





This report is made of renewable environmental protection paper.



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WEST CHINA CEMENT LIMITED

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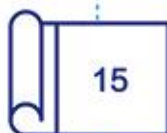
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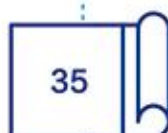
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Introduction of the Report

◆ Reporting Cycle

This report is an annual report, and also the fifth report of West China Cement Limited since the issuance of the first Social Responsibility Report in 2017.

◆ Time Frame

The reporting period of this report is from January 1, 2020 to December 31, 2020 (hereinafter referred to as "Reporting Period"), for certain contents, the relevant timeframe was moderately extended to that before 2020.

◆ Scope of the Report

Work performance of West China Cement Limited and its affiliated companies in aspects of economy, environment and society.

◆ Data Explanation

The data used in this report are derived from such resources as official documents, financial reports, statistical reports, news media outlets and so on. All contents in this report have been reviewed by the Company's management personnel, competent departments and production plants (companies) under corporate structure. The Board of Directors and all directors of the Company ensure that there is no false record, misleading statement or major omissions for all contents in this report. The Board of Directors and all directors of the Company shall bear joint and several liabilities for authenticity, accuracy and completeness of the contents mentioned above.

◆ Description of Titles

For ease of expression and reading, "West China Cement Co., Ltd." is also indicated in this report as "West China Cement Limited," "Company" or "We" and its subsidiaries (collectively, the "Group"). "Yaobai Special Cement Group Co., Ltd." is an indirect wholly-owned subsidiary of the Company, and indicated as "Yaobai" in this report.

◆ Reference Basis

For Environmental, Social and Governance Reporting Guide by the Stock Exchange of Hong Kong
A Guideline for CSR Report Preparation for China's Cement Industry by China Cement Association ISO 26000: Guidelines for Social Responsibility (2010) by International Organization for Standardization
A Guideline for Sustainable Development Report (G4 Edition) by Global Reporting Initiative AA1000 Series of Standards released by Social and Ethical Responsibilities Institute (UK)

◆ Introduction of the Report

The electronic edition of this report is provided in both Chinese and English versions. You can have access to the electronic version of this report by visiting the websites of West China Cement Limited, Yaobai Special Cement Group Co., Ltd. or the Stock Exchange of Hong Kong, namely www.westchinacement.com, www.yaobo.com.cn or www.hkexnews.hk.

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A Letter to Stakeholders

Distinguished stakeholders:

In this summer when enthusiastic sunshine can even melt jade and gold, 2020 Social Responsibility Report of West China Cement Limited comes out as planned. It is our pleasure to share with you what we've done, what we've got and what we've felt with respect to social responsibility in the past year.

2020 is the year when the People's Republic of China secured a decisive victory in building a moderately prosperous society in all respects, won the battle against poverty, and realized the completion of the 13th Five-Year Plan. It is also the year when the whole country has strived to fight against the COVID-19 pandemic and has endured another arduous ordeal in its long history. In this year, focusing on the management theme of "quality improvement, stability and innovation", West China Cement Limited has continued to build ability in taking the lead in the regional market and making innovation-driven development; to put the requirement for safe "production" in place, committed to the idea of "centering on people and casting high-quality products"; to deepen excellent operation and push forward transformation and upgrading so as to realize better performance.

In the year, in the face of the sudden COVID-19 pandemic, we made an immediate and active response to fully implement various measures for prevention and control in every aspect, and finally succeeded in achieving the goal of "zero infection" within the whole Group. We have arranged our work on pandemic prevention, production and operation in a concerted way to secure the Company's orderly operation. Due to the above-mentioned efforts, we took the lead in resuming production and operation, and meanwhile minimized the impact of the pandemic.

In this year, we have been actively expanding the prefabricated building industry. In view of the market trend and our own advantages in the field of concrete, with the R&D and production of prefabricated houses, PC components and supporting complex parts as our main business, we have planned to build 8 R&D centers for prefabricated building manufacturing and set up the prefabricated building business division so as to actively promote the development of prefabricated houses, prefabricated components and other products, further promote the strategic transformation, and realize extension and development of the industrial chain.

In this year, following the national policies involving energy conservation and emission reduction, we have continued to promote the coordinated disposal of urban and rural domestic waste, municipal sludge and industrial hazardous waste by cement kilns, strengthened the treatment of solid waste, air and water pollution, and build environmentally-friendly enterprises in line with higher standards. In 2020, the Company's average emission concentrations of nitrogen oxides, sulfur dioxide and particulate matter are superior to the national emission standard limits. In addition, with "ecology, environmental friendliness, safety and intensive utilization of resources" as the main work line, we have promoted the construction of green mines and green factories. Mianxian Company has been listed as "a green factory" in the directory of national green manufacturing.



西乡公司厂区



In this year, by combining the corporate development needs with employees' individual development needs, we have continuously promoted online and offline learning to enrich the training programs for employees and facilitate their participation. By use of the platform of the Management Training Institute, based on the corporate strategic development, management requirements and employee growth, we reshaped a talent training system supported by projects, courses as well as lecturers and guaranteed by a supporting system. By encouraging the grass-root employees to meet the standards for what they should know and comprehend, continuously optimizing the leadership and new employee training projects, building a resource pool for independent courses and internal trainers, and improving the training system, we will help to further clarify the functional orientation of the Management Training Institute and solidify its basic management. In 2020, the aggregate time for online and offline training involving employees' individual development was 15,787 hours, with the training time per capita of about 3 hours.

In this year, by adhering to the principle of "customer first", we depended on the core competitiveness of "honest operation and sincere service", abided by business ethics, and provided customers with high-quality products and services as best as we can. Adhering to the orientation by customers' needs, we continuously improved the management in terms of quality, process and others, carried out 24-hour supervision and testing for the production process to solidify and refine the work of quality improvement; made deep exploration into information construction and digital transformation of the cement industry to achieve further development in the fields of intelligent manufacturing, intelligent marketing, intelligent logistics and so on, and promoted the continuous improvement and optimization of production and operation while improving efficiency. By strengthening communication with customers, we will earnestly safeguard customers' and consumers' rights and interests, meet and exceed their expectations, optimize their experience and improve their satisfaction.

In this year, we continuously optimized supplier management, improved the supplier management system, carried out management and guidance for suppliers in terms of access, cooperation, evaluation and withdrawal, and established a long-term stable and sustainable supply chain which is transparent and traceable. According to the Company's strategy and the characteristics of material procurement, we formulated the supplier development and selection standard to introduce high-quality suppliers through multiple channels. In 2020, we realized the full-life-cycle management for 2457 suppliers, and the supplier structure was further optimized.

In this year, we actively participated in public welfare activities, improved township and community infrastructure by donating cement products, helping build bridges and roads for surrounding villages and towns, rebuilding old houses and better public health utilities, and donated cash and supplies to poverty-stricken areas and poor families to solve their difficulties. What's more, we have continuously paid our attention to the education and development of poor students, and helped to create a good learning environment and atmosphere for more children to obtain high-quality educational resources by means of donating teaching materials, setting up scholarships and carrying out public welfare activities.

A huge bell can send its sound far away, and one with high aspiration must have a far-reaching ambition. The year of 2021 marks the centenary of the founding of the Communist Party of China and the beginning of the 14th Five-Year Plan. In the coming new year, all staff from West China Cement Limited will forge ahead in the forefront of the times, keep in mind their responsibilities, make their steady strides with a more confident and positive mindset full of enthusiasm, continue to promote high-quality development and industrial innovation, take the lead in the green development and achieve long-term prosperity of our Company!



02 About West China Cement Limited

Profile of the Company

West China Cement Limited (Stock code: 2233.HK) is a large group company integrating the businesses involving cement, new building materials and industrial investment. Yaobai Special Cement Group Co., Ltd., a subsidiary of the Company, is located at No. 336, Shenzhou 4th Road, Aerospace Base, Xi'an City, Shaanxi Province. Yaobai Group has more than 50 subsidiaries distributed in Shaanxi, Xinjiang, Guizhou and Sichuan. Yaobai Group Ranks 23rd among the world's cement enterprises, and 13th among the listed companies in the domestic cement industry. The Group ranked 7th among Top 100 Enterprises in Shaanxi for the 7th year in a row. It is the largest building material producer in Shaanxi and even the whole western region in China.

The Company has a complete marketing network and a sound after-sales service system. Its products are widely used in national key projects such as expressways, railways, airports, bridges, tunnels, water conservancy facilities, oil wells and gas wells, as well as urban and rural construction markets, involving such areas as Shaanxi, Hetian and Yining in Xinjiang, Huaxi in Guizhou and Ganzi in Sichuan.



Cultural principles'

People-oriented principle, high-quality manufacturing, continuous innovation and first-class mindset;

Become stronger with self-independence, make every effort to make exploration and innovation, and exceed ourselves relentlessly;

Make wealth for all, achieve win-win outcomes, represent life values and serve the society;

Carry out an honest operation, provide inexpensive good-quality products; serve people with utmost sincerity and take the lead in the industry.

Vision

To become a leading enterprise with excellent performance, rapid growth and social responsibility in the cement industry.

Engineering project cases

Xi'an Metro Lines 2, 4 and 5, Haolebaoji-Ji'an Railway (the world's longest railway under construction), Xi'an-Chengdu High-speed Railway, Baoji-Hanzhong Expressway, Zhengzhou-Xi'an High-speed Railway, Qinling-Zhongnanshan Highway Tunnel, Longmen Yellow River Bridge, Changqing Oilfield of China National Petroleum Corporation and Phase III of Xi'an Xianyang International Airport etc.

2018—2020 Main Business Data Indicators

Economic indicators

Indicators	Unit	2018	2019	2020
Revenue	RMB/thousand yuan	5,911,744	7,247,389	7,131,052
Profit before tax	RMB/thousand yuan	1,632,111	2,243,801	1,847,456
Total comprehensive income	RMB/thousand yuan	1,180,463	1,849,529	1,579,410
Total assets	RMB/thousand yuan	12,392,057	14,579,813	18,906,232

Human resources indicators

Indicators	Unit	2018	2019	2020
Total number of employees	Persons	5174	5750	6213
Social insurance coverage	%	94.5	Above 95	Above 96
Staff training coverage	%	100	100	100%
Total female managers	Persons	50	69	71
Number of R&D personnel	Persons	29	31	33

Client and partner indicators

Indicators	Unit	2018	2019	2020
Customer complaint handling rate	%	100	100	100
Product up-to-standard rate	%	100	100	100

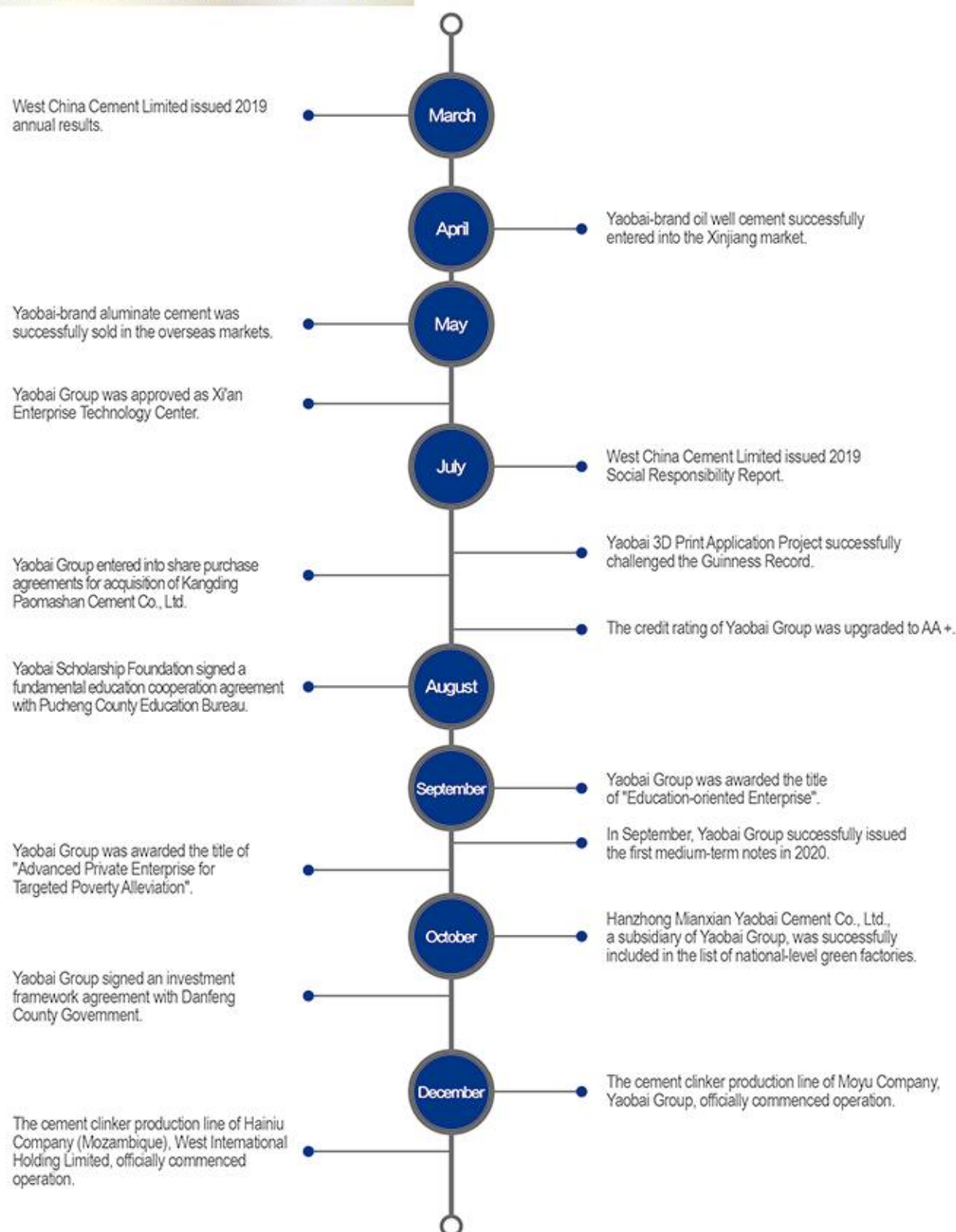
Security indicators

Indicators	Unit	2018	2019	2020
Security training coverage	%	100	100	100
Times of safety emergency drills	Times	204	268	234
Number of Safety Management Personnel with Certificates	Persons	143	186	233

Environment indicators

Indicators	Unit	2018	2019	2020
Integrated energy consumption	Ten thousand tons	142.9	150.4	163.8
Packaging materials consumption	Tons	10183	10230	8622
Comprehensive energy consumption of comparable clinker	kgce / t	107.04	105.11	108.52

