



# 2019 SOCIAL RESPONSIBILITY REPORT OF WEST CHINA CEMENT

## **INTRODUCTION**

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### **REPORTING PERIOD**

This Report is an annual report and is the fourth report since the first Social Responsibility Report was issued by West China Cement Limited in 2017 (for the reporting period from January 1, 2016 to December 31, 2016).

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### **TIME RANGE**

The reporting period is from January 1, 2019 to December 31, 2019 (hereinafter referred to as the "Reporting Period" ), and some content was moderately extended to the period before 2019.

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### **REPORTING RANGE**

Economic, environmental and social performance of West China Cement Limited and its affiliated companies.

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### **DATA DESCRIPTION**

The data used in this Report comes from official documents, financial reports, statistical reports and news media of the Company. All content has been reviewed by the Company's management, competent departments and subordinate factories (companies). The Board of Directors and all directors of the Company ensure that there are no false records, misleading statements or major omissions in this Report, and they are jointly and severally liable for the authenticity, accuracy and integrity of the content.

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### **APPELLATION DESCRIPTION**

In order to facilitate expression and reading, "West China Cement Limited" is also referred to as "West China Cement" , "the Company" or "we" and its affiliated companies in this Report (collectively referred to as "the Group" ). "Yao Bai Special Cement Group Co., Ltd." is a subsidiary indirectly and wholly owned by the Company, which is referred to as "Yao Bai" in this Report.

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### **REFERENCE BASIS**

Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hong Kong  
Guidelines for the Preparation of Corporate Social Responsibility Report of China Cement Industry issued by China Cement Association  
ISO 26000: Guidance on Social Responsibility (2010) issued by International Organization for Standardization  
Sustainability Reporting Guidelines (G4) issued by Global Reporting Initiative  
AA1000 Series Standards issued by the Institute for Social and Ethical Accountability

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### **ACCESS TO REPORT**

This Report is written in Chinese and English and is published in both printed and electronic versions. You can browse the electronic version of this Report on the website of West China Cement or Yao Bai Special Cement Group or the Stock Exchange of Hong Kong (<http://www.westchinacement.com>, <http://www.yaobo.com.cn> or <http://www.hkexnews.com>). For a hard copy of this Report, please contact the Office of West China Cement.

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# 01 Address



West China Cement CEO Ma Weiping  
Chairman of YaoBai Group

2019 marks the joyous year of the 70th anniversary of the founding of the People's Republic of China, and a crucial year to secure a decisive victory in building a moderately prosperous society in all aspects and promote the 13th Five-Year Plan. West China Cement sticks to developing itself in conformity with the overall development of the country. Starting from a local small factory with production capacity of less than 10,000 tons in 1991, West China Cement has experienced ups and downs under the market tide and industry competition. From struggling for survival to starting a prairie fire through a single spark and breaking through the bottleneck of resources, capital and development, relying on the unique advantages of resource layout and the integrated operation mode of cement and commercial concrete, the Company makes efforts to build the ability of "leading regional market and driving development with innovation", quicken industrial transformation and upgrading, and expand industrial connotation and extension.

2019 is an important milestone in the development history of the Company. West China Cement initiated international strategy in all aspects, officially established and operated West International Holding, stably operated the main business of cement, gradually grew all functional business segments and pushed forward the integration work of industrial chains such as commercial concrete. With high-quality development as our main line, the Company firmly grasped production and operation management and extension of industrial chain and stably developed various businesses in new segments. It made dramatic breakthroughs in Moyu, Tongchuan 10,000-ton production line capacity replacement projects and multiple major investment projects and obtained partial results in transformation and upgrading and structural adjustment, thus scaling new height in operation performance of the Group.

In the process of achieving the mission of a world-class building materials industry leader, West China Cement knows the importance of fulfilling social responsibility very well. It actively responds to the national policies for energy conservation and emission reduction, generalizes the co-disposal of solid wastes with cement kilns, takes the initiative to interfere in the disposal of social solid wastes, air and water pollution, and transform into an environment-friendly enterprise. At the same time, the Company is committed to promoting the R&D and application of new products, new materials and new technologies, exploring opportunities for intelligent cement manufacturing and industrial chain extension, and driving corporate sustainable development.

In 2019, the Company participated in public charity events as always, cared for needy employees through "Employee Mutual Fund"; donated cement products, boosted poverty alleviation efforts, played the role of "Shaanxi Yao Bai Public Welfare Foundation for Students and helped needy students complete study. It also continued to improve the employee occupational health and safety management system, carried out safety training in combination with online and offline modes, conducted knowledge contests, emergency drills and production safety month, etc. In addition, it safeguarded the safety and physical and mental health of each employee and improved the safety management level through various forms of publicity and education, safety management and improvement of working conditions.

In the future, West China Cement will go with the current of the times and the market, take the initiative to fulfill its social responsibility, speed up the pace of transformation and innovation, and work with all interested parties to continue to drive sound and sustainable development in the cement industry.

## 02

# About West China Cement

### Company profile

West China Cement Limited (stock code 2233. HK) is a large group company dedicated to cements, new building materials and industrial investment. Its wholly-owned company Yao Bai Special Cement Group Co., Ltd. is located in No. 336, Shenzhou 4th Road, Space Base, Chang'an District, Xi'an, Shaanxi. Yao Bai Group has over 50 subsidiaries distributed in Shaanxi, Xinjiang and Guizhou. Ranking the 13th among listed companies in cement industry in China, the 62nd among top 100 enterprises in Shaanxi, it's the largest building materials enterprise in Shaanxi and even Western China.

The Company owns complete marketing network and sound after-sales service system with products available in Shaanxi, Khotan, Yining of Xinjiang, Huaxi of Guizhou and widely used in expressways, railways, airports, bridges, tunnels water conservancy projects, oil wells, gas wells and other national key engineering projects and urban-rural building market.

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### Vision

To become the leading enterprise with excellent performance, fast growth and social responsibilities in cement industry.





### National uniform brand

Yao Bai Cement

### Business area

Shaanxi, Xinjiang and Guizhou, etc.

### Cement production capacity

29.2 million tons

### Company culture

Put people first, cast high-quality products, make continuous innovation, catch up with and surpass top companies

Achieve self-independence, make every effort to develop the enterprise, forge ahead in an innovative and enterprising spirit and transcend ego

Seek common prosperity, achieve win-win situation, reflect life value and serve the society

Adhere to integrity management, offer products with high quality and low price, provide sincere services and become the industry leader

### Main products

Grade 42.5 cement, Grade 52.5 cement, as well as sulphate resistant cement, medium and low heat cement, road cement, oil well cement, nuclear power cement, ordinary sulpoaluminate cement, marine sulpoaluminate and other special cement.

### Project cases

Xi'an Metro Line 2 and Line 4, Highway Tunnel of Qinling Zhongnan Mountain, Lushi-Luanchuan Expressway and reorganization and expansion of G312 Xi'ang-Zhenba Expressway, Kholbolji-Ji'an Railway, Yinchuan-Xi'an High-speed Railway, Hanjiang to Weihe River Project, Xunyang Power Station, Zhen'an Power Station and Xi'an Outer Ring, etc.

## Key business data indicators from 2017 to 2019

## Economic indicator

Statistical indicator	Unit	2017	2018	2019
Turnover	RMB/Thousand yuan	4,760,038	5,911,744	7,247,389
Pre-tax profit	RMB/Thousand yuan	974,206	1,632,111	2,243,801
Annual profit	RMB/Thousand yuan	726,196	1,180,463	1,849,529
Total assets	RMB/Thousand yuan	11,671,939	12,392,057	14,579,813

## Human Resources Indicators

Statistical indicator	Unit	2017	2018	2019
Total number of employees	Person	4455	5174	5750
Employee training coverage	%	100%	100%	100%
Social insurance coverage	%	94	94.5	above 95
Total number of female managers	Person	38	50	69
Number of research personnel	Person	0	29	31

## Customer and partner indicators

Statistical indicator	Unit	2017	2018	2019
Customer complaint handling	%	100	100	100
Product yield	%	100	100	100

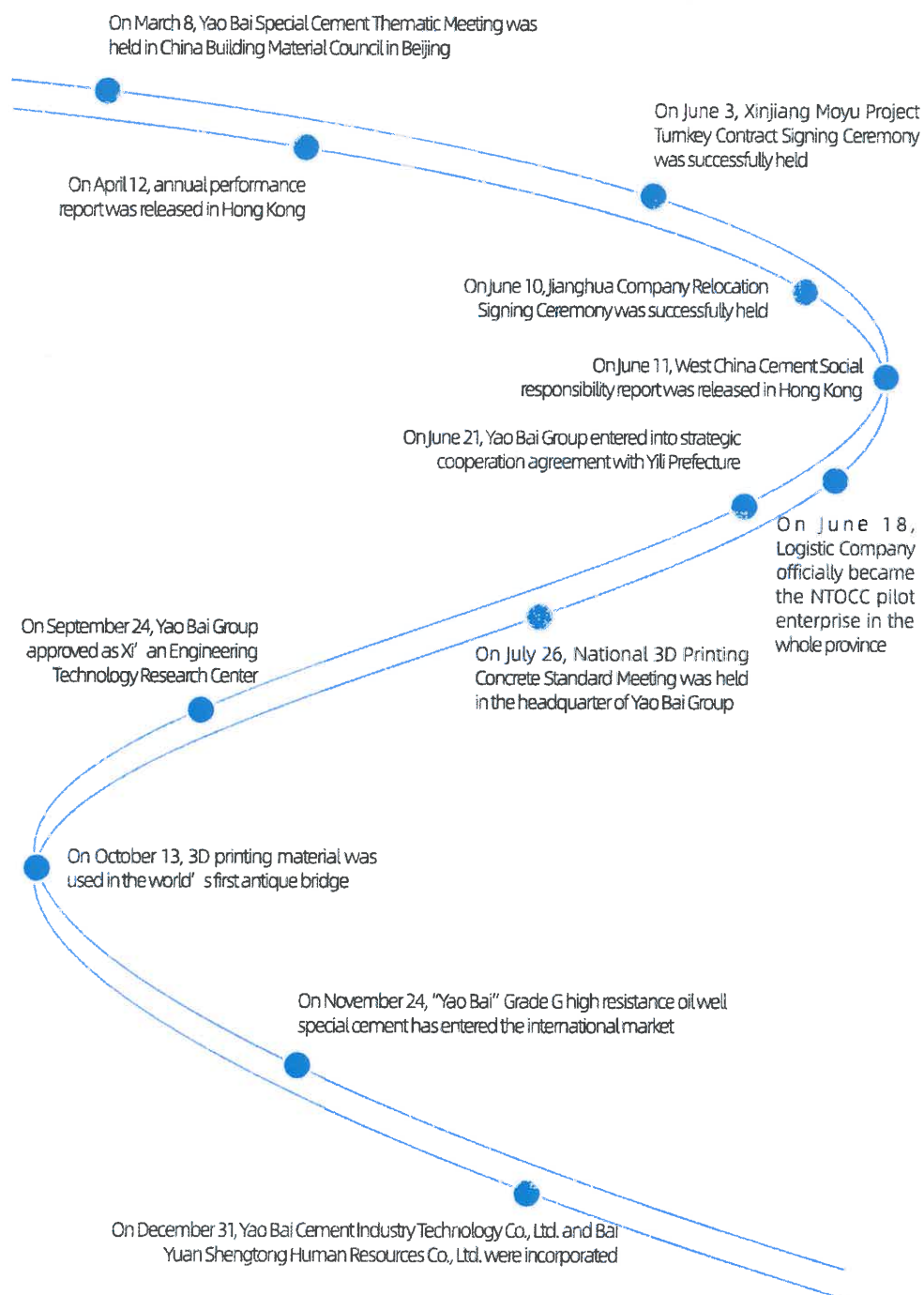
## Safety Index

Statistical indicator	Unit	2017	2018	2019
Safety training	%	99.33	100	100
Number of safety emergency drills	Time	132	204	268
Number of safety management personnel with certificates	Person	92	143	186

## Environmental indicator

Statistical indicator	Unit	2017	2018	2019
Aggregate energy consumption	Million Tons	142.1	142.9	150.4
Packaging material consumption	Ton	11768	10183	10230
Aggregate consumption of comparable clinker	kgce/t	107.77	107.04	105.11

## West China Cement in 2019





## Social responsibility Honor of the year



▲ On April 27, Yao Bai Group won the second prize of technical improvement award in building materials industry nationwide



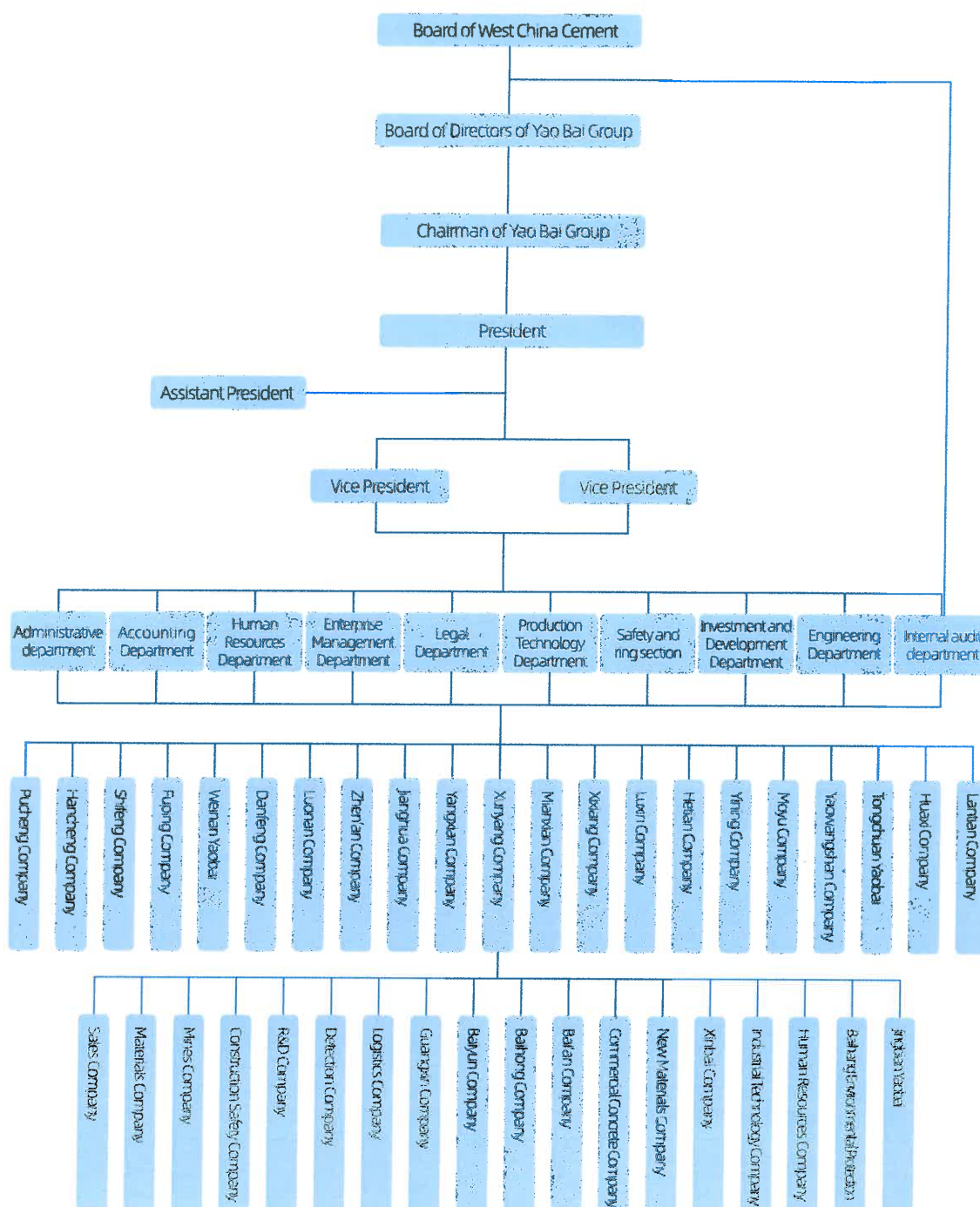
▲ On August 28, Yao Bai Group won excellent cultural building award in building materials industry nationwide



