

# 2016

Anhui Conch Cement Company Limited  
**SOCIAL RESPONSIBILITY REPORT**

**CONCH**  
海螺水泥



# 01

## ABOUT THIS REPORT

### Statement of the Board

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

### Basis of Preparation

This report is prepared in accordance with Appendix 27 “Environmental, Social and Governance Reporting Guide” to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HK Stock Exchange”) and the Guidelines for Preparation of Social Responsibility Reports issued by the Shanghai Stock Exchange (the “SSE”), covering the reporting period from 1 January 2016 to 31 December 2016 (hereinafter referred to as the “Reporting Period”), with certain content dating back to previous years when appropriate. This report is issued on a yearly basis, and the report for the next year is expected to be published in March 2018. This report is simultaneously published on the websites of the HK Stock Exchange, the SSE and the Company.

### Social Responsibility Strategy of the Group

As an A+H share listed company and a large state-owned holding company, Conch Cement proactively develops its core businesses to create enterprise value, and also continues to promote the concept of sustainable development by integrating performance of social responsibility into its internal management and taking measures to protect the environment and maintain social harmony, in an effort to strike a balance among enterprise development, environmental protection and social contribution.

### Reporting Scope

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

### Data Sources

The data set out in this report is derived from internal documents and relevant statistics of Conch Cement and its subsidiaries and branch companies, among which the relevant data shown in the financial statements have been audited by KPMG.

### Stakeholder Engagement

Stakeholders of the Group in respect of the environment, society and governance include internal stakeholders and external stakeholders, mainly its employees, suppliers, customers, investors, the government as well as the community and the general public. As the Group for the first time prepared the social responsibility report in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG”) issued by the HK Stock Exchange in 2016, the materiality assessment was mainly conducted by the management. We will increase the engagement of other stakeholders and review and update the materiality assessment, enabling our report to fully reflect the latest progress in promoting sustainable development by the Group.

### Materiality Assessment

Based on the stakeholders and materiality assessment, the following items were identified as having significant impact on the sustainable development of the Group and were listed as important areas for our sustainable development.

- Air pollution
- Greenhouse gas emission
- Electricity consumption
- Product liability
- Health and safety
- Anti-corruption
- Employee benefits
- Community investments

### Description of references

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

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## 02 BUSINESS AND OPERATION DEVELOPMENT OF THE GROUP

### **Business of the Group**

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

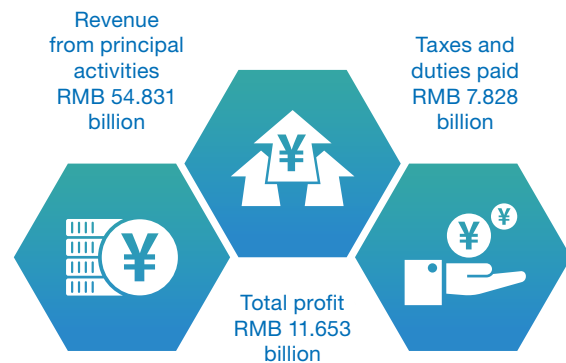
### **Overview of Operation Development of the Group**

In 2016, as the PRC economy began to stabilise, fixed asset investments saw a slow but stable growth during the year, while demand in the cement market also increased. However, the industry was still in a period of low growth rate with intensified market competition. During the Reporting Period, the Group took proactive measures to overcome various adverse factors in the supply-and-demand market by optimising its marketing strategy in a timely manner, continuing to enhance its internal management and promoting steady progress in project development, and had successfully achieved stable growth in production, sale volume and operating results.

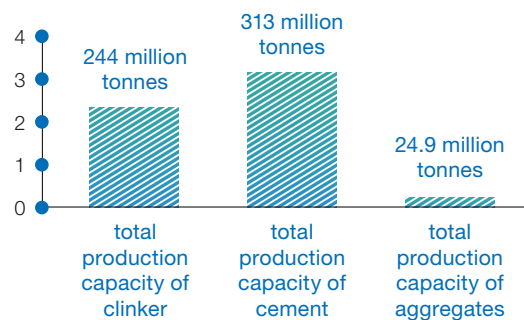
# BUSINESS AND OPERATION DEVELOPMENT OF THE GROUP



- Revenue from its principal activities for the year amounted to RMB54.831 billion;
- Total profit amounted to RMB11.653 billion, representing a year-on-year increase of 16%;
- Taxes and duties paid amounted to RMB7.828 billion.



In 2016, with the commencement of production of the newly-built projects and continued acquisition and merger activities, the production capacity of clinker and cement of the Group increased by 9.2 million and 20.86 million tonnes respectively. As at the end of 2016, the total production capacity of clinker, cement and aggregates of the Group amounted to 244 million tonnes, 313 million tonnes and 24.9 million tonnes, respectively.



The Group has achieved remarkable results in the implementation of its development strategy for internationalisation. The phase-two Kalimantan Conch project, the Merak grinding mill project and the projects we invested in Myanmar Conch and Papua Barat, Indonesia have completed construction and started production. The construction of the main work

of the projects operated by Conch North Sulawesi, Cambodia Battambang Conch and in Luang Prabang, Laos had commenced. In addition, the projects in Volga, Russia, Mandalay, Burma and Western Kalimantan, Indonesia have officially commenced, with steady progress in the preliminary work.



## 03 ENVIRONMENTAL PROTECTION

As a leading company in the cement industry, we have always been committed to protecting the environment. The Group actively implemented the energy conservation and environmental protection policies implemented by the PRC government and strictly abided by the Environmental Protection Law, Atmospheric Pollution Prevention and Control Law and etc. in China and other relevant laws and regulations implemented in the countries where our overseas project companies operate. In addition, it proactively pushed ahead with energy conservation and emission reduction, strengthened management of environmental protection and developed a circular economy. Instead of increasing economic returns at the cost of the environment, we insisted on sustainable development and maintained coordinated development between production operation and environmental protection.

