



2019

Social Responsibility Report



Anhui Conch Cement Company Limited

01

About the Report

Statement of the Board

The board of directors (the “Board”) of the Company and all members thereof warrant that the content of this report is free from any false statement, misleading representation or material omission and that they shall assume joint and several liability for the truthfulness, accuracy and completion of the completeness of this report.

Reporting Scope

This report covers Anhui Conch Cement Company Limited and its subsidiaries and branch companies.

Process of Preparation

This report is prepared in accordance with the requirements of the above standards following the processes of organizational system establishment, core issue identification and report boundary determination, information collection, report drafting, opinion solicitation, report revision, report design, management review, report issuance, and feedback summary to ensure that the disclosures in the report are true, accurate, complete, and balanced.

Basis of Preparation

This report is prepared in accordance with Appendix 27 “Environmental, Social and Governance Reporting Guide” to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HK Stock Exchange”) and the Guidelines for Preparation of Social Responsibility Reports issued by the Shanghai Stock Exchange (the “SSE”), with reference to standards including Guidelines for Preparation of China Enterprise Social Responsibility Report (CASS-CSR 4.0) by Chinese Academy of Social Sciences.

Description of Data

The data set out in this report is derived from internal official documents and relevant statistics of Conch Cement and its subsidiaries and branch companies, among which the relevant data shown in the financial statements have been audited by KPMG. Unless otherwise stated in the report, all amounts are expressed in RMB.

Availability of Report

The report is available on the websites of the Hong Kong Stock Exchange, and Shanghai Stock Exchange and the Group’s official website. To obtain a hard copy of the report, please contact us at:

Release Cycle

This report is a yearly report issued by the Group on a consecutive basis after its first release of Social Responsibility Report in March 2008. This report covers the reporting period from 1 January 2019 to 31 December 2019 (“Reporting Period”), with certain content dating back to previous years when appropriate. The report for the next year is expected to be published in March 2021.

Description of References

For easy reference and reading, “Anhui Conch Cement Company Limited” is also referred to as “Conch Cement”, “Conch”, “the Group”, “Group”, “Company” and “we” in this report.

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About Us

Group Profile

Anhui Conch Cement Company Limited was founded in September 1997 and listed on the Hong Kong Stock Exchange (H Shares: 0914) in October of the same year to become the first Chinese company in the cement industry to be listed overseas. In February 2002, the Company publicly offered A shares (600585) on the Shanghai Stock Exchange, becoming the first A+H listed cement company in China. After years of rapid development, Conch Cement has formed a new operation and management model combining group-based management and international and regional operation. Currently, it has 165 controlling subsidiaries and 8 joint ventures and associates in more than 20 provinces, municipalities and autonomous regions in China and in Indonesia, Myanmar, Laos, Cambodia and other countries, employing approximately 47,500 employees. As one of the leading companies in the industry, Conch Cement always keeps its finger on the pulse of the times, and seeks sustainable development of the Company with the guidance of more inclusive and far-sighted strategies. Conch Cement aims to grow into a world-class company with global competitiveness, and looks to reward shareholders and give back to the society with concrete actions and outstanding performance.





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Group Management Team

The Board is the operational decision-making body of the Group, and reports to the general meeting of shareholders. The Board functions in accordance with rules and systems set forth under the Company Law, and Articles of Association and Rules of Procedure of the Board of Directors of the Group. The 8th Board of the Group has 8 members. Among them, Mr. Gao Dengbang, Mr. Wang Jianchao, Mr. Wu Bin and Mr. Li Qunfeng are executive directors, Mr. Ding Feng is non-executive director, and Mr. Yang Mianzhi, Mr. Leung Tat Kwong Simon and Ms. Zhang Yunyan are independent non-executive directors. Mr. Gao Dengbang is the Chairman of the Board, while Mr. Wang Jianchao is the Deputy Chairman. The Board members have rich experiences in corporate strategy, risk management, capital operation, marketing and financial management. Moreover, the Board members are diversified in terms of expertise, cultural background, age and gender.

The Group's management team is made up of 7 members, namely Mr. Wu Bin, General Manager, Mr. Li Qunfeng, Deputy General Manager, Mr. Li Xiaobo, Deputy General Manager, Mr. Ke Qiubi, Deputy General Manager, Mr. Li Leyi, Chief Engineer

of Technical Art, Mr. Yu Shui, Secretary to the Board and Assistant to the General Manager, and Wu Tiejun, Assistant to the General Manager. The management team performs decisions of the Board and oversees the operation of the Group. Members of the management team have rich experiences in corporate management, marketing, production technology management and technological innovation.

Business of the Group

During the Reporting Period, the Group was principally engaged in the production and sale of cement, commodity clinker and aggregate. The Group produced and sold cement products according to market demands, which mainly included 32.5-grade cement, 42.5-grade cement, 52.5-grade cement as well as some special cements such as sulphate-resistant cement, middle-and-low heat cement, cement for road, cement for nuclear power generation and nonmagnetic cement. These products are widely used in infrastructure construction including railways, highways, airports and hydraulic facilities as well as urban property development, cement products, and rural markets.

Overview of Operation Development of the Group

In 2019, the macro economy remained stable as a whole with a steady and incremental development trend. The investment in fixed asset and infrastructure increased stably, and real estate investment grew relatively quickly. The structural reform on the supply side by the state was further advanced to promote quality development and strengthen ecological civilization construction. Environmental regulation was further strengthened. The industry's peak-shifting production was normalized and implemented industry-wide. The control over mineral resources was tightened and the supply side continued to be diminished. In 2019, national cement output rose by 6% year-on-year to 2.33 billion tonnes, recording the fastest growth in five years. In 2019, centering on its annual operational and management goals, the Group has deepened the building of its marketing force, optimized resource allocation and streamlined internal operation management. Thanks to these efforts, the Group posted a record-high operational performance again, and further enhanced its corporate influence and global brand awareness.

First New Fortune
Best Listed Company



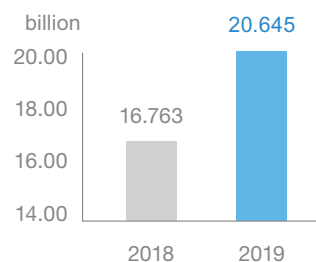
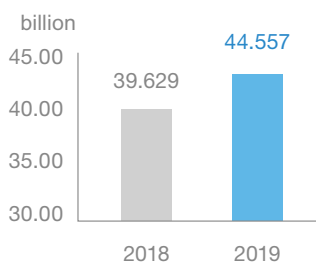
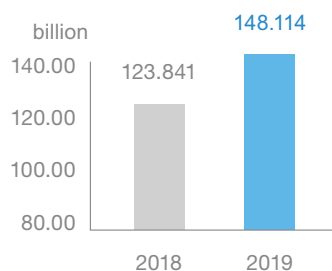
2019 ESG Golden Award
Best Corporate Governance (G) Award



Top 10 and Top 10 Management
Teams of the 13th Top 100 Most
Valuable Chinese Listed Companies
on the Main Board



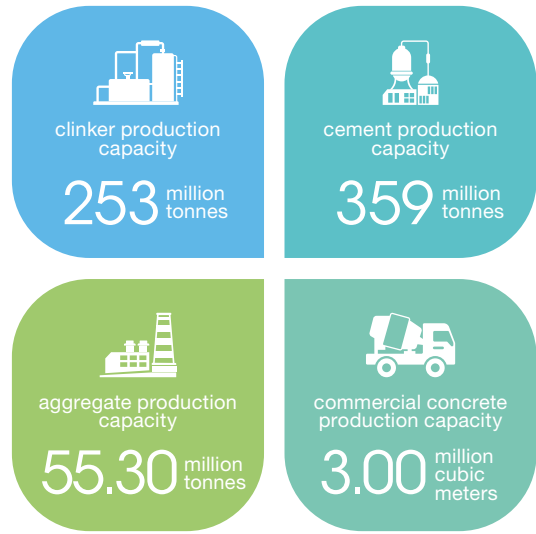
7th Top 100 Hong Kong Listed
Enterprises — Comprehensive
Strength, Ranking 57 on the Main
List



- Revenue from principal businesses for the year amounted to **RMB148.114 billion**, representing a year-on-year increase of **19.60%**;
- Total profit amounted to **RMB44.557 billion**, representing a year-on-year increase of **12.43%**;
- Taxes paid amounted to **RMB20.645 billion**, representing a year-on-year increase of **23.16%**

In 2019, the Group actively and steadily proceeded with its international development strategy, and accelerated the construction of domestic constructing projects and expansion across the industrial chain. In terms of international development, the Luangprabang (Laos) project was completed and put into operation. Projects in Southeast Asia and Middle Asia, either being under construction or planned, were all proceeding orderly. The Company ramped up its efforts to explore overseas market, and reserved project entities in many regions and countries. In terms of domestic development, the Group accelerated the expansion of its foothold across the industrial chain. 10 aggregate projects and 3 commercial concrete projects were completed. Moreover, the Company actively carried out market research to search for acquisition targets and further strengthen its presence in the market.

As at the end of the Reporting Period, the Group's total clinker production capacity was 253 million tonnes, total cement production capacity was 359 million tonnes, the total aggregate production capacity was 55.3 million tonnes, and the commercial concrete production capacity was 3 million cubic meters.



03

ESG Management

Social Responsibility Strategy of the Group

As a world-renowned listed company, while proactively developing core business to create economic value, Conch Cement continues to reinforce sustainability concept by incorporating performance of social responsibility into its internal management, striving to strike a balance among enterprise development, environmental protection and social benefit.





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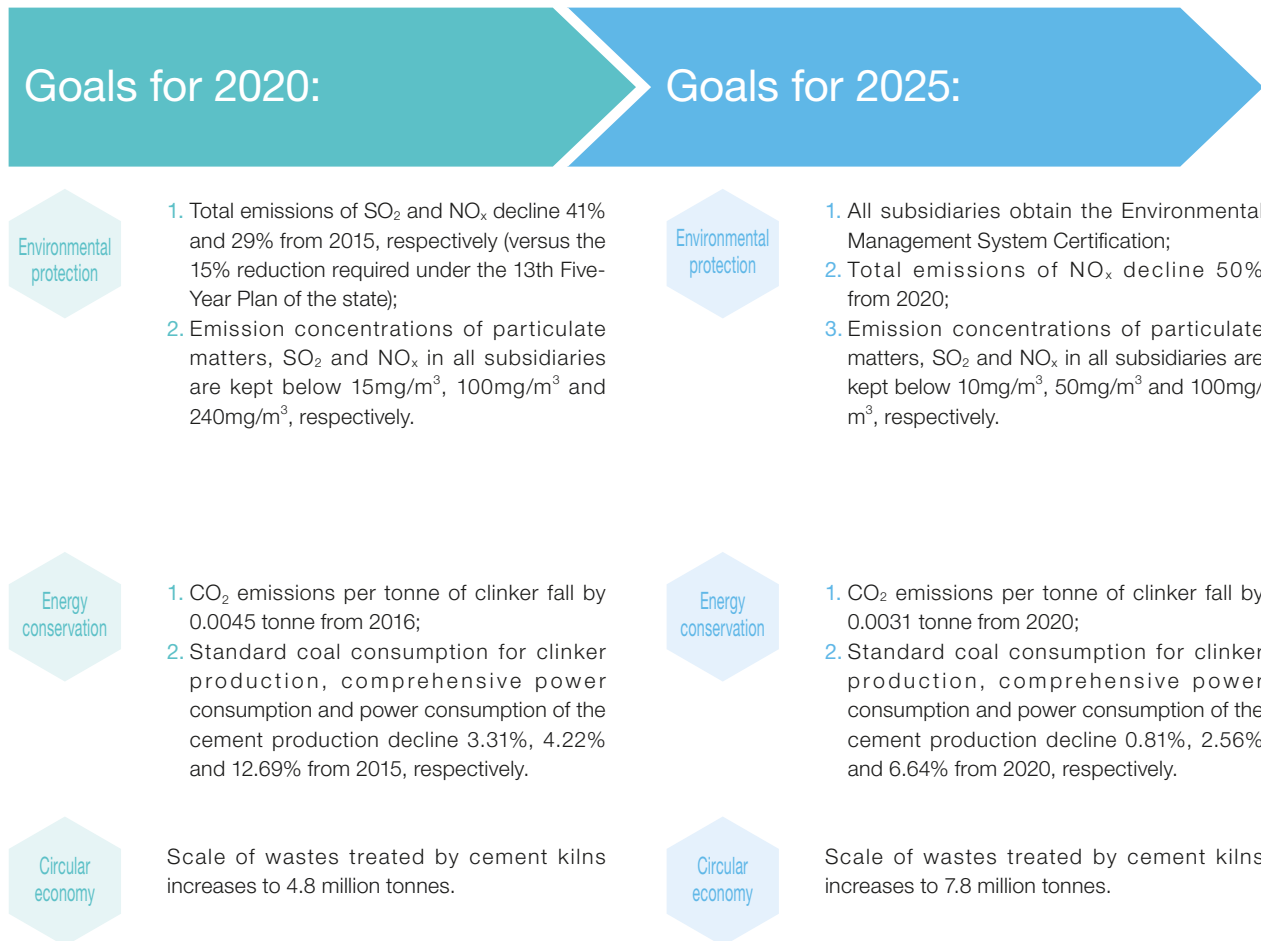
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ESG Management

Sustainability Goals of the Group



Governance Structure of Social Responsibility

The Board is the highest decision-making body for environmental, social and governance (ESG) management, and is responsible for forming the ESG management framework and strategy. The Board shall also ensure the Company has put in place appropriate and effective ESG risk management and internal audit systems. The Board also reviews and approves the Company's ESG report. The Social Responsibility Working Committee, which reports to the Board, is the top management and coordination body of the Company's social responsibility, which is responsible for implementing the Company's social responsibility strategic planning, preparing social responsibility policies and rules, building social responsibility management and implementation system, and checking and supervising the performance of social responsibilities. The Group has established the ESG Report Working Committee led by senior management and participated by middle management. Such working committee is led by the secretary office of the Board and composed of the representatives from relevant departments and subsidiaries that have material impact on the ESG of the Group, ensuring the Company's decision-making, organization, and implementation of social responsibilities in a top-down manner.

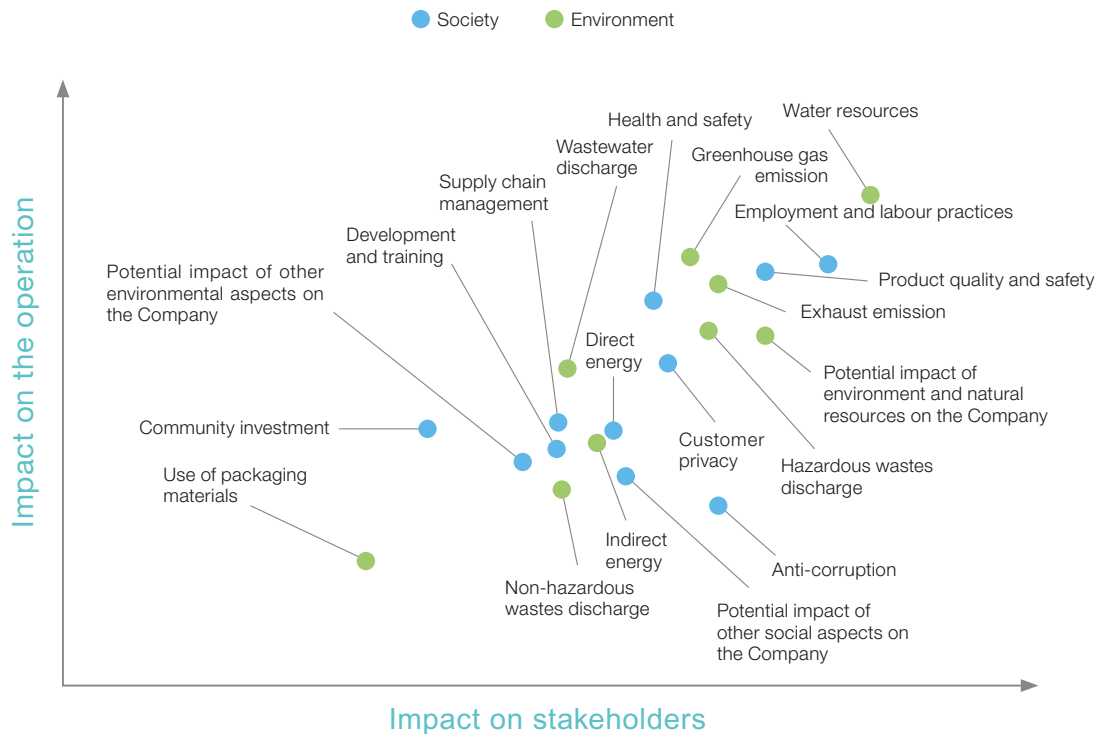
Stakeholder Engagement

Stakeholders of the Group in relation to ESG include internal stakeholders such as the Company's management and employees, and external stakeholders such as the government, customers, suppliers, investors, and the community. The Company attaches high importance to stakeholder engagement, and actively obtains the opinions and expectations of various stakeholders on the Company's social responsibility work through various channels, thereby providing a reference for the formulation of the Company's future social responsibility performance strategy and the decision-making on the sustainable development strategy.

Assessment of Materiality

The Group attaches great importance to the management of major issues in relation to sustainable development. Based on assessments of stakeholders, we identify the following issues that have significant impacts on the Company's sustainability, which have been included in key focus areas.