▲ On December 12, R&D Company 3D printing materials project won technical innovation award



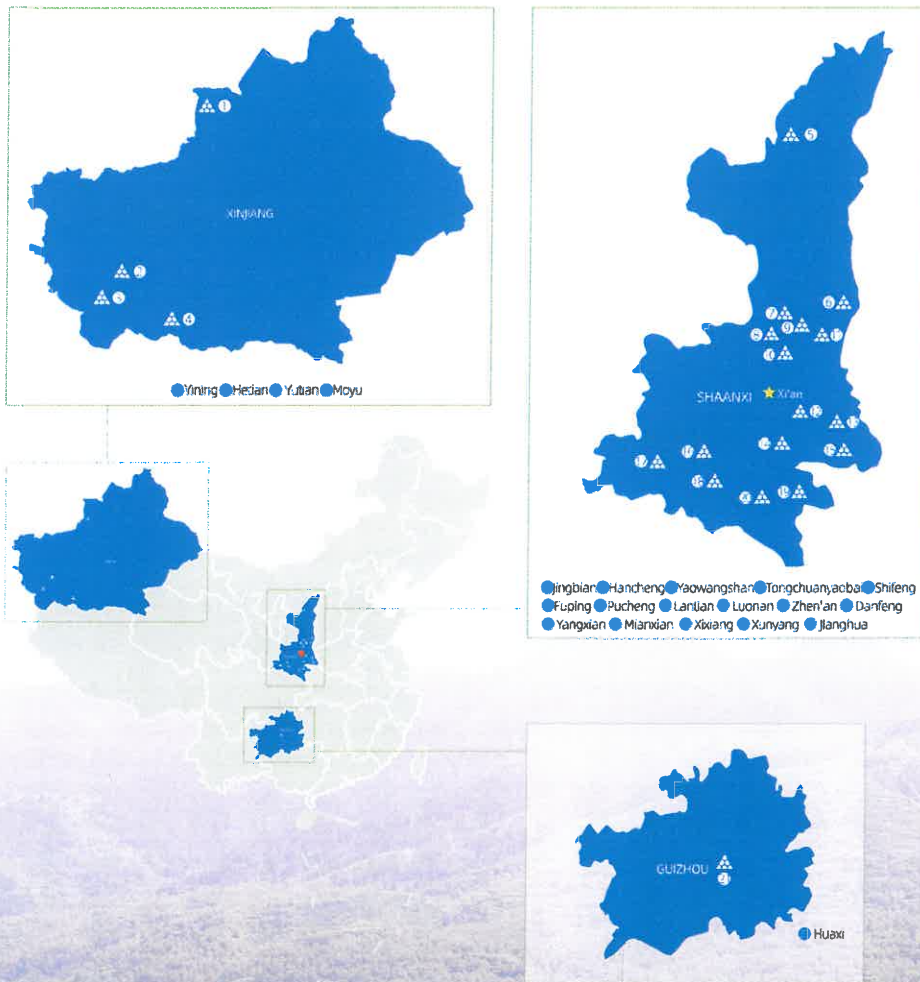
## Organizational structure



## Business layout

Relying on the complete railway and highway logistics network, our products are mainly sold in Shaanxi, Guizhou and Xinjiang.

As of the end of 2019, the Company has a total of 21 production bases, 23 new dry cement production lines, 18 automatic commercial concrete production lines and 8 aggregate production lines (some are under construction), with a cement production capacity of 29.2 million tons, clinker production capacity of 19 million tons, aggregate production capacity of 15.1 million tons, and concrete capacity planning of 20 million m<sup>3</sup>.





## Management team

Board of Directors of West China Cement	
Zhang Jimin	Executive Director and Chairman of the Board of Directors
Ma Weiping	Executive Director and CEO
Ma Zhaoyang	Non-executive Director
Liu Yan	Non-executive Director
Fan Changhong	Non-executive Director
Lee Kong Wai Conway	Independent Non-executive Director
Tam King Ching Kenny	Independent Non-executive Director
Zhu Dong	Independent Non-executive Director

## Industry organization contribution

Organization name	Position of Yao Bai Group
World Cement Association	Founding member
Global Concrete and Cement Association	Member
China Cement Association	Vice President Company of the Council
China Building Material Council	Member
World Cement Sustainability Initiative	Member
Shaanxi Cement Association	President Company of the Council
Shaanxi Provincial Building Materials Federation	President Company
Shaanxi Association for Comprehensive Utilization of Resources	Vice President Company
Shaanxi Association of Enterprise Credit	Member
Shaanxi Province Emergency Management Council	Vice President Company
Shaanxi Provincial Council for Energy Conservation and Emission Reduction	Member of the Council
3D Printing Branch of CCPA	Vice President Company
Xi'an Association of enterprises with foreign investment	Vice President Company
Shaanxi Federation of Industry & Commerce	Member
Special Cement Concrete Engineering Materials Branch of CCPA Rotating	President Company of the Council





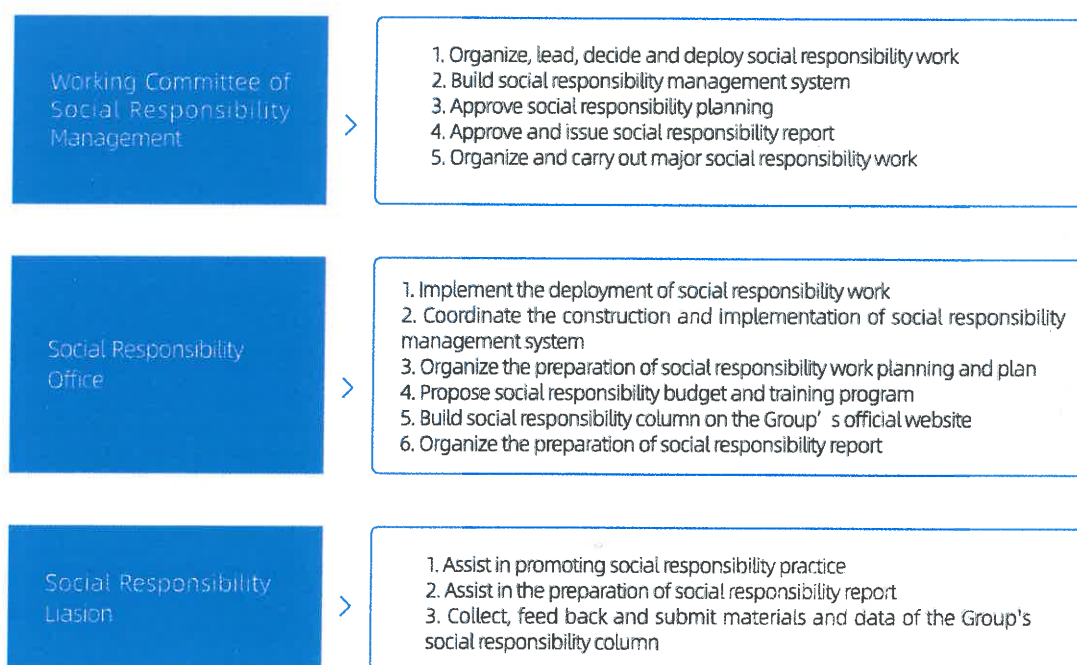
## COMPLIANCE MANAGEMENT

The Group continues to improve the corporate legal affairs management system, and established a legal counsel system for unified leadership and hierarchical management, which enabled legal review of major decisions, material contracts of the Group, rules and regulations affecting the Group through various forms; combined with the actual situation of the Group, special legal training in contract management, system compliance, labor employment, bidding and tendering and listing rules, etc. were arranged from time to time so as to ensure that the compliance keeps ringing the alarm bell.

## RESPONSIBILITY GOVERNANCE

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 Working Committee of ESG Responsibility Management, 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 set up the Working Committee of ESG Responsibility Management led by senior management and participated by middle management; the Office of the Working Committee is composed of the Office of the Secretary of the Board of Directors, relevant departments and representatives from subsidiaries that have significant impact on the Group's environment, society and governance, and is mainly responsible for the implementation of the decision-making and daily work of the Committee; in the Office, the person in charge of social responsibility liaison is responsible for conveying and communicating group strategies and concrete measures in environment, society and governance, and collecting data and feeding back opinions.



In 2019, we strictly carried out the requirements of Social Responsibility Management Committee, competent authority of the industry and the guide for enterprises to fulfill social responsibility, gradually improved the social responsibility management system, explored and promoted the practice of social responsibility, actively carried out social responsibility research, issued social responsibility reports, improved the Company's ability and level of fulfilling responsibility with practical actions, and laid a solid foundation of responsibility management for the Company to achieve sustainable development.



## RESPONSIBILITY STORY

With the tide of reform and opening up, an enterprise has developed and grown in Shaanxi Province, which has developed from a small cement factory in Pucheng County with production capacity of less than 10,000 tons to a large cement group with annual production capacity of 30 million tons. Starting from a local small factory with less than 100 employees, it has developed into a modern industrial enterprise with more than 6,000 employees. In the past, it had suffered a loss of nearly RMB 1,000,000.00 yuan, but now it has achieved an annual output value of nearly RMB 10,000,000,000.00 yuan, and it is known as Yao Bai Group. Under the strong leadership of the Board of Directors, Yao Bai group adheres to the profound foundation and the culture of great momentum of Shaanxi Province. After four decades of development, it has successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited, and has become a miracle of the development of China's cement industry. Under the Party's policy of reform and opening up, a brilliant pearl in the west is shining.

Since the reform and opening up, China's cement production capacity and technology and equipment manufacturing level have jumped to first class in the world due to the rapid economic growth. However, there are also some problems that can be found in China's cement industry, such as lack of brand power and brand awareness and lack of complete brand strategy, etc.

With rapid development, the management team of West China Cement realizes that regional resource and market monopoly will be gradually broken in the context of global economic integration, and it is difficult for domestic cement enterprises to continue to rely on the advantages of price war and resource control. Therefore, implementing effective brand strategy, strengthening brand maintenance and management and taking the road of products with characteristics will become an important topic for the Group to enhance its core competitiveness and meet market opportunities and challenges.

At the beginning of 2014, in order to build a differentiated brand marketing model and make full use of the symbolic and differential characteristics of brand marketing to achieve brand premium, Yao Bai Group has started the initial preparation of brand strategy and developed the Implementation Measures for Brand Construction. Relevant departments of the Company have went deep into the four areas covered by the business, established a set of brand construction evaluation mechanism based on the principle of market orientation and total involvement, opened up the channel construction and network construction, evaluated the effect of previous construction activities, and detected the existing problems and deficiencies, so as to constantly improve the brand image and market position of Yao Bai in the market. After more than five years of brand building, "Yao Bai Cement" has greatly improved its popularity and influence, and has been widely recognized by customers and distributors.

In the tide of market economy, the Company actively responds to the call of the Company and enthusiastically participates in the technology reform and innovation of the enterprise. In the face of difficulties and challenges, Yao Bai Group is fearless, pools the wisdom and efforts of everyone, looks for the truth and is practical, has overcome all technical difficulties, and developed various special cement products with stable quality that can effectively seize the market.

So far, "Yao Bai Cement" has its own independent and stable famous brand products, opening a new chapter of national uniform brand. In addition, West China Cement has also taken an important step in leading industry brand and meeting market opportunities and challenges.

“Only going our own way with product and brand characteristics can we avoid the fierce market competition, develop high-end products and achieve sustainable corporate development.”

——Zhang Jimin, Chairman of the Board of West China Cement.





## INFORMATION DISCLOSURE

In order to ensure shareholders to fully exercise their legitimate rights, West China Cement has set up an investor relations department, which is dedicated to providing investors and market participants with consultation and latest information. We also welcome shareholders and investors to contact the Company via letter, phone or e-mail to inquire or give advice, so as to improve the transparency of the Group and strengthen corporate governance. In addition, we timely release important corporate information through the website of the Stock Exchange of Hong Kong and the official website of the Company, so that all shareholders are equally and timely informed; we also provide investor relations reports to the senior management on a regular basis.

In addition, the Company participates in different activities on a regular basis, including major investors' meeting, non-deal road shows and other communication activities with investors and market participants, so as to increase the opportunities for shareholders and investors to contact with the Company.

The Company keeps in touch with shareholders and other investors through different channels, so that shareholders and other investors can get to know the performance, strategy, prospect and business environment of the market where the Company is. We believe that the value of shareholders will be improved through continuous, stable, clear and efficient communication.

## ANTI-COMMERCIAL BRIBERY

Corruption violates business ethics, damages corporate image, and is not conducive to building a market environment for fair competition. In fact, the Group strictly complies with the Anti-Money Laundering Law of the People's Republic of China to maintain financial order, carries out business activities strictly in accordance with the relevant requirements of the Anti-Unfair Competition Law and the Interim Provisions on the Prohibition of Commercial Bribery. It adheres to the people-oriented principle, and constantly strengthens professional ethics and integrity and self-discipline education for employees.

On the issue of anti-corruption, it takes a firm stand, resolutely corrects all kinds of bad practices, punishes corruption with a zero tolerance attitude, constantly enhances the ability of cadres to achieve self-purification, self-improvement, self-innovation and self-enhancement, vigorously pushes the education of clean politics, implements the compliance culture, continues to publicize and implement the "four stresses and four guidelines for strengthening the style, carries out the "integrity and self-discipline theme education activity" , and organize all management to sign the Integrity Commitment. In addition, it also builds a clean working atmosphere, urges the management personnel at all levels to set an example, manage themselves and lead the team, continuously enhance their quality and strengthen their conviction, so as to respect the law and discipline and exercise their power honestly. In 2019, none of the members of the Group has found any cases of corruption, bribery, blackmail, fraud and money laundering, etc.

## 04

# Advance with the times for green development

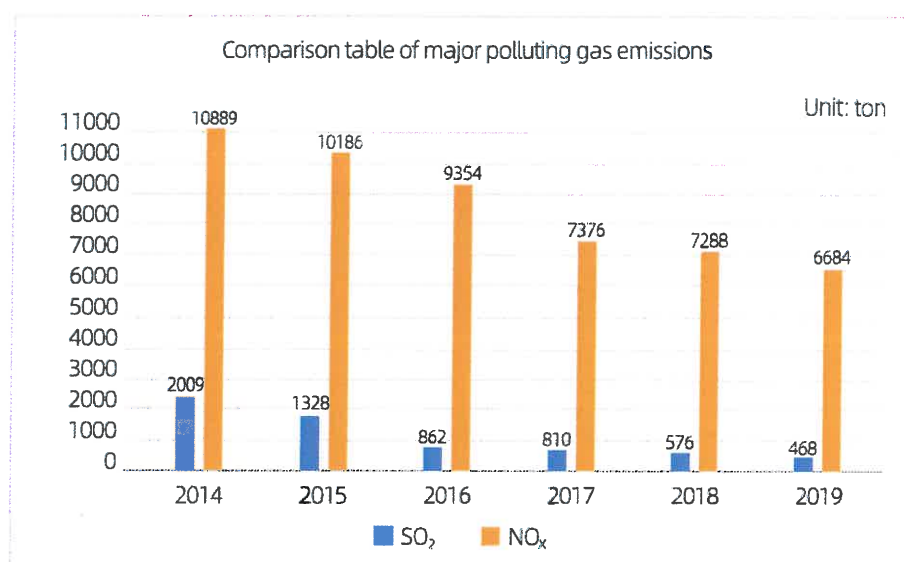
The Group promotes the whole process quality management to provide customers with high-quality products and services; stresses the safety and environmental protection in the production process, pays attention to the life cycle environmental protection, actively promotes energy conservation and emission reduction, strengthens environmental protection control, explores renewable energy, and develops circular economy. In addition, it also further promotes energy conservation and emission reduction and works with others to build and upgrade intelligent cement factories, so as to drive the enterprise to accelerate transformation and development with innovation.





