



中国西部水泥有限公司
WEST CHINA CEMENT LIMITED



2016

Corporate Social Responsibility Report

Notes on the Report Preparation

Time frame

January 1, 2016 – December 31, 2016.

Frequency of release

This report is the first social responsibility report released by West China Cement Limited. The report will be released on an annual basis.

Scope of report

West China Cement Limited and its affiliates.

Data source

Data used in the report is sourced from official documents, financial reports and statistics report of the Company, as well as from news media. All contents herein have been verified by the Company's management, departments concerned and the subsidiary production plants (companies).

Notes on references

For the purpose of this Report, with a view for ease of presentation and reading, "West China Cement Limited" herein is also referred to as "West China Cement", "Company" or "we" and its affiliates (collectively, the Group). "Yaobai Special Cement Group Co., Ltd", and indirect wholly-owned subsidiary of the Company, herein is also referred to as "Yaobai".

Basis of preparation

Stock Exchange of Hong Kong Environmental, Social and Governance (ESG) Reporting Guide

China Cement Association China Cement Industry Guidelines on the Preparation of Corporate Social Responsibility Report

International Organization for Standardization ISO26000: Guidance on Social Responsibility

Global Reporting Initiative G4 Sustainability Reports Guidelines

Institute of Social and Ethical Accountability (U.K.) AA1000 Series

Form of report

This Report is in Chinese and English, and is circulated in hardcopy prints and electronic copies. The electronic copy can be accessed on websites of West China Cement or Yaobai Special Cement Group Co., Ltd. or The Stock Exchange of Hong Kong Limited on <http://www.westchinacement.com> or <http://www.yaobo.com.cn> or <http://www.hkexnews.com>. Should a hardcopy of the report be required, please contact the West China Cement office.

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Executive Summary

Q1

Q1: In 2016 a multitude of complexities and forbidding challenges presented themselves in the perplexing and complicated macroeconomic environment, decline of demand in the industry market and surplus production capacity, among others. How did West China Cement maintain sound and stable business performance and profitability despite the adversities?

In 2016, faced with an economic environment filled with complexities and challenges, the Company sought for ways out both internally and externally, focusing on operations management and comprehensively intensifying performance management. Externally, the focus was on the compliance with industry self-disciplines. We actively responded to the State's arrangements on peak load shifting and phased out outdated production capacities, while strengthening coordination with cement enterprises in the industry within the province itself and in the surrounding provinces to maintain our market shares and retain regional customers. Internally, the emphases were on cost cutting and efficiency improvement. Specifically, we encouraged the production level management and employees to focus on technological innovations, and as a result we managed to greatly reduce our production and manufacturing costs by means of optimizing processes and materials blending, using substitute raw fuel materials, reducing procurement costs and improving equipment operating time ratio.

Q2

Q2: On December 4, 2006, West China Cement was successfully listed on the London Stock Exchange in the U.K., and on August 23, 2010, again successfully transferred its listing to Hong Kong's capital market. In the decade since its initial public offering, West China Cement has achieved rapid development and become renowned as a "shining pearl in the west regions" of China's cement industry. What are the key driving forces and core elements that led to the continuous growth of West China Cement over the years?

Development of West China Cement was the result of the rapid development of national social economy and the implementation of the state strategies on developing the western regions. The key is that for over three decades we have focused our efforts in the cement industry and industry development, through which we developed the Yaobai management model of "group-based management and operations by economies of scale", accumulated valuable experiences in industry operations management and built a highly competent management team and a group of industry-specific professionals.

Q3

Q3: The proposals and deepened promotion of China's policies on internationalization of its companies and the "Belt and Road" initiative will no doubt further open up the world's markets, and create conditions for Chinese enterprises to reach beyond the domestic markets and involve themselves in international operations. In light of this, what's West China Cement's take on the new reality and how do you plan to grasp the opportunities presented for future development?

The state's "Belt and Road" initiative will bring great benefits to the development of West China Cement. In particular, the plans for development of transport and infrastructural facilities in the western region with Xi'an at the center will stimulate demand for cement in the region in the coming five years. At present, West China Cement adopts the business strategy for sound and stable growth. We will take the momentum offered by the "Belt and Road" initiative and well align our strategic plans for development with accurate analysis of timing and circumstances.



Chairman of Board Zhang Jimin



Chief Executive Officer Ma Weiping

Q4

Q4: As problems of the ever more severe smog and pollution to the environment become pressing issues, the society in general is increasingly concerned with the cement industry known for its high energy consumption and serious pollution. As a major cement production enterprise, how does West China Cement implement environmental protection management in fulfilling its environmental protection obligations?

In the past few years, faced with the ever more pressing problems of smog and environmental pollution, West China Cement took up its social responsibility and fulfilled its due obligations in protecting the environment in the process of development. The Company invests annually tens of millions RMB in environmental protection management. We implemented the technological modification to reduce nitrogen oxides (denitrifying), standard-elevation modifications on dust collectors at kiln end (rear), cement packaging system dust collector modification and other projects, and continuously increased investments in eco-environment recovery and control, and actively participated in the arrangements for peak load shifting of cement enterprises, suspending operations for over 120 days annually. Through these measures, we managed to reduce CO₂ emission of 1.9 million tons, nitrogen oxides emission of 13,000 tons, sulfur dioxides emission of 2,800 tons and smoke (pollen) and dust emission of 2,000 tons annually.

Q5

Q5: For a long time West China Cement has actively advocated and dedicated itself to charity and public welfare causes. How does West China Cement view the relationship between "growth" and "public welfare" ?

While working hard to develop strengths of the Company itself, West China Cement has always borne in mind the social responsibilities it shoulders. We have helped local governments in road maintenance and repair projects by donating cements, and made cash donations to poverty aid funds, education aid charities and to sponsor road maintenance and repairs. In 2016 alone, the Company made donations of RMB 2.94 to various charities. Total donations made in the past three years amounts to RMB 10.57 million.

Corporate Profile

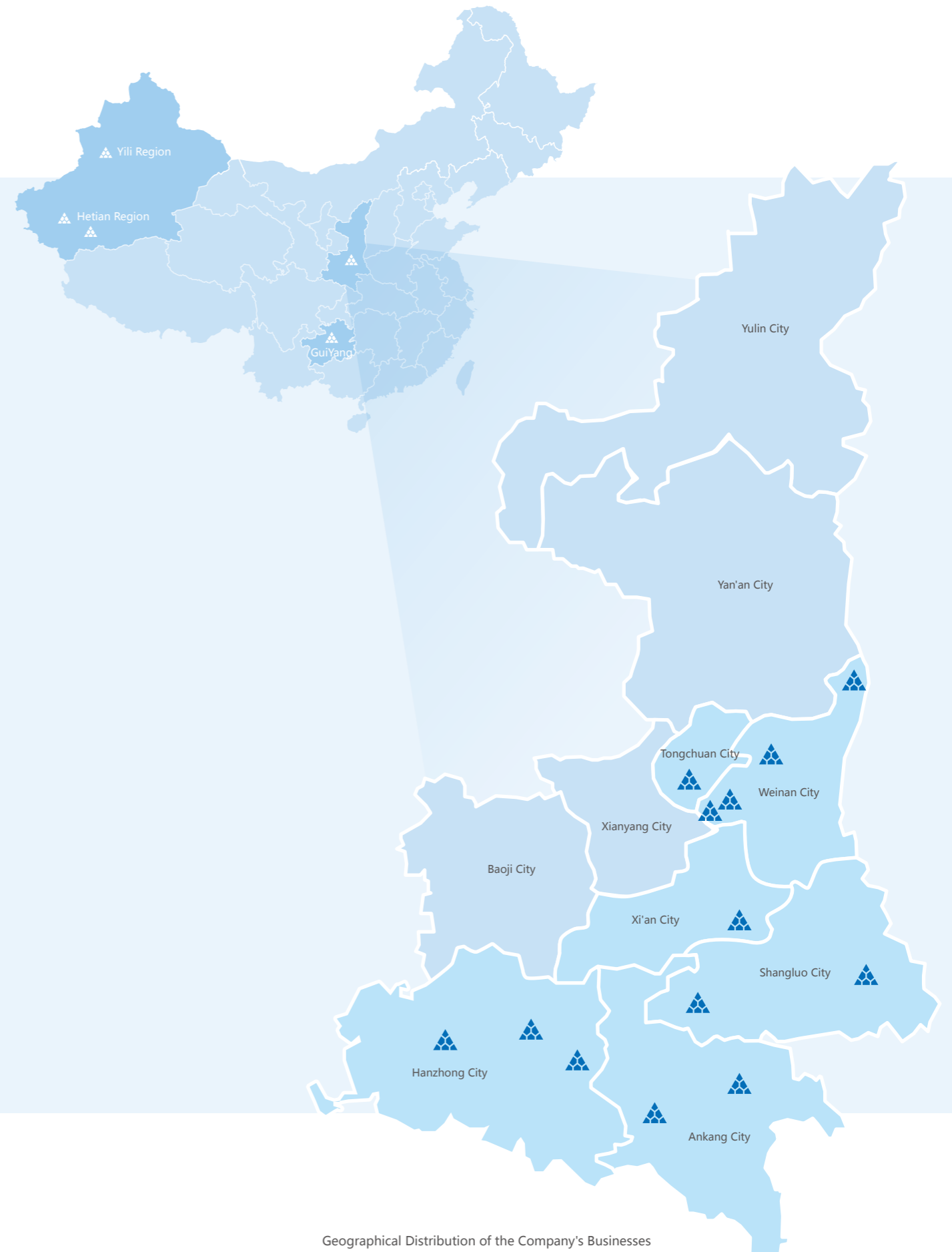
West China Cement Limited (stock code 2233.HK) is a major cement manufacturer and distributor group enterprise. The Company address is at No. 336 4th Shenzhou Road, Aerospace Industrial Base, Chang'an District, Xi'an. It has subsidiaries in Shaanxi, Xinjiang, Guizhou and other locations.

To further adapt to the development trends of internationalization, enhance the corporate management capabilities and increase the corporate competitiveness, the Company was successfully listed on the London Stock Exchange's Alternative Investment Market (AIM) on December 4, 2006, and was listed on the main board of Stock Exchange of Hong Kong on August 23, 2010. Since the IPO, the Company has become favored by international investors and investment institutions. In May 2012, the Company formed strategic partnership with the world's cement magnate, the Italcementi Group.

Main products of the Company include: ordinary Portland cement of various strengths and grades, moderate-heat Portland cement, low-heat Portland cement, low-heat Portland-slag cement, road cement, high (moderate) sulfate resistance Portland cement, oil well cement and other special types of cement of various strengths and grades. Meanwhile, the Company has established a sound marketing network and after-sale service system, with products covering the southeast Shaanxi, Hetian of Xinjiang and Huaxi of Guizhou, and widely applied in the construction of highways, railways, airports, bridges, tunnels, water conservancy and other key engineering projects of the state and sold in urban and rural construction markets.

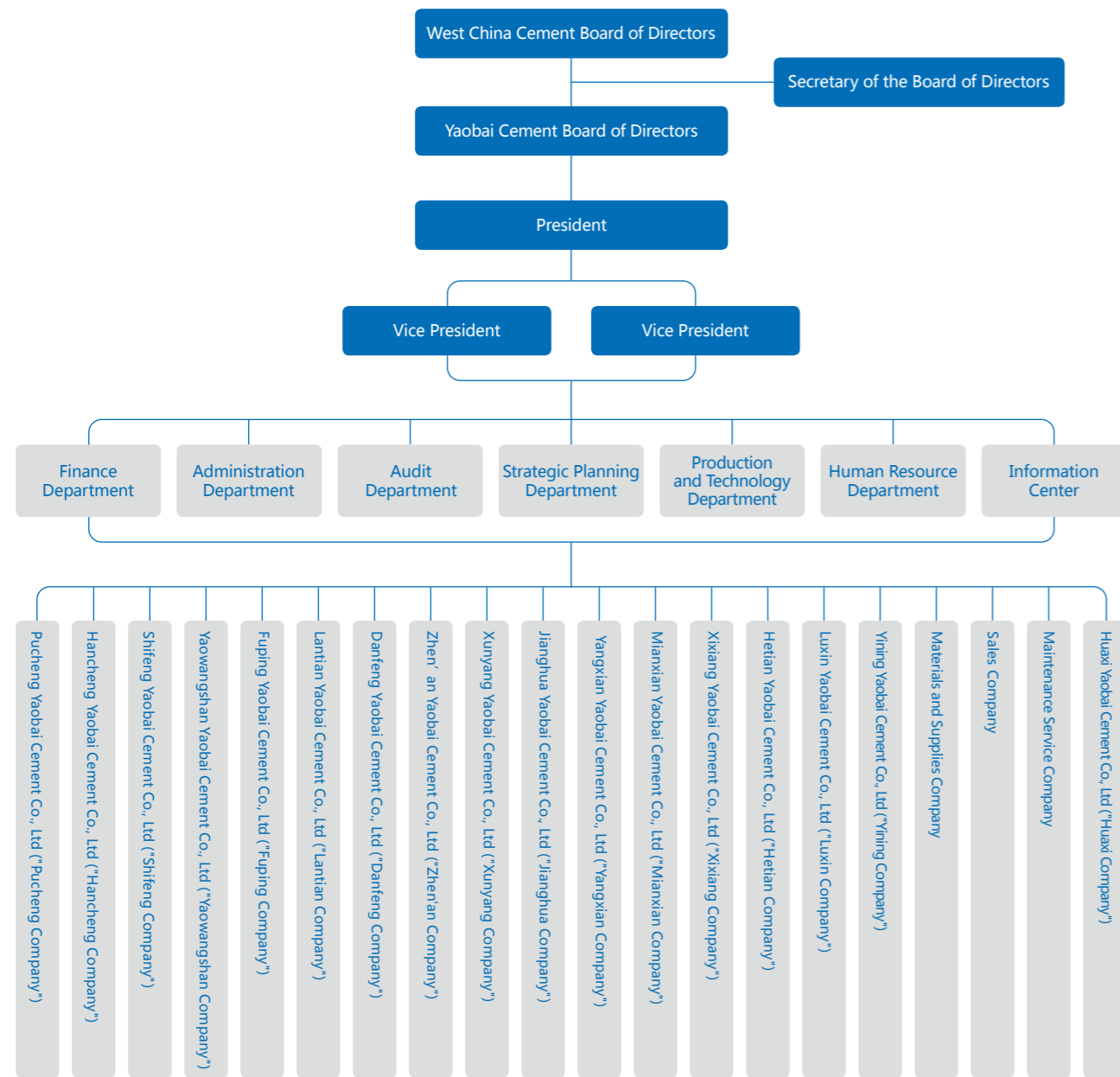
As of year 2016, the Company had 20 New Suspension Preheater ("NSP") cement production lines with cement production capacity of 29.2 million tons, total assets of RMB 11.2 billion, and over 4300 employees. Over the year, the Company achieved production revenue of over RMB 3.7 billion and gross profit of over RMB 670 million.

In the future, we will continue to promote the cross-regional development strategy to further depth and breadth, and grasp the opportunities presented in the state's "Belt and Road" initiative to comprehensively promote resource consolidation in the commitment to developing the Company into one of the leading enterprises in China's cement industry.