The Group's impact on the environment mainly relates to emissions. We adhered to the following principles with an aim of minimising the impact of our business operations on the environment:

The Group shall abide by all laws, regulations, rules and ordinances relating to environmental protection, including standards of the cement industry; strictly implement the "three simultaneity" system in all construction projects for the purpose of environmental protection, namely that the environmental protection facilities for construction projects shall be designed, constructed and put into operation simultaneously with the main works; allocate sufficient funds for upgrading and maintenance of environmental protection facilities, as well

as for research and development and innovation of environmental protection technologies; make more efforts to promote environmental protection as a concept, increase employees' awareness of environmental protection and fine-tune management of environmental protection; and include energy conservation and emission reduction as well as

environmental protection in the Group's long-term strategic development plan.

As at the end of the Reporting Period, 66 subsidiaries of the Group had obtained the ISO 14001 Environmental Management System Certification, and 70 subsidiaries of the Group had passed the Clean Production Examination.

## 3.1 Emissions

Emissions consisting mainly of dust, NO<sub>x</sub> and SO<sub>2</sub> are inevitable during the production process of a cement enterprise. The Group's business philosophy is to "create a future living space for human beings", which means we not only pay attention to short-term development, but also focus on long-term development. The Group insists on achieving a sustainable development mode. To reduce emissions, in 2016, we invested RMB0.128 billion to upgrade environmental protection facilities and continued to strengthen the research and development of emission reduction technologies, with remarkable results in emission reduction.

Optimisation of hardware configuration to facilitate reduction of dust emission: To ensure that the concentration of dust discharged by our cement plants meet the requirements of the Emission Standard of Air Pollutants for the Cement Industry (水泥工業大氣污染物排放標準)(GB4915-2013), the Group began to carry out systematic analysis and tests of its electric dust collectors for optimisation and upgrade in 2014, and had since

then completed all modification and upgrading works, achieving remarkable results in reducing dust emission. During the Reporting Period, the average concentration of dust discharged by cement plants of the Group was below 30mg/m<sup>3</sup> (or 20mg/m<sup>3</sup> for some special regions), which was better than national emission standards according to the examination conducted by the local environmental protection authorities. Meanwhile, in response to the national action plan for prevention and control of air pollution, the Group has adopted the optimal configuration currently available for its newly-built cement and clinker production lines: residual heat power generation from the feeding and emission ends of the kiln + a three-fan waste gas treatment system + "n+1" electric field mode and efficient electric dust collector applying the no-spark discharge technology. Upgrading of hardware configuration further ensured dust emission reduction.

Across the board promotion of denitration technology to reduce NO<sub>x</sub> emission: Pursuant to the conclusion of years of exploration, the Group