### STRENGTHEN ENVIRONMENTAL MANAGEMENT

The Group strictly follows the regulatory requirements of "Environmental Protection Law of the people's Republic of China" and "Emission standard of air pollutants in cement industry". In 2019, the accumulated emission of SO<sub>2</sub> in 21 production bases of the group reached 467,767 tons, the accumulated emission of NO<sub>x</sub> reached 668,354 tons with emission density of 0.032 kg/ton of clinkers, 0.455 kg/ton of clinkers. In the year, the Group has not encountered any excessive emission of air pollutants and environmental pollution accidents.



SO<sub>2</sub> emissions: 2014-2019 (tons) = 2009, 1328, 862, 810, 576, 468.

NO<sub>x</sub> emissions: 2014-2019 (tons) = 10899, 10186, 9354, 7376, 7288, 6684.



Investment in  
safety production

About 37.95  
million yuan

Total investment  
in environmental  
protection

About 60 million  
yuan

Cogeneration

of 395 million  
KWH

In strict accordance with national and local greenhouse gas control policies, the Group is dedicated to cut the emission of greenhouse gases through technical transformation, process upgrading and comprehensive utilization of resources. In 2019, the emission of carbon dioxide calculated according to GHG Accounting Guidelines for Cement Industry was 1308.58 tons and the emission of carbon dioxide per ton of output was 0.91 tons.

#### CARRY OUT ENERGY CONSERVATION AND EMISSION REDUCTION IN A DEEP-GOING WAY

The Group has invested about RMB 70,000,000.00 yuan to carry out pollution control and emission reduction in a deep-going way, and further improve the risk management capacity of pollutant emission. It has carried out staged combustion transformation in seven companies and complete closure of all corridors in the plant, built clinker warehouse, provided forwarding roads and loading and unloading ports with mist cannon spray system, and stored all materials in sheds and warehouses. In 2019, sulfur dioxide emission was 88.75 tons and nitrogen oxidation emission was 563.75 tons less than that in 2018, respectively. The three rates of operation of online transmission facilities will reach up to 90%, and the rate of reaching the standard will be 100%. In addition, the Group promotes ultra-low emission technology transformation, so that the nitrogen oxide of Shifeng, Pucheng and Lantian will be stable within 100mg/m<sup>3</sup>.

#### IMPROVE ENERGY EFFICIENCY

The group makes statistics on the consumption of resources in the production process strictly in accordance with the system of Supervision and Management of Energy Conservation and Emission Reduction, so as to evaluate the operation performance of the base and improve the utilization rate and economic benefits of energy and resources. In addition, the Company adheres to the high-standard application of new technology and equipment. The cement production base is equipped with waste heat power generation system, and the pure low-temperature waste heat power generation system can convert the waste heat generated in the cement production process into electric energy, so as to improve the energy utilization efficiency. In 2019, the Company's waste heat power generation equipment generated a total of 395 million kWh, with the economic benefits of RMB 104,000,000.00 yuan. According to the same standard for thermal power generation, it can save 158,000 tons of standard coal, equivalent to reducing the emission of 42,400 tons of carbon dioxide, 1346,000 tons of SO<sub>2</sub> and 11,710 tons of NO<sub>x</sub>, and it has produced a significant effect on energy conservation and emission reduction. In 2019, the big data analysis system of energy management and control will achieve on-site dual flow communication to solve the problems at the production site and effectively change the passive situation of incomplete energy management and control and lagging energy management and control.





### COMPREHENSIVE UTILIZATION OF RESOURCES

In accordance with national industrial development policies, the "13th Five-year" Development Plan for Comprehensive Utilization of "Three Wastes", local economic development and industrial development trend, based on the basic requirements on "three wastes" of cement industry, the Group actively responded to the call of the country in building "resource-economical and environment-friendly" society, resolutely implemented the basic national policy of resources saving and environmental protection, targeted the efficient and cyclic utilization of resources and implemented the resources usage policy of "reduce, reuse and recycle" in all aspects of production and operation. In strict accordance with the requirements of advanced technology, low energy consumption, low pollution, investment control, with the economic mode run by natural ecosystem materials circulation and energy flow, the Group underpinned the future development for future generations while maximizing economic value of the enterprise. Within the reporting period, the Group consumed a total of 208.68 tons of coals with coal consumption of 145.66 kg per ton of clinkers; consumed electricity of 1,411,219,486 KWH with power consumption of 76.07 KWH per ton of cements; consumed diesel of 0.0195 tons for ignition with diesel consumption of 0.01 kg per ton of diesel.

### APPLICATION OF SUBSTITUTE CRUDE FUEL

In 2019, our Company consumed raw coals of 208.68 tons with coal consumption per unit output of 109.17 kg standard coal/ton. Our Company actively cooperated with scientific research institutes and business partners in researching and finding substitute fuel that can effectively replace coals and electricity. In 2019, our Company formulated detailed substitute materials usage evaluation system and usage flow, took into full consideration the influence of the usage of substitute materials on quality and composite cost so as to make the application more standardized and meet the needs of quality and cost of products and form a favorable situation of breakthrough in multiple aspects and all-around prospering. A total of 7 million yuan of costs were saved throughout the year. Through practice, in modified ardealite, fluorgypsum and solid wastes from smelting plants, a total of 17.67 tons of substitute crude fuel were used and 2.16 tons of standard coals were saved. Through the above measures, the Company brought direct benefits for the production and operation of enterprise, effectively disposed of the part of solid wastes and protected ecological environment.



Xunyang Tubular Belt Conveyor Corridor

### IMPLEMENT GREEN TRANSPORTATION

In order to protect the green mountains and blue waters, achieve the first-class goal of dust collection, and solve the problem of limestone transportation, the Group has invested in the construction of a 7.8km belt corridor connecting the limestone mine and the production base. The project was commenced in May 2007, climbing seven mountains and crossing the Han River and the Coldwater River. Based on the annual transportation of 2 million tons of limestone, compared with automobile transportation, the belt conveyor project saves 1,850 tons of standard coal, reduces the emission of 47,000 tons of carbon dioxide and lowers the cost by RMB 24,000,000.00 yuan every year.

### PROMOTE MINE REFORESTATION

Yao Bai Group attaches great importance to mine reforestation and always focuses on ecology, environmental protection, safety and resource conservation and utilization to promote the harmonious development between humans and nature. In 2019, it invested RMB 150,000,000.00 yuan to continue to push green mine construction. The green area of the mine is 189,000 m<sup>2</sup>, the green area of the outsourcing unit is 139,000 m<sup>2</sup>, the reforestation area of the mine company is 50,000 m<sup>2</sup>, and 127,900 plants such as moor besom, parthenocissus tricuspidata and ligustrum lucidum and 18,500 trees such as platycladus were planted. As a result, the green mine construction has achieved remarkable results, which has been unanimously praised by governments at all levels for many times.

Total investment of green mines reached **150** million yuan

Total area of mine greening reached **189,000** square meters

Total number of plants reached **146,000**





### UP-TO-STANDARD DISCHARGE AND RECYCLING OF SEWAGE

While the Group does not encounter any issue in sourcing water that is fit for the Group's purpose, the Group attaches great importance to the protection of water resources, advocates water conservation and cycling use of water, and disposes of domestic wastewater for in-plant afforestation or up-to-standard discharge. The water in the waste heat power generation system and production cooling water system is recycled, achieving zero discharge of sewage in all subsidiaries. After sewage treatment, it is used for watering the green belts and roads in each plant area, and the domestic sewage discharged is regularly detected to ensure that it is discharged up to standard. In 2019, the Group, relying on the advanced water-saving technology, promoted the application of water-saving devices in an all-round way, and took various measures to dispose sewage, so as to reduce unnecessary water consumption and improve the utilization rate of water resources. The annual total water consumption was 10.68 million tons, and the water consumption per unit product was 0.59 tons.

### INTENSIFY DUST CONTROL

The Group strictly carries out the dust management in the production and manufacturing process, and requires its contractors to install dust collectors for the platform punchers to collect the rock powder in bags or cover with dust screens, which greatly reduces the flying dust. In addition, it specially provides the special mist cannon trucks for Fuping, Shifeng, Yangxian, Zhen' an, Pucheng, Danfeng, Weinan Yaobai and other mines to achieve wet loading; it also provides the spray system for the ore transport road and mining platform of Zhen' an Branch to effectively control flying dust.

### SCIENTIFIC DISPOSAL OF GARBAGE AND SOLID WASTE

While the Group does not produce any hazardous waste and non-hazardous waste, the Group adheres to the principle of "harmonious development between humans and nature", promotes the disposal of urban solid waste in central Shaanxi Province, disposal of mining slag in southern Shaanxi Province and disposal of industrial smelting waste in production bases with more developed industry. Throughout the year, the consumption of urban construction waste (waste bricks and tiles) and all kinds of mining tailings (molybdenum mine and lead and zinc tailings) and industrial smelting waste (steel slag, copper slag, fluorgypsum and ardealite, etc.) totaled 4.3528 million tons in the two major sections of raw meal correction materials and cement mixture, with a year-on-year growth of 6.48%. Therefore, it achieved the harmonious development of different industries and urban construction.

Treatment of urban solid waste reached **4.353** million tons

Solid waste treatment increased by **6.48%**

Industrial residue of **4.088** million tons were consumed



## CONSUME INDUSTRIAL SOLID WASTE AND MAKE COMPREHENSIVE USE OF RESOURCES

The Group pays high attention to the comprehensive use of resources in the production process, actively consumes industrial waste, reduces the environmental pollution caused by industrial solid waste and turns waste into wealth, and has achieved significant social benefits. In fact, the Company has developed a strategic plan for solid waste disposal, which is now in a critical period of national environmental governance. For enterprises that actively implement national environmental protection policies, they will also be strongly supported by the government. Various industrial solid waste, construction waste and urban waste are known as "persistent diseases" in environment governance. For the building materials industry, it is imperative to do a good job in the disposal of all kinds of solid waste. As the saying goes, "scientific and technological progress is the primary productive force", so that relying on advanced technology is an important measure to promote environmental protection. The Group can achieve high production capacity and low energy consumption with the help of technological progress, dispose of hazardous waste with new technology, turn waste into wealth, produce high value-added products, and build a new circular economy industry chain related to the industry.

In view of the current situation that a large amount of land is occupied by the construction solid waste piles generated in the development and construction of Xi'an and its surrounding areas, the Company has started the experimental research on urban construction solid waste since 2007. It has now been widely used in production, and the Group can consume about 100,000 tons of urban construction waste for Xi'an every year. In 2019, the Group consumed 4.0877 million tons of industrial waste.

## DISPOSE OF DOMESTIC SEWAGE TO REDUCE THE HARM OF LANDFILL

The Group actively promotes the technology of co-processing domestic garbage with cement kilns, which requires no sorting for the garbage to be disposed of. It makes full use of the high temperature in the combustion process of cement kilns to degrade dioxin, without odor diffusion. It can solidify heavy metals and simultaneously dispose of sewage to achieve the "harmless, reduced and recycling" disposal of garbage, which effectively solves the problems of land occupation and secondary pollution caused by traditional waste disposal methods such as landfill and open burning, and creates good economic and social benefits. As a result, it has become one of the advanced technologies for China's cement industry to develop circular economy and build green environmental protection industry.

## GREEN OFFICE

The Group constantly advocates the concept of green development in daily operations, and calls on the staff to jointly build a resource-intensive and environment-friendly enterprise. The Company promotes OA and ERP office system and advocates paperless office; strengthens office equipment management and reduces energy waste; recycles plastic and paper to reduce waste during production; advocates public transport, bicycle and walking instead of private cars.

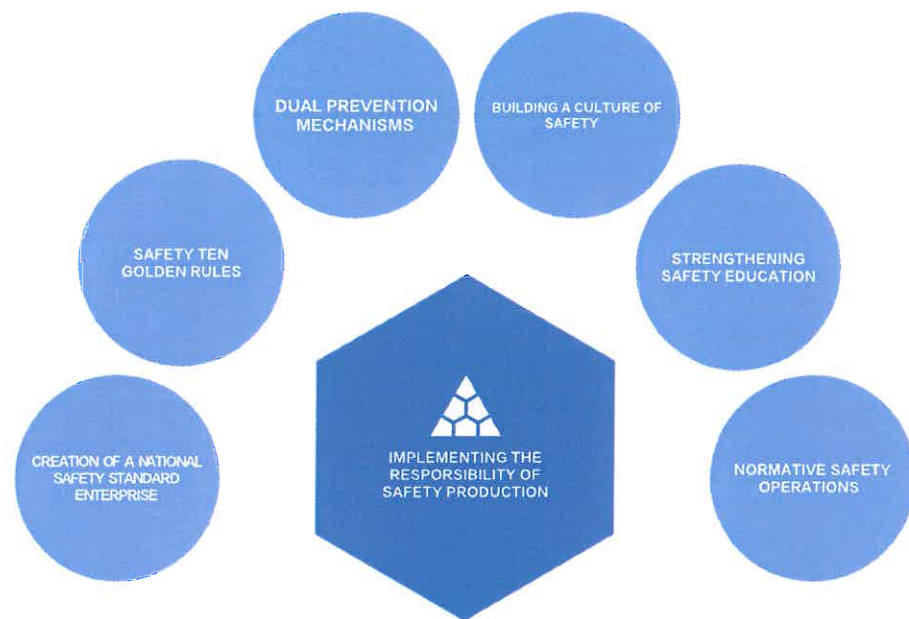




# 05 Standardized production to put safety first

Safety is the guarantee of enterprise development, the cornerstone of family happiness and the source of social harmony. Safety is the premise of production, which runs through the whole production process. Safety production is an important premise of the operation and management of the group company, and also a key work that the group company always pays persistent attention to.





### SAFETY PRODUCTION MANAGEMENT SYSTEM

A well-established safety management system is an important guarantee for the sustainable development of enterprises. The Group takes "Law of the people's Republic of China on production Safety laws" and "Regulations of Shaanxi Province on work safety" regulations and standard specifications as criterion, benchmarks the advanced level, establishes and improves the safety management system, and forms a safety management system with characteristics of Yao Bai.

All subsidiaries of the Group established Work Safety Committees with general manager serving as the director of the Committee and taking charge of the work safety management of the company. Meanwhile, safety and environmental protection supervision department was established as the professional management department for safety with department safety management responsibilities clarified. The daily safety work was directly reported to the general manager. Through implementing the Assessment Rules of Work Safety Goals Management Liability Statement and Assessment Implementation Measures for Work Safety Goals Management Liability Statement, all subsidiaries built the atmosphere to involve all staff members in the building of safety system and organized all staff members to sign the work safety goals liability statements.