The Matrix of Importance of Core Issues of Conch Cement's Social Responsibility in 2019



Overview of Performance of Social Responsibilities of the Group

In 2019, the Group actively fulfilled its social responsibilities in addition to steadily improving its operating efficiency:

We implement the national ecological civilization policies and adopt the new development concepts. We stick to the principle that environmental protection is "critical" to corporate development. We spare no efforts to protect environment when developing our production and operation, in order to become a pioneer in green development.

We adhere to the principle of people-orientation and treat every employee equally. We give freedom to employees and protect every employee's legal rights and interests. We develop the "sharing economy" to create competitive compensation systems that enable all employees to share the development benefits of the Company. We also build a big career platform in order to promote employees' personal development.

We promote sunshine procurement, and source from extensive channels. We offer equal participation opportunities to all suppliers. We build an accountable procurement system, and a supplier classification management mechanism. We highly value the spirit of contract and strive for win-win results with our suppliers. We are committed to creating a responsible supply system.

We uphold the business philosophy of "best quality and dedicated services", and provide customers with the best products and services on the basis of our advanced technologies, superior quality and strong sales network. We are committed to becoming a leader in quality products and services.

We comply with commercial code of conducts, engage in business activities in amenable manner and create sound compliance culture. We keep enhancing our internal supervision system and forbid any bribe, corruption or unfair competition. We are committed to protecting the fair competition environment.

We perform social responsibilities as a big enterprise. We actively take part in public charity causes. We have participated in the targeted poverty alleviation, and given back to the society with gratitude. We set an example for Chinese companies' new commitment to social responsibilities in the new era. We are committed to building harmonious communities.

04

Environmental Protection

The Group has strictly abided by the Environmental Protection Law (環境保護法), the Air Pollution Prevention Law (大氣污染防治法) and other laws, regulations and industry standards related to environmental protection. The Group has incorporated energy conservation, emission reduction and environmental protection into its medium and long-term development strategy. Eco-friendliness and environmental protection are considered from the beginning of plant building to each process of production and operation. In its construction activities, the Group adopts the “three simultaneity” policy for production facilities and environmental protection facilities, i.e. to ensure that the production facilities and the environmental protection facilities shall be designed, constructed and put into operation simultaneously. In its operation, the Group allocates sufficient funds for upgrading and maintenance of environmental protection facilities, as well as for research, development and use of innovative environmental protection technologies. The Group also promotes refined management of environmental protection.





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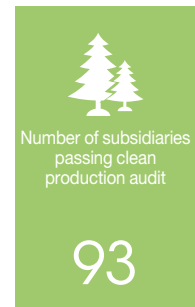
4.1 Emissions

Environmental Management System of the Group

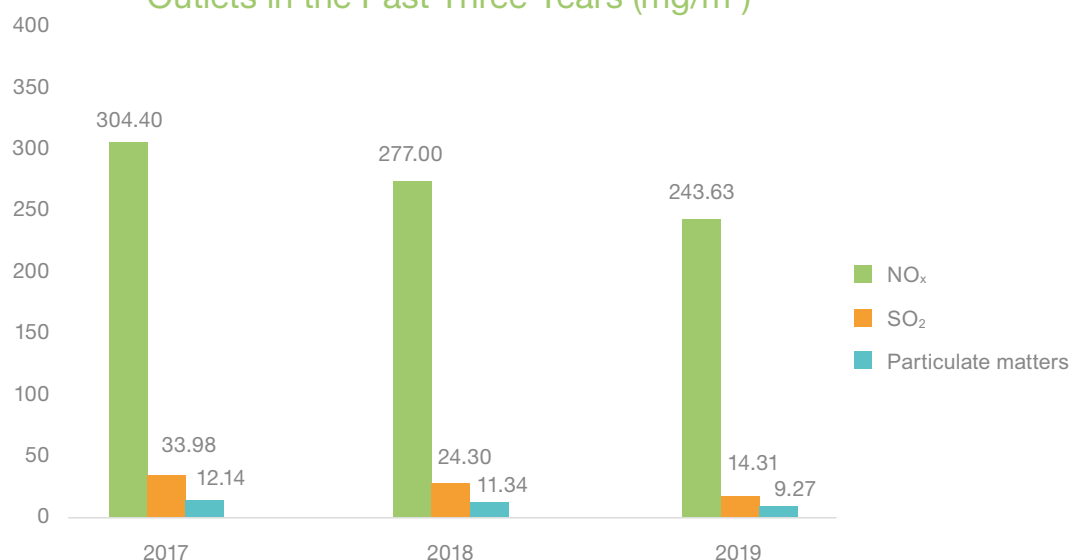
The Group has established a top-down environmental management system. The headquarters is responsible for publicizing and implementing environmental policies, organizing professional environmental management training, guiding, inspecting and overseeing environmental protection work of all subsidiaries, sharing and promoting good internal environmental management practices and methods, and constantly improving environmental management. In 2019, the headquarters of the Group carried out special inspection on all subsidiaries' environmental protection work, helped the subsidiaries sort out the risk points in environmental management, followed up and urged subsidiaries to implement the required rectifications, and actively held professional training on environmental protection. In addition to the internal trainings, external environmental protection experts were invited to organise two large-scale special environmental protection training programmes, which trained 364 environmental protection professionals with a coverage rate of 92.62%. As at the end of 2019, 77 subsidiaries of the Group had obtained the ISO 14001 Environmental Management System Certification, and 93 subsidiaries of the Group had passed the Clean Production Examination, with a pass rate of 71.30% and 86.11%, respectively.

All subsidiaries of the Group control pollutant emissions in strict accordance with national and local environmental protection laws and regulations. Our subsidiaries also formulate and implement self-monitoring plans for pollutant emissions. They carry out self-monitoring every quarter, promptly obtain monitoring report, and regularly disclose environmental information such as pollutant emissions data in accordance with the Administrative Methods for Permission of Pollutant Emissions (排污許可管理辦法) for the supervision of the public. In the meanwhile, all subsidiaries have formulated response plans for environmental emergencies and regularly carried out drills to ensure that the environmental pollution risks can be effectively controlled in case of emergencies.

The main pollutants emitted by the Group primarily include SO_2 , NO_x and particulate matters. In 2019, 66 domestic clinker production base companies cumulatively discharged 8,854 tonnes of SO_2 (down 38.72% year on year) with an average concentration of $14.31\text{mg}/\text{m}^3$ (down 41.11% year on year), cumulatively discharged 135,453 tonnes of NO_x (down 3.91% year on year) with an average concentration of $243.64\text{ mg}/\text{m}^3$ (down 12.04% year on year); and cumulatively discharged 7,531 tonnes of particulate matters from major outlets (down 24.93% year on year) with an average concentration of $9.27\text{mg}/\text{m}^3$ (down 18% year on year). Air pollutant emissions were better than national standards. The Group has done an excellent job in reducing pollutant emissions in 2019. Though the clinker production volume increased by 4% year on year, the Group saw significant declines in volume and concentration of all pollutants' emissions. The concentration of pollutant emissions has declined for 3 consecutive years. (According to China's Air Pollutant Emission Standards for the Cement Industry (水泥工業大氣污染物排放標準) GB4915-2013, the upper emission limits for SO_2 , NO_x and dusts in key areas are $100\text{mg}/\text{m}^3$, $320\text{mg}/\text{m}^3$ and $20\text{mg}/\text{m}^3$, respectively.)



Trends of Major Pollutants' Emission Concentration at Major Outlets in the Past Three Years (mg/m³)



Clean Production and Strict Emission Control

In 2019, the Group further increased investment in environmental technological improvement. The Group promoted the technological improvement for desulphurization, denitration and dust collection work with high standards and quality requirements. During the year, the Group made sound progress in all environmental technological improvement projects. In 2019, the Company established a total of 316 technological improvement projects for environmental protection. As at the end of the Reporting Period, 236 projects have been completed. A total of RMB1.869 billion was invested throughout the year, of which approximately RMB974 million has been invested in technological improvement for dust collection, approximately RMB436 million has been invested in environmental technological improvement for unorganized control, closure and other areas, approximately RMB322 million has been invested in noise reduction, approximately RMB11 million has been invested in technological improvement for desulphurization, approximately RMB92 million has been invested in technological improvement for denitration, and approximately RMB34 million has been invested in technological improvement for the sewage treatment system.

Technological improvement for desulphurization

The main source of sulphur in the cement clinker production process is divided into two parts: raw materials and fuels, and clinker calcination. In raw materials procurement, we strictly control sulphur content indicators to reduce emissions at the source. In clinker production, based on the operational characteristics of each clinker production line, we used wet desulphurization, composite desulfurization and other technological improvement processes for desulphurization to minimize the emission. As at the end of 2019, the Company completed technological improvement for wet desulphurization for 32 clinker production lines and technological improvement for composite desulfurization for 14 clinker production lines in 12 subsidiaries. After the technological improvement, the emission concentration of sulphur dioxide was controlled below 50mg/m³.

Environmental Protection

Technological improvement for denitration

During the “Twelfth Five-Year Plan” period, the Group completed technological improvement for “low NO_x combustion + SNCR” for all its production lines. The NO_x emission concentration stayed below 320mg/m³. In order to promote



Efficient and precise SNCR technology

The efficient and precise SNCR technology is a result of further optimization of the original SNCR (Selective Non-Catalytic Reduction) technology. It allows the ammonia molecule to react more fully with nitrogen oxides. Moreover, it modifies the original control system so that ammonia and nitrogen oxides can be absorbed and reduced in the optimal reaction temperature zone, thereby reducing the emission of NO_x and the consumption of ammonia.

In 2019, based on the system operational status, the Group further optimized the efficient and precise SNCR technology. Except subsidiaries running pilot technological improvement for SCR denitration, all other subsidiaries have fully adopted the SNCR technology and achieved good outcome. After the technological improvement, the average emission concentration of NO_x was 249.44mg/m³, 10% lower than that before the technological improvement.

Technological improvement for reducing particulate matter emission

In 2019, the Group accelerated the technological improvement for particulate matter control equipment. In the period when the production lines and kilns were suspended for inspection and repairs or peak-shifting production, we completed technological improvement for 122 sets of equipment. As at the end of 2019, technological improvement for reducing particulate matter emission has been completed for 135 sets of equipment. After the technological improvement, the average emission concentration of particulate matters fell below 10mg/m³.

In addition to the above technological improvement for desulphurization, denitration and dust collection, the Group continued to carry out control of noise and unorganized dust emission, and strengthen the solid and hazardous waste management in 2019. The Group also included the occupational health needs of employees into the scope of consideration in technological improvement, in a bid to holistically improve environmental management. In 2019, the noise control work of 15 companies, including Lianyuan Conch, was completed. After the acceptance, the noise at the plant boundary and sensitive points met the type 2 indicators under the Emission Standards for Noise at the Plant Boundary of Industrial Enterprises (工業企業廠界環境雜訊排放標準) (GB12348). Moreover, the noise control work of 19 companies, including Chaohu Conch, is underway, and the working environment of employees has been significantly improved.

In 2019, we achieved big success in environmental compliance management. In more than 100 environmental inspections conducted by the Ministry of Ecology and Environment of People's Republic of China (“PRC”) and environmental authorities of various provinces and cities, no major problem was detected and no administrative punishment for environmental violation was imposed.

green development concept and further reduce NO_x emission, the Group comprehensively promoted the efficient and precise SNCR denitration. The Group has also been studying and using new SCR denitration technologies on a pilot basis, and actively exploring the forefront of denitration technologies.



SCR denitration technology

The SCR (Selective Catalytic Reduction) reduces NO_x emission through selective reaction of reducing agents such as ammonia with NO_x under the action of a catalyst to generate N₂ and H₂O. The technology features a high ammonia utilization rate with a denitration efficiency of up to 80%-95%.

The technological improvement for SCR denitration was completed on 2 clinker production lines in Jining Conch and China Cement Plant in 2019. After the technological improvement, ammonia consumption fell by 13.08%, and the average emission concentration of NO_x was lower than 100mg/m³, 23.08% lower than that before the technological improvement. The Group will implement localized high-temperature and high-pressure SCR technological improvement in the 2# clinker production line of Baimashan Cement Plant. Based on the results of the technological improvement project, the Group will carry out high-temperature and high-pressure SCR technological improvement in some other clinker production lines. Moreover, the Group is testing new technologies such as solid polymer denitration and low-nitrogen decomposition furnace expansion denitration.

Over the years, we have accumulated rich experience in exploring new environmental technologies and advanced a lot in environmental management. Since 2018, we have used the most advanced environmental technologies and the most scientific environmental management methods to build Wuhu Conch, the world's largest clinker production base, into a “demonstration base for ultra-clean emission”, which will be a new benchmark in the cement industry. Until now, the research and construction of the Wuhu Conch project has been 65% completed. The project is expected to be fully completed by 2020. After the “demonstration base for ultra-clean emission” in Wuhu Conch starts production, the emission concentration of NO_x, SO₂ and particulate matter will be kept below 100mg/m³, 50mg/m³ and 10mg/m³, respectively, and no domestic or industrial wastewater will be discharged. We plan to promote the “demonstration base for ultra-clean emission” within the Group in the coming five years.

In 2019, the Group continued to push forward the building of “Green Factories”. Liquan Conch, Baoshan Conch, and Fenghuangshan Conch were selected into the national “Green Factory” list, and five companies, including Chongqing Conch and Guangyuan Conch, were selected into provincial and municipal “Green Factory” lists. As at the end of 2019, a total of 17 subsidiaries of the Group were named national, provincial and municipal “Green Factories”. In 2020, the Group will continue to implement the concept of green development and green manufacturing, persevere in ecological environment protection, and promote technological improvement in energy conservation and emission reduction, so as to create a green and environmentally conscious company.

Technological Innovation and Low-Carbon Development

The Group's greenhouse gas (GHG) emissions mainly stem from consumption of coal, electricity, diesel and other materials required for producing clinker. In order to address the challenges posed by climate change and enhance the inherent driving force behind its sustainable development, the Group has considered energy conservation, emission reduction, low-carbon development and environmental protection as long-term development strategies, and has actively advanced and continuously explored and innovated in these causes.

In December 2019, Conch Cement was invited to the 25th Conference of the Parties to the United Nations Framework Convention on Climate Change in Madrid, Spain. At the "China Corner" serial side meetings hosted by the organizer and themed on "China's Industry's Response to Climate Change and Its Effectiveness", we introduced our efforts in carbon emission reduction, which included the world's first demonstration project for CCS (Carbon Capture and Storage) and purification of kiln exhaust gas in cement industry, the promotion of residual heat power generation, the use of clean energy and alternative fuels, the acceleration of technological innovation, and the improvement of production line efficiency. By doing this, we showed Conch Cement's wisdom and solutions for carbon emission reduction to the world. In addition, as per arrangements of competent authorities, the Group actively participated in the research and drafting of standards under Greenhouse Gas Emission Limits for Key Products in Building Materials Industry (建材行業重點產品溫室氣體排放限額). Our work related to energy conservation and CO₂ emission reduction will be detailed in the section headed "Utilisation of Resources".

In 2019, the CO₂ equivalent emissions calculated in accordance with the Guidelines on Greenhouse Gas Emissions Accounting for the Cement Industry (水泥行業溫室氣體核算指南) increased 4.8 million tonnes to 199.7 million tonnes, due to the 4% year-on-year increase in clinker output. Unit CO₂ emissions of clinker were 0.8404 tonne, while emission concentration declined by 0.39% year-on-year. All the emission data of subsidiaries of the Group has been audited by third-party specialized institutions.

Carbon Capture and Storage

The Company and Dalian University of Technology adopted the Industry-University-Research Institution cooperation model to invest and build a 50,000-tonne carbon dioxide capturing and purification demonstration project in Baimashan Cement Plant. The project was completed and officially put into operation in October 2018. Every year, it can produce 30,000 tonnes of food grade carbon dioxide with purity of 99.99%, and 20,000 tonnes of industrial grade carbon dioxide with purity of 99.99%. The carbon dioxide produced by the project can be widely used for carbonated beverage addition, food and vegetable preservation, raw materials in dry ice production and other purposes, opening a new way to utilize the by-products of enterprises, and truly realizing the "turning waste into treasure" in carbon recycling. The carbon capturing project of Baimashan Plant has obtained 23 independent intellectual property rights. In 2019, China High-Tech Enterprise Development Evaluation Center (中科技企業發展評價中心) and China Building Materials Federation certified that the technical achievements of the project have reached world-leading level. In 2019, Baimashan Cement Plant produced 28,400 tonnes of industrial grade and food grade carbon dioxide product.