Geographical Distribution of the Company's Businesses

Organizational Structure



Management Team

West China Cement Board of Directors			
Zhang Jimin	Executive Director, Chairman of Board	Ma Weiping	Executive Director, Chief Executive Officer("CEO")
Ma Zhaoyang	Non-executive Director	Liu Yan	Non-executive Director
Qin Hongji	Non-executive Director	Lee Kong Wai Conway	Independent Non-executive Director
Wong Kun Kau	Independent Non-executive Director	Tam King Ching Kenny	Independent Non-executive Director

Yaobai Cement's Management	
Ma Weiping	President
Wang Jiujun	Vice President
Lian Jie	Vice President

Corporate Culture



Corporate Logo

The Company's logo has the first letter of company name "Y" as the fundamental element of the design. "Y" s are connected at the ends and placed in the center of the design, embodying the corporate spirits of unity of people, endeavor and commitment of Yaobai. It also resembles the mortar cement in the stitches of bricks, vividly exemplifying the interdependence and interaction of cement and buildings. The shapes are cleverly designed in a combination of triangles, which resemble the pyramid and give a visual impression of solidity and stability, qualities found in the "Yaobai Cement", as well as characteristics of the Company itself as its people are united internally and externally in integrity, steady performance, positive attitude, cohesion and commitment for excellence. The color blue is associated with science and technology as well as quality, interpreting the nature of the industry, with connotations of the Company's reputation and reliability of its product quality, as well as that of the interactive relationships among the Company's quality, customers and the market that form into an iron-cast unbreakable triangle. The design is concise but has rich embodiments of Yaobai Cement's business principles of "people orientation and continuous innovation" and its stable growth based on the trinity of technology, quality and service.

Business Principles of the Company

The Company believes in the business principles of "people orientation, building of premium quality products, continuous innovation and surpassing the best". Competitions of modern enterprises are in the end competitions for talents as people of talents and expertise are the root of everything. We regard individual talents and competence as the key criterion in our recruitment, and focus on finding the best talents, developing our employees, attracting and retaining talented people. The Company has built a platform for the development of its employees, an environment for learning and growth, and an

atmosphere for competitive collaboration, to fully stimulate the potentials of employees and provide the employees with a stage where they can fulfill their individual values. Innovative mindset is one of the core principles we advocate. Without innovation there can be no vitality or competitiveness. Innovation is ubiquitous in all aspects and processes of work. The Company encourages its people to think from different perspectives and levels, explore reverse thinking, and break away from the constraints of existing models and experiences.

Corporate Spirits

"Endeavor, excellence, innovation and self-transcendence" are the driving force and fountain of vitality for the Company's growth and strengths. From a small privately-run factor of just over a dozen people to a public listed company with tens of billions in assets, Yaobai people have come through a long way overcoming hardships and setbacks. These are the spirits that kept the Yaobai people persisting through all adversities, struggling over the three decades to create the miracle that we see today.

Core Values of the Company

"Joint efforts to create wealth, win-win, fulfillment of individual values and serving the society" are the core values of the Company. We highly value the mutually beneficial relationships maintained with our suppliers, affiliates and customers, as well as the interactions between employees and the Company. We advocate for win-win of the Company and its suppliers, affiliates and customers, and that with the employees, joint efforts in development to create common wealth. The corporate mission is to provide products and services to the satisfaction of users. As an enterprise, we have an obligation to seek continuous improvement of our products and services. Our employees shoulder the responsibility to work hard for these goals through which they will fulfill their individual values.

Core Competitiveness of the Company

The Company has core competitiveness in its "honest business dealings, high quality at low price, excellent services in sincerity and leadership in the industry". Honesty is the foundation of our business and the most fundamental principle of our conducts and affairs. The Company and its employees uphold the qualities of honesty and creditworthiness to the uttermost height, that is, honesty and integrity externally and internally, with others and among us ourselves, and at all times. Only with honesty in our business conducts, added with high quality and low price products and excellent services can the true competence of an excellent enterprise be manifested. This is how we are known as a leader in the industry. And these qualities make up Yaobai's core competitiveness.

History

1991-2000

The Group achieved stable business development and successfully accomplished the share-based equity holding reform.

2006

The Company was successfully listed on the London Stock Exchange AIM market and was the only enterprise in cement industry of Shaanxi listed on the London Stock Exchange AIM market.

2008

Commenced construction of the NSP production line with daily capacity of 2,500 tons in Mianxian of Hanzhong and implementation of a low-heat residual heat power generation system.

2010

July, successful commissioning of the 2,500t/d cement clinker production line at the Mianxian Yaobai Cement Co., Ltd. in Hanzhong;

August, successful IPO of West China Cement Limited on the main board of the Hong Kong Stock Exchange.

2012

West China Cement (2233.HK) entered into a strategic partnership with the Italian cement group, Italcementi Group. The signing took place in Hong Kong and West China Cement acquired Fuping Cement, a subsidiary under Italcementi Group's affiliate Cimfra China.

2014

In April, Yaobai Group Research and Development Training Center was officially commissioned for operation;

In July, Huaxi Company's 2500t/d NSP production line was successfully ignited.

2016

In April, construction of Yaobai Environmental Protection Company's solid waste disposal project in Fuping was successfully completed and the project was commissioned for production;

In October, the "Yaobai" brand oil well cement was accredited by the American Petroleum Institute and given accreditation logo;

In December, the Company organized a symposium for the celebration of the Company's 10th anniversary of IPO. Yaobai was successfully selected as a primary supplier for Sinopec, and was again ranked among the "Top 100 companies of Shaanxi" in 2016.

2004

The Group completed construction and commissioned a NSP production line with annual capacity of 900,000 tons, and achieved total annual production of 1.2 million tons.

2007

The Group completed construction of 2x2500t/d NSP production lines in Lantian. Total production capacity of the Company reached 3.5 million tons;

Construction of the 4000t/d NSP production line in Ankang Shaanxi commenced, putting an end to complete absence of NSP production line in south Shaanxi.

2009

In August and December respectively, the Company acquired the zhen'an Company and the Danfeng Company, further completing its strategic plans for southeast Shaanxi regions;

The cement production line of daily production of 4,000 tons in Yangxian was officially commissioned for production. This was the first key project as part of the post-disaster reconstruction in south Shaanxi.

2011

In May, the 2500t/d NSP production line of the Xixiang Company in Hanzhong was successfully ignited, marking its official commissioning for production;

In June, at a Charity Gold Anniversary Award ceremony held at the Hong Kong Exhibition Center, West China Cement Limited. was honored with the "Charity Honor Award" for its donations to charities of RMB 1 million.

2013

Construction of West China Cement's first cement kiln coordinated sludge disposal and industrial waste disposal project in Lantian commenced.

2015

The Company joined the Cement Sustainability Initiative (CSI) and became the 26th member entity of the CSI;

In October, the Group acquired the Yaowangshan Company with 5000 t/d cement clinker production line.

Contributions to Industry Organizations

Name of organization	Position held by Yaobai
China Cement Association	Deputy Chair of Council
China Construction Materials Federation	Member
Cement Sustainability Initiative Organization	Member
Shaanxi Province Cement Association	Chair of Council

Name of organization	Position held by Yaobai
Shaanxi Construction Materials Federation	Deputy chair
Shaanxi General Resource Utilization Association	Deputy chair
Shaanxi Province Safety Council	Deputy Council Chair
Shaanxi Province Energy Saving and Emission Reduction Council	Council member

Responsible Management

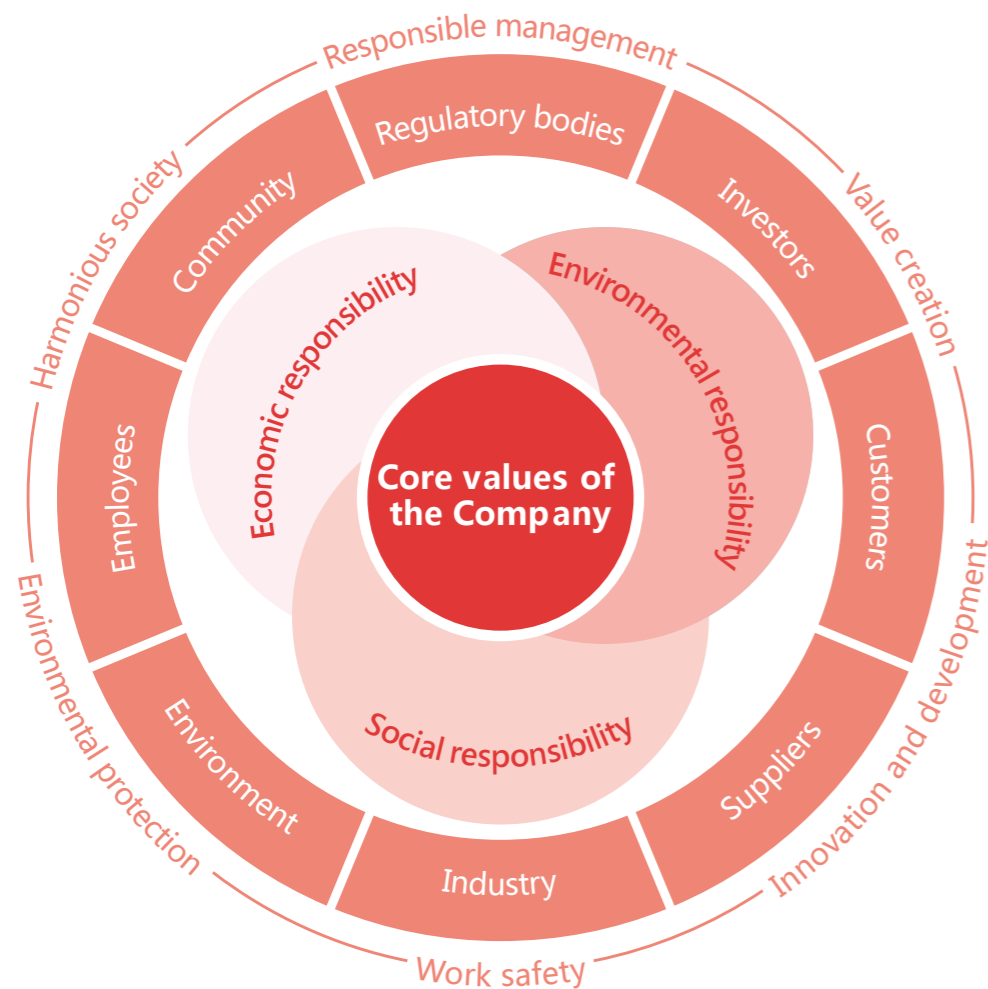
– Enhancing Competences for Performing Duties

Improving social responsibility management is required for the Company to adapt to the trends of social responsibility development both internationally and domestically and represents a strategic initiative for the Company . At the same time, it is important for the Company to adapt to the new norm of economic development, enhance corporate competitiveness and promote transformation and upgrade. West China Cement highly values the management of its social responsibilities, actively promotes the integration of social responsibility principles and requirements in the Company's decision making and routine business operations, continuously improves the corporate social responsibility awareness, comprehensively advocates works of corporate social responsibility and engages in in-depth communication and exchanges with stakeholders in the commitment to improve the Company' s sustainability.



Corporate Social Responsibility ("CSR") Management Model

A company's influence determines its responsibilities. West China Cement sees the purpose of its existence in creating values for stakeholders. We continuously seek deeper understanding and perception of corporate social responsibility, consistently uphold the Company's core values of "joint efforts to create wealth, win-win, fulfillment of individual values and serving the society", proactively undertake the responsibilities for the impact of our decisions and activities on stakeholders, and are committed to advocating the six major actions in fulfilling our responsibilities, namely: responsible management, value creation, innovation and development, work safety, environmental protection, and harmonious society, in our endeavors to create values for government, shareholders and investors, the industry, our partners, employees, the environment, community and other stakeholders.



Social Responsibility Management System

Yaobai has established a Social Responsibility Management Committee chaired by the Chairman of the Board of Yaobai, with the President of Yaobai as the deputy director and other relevant senior management staff as members. The committee is comprehensively responsible for the central planning, deployment and coordination of the Company's social responsibility works. It has a team of staff for the implementation of decisions of the committee and routine affairs. The Company's functional departments and branches have all appointed liaison officers for social responsibility works, responsible for the implementation and accomplishment of the relevant social responsibility work assigned to the department or branch.



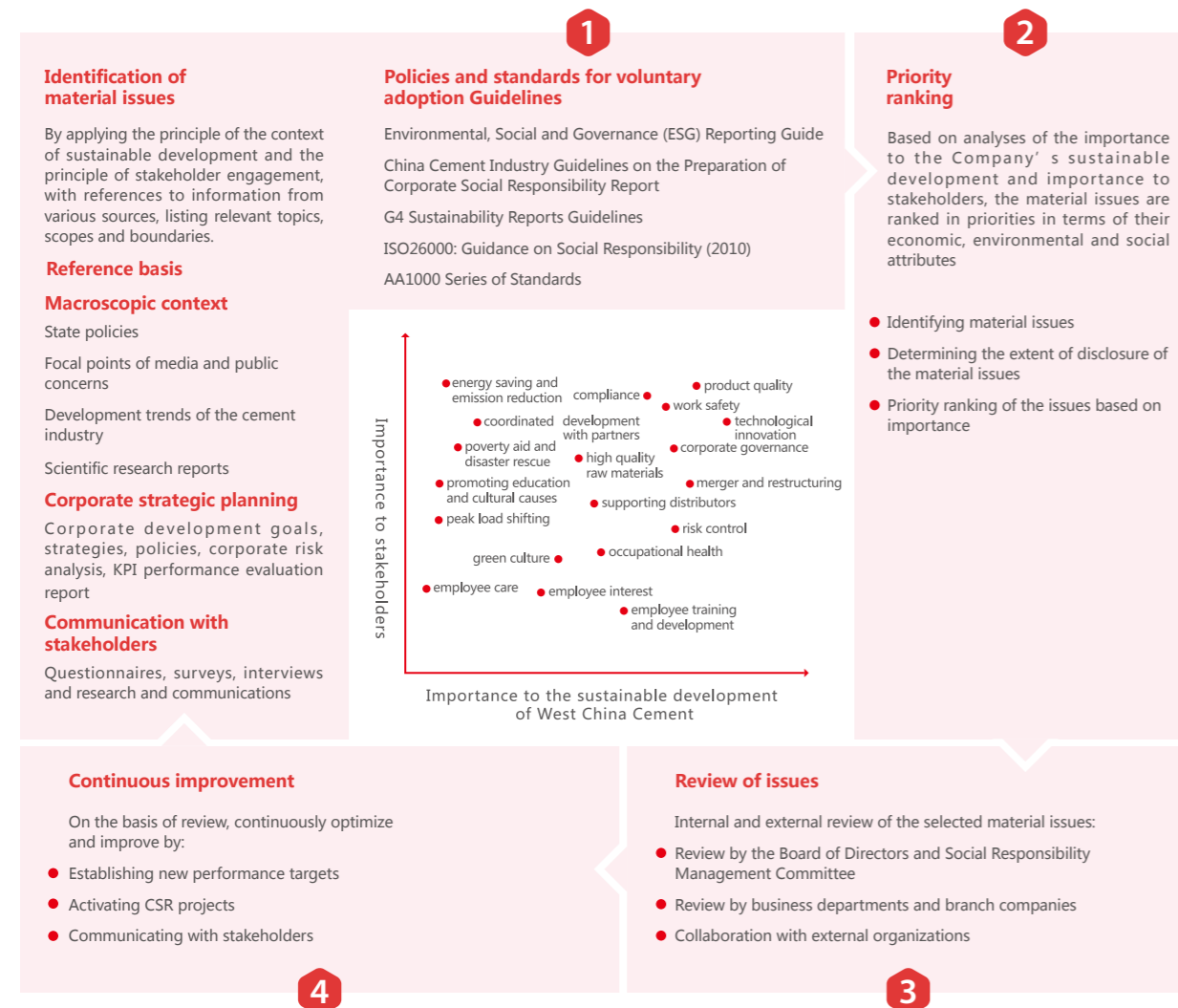
Promoting Social Responsibility on a Comprehensive Scale

We have strictly implemented the social responsibility requirements put forward by industry regulators and industry associations, gradually improved our social responsibility management system, explored ways to promote practices of social responsibility, actively conducted research in social responsibility, and are releasing our social responsibility report. These are the real actions that the Company has taken to enhance its capabilities and standards in fulfilling responsibilities and to build a solid foundation for sustainable development with responsible management.