The cement companies subordinate to the Group have established a double control system; Fuping, Danfeng and Huaxi have reached the first-level safety standardization review conditions; and 12 cement manufacturers have passed the second-level safety standardization. Through the construction of double control and standardization system, it has improved the intrinsic safety level, and achieved the improvement in the comprehensive strength of safety management.

### OCCUPATIONAL HEALTH AND SAFETY GUARANTEE

In order to further optimize the safety of the working environment, The Group has deployed and carried out special campaigns for safety in different situations, such as limited space, dust-related

explosion, non-coal mine, hazardous operation and transportation, etc., so as to check and identify the limited space again, improve the measures for safety protection and emergency rescue, and enhance the occupational protection standard and level of limited space; entrusted professional organizations to make safety technology diagnosis on the coal powder preparation system of 8 cement manufacturers, and improved the electrostatic discharge and fire control facilities; installed online monitoring system for high and steep slopes over 200m in Shifeng and Fuping, and achieved the function of slope risk early warning; carried out on-site approval and special supervision for dangerous operations, and used multimedia technology for real-time monitoring, so as to timely stop and correct violations; and actively carried out occupational health checkup, testing and publicity to improve the ability of occupational safety protection.

## SAFETY PROCESS CONTROL

### CONSOLIDATE SAFETY MANAGEMENT RESPONSIBILITY

The Group has organized all employees to sign the safety target and safety commitment, further strengthened the self-discipline awareness of employees, and implemented the system that leading cadres shall participate in the pre-shift meeting, lead employees to take safety oath, stress the key points of operation safety, and guide employees to abide by the rules and guidance.

### IMPLEMENT DYNAMIC SAFETY CONTROL

The Group attaches great importance to safety supervision. For safety managers, they carry out safety supervision on site in 80% of the office hours, establish the safety operation management system and create a WeChat group for safety, so as to immediately report and rectify the safety hazards; install "China Coal Pilot Navigation and Positioning Monitoring System" on logistics vehicles to monitor if the drivers have unsafe behaviors in real time, such as fatigue driving, speeding and closer following distance.

### IMPROVE THE ABILITY TO PERFORM SAFETY DUTIES

Yao Bai Group has developed and issued the Safety Admonition System and Special Safety Campaign System for Three Violations, and carried out special supervision and inspection on violation of rules and regulations and performance of duties. Safety admonition has been conducted with 4 general managers and 15 middle-level cadres who failed to perform their duties in order. Through special supervision and inspection, safety discipline and work style has been well regulated, and the safety awareness and the ability to perform their duties of the staff has been improved.







### SAFETY HONOR

In 2019, The Group thoroughly implemented General Secretary Xi Jinping' s socialist thought with Chinese characteristics in the new era and the spirit of important instructions for safety production, strictly implemented the work arrangements of governments at all levels, and effectively implemented the entity responsibility of enterprise safety. In 2019, Yao Bai Group passed the year-end safety target responsibility assessment organized by the Department of Emergency Management of Shaanxi Province, with the score ranking first; Shifeng and Mianxian (subsidiaries of the Company) also passed the acceptance of Shaanxi' s dual demonstration enterprises, with the score ranking first and second, respectively; Mianxian and logistics companies won the honorary title of advanced unit of municipal safety production.

### CONTRACTOR SAFETY MANAGEMENT

Yao Bai Group implements the system of incorporating contractors into the unified management of the enterprise, defines the management standards and selection process of contractors, strictly controls the entry of contractors, never employs any units and personnel that do not meet the safety requirements, and strictly supervises the safety process. In addition, it trains the contractors for 7,011 person times, carries out safety inspection and responsibility assessment on contractors, further standardizes contractor operations, regularly conducts assessment on contractors, and gives priority to renew the contract with those contractors in line with safety management standards.



### INVESTIGATE HIDDEN DANGERS AND CARRY OUT SPECIAL RECTIFICATION

Based on the principle of people orientation and safety first and the basic concept that "safety is not only responsibility, but also power", The Group has established a long-term mechanism of "six major special rectification and safety production accident hidden danger investigation and control", implemented multi-level safety hidden danger investigation and supervision of each unit, organized and carried out annual safety inspection, including maintenance safety, mine safety and traffic safety, etc., and continuously strengthened the supervision and management of accident hidden danger, so as to prevent and reduce personal injury accidents, and safeguard the life and property of employees.

In 2019, the Group identified 5,328 limited spaces, revised 13 emergency rescue plans, added more than 120 pieces (sets) of various emergency rescue equipment, entrusted professional organizations to make safety technical diagnosis on the coal powder preparation system of 8 cement manufacturers, investigated and rectified 1,009 items of hidden safety hazards, punished hazardous operations for 339 times, ruled out 50 unqualified contractors, and discouraged 605 unqualified operators. In addition, the Group also admonished, assessed or punished 4 general managers and 15 middle-level cadres who failed to perform their duties in place.

Safety training:  
30,350 person/  
time

Total class hours  
of safety training  
reached 56850  
hours

Accumulated  
training of  
interested party  
reached 10133  
hours

### STRENGTHEN SAFETY PUBLICITY AND EDUCATION

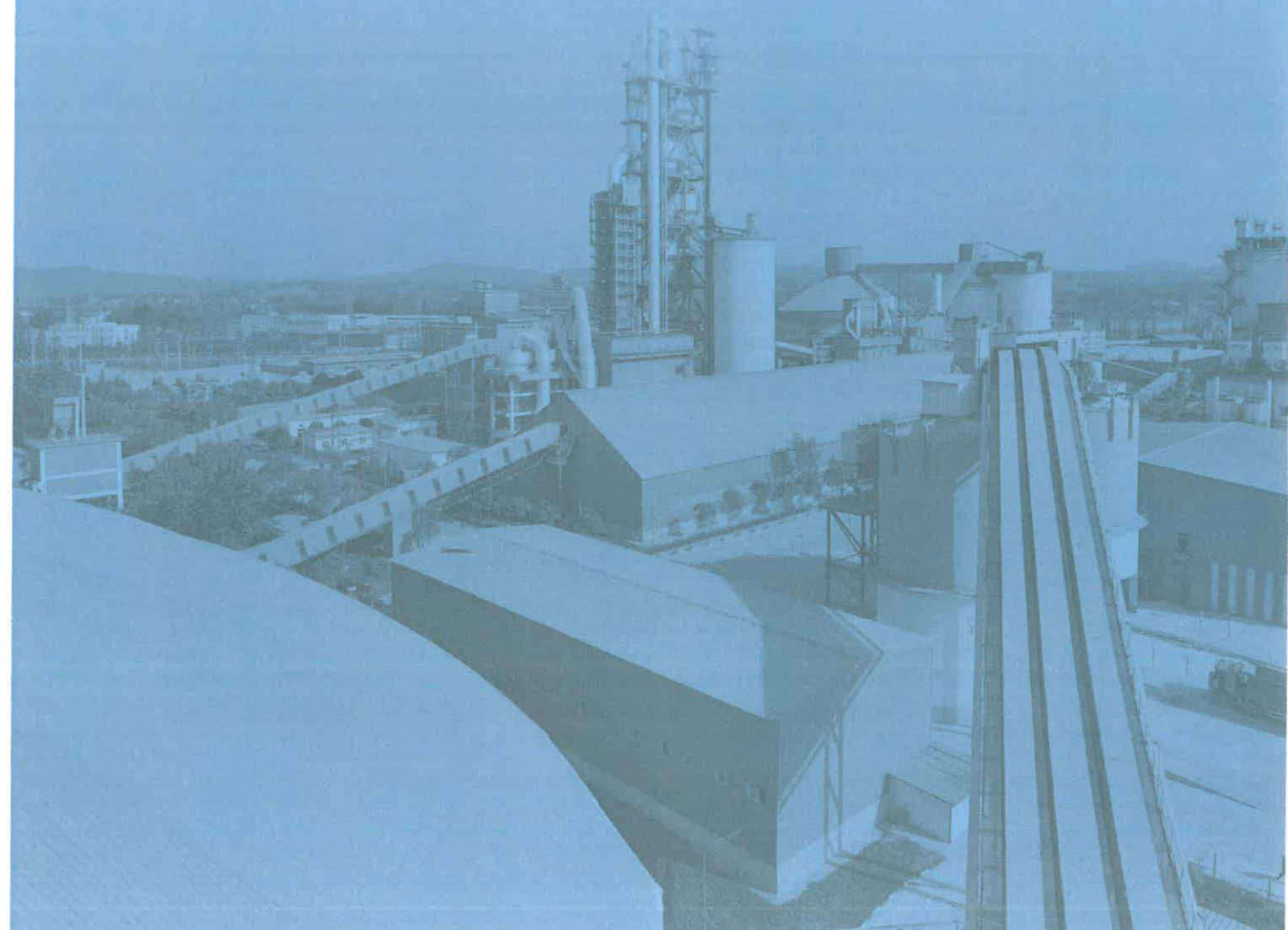
In order to improve the safety awareness and skills of employees in an all-round way, the Company focuses on internal training, employs external safety experts to strengthen the integration of laws and regulations, and deepens the understanding of safety theory and safety operation process through theoretical training, on-site practical operation simulation, safety experience, visits and exchanges, and safety warning education and learning. In 2019, the Company held safety education training for 30,350 times, totaling 56,850 class hours, and the training for relevant parties totaled about 10,133 class hours.



## 06

# Pursue excellence and provide considerate services

Quality directly manifests the core competitiveness of an enterprise. Yao Bai Group adheres to the management tenet of "supreme quality, sincere service", and is committed to providing customers with high-quality products, constantly optimizing the service system, and wholeheartedly providing customers with the top-quality product services.





#### QUALITY GUARANTEE

In strict accordance with the Law of the People's Republic of China on Product Quality and relevant laws and regulations, the Group made clear and strict requirements on details management of production flow in quality management part in the Management Manual of Yaobai Group, including raw materials management, coal management, raw materials, clinker management and other quality standards to ensure proper management and each step in conformity with requirements. Laboratory equipment, maintenance, verification requirements, operation guides, environment configuration, records are all listed in the management manual in a standardized way to ensure products quality appraisal and improve the quality of products to reach the standard. In addition, the Group set quality accidents management standards to determine accidents and provide sub-quality products treatment plan, compensation standards, recall mechanism and treatment flow. Based on complete and effective quality management system, the Company managed and evaluated quality of products in the base and included the key quality indexes of production process and products in the performance assessment scope of regions and production bases to continuously promote quality building of each unit with performance management and provide quality products for consumers.

In 2019, the Group adhered to the vision of "providing products to the satisfaction of customers and creating value for customers" in terms of quality management and followed the annual quality management goal of "stable components, stable strength and stable performance". It constantly stabilized the product quality, improved the product performance, moved forward timing of passing of product quality control, studied and evaluated the raw and combustion materials of suppliers, so as to ensure the homogeneity and stability of the incoming materials, strengthen all the homogenization chains in the plant, introduce the concept of homogenization index, and evaluate the process quality stability. In terms of personnel allocation, it ruled out unqualified quality management personnel from the quality management team through elimination, and arranged those with ideas, executive power, quality management ideas and quality management experience to the key positions of quality management, so as to ensure that the quality management process is under control. In terms of quality management method, it practices unswervingly "theory comes from practice" all the time, and each production base insists that each process quality control index is verified and optimized through small grinding test, carries out characteristic verification test on various materials quarterly, and determines the optimum proportion of various materials through orthogonal test, so as to ensure stable product quality. With the joint efforts of all quality management workers, the product performance and customer satisfaction have been effectively improved.



## SERVICE CASE

Xunyang Company has effectively solved the problem of high concentration of cement grain composition in the circle flow mill by discharging and transforming the cement powder mill separator. The standard consistency of P·O52.5 cement has been reduced to about 26.5%, and the product performance of the open flow mill has been reached. Yaowangshan Company has tested and optimized the process quality index, conducted the characteristic test on various materials, determined the type and addition of materials, and lowered the standard consistency of P·O42.5 cement by 1-1.5%.

In 2019, the Group achieved remarkable achievements in the construction of standardized laboratories, with three group companies receiving the honor of excellent laboratories (totaling 5 in Shaanxi), the strength of hardware and software of each laboratory was further improved, and significant progress was also made in the basic management level. All 19 organizations under the Group were shortlisted for the 17th national cement physical inspection comparison award, among which Hancheng, Mianxian and Jianghua winning all the special awards of Shaanxi Province, and three laboratory operators won the title of "operation expert" in the national physical inspection competition.



## QUALITY SERVICE

### TECHNICAL SERVICE

Throughout the year, oriented by market demand, the Group provide differentiated product solutions and customized worry-free solutions for different customers according to different requirements for product quality.

Through the two-level double random check of production base and sales market, the Group determined the ex-factory cement quality and performance through password cross-check. It pays field return visits to key projects and commercial concrete market every month, pays full-coverage return visits to the civil market every quarter, and arranges engineers to conduct random check via telephone every month to understand customer demand and actual product quality from time to time according to sales customer information and customer return visit form. In addition, it has established a long-term mechanism of random check and visit and communication at the production site with customers, so as to eliminate the error of product test results caused by the difference of test conditions and test methods. During the change of seasons, it prints product use precautions and the instructions for new products. For general civil customers, it has formulated the recommended mix proportion that is operable, so that customers can use the Group's products properly.

Annual client  
return visit reached  
over 3200 times

Questionnaires  
issued within and  
out of the province  
reached 2500  
copies

Over 2000  
people were  
surveyed and  
interviewed

In order to let customers rest assured of product quality and feel close to technical service, the Group paid customer return visits for over 3,200 times throughout the year, provided special technical services for over 1,200 times, assisted customers in solving problems during use for over 210 times, and received no customer complaint caused by inadequate technical service.

#### LOGISTICS GUARANTEE

As of the end of the reporting period, the Group owned 188 vehicles, integrated 8,030 external vehicles, signed 235 transport contracts, and maintained a stable partnership with 135 carriers; it provided 290 transportation routes, lowered the freight rates of 160 routes in total, and saved freight cost of RMB 7,805,900.00 yuan; and improved the profitability of self-owned vehicles through 7,140 return trips. Throughout the year, there was no case of customer loss caused by poor delivery. Combined with actual business needs, the Group brought forth new ideas in the use of highway-railway combined transport and building a variety of transport modes such as B2C online operation and drop and pull transport, so as to improve the quality and efficiency of business distribution.

Adhering to the core values of "seeking common prosperity, achieving win-win situation, reflecting life value and serving the society", the Company is obliged to shoulder social responsibility. In August 2019, Ankang witnessed a number of natural disasters, such as floods and landslides. The Group was concerned about Ankang, the disaster-stricken area. Therefore, it actively responded to the call of Xi'an Emergency Management Bureau and Xi'an Transport Management Office for emergency rescue, deployed 7 goods vehicles, sent representatives to Ankang to fight the flood and provide relief, and supported the victims to safely transfer and transport quilts, cotton clothes, new clothes, emergency lights and other relief supplies.