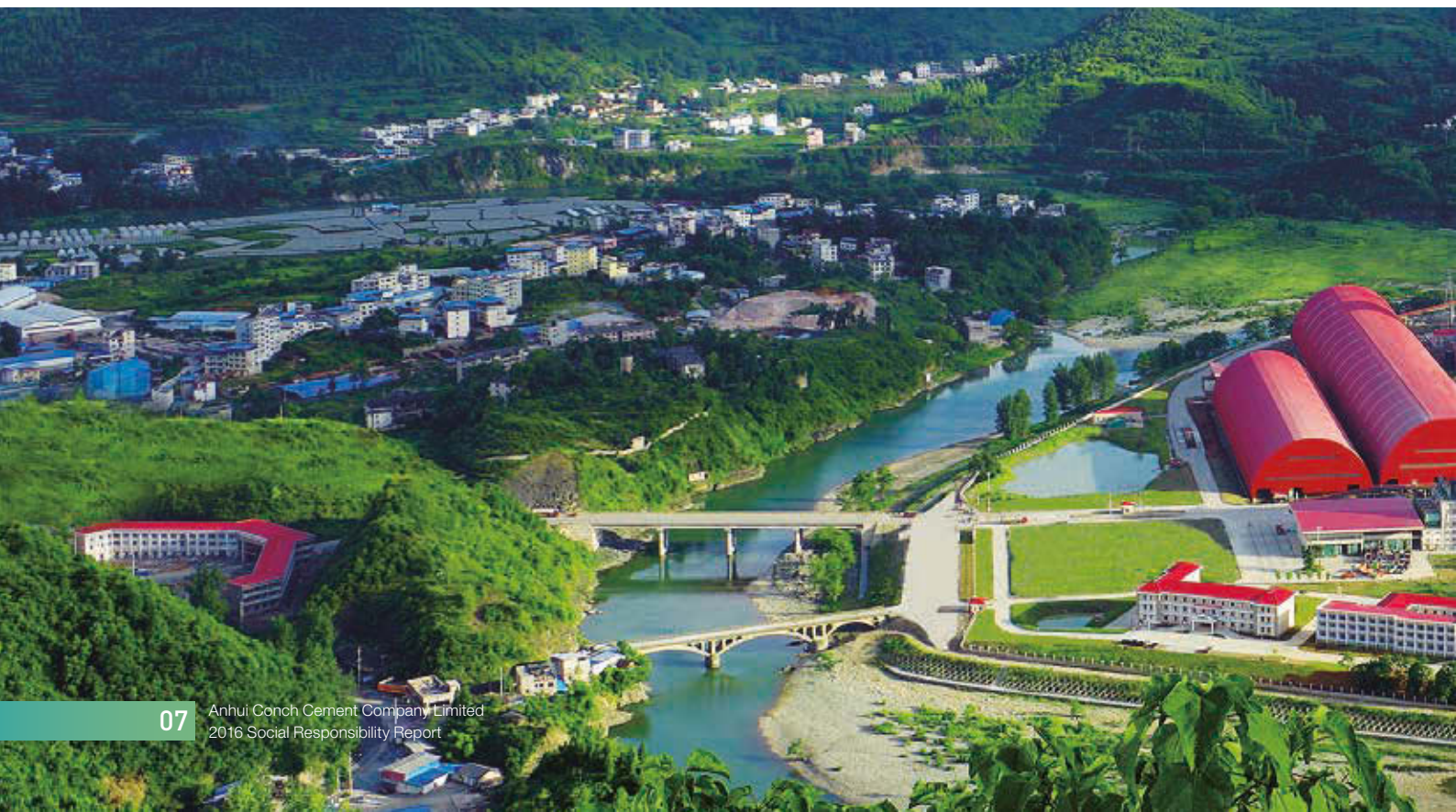


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had developed its unique denitration technology comprising "refined operation + Low-NO<sub>x</sub> combustion + SNCR". Such denitration technology has been applied to all cement and clinker production lines of the Group, which substantially reduced the consumption of ammonia and effectively reduced the total discharge volume of NO<sub>x</sub>. According to the examination conducted by local environmental protection authorities, the concentration of NO<sub>x</sub> discharged was below the emission limit set by the Emission Standard of Air Pollutants for the Cement Industry (GB4915-2013).

Active development of desulphurisation technology to reduce SO<sub>2</sub> emission: The mines owned by several member companies of the Group had a relatively high sulphur concentration, resulting in a high SO<sub>2</sub> emission level during the production process of cement. To solve this problem, the Group had actively explored and made attempts in the development of effective desulphurisation technology to reduce SO<sub>2</sub> emission, and has made certain achievements. In 2015, the Group was awarded the relevant certificate of patent by the State Intellectual Property Office. Currently, the relevant member companies of the Group are actively testing different desulphurisation technologies to ensure the SO<sub>2</sub> emissions meet relevant standards.

Given that over 100 cement enterprises under the Group are scattered across different provinces, a total of 43 subsidiaries of the Group were included in the List of National Key Monitored Enterprises for Waste Gas in 2016, which undoubtedly facilitated the Conch Cement's environmental protection work. The Group strengthened supervision, tracking and monitoring of the environmental protection work of these 43 subsidiaries, with the synchronous running ratio of dust-collection, desulphurisation, denitration and other environmental protection equipment reaching 100%. In November 2016, after being criticised by the Ministry of Environmental Protection due to the fluctuation in the SO<sub>2</sub> emission index of Chaohu Conch, the Company paid high attention to the issue and had it solved quickly and efficiently by promptly organizing a team of experts to investigate the reason for exceeding the SO<sub>2</sub> emission limit by Chaohu Conch and put forward remedial measures to fix the problem. During the Reporting Period, the average emission concentrations of NO<sub>x</sub>, SO<sub>2</sub> and particulate matters discharged by the 43 subsidiaries were all below the limits set by the national and local emission standards, and the aggregate indicators as required by the environmental impact assessment and pollutant discharging license were met.





## 3.2 Utilisation of Resources



The building of a resource-saving society requires the effort of the whole society. We have been working towards developing ourselves into a resource-saving enterprise and have been doing our best to reach that goal. Saving resources will not only help to reduce the costs of an enterprise, but will also contribute to environmental protection in a broader sense, which is a social responsibility that we shall assume.

Extensive application of residual heat power generation technology to achieve resource recycling: In China, Conch Cement is the first cement enterprise to use the pure low-temperature residual heat power generation technology, which will not only save energy and reduce consumption, but also effectively reduce waste gas emissions. Installation of residual heat power generation devices is required for the construction of cement



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plants by the PRC government. At present, all cement and clinker production lines of the Group have been equipped with pure low-temperature residual heat power generation units with a total installed capacity of 1,244MW. In 2016, the amount of generated electricity was 7,700 GWh, saving 2.77 million tonnes of standard coal as compared with similar scale of fire-generated electricity and reducing emission of CO<sub>2</sub> by 7.4 million tonnes.

Water conservation through recycled use of water resources: Water is the source of life. As fresh water resources are in acute shortage in China, water conservation is of great importance. In respect of water utilisation, a rainwater and

sewage separation system has been implemented for all cement plants of the Group, pursuant to which process cooling water is for recycling use. Domestic sewage generated from the staff's living quarters or offices was effectively processed by using the "pretreatment + biological contact oxidation" method, and was used for watering plants or discharged into the urban sewage pipe network when it had met the quality standard after treatment. Domestic sewage to be discharged into the urban sewage pipe network shall be subject to regular inspections to ensure compliance with the discharge standard.



Case study: During the Reporting Period, Guiding Conch was awarded the honorary title of "Water Saving Enterprise of Guizhou Province" for its efforts in improving water resources utilisation by eliminating outdated water-usage method and installing advanced water-saving devices.

Energy-saving technology improvement to reduce coal and electricity consumption: In order to reduce energy consumption in the production process, the Group has continued to carry out technological improvement for energy conservation and reduction of consumption. In 2016, the Group completed technological improvements on roller presses of ten cement grinding mills, decomposition furnaces of six clinker production lines and raw mill's three-fan systems of ten production lines. After completion of such technological improvement, energy consumption per unit of the Group's product decreased significantly, resulting in a decrease of RMB46 million in operating costs in 2016.



## 3.3 Environment and Natural Resources



In recent years, with technological advancement and industrial transformation and upgrade in the cement industry, the industry is transforming from a resource-consuming industry into an environmental-friendly industry and plays an irreplaceable role in protecting the environment. As a leading company in the industry, Conch Cement has always been at the forefront of the industry.