Matrix Analysis of Material Social Responsibility Issues

The identification and management of material social responsibility issues are important to enable the Company to engage in social responsibility works. We have analyzed and studied the development trends both in China and internationally, state policies, industry conditions and the characteristics and attributes of our own enterprises, and on that basis actively engaged in communication and exchange of ideas with stakeholders to gain perspectives from both the Company itself and its stakeholders to summarize and identify material social responsibility issues that are of major impact on the sustainable development of the Company, and to provide a fundamental basis for our efforts to continuously improve our social responsibility practices and social communications.



Stakeholder Communication and Engagement

We are fully aware that proactive, close and transparent communications with stakeholders and learning about their expectations and requirements not only help the stakeholders to have in-depth updates on our CSR practices and achievements made, but also help us to perceive and improve our shortcomings and weaknesses in management and operations, which will help the Company to continuously strive towards its sustainable development goals.

Stakeholder	Expectations and requirements	Means of communication and exchange	Actions taken to fulfill responsibilities
Government	Compliance with laws and regulations Tax payments according to the law Promote employment in local places Promoting local economic and social development	Regular reports on works Relevant meetings Submission of information	Strictly implementing and executing directives and policies Lawful business conducts Contributing to tax revenue Providing employment opportunities Driving local development
Shareholders and investors	Honesty and integrity Regulated operations Profitability	Shareholders' Meetings Investor road shows Business performance release Company report Regular reports	Strictly abiding by the listing rules Protection of investor rights and interests Building diversified communication channels Regulated release of information
Industry regulators	Participation in formulation of industry standards Promoting sustainable and healthy development of industry Promoting technological advances and industry transformation and upgrade	Regular work summary and performance reports Results announcements Information submission	Stable operations Subject to supervision Strengthening technological transformation Promoting industry optimization Adopting new industry production models
Customers	Providing high quality products Providing high quality services Protection of rights and interests	Seeking customer opinions Disclosure of relevant information	High quality raw materials Technological innovation Development of customer service system Customer satisfaction survey
Employees	Protecting employees' basic rights and interests Promoting capability enhancement Broad choices for career development Sense of belonging and identity Sharing outcomes of corporate development	Union organizations at various levels Employee Representatives' Conference Employee communication platforms Disclosure of relevant information	Safeguarding employees' legal rights and interests Providing fair opportunities and platforms for work, learning and promotion Career planning Fulfilling individual values Creating a happy environment
Suppliers	Products and services Fair business conducts Honest conducts Timely performance of contracts Win-win by cooperation	Visits and exchange of ideas Meeting between senior managements Contracts and agreements Disclosure of relevant information	Exploring areas for cooperation Responsible procurement Disclosure of procurement information Enhancing common beliefs
Environment	Energy saving and emission reduction Resource saving Ecological protection and restoration	Regular reports on energy saving and emission reduction works Strengthen information disclosure	Peak load shifting Recycling and reuse of wastes Restoration of greens on mines Power generation with residual heat
Community, general public and non-government organizations	Participating in community building Maintaining social stability Providing employment opportunities Supporting charity causes Aiding poverty-struck areas and less privileged groups	Company official website Social responsibility report Visits and communication Cooperation in joint development Charity events Disclosure of relevant information	Poverty aids and disaster relief Volunteer actions Supporting education causes improvement of community environment

Creating Value

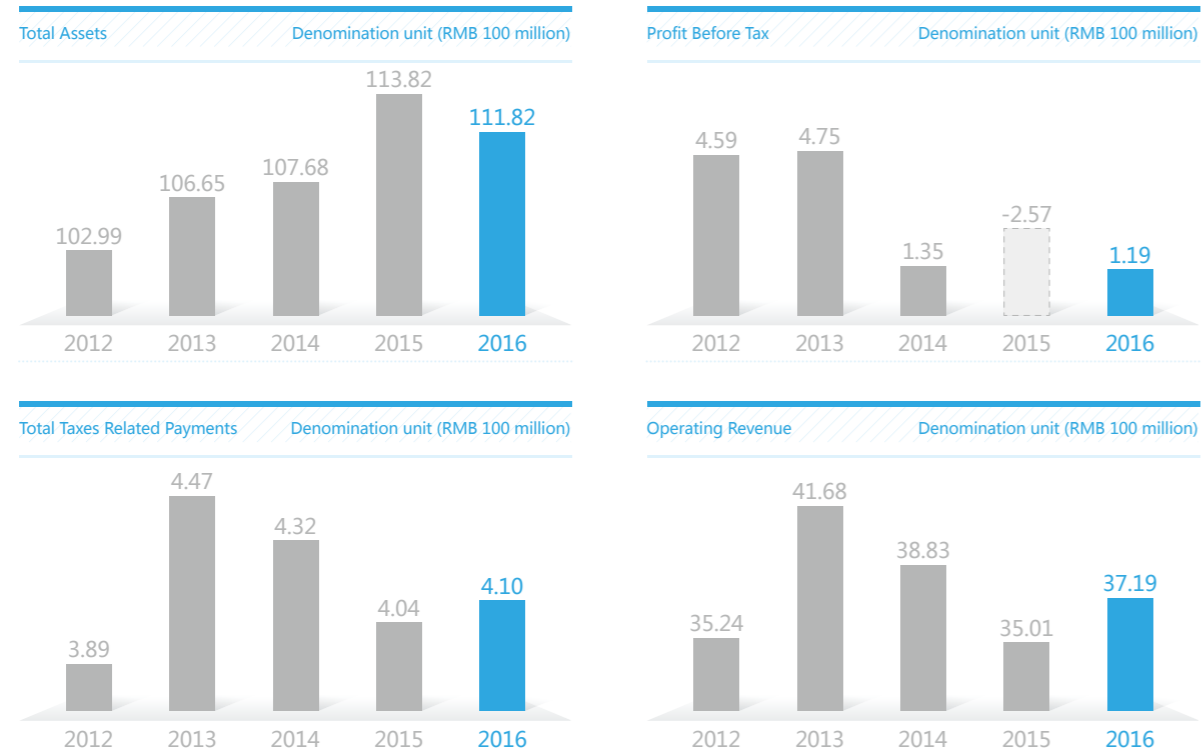
– Contributing to Economic Development

As China's economy is entering the "new norm", being a leading cement enterprise, we are fully aware of the severe challenges that we face in actively adapting and leading the new norm of economic development, adhering to the central tasks of improving the quality and benefits of economic development, and maintaining the sound momentum for economic development. We have shouldered upon us responsibilities of great significance. West China Cement is fully committed and has carried out solid works to promote transformation and upgrade, actively entrench the management foundation, continuously optimize customer service systems, continue to deepen partnership cooperation and contribute its forces to the healthy development of the national economy.



Sound and Stable Business Development

Faced with the complexity of domestic and international economic environments, economic decline of the cement industry in China, surplus production capacity and other severe challenges, the Company centered its strategies on the goal of maintaining growth, keeping close track with the general development environment, actively positioning itself in the reform initiatives, firmly seeking advancement in stability and exploring potentials to depth and breadth, thereby promoting the healthy and stable development of the Company. In 2016, the Company achieved business revenue of RMB 3,719 million. With its excellent development track and performance, it has for four years in a row been ranked among the top 500 companies of China's construction materials enterprises, top 100 best growth prospect enterprises in China's construction materials industry and top 100 private construction materials enterprises of China.



Signing ceremony of investment and cooperation agreement on the new model cement dry production project with the Guiyang Huaxi District People's Government

Solidify Management Foundation

As a modern enterprise, we are deeply aware of the indispensable support of systematic and comprehensive management principles, methodologies and systems for improving the corporate management standards, stable growth of operating performance and enhancement of our capabilities for sustainable development. For this reason, we have consistently attached great importance to lawful and compliant business conducts, continuous deepening of strategic management directed under the corporate strategies, strengthening of financial management and control, deepening of information technology development and the promotion of continuous improvement of management competences.

4523 copies
of various contracts reviewed
through due process

Lawful and compliant business conducts

Lawful and compliant business conducts are the social responsibility of an enterprise that lies in the most basic level as a foundation and bottom line of all its production and operation activities. The Company has persisted in the goal of building an excellent enterprise, strictly abiding by state laws and regulations, diligently implementing and executing industry-related policies, observing business ethics, building and improving stringent management systems and decision making processes, strengthening system constraints, intensifying controls over key processes and key aspects, continuously improving its internal control systems, building rational management and control as well as deterrence and prevention systems to regulate the Company's production and business conducts.

Anti-commercial bribery

We strictly abide by the relevant provisions of the Law against Unfair Competitions and Interim Provisions on Prohibiting Commercial Bribery in conducting our business activities. Meanwhile, the Company has formulated directives and regulations, provided anti-commercial bribery trainings, executed anti-commercial bribery commitment letters and taken a number of other measures targeting at the risk of commercial bribery, to ensure that its business activities are carried out on the premise of lawfulness and compliance. In 2016, the Company was not involved in any litigation cases concerning corruption, bribery, blackmailing, frauds and money laundering.

Strengthen legal affairs management

In 2016, the Company further focused on enhancing its capabilities of governance. Specifically, it sought legal support service for significant decisions at the headquarter level, focused on strengthening guidance, coordination and supervision of major legal dispute cases at the branch company level, and carried out works to increase awareness for preventing legal risks among all employees. At the same time, the Company also sponsored seminars on legal knowledge and organized topical events including "Constitution study and legal compliance" and others to deepen the education and awareness of the rule of law among all employees. Throughout the year, a total of 4,523 copies of various contracts were reviewed. Contractual risks were minimized throughout the processes of drafting and revising the contracts.

Strengthen audit supervision

The Company's economic accountability audit and project audits are carried out under risk-orientations and following the main line of internal controls to enhance the Company's internal controls.

Deepen strategic management

The further deepening of strategic management benefits the enterprise through correct evaluation of crises and opportunities presented in its external environment and helps the enterprise to gain long-lasting competitive advantages. In 2016, West China Cement promoted its strategic management in a steady pace in view of the macroeconomic conditions both in China and internationally, development trends in the cement industry and the Company's own business conditions. Specifically, the Group further revised its strategic management regulations, placing the emphasis on questioning and scrutinizing strategic plans of regional companies and key subsidiaries; strengthened the discussion and training on the Company's strategic management that aim at comprehensive and objective analyses of opportunities and challenges in development; explored in depth the matching points of the state's "Belt and Road" initiative, policies that encourage internationalization of companies, and other major strategies with the Company's own development strategies and business operations; and further deepened international strategic cooperation, gradually promoting the implementation of the executed strategic agreements. Over the year, the review and evaluation rate of its strategies was 100%.



Annual Work Mobilization Conference

Strengthen financial management

In 2016, the Company focused on annual operating goals. Financial management was strengthened with continuous measures including improvement of comprehensive budgeting management, strengthening cost and expense control, regulating asset management, enhancing basic management standards and financial skills competitions etc. to achieve cost reduction, efficiency improvement and economic values. Over the year, the Company achieved cost reduction and efficiency improvement of RMB 18 million, which directly created economic benefits of RMB 14 million.

Information technology development

In 2016, the Company consolidated its finance, production and other information resources, and comprehensively deployed technological means to continuously improve its information technology standards, in turn providing strong support for production and business decision making, management improvement and business performance enhancement.

Development of administrative asset reports

Asset reports were redesigned in view of the management strategies and principles of annual assets and inventory items. After the system was commissioned, it effectively streamlined the operating processes of summarization, statistics and report submission by asset management staff, and enhanced the standards of asset management.

Unmanned operation systems

Partnership agreement was entered with the Hangzhou Yuntian Software to implement the unmanned systems at weight houses in Shifeng Company and Huaxi Company.

U8 and E-HR system operation and maintenance

The Company partnered with Xi'an Hexun Electronics to outsource its U8 and E-HR system operations and maintenance services, focusing on enhancing the application of existing IT systems

Optimization and consolidation of IT systems

To maximize the functions and effects of the limited number of sites, in 2016, the Company optimized and consolidated the messenger system by calculating utilization rate of messengers, re-allocating site resources from users who do not use or rarely use the system to those who need them.

Build a Responsible Value Chain

We elevate the importance of sustainability of the value chain to the level of corporate strategy and actively promote strategic partnerships with our partners, helping suppliers to enhance their capabilities and standards of sustainable development, joining hands with distributors in their growths in the commitment to forming long-term cooperation, co-survival and co-prosperity relationships with partners along the value chain and building a healthy and sound responsible value chain.

Promoting strategic partnerships

Strategic partnerships with the key partners along the value chain are crucial to the stable improvement of the Company's business performance and sustainable development. In 2016, we actively promoted the progress of strategic partnerships with a focus on cultivating comprehensive strategic partnerships.



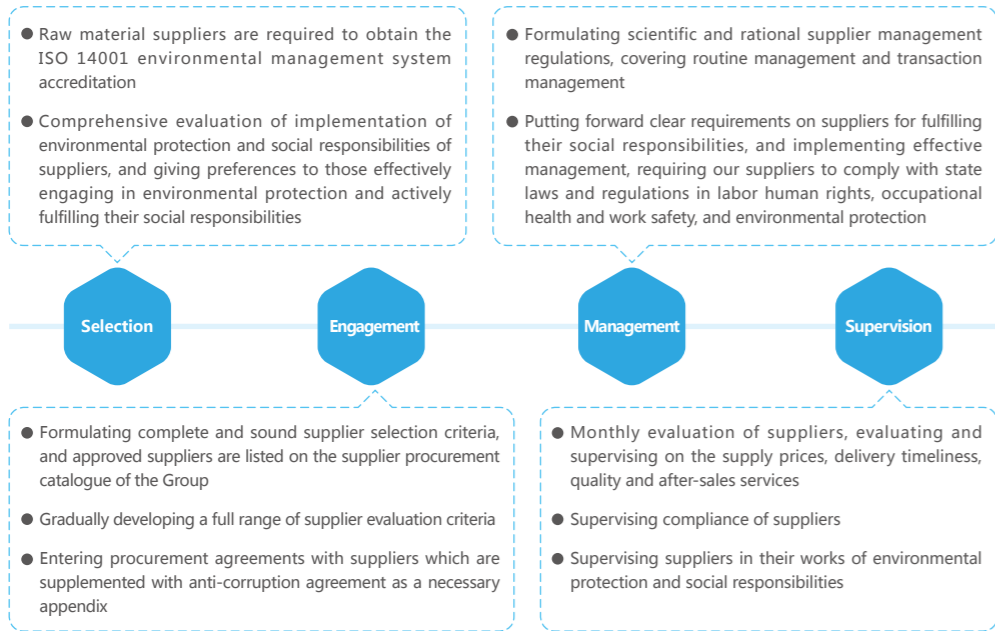
Signing of strategic partnership agreement with the Shaanxi Province Engineering Materials and Supplies Company

Building a sustainable supply chain

Secure, stable and sustainable supply chain is an important contributing factor for the continuous advancement of businesses of West China Cement. We have engaged in measures including supplier responsibility management, strengthening supplier communication and exchange and supporting their growths to promote responsibility fulfillment among our suppliers, while seeking common growth with the suppliers to enhance sustainability of the supply chain.

