3.2%

Environmental Protection, Energy Conservation And Emission Reduction

prior draining and manual renovation of roof to maximize the tunneling height of roadway for safe mining. Where underground mining is extremely unsafe and unable to cover all area, the Company adopted flexible open-cut mining on a timely basis, thus greatly increasing the recovery rate.

ENERGY CONSERVATION INITIATIVES

The Company takes energy conservation and consumption reduction as an important vehicle to restructure business and product mixes and sharpen competitiveness. According to the energy conservation goals under the national plans, the Company strives to conserve energy and increase energy utilization efficiency by reducing energy, water and material consumption indicators. In 2011, the Company conserved energy of 0.61 million tonnes of standard coal^{Note1}, and the average coal consumption for power output dispatch of coal-fired generators is 324 g/kwh, continuing to maintain its advanced position in the domestic industry.

Our power consumptions for raw coal production and coal selection were lower than 5.5 and 1.9 kwh/tonne respectively, both meeting the internationally leading level according to the Clean Production Standards - Coal Mining and Selection Operations^{Note2}. The Company presses ahead with energy conservation and consumption reduction mainly through three aspects including

industry upgrading, technological renovation and innovation.

ACCELERATING INDUSTRY UPGRADING TO ELIMINATE OBSOLETE PRODUCTION CAPACITY

Accelerating industry upgrading is a priority in our energy conservation and emission reduction work. Based on the construction of safe and efficient underground mines, our coal segment strives to eliminate high energy consumption equipment while adopting trackless wheeled auxiliary transportation and gangue-free mining techniques to minimize unit energy consumption for coal mining. The Company strengthened coal washing and selection to effectively remove coal gangue and reduce invalid transportation. In 2011, washed, selected and processed raw coal of the Company amounted to 254.0 million tonnes. After calculation, approximately 19.36 million tonnes of coal gangue was removed, and approximately 11.617 billion tonne-km of the turnover of railway transportation was avoided. With the implementation of the industrial policy of "Replacement of Small Units with Larger Units" in the Company's power generation segment, the capacity of 600 MW or above generating units of the Company accounted for 69.3% of the total capacity of coal-fired generating units as at the end of 2011.

EXPEDITING TECHNOLOGICAL RENOVATION FOR ENERGY CONSERVATION

The Company aggressively expedites technological renovation for energy conservation to reduce energy consumption of equipment and increase energy utilization efficiency. In 2011, Shendong

Note1:1 tonne of standard coal=29.3076 gigajoule.

Note2: "Clean Production Standards - Coal Mining and Selection Operations" was issued by the Ministry of Environmental Protection (standard no.: HJ446-2008). The standard states that the international advanced level of clean production in terms of the power consumption is 15 kwh/tonne or below for raw coal production and 5 kwh/tonne or below for thermal coal selection.

Coal Group applied new frequency-conversion equipment respectively at Halagou Mine and Daliuta Mine, conserving energy by over 15%. Tianjin Coal Dock invested over RMB3 million in the ground source heat pump renovation project, covering gross floor area of 7,146 square metres, effectively reducing power consumption and system maintenance cost.

LEVERAGING TECHNOLOGICAL INNOVATION TO TAP ON ENERGY CONSERVATION POTENTIAL

The Company conducts special research on energy conservation and environmental protection based on self-innovation as well as introduction, digestion and reforming. At Heidaigou Opencut Mine of Zhunge'er Energy, a series of new blasting methods applicable for mine geological characteristics were developed based on indepth study on throw-blasting process, which can reduce explosive consumption by 1,100 tonnes per year. At Beidian Shengli Energy, the ground loading stations renovated its ancillary equipment, which increased train loading and reduced pollution along railways, and reduced on-port coal loss by 0.57%, representing a reduction of approximately 80,000 tonnes in raw coal loss each year.

The year 2011 is the first year of "Twelfth Five-year" planning, on the basis of exceeding the objectives of "Energy Conservation Programme for 1,000 Enterprises", the Company shall put the requirements of "Energy Conservation and Carbon Reduction Programme for 10,000 Enterprises" organized by the state into practice, formulate implementation proposal as required by the programme to save energy and reduce consumption, and to strive for fully achieving the targets.

UTILIZATION OF WATER RESOURCE

The Company's major mines and certain power plants are located in the western regions of China, where the water resources are scarce. The Company highly encourages the reduction and utilization of water resources and actively pushes forth water conservation measure to increase the comprehensive utilization efficiency of water resource. In 2011, the Company consumed 142.0 million tonnes of fresh water in total; the water consumption for raw coal washing and selection was 77 m³/ten thousand tonne, the unit water consumption for thermal power generation operations was 0.67kg/kwh. During 2011, the Company comprehensively utilized sewage of 64.5 million tonnes and desalted seawater of 5.49 million tonnes.

The Company leverages advanced technologies to reduce water consumption. In 2011, the Company earnestly promoted air-cooling technology at power plants, which reduced water consumption for power generation by 50% as compared with water-cooling units. As at the end of 2011, 13 power plants with a total installed capacity of 12,864 MW adopted the direct air-cooling mode, accounting for 35.4% of the total capacity of coal-fired generation units in the power generation segment of the Company. Air-cooling equipment was installed in all the seven thermal power plants operated by Shendong Power. The unit fresh water consumption in power generation during the year was 0.32 kg/kwh, representing 13.1% of the national average. Power plants off the coast operated by the Company proactively applied the seawater cooling tower technologies to conserve fresh water resource.

Environmental Protection, Energy Conservation And Emission Reduction

The Company continues to improve the treatment of wastewater including mine water (drainage water), industrial sewage and domestic sewage in order to increase the comprehensive utilization efficiency. In 2011, Shendong Coal Group newly built advanced treatment plants at Buertai Coal Mine and Daliuta Coal Mine with a daily capacity of 25,000 tonnes in total. After advanced treatment, the mine water meets the requirements for non-potable household water, which can conserve fresh water of 9 million tonnes and thus mitigate the shortage of fresh water. At Tianjin Coal Dock, input valve for ballast water facilities was renovated to optimize recycling procedures. In the year, 7 vessel-time ballast water was received and 50,900 tonnes of water were recycled, representing a year-on-year increase of 95% and thus reducing water cost by RMB320,000.

Water consumption in thermal power generation (g/kwh) 2.45 0.67 0.32 Shendong China National average Power Shenhua in thermal power plants

Note: The data of national average of the thermal power industry, is from the "Annual Development Report of National Electric Power Industry 2011" of China Electricity Council.

Case Study: Water resource from seawater desalination of China Shenhua listed as the main water supply in Cangzhou Bohai New Area

Huanghua Power under China Shenhua currently has installed three seawater desalination units with water yielding capacity of 32,500 tonnes/day, of which Unit No.3 is the first domestic low temperature multi-effect seawater desalination unit with a capacity of 10,000 tonnes developed under independent intellectual property rights.

In July 2011, a seminar on seawater desalination was held in Cangzhou Bohai New Area, at which it was resolved that in view of the high quality of water resource from seawater desalination, it could be directly supplied to medium and low pressure boilers, thus meeting the state requirements on drinking water standard and stable water supply. As a result, water generated by Huanghua Power's seawater desalination system was listed as an important water supply in the near term as well as the main water supply in the medium and long term for Bohai New Area.

During the period of the Twelfth Five-Year Plan, the industrial projects in Bohai New Area will still face a severe shortage of fresh water supply due to the fact that the area lacks fresh water supply and faces the difficulty of water diversion and problems of unstable water resource and supply and poor water quality. Thus, the Company will actively expand the production scale of seawater desalination and carry out research and application of single low temperature multi-effect seawater desalination units with capacity of over 25,000 tonnes/day, so as to achieve hydropower generation and maximize overall efficiency.

EXPLORING RECYCLING ECONOMY BY DEVELOPING AND UTILIZING NEW ENERGY SOURCES

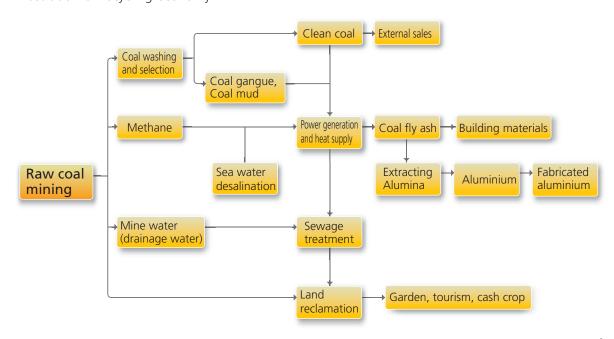
Sustainable development is always taken as a cornerstone for improving core competitiveness of China Shenhua. The Company expects to extend its business chain and achieve resource recycling and reutilization by means of technological innovation.

In 2011, on the basis of perfecting the reutilization of water resources, comprehensive use of coal gangue and the comprehensive treatment to the ecology of the mine area, the Company conducted research on extracting alumina from fly ash emitted from gangue-fired power generation to build up new source of sustainable development.

The Company vigorously develops renewable energy power projects to provide green energy and reduce emission of greenhouses gases. The Hengqin Island Wind Farm project of Guohua Huidafeng Wind Energy owned and operated by the Company has a total installed capacity of 16 MW. Its power generation in 2011 was 28,460 MWh, which is by calculation equivalent to reducing standard coal combustion by 9,000 tonnes and carbon emission by 26,400 tonnes.



Illustration of recycling economy

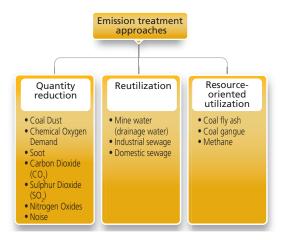


Environmental Protection, Energy Conservation And Emission Reduction

KEY EMISSIONS AND THEIR TREATMENT

China Shenhua attaches great emphasis to comprehensive utilization and treatment of its emissions, which are characterized by multiple types and complicated treatments. Emissions are categorized by type, nature and utilizable value: emission without utilizable value is reduced to minimize environmental pollution; emission that can be comprehensively utilized is treated for recycling to increase the comprehensive utilization rate of resource; and emission with economic value is utilized as resource through scientific innovation, technological advancement and new processes. Each business segment has high standards in place for treatment facilities to minimize environmental impact from operations.