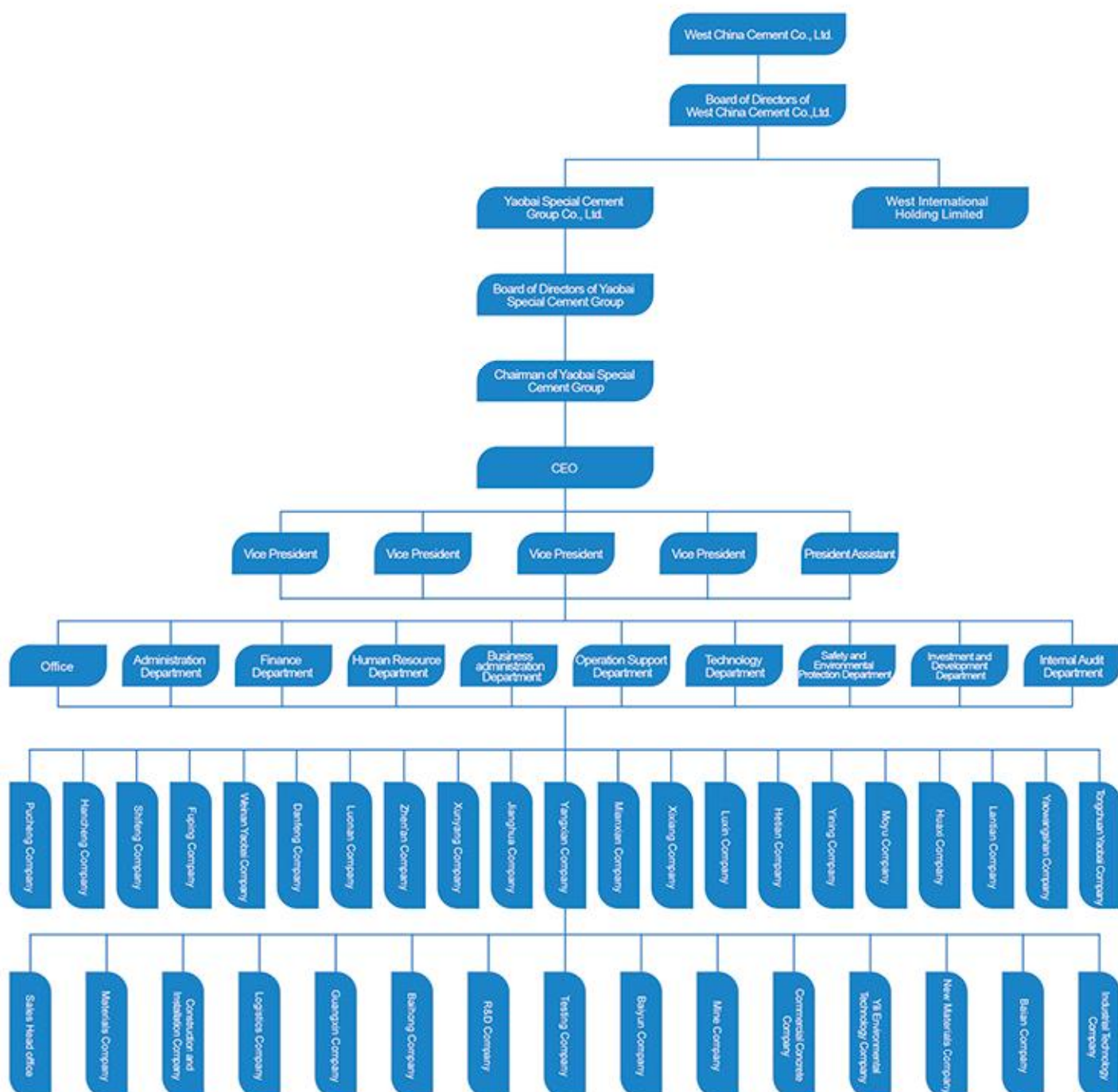
West China Cement Limited in 2020



Annual Social Responsibility Honors



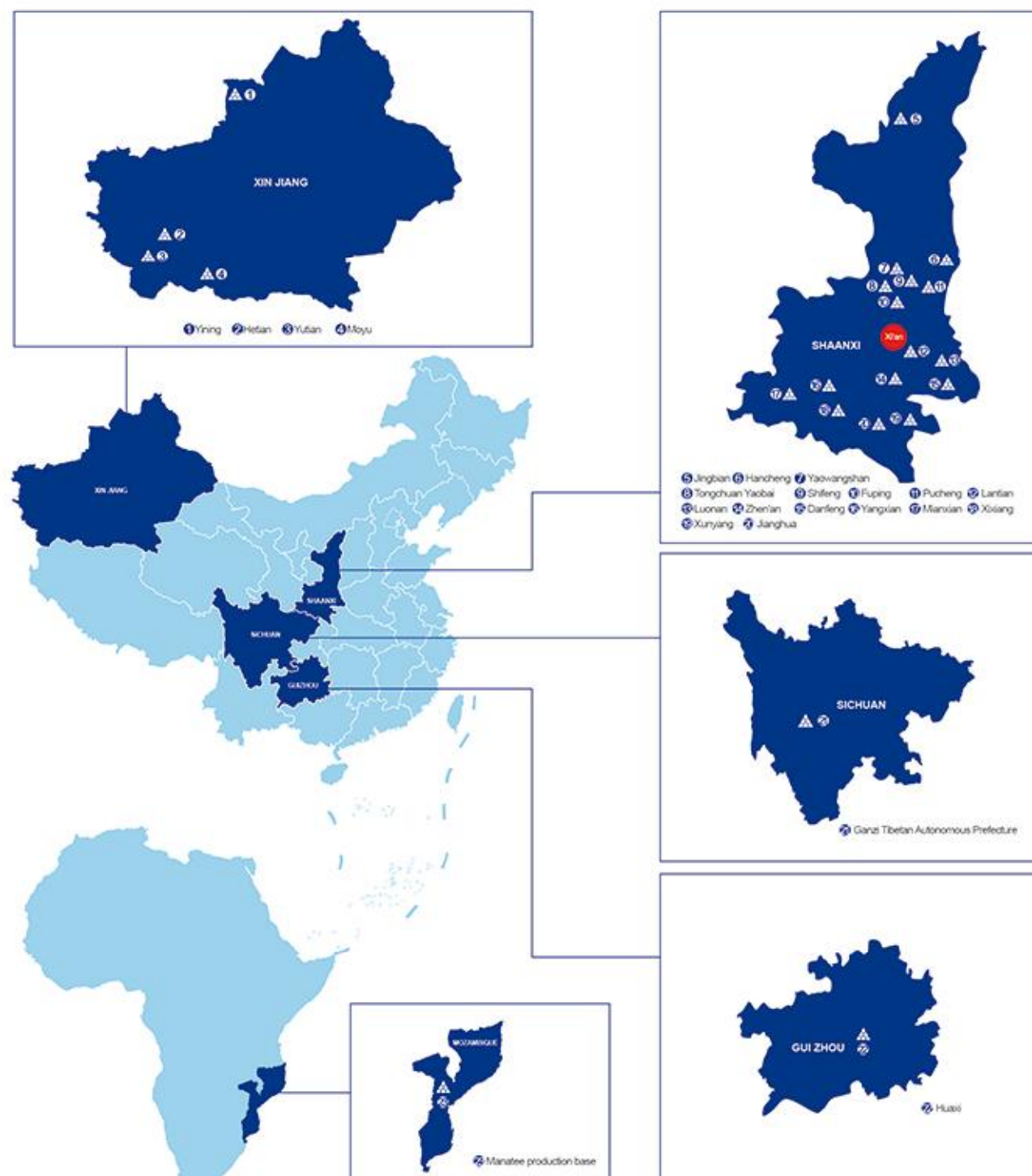
Simplified Organizational Structure



Business Layout

Relying on the complete railway and highway logistics networks, we sell our products mainly in the areas of Shaanxi, Guizhou, Xinjiang, Sichuan and Mozambique.

By the end of 2020, the Company had 23 production bases, 24 new dry-process cement production lines, 15 commercial concrete production bases, 27 commercial concrete production units and 8 prefabricated building manufacturing R&D centers, with cement production capacity of 33.2 million tons, clinker production capacity of 20.6 million tons, aggregate production capacity of 15.1 million tons and concrete production capacity of 9.8 million cubic meters.



Management Team

Board of Directors, West China Cement Limited

Zhang Jimin	Executive Director and Chairman of Board of Directors
Ma Weiping	Executive Director and CEO
Ma Chaoyang	Non-Executive Director
Shi Guanglei	Non-Executive Director
Fan Changhong	Non-Executive Director
Lee Kong Wai Conway	Independent non-Executive Director
Zhu Dong	Independent non-Executive Director
Tam King Ching Kenny	Independent non-Executive Director

Contributions to Industrial Organizations

Organization Name	Position of Yaobai Group
World Cement Association	Founding Member
World Concrete and Cement Association	Member
Cement Sustainability Initiative	Member
China Cement Association	Vice President of the Council
China Building Materials Federation	Member
Shaanxi Cement Association	President of the Council
Shaanxi Building Materials Federation	President
Shaanxi Resources Comprehensive Utilization Association	Vice President
Shaanxi Enterprise Credit Association	Member
Shaanxi Emergency Management Council	Executive Director (Unit)
Shaanxi Energy Conservation and Emission Reduction Council	Director
Shaanxi Federation of Industry and Commerce	Member
Xi'an Association of Enterprise with Foreign Investment	Vice President (Unit)
3D Printing Branch, China Concrete & Cement-based Products Association	Vice President
Special Cement & Concrete Materials Branch, China Concrete & Cement-based Products Association	Rotating President

03 Responsibility Management

West China Cement Limited firmly grasps the development opportunities of the times, accurately grasps the internal logic of reform and development, constantly improves the internal governance structure of the Company, strengthens the internal system construction, enhances the level of corporate governance, promotes the Company to move forward steadily with more efficient organizational control and higher quality development, builds the Company into a modern enterprise with intensive management and quality and efficiency, to achieve stable and sustainable development.

Compliance Management

The Group continues to improve its enterprise legal affairs management system and established a legal adviser system with unified leadership and hierarchical management. The Group has applied different measures to achieve the legal review of major corporate decisions, economic contracts, rules and regulations, taking into account the actual status of the company, and from time to time carried out special legal training in contract management, system compliance, labor employment, bidding, listing rules, etc., to stay alert to the compliance.

Responsibility Management

As the highest decision-making body for environmental, social and governance (ESG) management, the Board is responsible for the development of the ESG management framework and strategy, to ensure that the Company has implemented appropriate and effective ESG risk management and internal audit systems, as well as reviewing and approving the ESG reports of the Company. The ESG Responsibility Management Committee reports to the Board. As the highest management and coordination body for corporate social responsibility, it is responsible for implementing the company's social responsibility strategic plan, formulating social responsibility policies and rules, establishing social responsibility management and implementation system, and inspecting and monitoring the fulfillment of social responsibility.

The Group has established an Environmental, Social and Governance Responsibility Management Committee headed by the senior management with the participation of the middle management; the Committee consists of the office under the Secretary of the Board of Directors, representatives from all relevant departments and subsidiaries with significant impact on the Group's environmental, social and governance, which is mainly responsible for the implementation of the Committee's decisions and day-to-day work; the work office performs as a liaison officer for social responsibility work and is responsible for conveying and communicating the Group's strategies and specific initiatives on environmental, social and governance, as well as collecting data and providing feedback.



In 2020, we strictly implemented the requirements of the Social Responsibility Management Committee, the competent authority of the industry, and industry associations on the fulfillment of enterprise social responsibility, gradually improved the social responsibility management system, explored and promoted social responsibility practices, actively carried out social responsibility research and published social responsibility reports, to enhance the Company's ability and level of fulfillment of responsibility with practical actions and lay a solid foundation of responsibility management for the Company to achieve sustainable development.

Information Disclosure

To ensure that shareholders can fully exercise their legal rights, West China Cement Limited has set up the Investor Relations Department, dedicated to providing advice and updates to investors and market participants. We welcome shareholders and investors to contact the Company by mail, telephone or email for inquiries or comments, intending to enhance the transparency of the Group and strengthening enterprise governance. In addition, we publish important company information promptly through the website of the Stock Exchange of Hong Kong and the Company's official website so that all shareholders can be informed in an equal and timely manner; and we also provide regular investor relations reports to senior management.

Moreover, the Company regularly participates in different events, including major investor meetings, two non-deal roadshows and other communication activities with investors and market participants to increase the opportunities for shareholders and investors to engage with the Company.

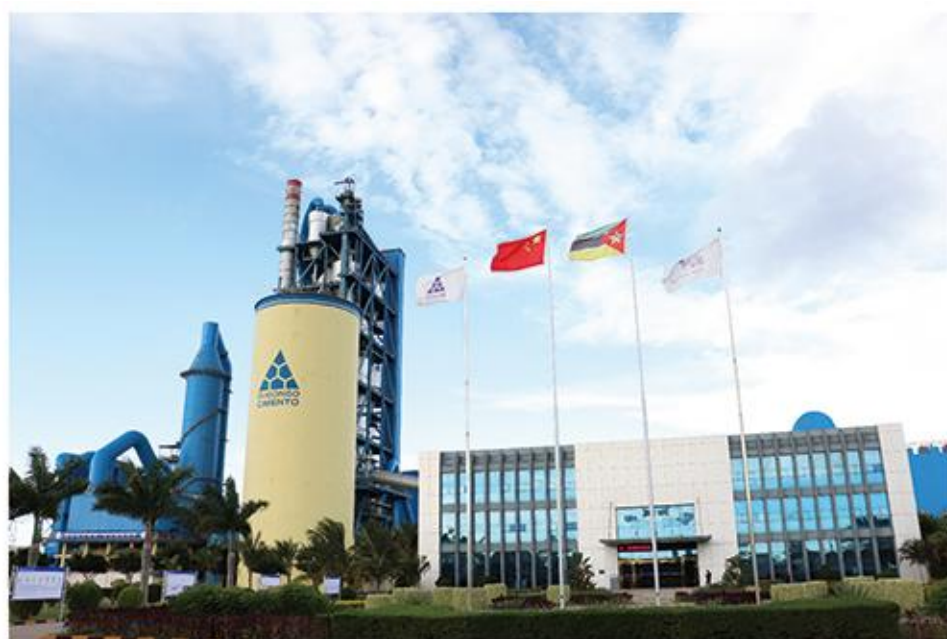
The Company maintains contact with its shareholders and other investors through various channels so that shareholders and other investors are aware of the Company's performance, strategy, prospects and the operating environment of the market that the Company is engaged in. We believe that shareholders' value will be enhanced through continuous, stable, clear and efficient communication.