Developing supplier responsibility management

A healthy supply chain system is closely associated with scientific and rational supplier supervision and control system. We are firmly against all forms of corruption and commercial bribery, advocate fair competitions and adhere to the directives and regulations on responsible procurement in the initiative of "procurement under the sunlight". Meanwhile, we place emphasis on the social responsibility management in our supply chain by continuously improving the evaluation process of suppliers, placing business ethics, environmental and other social responsibilities as criteria and key elements in supplier evaluations, and riving suppliers to fulfill their responsibilities.



Strengthening communication and exchange with suppliers

We adopt a variety of forms including visits among members of the senior management, communication with relevant departments and supplier conferences etc. to engage in extensive communication and exchanges with suppliers in cooperation, production and service and to jointly discuss fresh ideas and paths for cooperation to seek common growth.

Joining hands with distributors in growth

Distributors are the direct interfaces with customers and regarded as a critical part of the value chain of West China Cement. Each year, we hold many distributor seminars and conferences to discuss market conditions, product quality, services and sales strategies etc. We are dedicated to building long-term relationships of mutual trusts with our distributors to ultimately achieve mutual win, common prosperity and benefits with distributors.



Customer Party with customers as opportunity to discuss cooperation and new development potentials



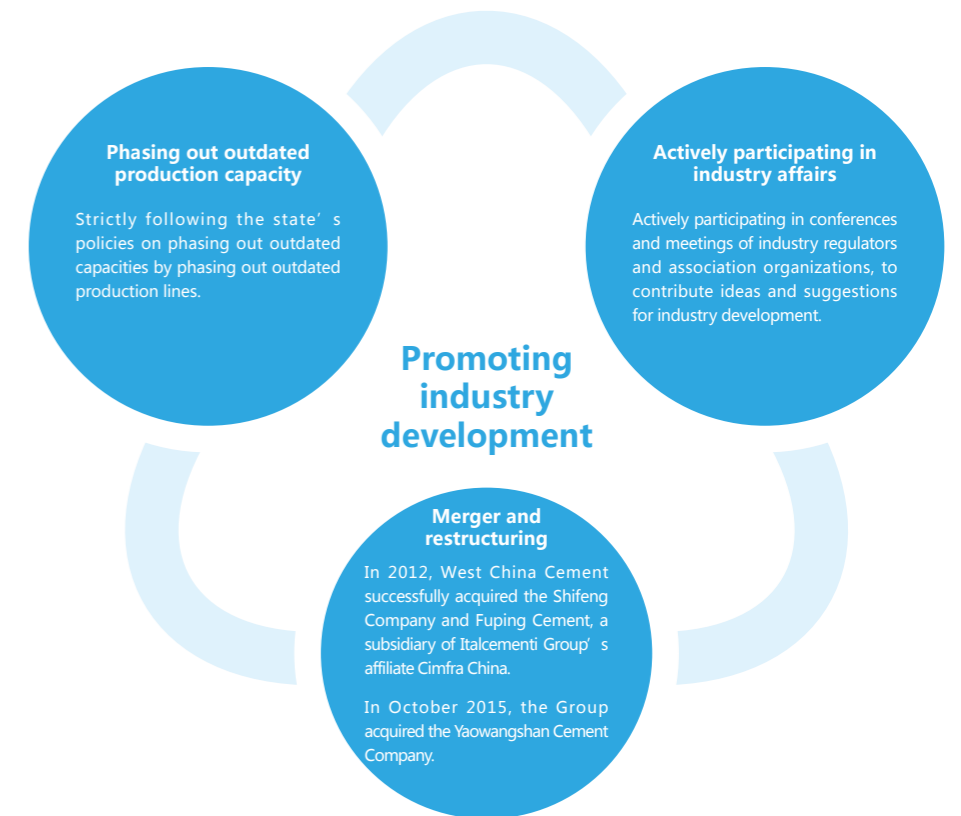
Annual Distinguished President Award offers rewards of overseas holidays for customers

Promote Industry Development

As China's overall economy enters the new norm and rate of economic growth gradually slows down, surplus of production capacity in the cement industry has become a pressing problem. As a leading cement enterprise in China, we are highly aware of our due obligations of thorough and active implementation of the relevant policies and development strategies of the state and promotion of the industry's healthy development. For these purposes, we have actively phased out outdated capacities, deepened our efforts in mergers and restructuring, actively taken part under the "Belt and Road" initiative, and engaged in international capacity cooperation, thereby promoting the industry transformation and upgrade, and sustainable development.

"Merger and restructuring as well as market reshuffling are the key topics of great significance for the era in today's cement industry. These are issues in the reality of progress of the world's cement industry development that cannot be avoided. They also present major tasks requiring urgent promotion in the path to development of China's cement industry."

—President of China Construction Materials Federation and President of China Cement Association, Qiao Longde



All-dimensional Quality Control

Our products are widely applied to the construction of key state projects including highways, railways, airports, bridges, tunnels and water conservancy projects, and sold in urban and rural construction markets. The product quality is closely associated with the quality and standards of these engineering projects. For West China Cement, implementing all-dimensional product quality control is our way to demonstrate our attitudes towards products, and our commitment to providing high quality products to the public. We regard quality as our lifeline and continuously strengthen quality management with continuous optimization of production equipment and processes, seeking excellence throughout research and development, raw materials selection and production, to guarantee product quality in all dimensions.

Strengthen quality management

In the efforts to strengthen product quality management, we were among the first in the industry to be accredited for the ISO9001 quality management system. Meanwhile, we have actively carried out the events such as quality management month and implemented on a comprehensive scale IT-based quality control and management platforms and sound quality evaluation and assessment systems to continuously improve our capabilities to assure product quality. Over the year, there was no major quality incident at the Company. Pass rate of cement product shipments reached 100%.

100%

Pass rate of cement product shipments

Carry out the "quality month" activities in an attempt to strengthen quality aspect within the enterprise

In September 2016, West China Cement actively responded to the state's calls, and carried out the "quality month" activities company-wide with emphases on "quality, brand, standards, service and benefits" and theme of "improving supply quality, build a powerful nation of quality". During these activities, the Company motivated all management and staff members to deepen the implementation of the scientific outlook to development, firmly establish quality awareness among all employees, enhance the enterprise's core competitiveness, product and industry upgrades, comprehensively enhance quality management standards, effectively implement the Company's brand building strategies, further optimize coordinated mechanisms for product management and technical staff management, draw experience in quality management and control, highlight issues of quality management and control and comprehensively improve the awareness and competence of quality management among all management and staff members.



Summary and Commendation Conference for the "Quality Month" Activities

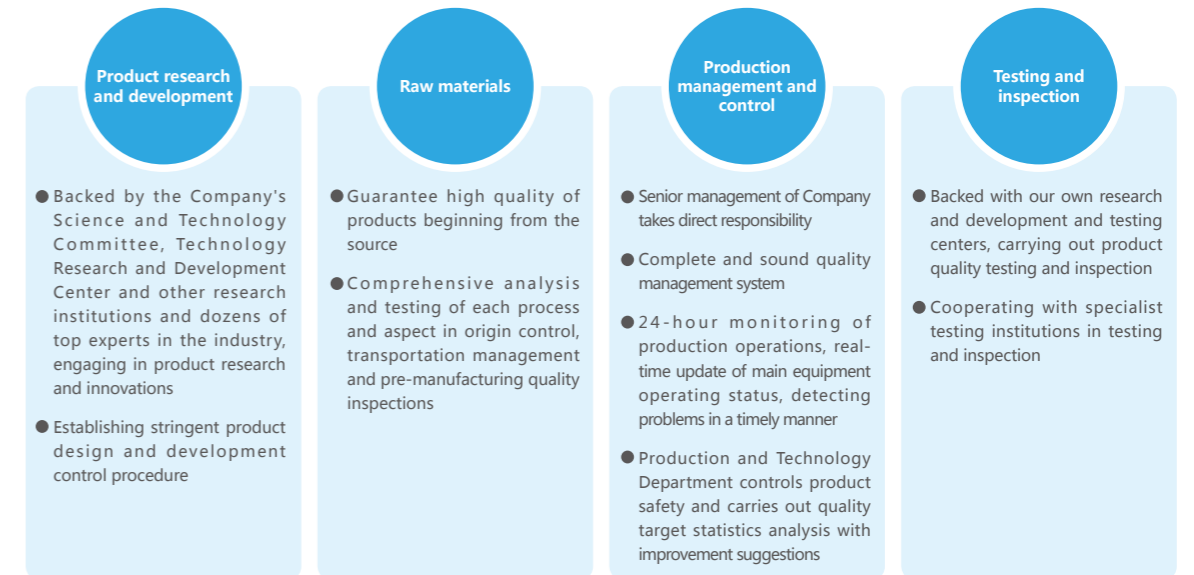
Again winning special honor in the 15th National Cement Chemical Analysis Competitions

In 2016, the Group made outstanding achievement at the 15th National Cement Chemical Analysis Competitions. Its subsidiary companies, Mianxian Company, Yining Company and Luxin Company, won special awards. Fourteen branch and subsidiary companies including Zhen'an Company, Huaxi Company and Yaowangshan Company won the title of all-round excellence.



Implementing end-to-end process supervision

We implement quality management and control through multiple aspects and processes including personnel awareness, product design, raw material selection to manufacturing, quality inspection and others, to guarantee quality controllability of products and to provide high quality products for consumers.



Process control and improvement

In 2016, targeting at the goals of quality improvement, reduction of consumption enhancing product manufacturing standards, the Company strengthened monitoring and management of production sites, and used the annual overhauls as an opportunity to apply strict processes, equipment inspection and repair standards and ensured inspection quality, thereby effectively enhancing the Company's overall process control, continuously improving processes and guaranteeing product quality. Throughout the year, a total of 214 inspections and tests were carried out on the processes. By optimizing the vertical mill process system and operations and optimizing controls over oil well cement product quality technical parameters, Yining Company launched the high performance high sulfate resistance G-grade oil well cement that meets all national cement standards and special performance requirements for oil wells and gas wells.

214

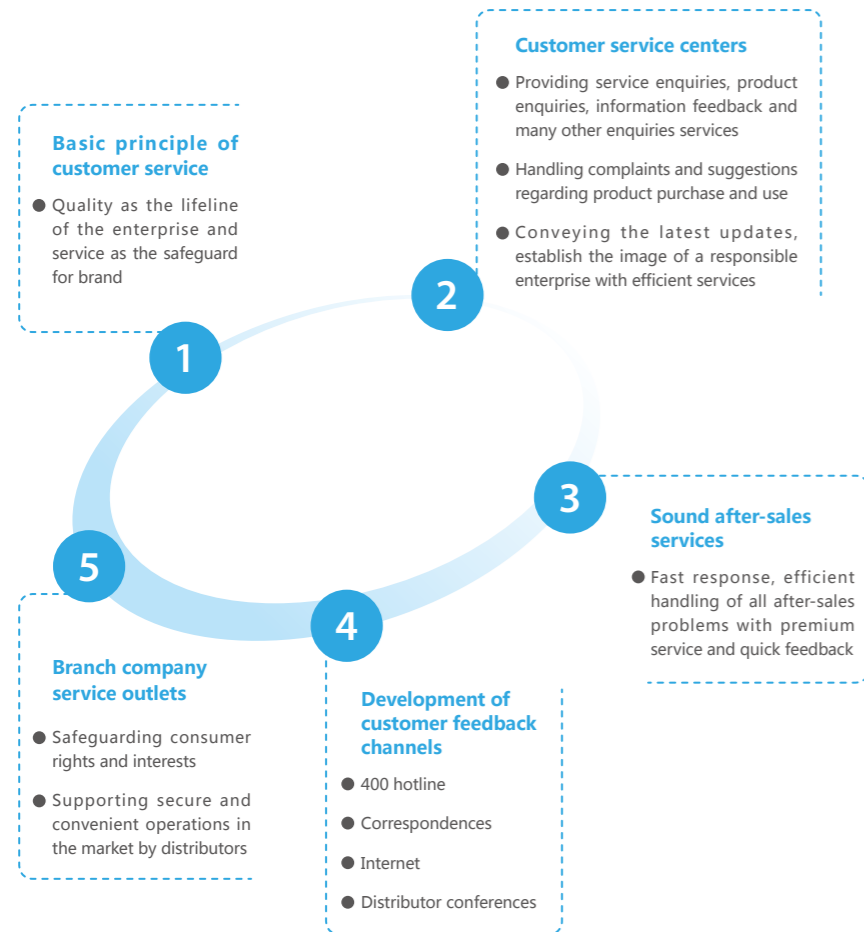
process inspections and tests carried out over the year

Providing All-dimensional Customer Services

Our customers are from different sectors and have different needs. To meet the diversified individual needs of our customers, we have consistently centered our works around customer services, continuously improving customer service networks, perfecting customer service systems, continuously enhancing customer service capabilities and standards, listening to the voice of each of our customers and providing caring services for customers with real actions.

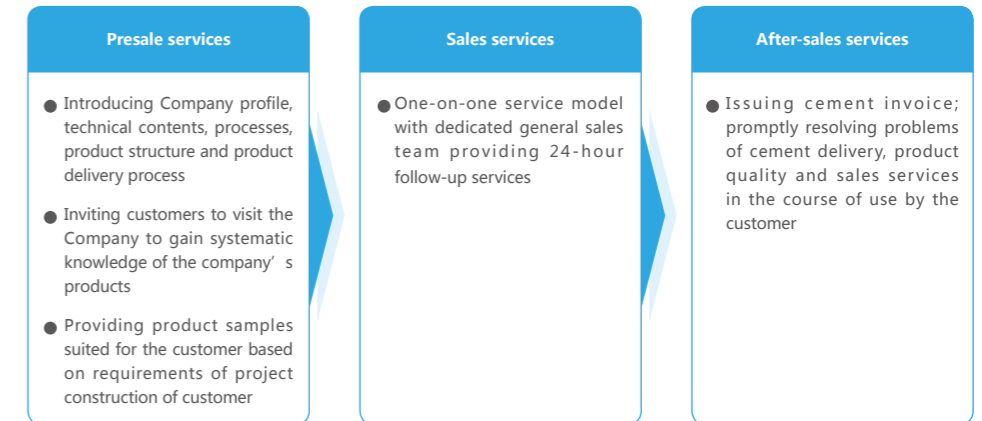
Building a customer service system

We have consistently upheld the customer service standards regarding "quality as the lifeline of the enterprise and service as the safeguard for brand", and established a customer service system centering on customer service based on the distribution branch companies, comprehensively implemented end-to-end integrated services, effectively enhanced capabilities and standards in serving our customers in the commitment to providing services to the satisfaction of our customers. By 2016, we established 19 customer service centers and five distribution branch companies to ensure availability of best services.



End-to-end integrated services

Backed with the sound service system, we implement customer service throughout pre-sales, sales and after-sales processes and ensure proper services are available.



Customer protection

We strictly abide by the law on protection of consumer rights and interest, listen to voices of consumers in all dimensions and on multiple levels, to protect the legal rights and interests of consumers.

Customer information management

We aim to prevent illegal and improper divulging and use of customer information by establishing customer files, improving customer information management systems and strengthening awareness for customer information security. In 2016, the Company did not have any incidents involving infringement on customer privacy or complaints due to lost of customer data.

Complaint management

The Company has established customer service centers and the 400 national service hotline numbers supported by detailed documented processes of customer complaints to ensure that complaints are promptly replied to and properly handled. In 2016, the Company handled 12 customer complaints, for which customer satisfaction rate was 100%.