No.	Nature	Emission
1	Solid	Coal gangue, coal fly ash, coal dust
2	Liquid	Mine water (drainage water), industrial sewage, domestic sewage
3	Gas	Soot, SO ₂ , NO _x , CO ₂ , methane
4	Other	Noise



QUANTITY REDUCTION COAL DUST

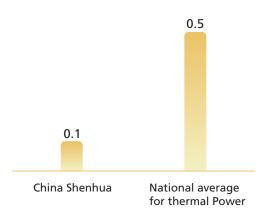
Coal dust is one of the key emissions produced in the processes of coal production, transportation and storage. The Company adopts various measures to minimize coal dust emission to ensure the health of workers, such as sealing, spraying dust remover and wind and installing windscreen and dust screen.

In 2011, Baotou Energy invested over RMB15 million in the 1,663m-long and 18m-high wind and dust shielding wall and automatic spraying dust remover projects, which effectively reduced coal dust. Tianjin Coal Dock effectively eliminated coal dust pollution by using electrostatic precipitator, sprayer-dust remover and windshield. In 2011, its handling yard and dock were named the "10 Best Environmental Sanitation Spots in Tianjin Port".

SOOT

Soot is the small particles generated in coal combustion and is mainly derived from the flue gas discharged from coal-fired power generation and heating boilers. It is one of the wastes discharged by our power generation operations. All coal-fired power generators of the Company are equipped with effective soot removers with a soot removal efficiency of 99% or above. Both the density and gross emission of soot satisfy the relevant national and local emission standards and requirements. In 2011, the soot discharge performance indicator throughout the year for our power operations was approximately 0.1 g/kwh, which is leading among the industry in China.

Performance indicator for soot emission of thermal power operations (g/kwh)



Note: The data of national average of the thermal power industry is extracted from the "Annual Development Report of National Electric Power Industry 2011 of China Electricity Council".

CARBON DIOXIDE (CO₂)

The Company incorporates the concept of low-carbon growth into its production and operation and is committed to strengthening development and application of clean energy and reducing CO₂ emission by promoting the energy conservation campaign to reduce energy consumption indictors in its operations.

The Company has been active in the implementation of the clean development mechanism (CDM) projects. At present, three CDM projects of Yuyao Power, Zhuhai Wind Power and Sanhe Power have been approved for UN registration. The proposed CO₂ emission reduction for 2011 was expected to be 362 thousand tonnes CO₂ equivalent. In addition, the capacity expansion and renovation project of Panshan Power and other projects are in progress of application for approval.

SULPHUR DIOXIDE (SO₂)

Sulphur dioxide (SO₂) is mainly derived from the coal-fired generating units of the thermal power operations and other coal-fired boilers of the

Company. Based on the research on SO_2 emission reduction technology, the Company applies effective technologies to remove SO_2 in flue gas. As at the end of 2011, our installed capacity of desulphurization units amounted to 36,057 MW, accounting for 99.17% of the installed capacity of coal-fired generating units. In 2011, the SO_2 emission performance indicator for our coal-fired power operations was 0.21 g/kwh, much lower than the national average. In 2011, the amount of SO_2 removed by the Company was approximately 605,000 tonnes and its SO_2 emission was approximately 41,000 tonnes.

In 2011, the SO₂ emission performance indicator for Guohua Power Branch was 0.15 g/kwh, maintaining the leading position in China.

NITROGEN OXIDES

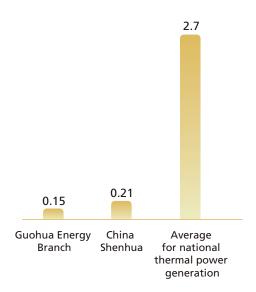
Nitrogen oxides (NO_x) is mainly derived from thermal generating units and other coal-fired boilers. The Company conducted gradual renovations for old units and ensured synchronous operation of denitrification facilities for newly operated units. As at the end of 2011, our installed capacity of denitrification units amounted to 13,500 MW, accounting for 37% of the installed capacity of coal-fired units. The nitrogen oxides emission volume was 0.17 million tonnes.

CHEMICAL OXYGEN DEMAND (COD)

The company has effectively reduced chemical oxygen demand (COD) found in the sewage through comprehensive treatment of mine water, industrial sewage and domestic sewage by stepping up efforts in R&D and application of sewage treatment technology. In 2011, the average removal rate of COD after the sewage is processed reached 72.5%, while the emission for the year amounted to approximately 4,100 tones, representing a year-on-year decrease of 8.9%.

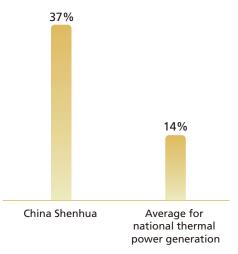
Environmental Protection, Energy Conservation And Emission Reduction

SO₂ emission performance indicator for thermal power generation (g/kwh)



Note: The data of national average of the thermal power industry, is from the "Annual Development Report of National Electric Power Industry 2011 of China Electricity Council".

Proportion of installed capacity of denitrification units to coal-fired units (%)



Note: The data of national average of the thermal power industry is extracted from the "Annual Development Report of National Electric Power Industry 2011" of China Electricity Council.

NOISE

Noise mainly comes from mine ventilation machines, coal washing plants, railways and shipping operations. With increased monitoring of noise, the Company installed silencer and soundproofing fitting for noise-generating equipment. Along the railways, noise barriers were installed and seamless rails were paved as needed which effectively controlled noise pollution.

Noise barriers with a total length of more than 20km were set up in the vicinity of 50 villages with a dense population along the operating railways of the Company to effectively reduce noise pollution. In 2011, Shuohuang Railway invested RMB4.65 million in establishing noise barrier with a length of 1.05km, effectively reducing the noise to protect the health of nearby residents.



Noise barriers along Shuohuang Railway

REUTILIZATION

The Company attaches great importance in the reutilization of water resources. All sewage produced by the Company including mine water, industrial sewage and domestic sewage is processed and discharged according to standards before recycling to the largest extent. During 2011, the total sewage produced by the Company was approximately 141.1 million tonnes, among which approximately 64.5 million tonnes were comprehensively utilized, representing a comprehensive utilization ratio of 45.7%.

RESOURCE-ORIENTED UTILIZATION

Emission of the Company for resource-oriented utilization mainly comprises coal gangue and coal fly ash.

COAL GANGUE

Coal gangue is the major emission produced in the process of coal mining and washing and selection, and is combustible. The Company adopted various measures to mitigate the environmental impact inflicted by coal gangue. The Company reduced the emission of coal gangue and carried out comprehensive utilization through power generation and production of building materials by coal gangue. In 2011, the coal gangue produced by the Company was 20.4 million tonnes and the comprehensive utilization of coal gangue was estimated to be 5.7 million tonnes, representing an increase of 3.2% and an decrease of 8.1% year-on-year respectively, and all of the unused coal gangue was disposed of by way of safe landfilling.

As at the end of 2011, the Company operated 9 gangue-fired power plants with a total installed capacity of 4,427 MW, representing a year-on-year growth of 1,260 MW. Shendong Power operated 7 gangue-fired power plants with a total installed capacity of 3,467 MW, consuming approximately 32.04 million tonnes of inferior coal including coal gangue, coal mud, ash and slag since its operation. As Zhunge'er Mine's model base of comprehensive utilization of mine resources was being constructed, all coal gangue and inferior

Integrated utilization of water resources in 2011

			2010	2011		Change
Mine water	Generation	million tonnes	79.4	93.1	^	17.3%
	Utilization	million tonnes	31.0	32.9	^	6.2%
Industrial sewage	Generation	million tonnes	26.0	29.4	^	13.1%
	Utilization	million tonnes	20.5	23.9	^	16.6%
Domestic sewage	Generation	million tonnes	18.8	18.5	~	1.2%
	Utilization	million tonnes	6.3	7.6	^	22.3%

Environmental Protection, Energy Conservation And Emission Reduction

coal produced by Zhunge'er Mines each year will be completely utilized in coal-fired power generation, thus maximizing the comprehensive utilization of coal resource and minimizing the impact to land and environment.

COAL FLY ASH

Coal fly ash is the major product of coal combustion and the primary solid emissions discharged by our thermal power generation operations. Effective measure are taken at our ash storage yards to prevent secondary pollution, and comprehensive utilization projects including alumina extraction, cement production and brick manufacturing are pressed ahead to achieve resource-oriented utilization. During 2011, the coal fly ash and cinder produced by the Company was approximately 13.6 million tonnes, among which 10.3 million tonnes were comprehensively utilized, representing a comprehensive utilization ratio of 75.7%.

In 2011, the Phase II of Zhunge'er Coal Gangue Power construction project solely used the self-manufactured fly ash bricks in construction to effective cut down project investment; Shendong Power used the high calcium content fly ash to produce cement and other gel materials.

METHANE (GAS)

Gas content in coal seam is relatively low in most of underground coal mines of China Shenhua. On the basis of the relevant PRC laws and regulations, the methane gas from the coal seam is mainly discharged through ventilation. The Company is attaching greater effort to the R&D on the comprehensive utilization technology of gas.

ECOLOGICAL CONSTRUCTION

Ecological construction is always an integral part of environmental protection for China Shenhua, as its major mines and certain railways are located in western China where ecological condition is relatively fragile. The Company makes an active presence in water and soil conservation, land reclamation and greening, control of sand storm and slope protection, aiming to improve the local ecological environment. In 2011, the Company invested RMB140 million in aggregate in ecological construction, generating a new green area of 7.79 million m². In 2011, the Shangwan Coal Mine of Shendong Coal Group and the Heidaigou Open-cut Coal Mine of Zhunge'er Energy were included by the Ministry of Land and Resources of the PRC into the first batch of pilot construction of state-level green mines.