Fuping Company

Anti-commercial Bribery

Corruption violates business ethics, tarnishes the image of companies and is not conducive to creating a fair market environment for competition. The Group maintains the financial order in strict compliance with the Anti-Money Laundering Law of the People's Republic of China and conducts its business activities in accordance with the relevant requirements of the Anti-Unfair Competition Law of the People's Republic of China and the Interim Provisions on Banning Commercial Bribery. The Group adheres to the people-oriented approach and continuously strengthens the professional ethics and self-discipline education for employees. We take a firm stance on anti-embezzlement and anti-corruption issues, resolutely correct all kinds of unhealthy practices, punish corruption with zero tolerance, continuously enhance the ability of our cadres to self-purification, self-perfection, self-renovation and self-improvement, vigorously promote integrity education, implement the culture of compliance, continuously promote the "Four-emphasis and Four-strengthening Practice Guidelines", formulate the "Regulations on the Management of Integrity and Self-discipline for Cadres", carry out "work style construction activities", organize all managers to sign the "Letter of Commitment for Integrity and Self-discipline of Management Cadres" for creating a clean and upright working atmosphere, urge management personnel at all levels to set a good example for the fellows, control themselves and lead their teams well, continuously strengthen their quality and firm beliefs, respect the law and discipline, and use power with integrity. The Group did not have any cases of corruption, bribery, extortion, fraud and money laundering in 2020.



Haijia Company

04

Energy Conservation and Emission Reduction for Building a Green Life

West China Cement Limited integrates the concept of energy conservation and environmental protection into its enterprise gene, vigorously carries out pollution prevention and control, and advocates the development of circular economy. It is committed to building itself into a resource-saving and environment-friendly enterprise, by taking the innovative development path of greening and upgrading, and making greater contributions to beautifying the ecological environment, achieving green development and building a beautiful China.



Cases of Environmental Responsibility Practices

Creating a "Green Factory" to Build a "Green Engine"

At present, the constraints of resources and environment on achieving global sustainable development are becoming more and more prominent, and "green manufacturing" is gradually becoming a trend of development in the world. The "Green Manufacturing Project" has been included in the "Made in China 2025", the first ten-year action program of China's implementation of the manufacturing power strategy, and the Ministry of Industry and Information Technology (MIIT) has put forward the specific goal of "creating 100 green industrial parks, 1,000 green demonstration factories and promoting 10,000 green products by 2020" in the "Guidelines for the Implementation of Green Manufacturing Projects (2016-2020)". The creation of a green plant is not only a key part of the construction of green manufacturing system but also the key task of implementing the project of green manufacturing. By industry, the selection of demonstration enterprises as a benchmark helps to drive more enterprises to create a green plant, and also supports to promote the green manufacturing project.

Yaobai Group has been always considering the creation of a green plant and green mines as an effective way and the main task for its own transformation and upgrading. Hanzhong Mianxian Yaobai Cement Co., Ltd. (hereinafter referred to as "Mianxian Company"), one of the Company's subsidiaries, adheres to the development concept of green, ecology and environmental protection, advocates green and low-carbon operation and develops circular economy in the course of its growth, exploring and striving to develop itself into a resource-saving and environment-friendly benchmark enterprise.

In 2018, Mianxian Company officially started the creation of green plant, with the promotion of coal saving, electricity saving, water saving, clean production, intelligent manufacturing and the implementation of projects related to the development of circular economy as the focus of works, and strove to become an industrial benchmark in terms of safety and environmental protection, energy consumption index, organizational efficiency, informatization, site management and green construction. In 2020, Mianxian Company successfully passed the green manufacturing review of the Ministry of Industry and Information Technology (MIIT) and was selected as a national "green plant".

In terms of integrated energy management, Mianxian Company has been making continuous efforts to improve its construction of energy management system in accordance with the requirements of GB/T23331-2012 energy management system standards, and officially released the Management Manual for Energy Management System on January 1, 2018, established energy policy, energy objectives, processes and procedures, achieved energy performance targets, and carried out energy saving and consumption reduction work under the requirements. As all indicators met the national requirements, the company obtained the third-party energy management system certification in 2020. By strengthening enterprise energy management and implementing energy-saving technological transformation, the company realizes effective supervision and management on enterprise's energy consumption, improves energy utilization efficiency, reduces energy consumption and production costs, providing powerful support for energy-saving technology transformation, cost reduction and efficiency improvement.

In terms of monitoring environmental protection, Mianxian Company takes an active initiative to carry out self-monitoring on environmental protection and implements online monitoring and real-time data release for flue gas emission of rotary kiln system, with all online auto-monitored data remaining continuous and stable and reaching the standards to be transmitted to the monitoring center of the environmental protection department. Besides, the company also entrusts qualified units to carry out self-monitoring works according to the monitoring contents and frequency required on the Pollutant Discharge Permit, completes and publishes on schedule the monitoring results to the society. The average values of the annual emissions in 2020 are all in compliance with GB4915-2013.

In terms of the technological transformation for environmental protection, Mianxian Company actively promotes the application of various new technologies for environmental protection, energy saving and emission reduction, including reducing the consumption of raw coal by means of the technological transformation of rotary kiln preheater system; tapping equipment's potentials through the technological transformation of the host equipment to improve the unit machine-hour and reduce the unit electricity consumption so as to achieve the reduction of energy consumption; modifying the internal sealing of raw-material mill system to reduce the internal air leakage, and at the same time carrying out technical transformation of the windshield and timely adjusting the height of the retention ring to ensure the mill's operation at high machine-hour and the reduction of electricity consumption; conducting technological transformation of the roller press's unloading device to improve its original poor working performance and give a full play to its rolling effect.



Total investment in environmental protection in RMB during the Reporting Period

101,057,700



Comprehensive utilization of industrial waste is

2,990,400
tons

(The scope of industrial waste statistics includes coal gangue, waste rock, desulphurization gypsum, fly ash, blast furnace slag, etc.) during the Reporting Period



RMB

122,878,300

has been invested in energy-saving and emission reduction technology transformation during the Reporting Period



76,705.42

tons of urban and rural domestic waste co-disposal during the Reporting Period

In terms of waste heat recovery and utilization, Mianxian Company vigorously promotes advanced energy-saving technologies such as waste heat supported power generation and energy-saving grinding, and equips with waste heat recovery and utilization system respectively at the head and tail of the kiln, and the supporting 4.5MW low-temperature waste heat power generation system helps to fully recover the waste heat generated by the rotary kiln and preheater during their production, achieving a power generation capacity of more than 32 degrees per ton of clinker and an annual power supply of 27.02 million kWh and meeting 2/3 of the electricity consumption of the production line. In 2018, the company implemented the heating renovation for its dormitory buildings and the additional heat conversion system makes it possible for the utilization of waste heat in an environmentally friendly way, achieving a great effect in reducing energy consumption, saving energy and protecting the environment.

In terms of comprehensive resources utilization, Mianxian Company vigorously develops circular economy, carries out researches and applications of industrial waste such as converter slag and desulfurized gypsum in cement production, promotes comprehensive utilization of resources, effectively reduces energy consumption by using industrial by-product materials, and consumes more than 50,000 tons of converter slag, waste slag, limestone powder and desulfurized gypsum every year, contributing to the development of local circular economy. The company's supporting solid waste treatment system was built to realize the harmless treatment of solid waste during the production of cement clinker. The system can make full use of organic components' calorific value and inorganic components in the waste to replace part of the fuel and natural mineral raw materials respectively to produce cement clinker, which allows the company to treat municipal sewage sludge at the rate of 5t/h, effectively enhancing the harmless treatment of resources.

In terms of ecological and environmental governance, Mianxian Company strictly follows the national environmental protection policies and industrial specification requirements, and insists on high standards and high starting point for investment. It has promoted the comprehensive treatment and cyclic utilization of waste water, exhaust gas and waste slag in an all-round way and established a recycling system for pollution treatment, such as using waste water for water sprinkling along the roads in the plant and applying the technological transformation of dust removal in stack shed to control the dust in the plant, so as to achieve harmless treatment and zero emission. The company also invested more than RMB 3 million to improve the environment and green space throughout the plant by planting more than 1,000 trees and over 10,000 square meters of grass, making the whole plant being surrounded by the greenness and realizing the harmonious integrations of "plant and environment, cement industry and culture, enterprise and the society".

What Mianxian Company has accomplished and achieved in the process of creating the green plant fully reflects West China Cement Limited's active practice of the ecological civilization concept and the promotion of green plant creation with its full strength. Under the organization and leadership of West China Cement Limited, the subsidiary production bases will raise their awareness, change their concepts, alter attitude from being passive to taking initiative, integrate their own reality, formulate implementation plans for green plant construction, clarify target tasks and measures, conscientiously implement relevant national laws and regulations, and fully promote all green construction works. At the same time, they will earnestly organize and carry out staff training, create a good atmosphere and improve the enthusiasm and initiative of employees to realize full participation and promote the deep development of green plant construction.



Mianxian Company



Strengthening Environmental Management

The Group strictly adheres to the Environmental Protection Law of the People's Republic of China, Emission Standard of Air Pollutants for Cement Industry and other laws, regulations and requirements, sticks to the environmental protection principles of "taking protection as a priority and regarding prevention as a main task to carry out comprehensive governance, appeal for public participation and require polluter who damages the ecological environment to bear his responsibilities", establishes and perfects rules and regulations and system for environmental protection management and strengthens environmental protection training, publicity and education system and assessment mechanism to comprehensively evaluate the performance of each cement production base in terms of environment, health and safety, so as to further improve the management level of production bases and promote the sustainable development of the enterprises. In 2020, 21 production bases of the Group accumulatively emitted 631.44 tons of SO₂ and 6,577.66 tons of NO_x (being a form of greenhouse gas), the emissions of NO_x and SO₂ were respectively recorded as 0.449kg per ton of clinker and 0.0318 per ton of clinker, representing a YoY decrease of 1.32% and 0.62% respectively, and the consumption of ammonia was recorded as 2.63 kg per ton of clinker, basically remaining the same as the data recorded in 2019. In 2020, the average carbon emission intensity of the Group was recorded as 0.8525, an overall decrease by 0.52% as compared with that in 2019.

Comparative Table of Major Air Pollutant Emissions



SO₂ Emission: from 2015 to 2020 (ton) = 1328, 862, 810, 576, 468, 631, respectively.

NO_x Emission: from 2015 to 2020 (ton) = 10186, 9354, 7376, 7288, 6684, 6578, respectively.

Opening Sources and Regulating Consumption for Green Development

The Group has achieved energy saving, emission reduction and green development through technological innovation and optimization of production lines. At present, Shifeng Company and Fuping Company have controlled the NO_x emission to be less than 50g/Nm³ via denitrification technological transformation, which effectively reduces NO_x emission, raises the efficiency of the enterprises, improves regional environment and changes the impression of the local people on the traditional cement industry. All of these contributions make cement production enterprises environmentally friendly, enhance the supporting role of the cement industry for the development of the national circular economy, improve the ability to control the spread of pollutants, and establish a technological model for sustainable development in the cement industry.

Application of Substitutes for Raw Material and Fuel

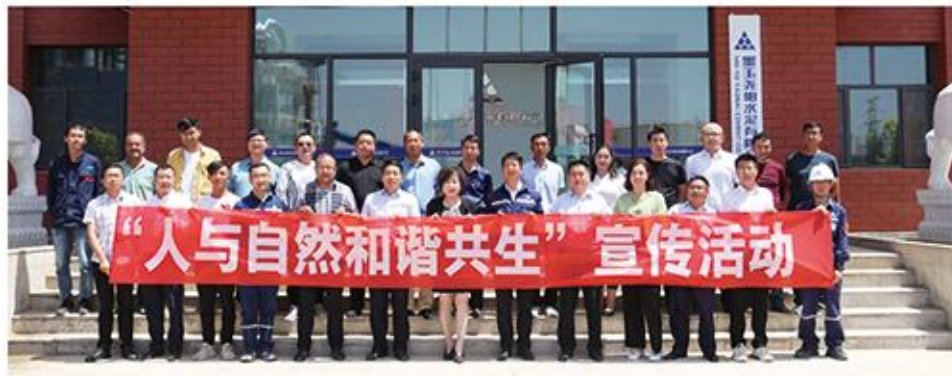
In 2020, the Group consumed 2,150,400 tons of raw coal, consuming 109.75 kg of standard coal per ton for each unit of production. Our companies are actively carrying out cooperation and researches with science & research institutes and business partners to seek for effective fuel substitutes for coal and electricity. In 2020, we have developed a detailed evaluation system for the use of alternative materials and procedures for use, with the impact of the use of alternative materials on quality and overall costs being taken into consideration, in order to make the system and procedures much more standard and satisfy the needs of product's quality and costs. With the efforts made, breakthroughs were achieved from multiple aspects and a favorable situation of all-round prosperity was formed, 193,000 tons of substitutes for raw material and fuel in total have been applied to modified phosphogypsum, fluorgypsum, solid waste generated from metallurgical plant and other aspects by means of practice, saving 23,600 tons of standard coal. The measures above not only benefit the Group's production and operation but also provide an effective treatment for part of solid waste to protect the eco-environment.

Better Disposal of Industrial Solid Waste and Integrated Resources Utilization

The Group actively responds to the national call of building up an "energy-saving" society and an "environment-friendly" society, resolutely implements the basic national policies of resources saving and environmental protection, aims at the efficient utilization and recycling of the resources, practices the resources usage policies of "reduction, recycling and resource-regeneration" into all aspects of production and operation, and strictly follows the requirements of advanced technology, low energy consumption, low pollution and investment control, and operates itself under an economic model through material circulation and energy flow in the natural ecosystem, so as to promote enterprise to maximize its economic value and leave the foundation of survival for future generations. During the reporting period, the Group has totally consumed a total of 2,150,400 tons of coal, with a coal consumption of 143.02 kg per ton of clinker, 662,665,600 kWh of electricity, with an electricity consumption of 75.42 kWh per ton of cement, and 241 tons of diesel fuel for ignition, with a diesel fuel consumption of 0.01 kg per ton of cement.

In response to the current situation that a large area of land is occupied by solid construction waste generated during the development and construction of Xi'an City and its surrounding areas, our company has been embarking on experimental studies on the solid waste generated in the course of urban construction early in 2007. The results of the studies have been promoted and applied to the production, helping to dispose of about 100,000 tons of urban construction waste for Xi'an City every year. In 2020, the company disposed of 2,990,400 tons of industrial waste of all kinds in total.

For the management of packaging materials, the packaging materials consumed by the company's affiliated companies in 2020 were mainly packaging bags and cartons. The total volume of bagged cement was 6.16 million tons, and an average of 20 bags per ton of cement were used. Each bag had a weight of 70 grams, and consumed about 8600 tons of packaging materials. Unit output of packaging materials consumed 1.4 kg/ton.



Saving Water Resources

All production units of the Group have realized zero discharge of wastewater, as all domestic sewage and production wastewater are recycled for greening irrigation in the plant or for water-cleaning by car washer after the treatment of A/O2 or A/O secondary biochemical treatment technologies, and cyclic utilization is also carried out throughout all waste heat power generation systems and production cooling water systems in order to promote the recycling of water resources and reduce water consumption. During the Reporting Period the Group has not encountered any issue in sourcing water that is fit for the Group's purpose. The total water consumption amount throughout the year reached 10.68 million tons and unit product water usage amount was 0.59 tons.

