

CBMI Social Responsibility Report 2013

PREFACE

This report is the actual portrayal of the continuous improvements on fulfillment of social responsibilities of CBMI Construction Co., Ltd. (CBMI) in 2013. By reading this report, employees, clients, partners, sub-contractors, shareholders and contributors, various national competent departments in charge, societies and all the people who cared about development of CBMI could understand the social responsibility ideas and practices as well as the unremitting endeavors the company had made for further promoting economic and social sustainable development.

The annual report was basically compiled in accordance with the content and form outline recommended by the United Nations Global Compact in terms of Communication on Progress (COP). The annual report was written in both Chinese and English, and the Chinese version shall prevail for report auditing.

To publicize the knowledge and ideas of social responsibility in a larger scale and ensure the extensiveness、 professionalism and quality of the material sources relating to the compiling of the social responsibility report as well as the compiling quality, CBMI set up leading compiling panel and compiling body to prepare the annual social responsibility report. We formulated and issued policy papers such as CSR annual report compiling scheme, guidelines, communications, schedule, feedbacks, and seriously learned the United Nations Global Compact in terms of Communication on Progress (COP). We also invited experts of the United Nations Global

Compact Network China and Provalue Management Consultancy Corporation to guide and conduct training for some of those people who participated in the social responsibility report compiling.

The financial data involved in the report was in consistence with stipulations of the “Accounting Standard for Business Enterprises” and the “Accounting System for Business Enterprises” issued by the State. To ensure the contents are authentic and reliable, we invited Dr. Xiao Zhang, an expert from Provalue Management Consultancy Corporation, to conduct the third party evaluation and provide improvement suggestions for CBMI Social Responsibility Report 2013.

To read online “CBMI Social Responsibility Report 2013” in electronic form, please visit CBMI website at www.cbmi.com.cn. This report has been submitted to the website designated by United Nations Global Compact Office, please visit www.unglobalcompact.com.

PRESIDENT STATEMENT

Adhering to the social responsibility ideas put forward by the United Nations Global Compact in such aspects as respect for human rights, labor rights, environmental protection and anti-corruption, CBMI will continue to support and promote the implementation of the United Nations Global Compact’ s Ten Principles in its influencing extent. The strategies, corporate culture and day-to-day operation will focus on the influence on stakeholders, implementing corresponding social responsibilities.

CBMI has publicly pledged to comply with the idea of “continuous improvements” of the United Nations Global Compact, consistently improving the human rights situation such as non-discrimination employment, elimination of child labor, no forced labor, and local labor rights, safeguarding the occupational health and personnel safety of all workers, guaranteeing their labor income and caring about their career development, promoting and utilizing new technologies to save energy, reduce emission and protect working environment and living surroundings, making efforts to construct fair and just culture, and advancing anti-corruption process.

CBMI sets these principles as essentials in our corporate strategy and business operations, and we have made commitment to spread these principles throughout the whole company, from senior management to frontline employees, for the broad support from all the staffs.

CBMI will continue to report the progress of social responsibility fulfillment in an open manner, accepting public supervision. We accepted the supervision by the public, engaged the initiatives for reducing the negative globalization impacts to improve the globalization moving forward to positive direction.

A handwritten signature in black ink, appearing to be 'Peng Jianxin', written in a cursive style.

Signature: Peng Jianxin

Chairman of CBMI Construction Co., Ltd

1. CORPORATE PROFILE

1.1 BASIC INFORMATION

CBMI is a science & technology-oriented, management-oriented and internationally-oriented large-scale state-holding enterprise, currently affiliating to the Sinoma International Engineering Co., Ltd. under the China National Materials Group Corporation Ltd. (Sinoma). With a history of 50-odd years, it mainly engages in project general contracting business both at home and abroad, and its main businesses are industrial technology development in such fields as smelting and building materials, as well as equipment research, manufacturing & installation, and so on. It provides integrated technological services for industrial enterprises, maintaining a leading position in the field of building materials project construction. CBMI possesses foreign operation rights, import-export rights, and national project general contracting qualification of class A.

CBMI is registered in Tangshan City, north China's Hebei Province, and its management center, technical center, engineering center, and procurement center are based in the Beijing Economic-Technological Development Area (BDA).

By the end of 2013, CBMI has a total of 1,108 employees, among whom 700 with junior college degree or above, taking a proportion of 63 percent. It has 401 scientific and technological

workers, taking a proportion of 36 percent of the whole staff. Of the 401-people talent team, 229 are research and development workers.