The balance of accrued reclamation cost as of the year end of 2011 was RMB1,724 million. Under a reclamation and greening fund system, funds are continuously provided from unit coal cost for special projects of ecological construction in accordance with the relevant requirements.

FUTURE PLAN

China Shenhua will persist in the policy of simultaneous planning, implementation and development between business development and environmental protection, attaching great importance to environmental protection work. The Company will focus on energy conservation, comprehensive utilization of resources, pollution control and ecological construction through

measures to increase investment in environmental protection, push ahead technological innovation and optimize environmental management procedures. At the same time, it will carry on clean production at full scale, step up its efforts in developing low-carbon recycling economy and actively respond to the climatic changes in an effort to establish itself as an "resource conserving and environment-friendly enterprise", thus realizing sustainable development.

During the "Twelfth Five-year Plan" period, the Company will continue to optimize the industry structure, increase special investment in energy conservation and environmental protection focusing on major projects, strengthen the reform of construction technology, enhance the efficiency of the utilization of resources, reduce the emission of pollutant effectively and significantly improve the ecological environment to ensure key indicators leading in China.

Environmental Protection, Energy Conservation And **Emission Reduction**

FEATURE: A GUARDIAN FOR LOCAL ECOLOGY UNDER CORPORATE RESPONSIBILITIES

China Shenhua is committed to water and soil conservation and ecological construction in the production regions. The subsidiaries (branches) of the Company have achieved sound effect over the years in comprehensive work including water source management, control of sand storm, treatment of collapsed area, slope protection, greening and maintenance, gaining acclaim from the society. Shendong Coal Group was awarded the "Green East - the Third Environment Prize of China", the only prize for enterprises, by the State Environmental Protection Administration; The Daliuta Coal Mine of Shendong Coal Group and Zhunge'er Energy were named "National Advanced Mining Enterprises for Rational Development and Utilization of Mineral Resources" by the Ministry of Land and Resources; with a commitment to build a "green, efficient and digital" railway, Shuohuang railway is the only winner of the "National Environment-friendly Project Prize" in the railway industry.

Located in a region with serious soil erosion and fragile ecological environment, China Shenhua's coal mining areas increased local ecological investment, aiming at the balance amid mining, greening and economic prosperity.

Our transportation operations pursued ecological development through stepping up its greening and maintenance efforts. Shenshuo Railway Branch, Shuohuang Railway and Baoshen Railway continued to strengthen the greening and maintenance along railways and in station areas, which significantly improved the ecological environment along railways.



Small drainage treatment of Shangwan Hongshiquan in Shendong Mines

Shendong Mines focused on overall planning of mines under which a comprehensive prevention and treatment scheme was developed for selectively increasing vegetation coverage to improve regional ecology. As at the end of 2011, Shendong Mines had invested RMB1.56 billion in environmental protection and greening, with development area of 140 million m² and treatment area of 185 million m² in aggregation, and the vegetation coverage for the mines increased to 60% from 3%-11% at the initial stage. In 2011, Shendong Coal Group was named the "Outstanding Enterprise for Contribution to Forestry Ecological Construction" by Ordos municipal government.

According to geological conditions, the Zhunge'er Mines seeks to form biological communities of different types and combinations in the land reclamation process, diversifying the species and ecological presences within the mines. On the reclamation land of Zhunge'er Mines with the total area of 12 million m², there are 60,425,600 trees and shrubs, 2 orchards and 3 nursery gardens, with an average vegetation coverage of more than 75% which is 2-3 times more than the natural landscape.



Soil dump site treatment of Zhunge'er Energy



Shenbao Energy takes full advantage of the drainage water from pits and opencut mines for fish farming and tourism, paving a green ecological way to sustainable development.

The mining area of Shenbao Energy has turned into an ecotourism park after environmental treatment

Independent Innovation and Technological Advancement





China Shenhua attaches great importance to technological innovation under its technological innovation strategy to "support corporate scientific development, lead industrial technological advancement, strengthen technological competitiveness of enterprises and take the lead in global coal technologies". In light of the philosophy of "leveraging technological innovation to pursue low-carbon development in high-carbon industry", the Company is committed to growth mode reforming in coal, power and transportation operations. It expects to upgrade industrial technologies and productivity by actively carrying out research on key technologies and model innovation projects for major technologies, thus improving its independent innovation capability and core competitiveness.

Independent Innovation and Technological Advancement

TECHNOLOGICAL INNOVATION SYSTEM

The Company established a technology committee, expert advisory committee as well as a system of innovative technological organisations, which involves the Company's research institutes, technical centres and various low-level units as an entity for R&D and the application of results; and Shenhua Management Academy, Shenhua Post-Doctoral Science and Research Work Station and Shenhua Academician Work Station as a platform to nurture high-calibre talents, supplemented by social technological innovation forces. In addition, a power institute has been established by Guohua Power Branch, and Shendong Technology Center is qualified as a provincial level technology center.

Talent teambuilding is highly valued in the Company. The chief expert system is introduced to expedite the growth curve of technological talents. At major subsidiaries (branches) including Shendong Coal Group and Guohua Power Branch, the chief expert or professional leader policy are adopted for nurturing and identification and high caliber technological talents. The Company strengthens the nurturing of technological talents through various approaches including giving training orders to universities and colleges and co-developing technologies with research institutions. As at the end of 2011, the Company had 2,810 technological talents with senior and above titles.

Addressing the business characteristics such as wide industrial span, high technological threshold, extensive fields for innovations and strong technological demand, the Company is actively exploring an open innovation model based on fully integrated use of external technological resources. Under the National

Strategic Alliance for Coal Development and Utilization Technological Innovations led by China Shenhua, 25 domestic conglomerations, universities and colleges and research institutes are pooled. The Company has established long-term and stable scientific research cooperation with the Chinese Academy of Engineering, the National Natural Science Foundation and Tsinghua University.

Integrating technological innovation into the construction and assessment of "five-model enterprise", the Company has established a basic incentive mechanism for technological innovation to stimulate the innovation enthusiasm of technical personnel at all levels. The Company formulated a set of fundamental policies, including the Provisional Measures on Management of Technological Innovation Projects of China Shenhua Energy Company Limited and the Requirements on Fund Management for Scientific R&D Projects of China Shenhua Energy Company Limited, to ensure a systematic, regulated and standardized administrative mechanism for the management of organization, funding, project R&D and achievement protection.

INCREASING INVESTMENT IN TECHNOLOGICAL INNOVATION

Investment in technological innovation is the basic guarantee for an enterprise to strengthen the principal status of independent innovation. The Company constantly increases the investment in technological innovation as driven by demand, guaranteed by assessment and stimulated by effect, to boost its rapid and sustainable development.

Case study: Remarkable technological achievements driven by dynamic mechanisms

In light of the guideline of "Science and technology are the primary productive forces", China Shenhua continuously perfected its system of technological innovation in response to the needs of the development of the Company. Efforts were also been made to strengthen the building of scientific research team, arouse employees' initiatives, make full play of public technological resources and boost its technological innovation capability. During the "Eleventh Five-year Plan" period, the Company organized 201 technological innovation projects and contributed over RMB6.1 billion to the investment in technological innovation, a number of achievements were made and was granted 310 patents. Breakthrough was made in major technologies, including:

- Localized R&D of coal excavating equipment. By joining the manufacturing, study and research efforts of nearly 20 domestic entities, the Company has established a mechanism of sharing advantages, risks and benefit by users and the vendor. The localization of 2.4-7.0m series hydraulic supporters was accomplished with more than 20 patents, expanding market for domestic machinery manufacturers and upgrading the industrial technologies.
- Technology for the coordinated development of mega mine zone resources and the environment. In response to the problems of low resource recovery rate, low utilization rate of water resources and subpar environmental protection technology, the Company developed the "Three Extra" mining technique with extra long working face, extra high mining height and extra long advancing distance, suitable for shallow-buried deep-thick coal layers and extra thick coal layers; technique of coordinated protection between coal mining and water resources and the technique of coordinated protection between coal mining and ecology. All these significantly raised the benchmark of mining technology of a number of coal mines, such as Shendong Mines (underground mine).
- Technology for safe and high-efficiency combustion of Shenhua's coal at thermal power plants. Through the research on topics covering safe, efficient and clean combustion at thermal power plants, the Company improved the coal combustion technology of China Shenhua. The proprietary technology with 31 patents was successfully applied in more than 100 thermal power plants from the large-sized domestic power groups and our power operations, achieving safe, efficient and clean combustion of Shenhua coal with an uplifted brand image.
- Construction and operation management of the heavy haul Shuohuang Railway.
 A series of technologies were developed through joint research, including Shuohuang Railway survey and design, roadbed construction, environment and operation assurance.
 With breakthroughs in core technologies for construction and operation of heavy haul railway, the Company developed the railway transportation simulation training system and obtained 18 patents, playing an important role in upgrading the capacity of our railways.

Independent Innovation and Technological Advancement

The investment in technological innovation is subject to the system of centralized application of scientific research funds, hierarchical management and special fund for special use. In 2011, the Company invested approximately RMB2.39 billion in technological innovations.

The investment in technological innovation is mainly used in research on improving production efficiency, environmental protection, safety and security, management innovation, recycling economy and localization of equipment. In 2011, the Company initiated 80 new technological innovation projects, with more than 70 ongoing projects. Of which, key projects included the localization of equipment, the technology study and testing for extraction of alumina from coal fly ash, and the technological renovation of power generation equipment.

KEY PROJECTS

KEY SCIENTIFIC RESEARCH PROJECTS WITH A BREAKTHROUGH

Research and demonstration of key technologies for Shenhua digitalized mines

Combining advanced mining science, information science, artificial intelligence, computer technology in the world, the project of Shenhua digitalized mines is designed to develop key technologies tailored for China Shenhua on informatization and integrated automation of coal enterprises and to complete construction of model mines. The application of such technologies will lead to a substantial increase in the coal mining efficiency, a reduction in underground workforce and an improvement in mine safety practices. At present, most of preliminary planning and research work for the project has been completed.