To effectively preserve the ecological environment by promoting the technology using cement kilns to facilitate the treatment of domestic waste: In 2010, the Group invested in and completed the construction of the first project using cement kilns to facilitate the treatment of domestic waste in its subsidiary Tongling Conch. After the commencement of the operation, the project had the



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capacity to treat domestic wastes generated by the entire Tongling City (and its surrounding counties), which effectively solved problems such as large-scale land occupation and secondary pollution caused by traditional waste treatment methods including landfilling and open burning, benefiting both the current and future generations.

Without classification of wastes, this technology enables degradation of dioxins without producing any undesirable odours and allows for solidification of heavy metals and purification of sewage at the same time, achieving the target of “detoxification, minimisation and renewability” for waste treatment. This advanced technology enables the Chinese cement industry to develop a circular economy and work towards a green and environmentally-friendly industry. It was nominated for the “Blue Sky Award” – Global Top Investment Scenarios To Apply New Technologies For Renewable Energy Utilisation” by the United Nations.

As a pioneer in environmental protection and the first company to use this technology, the Group has devoted itself to the promotion and application of this technology in the past few years. As at the end of the Reporting Period, the Group, together with CCVH (the owner of this technology), had completed the construction of fifteen waste treatment projects and one sludge treatment project through cooperation with local governments at various levels of the places where our cement plants are located. In addition, three projects including Gansu Linxia Conch were still under construction. During the Reporting Period, the Group treated a total of 600,000 tonnes of domestic wastes with the use of its cement kilns, creating considerable social benefits.

Integrated utilisation of resources by reutilisation of industrial wastes: In its ordinary course of production, the Group attaches great importance to the integrated utilisation of resources by proactively reutilising industrial wastes and turning industrial

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wastes into useful materials while reducing environmental pollution caused by them, creating significant social benefits. During the Reporting Period, a total of 44.74 million tonnes of industrial wastes, including desulphurized gypsum, fly ash and iron tailings were consumed by the cement production lines of the Group. As at the end of the Reporting Period, the Group had consumed a total of 237 million tonnes of industrial wastes.

Scientific utilisation of mine resources to achieve zero discharge: Mines are non-renewable resources. To a cement manufacturer, limestone mines are one of the most valuable assets, and also the foundation for its existence and development. To make full

use of the mine resources, the Group insists on scientific utilisation of mine resources by optimising the cement preparation formulae to include both interburden and overburden, achieving full utilisation of the mine resources; by adopting the slicing method and implementing vegetation in a timely manner, the ecological environment of the mining areas is well preserved.

In addition, the Group's member companies have made their own efforts in optimising mine management and achieved excellent results. In particular, Tongling Conch and Jiande Conch were awarded the title of "National Green Mine Pilot Unit" (國家級綠色礦山試點單位).



**Case study:** The highlight in mine management of Jiande Conch is the adoption of the shaft-adit production technique, namely mined ores after being processed will be delivered to the collar of shaft via conveyor belt, then dropped through the shaft and finally transported to the limestone storage yard. By adopting this technique, the length of the conveyor belt was shortened from the original 2,000 meters to 400 meters, with a decrease in the number of inspectors and tramcar transportation distance, representing an average decrease in electricity consumption equivalent to approximately 580 tonnes of standard coal per annum.

The Group spares no effort in protecting the environment. In designing a new factory, the surrounding environment will be taken into consideration to preserve its original ecology as much as possible. Most parts of the factory will be covered with vegetation and the Group will continue to carry out afforestation work during

the production and operation process. This is well demonstrated by the awards and honours we have received. For example, Chizhou Conch was named as the "Demonstration Base of National Industrial Tourism", and a number of plants and member companies of the Group were recognised as "Garden Factories" and "Green Enterprises".



## 04 EMPLOYMENT AND LABOUR PRACTICES

Employees are valuable assets of an organization and serve as a driving force for its sustainable development. A fair and equitable working environment contributes to the healthy development of employees. The Group advocates the principle of fair competition in every aspect covering employment, training, career development and promotion, and no employees will be unfairly treated on grounds of gender, age, marital status, religion, race, nationality or physical condition.

As at the end of the Reporting Period, the Group had 45,000 employees. The Group and its subsidiaries strictly abided by the Labour Law, Labour Contract Law and Social Insurance Law and other relevant PRC laws and regulations, so as to protect the legitimate rights and interests of the employees, and made full payment of remuneration to the employees in a timely manner. The Group upheld the principle of democracy, and treated all employees' reasonable requests fairly. An internal communication platform had been set up, enabling employees to express their opinions or put forward suggestions through various channels such as employee representative meetings, employee forums and corporate mailboxes. In addition, the Group was also willing to adopt rational suggestions from employees, so as to improve staff cohesion.

The Group abides by the international labour standards and Minors Protection Law, prohibiting child labour (i.e. anyone under the age of 16). All job applicants shall be subject to strict identity verification during the recruitment process with a view to prevent child labour due to false information. Meanwhile, the Group will also

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review its employment procedures during routine inspections and auditing work. During the Reporting Period, no child labour was used by the Group.

The Group promotes the spirit of dedication and commitment to their jobs, and protects the employees' rights to rest and holidays in accordance with the relevant laws and regulations of the government. The Group fully respects its employees' freedom in choosing their jobs. During their employment with us, there was no incident of infringement of employees' legitimate rights and interests such as withholding valid certificates or collecting guarantee deposits.

When executing its internationalisation strategy, the Group gradually implemented local employment, paid high regard to the nurturing of foreign employees' expertise and helped them develop their professional skills through a variety of training programs. As at the end of the Reporting Period, the Group had a total of over 1,200 foreign employees. The Group also respects the relevant laws and regulations in relation to employment of the countries where its projects are located as well as the local religious beliefs, culture and traditions, actively participates in major local events and invites local people to participate in the company activities, so as to promote mutual understanding and communication between Chinese employees and foreign employees, thereby further promoting cultural fusion.