4.2
Utilisation of Resources

Saving Energy and Protecting Environment
via Circular Economy

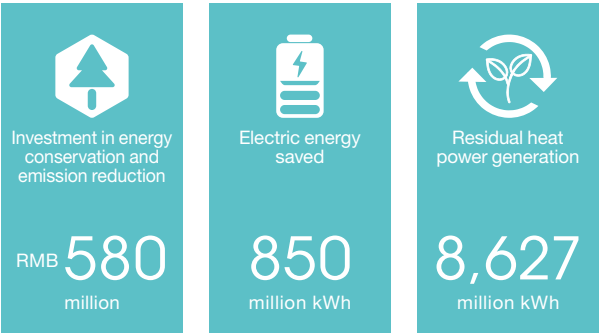
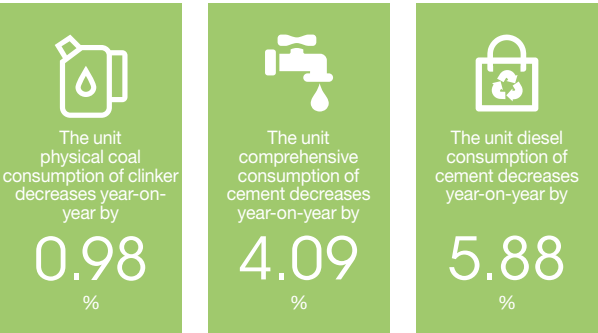
Developing circular economy and saving nonrenewable resources are the inevitable choice for those pursuing sustainable development. The Group has long advocate the conservation, intensification and recycling of resources and incorporates the resource utilization policy of “minimization, recycling and renewability” into every aspect of production and management. In September 2019, Conch Cement delivered a speech and shared experience in energy conservation and emission reduction with global cement companies at the third World Cement Conference and the second Global Climate Change Forum that were held by the World Cement Association. In recognition of Conch Cement’s outstanding contribution to energy conservation and emission reduction in the cement industry, the World Cement Association presented the “Green Action Award” to Conch Cement.

In 2019, the 66 base subsidiaries of the Group consumed 35 million tonnes of coal (up 2.94% year on year), 142.97 kg physical coal consumption per tonne of clinker (down 0.98% year on year); and consumed 15.45 billion kWh of power (up 1.64% year on year), comprehensively 76.41 kWh per tonne of cement (down 4.09% year on year). The rise in coal and power consumption is mainly due to the 4% and 6% increase in the Group’s clinker and cement output in 2019, respectively. The Group consumed 93,873 tonnes of diesel, representing a year-on-year decrease of 0.14%, 0.32 kg per tonne of cement (down 5.88% year on year); and consumed 125 million tonnes of water (up 10.62% year on year). In water consumption, 42 million tonnes were consumed for clinker production, 0.17 tonne per unit of product; 24 million tonnes were consumed for cement production, 0.08 tonne per unit of product; and 59 million tonnes were consumed for residual heat power generation, 0.007 tonne per kWh. 87,062 tonnes of cement package bags (down 2.97% compared with last year), or 1 kg per tonne of cement (same level as last year), were used.



In terms of fossil energy use, the Group mainly saves fossil energy by using renewable energy and clinker substitutes, as well as implementing refined energy management. From more than ten years ago, we took lead in promoting residual heat power generation technology in China. We are the first user of pure low-temperature residual heat power generation technology in China. After years of development, all our clinker production lines are equipped with residual heat power generation system. In recent years, we further promoted the refined energy management. By using clean energy and alternative fuels, introducing energy management system, inventing new energy conservation and emission reduction technologies and other methods, we have directly or indirectly reduced fossil energy consumption, thereby lowering carbon dioxide and air pollutant emissions.

In 2019, the Group invested RMB580 million in energy conservation and emission reduction, and saved 850 million kWh of power and 152,800 tonnes of standard coal, equivalent to reducing 1,132,400 tonnes of carbon dioxide emission.





Residual Heat Power Generation Technology

The pure low-temperature residual heat power generation technology of cement kiln can convert the heat generated in the clinker production into electricity, which helps recycle resources, save electricity, and reduce carbon emissions and production costs. All the clinker production lines of the Group are equipped with residual heat power generation systems, with an aggregated installed capacity of 1,399 MW. A production line with daily output of 5,000 tonnes can use the residual heat generated by the production line to generate 210,000-240,000 kWh of electricity per year, saving approximately 25,300 tonnes of standard coal and reducing carbon dioxide emissions by approximately 67,600 tonnes per year. In 2019, 8,627 million kWh were generated by residual heat in the Group, saving 2.76 million tonnes of standard coal as compared with similar scale of fire-generated electricity and reducing emission of CO₂ by 7.36 million tonnes.



Use of Clinker Substitutes and Cement Grinding Aids

In terms of clinker substitutes, we mainly use mineral powder, fly ash, slag, coal gangue and other industrial waste to lower clinker consumption. In this way, we reduced carbon emission and effectively recycled industrial waste, thereby greatly reducing resource consumption, achieving significant social benefits. In 2019, the Group consumed 60.57 million tonnes of various waste residues. In terms of cement grinding aids, after the pilot use of cement grinding aids in some subsidiaries in 2018, the Group promoted the use of cement grinding aids across its operations in 2019. Cement grinding aids can improve the efficiency of cement grinding, reduce clinker and energy consumption in cement production, and deliver both environmental and economic benefits. After the use of grinding aids, the cement quality remained stable, and power consumption of per-tonne cement production declined 1.9 kWh. Clinker consumption fell 3.84%, approximately 400 million kWh of electricity was saved throughout the year, and the consumption of clinker was reduced by 8.0863 million tonnes, equivalent to reducing 7.1370 million tonnes of carbon dioxide emission.

Environmental Protection



Promoting Clean Energy and Using Alternative Fuels

In 2019, we further promoted the use of clean energy. Jining Conch used 308,000 kWh of wind power across the year. 6 subsidiaries, including Baimashan Cement Plant, Xuancheng Conch and Tongling Conch, purchased and used more than 26.32 million kWh of solar power, up 102% year on year and equivalent to saving 8,423 tonnes of standard coal and reducing 22,500 tonnes of carbon dioxide emission. The Group plans to use 51.00 million kWh of clean energy in 2020.

The Group is also exploring effective channels of using alternative fuel. In 2018, considering the local advantages in large-scale rice planting, we built our first biomass fuel system in the Battambang Conch in Cambodia. The system uses rice husk as fuel, ensuring that its heat and residual ash will be 100% utilized. The raw coal consumption of the clinker production line can be reduced by approximately 15%, while the NO_x emissions can be reduced by more than 200mg/ m^3 . In 2019, we introduced the biomass fuel system into the domestic production line and built the first domestic pilot biomass fuel system in Zongyang Conch, which is expected to be put into operation in 2020. Compared with coal, biomass fuel has lower pollution and cost. It is an eco-friendly and economic fuel. Moreover, due to the convenience of feeding, it also reduces the labour intensity of the personnel. The Group will continue to promote and implement the biomass fuel system in areas where conditions permit.



Accelerating Energy-Saving Technological Improvement

In terms of energy-saving technological improvement, the Group has reduced energy consumption of production lines through technological improvement of decomposition furnaces, technological improvement of grate coolers, technological improvement of roller presses, and other technological improvement projects. Our efforts have borne fruits. As at the end of 2019, the Group carried out technological improvement of the decomposition furnace for capacity expansion for 24 clinker production lines, which reduced the average standard coal consumption per tonne of clinker by 5 kg. The Group also completed the upgrade of third-generation grate coolers and the improvement of fourth-generation grate coolers for 22 clinker production lines, which reduced the average standard coal consumption per tonne of clinker by 1.5 kg. The Group carried out technological improvement of roller presses for 58 cement grinding mills, which increased average cement production by 110% and reduced the electricity consumption per tonne of cement by 5.5 kWh.



Introducing Energy Management System

As early as 2013, the Group began to pilot and establish energy management system in 13 subsidiaries, including Chizhou Conch, Digang Conch and Quanjiao Conch, in order to form a three-level (headquarters, regions and subsidiaries) energy management model. The system can monitor, control, adjust and manage the generation, transmission, consumption and distribution of energy, thereby realizing the integrated operation, as well as centralized and smart management. The Group plans to promote the energy management system in all subsidiaries in 2020 to improve the comprehensive efficiency of energy management.

In addition, the Group is also actively carrying out other technological improvements and technological measures to promote and try new technologies and equipment. For instance, Jiande Conch tried the cement vertical mill with lower energy consumption and noise. Lu'an Conch and Yiyang Conch used ceramic balls to replace the steel ball grinding medium, which reduced the mill load and the power consumption of cement grinding. We will further research and actively pilot, summarize and promote new energy-saving technologies. We will focus on building Chizhou Conch energy-saving demonstration production line, accelerate the grate cooler transformation and large-scale fan frequency conversion, firmly optimize raw material mill and coal mill transmission system, and transform power generation loop water pump, thereby further reducing the consumption of coal, electricity and other resources.



Case
study

China's First Whole-Process Smart Cement Plant – Quanjiao Conch

Along with the rapid development of Internet, big data, artificial intelligence and other new information technology, the Group has accelerated the upgrade and transformation toward smart operation. It has built China's first whole-process smart cement plant in Quanjiao Conch. By using advanced technologies such as mobile Internet of Things, sensor monitoring, 3D simulation and artificial intelligence, the plant has built three platforms that center on smart operation, provide safeguards through operation and maintenance, and promote efficiency through smart management. The platforms significantly boosted the production and management efficiency of the plant, reducing the average standard coal consumption per tonne of clinker by 1.79 kg and the comprehensive power consumption per tonne of clinker by 1.14 kWh, and further optimizing other energy consumption indicators. The Quanjiao Conch smart plant has obtained 37 patents. In 2019, the smart plant received the "Gold Award for Innovative Products" on the World Manufacturing Conference, and was certified as "the whole-process Cement Production smart plant" by the Department of Economy and Information Technology of Anhui Province. At present, 17 companies, including Tongling Conch, Zongyang Conch and Yiyang Conch, are building specialized automatic operation system. 9 companies, including Prosperity

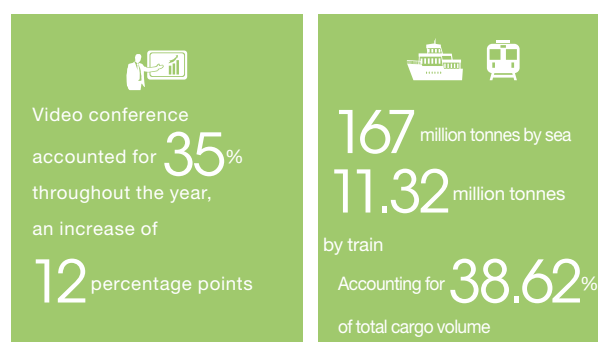


Conch, Yangchun Conch and Beiliu Conch, are building smart quality control system. 9 companies, including Xing'an Conch, Jiande Conch, Huaining Conch, among others, are building digital mine system. 9 companies, including Chaohu Conch, Liquan Conch and Chongqing Conch, are building equipment-assisted inspection system.

With respect to the use of water resources, the Group advocates water conservation and recycling. The production water of riverside bases of the Company was mainly taken from surface water of rivers, while a rainfall and sewage separation system has been implemented in all plants, docks and mines of the Company. In order to further improve water resource management, the Group is exploring technologies that enable zero sewage discharge in residual heat power generation. In 2019, the Group completed technological improvement for zero sewage discharge in residual heat power generation in 4 companies including Zongyang Conch, Shuangfeng Conch, among others. We will continue to optimize related technologies based on actual operational results, and increase the efficiency of sewage recycling in residual heat power generation. All domestic sewage of the Group is treated using the A/O secondary biochemical treatment technology. The Group has 299 sets of sewage treatment facilities, ensuring full recycling or compliant discharge.

In terms of logistics and transportation, the Group prefers ships, trains and other means of transportation with high efficiency and low unit energy consumption in areas where conditions permit. In 2019, the cargo transported via docks and ships reached 167 million tonnes, and the cargo transported via trains reached 11.32 million tonnes, jointly representing 38.62% of the total cargo volume of the Company.

In terms of green workplace, the Group promotes paperless office through automatic office system, which greatly reduced paper consumption. Energy-saving lamps are used for the office area and are turned off when no one is in the office. The Company stipulates that the air-conditioning temperature in summer should not be lower than 26°C and windows must be closed when the air conditioner is on. The Company encourages employees to practice environmental protection philosophy through the intranet, WeChat group, and posters. Greenery planting is actively carried out in the plant area of subsidiaries to increase carbon sinks. In terms of low-carbon mobility, the Company properly arranges business travels, giving priority to low-carbon mobility modes such as public transportation. The Company promotes the use of video conferences instead of on-site conferences, which greatly reduced the number of on-site conferences. During the year, the proportion of video conferences reached 35%, up 12 percentage points compared with last year.



Environmental Protection

4.3

Environmental and Natural Resources

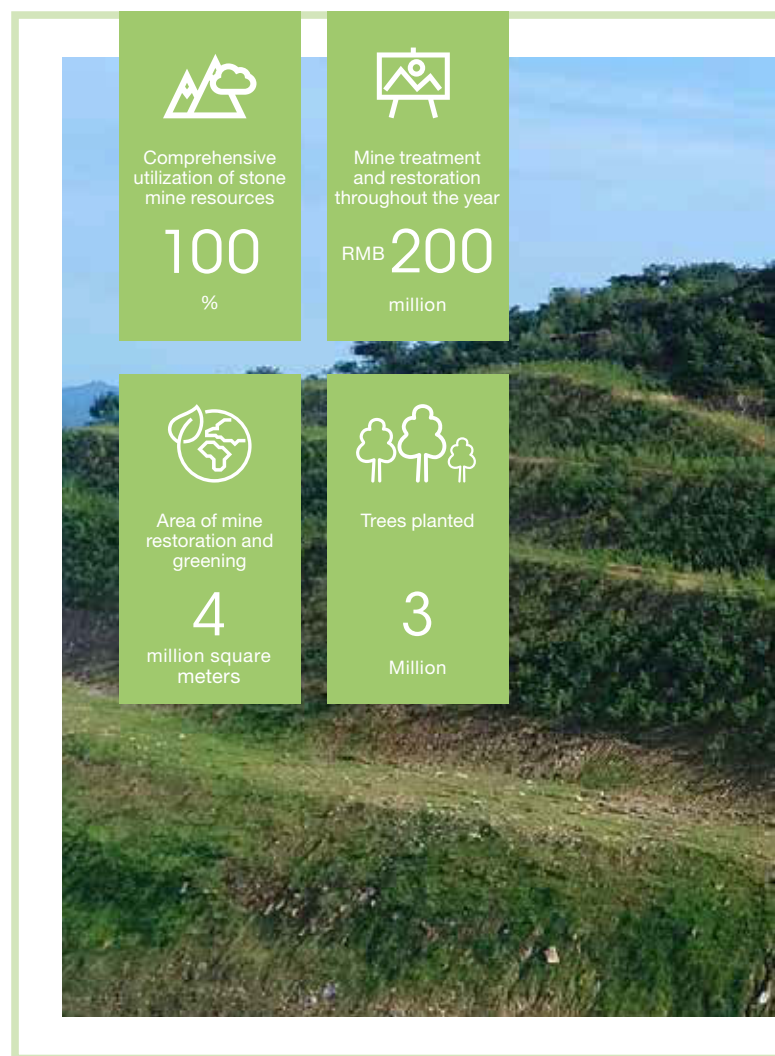
Green Mine and Ecological Mine Area

Ecological environment protection in mines is an important component of the ecological civilization construction system. Because limestone resources are the main raw materials for clinker production, the demand for limestone resources continues to grow along with the expanding production scale of enterprises. For a long time, we have adhered to the principle of “protection in development, development in protection”, in order to ensure coordination between mineral resource development and ecological environment protection. We have restored and properly managed the ecological environments of mines through sound mine management mechanism, green mine building and other measures. In recent years, against the backdrop of continuous development of and change in new technologies, we have accelerated the pace of technological innovation, and taken lead in building digital smart mines. We have also explored new ways of promoting smart technology-based development, in order to improve the efficiency of resource use and strengthen the protection of ecological environments of mines.

When exploring mineral resources and making mining plans, the Group strictly abides by the Convention on Biological Diversity of the United Nations. The Group has invited qualified institutions as well as agricultural and forestry management experts to prepare the Feasibility Report on Use of Forest Land (使用林地可行性報告). By doing this, we investigate, identify and monitor the important biological diversity elements and species in related area that require protection. The Group minimizes the mining process' impact on the ecological environment, water source and animal habitat, especially the habitat of some sensitive animals. Moreover, the Group implements on-site conservation of creatures and conducts regular patrols in areas that are temporarily not mined. Based on the mining plan for the coming 3-5 years, the Group will migrate and protect main plants of contemplated mining areas in advance.

The Group adopts a top-down approach to exploit limestone mines, adhering to the principle of “treating while exploiting”. Through scientific, reasonable and efficient mining methods, we explore the large-scale and high-value utilization of limestone resources, and improve the comprehensive utilization of mineral resources. In 2019, the comprehensive utilization rate of limestone mine resources of the Company reached 100%. The environmental management in the mining process is also a key task. All mines of our subsidiaries are equipped with 20-tonne watering cars, and some mines are also furnished with multi-functional dust-reducing trucks. All main roads of mines are installed with automatic water-sprinkler facilities. The ore crushing discharge ports are closed off and installed with water-sprinkler and dust-reducing devices. We have also used the online dust monitoring system. We are implementing fully-sealed technological improvement for mine

transportation corridor and raw material storage yard. Such technological improvement is scheduled to be 70% completed in 2020 and fully completed in 2021. After the technical improvement, the whole mining process will be dust-free.



In accordance with applicable laws and regulations of PRC, the Group has formulated the Mine Treatment Rules as working guidelines for mine restoration and treatment. Detailed restoration and treatment plans are put in place for all mines of the Group, in order to ensure long-term treatment effect. Third-party institutions that specialize in geological survey and evaluation or disaster management have been commissioned to prepare detailed treatment plans. We restore green ecology of mines, avoid water and soil erosion, and protect nearby water resources by covering

soil on mine slope, planting trees and grasses adaptive to local conditions, as well as building drainage ditches and permanent pools. In 2019, the Group invested about RMB200 million in mine treatment and restoration. During the year, we restored, treated and greened about 4 million square meters of mining areas. We also planted about 3 million trees. In 2020, we will continue to promote mine treatment, restore mine ecology and protect biological diversity of mines to the greatest extent.