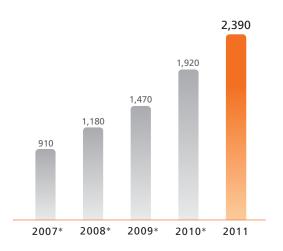
R&D and demonstration of industrialized technology system for comprehensive utilization of coal fly ash at Zhunge'er Mines

Progresses were made in the technology for extraction of alumina from coal fly ash. Alumina was produced through the smoothly run process and the environmental requirement was met, laying a solid foundation for industrialization of the technology.

Application research on lifetime management technology for boilers of 1,000MW units

According to the characteristics of boilers of 1,000MW units, the Company developed a lifetime management system tailored to their running requirements which provided safety management guidance with respect to both maintenance and operation of boilers in power plants, thereby reducing unplanned downtime and maintenance costs, and providing a strong support for increasing competitiveness of power plants.

Investment for technological innovation by China Shenhua (RMB million)



Research on steam oxidation control technology for high-temperature heating surface of boilers of (ultra-) supercritical units

The Company carried out in-depth research on the spalling of inner wall of (ultra-) supercritical units. Effective control means were adopted for boils. With early warning on abnormalities, active prevention and control measures were adopted which substantially reduced the boiler tube accidents and improved the safety and economic indictors of generating units.

R&D of key industrial trial equipment for lignite quality improvement

Given its high water content and low calorific value, lignite is not suitable for long-distance transportation and is generally used only for mine mouth power generation or blending for combustion. The Company has established an industrial trial line for lignite quality improvement. The project basically got through the processes, laying a solid foundation for the overall completion.

ACHIEVEMENTS IN TECHNOLOGICAL INNOVATION

INTELLECTUAL PROPERTY RIGHTS

The Company attaches much importance to patent application and protection. In 2011, the Company pressed forward the intellectual property strategy by carrying out the whole-process intellectual property management of research and development projects, establishing corporate patent database, to protect intellectual property rights, and to generate economic benefits out of intellectual property rights.

In 2011, the Company reinforced intellectual property management to support the patent

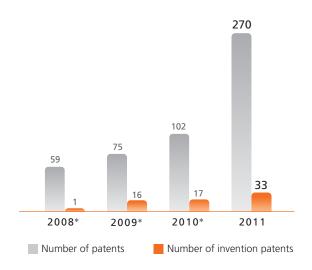
work for major research projects including resource recovery improvement and utilization of associated resources in coal mines, resulting in a significant year-on-year growth both in application and granted numbers of patents. The Company was granted a total of 270 patents, including 33 invention patents in the year. Since 2008, the Company have been granted 506 patents in total.

In 2011, more than 20 training sessions were provided on basics of intellectual property rights and patent and intellectual property strategy with over 800 person-time of participation, effectively improving the recognition and staff awareness of intellectual property management.

ECONOMIC BENEFITS

The Company continued to push ahead the research on applied technological projects and the application extention of new technological achievements. Patented achievements were extensively applied in our production process, providing necessary technological support for our sustainable development and greater economic benefits and social benefits.

Number of patents granted to China Shenhua



Independent Innovation and Technological Advancement

Case Study: Intensifying efforts in research and development of the comprehensive utilization of resources associated with coal and speeding up recycling economy



In China Shenhua's Zhunge'er Mines, coal resource is associated with aluminum resource. Leveraging on the coalfield resource in Zhuange'er Mines, the Company extracted alumina from the ash of coal gangue and explored the development of recycling economy by turning waste into valuable resources.

After several years of research, the Company has successfully developed a set of technology

and equipment to prepare alumina with coal ash. In August 2011, the production line with an annual output of 4,000 tonnes of alumina passed the pilot test successfully. The Company has formulated a development plan for the recycling economy of resources associated with coal and is now actively conducting the preliminary work of demonstration project to realize an annual output of 1 million tonnes.

The Company attaches great importance to the project of utilizing associated coal resources in Zhuange'er Mines with an aim to enhance the strength of its technological innovation with the results of project research. In 2011, the "Shenhua Demonstration Center for the R&D Engineering on Utilization of Associated Coal Resources" was established to specialize in the technological research on preparing alumina with coal ash, the integration of manufacturing process and equipment of pilot plants to transit into large-scale plants for the industrial production of alumina, as well as other missions such as talent nurturing and academic exchange. In the process of implementing the project, the Company fully leveraged on external resources and technological cooperation with other institutions to jointly tackle problems, which guaranteed the smooth progress of the research work and promoted the transformation of technological research results into actual productivity.

Patents that generate direct economic benefits to the Company include:

Coal operations

The "Automatic waterproof gate for belt conveying mines" for the construction and installation of equipment in underground tunnel can help to increase safety of hydraulic cylinder and provide great convenience for underground installation and transportation. It can save spare part and maintenance costs by approximately RMB3.1 million per year.

Power operations:

The patent for "Flue gas denitrification device" for denitrification renovation of power projects is used in the denitrification renovation project of Beijing Thermal. Since its commissioning, it has recorded a total denitrification efficiency of over 85%, nitrogen oxide emission less than 100mg/m³, creating a new approach of denitrification renovation for thermal power plants.

Transportation Operations

The invention of "Debris removal device for hydraulic system" for hydraulic systems for port machinery can help to timely remove debris in hydraulic system. By preventing the pollution and damage of hydraulic valve and cylinder due to debris in the circuit, it can save spare part costs of RMB800,000 each year.

The patented technology of "A positioning wagon" for port loading involves innovative design for existing positioning wagon system. As a result, it can reduce handling time by 15 minutes for each train, saving spare part costs of RMB500,000 and power consumption of 350,000 kwh each year.

FUTURE PLAN FOR TECHNOLOGICAL DEVELOPMENT

During the "Twelfth Five-year Plan" period, China Shenhua will proceed the technological innovation under its overall development strategies in accordance with the general requirements on technological development, aiming at actively developing its core technologies, strengthening its core competitiveness and taking a leading position in the reforming of growth mode.

In respect of technological innovation during the "Twelfth Five-year Plan" period, China Shenhua aims at establishing a comprehensive independent innovation system and operational mechanism; increasing the percentage of investment in R&D to 1% of sales revenues by the end of the "Twelfth Five-year Plan" period; acquiring the cuttingedge core technologies of low-carbon energy, and achieving core technological advancements with independent intellectual property rights to support scientific development in its coal, power, transportation, port and shipping operations; becoming the pioneer in formulating a set of industry practices and national standards based on China Shenhua's core technologies; initially forming the enterprise development pattern driven by independent technological innovations to achieve a contribution rate of technological advancements to economic growth up to 65% or above; and implementing the Company's "tens-hundreds-thousands" talent project to train, attract and retain a pool of qualified technological professionals so as to build up China Shenhua's unique culture of innovation.

Social Contribution and Appraisal



China Shenhua takes root in the society and adheres to the principle of "Love our country, contribute to the society and reward the people". While providing products and services to the market, China Shenhua is concerned about the overall interests of the society. By promoting industrial progress, proactively supporting local economic construction and being committed to public welfare, China Shenhua gradually develops its unique way to reward the society.



Social Contribution and Appraisal

SECURING ENERGY SUPPLIES

Coal has long been the core component in the energy composition in China. With the goal of providing the society with stable green energy and securing steady economic development, China Shenhua implements scientific organization, deep exploration to take advantage of the integrated mode of production, transportation and sales to stabilize coal and power supplies.

By actively formulating a contingency policy of coal supply, the Company gave priority to the coal supplies in regions where the energy supply was tight and the coal supplies for heating power plants to meet heightened demands in summer and in winter. During the 26th Universiade held in 2011, China Shenhua intensified the coal sales dispatch and coordination to increase coal supplies for Guangdong and related provinces as a tribute to the Games. Taishan Power spared no effort to ensure the power supplies for the Universiade, during which stable power output was achieved to successfully ensure the power supplies for the Games.

In 2011, the Company actively reacted to the requirements of national coal contingency reserve plan to evenly decrease the coal sales in each harbor for the current period without reducing coal supplies for key thermal coal users. The inventories reached rapidly to 1.7 million tonnes within 20 days, which made positive contributions to ensuring coal supplies and stabilizing coal price.

PROMOTING INDUSTRY PROGRESS

China Shenhua has actively participated in domestic and overseas industrial seminars and communications to promote common progress of the industry. In 2011, the Company attended "World Energy Outlook 2011"-International Coal Industry and Market Outlook Seminar, "the 13th China Mining Congress and Expo" and other industrial meetings, and conducted extensive communications and discussions on industry development trend and current hot issues.

While enhancing our core competitive edge, China Shenhua also played a leading role in China's coal industry through a number of scientific and technological achievements and practical experience in coal project construction, exploration technology, equipment research and development, thereby delivering a promising prospect for the industry. Shendong Coal created a rapid mine construction mode cored with the technology of quick tunnelling of continuous miners and long distance tape transportation, which did not only simplify the production system and reduce construction investment, but also shortened the construction period, and providing experience for the construction, reconstruction and capacity expansion of other mines. The Company actively advanced the equipment localization process, independently developed a number of equipment to compensate the inadequacy in the domestic market and created remarkable economic and social benefits.

China Shenhua focuses on the standardized, refined and regulated management of mining enterprises, and has established complete and operational-friendly regulations in mine construction, coal exploration, production safety and so on, which are recognized by industry as scientific, advanced, comprehensive, specific and operational. This move also played a positive role in the standardization progress of the industry.

BUILDING A HARMONIOUS COMMUNITY

China Shenhua adheres to the win-win cooperation with its surrounding communities to create a safe, convenient and beautiful living environment for community residents and to bring the Company and the local community into harmony.