Implementing customer satisfaction management

We believe that comprehensive and in-depth understanding of customer evaluation of the company's products and services not only helps the Company to learn about the state of its products and services, but also helps the Company to better understand the present needs and future expectations of customers, thereby promoting the continuous improvement of its services. In this regard, the Company designed and produced uniform customer satisfaction questionnaires and conducted face-to-face interviews with end users, distributors and transportation drivers, to learn about the advantages and weaknesses of our products, quality and after-sales services etc. Throughout 2016, a total of 1,290 questionnaires were issued inside and outside the local province, 1,370 persons were interviewed by dedicated research staff and the Company achieved customer satisfaction of over 85%.

1290
questionnaires

1370
interviews with dedicated staff

over 85%
customer satisfaction

Innovation and Development

– Driving Transformation and Upgrade

Innovation is the soul and ever-energizing force driving the development and advancement of countries and nations. It is the foundation for an enterprise in striving for survival, growth and lasting vitality. For West China Cement, innovation is one of the core principles we advocate. We integrate innovation in the corporate business principles and corporate spirits, and deepen in the management innovations while advancing along the road of technological innovation, implementing innovations throughout all aspects and processes of our works to continuously enhance the energy and vitality for enterprise innovation and to propel industry development and enterprise transformation and upgrade with innovation.



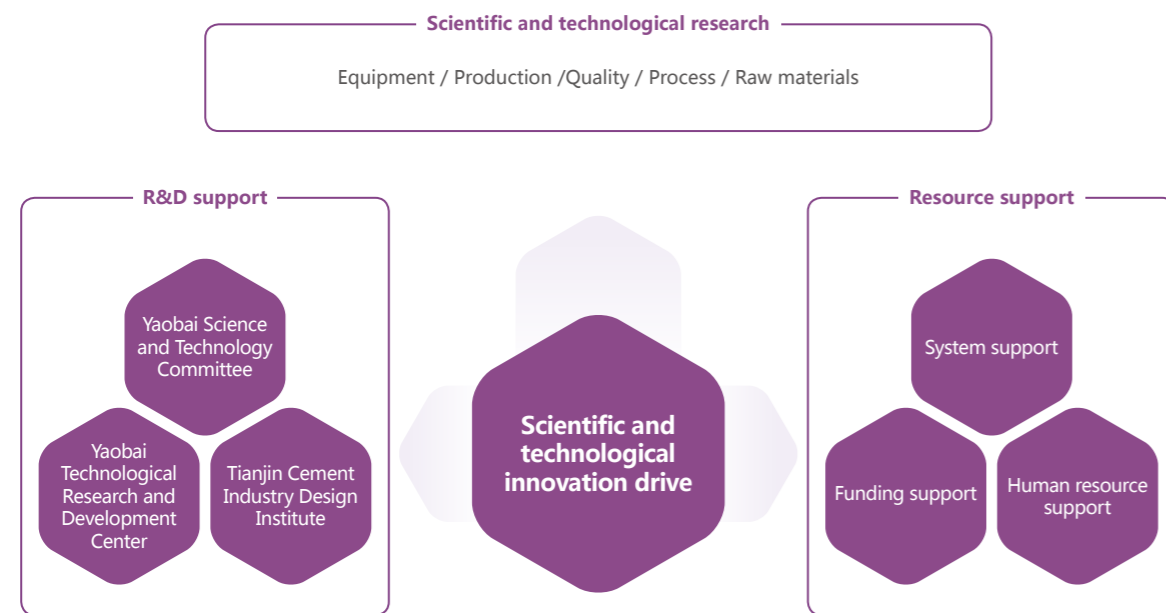
Strengthening Technological Innovations

We understand that the only effective means to enhance the core competitiveness of an enterprise is technological innovation. It is also the only means for us to stand invincible in the ever fiercer market competitions, to effectively promote enterprise transformation and upgrade. We continuously optimize the technological innovation models, perfect our mechanisms for cultivating innovative talents, enhance in-house innovative capabilities, promote conversion of technological outcomes and rely on technological innovations to achieve growth through inherent strengths.

“Technological innovation is the eternal topic of an enterprise, and the only way for an enterprise to keep its vitality for the long term.”
 ——Chairman of Board of West China Cement, Zhang Jimin

Optimizing technological innovation models

To effectively promote technological innovations, we have established the technological innovation model with the enterprise as the principal, guided by strategies, oriented to the markets and combining industry, academic and research efforts, adopted to guide our employees to strive for self-developed innovations in production, processes, equipment, quality and other areas.



West China Cement technological innovation system

Enhancing capabilities of self-developed innovations

We have enhanced the enterprise' s technological innovation capabilities by strengthening development of the R&D platform, continuously increasing investments in technological innovations, promoting building of the technological innovation talent pool, engaging in thesis researches of key scientific and technological areas, and intensifying intellectual property rights ("IPR") protection.

Emphasis on R&D platform development

We have always highly valued the enhancement of in-house R&D capabilities, for which purpose Yaobai established the technological innovation platform led by the Science and Technology Committee and the Technological Research and Development Center responsible for the full-scale promotion of technological innovations in the Group. In technological innovation management, we established the Science and Technology Committee chaired by the Chairman of the Board of Yaobai and with the President of Yaobai as deputy director to be responsible for the central planning and management of technological innovation related affairs. In R&D infrastructures, Yaobai joined with the Powder Engineering Institute of the Xi'an University of Architecture and Technology to establish the Yaobai Technological Research and Development Center, which teamed with the magnate of China' s cement technologies industry Tianjin Cement Industry Design Institute, as strategic partners to jointly engage in product, technological and process researches.

Increasing investments in technological innovations

The Company has continuously increased investments in technological innovations with funding from multiple channels for the objectives of effectively enhancing the technological content in products and businesses. In 2016, West China Cement invested RMB 85.537 million in technological innovations, accounting for 2.3% of the Company's operating revenue.

Cultivating the industry' s innovative talent pool

An enterprise' s innovation and development must have the support of a team of highly competent talents. West China Cement values the importance of systems and environment for technological innovation, and invest great resources in cultivating innovative and highly skilled talents by establishing medium to long-term incentive mechanisms for technological talents, cultivating a culture of innovation, continuously accelerating the development and clustering of technology leaders and building an innovative team of influence in the industry and the country.



West China Cement Training and Technological Research and Development Center

Intensifying IPR protection

Yaobai has established an Intellectual Property Leadership Team to organize the establishment of management procedures of essential technologies and patents. The Company demonstrates and communicates developed essential technologies through technological exchanges and technical publications, and utilizes intellectual properties to promote enterprise development.

In 2016, the Company intensified the regulation and management of intellectual property declarations and applications, further organized the process for intellectual property application to ensure that employee patent applications are made smoothly. The Company declared two utility model patents over the year.

Manufacturing and promoting patent products, exploring markets to maintain leadership of patent product sales. Taking part in various product exhibitions, quality and technology award competitions and advertising on press media to increase market influence.



Adhering to develop premium quality and brand products, adhering to technological innovation and adhering to regarding quality as the lifeline of the enterprise, accomplishing development and commercialization of new products according to annual targets.

Promoting technological advancement in the industry

We are dedicated to making our contribution to promoting the technological advancement of the industry by undertaking various research projects and participating in national and industry standard setting. As of 2016, our Technological Research and Development Center had developed the “Yaobai” oil well cement, “Yaobai” sulfate resistance Portland cement, “Yaobai” low-heat Portland cement and many other special cement products that won market reputation, participated and formulated one set of national and industry standards and formulated ten enterprise product standards.

The “research and application of key technologies in cylinder belt conveyor machine for extremely complex terrains and super-long distance” project led by Yaobai won Second Prize of technology advancement at the 2015 China Construction Materials Science and Technology Award. The research outcome played an important role in promoting technological advancement of mine equipment in the country.

“Yaobai” oil well cement certified with authority to use official American Petroleum Institute (API) monogram

In October 2016, the “Yaobai” oil well cement manufactured by Zhen’ an Company a subsidiary of West China Cement, was certified by the American Petroleum Institute (API) in a certificate of authority to use the official API monogram. This marks a new level of the Company’ s production technology and quality management, and its conformity with the international standards despite the fierce market competitions. The API system accreditation not only helps the Company to enhance its technological and quality management standards, but also serves as a solid foundation for the Company to further expand its domestic markets and take part in international competitions.



Accelerating the conversion of technological research outcomes

The Group actively explores mechanisms for conversion of technological research outcomes and has achieved fast conversion by building technological research outcome conversion platform and the backing of engineering projects, which shortens the launch to market time of new products and technologies meeting the market demand. In 2016, the successful rate of projects undertaken by the Company reached 98.3%.

Promoting Management Innovations

Promoting management innovations forms the basis for West China Cement’ s healthy, orderly and energetic growth and to win markets and customers. For these purposes, we have continuously improved group level management and control, sped up the promotion of business model innovations, comprehensively deepened corporate reforms, and constantly sought benefits and quality through management, to fully circulate the fountains of innovation, bringing life to creative forces, and continuously promoting the innovation and development of the Company.

Perfecting group management and control

- Continuously enhancing the Company’ s management and control capabilities, with a focus on comprehensive risk management and comprehensive promotion of risk management development, effectively increasing awareness for risk prevention, promptly eliminating any potential hazards and strictly preventing enterprise operating risks
- In view of macroeconomic environments in China and overseas and the development trends of the cement industry, the Company’ s business conditions and development strategies, formulating clear human resource, financial, information and cost control targets
- Strengthening supply chain management, building healthy and stable supply chain system

Business model innovation

- Actively aligning ourselves with the world’ s first class companies, adhering to the customer-centric principles, strengthening service and business model innovations, enhancing sophisticated management standards, with acumen for market changes and development trends, fast and effectively responding to changes in demand and continuously creating values for customers



Deepening enterprise reform

- Perfecting the corporate governance structure, enhancing regulation and effectiveness of operations of the Board of Directors, perfecting mechanisms for Board of Directors operations and director performance evaluation
- Implementing organizational reform, combining the previous Fuping region and Weinan region into one under the Weinan region, merging Lantian Company, Ankang region and Shangluo region into the Shang’ an region, readjusting the composition of the management team , effectively reducing position settings and enhancing management efficiency

Work Safety

– Building the Corporate Lifeline

Effective fulfillment of safety obligations and ensuring safe development are the basic premises for healthy and happy work of employees, and provide solid foundation for sustainable development. For many years the Company has regarded safety as one of its core values and upheld the principles of “people-orientation and safety as top priority”, placing health and safety of its employees on the agenda as one of uttermost important. The Company has continuously promoted the work safety management, comprehensively developed safety standards, emphasized on work safety education and training for employees, and actively conducted elimination and control of hazards, among many other measures taken to build a safe production and work environment for all employees and protect the personal safety and physical and mental health of each and every one of its employees.



Promoting Safety Management System Development

The ultimate objective of a work safety management system is to protect the personal safety of employees. We actively promote the development of work safety management system, aiming to achieve safety, reliability, harmony and unison of elements of production processes including people, machine, materials, environment and management through systematic management approaches, to keep all hazardous factors under control and gradually reach the goal of safety as an inherent and perpetual feature of our works.

In 2016, the Group incurred safety production expenses in the amount of RMB 34.77 million, had 12 safety accidents, 2 deadly accidents, 1 seriously injured accidents, 9 minor injuries.

Leveraging the Italian cement safety consulting project to comprehensively enhance work safety management

To further create a culture for work safety, West China Cement and the world's cement industry magnate Italcementi Group engaged in cooperation on "safety and sustainable development project" in December 2012, in the hope to learn and take reference from the advanced models and experiences in work safety management of the multinational cement group, thereby comprehensively enhancing the Company's own work safety management standards and elevating the Company's work safety management onto international level.

The project was officially initiated in February 2013. For the three years since then, the Company has carried out large amount of highly effective works and made numerous achievements in work safety management. By March 2016 when the project was completed, the Company had organized four work safety seminars for managers of production regions and branch companies, 14 work safety training sessions for branch company managers and department heads, ten work safety inspections and three work safety audits, and gradually formed an international work safety management framework. Safety expert team from Italcementi Group formulated ten sets of regulations and policies including health and safety policies, safety golden rules, safety motto, and safety management regulations in light of the Company's practicalities, 11 procedural documentations covering safety inspection procedures, pre-heater unblocking procedures and contractor management procedures, and six standards including those for high-lift operations and lock-ups.

The successful implementation of the "safety and sustainable development project" comprehensively enhanced the safety awareness and mindset among frontline management of the Company and founded a solid basis for the Company's safety sustainability and regulated and international work safety management.



34.77

million RMB invested in work safety over the year

Perfecting work safety management policies

Well-developed work safety management policies are the first line of defense to achieve work safety. To effectively conduct work safety management, the Company formulated the Yaobai Cement Pulverized Coal Preparation System Explosion Prevention Accountability Policy, Yaobai Cement Hazardous Operations Safe Operating Protocols and other work safety management policy. In 2016, the Company continued to improve its work safety management policies actively promoted work safety management system development by monitoring the work safety management policies at the branch companies and production bases, and regulated conducts in production to ensure work safety management policies are thoroughly implemented in everyday work. Meanwhile, the Company actively learns from the outstanding companies in China and overseas, and benchmarks itself with international standards in efforts to continuously improve work safety management level.

Compulsory control system targeting at the "three violations" in work safety at West China Cement

West China Cement has established and promotes the compulsory control system targeting at "commands in violation of rules, operations in violation of rules and violations of workplace disciplines", which further classifies misconducts of the "three violations" into categories A, B and C, and imposes restraints and penalty on such misconducts and the people severally responsible for poor management.

Implementing work safety accountability system

Aiming at effective promotion of work safety, the Company has intensified the implementation of the work safety accountability system by entering into work safety commitment letters with the persons-in-charge of production enterprises and work safety managers, wherein work safety accidents are viewed as responsibility of the management and managers directly or primarily responsible for accidents will be imposed economic and administrative penalties depending on the extent of accountability. In this way, pressure of work safety responsibility is conveyed through all management levels. Over the year, the Company executed 266 work safety commitment letters.



Commitment to safety

Enhancing Safety Awareness of All Employees

It is of crucial importance to entrust personnel with appropriate capabilities and experience with supervising key safety areas. Therefore, we strive to improve the safety awareness of employees. The Company highly values the building of safety culture, encourages innovations in training methods and means to cultivate safety culture and conducts a variety of safety culture activities to ensure that employees develop sound safety awareness and work habits.

Cultivating corporate work safety culture

The corporate culture of work safety casts significant influence on the awareness and behaviors of employees. The Company strives to make all its employees understand and bind by the Company's work safety principles, solidify their safety awareness and demonstrate such awareness in daily actions through building work safety culture system, safety culture campaigns and other activities as well as codes of conducts in everyday work. In 2016, the Company set up work safety culture bulletin boards, organized employees to watch work safety case study films, and championed the "work safety month" as well as drills etc. to make employees learn the importance of work safety through participating in these activities.

72 times

drills of various natures were carried out

Intensifying emergency response management

Well-planned emergency response management helps us to prevent at an early stage the happening of work safety accidents, and quickly and calmly respond to emergencies, thereby reducing the risk of work safety accidents. In 2016, enterprises under the Company held 72 drills of various natures, with 7,200 person participating and RMB 360,000 was incurred on various drills.