Carrying Out Active Technological Transformation for Cost Reduction and Efficiency Improvement

The Group has actively cooperated with environmental protection and governance units in a comprehensive manner, increased capital investment in environmental protection and introduced advanced technologies for environmental protection and pollution control to achieve ultra-low emissions. A large amount of capital was invested in pollution prevention and control, ultra-low emission renovation for environmental protection and governance facilities and the establishment of an early warning platform for pollutants exceeding the standard to strictly control the pollutant emission concentration, which contributes to achieving the management goal that the concentration of the pollutant emitted is far less than the emission standard. The Group's pollutant emissions of NO_x and SO₂ per ton of clinker are decreasing year by year.

Improving Energy Efficiency

The Group strictly follows the rules and regulations of Supervision and Management of Energy Conservation and Emission Reduction to collect statistics on the resources consumption in the production process and apply the statistic data to evaluate the operation performance of the production bases so as to improve the energy and resources utilization and economic benefits. In addition, our companies insist on a high standard to apply new technologies and equipment, and all cement production bases are equipped with waste heat power generation system which will convert the waste heat generated during the cement production into electricity to improve the energy utilization efficiency. In 2020, the companies' waste heat power generation equipment generated a total of 422 million kWh and made economic benefits of RMB 113 million, which is able to save 15,800 tons of standard coal by calculating on the basis of thermal power generation of the same capacity, equivalent to the emission reduction of 42,400 tons of CO₂, 134,600 tons of SO₂ and 117,100 tons of NO_x, making a remarkable achievement in energy saving and emission reduction. The Group has built a big data analysis system for energy control, which realizes double channels for communication on the spot to solve on-site production issues and effectively addresses the passive situation of incomplete and lagging energy control.



Huaxi Company

Promoting Concerted Disposal

The Group actively promotes the collaborative solid waste disposal technology in the cement kiln and utilizes the higher temperature, more alkaline materials and a series of advantages of the new dry-process cement kiln to absorb and dispose of harmful substances such as dioxins generated in solid waste, making the heavy metals be stably solidified in the clinker and ultimately realizing the "harmlessness, reduction and resources-regeneration" of the solid waste. In 2020, the Group disposed of 76,400 tons of inorganic cyanide in total, saving production costs of RMB 2.1824 million.

Insisting on the "harmonious development of human and nature", the Group promoted the treatment of urban solid waste and garbage and pushed forward the use of gasified slag as a substitute for fuel to reduce carbon emission in Guanzhong region of Shaanxi Province, carried forward the disposal of mining slag in the south of Shaanxi, and advanced the disposal of industrial smelting slag in the production bases with well-developed industry, consuming 4,646,500 tons of urban construction waste (waste bricks and tiles), various types of mining tailings (molybdenum tailing, lead-zinc tailing, etc.), and industrial smelting slag (steel slag, copper slag, fluorine gypsum, phosphogypsum, etc.), representing a YoY increase of 6.7%, during two major work sections of correction materials for raw materials and cement admixtures. All these achievements realized a harmonious development of industry and urban construction.

Paying Attention to Control of Mines

The Group follows the mining concept of "carrying out protection in development and making development in the protection", adheres to the principle of "conducting environmental management when doing mining", controls ecological damage at the source, and gradually develops the Group's mines into green ones through mine landscape, environmental management and restoration, digital mine, energy conservation and emission reduction, rational utilization of resources and harmonious community construction. The Group has invested RMB 150 million for design, greening and road hardening, etc. In the process of implementation, we held the use principle of funds-priority, formulated promotion plans for green mine construction, and actively propelled the construction of green mines, achieving the goals of reaching comprehensive resources utilization rate up to 100%, raising the recovery rate up to 100% and "zero strippings" of mines during self-mining throughout the year.

Promoting Green Culture

The Group has been making continuous efforts to advocate the concept of green office in its daily operation, by calling on all employees to build a resource-efficient and environmentally friendly enterprise, promoting OA and ERP office systems and encouraging paperless office, strengthening the management of office equipment to reduce the waste of energy, and using water-saving appliances to reduce water consumption. The Group also popularizes the knowledge of environmental protection to all employees by means of posters, takes initiatives to put the national requirements on waste sorting into practice, encourages employees to participate in environmental protection activities such as the "World Environment Day" and the "National Low Carbon Day" to further improve their awareness of energy saving and environmental protection, and motivates them to travel by public transportation and rationalize the arrangement of their official vehicles to reduce exhaust emissions.

Green Honors in 2020

Hanzhong Mianxian Yaobai Cement Co., Ltd. was awarded as "National Green Plant" and "Shaanxi Provincial Green Plant".

Hancheng Yaobai Yangshanzhuang Cement Co., Ltd was awarded as "Hancheng Eco-Garden Enterprise" by Hancheng Greening Commission.

Tongchuan Yaowangshan Ecological Cement Co., Ltd was awarded as "Municipal Advanced Unit in Garden Greening" by the People's Government of Tongchuan City.

Pucheng Yaobai Special Cement Co., Ltd was awarded as "Pucheng Eco-Garden Enterprise" by Pucheng Greening Commission.

05

Enforcing Work Safety for Laying a Solid Foundation for Development

To the Group, people's life is of utmost importance and people's safety "outweighs the Taishan". Safety is not only the guarantee of an enterprise's development but also the foundation of family happiness and the source of social harmony. As the premise of production, safety runs throughout the entire production process from start to finish. For work safety, there is only a starting point without an end.



The Group has invested RMB

14.6341

million into work safety
during the Report Period



Carrying out safety training for

6,954

person(s)/time during
the Report Period

Fighting Against the COVID-19 Pandemic altogether

Carrying On Responsibilities Fulfillment and Precise Policies Implementation Along With Work and Production Resumption

In 2020 when the COVID-19 pandemic broke out, Yaobai Group actively responded to the national work deployment for pandemic prevention and control, took an immediate action to build up a leading working group of pandemic prevention and control, fulfilled its responsibilities and carried out precise policies implementation, and relied on regular pandemic prevention and control to promote in order the resumption of work and production, so as to focus on pandemic prevention and control as well as the resumption of work and production, and do a good job in both aspects.

At the advent of the pandemic, the Group implemented the relevant requirements of government departments at all levels regarding the prevention and control of the pneumonia pandemic caused by novel coronavirus infection, with the guiding principle of "prevention and control of the pandemic and scientific resumption of work", implemented the prevention and control of the pandemic and safety precautions to resume production and work, effectively fulfilled its corporate social responsibility and safeguarded the health and lives of its employees.

During the pandemic, the Group stuck to following the government works as its orientation to drive the work and production resumption in an all-round manner through the following measures, including building up an emergency leadership group for pandemic prevention and control with the company's leadership as its core, deepening the implementation of its main responsibility, establishing and perfecting the system and requirements for pandemic prevention and control and emergency management, strictly conducting isolated management, overall disinfection, well-targeted education, strengthening the control of external visitors during their entering to the plant and setting up filing of personnel's traveling and other measures, in order to guarantee the pandemic prevention and control during the promotion the work resumption in a scientific way and stay firm and resolute to get the victory in this fight against the pandemic.

A Timeline of Fighting Against the COVID-19 Pandemic





A Management System for Work Safety

A sound safety management system is working as an important guarantee for the sustainable development of an enterprise. The Group obeys laws, regulations and standards such as the Law of the People's Republic of China on Work Safety and Shaanxi Province Regulations on Work Safety, takes advanced benchmarks, and establishes a sound safety management system with unique characteristics of Yaobai. The Group has always adhered to the safety management policy of "safety first, prevention first, and comprehensive management", with safety support as the guide, continuously established and improved safety management system. It has paid close attention to the responsibility of enterprise entities and the implementation of safety measures, focused on key work of promoting safety standardization and double prevention, taking Phoenix Building Materials as a benchmark to improve the essential safety, and carrying out the special three-year action to address safety problems, and achieved the goal of reducing the number of production safety accidents.

Occupational Health Care

The Group always takes the Law of the People's Republic of China on Prevention and Control of Occupational Diseases as the starting and ending point of all work in occupational health management, and puts the prevention, control and elimination of occupational hazards into the whole process of occupational health management. From the "three simultaneous work of occupational disease protection facilities" at the beginning of the construction of each project of the Group to the process control of the production and operation of the projects, the Group always adheres to the principle that "employees are the most important asset of the enterprise" and continues to optimize and improve the working environment of employees through institutionalized management and technological innovation to effectively safeguard the life and health care of all employees.

Safety of the Working Environment

Safety Management of Employees

"People-oriented, life first" is the fundamental goal of the Group's safety management, and "how to prevent and curb employees' unsafe behaviors" is always the core aspect of safety management. The group has gradually realized an all-round and whole-process dynamic management through innovation.

In 2020, the Group established a long-term mechanism of work safety, and carried out safety training and on-site guidance implemented for 1,355 employees in key positions to comprehensively enhance the safety awareness of all employees. Taking Fuping Company as a pilot, it has broken the traditional safety management mode, and added an all-round visual video monitoring system at the production site to fully realize the dynamic management of informationization and intelligence of safety supervision. Taking Shifeng Company as a pilot, and Phoenix Building Materials as an example, it has built a benchmark enterprise ensuring essential safety, promoted such key technologies of essential safety as central control start-up equipment, segregation of cement packaging bags, installation of the top platform of the mill, segregation of human and machine in the stacking shed, safety protection of the tertiary air ducts and both sides of the weighbridge, etc., improved the on-site safety protection, and minimized the incidence of work safety accidents caused by personnel "misoperation".

Security Management of the Third-party

The Group attaches great importance to the safety management of contractors, strictly implements the responsibility of enterprise entities, and takes the prevention and suppression of accidents in outsourced operations as the starting and ending points of contractor safety management. The Group continues to carry out in-depth special safety rectification work of the contractor, improves the contractor safety management mechanism in the aspects of "safety access, regular inspection, education and training, and safety evaluation" of contractors, etc. 5,185 people have participated in the contractor safety training in 2020, 56 contractors were interviewed, and 234 contractors were assessed, and a total penalty of RMB 159,900 was imposed.

Standardized Construction of Safe Mines

The Group has been carrying out the development goals of the "13th Five-Year Plan for Non-Coal Mine Work Safety". Taking "integrated management and precise policy" as the guide, and based on the actual situation, it has comprehensively carried out the construction of green mines and standardization, effectively preventing and curbing accidents, and continuously improving the essential safety management of non-coal mines.

As of the date of this report, the supporting mines of Xixiang, Xunyang and Huaxi companies of the Group have passed Level 2 standardization construction, and the supporting mines of Zhen'an company have passed Level 3 standardization construction.



Safety Education and Training

The Group has always taken "Inadequate training is a major safety hazard" as the guiding concept of safety training and education work, solidified the responsibility of management cadres for work safety, improved the skills of safety management personnel, and strengthened the knowledge and education of grass-roots employees. Through making full use of the online examination platform, 15 times of online safety training from the Group level were conducted, realizing the immediate answer and correction of the training verification. Two periods of job training activities were organized, with a total of 39 participants. At the same time, each production unit of the Group organized quarterly training on double prevention knowledge, with a total of 131 training sessions, and more than 6,954 participants.



Security Honors

Since its establishment, the Group has always been committed to building a benchmark enterprise in the industry for safety management and passed the year-end safety target responsibility assessment of Department of Emergency Management of Shaanxi Province in 2020 with the third place in the total score. Lantian Company of the Group was awarded as a national demonstration enterprise for safety culture construction. Huaxi Company was named as a demonstration enterprise for special safety improvement in Guiyang City. Five companies, including Luonan, Logistics and Fengsheng Commercial Concrete, successfully passed the acceptance of the second-level safety standardization. Shifeng Company hosted the site observation of the benchmark of Phoenix Building Materials in Weinan City to enhance the essential safety work, and took it as a model to promote the essential safety work of the whole Group.

By the time the report is released, a total of 14 production units of the Group have become Level 2 safety standardized enterprises, and all the cement production units of the Group have completed the construction of the dual prevention mechanism.



06

Fire Cement Construction For Originality Projects

Yao Bai Group adheres to the principle of "customer first", upholds the core value of "honesty and trustworthiness", carefully safeguards the rights and interests of customers and consumers, and wholeheartedly provides customers with quality products and services. It contributes to the cement industry through its advantages in operation and management, technology research and development, and concept innovation, leading green transformation of the industry and promoting the sustainable development of the industry.



Quality Assurance

The Group strictly abides by the "Product Quality Law of the People's Republic of China" and other relevant laws and regulations. In the quality management section of the "Management Manual of Yaobai Group", there are clear and strict requirements for the management of each detail of the production process, including quality standards for raw material management, coal management, raw meal and clinker management, to ensure that the management is in place and that each step meets the requirements for qualification. Laboratory equipment, maintenance, identification requirements, operating guidelines, environmental configurations, and records are all standardized in the management manual to guarantee product quality identification and help product quality meet standards. In addition, it establishes quality incident management standards, makes decisions on incidents, and provides treatment plans for non-conforming products, compensation standards, recall mechanisms and handling processes. The Company relies on a complete and effective quality management system to manage and evaluate the quality of products in production bases, and incorporates the key quality indicators of production processes and products into the performance assessment of regions and production bases to continuously promote the quality construction of each unit with performance management and provide consumers with quality products.

In 2020, the Group's vision for quality management was "to produce products that satisfy customers' needs and create value for customers", and the annual quality management goal was "stable components, stable strength and stable performance". The Group continuously stabilizes product quality, improves product performance, strengthens product quality control. Through researching and assessing the raw fuel materials of suppliers, it ensures the homogeneous and stable quality of incoming materials, strengthens all homogenization chains in the field, introduces the concept of homogenization index to evaluate the stability of process quality. In terms of staffing, the unqualified quality management personnel are removed from the quality management team through last-place elimination, and personnel with independent thoughts, implementation capacity, quality management ideas and experience are placed in key positions of quality management to ensure that the quality management process is under control. In terms of quality management methods, it always holds the view that "theory comes from practice". It is ensured that each process quality control index in each production base is verified and optimized through mill test. The characteristic verification test of various materials is carried out quarterly, and the optimal proportion of various materials is determined through orthogonal test to ensure the stability of product quality. With the joint efforts of all quality management staff, the Group has effectively improved product performance and increased customer satisfaction.



Product qualification rate
100%



• Cases •

By investigating the factors affecting the strength and performance of clinker, Shifeng Company has achieved a 0.8% drop in the standard consistency of P.O52.5 cement, and the compatibility of cement and polycarboxylic acid concrete admixtures was significantly improved, reversing the passive situation of frequent complaints from users in key projects. Hancheng Company has stabilized the quality of milled cement by stabilizing the variety of mixing materials and batching scheme, and adjusted the addition ratio of mineral powder so that the standard inconsistency P.O42.5 and P.C42.5 cement decreased by 1.5% and 0.5%. Danfeng Company and Luonan Company have optimized the operation parameters, widened the distribution of cement particles, and tested to determine the SO₃ control index so that the standard inconsistency cement decreased by 1% year-on-year, and the net flow of cement improved significantly, laying the foundation for smooth entry into the regional market in Henan. Through quality and technical management, the Group achieved a 0.5% drop in cement standard consistency, reaching the best level in history, and the satisfaction of clients in the commercial concrete market and various key projects was significantly improved.