In recruiting graduates and arranging employment, the Company gives priority to applicants from the places where it operates. In 2011, the Company recruited more than 1,400 college graduates in the places where it operates, contributed to creating a harmonious and stable community.

In project construction and procurement, the Company has made utmost efforts to guarantee local interests whilst maintaining equality as well as quality. Our mining enterprises in different areas attach great importance to renovating shantytowns, green communities, and actively fund the local infrastructure and build homes for the elderly to benefit the local residents while promoting enterprise development. Constantly transporting a large number of living and production materials and servicing local passengers, the Company's railway becomes an important transport corridor of local supplies and also a driver of the development of the local economy.

Each sub-branch of the Company actively supports poverty, unschooled children and deprived college students through a series of subsidization programs such as the "1+1 Project Hope" to contribute to the education development in the places where it operates.



Baoshen Railway Company continuously stepped up its efforts to assist local development. Having overcome the pressure of heavy transportation workload through making full use of its internal resources and scientific organization. Baoshen Railway dedicated its efforts in the transportation of materials for Erdos region and has become the major corridor to transport important materials. In addition to supporting production, Baoshen Railway Company was also committed to the operation of passenger trains in a bid to facilitate the transportation for residents in Erdos and its neighbouring regions. The picture shows the passenger train attendants of Baoshen Railway.

Social Contribution and Appraisal

In 2011, the Company vigorously expanded its overseas business and attached great importance to the harmonious mutualdevelopment of the overseas business and the local communities. The Company's overseas companies took the initiative to strengthen their interactions with the communities to establish a better corporate image, while operating in accordance with the local employment, environmental and other regulations. By the end of 2011, local employees accounted for 50 percent of the total employees in Shenhua Australia. The Company has made great efforts to promote the healthy co-development of the Company and the local communities, including celebrating New Year with the local governments of the mining areas, donating books depicting Chinese culture to the community libraries and establishing community funds.

In 2011, Shenhua Australia was granted the "Environment and Community Excellence Award" by the New South Wales Minerals Council, Australia. It is the topmost award granted by the New South Wales mining industry to honor mining companies that reflected the spirit of innovation and achieved satisfactory effects in the community and environment management.



Shenhua Australia established a development fund in the local community for the purpose of improving local infrastructure, promoting employment and providing training opportunities. A fund management committee was also established comprising the representative parties from the community, including local governmental officials and community representatives to ensure the community fund was applied to where most needed and attained the greatest social efficiency.

Case Study: Harmonious Co-development of Zhunge'er Energy and Resource

Zhunge'er Banner where Shenhua Zhunge'er Energy is located is in the Southwest of Inner Mongolia Autonomous Region. Since the establishment of Shenhua Zhunge'er Energy, it has enhanced the communication with the government, undertaken social responsibilities initiatively, improved the local employment, improved local infrastructure and made fruitful results in the co-development of the enterprise and the local community.

Zhunge'er Energy strives to provide preferential employment for the local residents. Since 2002, the company has further increased employment opportunities, expanded employment channels, given employment priority to Zhunge'er Banner natives over other candidates with the same qualifications and over 3,000 Zhunge'er Banner natives have realized the wish of being employed at hometown.

Over the years, Zhunge'er Energy actively devoted to improve the local civil utilities and supported the construction of local hospitals, schools, parks and highways. Zhunge'er Energy Company provides more than 8 million tonnes of water supply and processes 2.1 million tonnes of sewage for local residents annually. A subsidy of over RMB21 million was used for local water supply and sewage treatment. Moreover, Zhunge'er Energy has put greater efforts on improving the local ecology, such as cultivating a green pasture.

Today, Shenhua Zhunge'er mining area has become the leading open-pit mining area in the world and Zhunge'er Banner has become one of China's Top One Hundred Counties. The continuous efforts from various mines over the years have resulted in a mutual beneficial and win-win situation between China Shenhua and the local government, which in turn encourages us to establish ourselves as a top enterprise and make our home more beautiful.



Environmentally friendly production area

Social Contribution and Appraisal

PUBLIC WELFARE

PUBLIC WELFARE ACTIVITIES

China Shenhua adheres to its public welfare philosophy of maintaining balance between business development and social welfare. We are committed to share the results of corporate development with the society by actively participating in social welfare activities and insisting on incorporating the philosophy of "giving back to the society" in the whole process of our corporate activities. In 2011, China Shenhua's external donations amounted to RMB625 million, of which



Note: Shenhua Foundation is a non-public foundation set up by Shenhua Group. The foundation is in strict accordance with the relevant rules of the Ministry of Civil Affairs and the Articles of Shenhua Foundation in terms of using the proceeds. According to the Article of Shenhua Foundation, from any location and at any time, the relevant related parties are not eligible for receiving donations from Shenhua Foundation.

FEATURE: SHENHUA FOUNDATION PUBLIC WELFARE MAP IN 2011 Note

Shenhua Foundation adheres to the philosophy of "Carry Forward Generous Love and Advocates Humanity in China" by actively conducting public welfare activities, which obtained affirmation and recognition from the competent organizations and all walks of life. In December 2011, Shenhua Foundation was awarded the "Special Contribution Award for Social Welfare in 2011" by www.people.com.cn.





Donating RMB50 million to save children under 14 from poverty-stricken families who are suffering from leukemia and congenital heart disease, with an expected quota of no less than 365 children for each disease respectively. In 2011, Shenhua Foundation cooperated with 35 hospitals in 14 provinces to carry out salvation programs, saving a total of 1,236 children including 466 children with leukemia and 770 children with congenital heart disease. The number significantly surpassed the scheduled target.



Shenhua Loving Care Schools – Creating lifechanging opportunities for more children

In order to support the development of education undertakings in old revolutionary base areas, it donated RMB32.5 million to build six Shenhua Loving Care Schools in Ruijin City of Jiangxi Province and Shaotong City of Yunnan Province etc., benefiting 12,400 students. It is expected that the construction of all five schools within Jiangxi Province will be completed in autumn of 2012, and the school in Yunnan Province is in the early stage of preparation work at present.



Shenhua Loving Care Library — Caring the spiritual world of the children

In order to help children in ethnic minority regions to study and encourage them to read, it started the "Shenhua Loving Care Library" program. Under the program, middle and primary schools in Ningxia, Xinjiang and Qinghai will receive books with a total price value exceeding RMB100 million. All the books have been delivered to the target schools. This program benefited 1,135 schools, providing extra studying opportunity for 1.25 million children and generating good social benefits.



Other Loving Care Public Welfare Programs — Demonstrating the generous love of Shenhua from several aspects

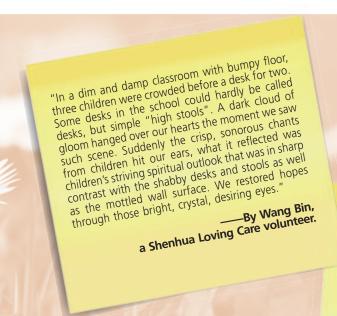
Donating RMB1,000,000 to Shaotong City of Yunnan Province, a poverty-stricken area recommended by the Ministry of Civil Affairs, to help 100 poor amputation patients to fix artificial limbs, all of which have been completed by October 2011. Donating RMB120,000 to Beijing Zhiguang Special Education Training School For Youth With Special Needs. It also donated 60 tonnes of coal to the school as well as wadded jackets to the teachers and students, helping all the staff and the mentally handicapped students to have a warm winter.

Note: This map is for illustration purpose only, please take the map published on the PRC governmental websites(www.gov.cn) as the official map of the People's Republic of China.

Social Contribution and Appraisal

VOLUNTEER ACTIVITIES

The Company actively advocates the volunteer spirit of "devotion, friendly affection, mutual aid and progress" and systematically carries out a number of volunteer activities with the enthusiasm of "happy to participate and contribute in volunteer activities". In 2011, the Company established a service team of young volunteers, while our subsidiaries (branches) also established their own volunteer associations. Shenhua Foundation recruited members from the Company and set up a loving care volunteers team of 847 employees. Led by the volunteer organization, Shenhua volunteers carried out a series of volunteer activities such as revisiting recipients





Children supported by Shenhua Volunteer

"It's an honor and pride for me to be a Shenhua Loving Care volunteer. We will try our best to give a hand to children in need and share their tears, happiness, struggle and hopes."

a Shenhua Loving Care volunteer.

of caring activities, sending presents for Children's Day, volunteer book shelving and promotion of health in communities.

In 2011 Shendong Coal Group Volunteer Association organized and carried out service activities with the theme of "Healthy Life" for the purpose of promoting health management, advocating healthy life style and improving the health of all people. A propaganda team made up of 120 young volunteers walked through Daliuta and Shangwan Communities to distribute 5,000 healthy life leaflets and 1,000 healthy life pamphlets. Through health propaganda activities in various forms, they answered questions about health from residents living in mining areas and planted the concept of healthy life in their minds.

SOCIAL CONTRIBUTION VALUE PER SHARE

Social contribution value per share represents the values that the Company created for its shareholders, employees, clients, creditors, community and the society, helping the society to have a more comprehensive understanding of the Company's social contributions. In 2011, the social contribution value per share of China Shenhua amounted to RMB5.186 (Accounting Standard for Business Enterprises) and RMB5.229 (International Financial Reporting Standards) respectively.



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

Social Contribution and Appraisal

Appraisal and Awards from Related Parties APPRAISAL FROM RELATED PARTIES

Representative of the shareholders



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Assistant to General Manager and Research Director of Harvest Fund Management Co., Ltd.



As the shareholders of the Company, we are glad that China Shenhua has been always improving its operational efficiency and pushing forward its substantial development under the leadership of the outstanding management team. We believe that as China Shenhua continuously optimizes the integrated industry chain of coal, power, railway, port and shipping, the Company's core competitiveness, profitability and antirisk capacity will be further strengthened, thus creating more stable and significant returns for all shareholders.

Representative of the customers



Manager of Procurement Management Department, China Petrochemical Corporation.