Under the general trend of "supply chain intelligent logistics", the Group focuses on accelerating the development of logistics platform, strengthens logistics process management, and informationizes logistics process. In 2020, it will focus on strengthening the construction and use of the logistics platform. The platform is positioned as the third-party logistics transportation service provider (car-free carrier), focusing on truckload of bulk materials in the building materials industry. Through online shipment, online vehicle dispatching, online settlement and other business modes, the complete closed-loop of online transportation service transaction is finally achieved. Through the construction of logistics information platform in line with business process standardization and information visualization, the resources are reasonably allocated, the carriers are screened, and efficient operation of offline logistics is achieved, which promotes the Company to reduce cost and improve efficiency, effectively enhance logistics distribution efficiency, and forms an open sharing, win-win cooperation, efficient, convenient, green and safe intelligent logistics system. In order to continuously accumulate big data of logistics based on this, it has established a standardized logistics big data center for data collection, data storage and data analysis, created new value by mining market demand through cloud computing and big data, implemented precise marketing, provided services on demand, and finally achieved the new mode of "Internet+logistics".



## 07

# Insist on innovation and lead development

In line with the motto of "born in persistence, thriving in innovation, declining in conservatism and perishing in pride", innovation is the eternal theme of enterprise development in this great era of change. Therefore, we must adapt to the trend of the development of the times, put technology innovation in a prominent strategic position, constantly enhance the innovation ability, and seize the initiative of reform and development, so that we can enable the enterprise to gain a dominant position in the market competition and push the continuous progress of the enterprise. In addition, the Company carries out technology innovation in combination with actual conditions and attaches great importance to the construction of technical innovation team by establishing the innovation awareness of the staff and facing the market, establishes the talent incentive mechanism, jointly tackles key problems and accelerates the transformation of achievements, and achieves the connotative development by relying on scientific and technology innovation.

特种水泥技术研发中心

SPECIAL CEMENT TECHNOLOGY R&D CENTER

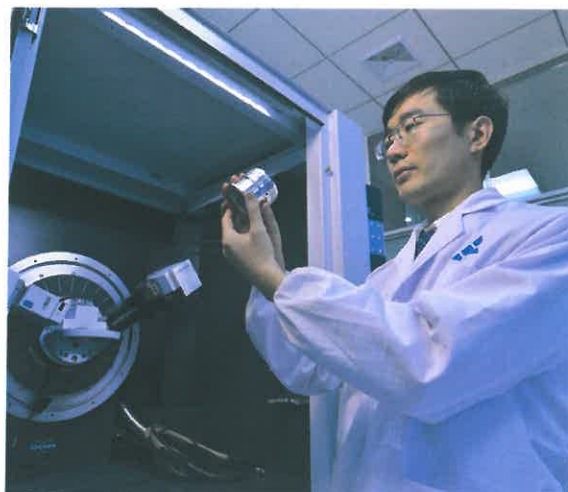
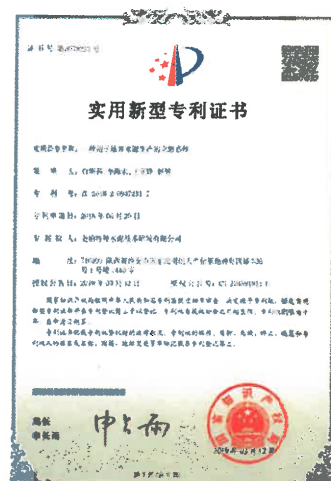
高性能混凝土研发中心

HIGH PERFORMANCE CONCRETE R&D CENTER

新材料研发中心

NEW MATERIALS R&D CENTER





## STRATEGIC COOPERATION

The Group takes technology innovation as an important strategy for enterprise development, and forms a good atmosphere of caring for scientific and technological innovation from top to bottom. It extends strategic cooperation with well-known domestic universities, continuously introduces high-level talents and organizes joint efforts to tackle key problems, and it has established a cooperative relationship with Hebei University of Technology (3D printing project) and Tongji University (signed a strategic framework cooperation agreement). In 2019, the Group set up a special industrial technology company to invest in the introduction of advanced instruments and equipment at home and abroad and apply the industry's advanced technology to various production units; by regularly organizing and holding technical exchange meetings and QC achievement release conferences every year, the Group guides the staff to carry out independent innovation in the fields of production, technology, equipment and quality, etc. It also adopts the scientific and technological innovation mode with enterprise as entity, market as orientation and industry-university-research cooperation, determines the key projects for scientific research in combination with its own characteristics and absorbs and introduces advanced technology, so as to continuously promote high-quality and steady development of the enterprise. At the same time, it establishes a complete talent incentive mechanism, promotes the motive power of technology innovation, employs young people to key technical positions, trains the scientific and technological team by research and tackling key problems, establishes incentives such as technology innovation award, and greatly mobilizes the enthusiasm and creativity of scientific and technological talents.

In 2019, the Company organized the Special Cement Strategic Development Planning Promotion Meeting, hosted the 3D Printing Industry Benchmarking Meeting, held talks with well-known experts in the industry and conducted in-depth exchanges to promote the mature development of the special cement research cooperation platform. In addition, it also signed strategic cooperation and technical service agreement with China Building Materials Academy, Xi'an University of Architecture and Technology and Institute for Building Materials Information.

## STANDARDS & PATENTS

In 2019, the Company applied for 8 invention patents. Up to now, it has applied for 18 national patents, including 1 utility model patent and 17 invention patents. At present, the utility model patent of A Vertical Mill System for Producing Oil Well Cement has been authorized by the state. The application for patents has been successfully accepted by the patent authority. In addition, it participated in the formulation of 4 national standards and 3 industrial standards, took the lead in the formulation of 2 group standards, and participated in the formulation of 1 group standard.



The first prefabricated 3D printing bridge that imitates the structural type of Zhaozhou Bridge

## TECHNOLOGY INNOVATION

### R&D OF SPECIAL CEMENT

Focusing on market demand and industry prospect, the Group continues to carry out research and development of new products and new technologies, including decorative dry-mixed mortar for interior and exterior decoration projects such as wall tiling, floor tile bedding and other large-area ground laying; sulphoaluminate cement series products that can adapt to complex and changeable construction environment and meet different market demands; PHSR high sulfate-resistant cement that is applied to key projects such as Jinghe River Super-large Bridge; medium and low heat Portland cement that is applied to Shaanxi's Hanjiang to Weihe River Project (Sanhekou Pivotal Dam and Huangjinxia Dam), Hanjiang Baihe Hydropower Station, Xunyang Hydropower Station, Dongzhuang Reservoir and other key water conservancy projects; marine cement series products that are applied to sea reclamation and island building, island reef, seaport, dam, cross-sea bridge, undersea tunnel, polar construction and other projects;

Our Group is the first in China to use calcium aluminate for water treatment agent produced by sintering process through the cement process production line of Ø4.2×60M large external decomposition kiln. The product performance is higher than the requirements of national standard GB/29341-2012 Calcium Aluminate for Water Treatment Agent, and our Group is currently the ideal raw material for the production of water purifying agent products such as basic aluminum chloride and polyaluminium chloride.

### 3D PRINTING BUILDING MATERIAL

3D printing building material product jointly developed by the Group and Hebei University of Technology fills the gap of 3D printing building material in China and is in the world-leading level. Given the characteristics of good printability, short setup time, low hydration heat, micro expansion, high strength in the early and later stages and good durability, etc. it can be applied to the 3D printing construction of foundation construction, sculpture, artware and building products, etc.

### HONORS AND QUALIFICATIONS

3D printing series products won the second prize and excellent prize presented by the Concrete and Cement Products Association. Key technologies for the preparation of high-performance HSR G-grade oil well cement won the national patent and the second prize of technology innovation in the national building materials industry. Calcium Aluminate for Water Treatment Agent Produced

by Large Cement Process Production Line and 3D Printing Cement won the first and third prizes of technology innovation award of Shaanxi building materials industry in 2019. In 2019, it obtained the qualification of municipal engineering technology research center and municipal enterprise technology center.

## TRANSFORMATION AND UPGRADING AND STRUCTURAL ADJUSTMENT

### R&D AND SALES OF SPECIAL CEMENT

The Group always adheres to the integrated management of R&D, production and sales. During the reporting period, its R&D company carried out 18 research projects and concluded 10 research projects, two of which won the second prize of technology innovation and material innovation in China's building materials industry. Yaowangshan Company successfully produced sulphoaluminate clinker and Huaxi Company successfully produced high-alumina cement clinker, adding two new varieties to Yao Bai special cement series products. Especially in cooperation with Hebei University of Technology, the project of fabricated 3D printing Zhaozhou Bridge has aroused huge response at home and abroad. On the basis of stabilizing the market shares of Shaanxi, Gansu, Inner Mongolia and Shanxi, the Company vigorously expanded the national market for the sales of special cement, and won the bid of 90 package projects of CNPC in 2020, ranking the country's first in terms of sales of production and sales. Particularly, "Yao Bai" oil well cement was exported to South Sudan for the first time, achieving a breakthrough.

### LAYOUT OF COMMERCIAL CONCRETE AGGREGATE

After extensive market survey and scientific layout and standardized management, the Group promotes the site layout in an all-round way and accelerates the construction. During the reporting period, it built several second-line projects such as Hancheng, Mianxian, Moyu, Yutian and Yanliang, and acquired Hanzhong Commercial Concrete and put it into production. At present, Tongchuan, Weinan, Ankang and other projects are fully advanced in construction. As of the end of the reporting period, Yao Bai Group owned 9 production bases, with a production capacity of 7 million m<sup>3</sup>, more than 500 employees and 102 transport vehicles, and has successfully trial-manufactured high value-added products such as prefabricated integrated housing, colored concrete and pervious concrete, and its core competitiveness has been improved.







#### LOGISTICS MANAGEMENT

The Group's transportation platform-based management tends to be increasingly mature. Through the data connection of three platforms and six mobile products, the Group has gradually achieved the connection with its subsidiary's ERP system. At present, the platform has 188 vehicles and integrates 8,030 social vehicles. In the third quarter, the Group was one of the first batch of companies which has officially obtained the license for "car-free carrier" issued by Shaanxi Department of Transport, also successfully obtained 3A transport logistics enterprise qualification, and was awarded as the advanced unit of road transport industry safety production by Xi'an City. During the reporting period, the total freight volume amounted to 8.2 million tons, and the number of transportation routes increased to 278.

#### FINANCIAL SERVICE

Since 2019, Yao Bai Group's financial leasing company has achieved steady development and standardized operation, and fulfilled the operation philosophy of taking responsibility for the enterprise, investors and society.

The Company adheres to the market positioning of the business development of "building materials industry chain finance", relies on the two licenses of financial leasing and petty loan, stays closely around cement as its main industry, develops financial products that meet the needs of customers, and focuses on the businesses such as supply chain finance, logistics finance and mortgage loan, etc. According to the new supervision requirements of CBRC and the audit suggestions put forward by Deloitte and PWC, it continues to improve the standard of management. As a result, it was honored as an industry model of compliance operation and awarded as "Financial High-Quality Development and Growth Enterprise" by Xi'an City.



08

# Innovative, intelligent manufacturing leads the future

Information technology is the lubricant of enterprise development and one of the fundamental tools to enhance the core competitiveness of an enterprise while the key to intelligent manufacturing is to achieve vertical integration of different layers including enterprise equipment layer, unit layer, workshop layer, factory layer and coordination layer and achieve horizontal integration of different levels including resources factors, interconnectivity, integration and sharing, system integration and emerging businesses as well as end-to-end integration covering design, production, logistics, sales and service.



### INFORMATION-BASED CONSTRUCTION

In 2019, the Group seized the development opportunity and successively initiated and completed the Group's collaborative office platform, key construction projects of intelligent factory (production and manufacturing execution system, online equipment diagnosis system, expert control system, digital marketing system and intelligent image identification, etc.), Phase II project of video monitoring and cloud uploading, mine safety monitoring, video conference transformation project, Commercial Concrete Company's ERP construction project, integration of projects for implementation standards, development of safety operation standard management applet, development of quality management applet, and connection and function upgrading of car-free carrier platform and provincial platform. On the basis of the existing information technology, the Company has carried out the upgrading and transformation of some business systems, actively carried out independent research and development, improved the engagement between information technology and actual business, continuously strengthened the intelligent level of manufacturers, and carried out the pilot project of intelligent upgrading and reconstruction of old production lines in Yangxian Company, providing direction and guidance for the follow-up intelligent construction of the whole group.

### DATA SECURITY CONSTRUCTION

In the process of information-based construction, the Company always attaches great importance to the security management of information data to ensure the application and storage of data in a safe environment. First, it does a good job in the operation and maintenance of server equipment, upgrades the Group's network firewall, updates the virus protection system in real time, and improves the speed and security of data operation; second, it develops application programs with its own server as the storage point; third, it gradually stores the Group's external data, and transfers it safely to the Group's server; fourth, it works with Yuntian, UFIDA, Thunis, Huawei, WOC and other excellent partners to explore the pattern of data security construction and improve the Company's data security construction level.

The Group and its subsidiaries adopt dedicated access by optical fiber, and achieve connectivity through VPN, so as to enhance data security. The Group's headquarter sets up a professional server network computer room equipped with more than 20 highly-configured servers, and each subsidiary also sets up their own dedicated computer room with more than 40 servers. At the same time, there are hosting cabinets in the telecommunications room at the Group's headquarter and 5 cloud servers are built on Huawei cloud. In addition, the Group mostly adopts advanced equipment at home and abroad manufactured by Cisco and H3C, etc.



On the basis of deepening the implementation of the above four data security construction principles, the Group has enabled online behavior management this year and installed encryption software for R&D Department, so as to prevent the spread of illegal information and avoid the leakage of trade secrets and achievements in scientific research; strengthened software and hardware vulnerabilities and patch repair, and prevented the threat of vulnerability attacks on data security; enhanced the security management for the application of public cloud deployment, so as to further upgrade data security standards.

### INTELLIGENT EXPLORATION

In 2019, the second "30 Think Tank Forum on Cement Intelligent Manufacturing" organized by Xi'an Baiyun Intelligent Data Technology Co., Ltd., a wholly-owned subsidiary of the Company, was successfully held. More than 30 well-known experts and scholars, including China Cement Association, Baiyun Company, Jinan University, Sinoma International Engineering (Nanjing), Aliyun, Hikvision, Siemens, Thunis Shaanxi Big Data and other companies, gathered together. Enterprise leaders and experts and scholars discussed the opportunities and development prospects of intelligent manufacturing transformation and upgrading, as well as the current development trend and industrial environment of intelligent manufacturing, pointing a new direction for industrial upgrading and enterprise development.



### YANGXIAN COMPANY'S PILOT PROJECT OF BUILDING AN INTELLIGENT FACTORY

In 2019, the Group's production company in Yangxian, Hanzhong, carried out the pilot project of building an intelligent factory. Through the construction of a series of systems, such as digital marketing, online equipment inspection, production MES system and intelligent image identification, the intelligent management of production, equipment and sales of the factory was improved as a whole.

### DIGITAL MARKETING

Digital marketing has changed the traditional way of placing orders on the spot, so that customers can easily view product information, place orders and check goods reconciliation on the app anytime and anywhere, and interact with the logistics platform through the data interface and in-plant card, so as to achieve customer self-service, in-plant automation and multiple automatic intelligent applications. As it is the process of diversified marketing transformation, it still needs to constantly built and improved.

### ONLINE EQUIPMENT INSPECTION

The status/quality of key equipment determines cement production quality. At present, the maintenance mode in the cement industry still keeps traditional manual inspection and regular maintenance. The current online equipment inspection system applied by our Group is designed to monitor the running status of the equipment online in real time, monitor the problems concerned by users in the running process of the core equipment in real time, reflect the dynamic changes in the running process of each equipment from the perspective of mechanical kinematics, and extract the key feature information from the monitoring data to reflect the running status of the whole system, so that the real status of relevant equipment can be fed back to maintenance personnel and users can make adjustments according to the real-time equipment status, so as to extend the service life of each component, reduce maintenance cost, give notification as to faulty functions in a timely manner and lower the probability of major accidents.