In order to expand the market, the Group is committed to building special cement varieties and successfully producing oil well cement at one time in Luxin District, Xinjiang. Guizhou Huaxi Company has successfully conducted one-time trial production of high-alumina A900 special cement, and all quality indexes meet the standard requirements, adding new varieties of special cement series are for the Group. Aluminate cement has been successfully exported to the Republic of Congo and has officially opened the overseas market.

In 2020, the Group achieved remarkable results in the construction of standardized laboratories, and 11 units were awarded as "excellent standardized laboratory", which played a positive role in promoting the brand building of the Group. In the 17th national cement chemical analysis comparison, 18 companies of the Group were shortlisted for awards, among which Yaowangshan Company won the "Special Award", 4 companies such as Hancheng Company and Mianxian Company won the "Full Excellence Award", 9 companies such as Shifeng Company and Fuping Company won the "Excellent Award", and the staff of the laboratory of Yaowangshan Company won the title of "Operating Expert" in this comparison. In mid-October 2020, four employees of the Group won silver and bronze medals of "Operating Expert" in the 2020 National Building Materials Industry "Jinyu Jidong Cup" Vocational Skills Competition, and the first and fourth teams of Yaobai won the group bronze medal awards. These achievements have won the honor for the Group in the cement industry and showed the excellence and good image of Yaobai technicians.



Customer Rights and Interests Security

Yaoqin Group implements a unified cement marketing management system for its subsidiaries, and builds a unified customer service system on this basis. The Sales Head Office exercises the unified marketing management and customer service functions of the Group, and it is responsible for the sales service and daily management of cement products, providing standardized pre-sales, in-sales and after-sales services to customers, and ensuring the normal development of various marketing activities. Each sales customer service center is responsible for the specific sales service of the local cement clients, and other services such as delivery, settlement, bill, reconciliation of cement.

Each unit draws the channel network tree diagram of the unit according to the market conditions in their respective regions, covering all terminal customers. The channel level has been kept within three levels, and the sales channel has been kept flat, which can timely and accurately grasp the market information and improve the management of agents. It insists on in-depth market visits so that the channel can reach different villages and the households, and we can provide precise and professional customer service with "one policy for one household", which has the advantage of taking into account the common interests of each customer and each company when dealing with fierce market competition, thus increasing sales and strengthening the competitive position. Professional and technical personnel have been regularly arranged to visit customers to help them solve production problems and reduce operating costs. The shipment efficiency of products has been improved to ensure normal supply and reduce customer time costs by means of encouraging customer supervision.

Customer demand-oriented service awareness has been established to accurately analyze customer demand, and effectively customize services for customers. The Group has first classified customers into the following three categories: residential customers, commercial concrete customers and key engineering customers, and adopted different service models and sales models for different customers. It has implemented the point-to-point and one-to-one visit mode, visiting the site, understanding the needs of customers, and communicating with customers in detail. It has also formulated effective solutions in combination with customer's needs by soliciting opinions and suggestions from customers and made appropriate adjustments to help customers solve problems in time. In addition, the monthly and annual reward policies are adopted to stimulate sales desire of customers, truly realizing mutual benefit and win-win between enterprises and customers.



In order to protect the rights and interests of customers and avoid various risks, the Group has specifically formulated instructions to make each customer understand the business handling process, precautions and relevant rights and interests. In order to ensure the safety of funds, the customer can directly remit the payment to the bank account designated by each branch of the Group when paying the payment. The individual customer can carry the ID card (the power of attorney / letter of introduction issued by the unit is required for personal payment to the unit) and swipe card through the POS machine for payment or handle the payment formalities in the Finance Department. All businesses of customers and the Group cannot be entrusted to relevant business personnel of the Group. At the same time, the bid price shall be clearly marked. The delivery price of advance payment and cash sales shall be subject to the listed price of the Company's customer service center windows on the day. In addition, the bill security shall be ensured that the user name of the invoice is consistent with the payment name. Meanwhile, the issuance of the bill in the month of delivery shall be ensured to facilitate the customer's account checking.

Protection of Customer Information

The Group has incorporated the protection of customer information into its comprehensive risk management system and continuously established and improved the system, mechanism and process for the protection of customer information. Each customer service center has taken the lead in managing the protection of customer information, specifying the responsibility for the attribution and use of information, strictly following the principle of "who is in charge, who is responsible, and who hosts, who is responsible", to implement the responsibility system, specify the responsible persons and duties, refine the work measures and processes, and continuously strengthen the implementation of the responsibility system for the protection of customer information. In addition, information security training is conducted regularly through brief meetings and weekly meetings to continuously strengthen the sales employees' awareness of protection of customer information. The security awareness of customers has also been improved through communication. The service process optimization and customer education after customer information leakage incidents have been emphasized constantly.

The Group respects the privacy of customers, ensures the confidentiality of customer information, and protects the safety of customer information. First of all, rules and regulations of the Group shall be strictly obeyed to enhance the staff's awareness of information security and strengthen the legal concept and confidentiality awareness so that the confidentiality of customer files, complaint content, information, etc., can be ensured. Employees are not allowed to divulge customer information at will, and shall not add or delete relevant information at will.

The Group has an extensive customer information system and has established a multi-dimensional customer information control system to better maintain strict confidentiality of customer information, and regularly upgrades this system to enhance its reliability and security. The customer service management system is developed separately according to the product classification and business characteristics of each segment. In order to meet the different needs of different types of customers, the Group has established contact with each type of customer, strengthened communication to understand needs of customers, and provided targeted personalized services to customers on this basis.

Customer Service Management

In order to better serve customers, the Group officially launched the digital marketing customer ordering system in 2020, mainly offering the functions of customer network ordering, self service cement pick up card, self-service printing of documents, self-service loading of bulk cement and ERP consignment and connecting with logistics platform. Customers can handle business through apps to save their time.

At the same time, the Group is committed to improving the quality and brand awareness of the entire staff, promoting brand value through long-term quality awareness training and education, quality-and performance-linked assessment, and improving business skills of technicians and sales staff, so as to better provide quality and comprehensive services to customers.

24

Customer complaint
handling rate

100%

Customer Satisfaction Survey

In combination with the actual work situation, all regions of the Group have collected customer opinions and suggestions extensively through customer satisfaction questionnaires, customer visits and interviews, etc., to understand customers' satisfaction with products and services of the Group, and to objectively and effectively reflect the customer evaluation.

Follow up on Customer Complaints

The Group compiles monthly statistics and summarizes information on customer visits, customer complaints handling details, the company and competitor sampling, etc., and manages customer complaints in a categorized manner, focusing on tracking fluctuations in product indicators, bag package quality issues, customer demands and suggestions on product production and shipment, etc. It formulates rectification plans based on the feedback, continuously follows up on the progress of rectification and promotes product and service improvement.



Good-quality Technical Services

This year, the Group has been guided by market demand, providing differentiated product solutions and customizing worry-free solutions for different customers according to their needs for product quality. The quality and performance of ex-factory cement are judged by two-level random inspection of production base and sales market and password cross-inspection. Return visits to key projects and commercial concrete markets on the spot on a monthly basis, and return visits to civil markets in full coverage on a quarterly basis. Irregularly, engineers shall be arranged to make telephone calls every month according to the sales customer information and customer return visit forms to understand the customer's requirements and the actual quality of products; establish a long-term mechanism for sample and production site visit and communication with customers to eliminate the error of product test results caused by differences in test conditions and methods. During the change of seasons, we print precautions for the use of products and instructions for the use of new products, and we have formulated the recommended ratio with operability for general civil customers, so that they can use the Group's products correctly.

In 2020, we made more than 3,100 customer visits, more than 1,100 special technical services, and assisted customers in solving problems in the process of using more than 200 times, and there were no customer complaints caused by inadequate technical services throughout the year.



Yangsan Company

07

Leading Development And Making Innovation Pioneers

Born in obsession, thriving in innovation, declining in conservatism, and dying in arrogance. Times are changing and innovation is the constant theme of business development. We must adapt to the development of the times, put technological innovation in a prominent strategic position, keep enhancing our innovation capacity and grasp the initiative of reform and development in order to enable our enterprise to gain an advantageous position in the market competition and pursue continuous progress.





Innovative Development

As a listed company mainly engaged in cement production, it is a top priority and the foundation of the development for the Group to transform and upgrade. The Group unwaveringly and persistently promotes innovation-driven development, transformation and upgrading, thus further promoting reform and innovation, creating a good atmosphere of integrity and diligence, with all people doing their own part well and working together, so that the Group can accelerate transformation in development and improve the quality of development and economic efficiency in transformation. The Group focuses on scientific and technological innovation to achieve intensive development by establishing an awareness of innovation among all employees, carrying out market-oriented technological innovation based on the actual situation, building a well-organized technological innovation team, establishing an incentive mechanism for talents, and accelerating the transformation of results through joint research and development.

In order to effectively promote technological innovation, the Group has made technological innovation an important strategy for corporate development and formed a good atmosphere of pursuing technological innovation in the whole Group. The Group conducts strategic cooperation with well-known universities in China, keeps bringing high-level talents, and cooperates with diverse parties to do joint research; In 2020, the Group participated in the national and provincial "Technical Innovation Award" and QC Results Conference to encourage all employees to carry out independent innovation in the fields of production, process, equipment, quality, etc.; with the scientific and technological innovation model that is enterprise-oriented, market-oriented and integrates industry, academia and research, the Group launches scientific research projects and brings in and learns from advanced technologies based on our own characteristics, and continuously promotes the high-quality and steady development of the enterprise. At the same time, the Group establishes a comprehensive talent incentive mechanism to motivate technological innovation; the Group boldly appoints young staff to important technical positions, brings up the scientific and technological teams through research tasks and sets up technical innovation awards and launches other incentives to mobilize the enthusiasm and creativity of scientific and technological talents.

Technological Innovation

R&D on Special Cement

Focusing on market demand and industry prospects, the Group has continued its research and development work on new products and technologies, and has independently developed more than 10 new special cement and cement matrix composite products with innovative and economic benefits, such as construction materials for 3D printing, calcium aluminate powder and cement for wells for combustible ice mining. These include decorative dry-mix mortar for large area decoration projects both inside and outside such as wall tiles and floor tile padding; sulphate aluminate cement series products that can adapt to complex and changing construction environments and meet different market demands; P.HSR high sulphur resistant cement for key projects such as Jinghete Bridge; medium- and low- heat silicate cement for key water conservancy projects in Shaanxi Province such as the Hanjiang to Weihe River Project (Sanhekou Junction Dam and Golden Gorge Dam), Hanjiang Baihe Hydropower Station, Xunyang Hydropower Station and Dongzhuang Reservoir; offshore cement series products for projects related to island reclamation, island reef, harbor and dam construction, cross-sea bridges, submarine tunnels and polar construction in the north and south poles; calcium aluminate water treatment agent produced by sintering method using $\varnothing 4.2 \times 60\text{M}$ large kiln decomposition kiln cement process is the first of its kind in China. The performance of the product is higher than the requirements of the national standard GB/29341-2012 "Calcium Aluminate for Water Treatment Agent", which is the ideal raw material for the production of water purifier products such as alkaline aluminum chloride and poly aluminium chloride at present.

Construction Materials for 3D printing

The construction material for 3D printing is a product jointly developed by Yaobai Group and Hebei University of Technology, filling the gap of construction material for 3D printing in China and is at leading level in the world. With good printability, short shaping time, low heat of hydration, micro-expansion, high intensity in the early and late stage, and good durability, the material produced by the Group can be used in 3D printing of foundation construction, sculpture, handicrafts, architectural products, etc. The 3D printing series of products have won the second prize and excellence award of China Concrete & Cement-based Products Association. In 2020, the Group optimized the cost of cement matrix composite materials for 3D printing by preparing 3D materials with Yaobai-produced cement, Yaobai-produced manufactured sand, concrete admixtures and some other admixtures, while using our own high-efficiency expansive materials to control the shrinkage rate and reduce the possibility of cracking of printed components, so that it can further promote 3D materials and reduce material costs.



Yaobai 3D printing material application engineering broke a Guinness world record



Special cement products exhibition area

Innovation

Yaobai Group advocates innovation, vigorously promotes the enterprise spirit of "pioneering and innovation, surpassing oneself", and continuously creates an atmosphere favorable for innovation. In 2020, the Group-wide innovation-driven activities aimed at "establishing the concept of innovation-driven production, stimulating the vitality and potential of innovation, and comprehensively promoting the innovative development of all work" were carried out, and the subordinate companies actively searched for innovation ideas, set up research groups, formulated innovation project promotion plans, and submitted project applications. Finally 36 projects were approved and implemented. At the same time, the Group organized a "skills competition in Xinjiang Region" and held the first "Innovation-driven Production Competition in Southern Shaanxi Region"; labor competition activities are widely carried out, "short, adoptable and fast" projects are implemented to promote the scientific approach to innovation, so that innovation awareness and innovation ability of all staff can be gradually improved.



Honors and Qualifications



In January 2020, the Group was listed as Xi'an Enterprise Technology Center.



In October 2020, an innovation production method of high performance calcium aluminate water treatment agent was granted a national invention patent.



In November 2020, the Group was listed as a provincial high-tech enterprise.



In November 2020, the Group obtained the pilot qualification of standardization service for inorganic non-metallic materials in Xi'an.

Transformation, upgrading and restructuring

Transformation, upgrading and restructuring are difficult but necessary for the Group to pursue long-term development. The Group continued to expand its business in 2020, and various new businesses have been steadily developing. The production sector of commercial concrete has accelerated the development of a comprehensive layout and actively expanded the prefabricated building business. By the end of the reporting period, 11 commercial concrete stations have been built, with a production capacity of 9.5 million square meters, and the construction of 8 prefabricated building manufacturing R&D centers are under plan. The Yaobai logistics sub-company grew rapidly and won the title of AAAA grade logistics enterprise and national leading logistics enterprise in the battle against pandemic; the Yaobai mining sub-company developed steadily and produced 16.88 million tons of limestone in the year, successfully completing the task of guaranteeing supply; the Yaobai construction and installation sub-company vigorously expanded its domestic and foreign business, with cement prefabricated house molds and steel structure sheds selling overseas, and successfully gaining the certification of quality, safety, occupational health; the Yaobai Guangxin sub-company operated smoothly with improvement; the Yaobai R&D sub-company actively carried out more than ten special cement R&D and technical support services, and has registered one national patent, five Shaanxi Province Industry Technical Innovation Awards, and has been recognized as an enterprise technology center and a high-tech enterprise in Xi'an; the Yaobai industrial technology sub-company has played an active role in reducing carbon-dioxide emission, improving production and reducing consumption by actively promoting the use of advanced technologies such as low-ammonia and denitrification with its own technological advantages. Recent years, the Group has been improving its functional segments and steadily expanding its businesses in both upstream and downstream industrial chain. With its industrial structure becoming increasingly comprehensive and proper and its ability to withstand market risks significantly enhanced, its strategic layout for structural adjustment and transformation and upgrading have all achieved phased results.