China Shenhua is one of the most important strategic alliances of China Petrochemical. China Shenhua has honoured all of its contractual obligations and commitments, provided constant supply of quality coal resources to China Petrochemical and demonstrated its quality as a large-scale state-owned enterprise. We hope our cooperation with China Shenhua become deeper and closer.

APPRAISAL FROM RELATED PARTIES

Representative of the suppliers



Chairman of the board of Zhengzhou Coal Mining Machinery Group Co., Ltd.



With our nation's best interests in mind, China Shenhua displayed its unparalleled vision and wisdom to open a new chapter of China's self-made high-end coal-mining equipment. As a supplier of China Shenhua, Zhengzhou Coal Mining Machinery Group was among the first to participate in the localization process of high-end coalmining equipment production in China. While breaking the monopoly of foreign coal-mining machinery giants, Zhengzhou Coal Mining Machinery also enhanced its R&D capability in hydraulic supports. It also upgraded and strengthened its production process, corporate governance and customer service. We hope to take our cooperation with Shenhua to the next level and wish Shenhua all the best in the future!

Representative of the employees



Staff of Shenhua Zhunge'er Energy



An unexpected opportunity led me into the world of the distinguished and highly prestigious China Shenhua. Over time, I learned of and was deeply moved by such sense of responsibility Shenhua displayed and the mission it carried out: It created opportunities based on fairness and equality for each and every one of us to excel in our careers; brought us a second home which was both supportive and humanistic; provided us with an advanced safe production level; and improved the production and living conditions in the mining area. I live and work every day in China Shenhua with utmost pride and sense of accomplishment -- that I give China Shenhua my heartfelt gratitude!

Social Contribution and Appraisal

AWARDS

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LIST OF TECHNOLOGY AWARDS WON BY CHINA SHENHUA IN 2011

No.	Level of Award	Name of Award	Awardee
1	National level	The National Science and Technology Progress Award 2010 (Second Prize)	Zhunge'er Energy
2	Provincial (Industrial) level	The National Energy Science and Technology Progress Award 2010 (First Prize and Second Prize)	Guohua Power Branch
3	Provincial (Industrial) level	China Power Science and Technology Award 2010 (Second Prize and Third Prize)	Guohua Power Branch
4	Provincial (Industrial) level	China Railway Society Science and Technology Award 2011 (First Prize)	Shuohuang Railway
5	Provincial (Industrial) level	Outstanding Achievement Award for Excellence in Technological Innovation for Employees (Second Prize and Third Prize)	Tianjin Coal Dock
6	Provincial (Industrial) level	The 3rd Technology Achievement Award for National Power Industry Staff	Dianta Power Plant of Shendong Power
7	Provincial (Industrial) level	China National Coal Association Science and Technology Award	Shendong Coal Group

LIST OF ENVIRONMENTAL PROTECTION AWARDS WON BY CHINA SHENHUA IN 2011

No.	Level of Award	Name of Award	Awardee
1	National level	The First Batch of Pilot Units of National Level Green Mines in the Country	Shangwan Mine of Shendong Coal Group
2	National level	The First Batch of Pilot Units of National Level Green Mines in the Country	Heidaigou Open-cut Mine of Zhunge'er Energy
3	Provincial (Industrial) level	Advanced Enterprise on Energy Conservation and Emission Reduction of Shaanxi Province, Contributing Unit on Energy Conservation and Emission Reduction of Shaanxi Province	Shendong Coal Group
4	Provincial (Industrial) level	First Prize in the National Super-high Pressure Air-cooled CFB Boiler Competition	Generating Unit #2 of Shangwan Power Plant of Shendong Power
5	Provincial (Industrial) level	Second Prize in the National Super-high Pressure Air-cooled CFB Boiler Competition	Generating Unit #4 of Shangwan Power Plant of Shendong Power
6	Provincial (Industrial) level	Unit of Excellent Contribution in National Transportation Energy Conservation and Emission Reduction 2011	Huanghua Harbour Administration
7	Provincial (Industrial) level	Third Prize in the National Super-high Pressure Air-cooled CFB Boiler Competition	Generating Unit #5, #6 of Dianta Power Plant of Shendong Power
8	Provincial (Industrial) level	Third Prize in the Research Project of Optimized Operation of Direct Air-cooled Steam Turbine	Dianta Power Plant of Shendong Power
9	Provincial (Industrial) level	Third Prize in the National Super-high Pressure Air-cooled CFB Boiler Competition	Generating Unit #2, #4 of Yili Energy of Shendong Power

LIST OF SAFETY PRODUCTION AWARDS WON BY CHINA SHENHUA IN 2011

No.	Level of Award	Name of Award	Awardee
1	National level	Coal Mine in Compliance of National Safety Standard	Zhunge'er Energy
2	National level	2010-2011 PRC Construction and Engineering Luban Award (National Excellent Projects)	Dingzhou Power
3	Provincial (Industrial) level	PRC Quality Power Projects Awards	Dingzhou Power
4	Provincial (Industrial) level	Standardized Management Award for Power Enterprises in the PRC (First Prize)	Dingzhou Power
5	Provincial (Industrial) level	Enterprise of Excellent Quality Control in the National Power Industry 2011	Sanhe Power
6	Provincial (Industrial) level	PRC Quality Power Projects Awards	Suizhong Power
7	Provincial (Industrial) level	Advanced Unit of Occupational Safety and Health in Coal Mines in the PRC	Bulianta Mines of Shendong Coal
8	Provincial (Industrial) level	Outstanding Enterprise of the National" Safety and Health Cup" Competition	Shuohuang Railway

LIST OF PRC CAPITAL MARKET AWARDS WON IN 2011

No.	Name of Award	Awarder
1	Golden Bauhinia Award—The Best Listed Company	Takungpao, Securities Association of China, the Hong Kong Chinese Enterprises Association, the Hong Kong Institute of Chartered Secretaries, the Listed Companies Association of Beijing and others
2	2011 Award for the Best Corporate Governance and Disclosure	IR magazine of England
3	Best Board of Directors of Companies Listed on the Main Board in China, Best Board of Directors of Central Enterprises (Holding) Listed in China, 2011 Best Secretary to the Board of Directors of China's Listed Companies	Moneyweek
4	"Special Mention" of 2010 Best Corporate Governance Disclosure of the H Share Class	Hong Kong Institute of Certified Public Accountants
5	2010 Golden Bull Award of Strongest Profit	China Securities Journal
6	2011 Top 100 Listed Companies of China in Market Value Management	Center for Listed Companies of China Center for Market Value Management (CCMVM)
7	Included in the CCTV Finance 50 Index, awarded the Award of Top Ten Social Responsible Companies	CCTV Finance Channel
8	2011 Legal Risk Management Prize for the Top 10 Listed Companies in China	China Business Law Association
9	Ranked 3 rd on Social Responsibility Reports of A-share Listed Companies in 2011	Rankins CSR Ratings (RKS), hexun.com, Det Norske Veritas (DNV)
10	Ranked 22 nd Place in Overall Performance in the World, 6 th Place in Overall Performance in Asia and 1 st Place in the Best Coal and Consumer Fuel Company in Asia in Platts World Energy Enterprises Ranking 2011	Platts
11	2011 Forbes Top 2,000 Global Enterprises – 145 th Place	Forbes
12	FT Global 500 2011 – 63 rd Place	Financial Times

Appendix I: Indicators System on Social Responsibility Performance of China Shenhua

GENERAL INDICATORS

First Tier Indicators	Secondary Tier Indicators	Third Tier Indicators	Performance in 2011
	Social contributions in RMB per share (ASBE)		5.186
	Social contributions in RMB per share (IFRS)		5.229
Social	Cash dividend in aggregate (RMB million) (2005-2011)		87,043
Contributions	Final dividend for 2011 (RMB/share) (proposed)		0.90
	Total tax paid (RMB million)		39,677
	Donations to external parties (RMB million)		625
	Revenues (RMB million)		208,197
	Total assets (RMB million) (ASBE)		397,548
	Total assets (RMB million) (IFRS)		401,077
Financial	Net profit attributable to equity shareholders of the Company (RMB million) (ASBE)		44,822
	Profit attributable to equity shareholders of the Company for the year (RMB million) (IFRS)		45,677
	Commercial coal production (million tonnes)		281.9
	Coal sales (million tonnes)		387.3
0	Power output dispatch (billion kwh)		167.61
Operational	Turnover of self-owned railway transportation (billion tonne km)		162.3
	Seaborne coal of self-owned port (million tonnes)		121.2
	Shipment turnover (billion tonne nautical miles)		71.5
	Number of voluntary announcements released		45
Stakeholder Relations	Percentage of purchase from top five customers to total purchase (%)		12.0
IVEIGUOID	Percentage of sales revenue from top five customers to total revenues (%)		21.6
	Capital investment (RMB100 million)		Approx. 42.3
Safety Production	Safety production training (person-time)		Over 310,000 person-time
	Number of first class intrinsic-safety compliant units		16

First Tier Indicators	Secondary Tier Indicators	Third Tier Indicators	Performance in 2011
	Investment in environmental protection (RMB100 million)		7.3
	Investment in energy conservation (RMB100 million)		Over 2.6
		Energy saved (10 thousand tonnes of standard coal)	61
	Energy utilization	Comprehensive energy consumption (10 thousand tonnes of standard coal)	3,509
		Aggregate energy consumption per RMB10,000 output value (tonne standard coal/RMB10,000)	1.95
	India di santa anti-	Fresh water consumption (million tonnes)	142.0
	Utilization of water resources	Utilization rate of waste water (%)	45.7
	60 11	SO ₂ removed (10 thousand tonnes)	Approx. 60.5
	SO ₂ emission	Total SO ₂ emission (10 thousand tonnes)	Approx. 4.1
	con	Average COD removal rate (%)	72.5
	COD emission	Total COD emission (10 thousand tonnes)	Approx. 0.41
-nuiranmantal		Number of registered CDM projects	3
Protection	CDM projects	CO ₂ emission reduction of the approved CDM projects (10 thousand tonnes CO ₂ equivalent) ^{Note}	36.2
Conservation		Number of CDM projects pending approval	1
	Installed capacity of power plant with integrated utilization (MW)		4,427
SO ₂ emission Total SO ₂ emission (10 thousand tonnes) Average COD removal rate (%) Total COD emission (10 thousand tonnes) Environmental Protection and Energy CODM projects CDM projects CDM projects CDM projects (10 thousand tonnes CO ₂ equivalent) Note (10 thousand tonnes CO ₂ equivalent) Note (10 thousand tonnes CO ₂ equivalent) Number of CDM projects pending approval and Emission		16	
	,		1.4
	New greening area (10 thousand square meters)		779
Protection and Energy Conservation and Emission	Number of major environmental pollution accidents		0
		Number of employees	82,260
		Number of disabled employees	325
	Basic information of employees	Number of child workers	0
		Number of minority employees	4,003
Employees' Interests		Number of female employees	15,887
		Capital investment (RMB 100 million)	Over 2.2
	Occupational health	Additional Incidence of occupational disease (Person-time)	0
		Staff training (Person-time)	Over 660,000
		Staff training time per capita (hours)	Over 268

Note: The period of monitoring Yuyao Power project commenced from 1 January 2011 to 31 July 2011. The project is under public notice; the period of monitoring Zhuhai Wind Power project commenced from 1 August 2010 to 31 August 2011. The project is under public notice.