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## 4.1 Employee Benefits



Establishing a competitive remuneration system to share the fruits of development with its employees: The Group has established a competitive remuneration system in light of the characteristics of the cement industry. During the Reporting Period, in order to effectively drive the initiative and creativity of its employees, the Group made further efforts in innovating the incentive mechanism and optimisation of remuneration assessment and incentive programs, resulting in a year-on-year increase of 9.1% in employees' income per capita, thus providing a basic material security for the improvement of the living standards of its employees.

Focusing on employees' spiritual and cultural

life to create a good living environment for them: Although material life is fundamental, spiritual life is also indispensable. As such, the Group not only provided accommodation and meal allowances to improve employees' board and lodging conditions, but also focused on employees' physical and mental health by enriching their spiritual and cultural life. The labour union organised cultural, entertainment and physical activities including basketball matches, singing and speech contests from time to time. Improvements in the well-being of employees will help to enhance their sense of belonging and identity, which will in turn ensure the stable operation and healthy growth of a company.



Case study: Prosperity Conch provided its employees with various recreational and entertainment facilities including a gym, football pitch, billiard-room, table tennis hall and boutique bookstore for their leisure time. Its labour union also organised cultural or sport activities every month to help employees better integrate into the group. In 2016, Prosperity Conch was awarded the honorary title of "National Model Home for Staff" (全國模範職工之家) by the General Labour Union of Yingde City.



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Caring about the health of employees and assisting those in difficulties: The physical health of each employee is essential to the happiness of their family. In order to provide our employees with sufficient health protection, the Group provides free physical examinations for all employees every year, and efforts are made to establish occupational health records for each employee. A "one-to-one" assistance policy is in place to enable employees in difficulties to receive help from senior management of the Group. In addition, the Group also actively organises charity donations to help them get through the hard times.

Case study: Guiyang Conch organised a charity donation to raise money for two employees with illnesses. A total of RMB130,000 was raised, which helped ease the financial burdens of the two employees.

### 4.2 Development and Training

Establishing an open and transparent promotion path: In terms of employee career development, the Group adheres to the selection and appointment system of "fairness, impartiality and openness", providing a smooth promotion channel with open and transparent procedures. A notice on personnel appointment of middle or above management positions of the subsidiaries

should be issued, and such appointments shall be officially effective only if no objections are raised during the notice period. As to the general management and technical staff, we adopt a public recruitment mechanism, namely only candidates identified as qualified by the personnel department after comprehensive appraisal shall be employed. Fair competition offers young technical talents with



## EMPLOYMENT AND LABOUR PRACTICES



competence, potential and ambition an opportunity to stand out from their peers and be selected, which not only effectively inspires young people's passion for work, but also provides a talent pool for the future development of the Group.

Paying high regard to continuous training of cadres and employees: In terms of training management, a three-level training management system has been established for the headquarters, regional departments and subsidiaries; moreover, a hierarchical training system comprising senior management, middle-level management, technical cadres and average employees was built according to managerial level. Leveraging training resources of famous universities, the Group's headquarters carried out various activities each year, including leadership development training of senior management, exchange visits to other outstanding enterprises on a regular basis, launching the "Cultivation Programme of 100 Cadres Candidates", as well as continuous improvement in the building of a talent pipeline, providing a talent pool for the sustainable development of the enterprise. Regional

professional management group focused on training middle-level management from different specialties through various ways such as organising regular outward development and internal discussion and exchange, aiming to improve the professional skills of middle-level management, thereby ensuring the development of specialized departments of the Group. In light of the actual training needs of the average employees, the Group's subsidiaries had set up professional training management committees to develop targeted cultivation plans and training approaches, offering occupational skill training for employees of different functions and departments. An approach combining theory and practice was adopted for such training, which was embedded in their daily work by sharing of experience through mentorship arrangement.

Furthermore, the Group encouraged and supported employees to enrich their knowledge during their spare time, pursuing higher academic achievements and professional qualifications and improving their integrated capabilities through self-study.

## 4.3 Safety Management

Safety management is of top priority in the production and operation management of the Group. The Group strictly abides by the Law on Work Safety and strives to achieve full coverage of the safety production management network through establishment and improvement of the safety management system and continuous institutional improvement. The Group entered into a safety production commitment with each staff, so as to define the safety management targets and responsible person, implement reward and punishment policy and facilitate each unit to fulfill its responsibilities for production safety. The Group fulfils its responsibilities with regard to safety management through pursuing the meeting of relevant safety standards for production, strengthening safety inspections and supervision as well as organising various safety education and training programs and relevant themed

activities, so as to enhance employees' safety awareness and eliminate potential safety hazards. During the Reporting Period, no major personal safety incidents were reported.

Proactively encouraging the meeting of relevant safety standards for production: The Group pushes ahead the meeting of relevant safety standards for production in every aspect of the process through the establishment of a safety production accountability system, improvement of safety management regulations and establishment of long-term effective safety management mechanism. During the Reporting Period, a total of 17 subsidiaries have met the safety standards for production. As at the end of the Reporting Period, 76 subsidiaries of the Group have passed the assessment for safety production standardization, of which 50 subsidiaries have attained Class I safety production standards,



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with Liqun Conch being recognized as the national “Demonstration Enterprise for Standardised Safety Production Lines” (安全標準化生產線示範企業).