CBMI has passed the ISO 9000 quality management system certification (including the British UKAS and Germany TGA certifications), ISO 14000 environmental management system certification, and the quality, environmental management and occupational health certification of the Occupational Health & Safety Advisory Services (OHSAS). The Credit line of the company has continuously kept at AAA level.

1.2 MAIN BUSINESS, OPERATING SCALE AND BUSINESS PROCESS

1.2.1 MAIN BUSINESS

CBMI engages in turn-key cement plant projects. The company provides customized EPC- or EP-mode “general contracting” integrated service in such aspects as engineering consultation, design and R&D, equipment manufacturing and complete set, civil engineering and installation, production and commissioning, spare parts and components, after service, and production management of cement production line at various scales for clients in accordance with their requirements and environmental characteristics.

In particular, it has developed and promoted the upgrades technologies featuring energy-saving, environmental protection and low emission, and other technologies such as waste heat power generation and desulfurization & denitrification in recent years.

1.2.2 OPERATING SCALE

CBMI has constructed most of China's major cement production line projects, including most of the foreign-invested projects and the projects with daily production scale of cement clinker of more than 4,000 tons. The company has accumulatively constructed 150-odd cement production lines. Currently, with over 1,000 employees, it could construct more than 20 projects totaling nearly 10 billion yuan in 10 plus countries simultaneously.

In the history of China's cement industry construction, CBMI has created various records such as the world's largest cement factory project with two production lines of 10,000 tons, the first full set technological production line introduced from abroad, the first independently-developed dry-process rotary kiln production line, the first Sino-foreign joint production line, the first international general contracting "turnkey" project, the first production line installation project with daily production of 10,000 tons of cement clinker, and the first production line of complete set equipment for exporting to European countries.

1.2.3 BUSINESS PROCESS

Engineering Consulting→Project planning, Financing→Technology research and development
→ Engineering survey and design → Equipment manufacture, Equipment Purchasing →
Logistics international trade → Civil Construction, Equipment Erection → Commissioning,
operation training→After-sales service, Spare parts supply

1.3 CONSTRUCTION PROJECTS DISTRIBUTION

The construction projects undertaken and implemented by CBMI are mainly located in Spain, France, Italy, Russia, Hungary, Albania, Ukraine, Moldova, Cyprus, Azerbaijan, Bulgaria,

Syria, Saudi Arabia, Tunisia, Morocco, Mauritania, Zambia, South Africa, Nigeria, Uganda, Benin, Algeria, Ghana, Guinea, Dominica, Ecuador, Malaysia and other countries and regions in Europe, Asia, Africa, and America.



1.4 CORPORATE STRATEGY, CORE VALUES AND SOCIAL RESPONSIBILITY CONCEPT

As a service provider of global engineering construction, CBMI consistently holds the concept of integrity, way of realistic and scientific management to innovate our service to build a high-quality project for maximizing the investment value from our clients.

CBMI' s development positioning: Adhering to the main business of project contracting, striving to boost diverse development, insisting on scientific development, putting people first, persisting in the “innovation-oriented, internationally-oriented and value-oriented”

corporate positioning, using the scientific innovation and management innovation as means and the business functional construction and corporate culture construction as guarantee, and making efforts to build CBMI as a leading integrated engineering company in the world.

CBMI' s core values: Attaching equal importance to knowledge and achievement, being pragmatic and innovative, and adhering to integrity.

CBMI' s corporate mission: Constructing high-quality and beautiful cement factories, and bringing benefits to the people and joy to their life.

As a member of the UNGC, we positively participated various events UNGC held, and try our best to fulfill our social responsibility. In the conference of Sustainable Business and Investment in the Global Context held during April 16 and 17 in the year of 2013, we introduced our performance and social responsibility in overseas markets. The executives of the company presented sustainability issues in Africa, where a set of our projects located, in the UN Global Compacts Leaders Summit 2013 held during September 19 and 20 in the year of 2013.