Appendix I: Indicators System on Social Responsibility Performance of China Shenhua

First Tier Indicators	Secondary Tier Indicators	Third Tier Indicators	Performance in 2011
	Capital investment in technological innovation (RMB100 million)		23.9
	Number of projects undertaken	Number of projects approved by the headquarters	80
Technological	Intellectual property rights applications	Number of patents obtained	270
Innovation		Number of invention patents obtained	33
	takilla akud ana ankudahka kadida	Intellectual property rights training (times)	Over 20
	Intellectual property rights training	Intellectual property rights training (person-time)	Over 800

COAL PRODUCTION AND TRANSPORTATION OPERATIONS

First Tier Indicators	Secondary Tier Indicators	Third Tier Indicators	Performance in 2011
	Coal customers	Customer satisfaction (%)	94.7
Customer	Coal customers	Coal products satisfaction (%)	100
Relations	Market share	Coastal market share in the PRC (%)	32.0
	ividiket stidie	Export coal market share in the PRC (%)	38.2
	Basic conditions	The fatality rate per million tonnes of raw coal production	0.0196
Cafata Dandardian		Number of serious accidents and above Note	1
Safety Production		Mechanization rate of coal mining and excavation (%)	100
	Construction results	Number of coal mines with a safety record of consecutive 1,000 days or above	9
		Average recovery rate in mining area (%)	86.6
	Average recovery rate in mining area of coal mines (%)	Average recovery rate in mining area of underground coal mines (%)	80.9
		Average recovery rate in mining area of open-cut mines (%)	97.3
Utilization of	Utilization of energy	Integrated energy consumption of raw coal production (kg standard coal/tonne)	2.64
Resources		Integrated energy consumption per 10,000 tonne kilometres (kg standard coal/10,000 tonne kilometres)	27.84
		Integrated energy consumption per 10,000 tonne throughput (kg standard coal/10,000 tonnes)	3,153.73
		Integrated energy consumption per 1,000 tonne nautical miles (kg standard coal/1,000 tonne nautical miles)	6.00
	Utilization of water	Water consumption of raw coal washing and selection (m³/10 thousand tonne)	77
Emission		Production of coal gangue (million tonnes)	20.4
Emission Treatment	Solid emissions	Integrated utilization of coal gangue (Million tonnes)	Approx. 5.7

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

POWER OPERATIONS

First Tier Indicators	Secondary Tier Indicators	Third Tier Indicators	Performance in 2011
Safety Production	Basic conditions	Number of serious accidents and above	0
	Consumption of energy	Average consumption of coal for power supply in coal- fired power generation (g/kwh)	324
Utilization of	Utilization of water resources	Water consumption from power generation of thermal power operating units (kg/kwh)	0.67
Resources		Water resource from seawater desalination (million tonnes)	5.49
	Utilization of renewable resources	Wind power generation (10 thousand kwh)	2,846
	SO ₂	Installed capacity of desulphurization units (MW)	36,057
		Equipped rate of thermal desulphurization devices (%)	99.17
		Indicator of SO ₂ emission from thermal power generation (g/kwh)	0.21
	NOx	Installed capacity of denitrification units (MW)	13,500
Emission		Equipped rate of thermal denitrification devices (%)	37
Treatment		Soot removal efficiency (%)	Over 99
	Soot	Indicator of soot emission from thermal power generation (g/kwh)	0.1
		Generation of coal fly ash and cinder (million tonnes)	13.6
	Coal fly ash and cinder	Integrated utilization of coal fly ash and cinder (million tonnes)	10.3

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

No.	Disclosure recommendations of the Shanghai Stock Exchange	Index
Table I	"Notice on Strengthening Listed Companies Information Disclosure by Companies Listed	S Undertaking of Social Responsibilities and Issuance of 'Guidelines on Environmental on the Shanghai Stock Exchange'"
1	Article 1	Not a requirement regarding the contents of this report
2	Article 2	"Our Philosophy of Social Responsibility", "Social Responsibility Management Structure of the Company", "Chairman's Statement", "Operation in Good Faith and Mutual Success in Harmony", "Employees' Interests", "Environmental Protection, Energy Conservation and Emission Reduction", "Independent Innovation and Technological Advancement", "Building a Harmonious Community", "Public Welfare"
3	Article 3	Not a requirement regarding the contents of this report
4	Article 4	"Social Contribution Value Per Share"
5	Article 5(I)	"Customer Relations", "Safety Production and Employees' Interests", "Building a Harmonious Community", "Public Welfare"
6	Article 5(II)	"Environmental Protection, Energy Conservation and Emission Reduction"
7	Article 5(III)	"Operation in Good Faith and Mutual Success in Harmony", "Employees' Interests"
8	Article 6	Not a requirement regarding the contents of this report
9	Article 7	Not a requirement regarding the contents of this report
10	Article 8	Not a requirement regarding the contents of this report
11	Article 9	Not a requirement regarding the contents of this report
Table II	"Guidelines on Environmental Information I	Disclosure by Companies Listed on the Shanghai Stock Exchange"
12	Article 1	Not a requirement regarding the contents of this report
13	Article 2	Not applicable
14	Article 3(I)	"Environmental Protection, Energy Conservation and Emission Reduction"
15	Article 3(II)	"Reasonable Utilization of Resources"

No.	Disclosure recommendations of the Shanghai Stock Exchange	Index
16	Article 3(III)	"Investment in Environmental Protection, Energy Conservation and Emission Reduction", "Investment in Technological Innovation"
17	Article 3(IV)	"Key Emissions and Their Treatment"
18	Article 3(V)	"Reasonable Utilization of Resources", "Key Emissions and Their Treatment", "Independent Innovation and Technological Advancement"
19	Article 3(VI)	"Reasonable Utilization of Resources", "Key Emissions and Their Treatment"
20	Article 3(VII)	Not applicable
21	Article 3(VIII)	Appraisal and Awards from Related Parties
22	Article 3(IX)	"Key Emissions and Their Treatment", "Ecological Construction"
23	Article 4	Not applicable
24	Article 5	Not a requirement regarding the contents of this report
25	Article 6	"Ecological Construction"
26	Article 7	Not a requirement regarding the contents of this report
27	Article 8	Not a requirement regarding the contents of this report
28	Article 9	Not a requirement regarding the contents of this report
Table III	Guidelines on Preparation of "Corporate R	eport on Performance of Social Responsibilities"
29	Article 1	Not a requirement regarding the contents of this report
30	Article 2	Not a requirement regarding the contents of this report
31	Article 3	Content-Important Notice
32	Article 4(I)	"Customer Relations", "Safety Production and Employees' Interests", "Building a Harmonious Community", "Public Welfare"
33	Article 4(II)	"Environmental Protection, Energy Conservation and Emission Reduction"
34	Article 4(III)	"Operation in Good Faith and Mutual Success in Harmony", "Employees' Interests"
35	Article 5	"Social Contribution Value Per Share"
36	Article 6	Appendix III
37	Article 7	Not applicable

Appendix III: Results of Third Party Assurance



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Independent Assurance Report

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

We have been engaged by the Boards of Directors of China Shenhua Energy Company Limited ("CSEC") to provide assurance on the information disclosed in its 2011 Social Responsibility Report ("the SR Report") for the year ended 31 December 2011.

Responsibilities of the Board of Directors

The Board of Directors of CSEC is responsible for the identification, presentation and accuracy of the information contained in the SR Report ("Disclosed Information") in accordance with the disclosure recommendation of the following guidelines issued by the Shanghai Stock Exchange:

- Notice on Strengthening Listed Companies' Undertaking of Social Responsibilities and issuance of 'Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange'
- Guidelines on Environmental Information Disclosure by Companies Listed on the Shanghai Stock Exchange
- Guidelines on Preparation of 'Corporate Report on Performance of Social Responsibilities' (collectively known as the "SSE Guidelines").

The Board of Directors is also responsible for determining CSEC's objectives in respect of social responsibility performance and reporting, including identification of stakeholders and material issues that are relevant to these stakeholders; for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived; and for maintaining adequate records.



Responsibilities of KPMG

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. Our work was conducted by a professional team who possess environmental and assurance experience. We conducted our work in accordance with the International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information.

That standard requires that we comply with applicable ethical requirements, including independence requirements of the IFAC (International Federation of Accountants) Code of Ethics for Professional Accountants, and that we plan and perform the engagement to obtain limited assurance about whether the SR Report is free from material misstatement.