### PRODUCTION MES SYSTEM

With the business development of Yao Bai Group, the Group has put forward higher requirements for production process management and production management control. The Group has set up a factory production management (MES) platform to achieve real-time monitoring of production technology, daily production management, energy consumption management, quality management, dynamic management of equipment operation and maintenance, personnel performance appraisal and other function management and optimize the enterprise' s production and operation through integrated, standardized, digital and intelligent production management information, reduce the production and operation cost, and achieve the information-based, intelligent and efficient production control and production process management of its subsidiaries, so as to improve the core competitiveness of the Company.

### INTELLIGENT IMAGE IDENTIFICATION

Based on the existing monitoring equipment, image identification is carried out for the key links of production process such as hazardous area, confined space, flap valve, etc. in the plant, and real-time alarm is in place for the hazardous or abnormal conditions (gas-tight door is open and flame, etc.), so as to reduce the occurrence of accidents, improve the safety of production, and safeguard the life and property of employees.



# Everyone is responsible for a harmonious community

We believe that the joint development of the enterprise, employees, customers and partners will help build a harmonious society. Therefore, the Company actively protects the rights and interests of employees and builds a warm and harmonious working atmosphere; provides three-dimensional services in an all-round way and brings good consumption experience to customers; strengthens the partnership, and fulfills social responsibilities together with partners; actively creates public welfare activities associated with the brand, and gives back to the society with practical action.





## PUT PEOPLE FIRST FOR GROWTH TOGETHER

Employees are the most important and valuable resources as well as the think tank and development basis for an enterprise. Continuous talents introduction and excellent and stable talents reserve drive the sustainable development of an enterprise. Adhering to the people-oriented responsibility philosophy, the Group has established fair, just and open staff selection and appointment mechanism, fully respects and values the initiative and creativity of staff, strives to create a favorable growth and cultivation environment for staff members and prohibits employment discrimination in all forms.

To protect teenagers, and avoid distributing intolerable work load, the Group strictly complies with the Labor Law of the People's Republic of China, prohibits the usage of child labor and forced labor. Before recruitment, the human resources department requires the applicants to provide ID card for confirmation before employment to ensure that the applicant can be legally employed. In case child labor or forced labor is found, employees can report to the management department via calls, e-mails and report letters. The report will also receive attention from senior management.

The Company regards employees as the most valuable resource for its survival and development, and takes the happiness of employees as the foothold of the Company's efforts ; it adheres to the talent work principle of "respecting people' s value, developing people's potential and sublimating people' s mind" , builds an organization with a broad horizon, cultivates ordinary people into excellent people and excellent people into outstanding people, and attracts a continuous stream of talents to realize their own life dreams.

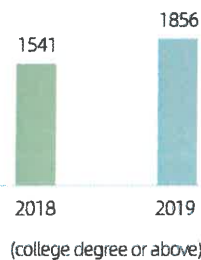
## PROTECT THE RIGHTS AND INTERESTS OF EMPLOYEES

### EQUAL EMPLOYMENT AND DIVERSIFIED STRUCTURE

The Company sticks to the talent management mechanism of "getting rid of the stale and taking in the fresh" , and implements the dual talent training and introduction mechanism of internal selection and external recruitment. It also pays attention to employee structure management, promotes the upgrading of labor resource management to human resource management, and gradually optimizes the employee structure. As of December 2019, the Group has a fixed allocation of 6,007 employees, of which 5,750 employees are on the job, with an on-the-job rate of 95.3%.

In fact, the age structure and educational background structure have been improved. The Group has 2,404 employees aged 31-44, accounting for 42% of the total, up 1.2% on a year-on-year basis; 1,945 employees under 30, accounting for 34% of the total, up 1.6% on a year-on-year basis. It thus can be seen that the overall age of employees tends to be rationalized, and the core force is continuously strengthened. In addition, the Group has 1,833 employees with college degree or above, accounting for 32% of the total, up 2.5% on a year-on-year basis.

Proportion of the management according to education degree



Proportion of the management by gender



### SOLICIT TALENTS TO SHARE THE RESULTS

The Company has always followed the 12-character guideline of "adjusting structure, improving quality, increasing ability and promoting efficiency", and become more open-minded, improved itself constantly, constantly intensified the recruitment of external talents, and actively expanded the recruitment channels. Throughout the year, the social recruitment totaled 1,157, of which 1,054 employees remained at post, with a retention rate of 91.1%, up 3.1% on a year-on-year basis. In addition, the Group attracted 160 employees graduated from college, of which 128 employees remained at post, with a retention rate of 80%, up 2% on a year-on-year basis. At the same time, the Group signed a labor contract with 260 graduates of the Class of 2020.

The Company implements the employment mechanism of "letting the mediocre to make way for the capable and ruling out the incapable", places the right people in the right position, boldly enables the young people with ability, courage and thinking, opens up and widens the growth and promotion channels, cultivates a group of excellent reserve management cadres and talents, builds a good competitive atmosphere of "emulating, learning from, catching up with, helping and in turn surpassing each other", and strongly promotes the employee structure optimization and quality improvement, so as to lay a solid talent foundation for the Group's transformation and upgrading and structural adjustment.

### EMPLOYEE DEVELOPMENT

Yao Bai Group's training work continues to take the Group's strategic objectives as orientation and functional departments as entity to establish and improve the training and instructor system. In terms of newly promoted management cadres and echelon personnel training, the Group steps up efforts to train and carries out skill line training. In 2019, the Group provided online training for 31,200 class hours and trained 68,239 person times. For echelon talent, the Group offered online learning courses, and employees attend a series of courses (about 7 hours for each course) every month since June, involving 130 employees.

31,200 online  
training class hours

68,239 online  
trainees

Over 130 persons  
involved in online  
course of talent  
team



### CARE FOR EMPLOYEES AND PUT PEOPLE FIRST

In 2019, the Company organized and carried out employee satisfaction survey, and distributed a total of 3,249 questionnaires, accounting for 60% of the total number of employees in the Company, of which 3,249 questionnaires were received, with a response rate of 100%. The Company focused on ten dimensions, such as corporate culture, business management, team building, safety and environmental protection management, production organization, working environment and human resources, etc., and the results showed that the overall satisfaction rate is 86%, up 1% on a year-on-year basis, which is higher especially in the aspects of safety production management, human resource management and team cooperation; at the same time, it also guides the Company to focus on and improve working environment, communication and cooperation in 2020, so as to achieve synchronous progress in software environment, hardware configuration and business efficiency of the enterprise.

In strict accordance with the Labor Law, Labor Contract Law, Social Insurance Law and other relevant national laws and regulations, the Group and its subsidiaries, with performance-oriented personnel performance assessment and incentive mechanism based on abilities of staff members and in conformity with marketization, have established and improved comprehensive salary and welfare system that organically combines decent pay, multi-level welfare guarantee, favorable working environment, pay employees in full, on time and ensure the legitimate interests of employees. Meanwhile, in order to strengthen the compensation incentive mechanism, "monthly business performance bonus" is added to the salary system and is implemented in cooperation with the performance appraisal, which effectively plays the positive incentive role of compensation, stimulates employees' enthusiasm for work, and enhances employees' sense of identity and belonging to the enterprise.

#### SHARE THE FRUITS OF ENTERPRISE DEVELOPMENT

In order to show the Company's care for employees and let the employees directly experience the fruits of enterprise development, the Trade Union of the Group, based on the huge response to the employee financial management agreement and Phase I financial management product concluded with Guangxin in 2018, launched the Phase II financial management product in March 2019 through consultation with Guangxin with the support and strong appeal of the majority of employees. In May, it redeemed the Phase I financial management product and launched the Phase III financial management product, as a result, more employees actively participated and their sense of identity for the enterprise was further enhanced.



#### SPREAD THE SPIRIT OF CORPORATE CULTURE

After four decades of ups and downs since its establishment, the Group has developed a unique corporate culture with the joint efforts of all employees. In 2019, the Company organized and carried out a series of activities centering on enriching the corporate culture, such as the cultural activity "Lantern Riddle Guess for Celebrating the Lantern Festival", the fun activity "Celebrating Women's Day", the 2nd Calligraphy and Painting Photography Contest, "Veterans' Forum", the friendly basketball match "Celebrating the National Day" and tug-of-war between employees, etc., which further demonstrated the presence of employees and mobilized employees' enthusiasm for dedication, innovation and development. In the fourth quarter, the Group compiled and printed the Textbook of Yao Bai's Corporate Culture, covering ten aspects such as about the enterprise, development history and code of conduct, etc., which inspires employees' passion for the enterprise, truly deepens Yao Bai's corporate culture, and further enhances employees' sense of identity for the enterprise.





## CARE FOR EMPLOYEES

### HELP NEEDY EMPLOYEES

The Company regularly visits needy employees, follows up the improvement of their living conditions, and establishes "Yao Bai Group Employee Mutual Fund". As of the end of December 2019, more than 90% of the Group's employees had participated in the mutual fund, helping a total of 20 needy employees within the Group, and providing a subsidy of RMB 277,000.00 yuan.

## IMPROVE THE LIVING ENVIRONMENT OF EMPLOYEES

### STAR CANTEEN & STAR DORMITORY

Yao Bai Group has always been committed to improving the living environment of employees and enhancing their sense of well-being and belonging. In 2019, the Group formulated a plan for the construction of star canteen and star dormitory, focused on the appraisal of the construction of star dormitory and star canteen, learned from the experience of its subsidiary (Xin Bai) in guest room management and restaurant management, improved the supporting facilities of dormitory and dining environment of restaurant, and refurbished the dormitory and canteen. As of the end of the reporting period, 23 canteens of the Group were included in the scope of appraisal, and 20 of which were rated as star canteens, with a rate of reaching the standard of 86.9%. In addition, the dormitories of 19 companies were included in the scope of appraisal, and 16 of which were rated as star dormitories, with a rate of reaching the standard of 84.2%, which greatly improved employee satisfaction.

Up-to-standard rate of  
star canteen **86.9%**

Up-to-standard  
rate of star  
dormitory **84.2%**

### CARE FOR EMPLOYEES' OCCUPATIONAL HEALTH

Yao Bai Group strictly implements the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and the Regulations of the People's Republic of China on the Prevention and Control of Pneumoconiosis, and develops the plan for the prevention and control of occupational diseases and implementation plan in accordance with the requirements of laws and regulations; it also allocates full-time health management officers in the headquarter. In addition, it extensively carries out the rectification work dust and noise hazards in each base, organizes occupational health training, establishes employee health files, and is committed to building a healthier working environment. In 2019, the Company established occupational health files for all employees, and organized them to take occupational health checkup, with a total of 3,212 participants.



The second calligraphy, paintings and photo contest



Executive secretary comprehensive quality enhancement training



Basketball Friendly Match for the National Day



Group-wide Cooking Skills Contest

### EMPLOYEE ACTIVITY

Yao Bai Group carries out the tenet of "vigorous and innovative development", and holds recreational and sports activities irregularly, such as tug-of-war, basketball game, photography contest and calligraphy contest, etc.; visits retired cadres in important festivals such as the Spring Festival, sends loving greetings, and carries out a series of activities such as the Veterans' Forum and birthday greetings for employees, etc., so that employees can feel at home.

## BUILD RESPONSIBILITY SUPPLY CHAIN

### STANDARDIZE PURCHASING BEHAVIOR

Yao Bai Group has always attached great importance to procurement management, and has formulated a number of systems such as Material Procurement Management System, Measures for Material Procurement Bidding Management, Detailed Rules for the Implementation of Material Procurement Bidding and Interim Provisions on Supplier Management, etc. In addition, it expands procurement channels, fully implements open bidding procurement, always insists on the principle of "fairness, justice and openness" in cooperation with suppliers, and adopts open registration, strict selection and regular review.

### REDUCE PURCHASING COST

In 2019, the Materials Company set up the Bidding Office to organize more than 20 businesses including five categories of materials such as civil engineering, equipment, technical improvement and overhauling, sintered brick equipment, air ticket ordering, etc. for bidding and negotiation. By giving full play to the advantages of procurement, price and quality comparison, the procurement price of similar materials dropped by 5-10%.

Oriented by material safety and economic supply, the Group deeply studied supply chain management and market supply and demand change, actively managed strategic direct supply channels and increased supply, stepped up efforts to explore supply channels, optimized and expanded the coverage of unified allocation, achieved the supply of coal with high quality and economical price and added 8 new direct coal supply points to ensure timely supply. In addition, it pays attention to the test results of the mine every day, and has prepared the raw coal quality ledger to strictly control the purchase quality. Meanwhile, it also forecasts the market, adjusts the purchase tempo and direction, and effectively reduces the raw coal purchase cost by comparing the raw coal to plant cost performance table and Shaanxi coal price index weekly report of each channel every week.

#### SUPPLY CHAIN SYSTEM IN STABLE OPERATION

A total of  
39873  
procurement  
plans  
Procurement  
contract signing  
rate of 100%  
Contract  
performance rate  
100%

Yao Bai Group actively promotes the online operation of the supply chain system, strengthens the construction of standardized warehouse, enhances the inventory of warehouse materials, strictly manages the receipt and delivery of materials, and ensures the consistency between the accounts and the facts. In 2019, it has a total of more than 5,500 audit codes and applied for an increase of 5,090 codes. Up to now, the total number of codes in our code information base has amounted to 38,431. Since the NC supply chain system was launched in June 2018, it has now met the basic business needs of the production unit, such as warehouse setting, warehousing, transfer and allocation through the cooperation and optimization of the material purchasing staff, warehouse management personnel and financial accounting personnel for one and a half years. Since 2019, through continuous optimization of various business document processes, on the one hand, it has put 10 companies including logistics and mine under the materials company for unified accounting management, laying a solid foundation for the centralized procurement of materials; on the other hand, it has improved the office efficiency of the daily business personnel through the unified control of the system on the document transfer in the business process, and also greatly improved the inventory turnover ratio in the face of the current inventory management of spare parts of the Group, providing favorable conditions for further reducing the inventory of spare parts.

#### SUPPLIER MANAGEMENT

The Company resolutely implements the basic state policy of saving resources and protecting the environment, and also seeks common development with strategic partners in the supply chain while pursuing its sustainable development. On the one hand, the Group has developed a tighter supplier access mechanism for various material attributes, and it also takes the performance of suppliers in fulfilling their social responsibilities as an important consideration. Under the same conditions, we will give priority to enterprises that focus on public welfare and have good social effects. In fact, most of our suppliers have certain scale advantages and strong quality control and R&D ability, and they are mainly domestic and foreign well-known enterprises or listed companies with brand advantage, capital advantage, price advantage and quality advantage in the industry. On the other hand, the Company adheres to the concept of achieving mutual benefit and win-win result through discussion and collaboration, actively invites suppliers to visit the Company for exchange, leads suppliers to have a understanding of the direction of technical change, product upgrading and the goal of enterprise process innovation in the cement industry, promotes the update of purchased materials and promotes the improvement in suppliers' R&D ability and market competitiveness by means of discussion on customized materials and trial exchange of advanced products, etc.

#### SEEK MUTUAL BENEFIT AND WIN-WIN RESULTS

The Company actively explores new cooperation modes with suppliers, striving to create a win-win situation. For example, it takes opportunity of the Spring Festival and summer with peak demand for electricity to negotiate with local power plants over price, gives play to its own inventory advantages and consumes the waste slag resources of power plants, which not only creates economic benefits for the enterprise, but also makes a certain contribution to the environmental protection cause and





achieves cooperation and mutual benefit with suppliers. The Company seeks common development with strategic partners in the supply chain, and has developed a relatively strict supplier access mechanism for various material attributes. Meanwhile, it also regards the performance of suppliers in fulfilling their social responsibilities as an important consideration.