2. HONORS AND AWARDS IN 2013

Honors and Awards	Granting Organization
The Russian FER project won the Central State-owned Assets Supervision and State-owned Enterprises Advanced Group.	Administration Commission of the State Council
The Nigeria' s Lafarge project won the first prize of excellent project general contracting of the building materials industry.	China National Building Materials Construction Association
The Azerbaijan' s HOLCIM won the second prize of excellent project general contracting of the building materials industry.	China National Building Materials Construction Association
One of the most creditable enterprises in 2012	Tangshan Central Branch of the People' s Bank of China
Advanced Commission for Discipline Inspection	Commission for Discipline Inspection of the State-owned Assets Supervision and Administration of Tangshan,

The Workers' Union of the company has been honored with "the Exemplary Faculty's Family" .	Tangshan Committee of Industry, Building Materials, Transportation Agricultural, Forestry and Water Conservancy Workers' Union
The company won the A level of tax payment credit rank evaluation from 2011 to 2012	Tangshan National Taxation Bureau, Tangshan Local Taxation Bureau
"Cement rotary kiln bypass circulating system design and application" project achieved the Technological Innovation Award of the building materials industry.	China Building Materials Federation, National Committee of Machinery, Metallurgical and Building Materials Workers' Union
"The circular material piling and taking machine structure optimization design and application" project achieved the Technological Innovation Award of the building materials industry.	China Building Materials Federation, National Committee of Machinery, Metallurgical and Building Materials Workers' Union
"Rotary seal ethanol continuous fermentation reaction tank" project achieved the Technological Innovation Award of the building materials industry.	China Building Materials Federation, National Committee of Machinery, Metallurgical and Building Materials Workers' Union

3. STAKEHOLDER INFORMATION

3.1 OVERVIEW OF STAKEHOLDERS

No.	Stakeholders	Relationship	Means of Communication
1	Shareholder: Sinoma International Engineering Co., Ltd.	Controlling shareholder	General Meeting of Shareholders
2	Clients	Client service	Business contract
3	Staff I: Registered Staff	Labor relations	Contract and trade union
	Staff II: Domestic Employees		
	Staff III: Foreign project-based employees		
4	Supplier I: Technical design subcontract	Business subcontract	Business contract
	Supplier II: Procurement subcontract		

	Supplier III: Engineering subcontract		
	Supplier IV: Labor subcontract		
5	Community I: Local government	Relevant policies and laws	Conference and visits
	Tangshan Fengrun District Office, State Administration of Taxation	Tax collection and management	
	Tangshan Fengrun District Local Taxation Bureau	Tax collection and management	
	Bank of Communications, Bank of China and other commercial banks Funds	access, credit, and guarantee, etc.	
	Fengrun District Housing Accumulation Fund Management Center	Management of employees' housing accumulation fund	
	Accounting firm	Auditing of annual financial statement	

	Tangshan Central Branch of the State Administration of Foreign Exchange	Foreign exchange management	
	Import and Export Taxation Branch of Tangshi City Office, State Administration of Taxation	Export rebates	
	Community II: Local residents	Economy, employment and environment	
	Community III: Local social organizations	Trade union, information and other special topics	
6	News media covering the headquarters, branches and projects of the company	Information and advertisement	Interview

3.2 MEMBERSHIP INVOLVED

No.	Name	Position of CBMI
1	United Nations Global Compact	Member

2	China Building Materials Federation	Member
3	China Enterprise Confederation/China Enterprise Directors Association	Member
4	China Association of Construction Enterprise Management	Executive Director Unit
5	China International Contractors Association	Member
6	China National Building Materials Construction Association	Vice Chairman Unit
7	China Building Materials Machinery Association	Vice Chairman Unit
8	China Cement Association	Executive Director Unit
9	Building Materials Branch under Accounting Society of China	Member
10	Taxpayers Club of Hebei Province	Member

3.3 CUSTOMER SATISFACTION

To further improve the products and service quality as well as understand the suggestions of clients objectively, CBMI conducts client-based satisfaction survey yearly. In 2013, the overall satisfaction of clients (include brand image, total quality and information communication) to us reached 87%, and the itemized satisfaction (include pre-service, engineering design, equipment and material supply, site operation and trial production services) was 85%.

4. CORPORATE GOVERNANCE AND MANAGEMENT SYSTEM

4.1 GOVERNANCE STRUCTURE

CBMI is a limited liability company established in accordance with the “Company Law of the People’s Republic of China.” It has set up board of shareholders, board of directors, board of supervisors, and general manager according to the corporate charts. The general manager shall be responsible to the board of directors.

The board of directors has set up specialized committees including corporate strategy development committee, production safety committee, tender committee, risk management and internal control leading group, and comprehensive budget management leading team, managing and controlling corporate operation risks and supervising clean operation.