Case study

The mine of Digang Conch is located along the Yangtze River in Wuhu City, Anhui Province, which is a pioneering and demonstration zone of ecological civilization construction. In August 2018, Digang Conch officially started the mine restoration and treatment work. Institutions that specialize in geological survey and evaluation were commissioned to prepare related plans. After such plans passed the review and approval process, Digang Conch started treating its mining area. For the steep mine slope, mechanical operation was used to "make the slope less steep", and "different steps" were built on the slope. By doing this, Digang Conch converted the original steep slope into a terrace. After that, the slope was covered with soil. Trees and grass seeds that are adaptive to local climate conditions were planted on the slope. 48,200 photinia serrulate, masson pine and holly trees, as well as 3,610 kg of grass seeds were planted. In order to conserve the soil and water, Digang Conch built a drainage ditch on the top of the slope and a reservoir on the platform of the mine. The water in the reservoir will help conserve trees and grassland. In addition, domestic sewage treatment facilities were built in the mining area to ensure that domestic sewage is not discharged to outside places. In December 2019, Digang Conch's mine passed related assessment of the Ministry of Natural Resources of PRC and was included into the "National Green Mine List".



Environmental Protection

In 2019, we continued to promote the construction of smart mines. 6 subsidiaries, including Wuhu Conch and Baoshan Conch, completed digital smart mines and put them into use. Digital mine systems, which consist of digital mining platform, production execution platform, three-dimensional visualization platform, smart dispatching and production monitoring system, have visualized and digitalized the mining activities and make mines smarter. Through the systems, we can intuitively manage mine resources and mining environment, and centralize the management of mine resource exploration, production planning, mining matching, transportation dispatching and production process monitoring. This helps improve mining efficiency, save resources and make mining process safer. In 2019, the production efficiency of the seven subsidiaries using such systems increased by about 5% on average, while their diesel consumption fell by about 7% and minecar tire consumption decreased by about 13%. Our goal is

to build all mines into digital smart mines in the next five years. In 2020, as per our plans, we will focus on the digital smart mine building for 15 subsidiaries, including Tongling Conch, Zongyang Conch, among others.

In 2019, we made a new breakthrough in mining technology innovation, and established a specialized company to research and develop driverless technology in mining areas. Until now, Wuhu Conch has been equipped with two driverless mining cars, which are expected to put into use in 2020. Our goal is to realize fully driverless transportation in all mining areas within 3-5 years. The technology will make the transportation in mining areas safer, more efficient and resource-saving, and we look to become a leader in driverless technology for mining in China.



In terms of building “green mines”, after years of experience accumulation, we achieved great success in 2019. A total of 30 mines have passed the national green mine assessments and publicity of the Ministry of Natural Resources, and have been included into the National Green Mine List. Up to now, green mines account for 26.4% of all mines under the Company and 22.2% of all green mines in China’s cement industry. The certification of “green mines” represents the full recognition of the Company’s protection of ecological environment in mining areas, good mining methods, comprehensive utilization of

resources and development of smart mines. This encourages us to pursue the comprehensive and optimal development that can boost environmental, resource, economic and social benefits. In 2020, the Group will continue to promote the construction of green mines, and plan to add at least 10 green mines above the municipal level.

30 mines passed assessment of the Ministry of Natural Resources of PRC and were included into the "National Green Mine List"

2 mines under Anhui Tongling Conch and Zhejiang Jiande Conch were rated as "National Green Mine Pilot Units"

Yunnan Baoshan Conch was rated as "Green Mine Pilot Demonstration Base"

6 mines, namely Guangxi Xing'an Conch, Guangxi Beiliu Conch, Guangdong Prosperity Conch, Guangdong Yangchun Conch, Guangdong Qingxin Cement and Shaanxi Liqun Conch, were rated as "Provincial Green Mines"

12 mines, including Anhui Baimashan Cement Plant, Anhui Wuhu Conch, Anhui Chizhou Conch, Anhui Tongling Conch, Anhui Zongyang Conch, Shaanxi Jinlinghe Company and Guizhou Tongren Conch were awarded as "Provincial Green Mines".

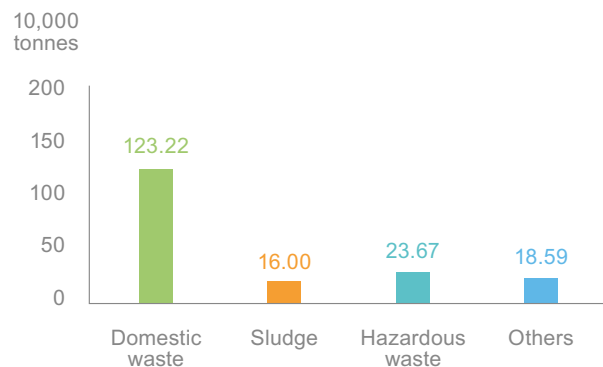


Facilitation of Treatment and Integrated Utilization

The Group has been a pioneer in using cement kilns to facilitate the treatment of urban domestic waste in China. We have actively promoted the technologies using cement kilns to facilitate the treatment of urban domestic wastes, sludge and hazardous industrial solid wastes. The technology using cement kilns to facilitate the treatment of urban domestic waste uses the advanced waste gasification treatment technology in the waste incineration treatment method to convert the waste into a combustible gas, and then transmits the gas into the decomposition furnace of the new dry process cement kiln system, and burn it as part of the fuel. Leveraging a series of characteristics of new dry-process cement kiln such as high temperature and alkaline materials, it absorbs harmful substances such as dioxins generated by garbage and effectively prevents the spread of malodour, so that the sewage in the waste can be treated in a harmless manner and the heavy metal is solidified and stabilized in clinker. Compared with traditional landfills, the technologies using cement kilns to facilitate waste treatment can minimize the pollution of ecological environment, and achieve "detoxification, minimization and renewability" of waste treatment.

In 2019, the Group joined forces with Conch Venture (a company listed on the Hong Kong Stock Exchange, stock code: 0586) to actively work with the governments of locations where

the Group's factories are located to treat a total of 1.2322 million tonnes of urban domestic wastes, 160,000 tonnes of sludge, 236,700 tonnes of hazardous waste, and 185,900 tonnes of other general waste, thereby effectively solving the problems of land occupation and environmental pollution caused by waste incineration and landfill, and creating considerable economic and social benefits.



05

Employment and Labour Practices

The Group always adheres to the people-oriented responsibility philosophy and regards employees as the lifeblood of its survival and development. The Group protects all legal rights and interests of employees, and creates a big career development platform for employees. The Group also builds safe and healthy workplace, and provides comfortable and convenient living environment to employees. The Group has constantly optimized its compensation and incentive mechanism to enable employees to share the results of our development.





ABOUT THIS REPORT
ABOUT US
ESG MANAGEMENT
ENVIRONMENTAL PROTECTION
EMPLOYMENT AND LABOUR PRACTICES
SUPPLY CHAIN MANAGEMENT
PRODUCT LIABILITY
ANTI-CORRUPTION
CONSTRUCTION OF A HARMONIOUS COMMUNITY

Employment and Labour Practices

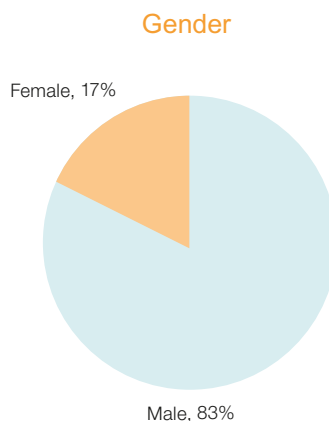
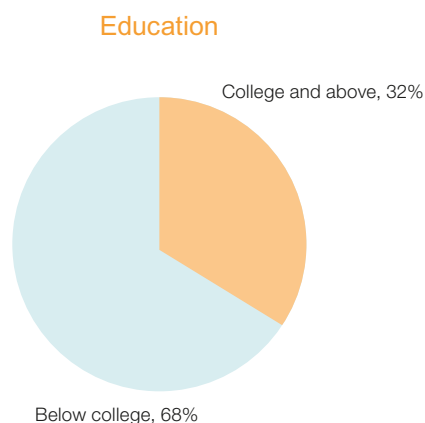
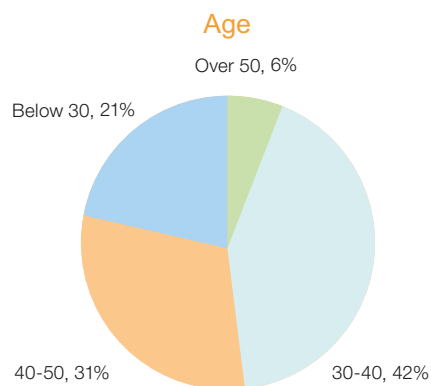
5.1 Employment

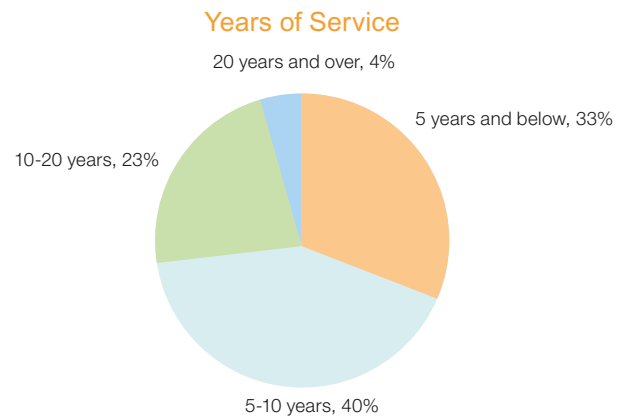
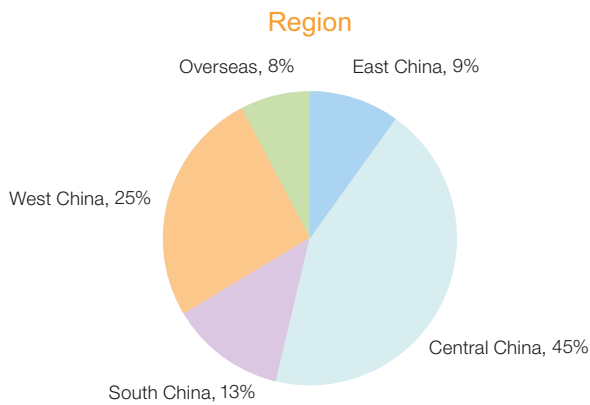
Equal Employment with Diversified Composition

We adhere to the principle of equal employment. We have established a selection and appointment system of “fairness, impartiality and openness” and prohibit any form of employment discrimination. We respect and treat employees of different nationalities, genders, ages, educational attainment, ethnicity, religious beliefs and cultural backgrounds with fairness. We strive to create a diverse and inclusive workplace.

As at the end of 2019, the Company had a total of 47,486 employees, of which 17% were female and 8% were ethnic minority employees. Among the Board members, females accounted for 12.5%. Among the Company’s middle and senior management, female members accounted for 5% and ethnic minority members accounted for 5%. With the accelerated implementation of the “Belt and Road” international development strategy, the Group’s projects in Indonesia, Myanmar, Cambodia, Laos and other countries were completed and started production one by one. We actively promote localized management and employment in our overseas operations, in a bid to provide more job opportunities to local people. Until now, we have 3,922 employees working in overseas projects, of which foreign employees accounted for 81.34%, representing a year-on-year increase of 1.15 percentage points.

The Group’s middle and senior management teams, and its workforce as a whole have always been relatively stable. The Group has a solid talent base to support its long-term development. In 2019, the Company recruited 2,772 new employees. 2,462 employees resigned, with an employee turnover rate of 5.12%. The employee turnover rate declined 0.48 percentage point compared with last year.





Promoting Democratic Management and Communication

The Group practices democratic management, respects employees' freedom of speech and maintains open channels for employees to voice their opinions, protecting employees' legal right to information, participation and decision-making. The Company has set up an effective internal communication platform. We hold regular employee colloquiums and logistics meetings, build "Employees' Home" and set up general manager mailboxes to collect and adopt employees' reasonable suggestions from multiple channels with an aim to proactively respond to employees' reasonable demands, sincerely serve employees, and build a harmonious labour relationship.

Case study

In Qiangjiao Conch, located in Ninghai County, Zhejiang Province, the "Employee Talk" room has become a new platform for the employees to voice their options and demands. The record book in the room has set down demands submitted by employees and the responses to their demands. We encourages employees to voice their thoughts, and considers the satisfaction of employees as an important criterion for work results assessment. Moreover, the Company gives feedback to employees in a timely manner. Li Guangming, the safety director of Qiangjiao Conch, said to the "Employee Talk" room that many employees, including him, wanted to apply for the registered safety engineer examination, but they have limited access to resources. He hoped that the Company would provide support. The Company soon gave feedback and paid costs for all teaching materials and training, thereby fully supporting the development of employees.

Employment and Labour Practices

The labour unions create bond among employees. 114 subsidiaries of the Group that met the conditions for establishing a labour union had labour unions in place, of which 102 established women worker committees. 100% of employees in subsidiaries that met the conditions for establishing a labour union joint labour unions. The Company implements the employee congress system. The headquarters and subsidiaries hold employee congresses to collectively review and approve regulations concerning the vital interests of employees and related matters.

Meanwhile, the Group established the collective bargaining and collective contract system. The Company looks to promote the communication between employees and the Company through consultation, safeguard legal rights and interests of employees and boost employees' happiness and sense of belongs. In 2019, the coverage of the Company's collective bargaining and collective contract was 100%. Under Conch Cement's collective bargaining system, each subsidiary shall hold a consultation meeting between employee and employer representatives to discuss wage and salary, labour safety, skill training, protection of women workers' rights and interests and other related matters. After reaching consensus, the draft of collective contract is submitted to the general meeting of employee representatives for deliberation. After deliberation and approval, a formal contract text shall be formed, signed and sealed by the Company and employee representatives, as well as be submitted to local human resources and social security authorities for examination, registration and filing.

In July 2019, the Group was awarded the honorary title of "National Role Model Enterprise for Harmonious Labour Relationship" by the Ministry of Human Resources and Social Security of the PRC. Moreover, the Group was invited to the "Speaking Tour of National Role Model Enterprise for Harmonious Labour Relationship" to share its excellent practices and experience in labour relationship management.

Humanistic Care and Benefit Sharing

The Company spares no efforts to create a warm and comfortable living environment for employees. It aims to build a "home-like" atmosphere where everyone's health is valued, needy employees are taken care of and every employee can feel the warmth of family.

"Eat at home"

All subsidiaries have staff canteens, and employees are provided with food allowance. The Company provides about RMB120 million food allowance for employees every year. Employees' catering satisfaction survey is conducted every month. In 2019, the Group's overall employee satisfaction for company food exceeded 98%.

"Live at home"

Except newly acquired subsidiaries, all subsidiaries provide employees with standardized dormitories that align with the standards of three-star hotels.

"Play at home"

All subsidiaries have actively organized and carried out cultural and sports activities that featured local characteristics and incorporated elements of corporate culture. Over 800 cultural and sports activities, including performance evening parties, socializing event for young people, photography activities and sports games, were organized across the year. The activities have been popular with and enriched the life of employees.



Case study

In 2019, Fenyi Conch, after soliciting all employees' opinions on building an "Employees' Home", comprehensively upgraded and transformed the locations and hardware facilities for employee activities. The Company has changed idle rooms into employee activity center that integrates employee study room, gym, cultural exhibition hall and other facilities. The center can accommodate over 100 people for fitness and study. The Company has also improved outdoor sports venues, such as basketball court with lights and badminton court. An ecological sightseeing park integrating vegetable garden, orchard, fish pond and livestock farm was set up in the living area. A water pool with scenery landscapes was constructed near the female staff dormitory. The Employees' Home at Fenyi Conch has become a good place for employees to keep fit, study and relax after work. It enables employees to "play" inside the Company.



Employees are our greatest asset. We provide health check-ups for all employees every year. All employees received health check-ups and established occupational health files. In 2019, the Group's total expenditure for employee health check-ups was approximately RMB70 million. The Company also attaches great importance to occupational health management, and has established an occupational health and safety management system to prevent and protect employee health.

We care for employees in difficulties, retirees and families of employees stationed overseas for a long time. We visit them in traditional Chinese festivals every year, and help them address problems in work and life. In 2019, the Company comforted nearly 3,000 employees in difficulties, retirees and families of overseas employees, and offered over RMB1.8 million worth of financial reliefs and supplies to them. We also raised over RMB600,000 for 21 employees who are ill or have ill relatives.

In 2018, the Group completed a new round of reform in its compensation and performance system, and established a pay rise mechanism. We have built a more market-oriented and competitive compensation and performance system. In 2019, the Group further proceeded with the reform in compensation and performance system. Per capita annual salary income during the year increased by 12.03% year on year, and employee satisfaction and sense of accomplishment were further boosted. From 2019, the Company pays monthly allowance to managerial personnel whose workplaces are far from homes, reflecting the Company's humanistic care. The Group's compensation system includes basic salary, position bonus and performance bonus. The total salary is linked to the Company's operating results. The position bonus and performance bonus are linked to employees' work performance. Compared with the previous compensation system, the new one can stimulate employees' work enthusiasm and enable the employees to share benefits of the Company's reform and development.