**Strengthening routine safety inspections and supervision:** The Group has established safety production committees at different levels. The officer-in-charge of each subsidiary acted as the primary responsible officer for the safety management of the respective company, fully responsible for safety management. In addition, safety inspectors who are responsible for the daily supervision and management of safety production have been appointed to carry out inspections of the safety management of the Group on a regular and irregular basis, so as to regulate employees’ safety behaviours and eliminate potential device-related safety hazards, with an aim to reduce its risk factors. Moreover, the Group encourages employees to take the initiative in participating in the safety management work by organising various activities such as “Exposure of Potential Safety Problems” (安全隱患隨手曝). A WeChat group account has also been created, enabling the employees to promptly report any potential safety issues or dangerous behaviors identified at any time and any place. The person-in-charge and the safety officer shall respond to all issues reported and shall confirm, reply and solve these issues immediately.

**Organising safety education to enhance employees’ safety awareness:** In order to protect the personal safety of employees, it is of the utmost

importance to enhance their safety awareness. The Group continued to enrich and innovative methods for staff safety education. In addition to “Safe Production Month” (安全生產月), “Promotion Week for the Law on Prevention and Control of Occupational Diseases” (職業病防治法宣傳週) and “11.9 Fire Services Day” (11.9消防日) and other safety-related themed activities, the Group also organised safety trainings, safety knowledge contests, safety-related theme speeches and other activities on a regular basis. By conducting these activities, the employees’ safety awareness had been effectively enhanced.

In 2016, the Group made fruitful achievements in safety management, with 30 subsidiaries having received 41 safety management awards from provincial and municipal authorities. Liqun Conch was awarded the titles “Advanced Safe Production Entity of Shaanxi Province” (陝西省安全生產先進單位) and “Winners of the National Safety and Health Cup Competition” (全國安康杯競賽優勝單位); Suzhou Conch was named the “Demonstration Entity for Occupational Health Infrastructure Construction” (職業衛生基礎建設示範單位) of Anhui Province; and Jining Conch was awarded the title of “Leading Enterprise for Classified Management and Control of Safe Production Risks and Identification and Elimination of Potential Safety Hazards in Shandong Province” (山東省安全生產風險分級管控與隱患排查治理體系標杆企業).

### 4.4 Anti-corruption

Corruption activities may undermine fair competition and corporate image. Anti-corruption represents not only the principle of business ethics, but also the bedrock of long-term stable development of the enterprise, as well as a protection for cadres and other employees.

The Group advocates business integrity and fair competition, and has established a sound set of regulatory systems by formulating the Administrative

Measures for Discipline Inspection and Supervision and Petition and Report (紀檢監察信訪舉報工作管理辦法) and other rules and regulations. The Group requires all employees to comply with the laws and regulations as well as the rules and systems of the Group, and proactively organises anti-corruption education and enhances supervision over management behaviour and economic activities. We instill and promote the anti-corruption and anti-

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commercial bribery concepts to employees at all levels, and embed the compliance culture in our daily business practice.

In addition to promotion of anti-corruption culture, the Group focuses on corruption risk control and prevention in critical business sectors, conducting risk control, prevention and investigations targeting financial affairs, engineering and construction, procurement, logistics, sales

and other key business processes. The Group has established the disciplinary inspection commission, project audit department and a Supervisory & Audit Office, all of which constitute an anti-corruption collaborative system that guarantees the compliance operation of each business sector of the Company.

During the Reporting Period, no incidents of material corruption had been identified by the Group.





## 05 SUPPLY CHAIN MANAGEMENT

The Group has established the three-level material supply chain management system comprising the headquarters, regional departments and subsidiaries to take full advantage of economies of scale, which defines the purchase authority of each level within the hierarchy based on the principle of “purchasing at the most favourable terms”.

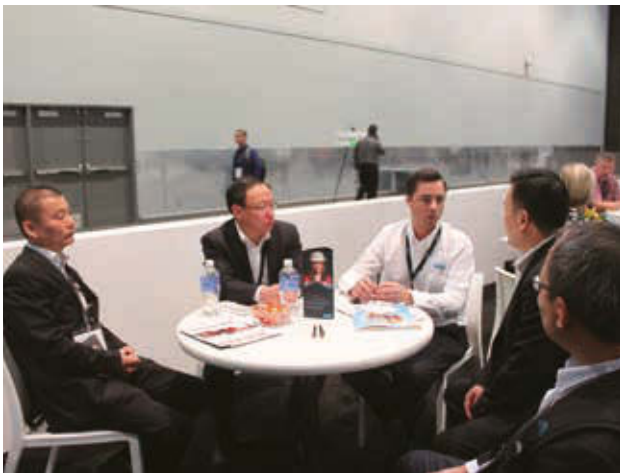
As to selection of suppliers, the Group has formulated a stringent supplier entry system. According to the Implementation Rules for Investigation and Assessment of Suppliers (供應商調查與評審實施細則) and Tentative Measures for Supplier Management (供應商管理暫行辦法) as stipulated by the Group, suppliers should have advantage in scale and relatively strong capability in quality control and research and development; they are mainly famous domestic and overseas enterprises or listed companies in the industry with brand recognition, capital advantage, price advantage and quality advantage.

We consider it an important part of our social responsibility to promote the suppliers’ awareness of social responsibility. Therefore, apart from the aforesaid factors, performance of the suppliers in fulfilling their social responsibility will also be taken into consideration. Under the same conditions,

## SUPPLY CHAIN MANAGEMENT

priority will be given to those enterprises with a commitment to social common wealth activities and a good corporate image. For example, as to coal purchase, we have established strategic partnerships with the top four domestic coal enterprises, namely China Shenhua, China Coal Energy, Datong Coal Mine and Yitai Group. As to the procurement of oil, mining machinery and the relevant auxiliary equipments, we mainly cooperated with large state-owned enterprises such as CNPC and Sinopec and famous international brands such as Shell, Mobil Oil, BP, Kate Petroleum, Atlas, Komatsu and Michelin.