Yao Bai Group adheres to the combination of “going out” and “bringing in”, maintains a two-way supply and demand relationship with suppliers, actively expands the business scope of cooperation with suppliers, and is committed to establishing strategic partnership with more high-quality enterprises. Through long-term cooperation with high-quality suppliers, we can purchase raw materials with optimal cost performance to meet production needs, so as to provide downstream customers with high-quality products. At the same time, we can also work with suppliers to learn from each other’s advanced experience in production management, achieve a collaborative concept of resource conservation and environmental protection, and better fulfill our social responsibility.

#### SUPPLIER GROWTH

We continue to pay attention to the growth of suppliers, implement hierarchical and differentiated management on suppliers, help suppliers improve and bridge the gap; hold supplier training activities irregularly, convey the concept of environmental protection, safety, health and other social responsibilities to suppliers, and drive the development of suppliers. In 2019, the Company managed, coached and reviewed 845 suppliers in terms of supplier access, cooperation, evaluation and performance feedback, etc.

Total number of suppliers		
2017	2018	2019
601	700	845

## CONCERN ABOUT SOCIETY AND CREATE A HARMONIOUS COMMUNITY

### FOCUS ON POVERTY ALLEVIATION

In the report of the 19th National Congress of the Communist Party of China, it is stressed that we should make a commitment again with the determination of “resolutely winning the battle against poverty”, and required that we should “get rid of real poverty and really get rid of poverty”. In fact, Yao Bai Group actively responds to the call of the state to fight against poverty and insists on making contributions to safeguarding and improving people’s livelihood while achieving enterprise development. During the reporting period, various donation outlays totaled RMB 27,900,000.00 yuan. On the basis of doing a good job in poverty alleviation through education, the Company also actively carried out activities of caring for the poor old people, supporting more than 100 old people in towns and villages where the production plant is located, with a total of more than RMB 20,000.00 yuan. On every important festival, the subsidiaries of the Group also actively carry out poverty alleviation in combination with the local actual conditions, visit poor families around the plant area, and offer them with daily necessities such as rice, flour and oil, etc. For the rural areas carrying out infrastructure construction, the Group has donated nearly 10,000 tons of cement products throughout the year for the construction of roads, bridges and houses in the surrounding areas.

### PARTICIPATE IN PUBLIC WELFARE ACTIVITIES

As the only invited representative of private enterprises in Shaanxi Province, the Group was invited to attend the donation ceremony of Shaanxi Veterans Care Foundation and donated RMB 200,000.00 yuan to the Foundation.

### PUSH EDUCATION DEVELOPMENT

2019 marks the first year of official operation for Shaanxi Yao Bai Public Welfare Foundation. With the strong support of the Group, the Foundation actively carried out social public welfare activities in Shaanxi, Xinjiang, Guizhou and other places around the goal of “poverty alleviation through education”. As of the end of the reporting period, it had supported 1,338 poor students, donated a total of RMB 4,192,900.00 yuan, and distributed 1,098 love suitcases.

In 2019, the Company invested RMB 50,000,000.00 yuan in Pucheng County, the cradle of the Company, and built Yao Bai Primary School And Yao Bai Junior High School. On the 35th Teacher’s Day on September 10, the Group’s senior leaders headed to Pucheng County to visit teachers on the front, provide all-round support and help in improving school facilities, teacher treatment, exchange and learning, etc., so as to make teachers working in Yao Bai schools have a sense of professional happiness. In November the same year, the Foundation donated books, bookshelves, bookcases and desks worthy of RMB 173,400.00 yuan to Hanjing Junior High School in Pucheng County, helping establish a standardized library, so that more students in Pucheng have access to quality teaching environment and education resources, thus boosting the educational cause and benefiting the next generation.



2019 Student Subsidies Grant Ceremony of Yao Bai Education Charitable Foundation

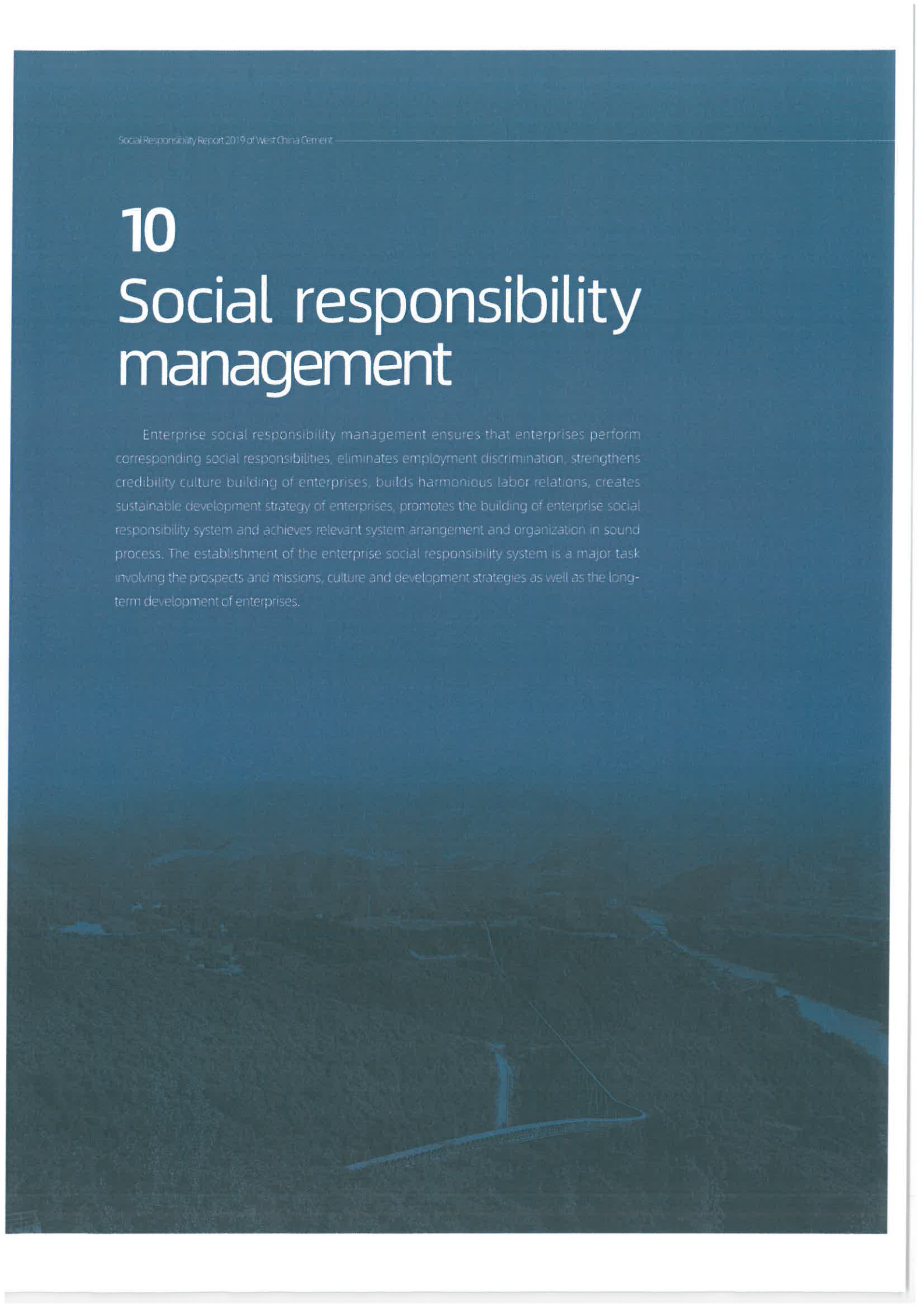


Yao Bai Education Charitable Foundation donated a standard library to Hanjing Junior High School of Pucheng County

# 10

## Social responsibility management

Enterprise social responsibility management ensures that enterprises perform corresponding social responsibilities, eliminates employment discrimination, strengthens credibility culture building of enterprises, builds harmonious labor relations, creates sustainable development strategy of enterprises, promotes the building of enterprise social responsibility system and achieves relevant system arrangement and organization in sound process. The establishment of the enterprise social responsibility system is a major task involving the prospects and missions, culture and development strategies as well as the long-term development of enterprises.





## RESPONSIBILITY STRATEGY

Based on the enterprise mission of “putting people first, casting high-quality products, making continuous innovation, catching up with and surpassing top companies” , West China Cement integrates social responsibility into business operation, and continues to promote the development of social responsibility from aspects of safety, environment, employee, customer, partner, community and other interested parties, including strengthening the safety management of the plant area, improving the level of environmental protection management, renovating measures to save energy and reduce emission, implement health management and promoting co-processing of projects, etc., constantly promotes the transformation and upgrading of China’ s cement industry with innovative spirit and pragmatic attitude, and strives to achieve the good vision of “building a leading enterprise with excellent performance, fast growth and social responsibility in cement industry” .

## RESPONSIBILITY GOVERNANCE

### ORGANIZATIONAL SYSTEM

In order to effectively promote social responsibility and improve the quality of report preparation, the Company has established the “Corporate Culture and Social Responsibility Steering Committee” , with Chairman of the Board and President as the director and deputy director, respectively, and it is responsible for the leadership, promotion and decision-making of the Company’ s social responsibility strategy direction; At the same time, the Company has also established the “Social Responsibility Report Preparation Committee” , which is responsible for preparing annual social responsibility reports, laying a solid foundation for the Company to carry out social responsibility.

### INSTITUTIONAL SYSTEM

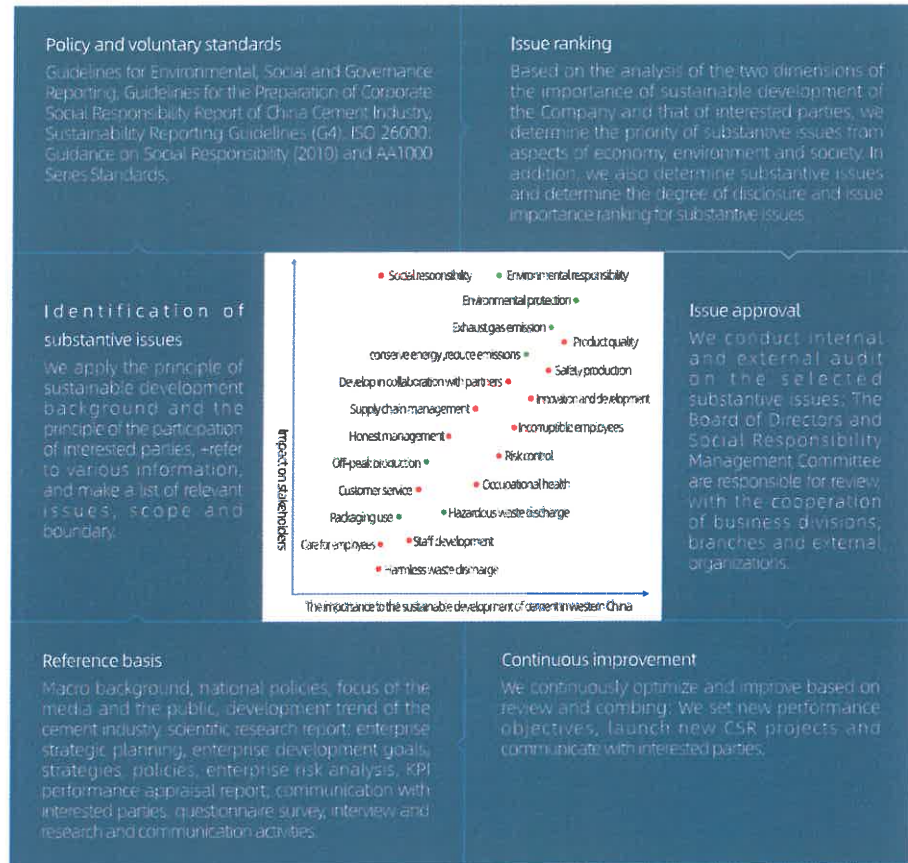
Yao Bai Group initiates the sorting, editing and revision of the Administrative Measures for Social Responsibility Report of West China Cement and pushes the Company’ s social responsibility to move towards a more systematic, standardized direction according to domestic and foreign standards, such as Sustainability Reporting Guidelines (G4) issued by Global Reporting Initiative, the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange of Hong Kong and Guidelines on Corporate Social Responsibility Report in China (CASS-CSR4.0) issued by Chinese Academy of Social Sciences.

### RESPONSIBILITY CULTURE

The Group always adheres to a serious attitude and a responsible spirit, constantly strengthens its ability to fulfill responsibilities, and shapes a sustainable responsibility brand of Shaanxi Yao Bai Student Welfare Foundation, thus creating a good brand image and corporate image in the industry.

### IMPORTANCE EVALUATION

In order to further understand the expectations and needs of interested parties, we actively communicate with them on the basis of analyzing and studying domestic and international development trends, national policies, industry status and the characteristics of the enterprise itself. From the two dimensions of the Company and interested parties, we sort out and identify the substantive issues of social responsibility that have a significant impact on the sustainable development of the Company, so as to provide a fundamental basis for continuously improving social responsibility management practice and improving social communication, etc. In addition, the identification of the following issues has a significant impact on the sustainable development of the Group. In fact, these aspects have been listed as the critical focus areas for the sustainable development of the Group.



Matrix Analysis of the Importance Issues of West China Cement's Social Responsibility Report in 2019

## RESPONSIBILITY PARTICIPATION

As a Hong Kong-listed company, West China Cement actively pays attention to the demands and expectations of interested parties, continuously explores effective ways to communicate with them, discloses the Company's performance, important activities and other information in a rigorous, timely and accurate manner through channels and ways such as information submission, special report, shareholders' meeting, visit and inspection, public welfare activity, employee activity and company website, etc., and timely spreads the company philosophy and responsibility performance of West China Cement. In addition, it absorbs reasonable opinions and suggestions from internal and external interested parties while enhancing the understanding and support of interested parties of the Company, and continuously improves the business and management methods of the Company, so as to improve the comprehensive competitiveness.