Employment and Labour Practices

5.2 Health and Safety

Formulating Relevant Systems to Support Safety Management

The Group strictly abides by the Law on Work Safety (安全生產法) and other applicable laws and regulations. We have formulated a full set of rules and systems, such as the Accountability System for Production Safety and Occupational Health (安全生產與職業健康責任制), Contingency Plans for Domestic and Overseas Safety Emergencies (境內外突發安全事件應急預案), among others. The Group's production safety and occupational health management policies are applicable to all employees, suppliers, customers, related engineering and construction units, as well as other stakeholders, in order to establish a penalty and deterrence mechanism against any stakeholder's violation of safety management policy.

The Group has put in place a top-down holistic safety management system. The headquarters has set up a management committee for environment, health and safety ("EHS Management Committee"). Mr. Wu Bin, General Manager, is appointed as the head of the EHS Management Committee, and take full responsibilities for the Group's production safety and occupational health management. Each subsidiary has a safety management committee ("Safety Committee"), which is responsible for production safety and occupational health management. The main person in charge of each subsidiary also acts as the head of such subsidiary's safety committee, and all subsidiaries have dedicated safety administrators. The Group encourages all safety management personnel to apply for the registered safety engineer examination, and invites internal and external safety experts to provide trainings and guidance. Until now, 214 employees have been certified as registered safety engineers. Safety committees at all levels play an important role in internal safety management. They organize and carry out system publicity and implementation programmes, safety training, experience sharing sessions, safety inspection, regular safety meetings and safety drills, in order to ensure the continuous and effective operation of safety management system, and guarantee the health and safety of employees.

The Group attaches high importance to safety performance assessment of subsidiaries. The Group has established a liability system for safety management targets to enforce the liability in a level-by-level manner. In early 2019, the headquarters of

the Group has signed the Liability Statement on Production Safety and Occupational Health Objective (安全生產職業健康目標責任書) with 121 production subsidiaries, which clearly defined the safety management objectives. We also carried out performance assessment and verification processes at the end of 2019. Subsidiaries who performed inadequately in terms of production safety have been held accountable. The office of the Group's EHS Management Committee regularly organized and carried out special safety inspections, strengthened safety supervision and management, introduced good experience and practices of safety management to all subsidiaries, urged relevant subsidiaries to continuously improve their independent safety management capabilities, and further promoted the standardization and scientization of safety management.

In recent years, the Group has used technologies and information means to further improve safety management. All subsidiaries are equipped with the "Production Safety Alert System" that was self-developed by the Group. Moreover, a supporting mobile app of safety management system is developed to realize "full participation, leader supervision and systematic management". The system and app can effectively warn of and control safety risks, and properly rectify related hazards.

In 2019, the Group's safety accidents decreased by 34.4% year-on-year. No production safety accident of the "major" level or above took place. 58 subsidiaries of the Company did not experience any safety accidents. In 2020, the Group will keep strengthening production safety management, with the goal of "preventing work-related death and minimizing minor injuries". Moreover, we aim to realize 10% year-on-year decline in the total number of production safety accidents (the safety management goal in 2020 is also applicable to suppliers, customers, engineering and construction units and other stakeholders).



Year-on-year
decrease in safety
accidents

34.4
%



Number of
subsidiaries without
any safety accidents

58



Number certified
safety engineers

214





Developing Technologies to Protect Health

Thoroughly implementing the policy of “safety first, prevention-oriented, and integrated treatment”, the Group actively carried out a series of technological improvements to effectively control occupational hazards at production sites and continuously improve occupational health management.

Dust and noise are the focus of occupational health protection. We always place emphasis on prevention and control at source to ensure the occupational health of employees and maintain the harmony and stability of the Company. In terms of dust control, the Group controls unorganized dust discharge across the entire production lines, seals off all facilities of the production line including the silos, stacking sheds and warehouses, and covers the belt conveyors with rainproof and windproof hoods that are enclosed. We use the most advanced equipment to excavate open pit mines, regularly sprinkle water for mine roads, and install spray devices at discharge ports prone to dust. In 2019, 121 technological improvement projects for controlling unorganized discharge, with a total investment of RMB410 million, were started, aiming to effectively prevent and control dust's harm to employee health. In terms of noise control, the Group further increased investment, and took noise pollution that affects occupational health into the consideration of technological improvement. In 2019, 20 noise control

technological improvement projects were initiated, with total investment of RMB322 million. We completed noise control work in 15 subsidiaries, such as Lianyuan Conch, among others. Noise control in other 19 subsidiaries, such as Chaohu Conch, are still underway. Through advanced noise control technologies and equipment, the comprehensive noise control level in the Group is gradually improved.

New technology and equipment will gradually play a more important role in the Group's occupational health protection. Replacing traditional labour with machines and reducing the labour intensity of employees will further ensure production safety and protect occupational health of employees. Since 2017, the Group gradually promoted the automatic packaging and loading system for packaged cement, which is now used by 41 subsidiaries. In 2019, the Group's first automatic and robotized loading system for packaged cement was officially put into use in Yiyang Conch.

Employment and Labour Practices



"Production Safety Month"

- Prepared and hung 356 themed banners and posted 2,390 posters
- Invited competent authorities, experts and scholars to teach safety knowledge in 102 sessions, with 3,060 people participating in the training
- Held 120 production safety knowledge contests with 6,220 participants
- Main persons in charge talked about safety with 3,576 employees
- Organized the activity of "say no to irregularity", with 17,254 employees participating
- Organized 381 caution education activities, with 36,740 people educated



Law on Work Safety Promotion Week:

- Conducted 425 sessions of on-site promotion with 6,250 participants
- Printed and distributed 150 kinds of promotion materials with a total of 5,750 copies
- Organized 760 training sessions on law dissemination with 8,420 people participating in the training
- Sent 1,100 law dissemination messages through WeChat and Weibo platforms; participated in 37,207 WeChat prize contests in relation to common safety knowledge



Publicity Week for the Law On Prevention and Control of Occupational Diseases (職業病防治法):

- Held 724 activities including seminars, staff symposiums, wall newspapers, knowledge lectures, among others;
- Prepared and hung 704 themed banners, set up 853 publicity billboards and printed 20,209 pieces of publicity materials;
- Published 171 news reports, and made 1,773 publicity moves on new media such as WeChat and Weibo;
- Held 761 training lectures, with 20,338 employees and 2,708 representatives of suppliers and other stakeholders participating
- Carried out 50 typical sessions of experience sharing and exchange



"16 June" Publicity and Consultation Day

- Opened 120 columns, distributed 28,650 pieces of publicity materials, and set up 322 pieces of various exhibition boards and slogans
- Provided on-site consultation for 8,760 employees
- Cooperated with competent authorities and visited 25 companies to disseminate information
- Carried out 381 warning education sessions to learn from safety accidents, with 36,740 people educated
- Conducted 136 comprehensive emergency drills with 3,865 people participating
- Conducted 282 training seminars



"119" Fire-Fighting Month

- Hung 284 fire-fighting promotion banner and set up 185 fire-fighting bulletin boards
- Used text messages as well as QQ group and WeChat group to send 1,558 messages on fire-fighting
- Organized 8,554 people to watch 228 warning education videos to learn from fire accidents
- Organized 6,756 people to participate in 252 special lectures and training sessions
- Organized 1,648 people to participate in 296 hazard inspection activities
- Organized 3,972 people to participate in 188 emergency drills

The Group attaches great importance to safety education and training for the grassroots. We have actively developed training methods, and strived to improve the quality and effect of safety training, in order to increase safety awareness and skills of grassroots employees. In 2019, our safety and occupational health training covered 100% of our workforce. Safety management training covered 100% of grassroots team leaders. Safety education programmes covered 100% of new hires.

Case study

The grassroots working teams are the most basic production organs of each subsidiary. The safety management of each gross working team lays a foundation for subsidiaries' production safety. The safety management capabilities of working team leaders are vital to the overall safety management of the Group. The Company places emphasis on improving the safety management awareness and capabilities of each grassroots working team leader. In 2019, Conch Cement organized 13 safety management training programmes for grassroots working team leaders. Over 1,000 grassroots working team leaders attended such trainings, which covered all grassroots working teams in the Group. Each programme lasted 3 days. Under these programmes, university professors on safety management, well-known experts on industrial safety management, as well as internal experts on safety management were invited to teach courses on safety system, case analysis, role cognition, safety psychology and other subjects in an in-depth and holistic manner, thereby improving the ability of grassroots working team leaders, standardizing safety management practice of working teams, and creating a safety management atmosphere that advocates full participation. These programmes have laid a solid foundation for the Company's safety management.

Case study

June 2019 is the 18th Production Safety Activity Month in China. All subsidiaries of the Group have organized activities themed on "family open day for production safety". Fusui Conch is one of them. In the afternoon of June 23, 80 employees of Fusui Conch and their families visited the subsidiary's production area under the guidance of related staff, and learned about the working environment and the Company's safety and health management policy on site. Related staff answered questions from employees' families one by one, and helped them better understand the Company's safety management measures. These staff have won the understanding and recognition of employees' families. Through such interaction and communication, the Company hopes that every family member of employees can support the work of employees and the safety management of the Company, create a good safety atmosphere in family life, and jointly build a strong corporate culture in terms of safety.

In 2019, the Group performed well in every aspect of safety management, winning recognition of authorities at different levels:

Award-Winning Entity	Award Name	Award Level
Conch Cement Company Limited	Outstanding Organization Award in the "First National Safety Culture Paper Collection" under Ministry of Emergency Management	National
Digang Conch	National Exemplary Enterprise for Safety Culture Construction	
Conch Cement Company Limited	Advanced Unit in "Safe Production Month" and "Safe Production in Jiang Huai Region" in Anhui Province	Provincial
Guangyuan Conch	Sichuan Safe Community	
Guiyang Conch	Winning Unit in Competition for "Ankang Cup" in Guizhou Province	
Guiding Conch	Winning Unit in Competition for "Ankang Cup" in Guizhou Province	
Liquan Conch	Annual Advanced Enterprise of Production Safety in Shaanxi Province	
Huaining Conch	Advanced Group in Competition for "Ankang Cup" in Anhui Province	
	Exemplary Enterprise for Safety Culture Construction in Anhui Province	

Employment and Labour Practices

5.3 Development and Training

Strong Talents Provide Strategic Guarantee

As a world-renowned listed company, we understand that sound talent reserve is essential to sustainable development, transformation and upgrading of the Group. In recent years, building on the successful implementation of “Conch Cement Talent Fostering Plan (CCTFP)”, the Group successively launched talent development projects such as “Conch Star Plan”, “Silk Road Plan”, “Young Cadre Plan”, among others. In 2019, the Group formulated the “3456222” three-year

talent strategy. Under such talent strategy, the Group will nurture and introduce 30 leaders, 40 pioneering talents in internationalization, 50 top talents with expertise in commercial concrete, clinkers and other emerging sectors, 600 “Silk Road” talents, 200 backup cadres, 200 CCTFP talents and 2,000 Conch Star talents from 2019 to 2021, thereby ensuring that sufficient talent supply is in place to drive the Group’s development strategy.

Case study

Implementing “Conch Star Plan” to build a unique brand

Young people are the fresh force that drives a company’s growth and the source of a company’s vigor. In 2019, after meticulous planning, the Company shot the campus recruitment promotional video with Conch Cement characteristics. We launched the online + offline campus recruitment programme named “Conch Star Plan”. The “Conch Star Plan” attracted wide attention of universities and graduates in China. Under the plan, we recruited more than 800 graduates throughout the year.

The Company has offered well-planned and customized pre-job training tour to trainees of “Conch Star Plan”. The training was divided into “six regions and twelve camps”, focusing on the six themes of “Learning about Conch, Team Building, Cultural Journey, Road to Success, the Elite Way and Core tasks”. The training aims to help new employees better understand Conch Cement’s culture, find their positions, integrate into Conch Cement, expand the breadth of integrated capabilities, cultivate

professionalism, team spirits and innovation awareness, and standardize professional behaviors. In 2019, the Company carried out 15 trainings under “Conch Star Plan”. The “Conch Star Plan” camps in “six regions” are all highly distinct and have various forms to deliver rich contents.

In addition, the Company continued to deepen cooperation and exchanges with domestic universities in recent years. In 2019, the Company and Wuhan University of Technology established a “joint talent development and practice base” in Wuhu Conch, in which a 7-week internship programme was meticulously devised for 15 students of School of Materials Science and Engineering of Wuhan University of Technology. We also reached a preliminary consensus with some famous domestic universities on the plan to build practice bases and were recognized as an excellent employer by Anhui Jianzhu University.



Talent Development and Fair Selection

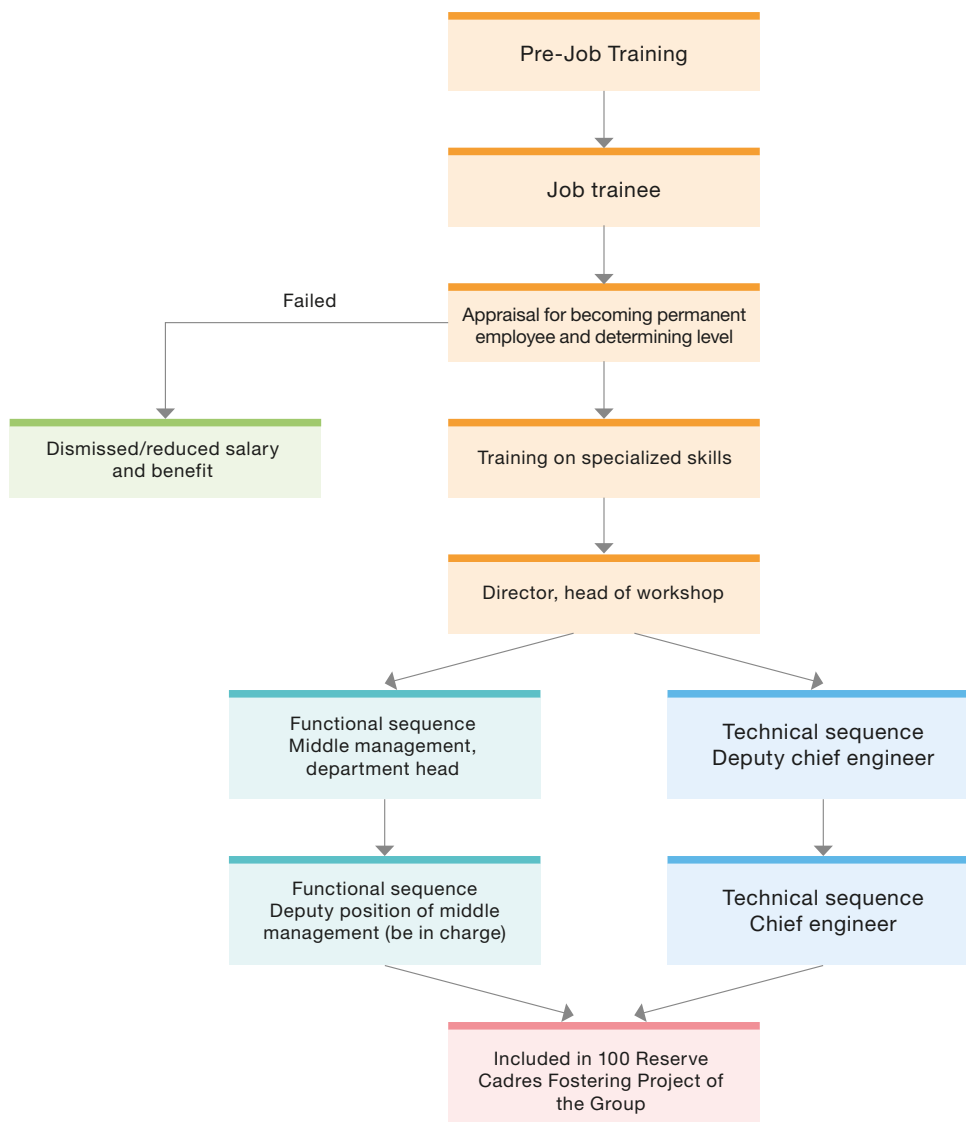
The Group has established a smooth career development channels for its employees, classified into technical posts and management posts based on the professional categories. Employees are developed through six training steps, namely “pre-job training, post practice, professional and technical post training, workshop section head training, middle-level manager (or engineer) post training and entering into the “100 Cadres Fostering Project”.

In terms of talent selection, the Company adheres to the selection and appointment system of “fairness, impartiality and openness”, ensuring open and transparent procedures. Middle or above managers of subsidiaries shall be hired through sound selection and recruitment mechanism, and candidates for such positions shall be recommended in a democratic manner. A notice on personnel appointment of middle or above management positions of the subsidiaries shall be issued, and such appointments shall be officially effective only if no objections are raised during the notice period. As to the general management and technical staff, we adopt a public recruitment

mechanism, namely only candidates identified as qualified by the personnel department of subsidiaries after comprehensive appraisal shall be employed. The fair and open competition for job vacancies will ensure every employee receives equal promotion opportunities, which will boost employees’ vigor and spur their work enthusiasm.

Systematic Training and Professional Development

We have created a holistic employee training system. The Company has established a three-level training management system comprising the headquarters, regional departments and subsidiaries. We have provided categorized, multi-level and multi-channel training programmes to continuously improve the work skills, management capabilities and professionalism of employees. In 2019, the Group carried out 5 million hours of trainings, with over 40,000 employees participating. Each employee received over 110 hours of training per year on average.