Expanding Prefabricated Building

Driven by the national policy of advocating the development of prefabricated buildings to promote the adjustment and upgrading of industrial structure, it became one of the important business sectors in the strategic layout of Yaobai Building Materials. In response to the market trend and our own concrete advantages, the Group actively promotes the development of prefabricated houses, prefabricated components and other products and take the development and production of prefabricated houses, PC components and supporting components as our main business, and plans to build 8 prefabricated building manufacturing R&D centers, which have now equipped with a professional systematic production line integrating R&D, design, production and installation.



Layout of Commercial Concrete Aggregates

After extensive market research, in accordance with the scientific layout and standardized management, the commercial concrete stations have been comprehensively laid out, and the construction has been accelerated; four commercial concrete stations in Tongchuan, Ankang, Hanzhong, Lu Xin, respectively have been completed; Stations in Shangluo, Pucheng and other two stations have been under construction and two stations were planned, thus the Group keeps leading position in the industry. By the end of the reporting period, 11 commercial concrete stations had been built with a total capacity of 9.5 million cubic meters.

Logistics Management

Yaobai Group transportation platform management is becoming more and more mature; Through connecting the data in three platforms and six mobile products, the platform gradually realized the connection with the ERP system of subsidiaries. Now 14,000 unit platform vehicles and 4,776 social vehicles in one year completed dispatching 157,000 orders, carrying 1.4 million tons of transportation stuff, fully realizing the goal of online dispatch of the Group's self-owned vehicles and social vehicles, integrating resources. Annually, 11.88 million tons of various materials were distributed safely and the Group completed all logistics transportation tasks, and won the title of AAAA logistics enterprises and the title of national advanced enterprises in the battle against the pandemic.



Financial Services

Based on the two strong brands of financial leasing and microfinance, the Yaobai financial leasing business has adhered to the market positioning of "finance in building materials industry chain" and developed financial products that are related to the cement industry and meet customers' needs, focusing on the business like supply chain finance, logistics finance and mortgage loans, etc. At the same time, the financial leasing business has continued to improve its standard management and has been honored as a model in the industry, and has been awarded the "Sun-rising Enterprise of Financial Quality Development" by Xi'an government.

08

Intelligent Manufacturing, a New Chapter in the Industry

Informationization has become a decisive factor for the survival and development of enterprises, an important element of business strategy and an important way to enhance the business competitiveness. The key to intelligent manufacturing is to achieve vertical integration across different levels in the enterprise, including equipment section, unit section, workshop section, factory section and collaborative service section, horizontal integration across different levels in the industry including resource elements, interconnection, integration and sharing, system integration and emerging business models, and end-to-end integration including design, production, logistics, sales and service in the industrial chain.

Informatization Construction

In 2020, Yaobai Group grasped the development opportunities and actively promoted the construction of commercial concrete ERP, the information construction of Pucheng Industrial Park, the informatization construction of Weinan Yaobai white-grey line, the preparation of intelligent subcontracting project of Moyu Company, the safety monitoring of mines and other projects, continuously enriching and improving the informatization management means of the Group. The Group has started and completed a series of projects, including new OA collaborative office platform, smart factory core construction project (manufacturing execution system, online equipment diagnosis system, expert control system, digital marketing system, image intelligent recognition, etc.), phase II cloud uploading video monitoring project, mine safety monitoring project, video conference transformation project, ERP construction project of commercial concrete company, industrialization and informatization standard integration project, development of mini-program on safety operation standard management, development of mini-program on quality management, vehicle-free carrier platform and provincial platform docking and function upgrading. On the basis of the existing information technology, we have carried out the upgrading of business systems, and actively conducted independent research and development to improve the degree of wedging between information technology and actual business, and continuously strengthen the intelligence level of production units.

Data Security Construction

In the process of carrying out information construction, the Company, as always, attaches great importance to the security management of information data to ensure that the data is applied and stored in a secure environment. By upgrading the Group's network firewall and updating the virus protection library in real time to improve the speed and security of data operation; using its own servers as storage points to develop applications; gradually migrating the Group's data stored outside to the Group's servers safely; in addition, discussing the mode of data security construction with excellent partners such as Cloudsky, UFIDA, Tsinghua Ziguang, Huawei and DeepInfo to improve the Company's data security construction level.

The Yaobai Group and its subsidiaries are connected by dedicated fiber optic lines. They achieve interoperability through VPN so as to enhance data confidentiality. There is a professional server network room set up in the group headquarters with more than 20 highly configured servers, and more than 40 servers configured in professional server rooms set up in each subsidiary. We also have a hosting cabinet in the telecom server room and set up 5 cloud servers on Huawei Cloud. Most of the group's network equipment uses Cisco, H3C and other advanced equipment at home and abroad.

In 2020, on the basis of continuing to deepen the implementation of the above data security construction principles, Internet behavior management was enabled, encryption software was installed for R&D-type departments to prevent the dissemination of illegal information and the leakage of commercial secrets and scientific research results; software and hardware vulnerabilities and patch repair were strengthened to prevent threats to data security from attacks on vulnerabilities; and security management was strengthened for applications deployed in the public cloud to further enhance data security standards.



Intelligence Exploration

Intelligent factory construction of Yangxian Company

In 2019, the Group carried out the pilot construction of an intelligent factory at its production base in Yangxian, Hanzhong, to improve the overall intelligent management of the factory in terms of production, equipment and sales through the construction of digital marketing, online inspection of equipment, production MES system and image intelligent identification series of systems. In 2020, the intelligent transformation and upgrading of Yangxian Company has been continuously improved. And the digital marketing throughout the pilot project has achieved online orders for customers, unattended weighbridge, customer relationship management and manager cockpit, reducing staff and increasing efficiency while improving sales management.

Digital marketing

Digital marketing has transformed the traditional way of placing orders on site, enabling customers to conveniently gain product information, place orders and check goods on the app anytime and anywhere, and interact with the logistics platform and in-plant one-card through the data interface to realize multiple intelligent applications such as customer self-help, in-plant automation and unattended automated operation, which has been fully implemented throughout the Group.

Online inspection of equipment

According to the current situation of the cement industry, the maintenance of key equipment for cement production mainly relies on traditional way of manual inspection and regular maintenance. The Group implements an equipment online inspection system to monitor the operation status of equipment online in real time, reflecting the dynamic changes in the operation of each component of the equipment from the perspective of mechanical kinematics, extracting key feature information from the monitoring data, thus reflecting the operation status of the entire system and providing timely feedback to maintenance personnel, enabling operators to make adjustments according to the real-time equipment status, effectively extending the service life of each component, reducing maintenance costs, and reducing the probability of major accidents.

Production MES system

The Group establishes a factory-level production management (MES) platform to realize real-time monitoring of production processes, daily production, energy consumption, quality, dynamic operation and maintenance of equipment, personnel performance assessment and other functional management and optimization of enterprise production operations through integrated, standardized, digital and intelligent production management information system, reduce production operation costs, realize informationization, intelligence and efficiency of production control and production process management of subsidiaries, and finally improve the core competitiveness of the company.

Image intelligent identification

Based on the existing monitoring equipment, image identification is performed on the key links of the production process such as dangerous areas, confined spaces and flap valves in the plant, and real-time alarms are provided for dangerous situations or abnormal states (open confined doors, flames, etc.) to reduce accidents, improve work safety and ensure the safety of lives and property of the employees.



09

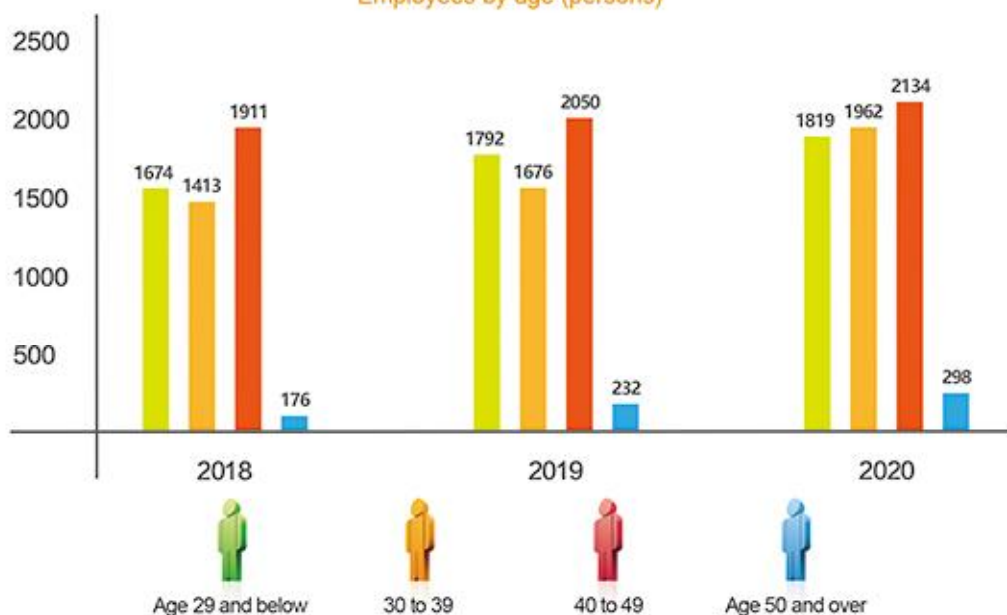
Elite Cultivation

Adhering to the principle of "respecting human value, developing human potential and sublimating human spirit", Yaobai Group cares and treats its employees well in all aspects of life, emotion and growth, creating a safe and healthy working environment for them, building a platform for value realization and sharing the fruits of corporate development with them. It also strengthens partnership, works together with partners to fulfill social responsibility, and actively organizes public welfare activities associated with the brand to give back to society with practical actions.

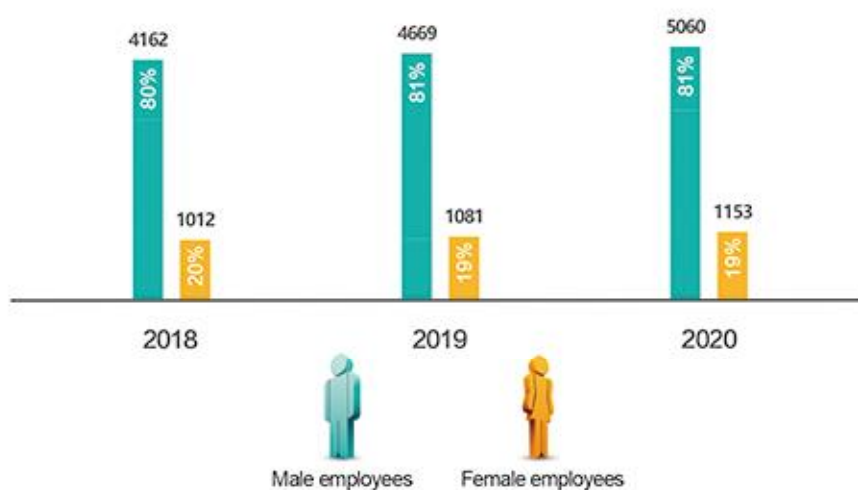
Equal Employment with a Diverse Structure

The Group's talent management work closely revolves around its strategy. It adheres to the talent management mechanism of "get rid of the stale and take in the fresh" and implements the dual talent training and introduction mechanism of internal selection and external recruitment. It also pays attention to the management of staff structure and promotes the upgrading of labor resource management to human resource management, which makes the staff structure be optimized increasingly.

Employees by age (persons)



Employees by gender (persons)





Total Number
of Employees

6,213



Staff Training Coverage

100%

Enlisting Talented People, Sharing the Fruits

The Group's human resource department has always taken the policy of "adjusting structure, improving quality, increasing capacity and promoting efficiency" and complying with relevant laws such as the Labor Law of the People's Republic of China as its guidance to widen its vision, continuously increase the recruitment of external talents and actively widen recruitment channels. In 2020, we employed 945 people through social recruitment, absorbed 243 graduated college students, and signed nearly 300 college students who will graduate in 2021. The Company implements the personnel mechanism of "promoting the capable, demoting the incapable" to put the right people in the right position, boldly uses young people with ability, courage and ideas, opens up and broadens the growth and promotion channels, cultivating a number of excellent reserve management cadres echelon talents, creating a good competitive atmosphere of "compare, learn, catch up, help and surpass", strongly promoting the optimization of staff structure and quality improvement, and laying a solid foundation of talents for the group's transformation and upgrading and structural adjustment.

In order to improve the management level and operational skills of cadres and staff, training work continues to be oriented to the strategic objectives of the Group, with functional departments as the main body, to establish and improve the training and lecturer system. For newly promoted management cadres, and echelon talents, training efforts should be intensified and skills training should be carried out to help cadres break through the management bottleneck, thus effectively promoting the improvement of the comprehensive ability of management cadres and the training of reserve echelon talents.



Safeguarding Employees' Rights and Interests

Assurance of Human Rights

The Yaobai Group strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other laws and regulations, insists on equal employment guidelines, opposes all acts of discrimination based on gender, age, region, education, religious beliefs, nationality, race, sexual orientation, disability or not, opposes the use of child labor, forced labor, overtime work, harassment and abuse, effectively safeguards the legitimate rights and interests of employees, and ensures that employees enjoy fair treatment in recruitment, labor, salary, training, promotion, rest periods, compensation and leave.

Remuneration and Benefits

Yaobai Group establishes and improves the market benchmarking system for staff remuneration, builds a remuneration management system based on job value, performance contribution and individual ability, gradually improves the market competitiveness of remuneration for core positions, shares the business benefits with employees, so as to attract and retain outstanding talents and staff in core positions. At the same time, the company continues to optimize the implementation of various benefits and provide targeted medical examination packages for employees, pays "five social insurance and one housing fund" for employees on time, improving the care and guarantee for employees. Simultaneously, the salary system has a "monthly performance bonus" and an "annual performance bonus", which are implemented in conjunction with the performance appraisal, effectively playing the positive incentive role of the salary, not only stimulating employees' enthusiasm for work, but also enhancing their sense of identity and belonging to the company.

Democratic Management

Yaobai Group has continuously improved its timely and effective consultation and communication mechanisms and channels, and actively promoted democratic management. In accordance with the requirements of the Labor Contract Law, we follow the principles of fairness, equality and consensus to sign labor contracts with employees and clarify the rights and obligations of both labor and management; continue to improve timely and effective consultation and communication mechanisms, and open up channels for feedback from employees, so that employees can provide real-time feedback on their opinions and requirements through diverse channels such as telephone number for complaint reporting, mailbox for complaint reporting and OA; and consult employees at all levels when formulating systems and policies related to their vital interests.