RMB 360,000

was incurred as expenditures for emergency drills



Emergency drill aiming to prevent fly ash system explosion



Work safety culture bulletin boards



Activation ceremony of work safety month of 2016 at Pucheng Company

Organizing safety education and training

In 2016, we adopted means of online safety education and training, classroom teaching, work shift safety activities and others to continue safety education and training for all employees across the Company. We improved and further detailed the policies requiring management presence in major operations and major works, and continuously improved the work safety skills of staff and work safety management competence of management personnel. Over the year, 432 various safety education and training sessions, 427 work safety meetings, and 1,169 accident case study sessions were held, with 86,400 person attending. Employees received on average 25 hours of safety training per person.

432 times
various safety education and training sessions held

427 times
work safety meetings convened

25 hours
personal average work safety training



Training on work safety knowledge

Carrying out activities to “expose at all times” safety hazards

The Company has always emphasized the value of participation by all employees, placed the priority of work safety from the grassroots level, focused on improving safety skills of shift workers so that all employees are able to correctly identify safety hazard sources, take the initiative to rectify unsafe behavior, and eliminate any unsafe conditions. For these purposes, the Company organized its enterprises to establish “WeChat public platform for exposing safety hazards at all times”, aiming to improve the self-disciplines among shift teams and employees for work safety, engage all employees in work safety efforts and monitoring.

Controlling Operational Safety Risks

We are well aware that each operating process is concerned with safety. Rigorous work safety risk management can help us to accurately identify and determine risks in the operating processes, thereby monitoring and avoiding risks and ensuring orderly and controllable work safety procedures.

Ensuring work safety of employees

Employee safety is at the top of all priorities in work safety. To safeguard employee occupational health and safety, we continuously regulate work safety and operating environment management, establish and improve labor protection policies, occupational disease hazard projects, improve employee occupational health projects and occupational health monitoring projects, and conduct occupational hazard factor detection and status-quo evaluation etc. to protect personal safety of workers, prevent, control and eliminate occupational hazards, safeguard occupational health of employees and ensure that our employees work safely. In 2016, occupational health check-up rate of the employees of the Company reached 100% and occupational disease hazard warning rate reached 100%.

100%
employees took the occupational health check-up



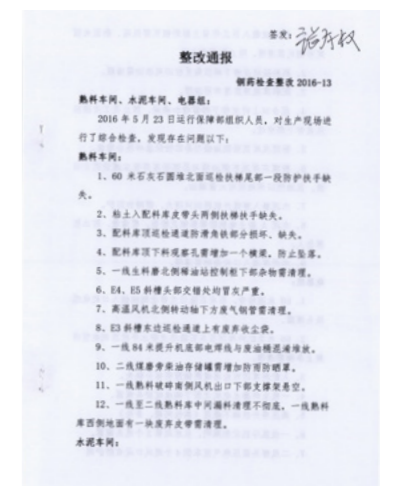
Employee health check-up

14103
hazards eliminated

99.24%
hazard rectification rate

Eliminating and rectifying hazards

The Company has a hierarchical system implementing the responsibilities of key persons-in-charge and that of every employee for eliminating, controlling and monitoring hazards, strengthening accident hazard supervision and management preventing and reducing the occurrences of accidents. In 2016, the Company conducted 1,165 rounds of actions to eliminate unsafe conditions, eliminated 14,013 hazards, and rectified 13,906 hazards, achieving rectification rate of 99.24%.



Environmental Protection

– Harmonious Environmental Co-existence

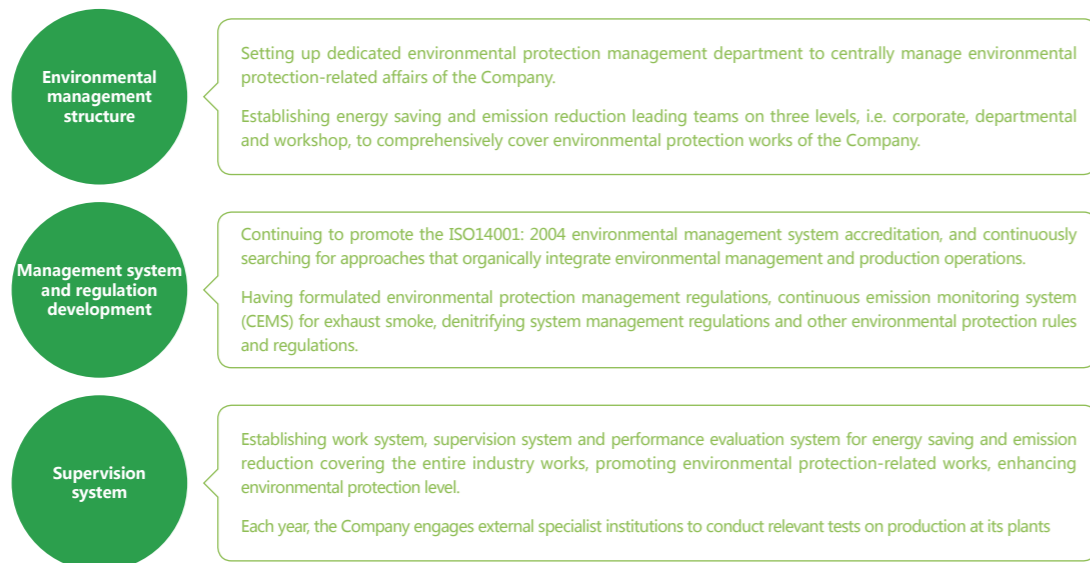
In today' s world, the human society is facing huge challenges of pollutions to the environment, damages of ecological systems and ever more scarce resources. Green development has become a path that enterprises inevitably take for transformation and upgrade and enhancing competitiveness. As a manufacturing enterprise, West China Cement understands the close association between the enterprise' s sustainable development and the environment. We have actively implemented the green development principles put forth at the Fifth Plenary Session of the 18th CPC Congress, adhering to the road to green development, actively exploring ways for energy saving and environmental protection in and outside the workplace, and comprehensively enhancing the Company' s energy management standards. We are committed to achieving harmonious co-existence of the enterprise and the nature and to contributing our force to building a beautiful China.



Building a Green Management Platform

RMB **85** million
invested directly in
environmental protection

Effective and thorough promotion of environmental protection not only dictates compliance with laws and regulations of the state on environmental protection, but also comprehensive and real-time information on energy consumption, pollutant emission and other environmental protection-related issues through the production and operation processes, continued awareness of potential environmental risks and timely improvement of any problems of threat to the environment. For these purposes, we have developed an environmental management platform aligned with the Company's business characteristics and practical circumstances, and promoted the routine, regulated and professional management of environmental protection backed by our sound environmental management organization structure and well-developed management systems and supervision and evaluation systems. In 2016, we continued to increase investments in environmental protection and made direct investments of RMB 85 million in environmental protection.



Green management platform of West China Cement



Leaders of the Northwest Supervision and Inspection Center of the state Ministry of Environmental Protection visits West China Cement Danfeng Company to inspect on its environmental protection works

Responding to Climate Change

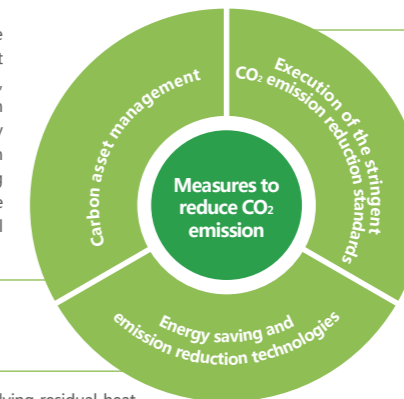
536,600 tons
in reduction of CO₂ emission
compared to previous year

In China, the cement industry carbon dioxide emission accounts for over 10% of total emission of the country, and is a real generator of greenhouse gas. As a player in the cement industry, West China Cement believes that proactive concerns and engagement in actions in responding to the global climate change are our bound duties. We have strictly implemented the state's and local greenhouse gas control policies, deepened greenhouse gas management and taken multiple concurrent measures to reduce greenhouse gas emission in the commitment to making our contribution to responding to global warming.

In November 2015, the Company joined the Cement Sustainability Initiative (CSI), a world organization for the sustainability of cement industry, as its 26th member entity. The Company CEO Ma Weiping attended the CEO conference of CSI held on December 8 in Paris. This is yet another real action taken by the Company to contribute to the sustainable development of the cement industry.

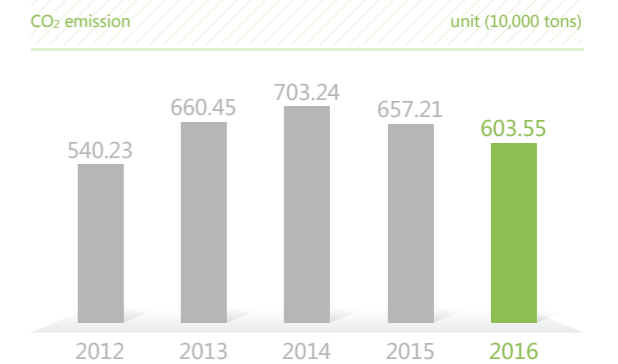
In 2016, the Company achieved CO₂ emission reduction of 7,700 tons through strengthening CO₂ emission management, carbon asset management and promoting technologies and projects for energy saving and emission reduction. Total CO₂ emission of the year was 6,035,500 tons, 536,600 tons less than previous year. Unit emission was 511kg/ton of clinker.

In the market-oriented environment, we implemented sophisticated management on carbon dioxide emission reduction, and enhanced the Company's carbon management level. The Company explored its potentials to reduce emission with the support of central planning of carbon asset management of the production plants by its environmental management department.



In 2016, the Company strictly executed the Cement CO₂ and Energy Protocol and the Greenhouse Gas Accounting and Reporting Standard for the Cement Industry of the Cement Sustainability Initiative (CSI). In 2016, the Company's total direct CO₂ emission reduced by 8% from the 2015 total.

Enormous efforts in developing and applying residual heat power generation, achieving CO₂ emission reduction of around 20,000 tons per million ton cement, and cumulative reduction of CO₂ emission of 347,800 tons.



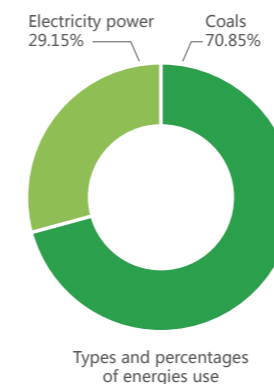
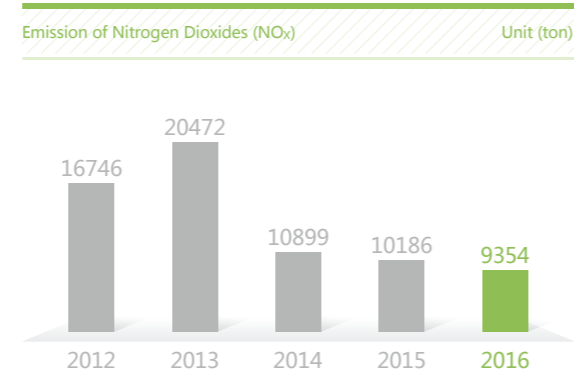
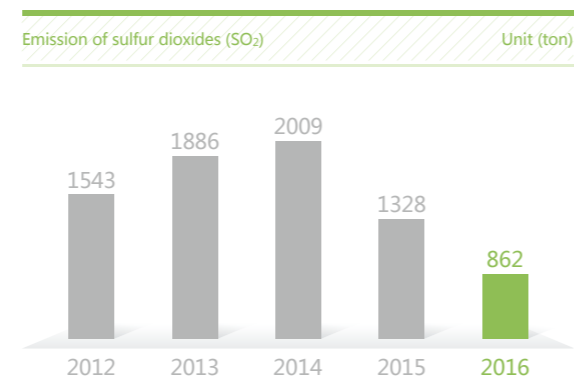
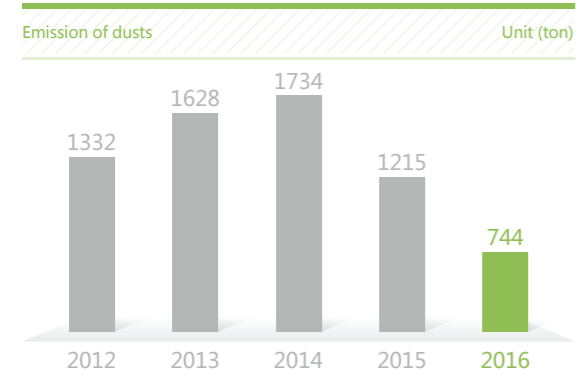
Effectively Undertaking Green Operations

Development of the cement industry is supported by environment and resources. As it provides high quality cement products, it also causes to a certain extent problems of resource consumption and pollution to the environment. We have consistently adhered to the green and low-carbon emission production and operation principles, endeavored to integrate production operations and environmental protection, and explore a way of green production for West China Cement through deepening efforts of energy saving and emission reduction, comprehensively implementing resource management and actively arranging peak load shifting in production, among many other practical environmental protection actions. We aim to minimize the adverse impact of our production and operation and product lifecycle on the environment, and develop our competitiveness in the era of low-carbon economy by green operations.

Air pollutant emission management

As a player in the cement industry, inevitably our production process generates SO₂, NO_x, dusts and other air pollutants. To effectively control the emission of these air pollutants, we strictly enforce the newly revised Environmental Protection Law, Cement Industry Air Pollutant Emission Standards (GB4915-2013) and other relevant laws and regulations, standards and local stipulations on environmental protection. The Company has also invested great efforts to promote new technologies for energy saving and emission reduction and modified on a large scale its desulfurization, denitrifying and dust removal equipment to ensure emission of various pollutants is controlled under standard thresholds.

In 2016, the Company did not have any accidents involving excessive emission of air pollutants or pollution to the environment. Over the year, emissions of SO₂, NO_x, dusts and other air pollutants were 862 tons, 9,354 tons and 744 tons respectively, at densities of 0.07kg/ton of clinker, 0.79kg/ton of clinker and 0.06kg/ton of clinker.



SO ₂ control	NO _x control	Dust control
<ul style="list-style-type: none"> Using low sulfur coals, limiting high sulphur coal into the factory, controlling SO₂ from the source, effectively manage SO₂ emissions Implementing desulfurization equipment modification, greatly reducing the emission of SO₂ in production processes. In 2016, the Company's SO₂ emission reduced by 36.99% compared to previous year 	<ul style="list-style-type: none"> Actively carrying out denitrifying modifications. As of year 2016, all the Company's plants in Shaanxi, Xinjiang and Guizhou completed the installation of exhaust gas denitrifying facilities, nitrogen dioxides emission per ton of clinkers reduced by around 60% 	<ul style="list-style-type: none"> Implementing "electrical to bag conversion", replacing previous electrical dust removers to bag dust removers of lower emission concentration and higher operating stability Paying attention to routine maintenance, formulating sound regular cleaning and cleansing routines for kiln-end dust collectors

Measures to control the main air pollutants

Implementing energy management

The Company focuses on energy management in production and operations. It has implemented a complete set of standards and protocols to establish the management system covering optimization of management activities, focusing on process and key element controls, and benefiting improvement of energy efficiency.

Energies used in the production processes of the Company are mainly coals and electricity etc. To effectively manage energies, the Company has established a series of management policies covering energy procurement, energy consumption in production and energy measurement and statistics. Meanwhile, the Company has also actively benchmarked itself with advanced enterprises internationally and domestically to identify gaps and weaknesses, thereby continuously optimizing energy consumption indicators, and increasing energy efficiency. Over the year, total coal consumption was 1,774,000 tons, power consumption was 1,330,481,000 kWh, unit production energy consumption was 106.21 kg TCE/ton, showing a decrease by 3.77% over the previous year. In 2016, the Company's heat exchange station was commended by the Xi'an Thermal Power Heating Company as an excellent entity for energy management.