Employment and Labour Practices

The headquarters of the Group is responsible for training senior managers and reserve cadres. We leverage the training resources in domestic universities and study from outstanding domestic companies to improve the leadership and decision-making ability of senior managers. Regional subsidiaries are responsible for training middle-level managers. They organize training programmes on professional knowledge and management ability, invite external and internal experts, hold internal seminars and exchanges, and carry out other forms of trainings to improve the management ability and professionalism

of middle-level managers. Subsidiaries are responsible for training ordinary employees. Training at the subsidiary level focuses on combining theory with practice in the development of employees' professional ability, and integrating the training into employees' daily work through the "teaching, helping, and leading" by the master of the apprentice and between teams and groups.

In terms of training methods, we have established a training system consisting of pre-job training, on-job training and (half) off-job training for various employee groups.



Pre-job training:

All newly-recruited and post-shifted personnel of the Company shall participate in the pre-job training. Only those who pass the examination and assessment designed according to the post standard are qualified for the job.



On-job training:

In order to improve the professional competence and operation skills of employees, the Company has provided rich training resources and employees take training sessions for over 4 hours per week.



(Half) off-job training:

Based on occupational demands of technical management personnel and personnel with special skills, the Company provided (half) off-job training to them.

As the Group proceeds with its diversification and international development strategies, we are working with world-renowned human resource consultancy institutions to further improve our overall training plans and clearly define the goals of our training management. We look to develop a training management system that is compatible with our diversification and internationalization strategies, and able to develop professionals at different levels and for different sectors.

Case study

In September 2019, the 13th senior manager seminar officially started in the School of Management at Zhejiang University. The 28-day seminar was held in the good academic atmosphere of Zhejiang University, and used the excellent teaching resources and first-class teaching staff of Zhejiang University. In the seminar, 51 senior managers accepted training in professional management theory and business management practice. Professors from School of Management at Zhejiang University gave lectures on macro-economic conditions, corporate strategic planning, overseas M&A risk control, financial analysis, value management, corporate legal risk management, crisis management, smart manufacturing in the big data era, among others. Students of the seminar interacted and learned through case studies, role play, practice and discussion, development training, among others. The seminar also organized students to visit Alibaba, Hikvision and other well-known enterprises, and asked them to conduct detailed analysis and discussion on business cases, thereby sharpening students' thinking and cognition. After the training, each student wrote and defended a final paper based on the training content and taking into consideration the Company's transformation and upgrading, international development, formation of core competitiveness, among others.



5.4 Employment Standards

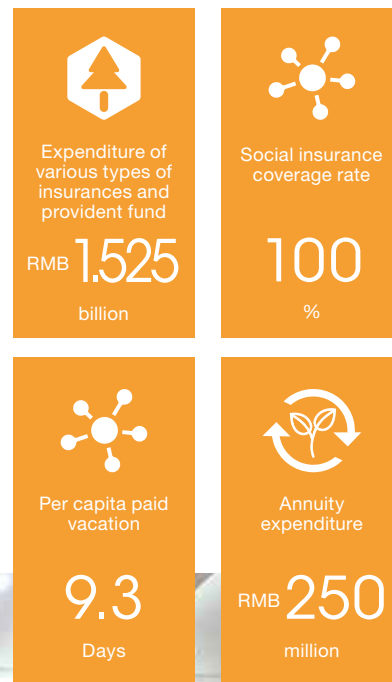
Legitimate Employment and Protected Benefits

The Group and its subsidiaries strictly abide by the Labour Law of PRC, Labour Contract Law of PRC and other relevant PRC laws and regulations, comply with International Covenants on Human Rights and labour standards and fully respect employees' freedom of employment, resolutely prohibiting forced labour. Further, the Company abides by the Law of PRC on the Protection of Minors as well as related laws and regulations of the places where its overseas projects are located, expressly prohibiting any form of child labour. We have put in place strict recruitment review mechanism to ensure that no child labour will be employed.

Each subsidiary enjoys independence and flexibility of employment in recruitment. They can independently carry out open and social recruitment based on employment needs. In the recruitment process, they should give equal opportunities to every candidate, and protect candidates' privacy. They should also report the recruitment results to the headquarters for filing. The headquarters will regularly carry out spot check on subsidiaries' social recruitment, and audit the recruitment procedures and employment data of subsidiaries, in order to ensure compliance of employment. In 2019, there was no incident of employing child labour or forced labour in the Group.

The Company guarantees the right of all employees to rest and vacation, strictly implementing the system of paid vacation for employees as well as the system of overtime pay for national statutory holidays and various vacation systems. In 2019, the Group offered 9.3 days of paid vacation per capita.

In terms of employee benefits, the Company fully pays endowment, unemployment, employment injury, medical and maternity insurances and housing provident fund for all employees. In 2019, the total expenditure of various types of insurances and provident fund was RMB1.525 billion, and the social insurance coverage rate was 100%. In addition, the Company established enterprise annuity system in 2018. Under the system, the Company paid enterprise annuity for employees, depending on their individual wishes. The participation rate of employee in the enterprise annuity system was over 90%, which boosted employees' sense of achievement and happiness. In 2019, the Group's enterprise annuity expenditure exceeded RMB250 million.



06

Supply Chain Management

The Group is committed to win-win cooperation with suppliers, and aims to work with suppliers to build a sustainable supply chain of economic supply, sunshine supply and responsible supply.





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Supply Chain Management

Expanding Purchase Channels to Ensure Sunshine Procurement

The Group has established a sound regulation system, which included the Tentative Measures for Material Supply Management (物資供應管理暫行辦法), Administrative Measures for Tendering of Material Procurement (物資採購招標管理辦法), and Administrative Measures for Supplier Management (供應商管理辦法), and has established the three-level material supply management system comprising the headquarters, regional departments and subsidiaries.

The Group promotes holistic sunshine procurement of raw materials. We have used the “Online Sunshine Purchase Platform of Conch” to expand procurement channels, offer equal opportunities to all suppliers and protect rights and interests of suppliers, thereby ensuring more fairness, transparency and openness in procurement process. As at the end of 2019, a total of 2,984 tender projects had been carried out on the “Online Sunshine Purchase Platform of Conch”, with 8,684 suppliers registered on the platform on their own. In 2019, the Group also cooperated and negotiated with JD and other large domestic e-commerce platforms to establish direct purchase channels. We procured some electric devices and materials required for production online, thereby reducing the intermediary costs and making the whole procurement more efficient.

In supplier selection, the Group followed the principle of proximity and promoted local procurement, in order to lower

procurement costs and carbon emissions arising from the process of raw material transportation. Except coal resources whose allocation was coordinated by the Group, domestic subsidiaries purchased 100% raw materials through local procurement, while overseas subsidiaries purchased 87.97% raw materials through local procurement.

In terms of compliance management in procurement, the Group has prohibited any form of business bribery and constantly strengthened supervision and audit. All bidding information has included contacts for supervision and reporting, in order to accept the supervision of the public. All complaints were recorded and inspected by dedicated employees in time, and the inspection results were returned to complainants as soon as possible. In 2019, the Group received 10 complaints about procurement. After careful inspection, the Group ruled out the possibility of any illegal employee manipulation regarding such complaints, and informed relevant complainants of the specific inspection results. The Group also regularly conducted training on business compliance and integrity for procurement employees at all levels, and organized all employees to sign the Letter of Commitment in Integrity, in order to continuously improve compliance awareness.

Hierarchical Management and Responsible Procurement

The Group applied hierarchical management of suppliers in accordance with Administrative Measures for Supplier Management. We have set high threshold for suppliers, and systematically assessed suppliers' ability to perform



contracts. Our integrated assessment of suppliers factors into environmental management, transportation safety, labour rights, industry influence and credit status of suppliers. The Group prioritizes selecting well-known enterprises, listed companies and leading enterprises in the industry with advantages in brand, capital, price and quality. Suppliers who fail to pass such integrated assessment will be disqualified for business cooperation for two years. In 2019, among the suppliers that have established long-term cooperation with the Group, the passing rate of the ISO14001 international environmental quality management system certification was 100%, and 97 suppliers were rejected due to non-compliance in relation to social responsibilities in our qualification assessment.

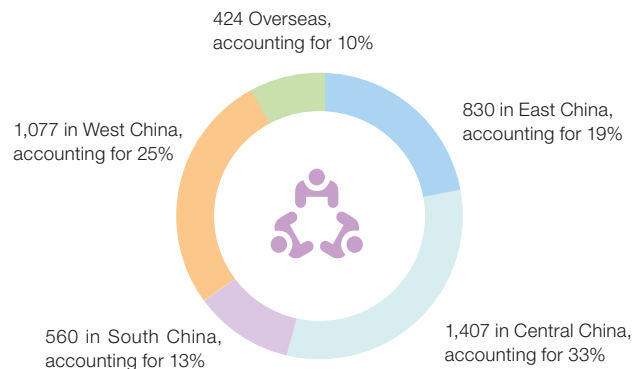
As one of the largest cement makers in the world, the Group has significant advantages in terms of large-scale procurement of raw materials, fuels and other production materials. The Group has established strategic partnerships with large coal enterprises such as Shenhua Group, China Coal Energy, and Datong Coal Mine. Moreover, we built direct-supply channels with Tongling Nonferrous Metal, China Daye Non-Ferrous Metals Mining, Jiangxi Copper and other major copper companies in China. We also maintained long-term stable cooperation with PetroChina, Sinopec, Shell, Mobil, Carter, Atlas and Michelin, in order to ensure economic and stable supply of production materials.

The Company has established a systematic and standardized procurement acceptance process, with participation of subsidiaries' acceptance employees and suppliers throughout the process. This ensures the quality of raw materials, as well as fairness, impartiality and transparency. The Company attaches great importance to the spirit of contract and awareness of contract performance. We pay suppliers on schedule and in strict accordance with contract terms. We do not have any default in payment to supplier. We fully protect the legitimate

rights and interests of suppliers.

The Group's open and transparent procurement channels, standardized procurement processes and superior corporate creditability have been highly recognized by suppliers. More and more high-quality suppliers hope to become our partners, which has given us more choices for material procurement. The Company has established a good communication mechanism with suppliers. We actively invited suppliers to visit the Company, and also went to suppliers' locations for communication and negotiation upon their invitations. We have established a reliable and sustainable business partnership with suppliers, and enjoyed the customized services as well as high-quality and stable material supply from suppliers. This boosted mutual benefits and created win-win results.

In 2019, the aggregate value of materials purchased by the Group amounted to about RMB50.4 billion. We have 4,298 suppliers.



Case study

From October 15 to October 17, 2019, Mr. Wang Jianchao, vice chairman of the Company, led the heads of relevant departments to visit four large domestic coal enterprises, including Shenhua Group, China Coal Energy, Datong Coal Mining, and Shanxi Coal International Energy. In the visits, the delegation of the Group made in-depth exchanges with these coal enterprises on the coal market conditions in 2020, reviewed history of cooperation between the Group and these coal enterprises, and shared with each other the achievements made in the corporate management, environmental management, as well as industrial transformation and upgrading. These coal enterprises all said Conch Cement is one of their best customers. In recent years, their sound partnership with Conch Cement boosted mutual benefits and created win-win results. Looking forward, they hope to maintain long-term cooperation and further strengthen communication and exchange with Conch Cement, and leverage each other's advantages, in order to enhance cooperation and complement each other in the spirit of long-term partnership.



07

Product Liability

Product quality is the basic guarantee for a company's development. Upholding the operational principle of "best quality and dedicated services", the Group is widely recognized by the market through its advanced technology, excellent quality, superior services, sound sales network and strong production and supply guarantee capacity.





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Product Liability

Excellent Quality and World-Renowned Brand

The Group primarily manufactures and distributes 32.5-grade, 42.5-grade and 52.5-grade cement, which are extensively used in infrastructure construction including railways, highways, airports and hydraulic facilities as well as urban property development and rural markets. In addition, the Group produces and distributes special high-end cements such as cement for nuclear power generation, nonmagnetic cement, medium and low-temperature cement, among others, which earned a solid reputation in these markets. Cement for nuclear power generation is particularly used in nuclear power projects thanks to its small temperature and size change under heat. Nonmagnetic cement highly fits buildings that contain precision equipment, navigation and positioning system and other devices with higher requirements in relation to geomagnetic and electromagnetic interference.

“CONCH” has been recognized as Well-known Trademark by the Trademark Office of the PRC. The Group's products have been extensively used in big projects at home and abroad, such as Hong Kong International Airport, Beijing-Shanghai High-speed Railway, Hangzhou Bay Bridge, Shanghai International Financial Centre, Shanghai Pudong International Airport, Tianwan Nuclear Power Station at Lianyungang, Jiangsu, Burj Khalifa Tower at Dubai, San Francisco-Oakland Bay Bridge and The Empire Brunei. We are also one of the biggest suppliers for big projects in China. In 2019, we took part in cement supply

bidding for 161 important construction projects, including Nanyangjiang Intercity Railway, Changde-Yiyang-Changsha High-Speed Railway, Guiyang-Nanning High-Speed Railway, Changjinghuang Railway, among others. We won over 85% of the tenders for important construction projects. As at the end of 2019, we were still supplying cement to 112 important projects, including Shenzhen Metro, Fangchenggang-Dongxing Railway, Renzun Expressway, among others. The Company is also cooperating with many foreign partners. Its products have been exported to over 20 countries and regions including US, Europe, Africa, Asia, among others.



Case study

PT. OBSIDIAN STAINLESS STEEL (PT.OSS) is a Chinese-funded company. It is located in Sulawesi, Indonesia, and plans to build a nickel-iron smelter with a capacity of 2.5 million tonnes. Conch Cement Indonesia entered into cooperation with PT.OSS in November 2018. Under their cooperation, a number of plants in Indonesia will supply cement to PT.OSS. Indonesia entered a five-month rainy season from November. The seasonal rain and storms at sea caused great inconveniences to shipping and seaborne transportation of cement. Moreover, as the terminal of PT.OSS was yet to be completed, the unloading volume on terminal was limited. PT.OSS has a tight schedule for project construction. Every day's delay will cause additional construction costs. To address these problems, our team in Indonesia held many meetings to discuss supply, transportation and unloading of products. Centering on customers' demand, we worked out sound solutions and spared no efforts to ensure cement supply. Our Indonesian team strengthened planning of resources, and coordinated the cement shipments of each plant based on weather conditions. We also further expanded our logistics capability. We selected carriers with strong shipping capabilities

and high security, as well as vessels that are compatible with the terminal of PT.OSS, in order to ensure security of seaborne transportation and high efficiency in unloading. We also communicated with PT.OSS to learn its cement inventory and construction needs every day, thereby reasonably arranging shipment and ensuring timely and stable supply.

With the continuous deepening of cooperation, the excellent quality and strong supply capabilities of Conch Cement have been highly recognized by PT.OSS and project contractors, and we have become a preferred cement supplier for them. As at the end of 2019, they have purchased 236,000 tonnes of cement from Conch Cement, accounting for 90% of their total cement consumption. The cooperation helped Conch Cement win trust of partners, and brought new cooperation opportunities to Conch Cement. Jiangsu Delong Nickel Industry Co., Ltd., the second largest shareholder of PT.OSS, has inked the plan to cooperate with Conch Cement in new projects. Conch Cement has become the cement supplier for Delong Nickel Industry's Morowali Nickel Iron Project in Sulawesi, Indonesia.

Streamlining Management to Ensure Quality

To achieve the management goals of “pursuing clinker of high quality, cement of consistent quality and services of superior quality”, the Group built a three-level quality management system that has clearly-defined accountability and comprises the headquarters, regional departments and subsidiaries. The system enabled the Group to carry out bottom-up level-by-level reviews to assess the best raw material and cement ingredient supply plans. In addition, the Group has monitored every day, analysed every week and summarized every month to strengthen the supervision of the above plans’ implementation, and enhance subsidiaries’ ability to execute the above plans.

In terms of product quality management, the Group strictly controlled the quality of raw materials from the source of procurement, and maintained strict management of the production process. By doing this, the Group can track the quality of each batch of products back to the source. The product quality standard formulated by the Group is superior to the national standard. For subsidiaries and specific principals that fail to meet the Group’s quality standards, the Group will probe into such failure and impose necessary punishment. In 2019, the Group had no material quality incident.

The Group has used cutting-edge quality management technologies and equipment to further enhance quality control. The Group’s first smart quality control system was put into use in Quanjiao Conch in 2018. The system has integrated automatic sampling, sample transmission, online check, automatic check and smart ingredient supply. Users of the system can control the entire process in a smart manner by inputting orders with only one key. Such smart quality control system reduced employees’ burden by 30% and increased the test frequency by 50%, which enhanced the stability in product quality. In 2019, 5 subsidiaries of ours were in the process of building smart quality control systems, which are expected to be put into use in 2020. We look to fully use the smart quality control systems in the next 5-10 years. In 2020, we plan to build smart quality control systems in 9 subsidiaries.

The Group also introduced advanced management mode “Excellent Performance Mode” to realize standard and specific quality control, and comprehensively improve product and service quality. In 2019, “Excellent Performance Mode” was introduced into 61 subsidiaries.

The Group actively participated in the drafting, formulation and revision of national standards in order to promote high-quality development and lead the direction of cement industry. In 2019, the Group participated in the drafting, formulation and revision of the following standards: Light Sulphoaluminate Cement Concrete (GB/T 37989), Marine Sulphoaluminate Cement for Rapid Construction (GB/T), Cement-Based Binder for Interior Decoration (GB/T), and Cement Packaging Bag (GB/T).