Propelling Employees' Individual Development

Staff Training

Yaobai Group attaches great importance to the construction of the talent team, and keeps improving the talent development mechanism and various talent cultivation systems to help employees grow and become successful. In 2020, relying on the Management Training Institute of West China Cement Limited, based on the strategic development of the Company, management requirements and staff growth, Yaobai reshaped the talent training system with projects, courses and lecturers as pillars and support system as a foundation, promoted the standard certification of what junior employees should know and be able to do, continuously improved leadership and new staff training programs, built a full library of independent courses and internal trainer resources, improved the training system, evaluated the development expectations of cadres in charge and above throughout the Group, explored the long and shortcomings of personnel, found out the organizational talent gaps, planned the future direction of talent development, and helped further clarify the functional positioning of the Management Training Institute of West China Cement Limited and further consolidated the basic management. In 2020, we carried out tour training and landed a total of 23 training sessions in all subsidiaries to improve the communication skills of participants and built efficient executive teams.

Total Training Performance

In 2020, the total training time related to employee development, both online and offline, was about 15,797 hours, with approximately 3 hours of training per person.



The total training time is about

15,797 hours



Approximate training hours per person

3 hours





Creating a Happy Home

Employee Care

Yaobai Group pays attention to creating a good working environment and organizational atmosphere. It carries out collective activities that are beneficial to the physical and mental health of employees, such as birthday blessings, holiday celebrations, sports activities, painting and calligraphy competitions and fun games, to enrich the cultural life of employees and promote their overall development.

Care for Women

Yaobai Group pays attention to and protects the rights and interests of female employees, implements statutory requirements for maternity leave and breastfeeding leave and provides equal career development opportunities for them, and ensures that female employees enjoy non-discriminatory remuneration and benefits. In addition, the company also provides special benefits for female employees, such as International Women's Day activities, which are held to enhance their sense of belonging and well-being.

Support for Hardship

Yaobai Group vigorously carries forward the spirit of mutual help and friendship, with the strength of the group to resolve major crises experienced by individual employees and their families. "Staff Mutual Fund" was established and the ratio of various grants was increased by 5% in 2020 to further help employees solve their difficulties. A total of RMB 364,000 was handed out during the reporting period, helping 36 employees get out of difficulties, further enhancing their determination and improving the concept and awareness of unity and mutual help among them. We would regularly visit employees in need and their families, send greetings and blessings during festivals, understand their actual difficulties and needs, and care about and follow up their life improvement.

Improving the Living Environment of Employees

Yaobai has been committed to improving the living environment of its employees and enhancing their sense of well-being and belonging. We launched a star-rated canteen and star-rated dormitory construction program in 2019, focusing on the construction of star-rated dormitories and canteens for evaluation, drawing on the room management and food and beverage management experience of its subsidiary, Xinbai Company, to improve the supporting facilities of the dormitories and the dining environment of the restaurants, resulting in a new look of the dormitories and canteens. By the end of the reporting period, 20 company canteens and 17 company staff dormitories across the Group were included in the evaluation, and all were rated as star canteens and dormitories, reaching the rate of 100%, which greatly enhanced the satisfaction of employees.



Star-rated canteens



Star-rated dormitories

Carrying Forward Corporate Culture and Spirit

Since its establishment, Yaobai Group has gone through three decades of hardships, and has thrived under the diligence, frugality, and tenacity of all staff, condensing a unique corporate culture in the process. In 2020, to celebrate the 10th anniversary of the Company's listing in Hong Kong and the 30th anniversary of its establishment, we organized an essay competition with the theme of "Being Grateful to Companions and Chasing the Century-old Dream", and received 236 essays in various genres. They were compiled and printed into a book named *Walking with You - The Third Quarter*, with high overall quality in terms of content and format, which was unanimously recognized by readers and left a precious memory for the company. At the end of the reporting period, we held a grand commendation meeting for the 30th anniversary of the establishment of the Company and awarded 155 employees with 20 years of service, with bonuses of three categories: RMB 100,000, RMB 50,000 and RMB 30,000. The Group also planned a feature film on characters such as "The Reason for Perseverance", "The Waiting Thousands of Miles Away" and "The Distant Attachment" to inspire employees' love for the Company and truly make Yaobai's corporate culture penetrate into the marrow of the bones and further enhance employees' sense of identification with the Company.



10

Working Together to Build a Harmonious Future

Every step of Yabobai Group's growth cannot be achieved without the support of our partners. With the vision of "realizing a leading enterprise in the cement industry", Yabobai Group attaches great importance to communication and cooperation with partners such as government, suppliers, customers, academic and scientific research institutions, etc., integrates multiple advantageous resources, builds a strategic sharing platform, explores opportunities and exerts influence, promotes the healthy and sustainable operation of the industry chain and drives the development and progress of the industry. As a responsible enterprise, West China Cement Limited insists on fulfilling social responsibility while developing. It makes a unique contribution to rural environmental management, lifting people from poverty and supporting prospective talents by utilizing its own business characteristics and advantages. We hope to build a more harmonious and better society with practical actions.



Number of suppliers
during the year of 2018
1,893



Number of suppliers
during the year of 2019
2,151



Number of suppliers
during the year of 2020
2,457

Deepening Strategic Collaboration

Yaobai Group actively cooperates with local governments and leading regional enterprises to achieve mutual benefits and win-win outcomes. The cooperation involves the business development of cement, concrete, aggregate, new materials, prefabricated building and co-processing and so forth. It'll propel the development and extension of the company's industrial chain and promote the company's transformation and innovation to a new level.

Promoting Partners' Growth

Supplier Management

Yaobai Group is committed to establishing an efficient procurement management system. Firstly, we comprehensively strengthen the three levels of control of procurement at headquarters, regions and bases by improving the procurement management system, training all procurement staff, randomly checking and rectifying issues identified in the compliance auditing, optimizing the business process of procurement information management system, and decentralizing management functions. Secondly, we establish a full life-cycle supplier management system covering access, cooperation, evaluation and withdrawal. This system allows users to manage suppliers in real-time, and identify excellent suppliers and procure products from them if the target cost allows. It also provides timely feedback and corresponding assistance to the problems to be rectified to suppliers while verifying the rectification results within a time limit. The unqualified suppliers will be removed from the qualified supplier pool timely. Thirdly, we implement strict management standards to promote efficiency. We also require our suppliers or partners to comply with regulations, protect the environment, operate in good faith and ensure the quality of products, etc. Fourth, for the long-term interests of the parties, we have more communication and exchanges with suppliers to solve the problems of suppliers and to achieve mutual benefit and win-win outcomes. By doing so, suppliers can become allies of us. In addition, we and suppliers are supposed to understand and support each other to develop long-term and friendly cooperation. When confronting difficulties, the parties should support and understand each other, and work together to overcome hardships.



Supplier growth

Yaobai Group has established a transparent, dynamic and traceable supply chain to propel supplier growth. The company holds training activities for suppliers from time to time to convey the concept of social responsibility in environmental protection, safety and health to suppliers and enhance their awareness of social responsibility. In 2020, the Company strengthened the implementation of the system by organizing eight meetings, which had 386 participants in total, to promote the procurement management system. We also organized all 45 people in the procurement system to take relevant examinations to improve their compliance awareness and management.

Responsible Procurement

Procurement with Integrity and Compliance

Yaobai Group strictly ensures compliance of relevant laws and regulations in of procurement. We have adopted many measures to emphasize the importance of it, including holding warning meetings where we share typical cases of violations subject to disciplinary actions and ask the Group's procurement staff to learn from them and adhere to integrity and self-discipline. We also maintain multiple channels to receive reports and for our staff to disclose procurement complaints and strengthen integrity supervision. Besides, all procurement staff are required to sign the "Commitment of Integrity and Self-discipline" and work in line with the "Notes for Yaobai Group's Procurement Staff to Contact Suppliers" to improve the their integrity awareness. In the meantime, all suppliers are also required to strictly abide by the Note. Suppliers who have dishonest and other inappropriate behaviors will be put in the blacklist pool.

Open and Fair Competition

Yaobai Group strives to create a fair and just competitive environment and promote healthy competition among suppliers by strictly verifying association relationships among suppliers and eliminating illegal activities such as bid-rigging and forging bidding. The company's procurement requirements are made available to all suppliers through the self-developed "Youyuncai" system (a supplier relationship management system). We'll also put the requirements on external websites, WeChat and other channels to make them accessible to more suppliers. In 2020, the company has optimized the many functions of the "Youyuncai" system, including supplier registration, contract signing and evaluation to promote the information interaction with suppliers and create an "open, fair, just and honest" business environment.



Green and Safe Procurement

Yaobai Group integrates the concepts of green and safe development into the requirements of supplier selection. Suppliers are required to sign the Agreement on Safety and Environmental Protection, and to develop and use new materials and technologies that are energy-saving and environmentally friendly. We also advocate green procurement, promote the use of local industrial waste instead of resource-based raw materials. In addition, while procuring more materials locally, we are devoted to reducing industrial pollution, stimulating the development of local transportation and other businesses, creating a new employment environment for the surrounding residents to achieve common development.

Enthusiasm for Charity Programs

Improving Living Habitat

Yaobai Group is always grateful to the society where it develops and thrives. It integrates corporate development with social responsibility, promotes friendship with the government and villages, and persists in sustainable development. We actively cooperate with the local government to provide supports to local people. We support building infrastructures in counties, townships, villages and towns, helping neighboring villages and towns to build bridges and roads by donating cement products, renovating old houses and improving sanitation. Hopefully, our assistances help the community to create a healthy, stable and harmonious community environment, effectively improve the living environment and living standards of villagers, and helping to promote rural revitalization.

Focus on Poverty Alleviation

Yaobai Group actively responds to the national call to fight poverty. We hope to contribute to ensure and improve people's living standards while developing our business. During the Reporting Period, the total expenditure on all types of donations was RMB 24,710,200. While helping the poor population by improving education, we also endeavor to help the poor elderly. We've spent more than RMB 20,000 to subsidize more than 100 senior citizens in the townships and villages where the production plants are located. During important festivals, the subsidiaries of the Group also make practical attempts to alleviate poverty. We visit the poor families around the plants to learn their difficulties and give them rice, flour and oil and other daily necessities.

Promoting Educational Development

2020 marks the second year of the formal operation of the Shaanxi Yaobai Education Charitable Foundation. The Foundation has always been helping students. To alleviate poverty by improving education, it has made it a priority to subsidize students from low-income families. It has donated RMB 1.114 million to make relevant plans in advance and take multiple actions at various levels to support education, benefiting 269 students.

In 2020, the Foundation signed a joint school agreement with the Pucheng government, contributing RMB 3 million annually from the Foundation's to establish the Yaobai Fund for Education to finance the development of basic education in Pucheng County. The Fund proves that the Foundation is willing to support activities to alleviate poverty through education. By the end of the reporting period, the Education Fund has spent RMB 932,500 to support education in Pucheng. On the 36th National Teachers' Day, members of the Board of Directors of the Foundation visited more than 200 key faculty members and offer them RMB 415,000 as consolation.



11

Social Responsibility Management

Corporate social responsibility (CSR) management is essential to a corporate to ensure that corporates fulfill their social responsibilities, eliminate employment discrimination, strengthen corporate integrity culture, establish harmonious labor relations, create sustainable development strategies, promote the development of CSR system, and establish regulations and organizations to realize sound development. Therefore, establishing a CSR management system is crucial to the strategies and development of a corporate.

Responsibility Strategy

With the belief of "putting people first, casting high-quality products, and pursuing excellence", West China Cement Limited fulfills its social responsibility while operating business by promoting relevant works in many aspects such as safety and environment. It also discharges its responsibility in the interaction with stakeholders, including staff, clients, partners and communities. Specifically speaking, we implement safety precautions in plants, improve environmental management, adopt new methods to conserve energy and reduce emission, apply measures of health management, and promote co-disposal projects, etc. With the spirit of innovation and a pragmatic attitude, we promote the transformation and upgrading of China's cement industry and strive to become a leading enterprise in the cement industry.

Responsibility Governance

Organization System

In order to discharge social responsibility better and improve the quality of our report, the Company established the "Corporate Culture and Social Responsibility Steering Committee". The Chairman of the Board of Directors and the President serve as the Director and Deputy Director of the Committee respectively. They are responsible for leading, promoting and deciding the strategies to fulfill the Company's social responsibility. In the meantime, the Company also established the "Social Responsibility Report Preparation Committee", which is responsible for preparing the annual social responsibility reports. These measures have laid a solid foundation for the Company's social responsibility work.

Institutional System

Based on domestic and international standards, including the Sustainability Reporting Guidelines (G4) released by Global Reporting Initiative, Environmental, Social and Governance (ESG) Guide released by the Stock Exchange of Hong Kong, Corporate Social Responsibility Guide (CASS-CSR4.0) released by the Chinese Academy of Social Sciences, Yaobai Group started to revise the Social Responsibility Reporting Management Measures of West China Cement Limited to promote relevant work to become more systematic and standardized.

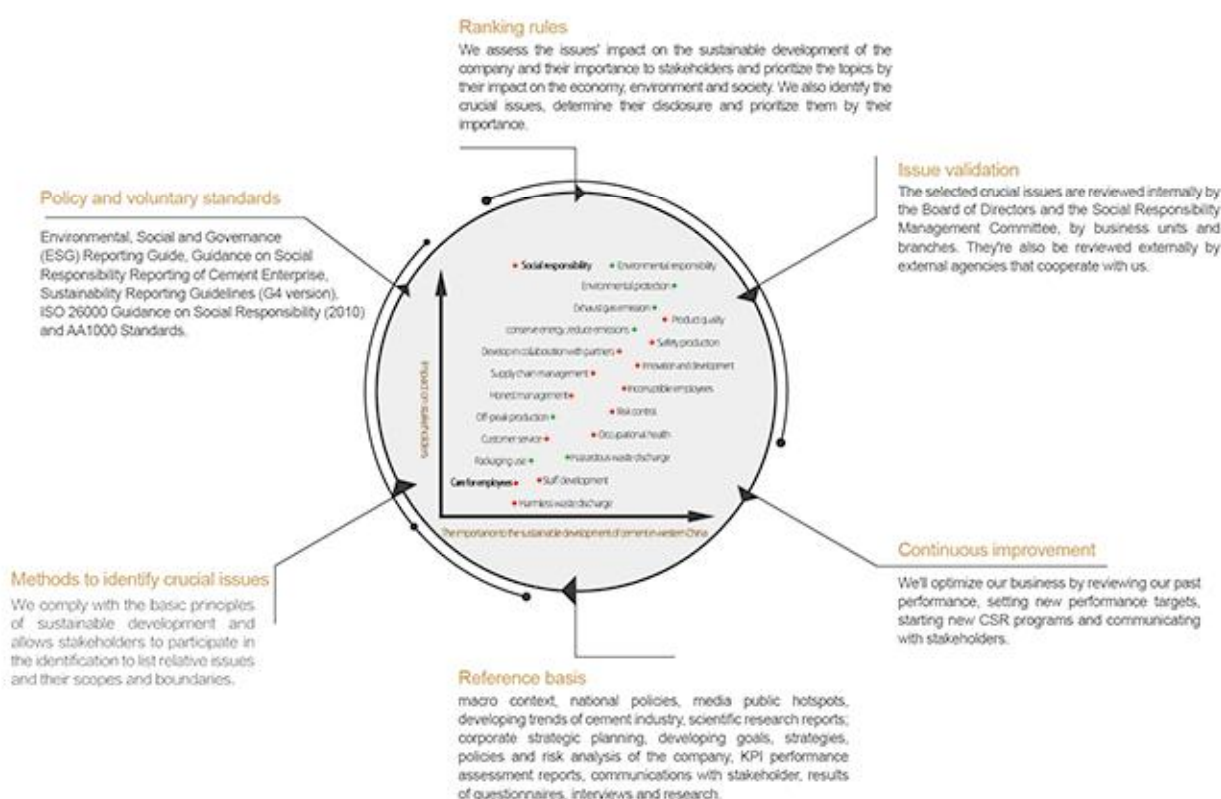
Culture of Responsibility

Yaobai Group is always serious and responsible. It has been improving its ability to fulfill its social responsibility and promoting the sustainable development of the Shaanxi Yaobai Education Charitable Foundation. It has created a good brand image and corporate image in the industry.