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

Summary of work performed

A limited assurance engagement on a SR report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the SR report, and applying analytical procedures, comparing the information presented in the SR Report to corresponding information in the relevant underlying sources and other evidence gathering procedures. Our procedures included:

- Interviewing management and staff at CSEC Head Office responsible for collating and reporting the Disclosed Information, and interviewing staff of the centralized departments for business management at CSEC Head Office;
- Comparing the information presented in the SR Report to corresponding information in the relevant underlying sources from CSEC Head Office to determine whether key information contained in such underlying sources has been included in the SR Report;
- Performing analytical review procedures on the selected key indicators relating to environmental protection, production safety and others recommended to be disclosed by SSE Guidelines;
- Visits to some major branches and subsidiaries in the coal and power business segments, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria;
- Reconcile key financial data in the SR Report with the audited financial statements

We did not examine information in the SR report relating to the time period prior to 31 December 2007. Where the SR report has included year-on-year comparisons of information not contained in previous reports, we have examined information for 2011, but have not examined the information for previous years.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore, a lower level of assurance is provided. In addition, our work was not undertaken for the purpose of opining on the effectiveness of CSEC's systems and procedures related to SR reporting.

Appendix III: Results of Third Party Assurance



Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the SR Report of CSEC for the year ended 31 December 2011 is not presented fairly, in all material respects, in accordance with the disclosure recommendations of the SSE Guidelines.

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

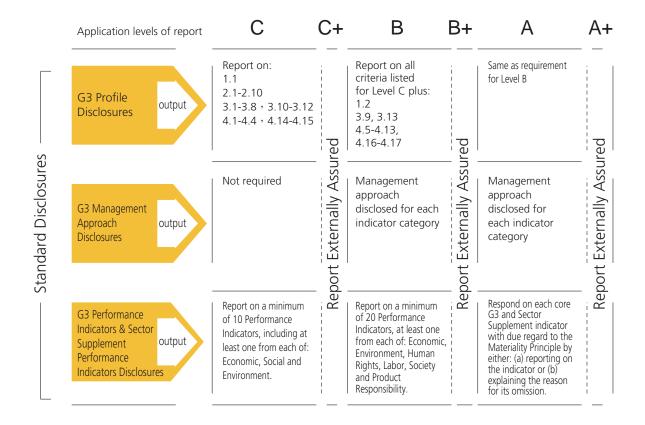
KPMG Huazhen

Beijing 23 March, 2012

Appendix IV: GRI Official Audit Report

The 2011 CSR report of China Shenhua Energy Company Limited adopted the indicator system and relevant disclosure requirements of the third edition of Sustainability Reporting Guidelines (G3.1) issued by Global Reporting Initiative ("GRI"). The report was reviewed by the GRI and the standard application level was B⁺.

Chart on the levels application of GRI



Appendix IV: GRI Official Audit Report



Statement GRI Application Level Check

GRI hereby states that **China Shenhua Energy Company Limited** has presented its report "2011 CSR Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 23 March 2012





The "+" has been added to this Application Level because China Shenhua Energy Company Limited has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 20 March 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

RELEVANT REQUIREMENT OF G3.1 INDEX Page **Strategy and Analysis** Statement from the most senior decision-maker of the organization about the relevance of 1.1 11, 17 sustainability to the organization and its strategy 1.2 17 Description of key impacts, risks, and opportunities **Organizational Profile** Name of the organization 2.1 3 3 2.2 Primary brands, products, and/or services Operational structure of the organization, including main divisions, operating companies, subsidiaries, 2.3 6-7, 16 and joint ventures 2.4 Location of organization's headquarters 111 Number of countries where the organization operates, and names of countries with either major 2.5 4-5, 6-7 operations or that are specifically relevant to the sustainability issues covered in the report 2.6 Nature of ownership and legal form 6-7 29-33 2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) 2.8 Scale of the reporting organization 3, 46 Significant changes during the reporting period regarding size, 29 Inside front cover structure, or ownership 2.10 Awards received in the reporting period 90-91

Repor	t Parameters	
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	Inside front cover
3.2	Date of most recent previous report (if any)	Inside front cover
3.3	Reporting cycle (annual, biennial, etc.)	Inside front cover
3.4	Contact point for questions regarding the report or its contents	Inside front cover
3.5	Process for defining report content	Inside front cover
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance	Inside front cover
3.7	State any specific limitations on the scope or boundary of the report	Inside front cover
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Inside front cover
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	Inside front cover
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Inside front cover
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Inside front cover
3.12	Table identifying the location of the Standard Disclosures in the report	96-97, 103-108
3.13	Policy and current practice with regard to seeking external assurance for the report	Inside front cover

Governance		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	19
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	22, AR 84-85
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	21
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	19-20, 46
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	22, AR 71-72
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	22
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	21, AR 80-91
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	2, 17, 54, 80-91
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	13-17
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	17, 21-22

Gover	nance	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	22
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4.13	List of stakeholder groups engaged by the organization	26-27
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4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	26-27, 32
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EC5	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	46, 81
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EC7	Understanding and describing significant indirect economic impacts, including the extent of impacts	79-86
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	81, 84-86
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	79-86

Enviro	nmental Performance Indicators	
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EN4	Indirect energy consumption by primary source	57
EN5	Energy saved due to conservation and efficiency improvements	55-57
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EN7	Initiatives to reduce indirect energy consumption and reductions achieved	58-59
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EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	67-69
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EN13	Habitats protected or restored	68-69
Enviro	nmental Performance Indicators	
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EN16	Total direct and indirect greenhouse gas emissions by weight	58-59, 63
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	58-59, 63
EN20	NO, SO, and other significant air emissions by type and weight	63-64
EN21	Total water discharge by weight and destination	65
EN22	Total weight of waste by type and disposal method	63, 65-66
EN23	Total number and volume of significant spills	No such event happened in 2011
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	29-30, 72-77
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	N/A
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	No such event happened in 2011
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	64
EN30	Total environmental protection expenditures and investments by type	55

Social	Performance Indicators: Labor	
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	46
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	46
LA4	Percentage of employees covered by collective bargaining agreements	46
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	38, 47-48
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	47-48, 50-51
LA10	Average hours of training per year per employee by gender, and by employee category	48
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	48
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	47
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	22, 46-47
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Social	Performance Indicators: Human Rights	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	48
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	47
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	47
Social	Performance Indicators: Society	
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	81-83
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	62-66
SO2	Percentage and total number of business units analyzed for risks related to corruption	23
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Social	Performance Indicators: Product	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such rocedures	26-33
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	31-32

Appendix VI: Definition

Appendix VI: Definition

Short name	Full name
Shenhua Group	Shenhua Group Corporation Limited
China Shenhua	China Shenhua Energy Company Limited
Subsidiaries (branches)	Branches and holding subsidiaries of China Shenhua, unless otherwise specified
Shendong Coal Group	The corporation aggregate consisting of Shenhua Shendong Coal Group Co., Ltd. and its subsidiaries
Shenhua Trading Group	Shenhua Trading Group limited
Shendong Coal Branch	China Shenhua Energy Company Limited Shendong Coal Branch
Zhunge'er Energy	Shenhua Zhunge'er Energy Co. Ltd
Ha'erwusu Coal Branch	China Shenhua Energy Company Limited Ha'erwusu Coal Branch
Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co. Ltd
Shenbao Energy	Shenhua Baorixile Energy Co. Ltd
Baotou Energy	Shenhua Baotou Energy Co. Ltd
Guohua Power Branch	China Shenhua Energy Company Limited Guohua Power Branch
Shendong Power	Shenhua Shendong Power Co. Ltd.
Shenshuo Railway Branch	China Shenhua Energy Company Limited Shenshuo Railway Branch
Shuohuang Railway	Shuohuang Railway Development Co. Ltd.
Baoshen Railway	Shenhua Baoshen Railway Co. Ltd.
Rolling Stock Branch	China Shenhua Energy Company Limited Rolling Stock Branch
Huanghua Harbour Administration	Shenhua Huanghua Harbour Administration Co. Ltd.
Tianjin Coal Dock	Shenhua Tianjin Coal Dock Co. Ltd.
Beijing Thermal	Shenhua Guohua International Power Co., Ltd. Beijing Thermal Branch
Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
Sanhe Power	Sanhe Power Generation Co. Ltd.
Guohua Zhunge'er	Inner Mongolia Guohua Zhunge'er Power Generation Co. Ltd.
Ninghai Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.

Appendix VI: Definition

Short name	Full name
Shenmu Power	CLP Guohua Shenmu Power Co. Ltd.
Taishan Power	Guangdong Guohua Yuedian Taishan Power Co., Ltd.
Huanghua Power	Hebei Guohua Cangdong Power Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Huanghua Power	Shenhua Hebei Cangdong Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
Zhuhai Wind Power	Shenhua Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.
Zhunge'er Power	Power-generating arm controlled and operated by Shenhua Zhunge'er Energy Co., Ltd.
Zhunge'er Coal Gangue Power	Inner Mongolia Zhunge'er Coal Gangue Power Co., Ltd.
Shenhua Zhonghai Shipping	Shenhua Zhonghai Shipping Co., Ltd.
Australian Company	Shenhua Australia Holdings Pty Limited
ASBE	Accounting Standards for Business Enterprises – Basic Standard and 38 specific accounting standards issued by the Ministry of Finance of the People's Republic of China on 15 February 2006 and the Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements subsequently issued
Shanghai Listing Rules	Rules Governing the Listing of Shares on the Shanghai Stock Exchange
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

Appendix VII: Feedback Sheet and Contact Information

Appendix VII: Feedback Sheet and Contact Information

China Shenhua values your opinions on the Company's works on corporate social responsibility and this Corporate Social Responsibility Report. Your opinions and advice will add momentum to continual improvement of our performance and this Report.

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

	Is there any topic that you are concerned but not covered in this Report? If so, please write down the issue(s) that you are concerned about.		
2. Which part(s) of this Repo	Which part(s) of this Report are you most interested in?		
You are welcome to provide per	sonal particulars if you wish:		
Name:			
Occupation:	Organization:		
Contact address:	Postal code:		
Telephone :	Fax:		
Email:			
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