The Group has implemented the strategy of boosting China’s development through superior product quality. We attached great importance to R&D and application of new products, and achieved good economic and social benefits while improving product quality. In 2019, we carried out the experiment of using mineralizer to improve the clinker strength, popularized the use of cement grinding aids, and obtained the provincial recognition of five new products, including Portland cement mixed with mineral powder, Portland cement produced with modified phosphogypsum, Portland clinker made with industrial waste residue and coal gangue, among others.

In 2019, 82 subsidiaries of the Group won 112 quality honors, including 78 accolades above the Excellence Award in the 17th Nationwide Cement Quality Comparison, 23 Excellent Laboratory Certificates, 4 products recognized as regional famous brands and 7 other quality awards.



Product Liability

Quality Control Accolades Won by the Group in 2019

Region	Award-Winning Entity	Award Name	Time	Organizations Granting Award
Anhui	Wuhu Conch, Tongling Conch, Zongyang Conch, Chizhou Conch, Huangshan Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Xuancheng Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Excellent Standardized Laboratory of National Cement Production Enterprises	May 2019	Quality Certification Management Center of Building Materials Industry
	Ningguo Cement Plant	Excellence Award in the 17th Nationwide Cement Quality Comparison under	October 2019	National Quality Supervision and Testing Centre for Cement
		Class A Standardized Laboratory of Anhui Cement Production Enterprises	November 2019	Anhui Cement Association
	Digang Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison under	October 2019	National Quality Supervision and Testing Centre for Cement
Zhejiang Region	Leqing Conch, Xiangshan Conch, Ningbo Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Jiande Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Excellent Standardized Laboratory of National Cement Production Enterprises	November 2019	China Building Materials Federation
	Taizhou Conch, Qiangjiao Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
Jiangsu Region	China Cement Plant	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Excellent Standardized Laboratory of National Cement Production Enterprises	December 2019	China Building Materials Federation
	Yangzhou Conch, Huai'an Conch, Yangwan Conch, Chuzhou Conch, Taicang Conch, Haimen Conch, Nantong Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Excellent Laboratory	December 2019	Jiangsu Building Material Industry Association
	Jining Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Outstanding Unit in Provincial Cement Product Quality Comparison, Verification and Check in 2018	March 2019	Shandong Cement Quality Supervision and Inspection Station
	Baling Conch	Excellent Laboratory	September 2019	Jiangsu Building Material Industry Association
	Beigu Conch, Zhangjiagang Conch	Excellent Laboratory	December 2019	Jiangsu Building Material Industry Association
Northern Anhui Region	Huaining Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Quality Award in Huaining Conch	April 2019	People's Government of Huaining County
	Lu'an Conch, Chaohu Conch, Bozhou Conch, Quanjiao Conch, Huainan Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Bengbu Conch, Changfeng Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Suzhou Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Excellent Standardized Laboratory of National Cement Production Enterprises	September 2019	China Building Materials Federation

Quality Control Accolades Won by the Group in 2019(Continued)

Region	Award-Winning Entity	Award Name	Time	Organizations Granting Award
Jiangxi Region	Yiyang Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Ganjiang Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Famous Brand in Jiangxi	December 2019	Jiangxi Famous Brand Strategy Promotion Association
	Jianyang Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Outstanding Unit in Comparative Verification in Fujian Province	October 2019	Building Material Industry Association of Fujian Province
	Ganzhou Conch, Fenyi Conch and Longnan County branch of Ganzhou Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Lushan Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Famous Brand in Jiangxi	December 2019	Jiangxi Famous Brand Strategy Promotion Association
Hunan Region	Shimen Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Excellent Standardized Laboratory of National Cement Production Enterprises	May 2019	Quality Certification Management Center of Building Materials Industry
		Excellent Quality Control Team in Hunan Province	September 2019	Hunan Provincial Market Supervision and Administration Bureau
	Linxiang Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Standardized Laboratory Certificate of Cement Production Enterprises	November 2019	China Building Materials Federation
		Gold Medal Chemical Analysis Expert (Ganjianxiang)	May 2019	China Cement Association
	Qiyang Conch, Shuangfeng Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Jianghua Conch, Hunan Conch, Shaoyang Yunfeng	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Lianyuan Conch	Excellent Standardized Laboratory of National Cement Production Enterprises	May 2019	Quality Certification Management Center of Building Materials Industry
		Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Yiyang Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Excellent Quality Control Team in Hunan Province	September 2019	Hunan Provincial Market Supervision and Administration Bureau
		Standardized Laboratory of Cement Production Enterprises (Excellent)	August 2019	China Building Materials Federation
Guangxi Region	Beiliu Conch	Special Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Fusui Conch, Xingye Conch, Xing'an Conch, Lingyun Tonghong	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Longan Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement

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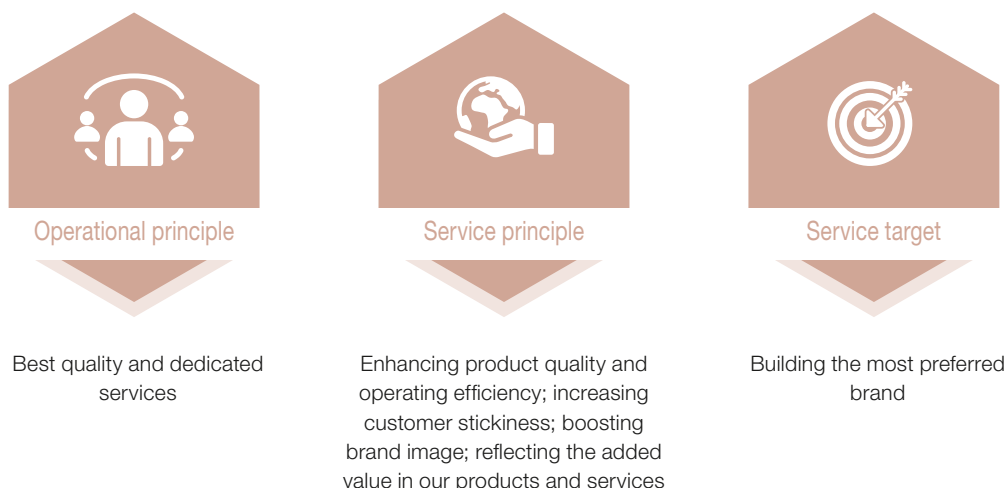
Quality Control Accolades Won by the Group in 2019(Continued)

Region	Award-Winning Entity	Award Name	Time	Organizations Granting Award
Guangdong Region	Jiangmen Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Qingxin Conch, Maoming Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Prosperity Conch, Yangchun Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Excellent Standardized Laboratory of National Cement Production Enterprises	November 2019	Quality Certification Management Center of Building Materials Industry
	Guangying Conch	Excellent Standardized Laboratory of National Cement Production Enterprises	August 2019	Quality Certification Management Center of Building Materials Industry
Sichuan and Chongqing Region	Guangyuan Conch, Liangping Conch	Special Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Chongqing Conch	Special Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Famous Brand in Chongqing	January 2019	Chongqing Famous Brand Association
Shaanxi and Gansu Region	Hami Hongyi, Qianyang Conch, Fenghuangshan Company, Jinlinghe Company	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Liquan Conch, Linxia Conch, Qianxian Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Pingliang Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
		Famous Brand in Gansu	June 2019	People's Government of Pingliang City
		Standardized Laboratory Certificate of Cement Production Enterprises in Gansu Province	September 2019	Gansu Building Materials Research and Design Institute Co., Ltd
Yunnan Region	Wenshan Conch	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
Guizhou Region	Tongren Conch, Anlong Conch, Zunyi Conch	Overall Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement
	Guiding Conch, Guiyang Conch, Shuicheng Conch, Liukuang Ruian	Excellence Award in the 17th Nationwide Cement Quality Comparison	October 2019	National Quality Supervision and Testing Centre for Cement



Optimizing Customer Experience and Creating A Top Brand

The Group strives to deliver the best customer experiences to customers and heed customers' needs to continuously optimize our services.



In order to optimize customer experiences, all domestic subsidiaries of the Group have established e-commerce platforms to facilitate customers' purchase. As of the end of 2019, we have amassed 37,800 online customers, and total value of online transactions reached RMB 81 billion during the year, representing 74% of the revenue from self-manufactured products. All our subsidiaries have promoted the use of supply, marketing and logistics systems where customers can directly place orders online, get cards and queue and weigh cargos at the delivery factory on their own. Such system reduced customers' wait time in taking delivery and significantly boosted the efficiency in shipment. Moreover, to further enhance customers' purchase experience, the Group introduced the cloud marketing system in 37 subsidiaries in 2019, which realized digitization for the entire sales processes.

In terms of sales services, the Group strived to build itself as the most preferred brand, and further standardize and systematize our service systems. In 2019, we build the three-level telephone inquiring mechanism comprising the "headquarters, regional departments and subsidiaries", as well as related supporting systems, in order to understand customers' needs, address customers' problems and improve customer satisfaction. In 2019, the Group upgraded 400 National Customer Service Hotline cloud-based call center, in order to provide customers with all-round services using information and smart technologies. During the year, the Group has upgraded the phone customer service system to enable the full coverage of customer inquiries.

In terms of customer privacy protection, the Group has entered into confidentiality terms with customers and signed "Non-Disclosure Agreement" with sales staff, which have clearly defined duties and responsibilities of related parties, so as to effectively protect customers' privacy and business secrets.

In terms of compliance management in sales, the Group has established a supervision system for compliance in sales. Through calling back customers and assessing customers' comments on e-commercial platform, we allow customers to take part in the Company's sales management and supervision. The Company diligently inspected and took disciplinary action against any violation of the Company's sales policy or employee irregularity detected by customers. We also announced the results of such inspection or disciplinary action. We attached great importance to employee training and focused on building a service-oriented sales team. Through the three-level training system of headquarters, regional departments and subsidiaries, the Group continuously improved the business capability and service level of sales staff, and enhanced their comprehensive quality. In 2019, the Group's headquarters organized more than 20 centralized trainings to cover all sales staff. Moreover, all regions and subsidiaries organized and carried out special trainings for sales staff on a monthly and quarterly basis.

In terms of building and maintenance of the "Conch" brand, all subsidiaries have carried out a wide range of publicity activities of "selling to many customers and ensuring supply", in order to effectively promote our customer policy of "openness, fairness and impartiality", and enhance the brand reputation of the "Conch" brand. Moreover, the Group diligently investigated any infringing or counterfeiting activity that has violated the Company's trademark right and consumer's right of information, or damaged the market order. Related parties were held accountable. By doing this, we protected brand image of "Conch" as well as consumers' rights and interests. In 2019, the Group participated in more than 120 anti-counterfeit operations, and helped seize 925 tonnes of counterfeit and shoddy cement and 12,000 packs of fake "Conch" cement.

08

Anti-Corruption

Corruption activities can seriously damage corporate image and our interests, and are not conducive to creating a market environment for fair competition. The Group has zero tolerance for any corruption, business bribery or any other illegal behaviour. We have robustly pushed forward the construction of a clean Party organization, promote business integrity, and strengthen the supervisory & audit function, thereby creating a clean atmosphere at the workplace.





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Enhancing Internal Control and Compliance Management

The Group strictly abided by the laws and regulations of PRC as well as overseas regions where it operates project. The Group has set up an internal control system and disciplinary inspection and supervision institutions at all levels, built sound corruption prevention system, and formed a systematic supervision and management mechanism. The Company's anti-corruption policy is applicable to all employees, and comprehensively oversees the economic transactions between the Company, suppliers, customers, engineering and construction units, and other related parties.

The Board of the Company is responsible for risk management and internal control. The internal control system covers all major processes related to production and operation, and is also responsible for compliance management and risk control, thereby controlling risks in operation and development. The Group has put in place supervisory & audit office, which is responsible for daily internal risk monitoring and compliance management, with a focus on key processes in production and operation. Regular supervision and inspection were conducted as to key areas and positions with high possibility of corruption. Moreover, effective risk control practices were incorporated into all bidding and tendering activities of the Company, ensuring that the Company's business activities are compliant and no fraud will take place.

The Group further stepped up the employee trainings on business ethics, integrity and compliance, in order to build a strong compliance culture. In 2019, the disciplinary inspection and supervision department in the headquarters developed training materials on integrity, and distributed such materials to all subsidiaries. The headquarters organized 21 anti-corruption and integrity training courses to educate 7,402 employees at key positions. Subsidiaries also continuously held integrity and compliance trainings for 26,200 employees under the planning and arrangement of the headquarters.

The Group has built a smooth reporting and whistle-blowing channel. Employees, suppliers, customers and the public can report corruption, bribery, or any other offence or irregularity by calling the Company's phone number dedicated for disciplinary violation reporting. We have put in place standardized processing procedures in the principle of "hierarchical responsibility and assigning tasks to dedicated office and personnel". We investigated and verified the clues and employee backgrounds involved in the reporting, and kept the information of reporting employees in strict confidential. In 2019, the Company processed 35 reporting and whistle-blowing cases, and 100% of these cases were settled within required period. Depending on nature of the reported matters, we carried out notification, admonishment, organizational enforcement and disciplinary punishment against related people. In 2019, no serious corruption, bribery or unfair competition took place within the Group.

Widening Audit Scope and Boosting Risk Resistance

The Group has established a sound internal audit system, which has been instrumental to the compliance and risk management of the Group. The Company has refined the audit management, established an internal audit talent pool, adhered to the working principle of "Prevention coming first", conducted daily and special audits on subsidiaries regularly, and disclosed the deficiencies of subsidiaries in production and operation management. We also promoted the building of risk prevention and control system, and constantly widened the audit scope to cover the production, sales, procurement, environmental management and other areas, in order to make our audit more holistic.

In 2019, the Group carried out 61 internal audits, identifying 888 flaws that require rectification. The headquarters urged all subsidiaries to formulate rectification measures and report the rectification results monthly, thereby forming a closed-loop internal audit management model.





Constructing a Clean Party Organization and Building an Integrity-Based Corporate Culture

The Group has continuously integrated Party building into its corporate culture. We have promoted the construction of a clean Party organization and fully enforced the responsibilities of the Party committee. We also strengthened the grassroot Party organizations, and stepped up education of leaders, cadres and key employees that are party members, thereby preventing corruption. Meanwhile, the Group gives full play to the supervising role of the Disciplinary Inspection Commissions at different levels, and enhanced the supervision and restriction of powers. In accordance with the principle of “Prevention in advance, supervision in process, and punishment followed”, we have guarded against gradual creeping corruption through integrity training and caution talks. We took severe actions against corruptions, bribes and other offences or irregularities that were confirmed, in order to ensure compliant and lawful commercial activities.

In 2019, the Company signed Liability Statement in respect of Clean Party Organization Construction with 104 grass-root organizations. In addition, the Company signed Liability Statement in respect of Overseeing Construction of Clean Party Organization with 104 disciplinary organizations. Apart from anti-corruption and anti-bribery efforts, the Company's disciplinary inspection committee also carried out special inspection on work style, which examined subsidiaries' use of the Company's vehicles, business entertainment, travel expense reimbursement, among others. Disciplinary inspection units in each region also conducted sample inspection on work style of subsidiaries in such region. Through such linked activities from the top to the bottom, the Group oversaw, managed and greatly improved work styles across its operations.

09

Construction of A Harmonious Community

The Group is committed to building a harmonious community and enabling community stakeholders to share benefits of our development. Through targeted poverty alleviation, participating in charity causes, providing community services and supporting reconstruction of disaster-stricken areas, the Company actively performed social responsibilities, gave back to the society and realized its social value.





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Facilitating the Targeted Poverty Alleviation and Building a Harmonious Society

Poverty alleviation is crucial to the well-being of the public, as well as the harmony and stability of the society. It is also essential for building a moderately prosperous society in all respects. The Group implemented China's poverty alleviation policies, established a long-term mechanism to realize targeted poverty alleviation and elimination, focused group-wide efforts on poverty alleviation, adapted to local conditions, united forces from top to bottom, and made contribution to poverty alleviation.

In 2019, the Group persistently improved the quality and efficiency of poverty elimination work through refined management, strengthened institutional guarantee, as well as established a three-level linkage mechanism for assistance. The mechanism was coordinated by the Party committee, promoted by functional departments and implemented by poverty

alleviation teams. The poverty elimination team researched and provided guidance to regions for many times that we are designated to help. By doing this, we provided strong organizational guarantee for poverty elimination. We insisted on helping the poverty-stricken regions to solve the key bottlenecks that restricted local economic development, improving local infrastructure and public services, and improving local people's life quality. The poverty alleviation team dispatched by the Company took root in the front line of poverty alleviation in the long run, and contributed a lot to local poverty elimination using their rich grassroot work experience. Based on local economic and social conditions, the local subsidiaries have taken various measures to promote local poverty elimination and economic development.

Case study

Conch Cement lifted local people out of poverty and boosted their income

In Jianglaojia Village, Lixin County, Bozhou City, there were 17 villager groups, 2,050 households and 7,361 villagers in total, of which 386 households and 1,090 people were registered as poverty-stricken residents. The village is one of the administrative villages with the highest poverty-stricken population in Lixin County. We started alleviating poverty in the village since 2016, and assigned three grassroot poverty alleviation employees with rich experience to form a poverty alleviation team that was stationed in the village. Moreover, Conch Cement provided financial assistance and materials to help Jianglaojia Village improve public facilities such as schools, nursing homes, clinics, among others. We also rebuilt roads in the village and supported local industrial development. By the end of 2019, the poverty rate in Jianglaojia Village has decreased from 15.61% to 0.15%.