Importance Evaluation

In order to understand the expectations and needs of stakeholders, we analyze the development trend, national policies, the status of the industry and the characteristics of the company and actively communicate to share the analysis with stakeholders. We also sort out and identify crucial issues about social responsibility that have an important impact on the sustainable development of the company from the perspective of the company and stakeholders to provide basic reference for improving our practice to fulfill social responsibility and interactions with the public. We identified that the following topics have a significant impact on the Group's sustainable development in many aspects. These aspects have been identified as key areas for the Group's sustainable development.

Analysis of the important issues matrix for the Yaobai Group's 2020 Social Responsibility Report



Responsible Participation

As a listed company in Hong Kong, West China Cement Limited cares for the demands and expectations of its stakeholders and continues to explore effective ways to communicate with them. We release our performance and important activities and publicize our concepts and practices duly and accurately through multiple means such as information reporting, special subjects reporting, shareholders' meetings, public welfare activities, staff activities, the company's website and inviting stakeholders to visit the company. While improving stakeholders' understanding and support of us, we also absorb appropriate advice from them, optimize our operation management to improve our comprehensive competitiveness.

Appeals of Stakeholders and Company's Responses

Stakeholders	Expectations and requirements	Communication style	Performance actions
Government	Comply with the law. Pay taxes according to the law. Create job opportunities locally. Promote local economic and social development.	Report work and hold relevant meetings regularly. File information.	Strictly implement the policies. Operate in compliance with the law. Pay taxes. Provide job opportunities.
Shareholders and Investors	Be honest and abide by agreements. Operate by regulations. Unveil profitability.	Hold general meetings. Hold recommendation meetings of investors. Hold press conferences to publicize performances. Release announcements. Report work performance regularly.	Strictly abide by the guidelines of listed companies. Protect the rights and interests of both parties. Establish multiple communication channels. Standardize the release of all information.
Administrative department in charge	Participate in the creation of industry standards. Promote the healthy and sustainable development of the industry. Promote technological progress and industrial transformation and upgrading.	Summarize work and report performance regularly. Hold relevant meetings. Report information.	Operate stably. Accept supervision. Promote technological innovation. Promote industrial optimization. Practice new production models.
Clients	Provide high-quality products. Provide high-quality service. Protect the rights and interests of clients.	Request advice from clients. Disclose relevant information.	Use high-quality raw materials. Innovate technologies. Establish a client service system. Survey the satisfaction of clients.
Staff	Protect their basic rights and interests. Provide the improvement of their ability. Provide broad opportunities for their career development. Create a sense of belonging and identity. Share the fruits of the company's development.	Organize union organizations at all levels. Hold staff representative meetings. Provide a platform for staff communication. Disclose relevant information.	Protect the legitimate rights and interests of employees. Provide fair work, learning, promotion opportunities and platforms. Help staff to plan their career. Help them to achieve their personal value. Create a happy working environment.
Suppliers	Provide high-quality products and services. Operate fairly. Operate honestly. Fulfill the obligations of contracts. Have win-win cooperation.	Have meetings regularly. Visit each other for communication. Maintain high-level exchanges. Cooperate according to the contracts. Disclose relevant information.	Expand the field of cooperation. Establish a procurement responsibility system. Disclose procurement information. Promote a sense of identity.
Environment	Conserve energy and reduce emission. Save resources. Protect and restore the ecology.	Regular reporting on energy efficiency and emission reduction efforts to enhance information disclosure.	Slagging production. Recycle waste. Make mines green again. Use waste heat to generate power.
Community, public and non-governmental organizations	Participate in community building. Maintain social stability. Provide job opportunities. Support public service programs. Support depressed areas and vulnerable groups.	Build company's websites. Release reports on social responsibility fulfillment. Promote exchanges. Hold public service activities. Disclose relevant information.	Support the poor. Participate in voluntary activities. Support education development. Improve the social environment.

Responsibility Honor

West China Cement Limited has continuously promoted and implemented social responsibilities for many years, actively responded to the demands of stakeholders, and gained wide recognition from all walks of life and many honors. At present, Yaobai Group is a founding member of the World Cement Association, a vice president unit of the Council of China Cement Association, and a president unit of the Council of Shaanxi Cement Association.

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Future Outlook

Looking forward to the future, under the background of China's accelerated construction of a new development pattern centered on major domestic cycles and mutually promoted by domestic and international double cycles, and increasingly strict environmental protection policies, the cement industry will usher in new challenges and opportunities. West China Cement Limited will take the initiative to seize the opportunity of international development, find business opportunities, continuously and steadily improve the three capabilities of "lowest system cost, leading regional market and innovation-driven development" further improve the operation quality and efficiency, strengthen channel construction and brand promotion, strengthen the research and development of new products, new technologies and new materials, and accelerate the development of informatization, digitization and intelligence. At the same time, the Company will actively undertake social responsibilities, accelerate the pace of transformation and innovation, explore opportunities for industry chain extension, promote the collaborative disposal of cement kilns, promote the development of aggregate and prefabricated building business, continue to seek strategic cooperation with domestic and foreign leading enterprises, and work together to help the cement industry in China achieve higher-quality sustainable development.





Report Evaluation

The Social Responsibility Report Review Committee of West China Cement Limited. evaluates the 2020 Social Responsibility Report of West China Cement Co., Ltd. (hereinafter referred to as the Report). This evaluation is based on the requirements of T/CCAS 003 Verification Standard 2018 (hereinafter referred to as "T/CCAS 003-2018").

West China Cement Limited. is responsible for data collection, analysis, summary and information leakage in the Report. When the Review Committee performs this work, all evaluations shall be carried out according to the terms agreed by both parties. The stakeholders of West China Cement Limited. are expected readers of this evaluation. The evaluation process is based on the data provided by West China Cement Limited on the premise of completeness and credibility.

Evaluation Methodology

- ◆ The evaluation process is planned and implemented in strict accordance with T/CCAS 003-2018.
- ◆ The Report is evaluated according to the following principles:
 - Inclusiveness, substantiveness and responsiveness specified in T/CCAS 003-2018;
 - Have inspected and reviewed documents, data and other information provided by West China Cement Ltd to the Panel;
 - Conduct a sample evaluation of the implementation mechanism of CSR management described in the Report;
 - Sample and verify the production, collection and management process of qualitative, and quantitative data disclosed in the Report.

Scope and Limitations of the Evaluation

The scope of work for this evaluation includes:

- ◆ Economic, social and environmental data of West China Cement Limited disclosed in the Report from January to December 2020;
- ◆ No external stakeholders were interviewed;
- ◆ The evaluation is carried out according to the principles of T/CCAS 003-2018 and the requirements of performance information review (Type 1), and the audit depth is moderate;
- ◆ Core indicators of GRI3.2 disclosed in the Report;
- ◆ Financial data in the Report are not verified;
- ◆ The evaluation was completed by the Evaluation Committee in June 2021.

Conclusions

The Evaluation Committee believes that the description of the implementation of the social responsibility policy of West China Cement Ltd in the 2020 Social Responsibility Report is accurate and objective, and no systematic or substantive misrepresentation is found. The Evaluation Committee evaluates the Report using the principles of T/CCAS 003-2018.

AA1000AS 2008 Principles

Inclusiveness: Good.

The Report comprehensively considers the expectations of important stakeholders such as the government, shareholders and investors, industry authorities, customers, suppliers, employees, partners, environment and communities, and identifies the main issues of responsibility fulfillment concerned by internal and external stakeholders through systematic communication.

Substantiveness: Good.

Through the analysis of substantive issues, the Report establishes the substantive matrix of social responsibility issues, defines the substantive issues of sustainable development of the Company, discloses the internal management mechanism and performance standards of West China Cement Limited. on how to implement these issues, and shows these key sustainable development performance information in a transparent form.

Responsiveness: Good.

The Report presents the core values, missions, social responsibility concepts, sustainable development strategies and performance indicators of West China Cement Limited, and demonstrates the performance of the company in the process of achieving sustainable development goals with the annual data and detailed textual description of 2020, and responds to the main core issues of sustainable development of enterprises concerned by the society and the specific performance issues concerned by internal and external stakeholders.

What to Improve

More clearly disclose the screening methods and processes of substantive issues in the Report in accordance with GRI4.0 guidelines;

More openly set up the Report in accordance with the GRI4.0 Guidelines to disclose the measures taken and the performance achieved by the company in scientific and technological innovation, achievement transformation, and introduction and application of new technologies;

More comprehensively describe measures and performance in addressing excess cement capacity;

Improve the communication and feedback mechanism between the company and stakeholders, actively listen to and respond to the demands of all parties, and improve the participation of stakeholders.

Members of the Evaluation Committee

Zhang Jimin,	Ma Weiping				
Wang Rui,	Wang Fayin,	Chu Yufeng,	Liu Jianjun,	Liu Xiaojun,	Lei Yong'an
Bai Mingke,	Liu Xin,	Yang Junqi,	Li Yongji,	Lian Jie,	Cao Hongxi
Xu Linzhou,	Li Xianjun,	Wang Feng,	Tong Xin,	Zhang Wuhui,	Li Yansong
Ma Gang,	Yao Yanping,	Mao Hongqiang			

Appendix

Abbreviated name of the company	Full name of the company
Group Company	Yaobai Special Cement Group Co., Ltd
Pucheng Company	Pucheng Yaobai Special Cement Co., Ltd
Weinan Yaobai Company	Weinan Pucheng Yaobai Cement Co., Ltd
Hancheng Company	Hancheng Yaobai Yangshanzhuang Cement Co., Ltd
Fuping Company	Shaanxi Fuping Cement Co., Ltd
Shifeng Company	Shaanxi Shifeng Cement Co., Ltd
Lantian Company	Xi'an Lantian Yaobai Cement Co., Ltd
Yaowangshan Company	Tongchuan Yaowangshan Ecological Cement Co., Ltd
Tongchuan Company	Tongchuan Yaobai Special Cement Co., Ltd
Tongchuan Environmental Technology Company	Tongchuan Baihang Environmental Technology Co., Ltd
New Materials Company	Shaanxi Yaobai New Materials Technology Co., Ltd
Baian Company	Shaanxi Bai'an Admixture Co., Ltd
Danfeng Company	Shangluo Yaobai Longqiao Cement Co., Ltd
Luonan Company	Liuxianping Branch of Shangluo Yaobai Longqiao Cement Co., Ltd
Zhen'an Company	Shangluo Yaobai Xiushan Cement Co., Ltd
Xunyang Company	Ankang Yaobai Cement Co., Ltd
Jianghua Company	Ankang Yaobai Jianghua Cement Co., Ltd
Yangxian Company	Hanzhong Yaobai Cement Co., Ltd
Mianxian Company	Hanzhong Mianxian Yaobai Cement Co., Ltd
Xixiang Company	Hanzhong Xixiang Yaobai Cement Co., Ltd
Luxin Company	Hetian Luxin Building Materials Co., Ltd
Hetian Company	Hetian Yaobai Cement Co., Ltd
Moyu Company	Moyu Yaobai Cement Co., Ltd
Yining Company	Yili Yaobai Cement Co., Ltd
Yili Environmental Technology Company	Xinjiang Baihang Environmental Technology Co., Ltd
Huaxi Company	Guizhou Linshan Cement Co., Ltd
Sales Head office	Sales Head office of Yaobai Special Cement Group Co., Ltd
Yaobai Building Materials Head office	Shaanxi Yaobai Energy-saving and Environmental Building Materials Co., Ltd
Materials Company	Xi'an Yaobai Materials Co., Ltd
Logistics Company	Xi'an Kong Wisdom Logistics Co., Ltd
Mine Company	Shaanxi Fuda Mine Engineering Co., Ltd
Construction and Installation Company	Xi'an Baitong Construction and Installation Engineering Co., Ltd
R&D Company	Yaobai Special Cement Technology R&D Co., Ltd
Testing Company	Shaanxi Jiandaxin Engineering Testing Co., Ltd
Guangxin Company	Guangxin International Financial Leasing Co., Ltd
Baiyun Company	Xi'an Baiyun Intelligence Data Technology Co., Ltd
Baihong Company	Shaanxi Baihong Ouli Plastic Products Co., Ltd
Industrial Technology Company	Shaanxi Yaobai Cement Industrial Technology Co., Ltd
Xinbai Company	Xi'an Xinbai Commercial Operation & Management Co., Ltd
Human Resource Company	Shaanxi Baiyuan Shengtong Human Resource Co., Ltd
Hainiu Company	Mozambique Hainiu Cement Co., Ltd

Readers' Comments and Feedback Form

Dear readers:

Hello!

Thank you for reading the 2020 Social Responsibility Report of West China Cement Co., Ltd. We sincerely look forward to your evaluation of the social responsibility work of West China Cement Co., Ltd. and this social responsibility report. Your opinions and suggestions will help continuously promote our social responsibility management and practice and continuously improve our social responsibility information disclosure. You can fill in the content below and give us feedback by mail or email. Thank you very much!

West China Cement Co., Ltd.

June 2021

Your evaluation of this report: (Please tick "✓" at the corresponding position)

Which stakeholder do you belong to?

- ☐ Employee ☐ Client ☐ Government ☐ Public ☐ Partner
☐ Public Welfare Organization ☐ Others

Your overall evaluation of this report:

- | | | | | | |
|------------------------|------------------------------------|-------------------------------|----------------------------------|-------------------------------|------------------------------------|
| 1. Report Content | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> General | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| 2. Information Quality | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> General | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| 3. Textual Expression | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> General | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| 4. Design and Layout | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> General | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |
| 5. Overall Evaluation | <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> General | <input type="checkbox"/> Poor | <input type="checkbox"/> Very Poor |

Your evaluation of the significant economic, social, and environmental impacts of West China Cement embodied in this report is:

- ☐ Very Good ☐ Good ☐ General ☐ Poor

Have you obtained the information you wish to know in this report:

- ☐ Yes ☐ No

Do you think the content arrangement and layout design of this report are easy for reading:

- ☐ Yes ☐ No

Open-ended Questions:

Your comments and suggestions on the work of the social responsibility of West China Cement:

What else do you want to know through the Social Responsibility Report of West China Cement?

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