Long-term cooperation with these quality enterprises not only provides us products and materials with the best quality at the most favorable prices so as to meet the production and operation needs of the Group, but also offers us an opportunity to learn from them the advanced management concepts and approaches, especially their extensive experiences in fulfilling corporate social responsibility, enabling us to make further improvement, better fulfill our social responsibility and enhance our corporate image and social influence. We are dedicated to cooperating with all partners to create a nice blue sky and a better world for all of us.



# 安徽海螺水泥战略合作协议签字仪式



## 06 PRODUCT LIABILITY

### Product Quality and Safety Management

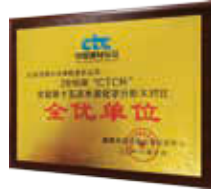
Our cement products are widely used in major domestic and overseas engineering projects, including completed and under construction projects such as Hong Kong International Airport, the Shanghai-Kunming Railway, the Hong Kong-Zhuhai-Macao Bridge, Fuqing Nuclear Power Plant and Lufeng Nuclear Power Plant. Product quality is the core marketing competitiveness. Upholding the operational principle of “best quality and dedicated services”, the Group is committed to providing customers with safe cement products with superior quality.

The Group has always paid high regard to the establishment of quality management systems. In line with the Company’s development strategy, the Group has implemented the ISO9001 quality management system in all plants under the Group. Over the years, we have achieved positive results in strengthening quality management by improving organisation systems, defining job responsibility and standardising production operations. All the subsidiaries have established strong brand awareness. Aiming to provide the best quality products and regarding quality as a matter of the utmost importance, we embed the philosophy of strengthening product quality and safety in the entire process ranging from raw material procurement to product delivery. The Group has established the quality management system of “procurement by the Supply Department, inspection by the QC Department and verification by the Production Department”, making it possible to track each of the respective “procurement, production and inspection” process at each plant.



Upholding the management philosophy of “pursuing clinker of high quality, cement of consistent quality and services of superior quality”, and equipped with advanced technical equipment, the Group adopts

quality standards higher than the national standards and strengthens product quality management, so as to ensure product quality and safety.



### Customer Relationship Management

Customers are key to the existence and development of an enterprise. By understanding the needs of our customers, we are able to provide quality products and services to the customers, constantly improving customer satisfaction. We have dedicated pre-sale, sale and post-sale service teams, enabling us to handle complaints and queries raised by customers rapidly and promptly translate suggestions from the customers into improvement of product quality and service processes.

In order to get a better understanding of customer needs and customer feedback on our products and services, all subsidiaries have established a customer satisfaction survey system and regular visit system. They have established effective communication channels by various means such as visiting key projects, properties, mixing stations and rural sales points in the region,

conducting technology exchanges, high-level visits and questionnaire surveys as well as organising customer seminars, thereby solving problems for customers in a timely and efficient manner.

The Group places great emphasis on protecting customer privacy, and rigorously promotes internal management in business operation, so as to guarantee customer information security.

### Intellectual Property

The Legal Department of the Group is responsible for defending our intellectual property. The Group attaches great importance to intellectual property and takes proactive measures to protect our intellectual property, while showing great respect for the intellectual property of other parties, so as to maintain a landscape of fair competition and comply with industry standards and regulations.



Case study: The cement products produced by several subsidiaries including Pingliang Conch, Xingye Conch and Suzhou Conch were awarded the title of Famous Branded Products by the provincial or municipal authorities where they operated. A total of 90 entities of the Group won the Honour Unit Title in the 2016 “CTC” Fifteenth National Chemical Analysis Competition of the Cement Industry, of which 3 subsidiaries including Shaoyang Yealing were granted the Outstanding Award and 25 subsidiaries were granted the Excellent Award.



## 07 CONSTRUCTION OF A HARMONIOUS COMMUNITY

To construct a harmonious community requires enthusiastic commitment to social common wealth activities. As a responsible and accountable major enterprise, Conch Cement proactively participates in all kinds of social welfare and charity activities, promoting the construction of a harmonious community.

Jianglaojia Village, Jiangji Town, Lixin County in Anhui Province is designated by Conch Holdings to receive financial assistance. In 2016, upholding the principle of “better to teach a man to fish than to give him fish”, Conch Holdings donated RMB200,000 for the construction of a village-level photovoltaic power generation project in Jianglaojia Village, helping the village to create a new income source. Meanwhile, the Group also proactively participated in provision of support to the village. In addition to consolations

to the groups in difficulties and provision of voluntary labour for many times, the Group invested in the improvement of the infrastructure facilities of Jianglaojia Primary School and donated sports equipments to create an environment where students can play sports and exercise, doing our best to fulfill the social responsibility that a large enterprise shall assume.



## CONSTRUCTION OF A HARMONIOUS COMMUNITY



The subsidiaries of the Group also proactively organized and participated in local welfare and charity activities according to the local conditions:

In July 2016, heavy rainfall in most of the Eastern and Central China region led to flood disaster in many places. In the face of the adversities and disasters, several subsidiaries including Wuhu Conch, Chizhou Conch, Tongling Conch and Zongyang Conch offered their compassionate care by voluntarily participating in local disaster relief activities and proactively donating materials. Furthermore, the hostels and dormitory buildings of these companies were open to the rescue troops and those affected by the disaster for free, while the canteens of the companies worked overtime to provide them with around the clock hot water and food, offering assistance from onsite support to back-end support.