The local public facilities have been improved significantly. The quality of local people's material and cultural life has been greatly enhanced. We made material achievements in the poverty alleviation work.

Moreover, the Company also actively participated in poverty elimination in Yuanwei Village, Chalu Town, Huoqiu County, Lu'an City; Wangjiang County, Anqing City and Jinniu Village, Quantang Town, Wuwei County, Wuhu City, among others. In 2019, the Company donated 5,500 tonnes of cement to support and improve local public facilities, actively alleviated poverty through industrial support and education, visited poverty-stricken households and provided volunteering services, thereby showing the Company's humanistic care for residents.



Case study

Liangping Conch helps needy families in pairs

Employees of Liangping Conch volunteered to help 7 local poverty-stricken households. They developed detailed assistance plans based on the specific situation of each household, visited these households every month to help them study China's national poverty alleviation policy, and discussed with these households on ways of improving living conditions and increasing income. After the visits, these employees organized seminars to find ways to address the difficulties of these poverty-stricken households, and work out more concrete assistance plans. These employees also provided material assistance to other needy people. They joined hands with other employees to help needy people harvest crops and reduce heat amid the hot summer. They also helped repair farmhouses and aged wires, delivering Conch Cement's care and warmth to those in need.

China is planning to achieve the goal of building a moderately prosperous society in all respects, and secure a landslide victory in the country's battle against poverty in 2020. Conch Cement will take poverty alleviation as the mission assigned for the new times, and dedicate itself to the national poverty alleviation cause with high sense of responsibility and resolute execution. We will proceed with the targeted poverty alleviation, and focus on improving public facilities and services, as well as alleviating poverty through industrial support and education. We will further refine and crystallize our poverty alleviation work, and effectively improve the infrastructure and life quality in poverty-stricken regions, thereby jointly creating a happy and harmonious society.

Supporting Charity and Giving Back to Communities

We deeply understand that community resources are indispensable to enterprises' development, and the well-beings of enterprises and community members are closely connected to each other. It is a social responsibility for a company to create better lives for community members. We have kept giving back to the society with a thankful attitude. Moreover, Conch Cement's employees actively participated in charitable activities across the world, and worked with the public to build harmonious communities.

Case study

Ningguo Cement Plant supported reconstruction of disaster area

In August 2019, the No.9 typhoon "Lekima" caused floods and landslides in Ningguo Region. Many roads and farmhouses were seriously damaged, and farmlands were flooded. Communication, transportation, as well as supply of water and electricity in some severely-hit villages and towns were interrupted, and some people were trapped there. According to incomplete statistics, nearly 100,000 people were affected, 384 kilometers of roads were damaged, 270 locations suffered geological disasters, 144 bridges were destroyed, and over 1,100 houses collapsed. The typhoon caused huge economic losses. After the disaster, Ningguo Cement Plant under Conch Cement donated 10,000 tonnes of cement to the disaster area for reconstruction at the earliest opportunity. Moreover, Ningguo Cement Plant's employees responded actively and raised RMB130,000 to support the disaster area. They also volunteered in their off-duty time to help residents in the disaster area. They carried relief materials and cleaned up the disaster area. By doing this, they helped people in the disaster area rebuild homes.



Construction of A Harmonious Community

Case study

Volunteers from Pingliang Conch cared for children in charity home

On 24 May 2019, volunteers from Pingliang Conch paid a visit to children at Pingliang Charity Home for Children. They talked and played with the children, and brought books, stationeries and daily necessities to these children, so that these children can feel the festival atmosphere and the society's care and love. The visit was short and wrapped up soon, but volunteers' love for these children continued. They followed up on needs of these children and were ready to help them at any time when necessary.

Case study

Tongren Conch took many measures to increase villagers' income

Tongren Conch is located in Hexi Village, Bijiang District, Tongren City, Guizhou Province. The local economy is backward, and the incomes of villagers are low. In order to improve the income and living conditions of villagers, Tongren Conch has carefully studied and formulated a variety of assistance measures. In 2019, Tongren Conch hired over 40 poverty-stricken villagers and arranged detailed and systematic job trainings for them. At present, their annual income exceeded RMB80,000. Their own efforts and the platform provided by Tongren Conch helped these villagers get out of poverty. In its procurement, Tongren Conch gave priority to vegetables, meat and other agricultural and sideline products produced by nearby villages, thereby helping villagers increase income. Tongren Conch also donated books and school supplies to help poor students and local charity homes.



Case study

Hunan Conch donated money to help students

To promote development of local education, Hunan Conch held a donation activity on 23 March 2019. Employees responded actively and donated RMB108,000 to local community. Employee representative said to the community that it is everyone's duty to help children get better education and studying environment. Employee representative pledged that Hunan Conch will continue to pay attention to children's studying environment and help them as much as possible.



Case study

Free blood donations organized by Tongling Conch

Free blood donation has been a glorious tradition of employees in Tongling Conch. Blood supply becomes tight every winter. To address the problem, Tongling Conch organized blood donation. Employees have actively signed up to participate in the donation, delivering their love to those in need. On 16 January 2019, more than 50 employees of Tongling Conch came to the blood station in the downtown area of Tongling City to donate blood. After strict health checkups, they donated more than 12,000cc blood voluntarily.

Going Abroad and Demonstrating New Commitment to Social Responsibility of Chinese Enterprises in the New Era

Conch Cement is one of the first Chinese cement companies that went abroad. Internationalization has become a key development strategy of the Group. We have operated in many countries along the route of "Belt & Road Initiative", including Indonesia, Burma, Laos, Cambodia, Uzbekistan, among others. We insisted on win-win cooperation, advocated international cooperation in advanced capacity, and promoted local economic and social development. We respected the culture and customs, and performed social responsibilities in overseas countries, thereby building good friendship with local people.

In Indonesia, we organized charitable and donation activities on the occasion of local traditional festivals. We also cared for local underprivileged class. We provided them with living materials and financial assistance, helped poor students complete their education, and gave excellent students the opportunities to study in China. In Myanmar, we actively organized donations to promote local education, and donated materials to the poverty-stricken households. In Laos, we carried forward the humanitarian spirit and sent volunteers to participate in rescue for major local traffic accident at the earliest opportunity. Similarly, in Cambodia, Uzbekistan and all other countries and regions where Conch Cement has taken root, our employees have been serving local communities with concrete actions, which demonstrated the new commitment of Chinese enterprises in the new times.

Case study

Kalimantan Conch supported local education

To promote the development of educational sector in Tanjung Tabalong, Kalimantan Conch established the "Conch Scholarship" in 2018, in order to help students from poor families in nearby villages complete their education. After visiting nearby villages in 2019, we provided financial assistance to 10 students, and helped them finish schools. In addition, Kalimantan Conch coordinated resources of many parties, and communicated with local educational authorities to support 7 excellent high school graduates' studies in China. We also helped these students obtain tuition waiver and other benefits.



Case study

Luang Prabang Conch participated in rescue for major traffic accident

A Laos tourist bus carrying 44 Chinese tourists and two Laotians fell off a cliff on its way from Vientiane to Luang Prabang on August 19, 2019. Under the organization of China Embassy in Laos, Luang Prabang Conch immediately organized manpower and materials to support the rescue. We took part in the whole process of rescue and rehabilitation work. Moreover, our employees voluntarily pacified and took care of the injured, and helped receive the families of the injured. Luang Prabang Conch was highly recognized by the public for its rescue efforts. On September 6, the Chinese Consulate-General in Luang Prabang, Laos organized a rescue work summary conference for the "Laos 8.19 major traffic accident", on which Luang Prabang Conch was presented the honorary certificate of "Brave Deeds".

Case study

Papua Barat Conch and Sumatera Utara Conch celebrated Lesser Bairam with local villagers

Lesser Bairam is a global Islamic festival to celebrate the end of Ramadan. It is also the most important festival in Indonesia, like the Spring Festival for Chinese and Christmas for westerners. On the day, every family in Indonesia will make food and share the food with others. On the eve of the festival, local people will give food to poor people in charitable moves. Taking root in Indonesia for many year, Conch Cement has been fully integrated into local culture. In June 2019, before Lesser Bairam, Papua Barat Conch prepared various local foods, which were given out to nearby villagers. By doing this, employees celebrated the festival together with local villagers. Sumatera Utara Conch also distributed foods to nearby villagers and orphanages on Lesser Bairam.



Looking into 2020

2020 marks the last year for building a moderately prosperous society in all respects and implementing the “Thirteenth Five-Year Plan”. The PRC government will adhere to the main theme of “making steady progress while maintaining stability”, coordinate the epidemic prevention and control and the economic and social development, and continue to embrace new development concepts. Continuing to pursue supply side structural reform as the main task and draw strength from reform and opening up, the central government will promote high-quality economic development, resolutely win the three tough battles, comprehensively keep employment, the financial sector, foreign trade, foreign and domestic investments, and expectations stable, and minimize the impact of the epidemic, striving to achieve the goals of economic and social development for the year.

In 2020, Conch Cement will thoroughly implement the concept of high-quality development. To meet the requirements of “greening industry, intelligent factories, and digital management”, we will increase the development and application of new technologies, accelerate the transformation of innovation achievements, and fully promote the building of intelligent factories, thereby continuously strengthen the Company's core competitiveness and building the Company into a world-class company with global competitiveness.

In 2020, Conch Cement will continue to shoulder the social responsibilities laid upon the Company in the new era, continuously establish and improve the social responsibility management system, create and develop the “sharing economy”, and join hands with the government, customers, suppliers, employees, investors and the community to relentlessly and tirelessly create a new chapter.



Appendix I Comparison of major indicators of Conch Cement in the past 3 years

Major indicator	2019	Year-on-Year change	2018	2017
Clinker capacity (100 million tonnes)	2.53	0.01	2.52	2.46
Cement capacity (100 million tonnes)	3.59	0.06	3.53	3.35
Aggregates capacity (10,000 tonnes)	5,530	1,660	3,870	2,890
Revenue from principal operations (RMB100 million)	1,481.14	19.60%	1,238.41	735.92
Payment of taxes (RMB100 million)	206.45	23.16%	167.63	105.25
Total sulfur dioxide (tonne)	8,854	-38.72%	14,448	15,900
Emission concentration of Sulfur dioxide (mg/m ³)	14.31	-41.11%	24.3	33.98
Total nitrogen oxides (tonne)	135,453	-3.91%	140,972	135,800
Emission concentration of Nitrogen oxides (mg/m ³)	243.64	-12.04%	277	304.4
Total particulate matters of major outlets (tonne)	7,531	-24.93%	10,032	14,300
Concentration of particulate matters of major outlets (mg/m ³)	9.27	-18.00%	11.34	12.14
CO ₂ emissions equivalent (100 million tonnes)	1.997	0.048	1.949	1.95
CO ₂ emission concentration per tonne of clinker (tonne)	0.8404	-0.39%	0.8437	0.855
Total coal consumption (10,000 tonnes)	3,500	2.94%	3,400	3,300
Physical coal consumption per tonne of clinker (kg)	142.97	-0.98%	144.39	144.76
Total electricity consumption (100 million kWh)	154.5	1.64%	152	145
Comprehensive electricity consumption per tonne of cement (kWh)	76.41	-4.09%	79.67	79.58
Total diesel consumption (tonne)	93,873	-0.14%	94,000	96,500
Diesel consumption per tonne of cement (kg)	0.32	-5.88%	0.34	0.37
Total water consumption (100 million tonnes)	1.25	10.62%	1.13	1.37
Water consumption per tonne of product (tonne)	0.52	5.25%	0.49	0.59
Total cement package bags used (tonne)	87,062	-2.97%	89,723	/
Package bags used per tonne of cement (kg)	1	0%	1	1
Total residual heat power generation (100 million kWh)	86.27	4.20%	82.79	81.56
Total domestic waste treated by cement kilns (10,000 tonnes)	181.48	43.00%	126.91	94.6
Total number of employees (person)	47,486	0.66%	47,176	44,165
Including: Under 30	21%	Decreased by 10 percentage points	31%	34%
30-40	42%	Increased by 3 percentage points	39%	39%
40-50	31%	Increased by 7 percentage points	24%	22%
Above 50	6%	Flat year-on-year	6%	5%
Overseas employees	3,922	20.64%	3,251	1,700
Number of suppliers	4,298	40.87%	3,051	3,009

Appendix II GLOSSARY

Terms	Definitions
Greenhouse Gases	Includes carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF ₆).
Nitrogen Oxides (NO _x)	Includes a number of compounds such as nitrous oxide (N ₂ O), nitric oxide (NO), nitrogen dioxide (NO ₂), dinitrogen trioxide (N ₂ O ₃), nitrogen tetroxide (N ₂ O ₄) and dinitrogen pentoxide (N ₂ O ₅), etc. Except for NO ₂ , all other NO _x variants are extremely unstable and, when exposed to light, moisture or heat, are liable to converting into NO ₂ and NO, and then from NO into NO ₂ . Therefore, the gas to which workers are exposed to in the working environment is usually a mixture of several types of gas, which is called smoke (gas) and is mainly comprised of nitric oxide and nitrogen dioxide, with nitrogen dioxide being the main component. Nitrogen Oxides are all toxic to a varying degree.
Pure low-temperature Residual Heat Power Generation	Power generation using the residual heat of medium-and-low temperature waste gas discharged from the emission ends of the kilns of the cooling machine, with no fuel consumed or pollutants produced.
Denitration Technology	A technical measure to prevent excessive emission of NO _x from the combustion process within the cement kilns for the purpose of environmental protection by reducing the amount of NO _x and eliminating the NO _x in the flue gas.
Desulphurization Technology	A technical measure to prevent excessive emission of SO ₂ from the combustion process within the cement kilns for the purpose of environmental protection by reducing the amount of SO ₂ and eliminating the SO ₂ in the flue gas.
Electric dust collector	A dust collecting device to separate particulates from flue gas by electrostatic force.
SNCR	Selective non-catalytic reduction, a process of converting nitrogen oxides in the flue gas to non-hazardous nitrogen gas and water by injecting reductants into the “temperature window” for denitration reactions without using a catalytic agent.
SCR	Selective catalytic reduction, a process of selective reaction of reducing agents such as ammonia with NO _x under the action of a catalyst to generate N ₂ and H ₂ O.
Carbon Capture and Storage (CCS)	A process where the CO ₂ captured is treated through desulphurisation, purification, compression, dehumidification and liquefaction and then sold to the market for reuse.
Domestic waste treatment technology with the use of cement kilns	A technology for treatment of urban domestic waste by using the high temperature of the cement kilns, and is an ideal alternative to traditional landfill treatment method that takes up large area of lands and results in environment pollution. This technology is the first of its kind in the world, which, without classification of wastes, enables degradation of dioxins without producing any undesirable odours and allows solidification of heavy metals and purification of sewage at the same time.
Cement grinding aid	A chemical admixture, the addition of a small amount of which in the cement grinding process can improve the grinding efficiency
Ceramic ball	A cement grinding medium composed mainly of aluminium oxide and a small amount of microelements which improves performance and enhances toughness; lighter and harder compared with steal balls, capable of reducing mill load.

Appendix III DISCLOSURE INDEX

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspect	Description		Section	Page
A. Environment				
A1: Emissions	General Disclosure Information relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer. Note: Air emissions include NO _x , SO _x and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		4	13
	KPI A1.1	The types of emissions and respective emission data.	4.1	13
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1	16
	KPI A1.3	Total hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	note	note
	KPI A1.4	Total non-hazardous wastes produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	note	note
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	4.1	14
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	note	note
A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used for production, storage, transportation, buildings, electronic equipment, etc.		4.2	17
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	4.2	17
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2	17
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	4.2	17
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.2	20
	KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	4.2	17
A3: Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		4.3	21
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.3	22

Note: The Group does not produce hazardous waste during the production and operation process and the non-hazardous waste generated is treated and reused in the cement kiln. Therefore, this indicator is not applicable.

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Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspect	Description		Section	Page
B. Society				
B1: Employment	General Disclosure Information relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		5.4	38
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	5.1	27
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	5.1	27
B2: Health and Safety	General Disclosure Information relating to providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		5.2	31
	KPI B2.1	Number and rate of work-related fatalities.	5.2	31
	KPI B2.2	Lost days due to work injury.	-	-
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.2	32
B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external programs paid by the employer.		5.3	36
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	-	-
	KPI B3.2	The average training hours completed per employee by gender and employee category.	5.3	36
B4: Labour Standard	General Disclosure Information relating to preventing child and forced labour: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		5.4	38
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.4	38
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.4	38

Appendix III DISCLOSURE INDEX

Subject areas, aspects, general disclosures and Key Performance Indicators (KPIs)			Index	
Aspect	Description		Section	Page
B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		6	41
	KPI B5.1	Number of suppliers by geographical region.	6	42
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, as well as how they are implemented and monitored.	6	41
B6: Product Responsibility	General Disclosure Information relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		7	46
	KPI B6.1	Percentage of total products sold or shipped subject to recall for safety and health reasons.	-	-
	KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	7	50
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	7	50
	KPI B6.4	Description of quality assurance process and product recall procedures.	7	46
	KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	7	50
B7: Anti-corruption	General Disclosure Information relating to bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.		8	53
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	-	-
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	8	53
B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		9	57
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	9	58
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	9	60