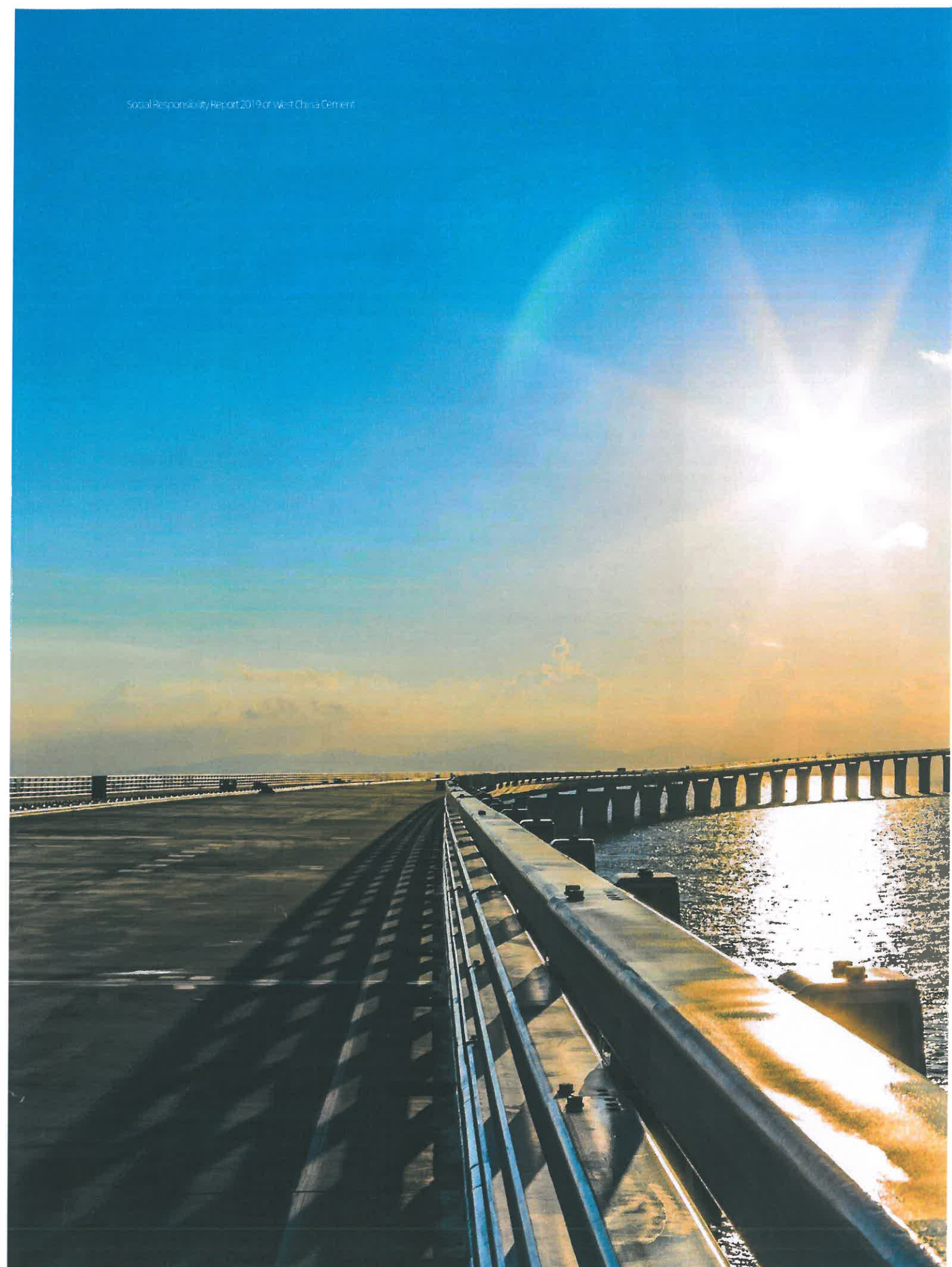
Interested parties	Expectations and requirements	Communication modes	Actions of fulfilling responsibility
Government	Observe law and discipline Pay taxes according to law Boost local employment Promote the economic and social development in the location of operations	Regular work report Relevant meetings Information submission	Strictly implement guidelines and policies Operate according to law Contribute to revenue Offer job opportunities Boost local development
Shareholders and investors	Good faith Standardized operation Profitability	Shareholders' Meeting Investors' Recommendation Meeting Performance Press Conference Company announcement Periodic report	Strictly comply with the criteria of listed companies Safeguard rights and interests Build diversified communication channels Release various information in a standardized way
Competent authority of industry	Participate in the formulation of industrial standards Promote the sound and sustainable development of the industry Promote technology progress and industrial transformation and upgrading	Regular work summary and performance report Relevant meetings Information submission	Operate soundly Accept supervision Strengthen technical improvement Promote industry optimization Put into practice the new industrial production mode
Customers	Provide quality products Provide high-quality services Safeguard rights and interests	Consultation with customers for opinions Relevant information disclosure	Guarantee quality raw materials Make scientific and technological innovation Build customer service system Conduct customer satisfaction survey
Employees	Safeguard basic rights and interests Promote capacity improvement Broaden career development Sense of belonging and sense of identity Share the results of enterprise development	Trade union organizations at various levels Congress of workers and staff Employee exchange platform Relevant information disclosure	Safeguard the legitimate rights and interests of employees Provide fair work, study, promotion opportunity and platform Make career planning Achieve individual value Create a happy environment
Suppliers	Provide quality products and services Advocate fair operation Follow integrity management Perform the contract on time Achieve cooperation and win-win result	Regular meeting Visit and exchange High-level reciprocal visit Contract and agreement Relevant information disclosure	Expand areas of cooperation Conduct responsible procurement Make public procurement information Enhance concept identification
Environment	Energy conservation and emission reduction Save resources Protect and recover ecology	Regular report on energy conservation and emission reduction Strengthening of information disclosure	Avoid peak hours for production Recycle wastes Conduct mine reforestation Use waste heat for power generation
Community, the public and non-governmental organizations	Participate in community construction Maintain social stability Offer job opportunities Support public welfare undertakings Help poverty-stricken areas and vulnerable groups	Company's official website Social responsibility report Visit and exchange Cooperation and co-construction Public welfare activity Relevant information disclosure	Provide disaster relief and help the poor Carry out Volunteer activity Support educational cause Beautify community environment

Demands of Interested Parties of West China Cement and Enterprise Response

## RESPONSIBILITY HONOR

West China Cement has been continuously promoting and implementing social responsibility over the years, and actively responding to the demands of interested parties, which has been widely recognized by all walks of society and won a number of honors. At present, Yao Bai Group is the founding member of the World Cement Association, Vice President Company of the Council of China Cement Association, and President Company of the Council of Shaanxi Cement Association.







# Future Expectations

As we look into the future, under the supply-side structural reform and strict environmental protection policy of the state, and with the international strategy as a new start, West China Cement will seize the opportunity of the times and find out the development direction, actively integrate into the great responsibility entrusted by the state and society, firmly grasp the new opportunity of development, continue to explore the opportunity for industrial chain extension, further improve operation quality and efficiency, actively seek opportunities for strategic cooperation with leading enterprises at home and abroad, and promote the integrated development of cement, concrete and aggregate, generalize co-processing of projects, step up efforts to promote industrial transformation and upgrading of product technology innovation, environmental protection transformation and digital transformation, build differentiated competitive advantages, strive to achieve the good vision of "building a world-class building materials enterprise", and work with interested parties to jointly push China's cement industry to move towards a deeper and broader field.



## Report evaluation

Social Responsibility Report Review Committee conducts an evaluation of 2019 Social Responsibility Report of West China Cement(hereinafter referred to as the "Report"). This evaluation is carried out based on the requirements of T/CCAS 003 Verification Standard 2018 Version (hereinafter referred to as "T/CCAS 003-2018").

West China Cement takes charge of the data collection, analysis, summary and information disclosure in the Report. The Review Committee performs this evaluation work following the clauses agreed by both parties through negotiation. All stakeholders of West China Cement are expected readers of this evaluation. This evaluation process is carried out on the prerequisite that the data provided by West China Cement are complete and credible.

### Evaluation method

Our evaluation process is planned and executed in strict accordance with T/CCAS 003-2018.

The Report is evaluated according to the following principles;

The principles of inclusiveness, materiality and responsiveness defined in T/CCAS 003-2018 are followed;

The documents, data and other information provided by West China Cement to the expert group are inspected and reviewed;

The sampling evaluation is carried out on the implementation mechanism of the management of corporate social responsibility described in the Report;

The sampling verification is carried out for the generation, collection, management process of qualitative and quantitative data disclosed in the Report.

### Evaluation scope and limitation

**The working range for this evaluation includes the following:**

- ◆ The economic, social and environmental data from January to December 2019 of West China Cement disclosed in the Report;
- ◆ No interview of external stakeholders
- ◆ The evaluation is carried out based on T/CCAS 003-2018 principle and requirements of performance information inspection (type 1). The review depth is medium review.
- ◆ The GRI3.2 core indicator disclosed in the Report,
- ◆ No verification of financial data in the Report; Evaluation work was completed in May 2020 by Review Committee.

### Conclusion

The Review Committee holds that the 2019 Social Responsibility Report gives an accurate and objective description on the performance of social responsibility policy of West China Cement. No systematic or substantial misrepresentations are found. The Review Committee applies the T/CCAS 003-2018 principle to evaluate the Report.



## AA1000AS 2008 Principles

### Inclusiveness: Good

In the Report, the expectations from key stakeholders including the government, shareholders and investors, competent authorities of industry, customers, suppliers, employees, partners, the environment and the community are taken into account. Through systematic communication methods, the main responsibility performance issues followed by internal and external stakeholders are determined.

### Materiality: Good

The Report establishes a substantive matrix of social responsibility issues through the implementation of substantive issues analysis so as to make clear the substantive issues concerning the sustainable development of the Company and disclose the internal management mechanism and performance standards of West China Cement on how to put these issues into practice and display these key sustainable development performance information in a transparent way.

### Responsiveness: Good

Through explaining the core values, mission, social responsibility concept, sustainable development strategy and performance indicators of West China Cement coupled with data and detailed text description throughout 2019, the Report shows the achievement of the Company in the practice of sustainable development goals and responds to the specific responsibility performance issues concerning internal and external stakeholders and major core issues of enterprise sustainable development of social concern.

## Improvement opportunity

The screening techniques and processes of substantive issues are disclosed in a more clearer way according to GRI4.0 guidelines in the Report;

The measures taken and achievements made by the Report disclosure enterprise in the technological innovation, transformation of results and introduction and application of new technologies are more openly set according to GRI 4.0 guidelines;

Measures and performance in resolving excess cement capacity are more comprehensively interpreted;

The mechanism of communication and feedback between the company and stakeholders is improved, the appeals of all parties are heard and responded to improve the degree of involvement of all stakeholders.

## Members of the review committee

Zhang Jimin, Ma Weiping

Wang Rui, Wang Fayin, Chu Yufeng, Liu Jianjun, Liu Xiaojun

Bai Mingke, Liu Xin, Li Yongji, Lian Jie, Cao Hongxi

Li Xianjun, Wang Feng, Tong Xin, Xu Linzhou, Li Yansong

Ma Gang, Yao Yanping, Mao Hongqiang

## Appendix

Company short name	Full name of the company
Pucheng company	Pucheng Yaobai Special Cement Co., Ltd.
Hancheng Company	Hancheng Yaobai Yangshanzhuang Cement Co., Ltd.
Shifeng Company	Shaanxi Shifeng Cement Co., Ltd.
Fuping Company	Shaanxi Fuping Cement Co., Ltd.
Weinan Yaobai	Weinan Pucheng Yubai Cement Co., Ltd.
Danfeng Company	Shangluo Yaobai Longqiao Cement Co., Ltd.
Luonan Company	Shangluo Yaobai Longqiao Cement Co., Ltd. Luonan Branch
Zhen'an Company	Shangluo Yaobai xiushan Cement Co., Ltd.
Jianghua Company	Ankang Yaobai Jianghua Cement Co., Ltd.
Yangxian Company	Hanzhong Yaobai Cement Co., Ltd.
Xunyang Company	Ankang Yaobai Cement Co., Ltd.
Mianxian Company	Hanzhong Mianxian Yaobai Cement Co., Ltd.
Xixiang Company	Hanzhong Xixiang Yubai Cement Co., Ltd.
Luxin Company	Hetian Luxin Building Materials Co., Ltd.
Hetian Company	Hetian Yubai Cement Co., Ltd.
Yining Company	Yili Yaobai cement Co., Ltd.
Moyu Company	Moyu Yaobai cement Co., Ltd.
Yaowangshan Company	Tongchuan Yaowangshan Cement Co., Ltd.
Tongchuan Yaobai	Tongchuan Yaobai Special Cement Co., Ltd.
Huaxi Company	Guizhou Linshan Cement Co., Ltd.
Lantian Company	Xi'an Lantian Yaobai Cement Co., Ltd.
Sales Corporation	Yaobai Special Cement Group Co., Ltd. Sales company
Materials company	Xi'an Yaobai Materials Co., Ltd.
Mining company	Shaanxi Fuda Mining Engineering Co., Ltd.
Jian'an company	Xi'an Baitong Building Installation Engineering Co., Ltd.
R&D Company	Yaobai Special Cement Technology Development Co., Ltd.
Logistics Company	Xi'an Zhonggang Smart Logistics Co., Ltd.
Guangxin Company	Guangxin International Finance Leasing Co., Ltd.
Baiyun Company	Xi'an Baiyun Intelligent Data Technology Co., Ltd.
Bai'an Company	Shaanxi Bai'an Admixture Co., Ltd.
Baihong Company	Xi'an Baitong Building Installation Engineering Co., Ltd.
Commercial Concrete Company	Shaanxi Xinyida Building materials industry Development Co., Ltd.
New Materials Company	Shaanxi Yaobai New materials Technology Co., Ltd.
Xinbai Company	Xi'an Xinbai Commercial Operation Management Co., Ltd.
Industrial Technology Company	Shaanxi Yaobai Industrial Technology Co., Ltd.
Human Resources Company	Shaanxi Baiyuan Shengtong Human Resources Co., Ltd.
Baihang environmental protection company	Xinjiang Baihang Environmental Protection and Technology Co., Ltd.
Jingbian Yaobai company	Jingbian Yaobai Well Cementation New Materials Co., Ltd.

## Reader feedback form

Dear Readers :

Hello!

Thank you for reading the "2019 West China Cement Corporate Social Responsibility Report". We sincerely look forward to your evaluation of our social responsibility work and this social responsibility report. Your opinions and suggestions will help us continue to promote social responsibility management and practice, and continuously improve the level of disclosure of social responsibility information. You can fill in the following contents and send us feedback by mail or email. Thank you very much!

West China Cement Limited  
Jun. 2020

### Contact us:

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### Your comment on this report: (Please fill "√" in the appropriate place)

Which stakeholder do you belong to?

☐ Employees ☐ Customers ☐ Government ☐ Public ☐ Partners ☐ Public service organizations ☐ Other

Your overall assessment of the report:

- |                       |                                    |                               |                                  |                                   |                                    |
|-----------------------|------------------------------------|-------------------------------|----------------------------------|-----------------------------------|------------------------------------|
| 1.Report contents     | <input type="checkbox"/> Very good | <input type="checkbox"/> Good | <input type="checkbox"/> General | <input type="checkbox"/> Not good | <input type="checkbox"/> Very poor |
| 2.Information quality | <input type="checkbox"/> Very good | <input type="checkbox"/> Good | <input type="checkbox"/> General | <input type="checkbox"/> Not good | <input type="checkbox"/> Very poor |
| 3.Textual statement   | <input type="checkbox"/> Very good | <input type="checkbox"/> Good | <input type="checkbox"/> General | <input type="checkbox"/> Not good | <input type="checkbox"/> Very poor |
| 4.Design layout       | <input type="checkbox"/> Very good | <input type="checkbox"/> Good | <input type="checkbox"/> General | <input type="checkbox"/> Not good | <input type="checkbox"/> Very poor |
| 5.Overall evaluation  | <input type="checkbox"/> Very good | <input type="checkbox"/> Good | <input type="checkbox"/> General | <input type="checkbox"/> Not good | <input type="checkbox"/> Very poor |

Your assessment of the significant impact of West China Cement reflected in this report on the economy, society and the environment:

☐ Very good ☐ Good ☐ General ☐ Poor

Do you obtain the information required in this report:

☐ Yes ☐ No

Do you think this report is easy to read with this content arrangement and layout design?

☐ Yes ☐ No

### Open-ended question:

Your opinions and suggestions on West China Cement social responsibility:

What kind of information do you want to obtain through the West China Cement Group's Social Responsibility Report?





This report is made of renewable environmental protection paper.



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