In light of the local poverty stricken condition, our subsidiaries in Western China including Liquan Conch, Qianxian Conch and Baoshan Conch actively made donations to support poor students, donated teaching instruments and schooling items, invested in improving the infrastructure facilities of schools, offered consolation to homes for the aged and those in difficulties, as well as carried out other public welfare and charity activities. A number of subsidiaries such as Baimashan Cement Plant, Huangshan Conch, Jiande Conch and Liukuanguan organized their employees to participate in blood donation. Xia Dinghui, an employee of Ningbo Conch, has participated in voluntary blood

donation for 20 consecutive years since 1996 and was awarded one of the “the Most Beautiful Volunteers of Ningbo City” titles in 2016.

With the implementation of the development strategy of internationalisation, not only our presence has extended beyond China, but also our care and responsibility for the local communities. For example, Kalimantan Conch made 29 donations for government activities, six donations for religious activities, six donations for education purpose and ten donations for the surrounding villages and other purposes throughout the year. Apart from cash donations, Myanmar Conch also donated cement and tiles to the local government for reconstruction of disaster areas and construction of affordable houses. Upon the outbreak of flood disaster, Myanmar Conch and Yangon Conch promptly organized employees to participate in disaster relief activities and to donate money and relief materials; Cambodia Battambang Conch repaired roads for the local community, provided support for the repair and construction of schools, sponsored festive events and programmes and offered consolation to local residents in difficulties.

These public welfare activities and volunteer activities have brought the Group closer to the surrounding communities and all stakeholders, as well as make contributions to the society. In the future, the Group will remain committed to the construction of a harmonious community and proactively perform its social responsibility as a major enterprise.





## Conclusion:

In 2017, we are well prepared for the new mission and responsibility ahead, working towards the objectives of the Thirteenth Five-Year plan.



# Appendix I DEFINITIONS

Terms	Definitions
Greenhouse Gases	Includes carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF <sub>6</sub> ).
Pure low-temperature Residual Heat Power Generation	Power generation using the residual heat of medium-and-low temperature waste gas discharged from the emission ends of the kilns of the cooling machine, with no fuel consumed or pollutants produced.
Denitration Technology	A technical measure to prevent excessive emission of NO <sub>x</sub> from the combustion process within the cement kilns for the purpose of environmental protection by reducing the amount of NO <sub>x</sub> and eliminating the NO <sub>x</sub> in the flue gas.
Electric dust collector	A dust collecting device to separate particulates from flue gas by electrostatic force.
SNCR	Selective non-catalytic reduction, a process of converting nitrogen oxides in the flue gas to non-hazardous nitrogen gas and water by injecting reductants into the “temperature window” for denitration reactions without using a catalytic agent.
Domestic waste treatment technology with the use of cement kilns	A technology for treatment of urban domestic waste by using the high temperature of the cement kilns, and is an ideal alternative to traditional landfill treatment method that takes up large area of lands and results in environment pollution. This technology is the first of its kind in the world, which, without classification of wastes, enables degradation of dioxins without producing any undesirable odours and allows solidification of heavy metals and purification of sewage at the same time.
Three-fan waste gas treatment system	The combination of an independent air recirculation blower fan with a raw material preparation system, with a high-temperature air-blower fan at the emission end of a kiln and a waste-gas-blower fan, to collectively control wind volume and pressure within the kiln and mill system.
Nitrogen Oxides (NO <sub>x</sub> )	Includes a number of compounds such as nitrous oxide (N <sub>2</sub> O), nitric oxide (NO), nitrogen dioxide (NO <sub>2</sub> ), dinitrogen trioxide (N <sub>2</sub> O <sub>3</sub> ), nitrogen tetroxide (N <sub>2</sub> O <sub>4</sub> ) and dinitrogen pentoxide (N <sub>2</sub> O <sub>5</sub> ), etc. Except for NO <sub>2</sub> , all other NO <sub>x</sub> variants are extremely unstable and, when exposed to light, moisture or heat, are liable to converting into NO <sub>2</sub> and NO, and then from NO into NO <sub>2</sub> .
Biological contact oxidation process	A waste water treatment technology, whereby stuffing covered with biofilms will be put in a biological reaction pool and immersed in waste water running at a certain speed, so that the organic pollutants in waste water after exposed to the biofilms will be degraded through metabolism of microorganisms, yielding purified water.



# Appendix II ESG GENERAL DISCLOSURE REFERENCE LIST

ESG index	Key performance	Description	Page	Note
<b>Environment</b>				
A1	Emissions	Policies on waste gas and greenhouse gas emissions, discharge into water and land, generation of hazardous and non-hazardous wastes, etc.; and compliance with the relevant laws and regulations that have an important impact on the issuer.	6	3.1
A2	Utilisation of resources	Policies on efficient use of resources (including energy, water and other raw materials).	8	3.2
A3	Environment and natural resources	Policies on minimising impact on the environment and natural resources made by the issuer.	10	3.3
<b>Society</b>				
B1	Employment	Policies on remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination as well as other benefits and welfare; and compliance with the relevant laws and regulations that have an important impact on the issuer.	13	4
B2	Health and safety	Policies on providing a safe working environment and protecting employees from occupational hazards; and compliance with the relevant laws and regulations that have an important impact on the issuer.	18	4.3
B3	Development and training	Policies on improving employees' knowledge and skills for discharging duties at work; description of training activities.	16	4.2
B4	Labour standards	Policies on preventing child labour and forced labour; and compliance with the relevant laws and regulations.	13	4
B5	Supply chain management	Policies on managing environmental and social risks of supply chain.	21	5
B6	Product liability	Policies on health and safety, advertising, labelling and privacy relating to products and services provided as well as remedial measures; and compliance with the relevant laws and regulations.	23	6
B7	Anti-corruption	Policies on preventing bribery, extortion, fraud and money laundering; and compliance with the relevant laws and regulations.	19	4.4
B8	Community investment	Policies on community engagement to understand needs of the communities where the issuer operates and to ensure its business activities take into consideration the communities' interests.	25	7

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