Water resource management

In 2016, we further strengthened management of water resources, relying on advanced water saving technologies, comprehensively promoting the application of water-saving devices, wastewater treatment and other measures, reducing useless water consumption and improving utilization of water resources. Over the year, the Company consumed water of 919,000 tons, averaging at 52.11 liters water consumption per ton of cement, showing a YOY decrease of unit production water consumption by 0.03%.

Production, living and fire control water supply systems

The production, living and fire control water supply system is mainly used to supply production-purpose water for cement production lines, living water, fire control water and replenishment water for the circulation systems. For production lines with residual heat power generation systems, the water used to replenish cooling water circulating in the power generation system is also supplied by this system. The system can effectively prevent waste of water due to excessively high water pressure. As of 2016, 13 of the Company's production lines adopted the system.

Promoting the use of water-saving devices

The water supply system uses upper and lower level control valves, level gauge, electromagnetic flow meter, water meter, water flow indicator, thermometer and pressure gauge to monitor water use, and adopts water saving devices and materials.

Wastewater treatment

The Company's cement production plants are equipped with complete and sound wastewater treatment equipment for treatment of production wastewater according to standards set out in the Quality of Miscellaneous Urban Water from Regeneration and Reuse of Urban Wastewater, generating water to be used for greens in the plant areas and for sprinkling water on roads. Over the year, cumulative 980,000 tons of wastewater was treated, generating reclaimed water of 980,000 tons.

Rainwater recycling and use

To recycle the resource of early rainwater, we set up early rainwater collection system to recycle, treat and use rainwater. After sedimentation treatment, rainwater is used for sprinkling water on roads and greens as freshwater. Over the year, 12,000 tons of rainwater was used.

Packaging materials management

In 2016, enterprises under the Company consumed packaging materials mainly comprised of packaging bags and paper cartons; total bagged cement was 9,702,500 tons, and 20 bags were used per ton of cement on average; each bag weighed 70g; around 13,600 tons of packaging materials were consumed.

Peak load shifting

The peak load shifting in production of the cement industry is of positive significance to pollution control, smog control, mitigation of conflicts from surplus of production capacity and promoting the overall quality of the cement industry. In 2016, we implemented the Guideline Opinions on Promoting Stable Growth, Adjusting Structure and Enhancing Benefits of the Construction Materials Industry of General Office of the State Council, Notice on Further Implementing Peak Load Shifting in Cement Production of the Ministry of Industry and Information Technology and Ministry of Environmental Protection, and the relevant requirements of the Implementation Plan for Cement Production Peak Load Shifting and Self-Disciplinary Convention on Peak Load Shifting in Production of Cement Enterprises. The Company's six clinker production lines in Xi'an, Xianyang, Baoji, Tongchuan, Weinan and Yulin executed the peak load shifting plans in production and suspended production of cement clinkers for 540 days cumulatively.



Chairman of the Board of West China Cement, Zhang Jimin, and Company CEO Ma Weiping, attending the conference on cement industry peak load shifting of cement industry in Shaanxi, Gansu, Ningxia and Qinghai +4

Developing Recycling Economy

As the largest cement producing country in the world, developing recycling economy for China not only solves the problems of resources and energy that restrain the cement industry, but also casts positive influence on improving the ecological environment. For these reasons, the Company has actively endeavored with practices of green development responsibilities by actively developing and introducing technologies for collaborative disposal of sludge of cement kilns, and low-heat residual heat power generation, exploring substitute fuels, generally utilizing resources, and maximizing the utilization of industrial wastes. We are committed to promoting the sustainable development of the Company itself and China's cement industry.

Collaborative disposal of cement kilns

Collaborative disposal of cement kilns is an important means to eliminate hazards, reduce volume and convert hazardous wastes and urban living wastes into resources. The Company actively promotes the hazard-elimination disposal and recycling of sludge and industrial wastes of its cement plants. As of 2016, West China Cement's Lantian Company used its two 2500t/d new model cement clinker dry production lines to build the first phase of two 50t/d systems transporting sludge directly into the kilns (annual capacity of 31,000 tons), which can treat 100 tons of urban sludge of water content of 80% on a daily basis. West China Cement's Shaanxi Fuping Cement Company used one 5000t/d clinker production line to build a hazardous waste disposal system.



Shaanxi Fuping Cement Company's project for collaborative disposal of solid wastes commissioned for production

In April 2016, West China Cement's Shaanxi Fuping Cement Company commissioned its project for collaborative disposal of solid wastes to production. The project involved total investment of RMB 56.66 million, and was the second one for collaborative disposal of cement kilns commissioned for production in Shaanxi, following that at the Lantian Company. The project is based on the 5000t/d new model cement clinker dry production line of Shaanxi Fuping Cement Co., Ltd. in the collaborative disposal. It is comprised of the sludge disposal system (for general solid wastes) and hazardous waste disposal system, and is capable of eliminating hazards and disposing hazardous wastes from urban facilities, electronic, automobile manufacturing, chemical, PV, nonferrous metal and other industries and general sludge, with annual disposal capacity of 100,000 tons.



75 megawatts
total installed capacity of residual
heat power generation units

306,142,000 kWh
power generated with residual heat
cumulatively over the year

Residual heat recycling

The Company continues to promote the implementation of low-heat residual heat power generation projects. As of end of 2016, 13 out of the 20 production lines had residual heat recycling systems installed. Total installed capacity reached 75 megawatts. Cumulative power generation in the year was 306,142,000 kWh, equivalent to saving of standard coals of 91,900 tons, and reducing CO₂ emission of around 240,000 tons.



Low-heat residual heat power generation units

General utilization of industrial wastes

The Company generates large amount of denitrified gypsum, fly ash, wet cinder, bottom ash, mine waste residuals and other industrial residuals which are not toxic themselves, but the improper treatment of which would cast negative impact on the environment. The Company follows the principles of "reducing volume, converting to resource and reusing", actively absorbs various industrial wastes generated, and turns wastes into resources while minimizing the secondary pollution of the residuals on the environment. In 2016, the Company absorbed a total of 3,087,300 tons of various industrial waste residuals.

"Accelerating the general use of resources is of great significance to implementing the scientific outlook to development and building a conservation-oriented society. Yaobai Company uses lead zinc tailing residuals and wastes as side materials for cement, achieving significant resource reuse and conservation. This indicates that Yaobai Company is fully aware of the importance and urgency of resource conservation."

—Former standing member of the Shaanxi Province CPC Committee, executive governor, Lou Qinjian

Searching for substitute fuel

In fuel substitution, West China Cement actively partners with science research institutes and civil partners in research on effective substitute fuels that can replace coal and electricity. Over the year, the Company used 12,100 tons of gasification slag, non-ferrous metal slag and coal slurry etc. as substitute fuel, saving 8,300 TCE.

Ecological Protection

West China Cement has always been dedicated to building the ecological civilization. The Company implements effective management to ensure the "three concurrent actions" for environmental protection throughout the preliminary, infrastructure construction and operating stages of projects, and pays attention to soil restoration and restoration of green on mines during construction. We encourage our employees to participate in environmental protection activities for public welfare and actively protect the environment. Our objectives are to build a paradigm of win-win of rational development and utilization of resources and ecological environment protection.

Soil and mine restorations

Considering that implementation and operation of projects have impacts on the ecological environment of soil and mines of the location, the Company has incorporated the restoration of soil for cultivation and restoration of mines with forestation into its medium-term production development plans, and adopted multiple approaches including scientific exploitation, efficient resource utilization and comprehensive and regulated management to minimize the negative impact of the operations on soil and mines.

In 2016, the Company continued its works to restore forestation on mines of Pucheng Company, Xunyang Company and Lantian Company, and accomplished forestation of mines of 31.4 hectares.



Mine hill before restoration



Mine hill after restoration

Actively advocating environmental protection charities

We encourage employees to actively take part in environmental protection charity works to promote green and environmental protection ideas to wider domains and contribute our own efforts to environmental protection.

Harmonious Society

– Compassion and Dedication
to the Society

An indispensable part of the healthy growth of West China Cement is the encouragement and support of its employees, communities and all stakeholders. For that reason, we have actively taken actions to fulfill our obligations as a corporate citizen, sought common development with our employees, shared with employees the achievements of enterprise development, carried out public welfare activities to benefit the growth and advancement of local communities and public, and endeavored to build them a happy work, learning, growth and living space.



Employee Development

Employees are the most important and valued resource of West China Cement. They are the foundation of the perpetual development for our cause. We cherish our employees, and always place people at the center of our operations, effectively safeguard the legal rights and interests of our employees, continuously expand room for employee growth, enhance the sense of happiness of employees, and endeavor to facilitate joint development of employees and the enterprise.

Respect for employees

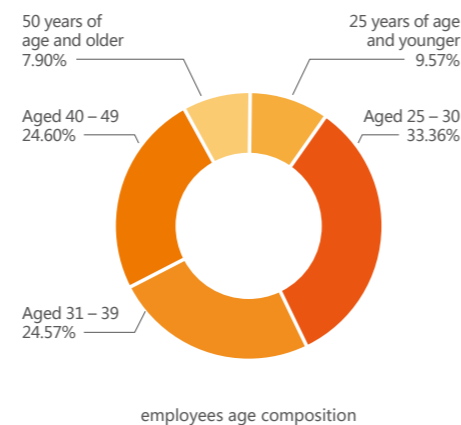
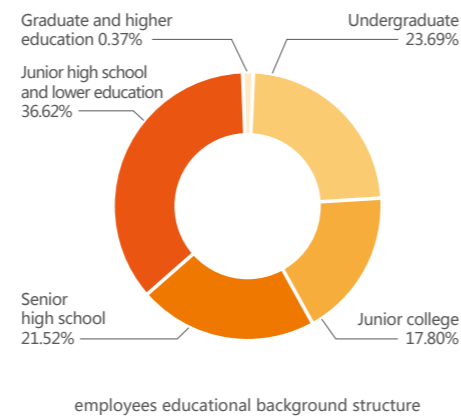
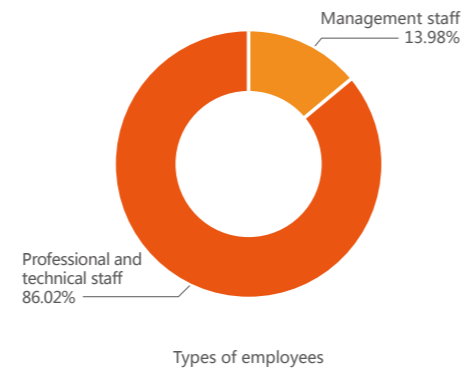
We always place people at the center of everything we do, respect and protect the legal rights and interests of every employee, regulate labor and employment management, safeguard occupational health and safety of employees, strengthen democratic management, protect interests of personal concerns to employees, and fully respect, value and stimulate the positivity, motivation and creativity of employees in our commitment to building harmonious labor relations.

Regulating employment management

The Group determines reasonable working hours and rest period for employees in line with local employment laws and employment contracts with employees. We strictly abide by the state's Labor Law, Employment Contract Law and other relevant laws, regulations and policies, observe the relevant international treaties entered by the state on human rights and labor, actively promote equality and regulated codes of conduct in employment, ensure all works are accomplished by personnel permitted by the law, prohibit workplace discriminations on gender, region, nationality, religion, race and all other forms, firmly stand against the use of child labor and forced labor in any form, implement equal pay for men and women, and fully protect personal information and privacy of our employees.

The Group formulated The Staff Management Method, The Implementing Rules for the Labor Contract System, The System of Recruitment Management Rules and Regulations, standardize the employee recruitment, selection and appointment, evaluate for poor performance of employees, the Company will arrange a training or individual counseling; Continuous assessment for substandard employees will be demoted to use or changed jobs.

As of the end of 2016, the Company employed 4,331 people, male and female employees accounting for 79.88% and 20.12% respectively, and management staff accounting for 13.09%. 100% of regular employees entered into employment contracts with the Company. There was no significant incident of labor dispute.



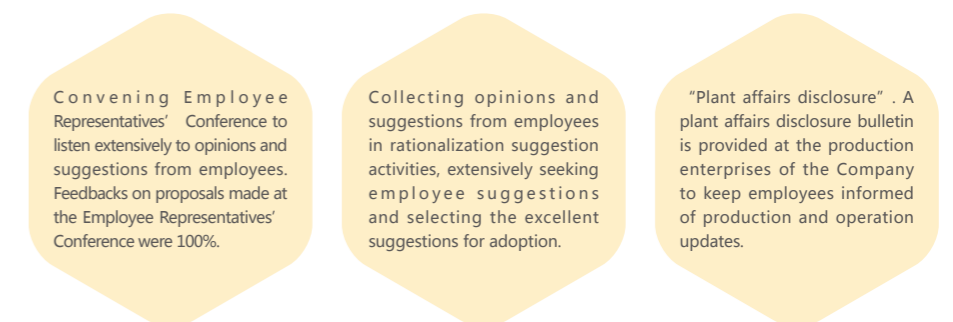
Optimizing remuneration and benefits

We formulated The Employee Compensation Management Method, continuously perfect the all-employee performance evaluation and incentive mechanism based on employee capabilities, directed to performance and aligned with the market, and have established and improved a full-coverage remuneration and benefit system integrating attractive remuneration, multi-level benefits and support, and sound work environment. We strive to offer the most competitive remuneration and benefits for employees and to let our employees share the fruits of corporate development.



Strengthening democratic management

We strive to listen to opinions and suggestions of our employees from different perspectives and on multiple levels by holding Employee Representatives' Conference, seeking rationalization suggestions from employees and via many other forms, to safeguard their right to know, right to participate, right to express and right to supervise in corporate management, and continuously enhance the cohesion and unity of our employees.

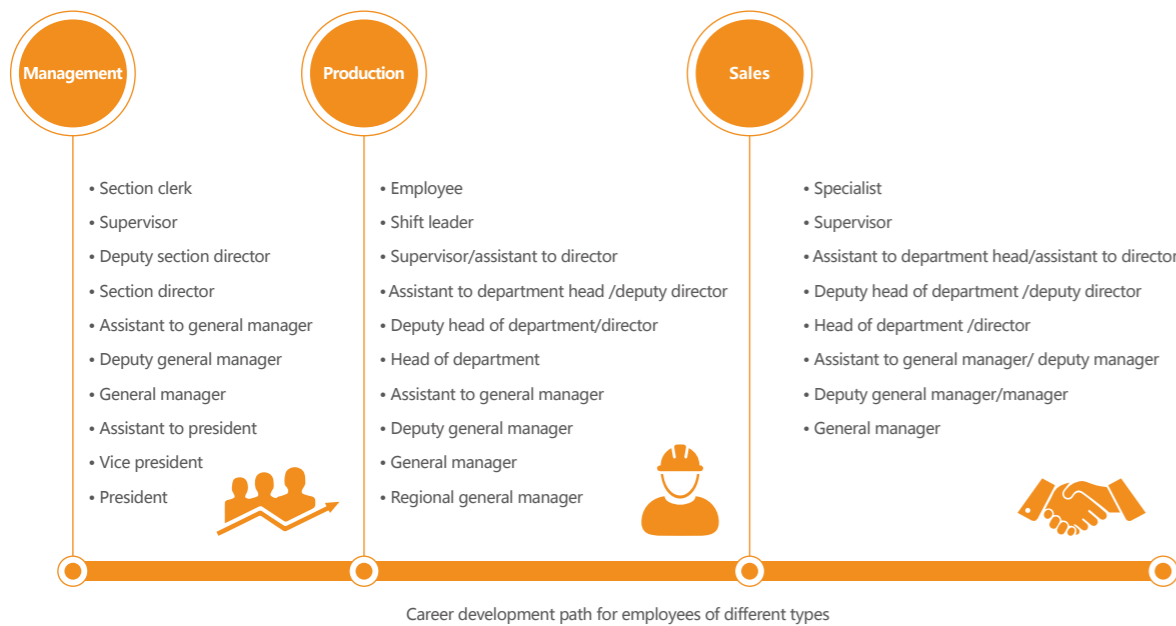


Training employees

Employees are the strong driving force for Company growth and development. We have stood firm in implementing strategies for corporate strengths developed through talents, actively providing employee training and education, rationally guiding their career development plans, perfecting selection and promotion mechanisms, expanding channels for employee growth and striving to build a stage for employees to fulfill their potentials to the full.

Expanding channels for growth

We continuously improve career development channels for employees and have in place promotion channels through all levels based on the characteristics of the sequence of job development, and provide diversified career choices based on employee capabilities and with respect for their personal plans to fully exercise and explore employee potentials. We pay special attention to cultivating specialist talents and reserve young talents. The Company is committed to providing each person with different specialist skills on a suitable position to fulfill his or her potentials.



Strengthening vocational training

We regard training of personnel as a top priority and have established a system covering the end-to-end path from talent recruitment to training and general improvement, combining internal and external resources, online and offline media, theory and practice, vocational skills and life education, accessible by all employees, all positions and all processes, that systematically and routinely supports growth of employees. We provide strong talent support and intellectual support for the rapid development of the Company by comprehensively enhancing the overall competence and capabilities of employees. In 2016, the Company invested a total of RMB 450,000 in employee training. Employees received 32.24 hours of training per person on average.

Caring for our employees

We have always attached importance to caring for our employees, helping those in distress, caring for female employees, helping them to balance work and life, and organizing colorful cultural and entertainment activities to create a harmonious and positive corporate culture environment and a happy home for all.



Community Engagement and Development

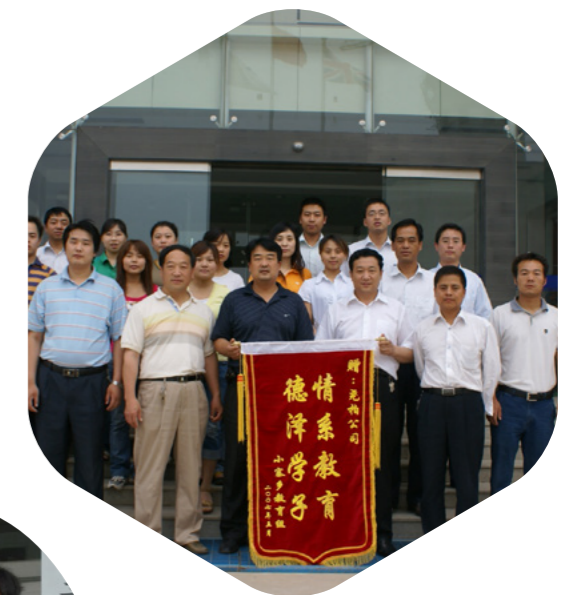
While seeking rapid development ourselves, we deeply understand the close association between the success of an enterprise and the well-being of the society. We are firm believers that a great company is one creating both economic and social benefits. As we grow in strengths, we have actively undertaken responsibilities as a corporate citizen, endeavored to create happiness for local residents and the society, and dedicated ourselves to the society with compassion. In 2016, the Company donated a total of RMB 2.06 million in various public charity activities.

Providing employment opportunities

We highly regard the importance of harmonious development with the local regions, and actively create employment opportunities for the local communities. Under the same conditions, we offer preferential recruitment to local employees to promote employment of the local community and mitigate employment pressure of local residents. The Company also actively recruits new university graduates in efforts to foster employment of new graduates. Each year, the Company offers many internship positions for university students, for them to have the opportunity to integrate their knowledge in practice and learn skills. In 2016, the Company recruited 66 new university graduates, and offered over 300 employment opportunities for local communities.

Aiding education, helping children to realize their dreams

For many years we have always paid special attention to support for education causes as an important social responsibility. Each year after the university entrance exam, we actively carry out the "Dream come true in the golden Autumn" activities, whereby the Company assigns staff to visit places of the 12 branch and subsidiary companies in Shaanxi. We pay visits to the local schools and families under distress who cannot afford university education for the children, and extend a helping hand to the high school graduates who cannot afford university fees. In 2016, the Company subsidized dozens of excellent high school graduates with over RMB 100,000.



Young volunteers

The young volunteers are the backbone force of West China Cement in community services. We have volunteer teams of different types and encourage our young employees to join them to serve the society in real actions.

Community care

In 2016, we organized activities of donating books and clothes, sending greetings and gifts to elderly people who live alone, and others to show our concern and care for the local communities.

Responsible Performance

Economic Performance

Indicator	Unit	2016
Total assets	In RMB 100 million	111.82
Production	In 10,000 tons	1763.71
Principal business revenue	In RMB 100 million	37.19
Total profits	In RMB 100 million	1.19
Taxes	In RMB 100 million	4.10
Increase in taxes	%	1.73
Capital value maintenance and appreciation	%	100
Investments in scientific research	In RMB 10,000	8553.7
Conversion of innovation outcomes	%	98.3
Customer complaints handled	%	100
Customer satisfaction surveyed satisfaction	%	85
Number of patents	-	2

Environmental Performance

Indicator	Unit	2016
Investment in environmental protection	RMB10,000	8500
Total coal consumption	10,000 tons	177.40
Unit production coal consumption	Kg TCE/ton	106.21
Total water consumption	10,000 cubic meters	91.9
Water consumption per unit of production value	Cubic meter/RMB 10,000	2.47
Water consumption per unit of production quantity	Liter/ton	52.11
Total consumption of packaging materials	Ton	13600
Unit production consumption of packaging materials	Kg/ton	1.4
Use of recycled wastes	10,000 tons	308.73
SO ₂ emission	Ton	862
Unit production SO ₂ emission	Kg/ton	0.07
Dust emission	Ton	744
Nitrogen dioxide emission	Ton	9354
Unit production nitrogen dioxide emission	Kg/ton	0.79
Carbon dioxide emission	10,000 tons	603.55
Unit production CO ₂ emission	Kg/ton	511
Power generated using residual heat	10,000 KWh	30614.20

Social Performance

Indicator	Unit	2016
Investments in public welfare	RMB 10,000	206
Total number of employees	Headcount	4331
Execution of employment contracts	%	100
Incidence of employee occupational disease	%	0
Coverage of social security insurances	%	100
Employee attrition rate	%	12
Investments in employee education and training	RMB 10,000	45
Coverage of employee training	%	100
Average training hours per employee	Hour	32.24
Number of new employment	Headcount	310
Number of new university graduates recruited	Headcount	66
Coverage of employee physical check-ups	%	100
Person times receiving safety training	Person times	86400
Coverage of safety trainings	%	100
Person times attending safety emergency drills	Person times	7200
Number of safety accidents	Times	12
Number of casualties in accidents	Headcount	2
Accident rate per 1,000 persons	‰	0.46
Procurement contract execution rate	%	100
Contract performance rate	%	100

Outlook to 2017

Area of responsibility	Responsible management	Creating values	Innovation and development	Work safety	Environmental protection	Harmonious society
Commitments to responsibility	<ul style="list-style-type: none"> ■ Promote the Group's "13th Five-Yearly" strategic plans ■ Improve corporate governance ■ Improve social responsibility organization and management system ■ Strengthen stakeholder management 	<ul style="list-style-type: none"> ■ Continued stable and healthy operations ■ Strengthen regulation and management ■ Provide high quality products and services for users ■ Promote industry development and advancement ■ Support partners to grow and achieve win-win 	<ul style="list-style-type: none"> ■ Greatly strengthen technological innovation ■ Continuously promote management innovation 	<ul style="list-style-type: none"> ■ Continue to promote work safety management system development ■ Comprehensively enhance work safety competence of employees ■ Strengthen operational risk control 	<ul style="list-style-type: none"> ■ Comprehensively build green management platform ■ Implement green production and operations ■ Greatly develop recycling economy ■ Actively engage in ecological protection 	<ul style="list-style-type: none"> ■ Foster common development of employees ■ Be an excellent corporate citizen
Actions for responsibility	<ul style="list-style-type: none"> ■ Regulate corporate governance, deepen company strategy implementation ■ Strengthen disclosure of social responsibilities, continue preparation and release of 2017 social responsibility report ■ Engage in topical research in social responsibility ■ Engage in stakeholder research and study, analyze material topics of social responsibility based on industry and company characteristics 	<ul style="list-style-type: none"> ■ Actively adapt to the new norm, ensure stable growth of business ■ Strengthen financial, IT and market management, cost cutting and efficiency improvement ■ Promote comprehensive quality management system development ■ Ensure product quality from production, raw materials, processes and other perspectives ■ Strengthen end-to-end industry chain quality management and control ■ Deepen communication and collaboration with suppliers and distributors 	<ul style="list-style-type: none"> ■ Build complete and sound technological innovation system ■ Increase investments in technological innovation, focusing on development of technological talents ■ Promote basic management and business model innovations 	<ul style="list-style-type: none"> ■ Improve work safety management regulations ■ Strengthen emergency management ■ Conduct safety education for all employees ■ Deepen hazard elimination and control 	<ul style="list-style-type: none"> ■ Strictly execute various environmental protection laws and regulations ■ Continue to improve environmental management organization structure, management regulations and supervision system, entrench the foundation for environmental management ■ Continue energy management, energy saving and emission reduction, reduce energy consumption and pollutant discharge ■ Actively develop coordinated disposal of wastes and sludge of cement industry, promote residual heat power generation equipment, enhance utilization of industrial wastes ■ Strengthen soil restoration and mine reforestation and other ecological protection works ■ Organize various environmental protection activities, promote green and environmental protection culture to the society 	<ul style="list-style-type: none"> ■ Strictly abide by relevant laws and regulations, regulate employment management ■ Strengthen enterprise democratic management, listen to opinions and suggestions of employees ■ Provide trainings of different types for employees to improve their skills and management competence ■ Hold cultural and sports activities for the benefit of employees ■ Provide more employment opportunities ■ Continue education aid and poverty aid activities, support sports and cultural causes and other public welfare activities

Third-party Assessment

Beijing Dongfang Junhe Management Consulting Co., Ltd. (hereinafter referred to as "Dongfang Junhe") has been engaged by West China Cement Limited to establish an Expert Team for independent third-party assessment of the West China Cement Limited. 2016 Corporate Social Responsibility Report (hereinafter referred to as the "Report"). The assessment was conducted based on requirements of the AA1000 verification standards version 2008 (hereinafter referred to as "AA1000AS 2008").

West China Cement Limited is responsible for the collection, analysis and summarization of data and information disclosure in the Report. In executing the engagement, the Expert Team conducted all its assessments in accordance with the terms and conditions agreed by the two parties. The stakeholders of West China Cement Limited are the expected readers of this assessment. The assessment was conducted on the premise of completeness and integrity of data and information provided by West China Cement Limited.

Assessment method

Our assessment was planned and executed in strict accordance with the AA1000AS 2008.

We conducted the assessment on the Report based on the following principles:

Principles of inclusiveness, materiality and responsiveness as provided in the AA1000AS 2008;

Examination and evaluation of documents, data and other information provided by West China Cement Limited to the Expert Team;

Sample assessment of the implementation mechanisms for corporate social responsibility management described in the Report;

Sample verification of the generation, collection and management of qualitative and quantitative data disclosed in the Report.

Scope and limitations of the assessment

Based on the agreement with West China Cement Limited, the scope of assessment includes:

The economic, social and environmental data of West China Cement Limited from January to December 2016, as disclosed in the Report;

External stakeholders were not interviewed;

The assessment is based on the principles of AA1000 and performance information verification (Type 1). Depth of verification is moderate;

GRI3.2 core indicators disclosed in the Report;

Financial data in the Report was not verified;

The Expert Team completed the assessment in February 2017.

Conclusions

The Expert Team concludes that the West China Cement 2016 Corporate Social Responsibility Report presents accurate and objective descriptions as to the implementation of social responsibility directives of the Company without any systematic or material deviation from the truth. The Expert Team adopted the AA1000AS 2008 principles in assessing the Report.

AA1000AS 2008 Principles

Inclusiveness: Good.

West China Cement Limited takes into comprehensive consideration expectations of the government, shareholders and investors, industry regulators, customers, suppliers, employees, partners, the environment and communities, and identifies key topics of responsibility fulfillment of concerns to these internal and external stakeholders by means of systematic communication in the Report.

Materiality: Good.

The Report analyzes material topics, establishes materiality matrix of topics of social responsibility, clarifies the material topics for the Company' s sustainability, and discloses the internal management mechanisms and performance criteria of West China Cement Limited on the actions taken in regards to these topics, thereby presenting the key sustainability performance information in a transparent manner.

Responsiveness: Good.

The Report discusses the core values, mission, social responsibility principles, sustainability strategies and performance indicators of the West China Cement Limited, and uses historical data from consecutively two years and more and detailed language to describe and present the performance achieved by West China Cement Limited in reaching its sustainability goals in practice, responding to the core topics of the Company' s sustainability of public concern and specific topics of responsibility fulfillment of concerns to the internal and external stakeholders.

Opportunities for improvement

The Report can follow the GRI4.0 Guidelines to disclose the methodology and process of screening the material topics in a clearer fashion;

Follow the GRI4.0 Guidelines to set up indicators and performance disclosed in the Report in a more transparent fashion;

Disclose management approaches of the Company to the social responsibility management system and topics within in a more systematic fashion;

Improve the mechanism for communication and feedback between the Company and its stakeholders, actively listen and respond to requests from different parties, enhancing the participation of stakeholders.

Statement of Independence

Except for this assessment, the Expert Team was not involved in any preparations of the contents and data contained in the Report. In the process of evaluation, the Expert Team adopted a variety of public channels to learn relevant positive and negative comments and information relating to the West China Cement Limited to maintain complete neutrality of the assessment. The Expert Team expressly states that it will not be responsible or obligated for any decisions made by any individuals or entities based on this assessment on the Report.

Expert Team

Jiang Minglin, adviser to the State Council

Kong Xiangzhong, China Cement Association executive vice President

Han Bin, Executive Secretary General of UN Global Contract China Network Center

Shi Hexing, Deputy Director of Faculty of Public Administration of National School of Administration

Zhang Xiao, Chairman of Dongfang Junhe Consulting

Reader Feedback Form

Dear reader:

Thank you for reading the West China Cement Limited 2016 Corporate Social Responsibility Report. We would sincerely appreciate your comments on the social responsibility works and this social responsibility report of West China Cement Limited. Your opinions and suggestions will help us to continue to improve our social responsibility management and practices and enhance the disclosure of social responsibility information. You may fill in the form below and send back to us by post or via email. Thank you.

March 2017

Please rate this report: (please tick “√” in the boxes)

1. Content of report:	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Poor	<input type="checkbox"/> Very poor
2. Quality of information:	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Poor	<input type="checkbox"/> Very poor
3. Language:	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Poor	<input type="checkbox"/> Very poor
4. Design:	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Poor	<input type="checkbox"/> Very poor
5. Overall rating:	<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Average	<input type="checkbox"/> Poor	<input type="checkbox"/> Very poor

Open-end questions:

1. What other information would you like to learn about? _____

2. What would you suggest for the content and form of this Report? _____

3. What would you suggest for West China Cement' s fulfillment of social responsibilities? _____

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