4.2 DECISION-MAKING PROCESS

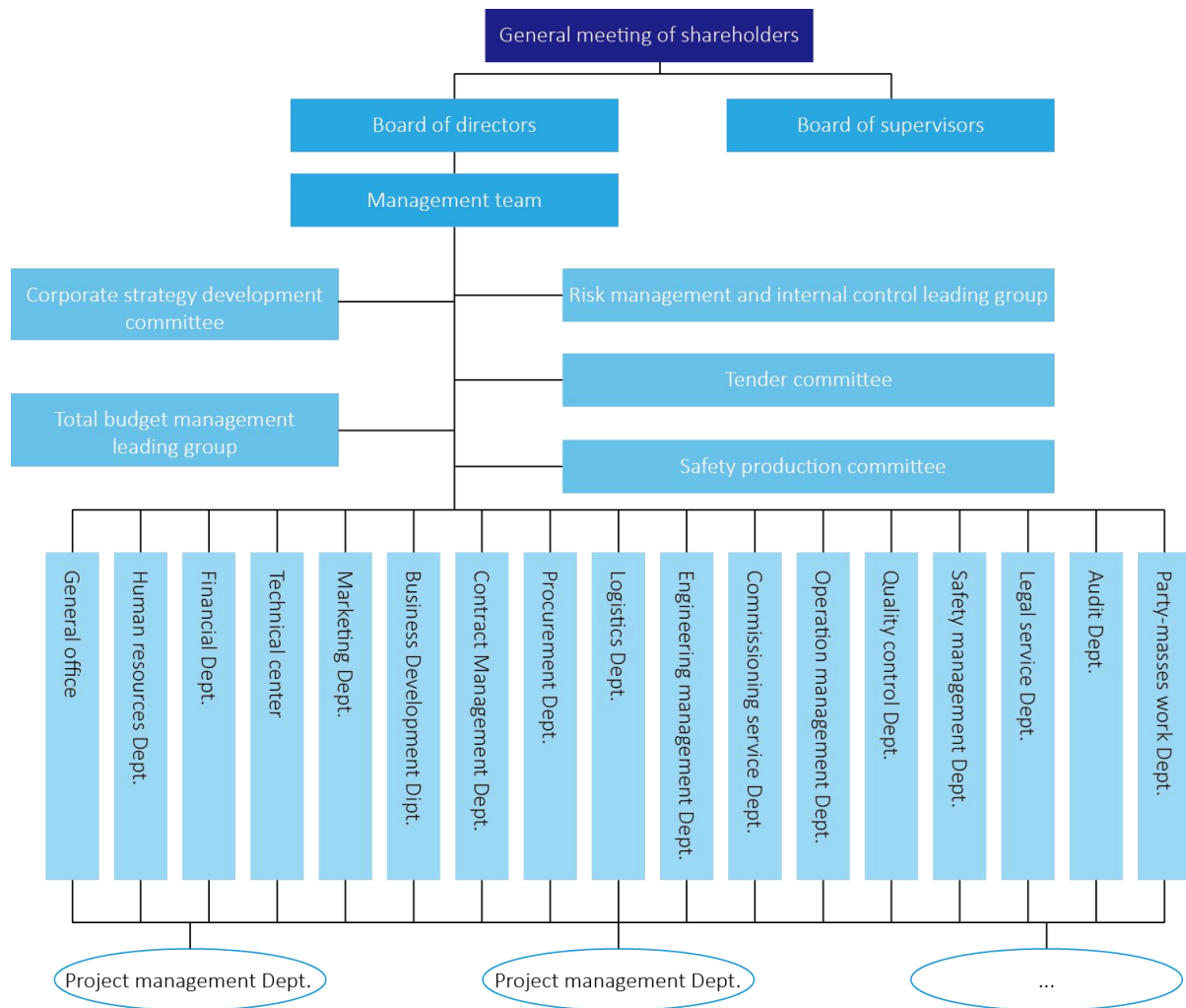
CBMI would hold meetings with shareholders, board of directors, and board of supervisors as well as the general manager’s office meeting regularly and irregularly, carrying out work in accordance with the “CBMI Articles of Association,” “Meeting Procedure Rules of

Shareholders,” “Meeting Procedure Rules of Board of Directors,” “Meeting Procedure Rules of Board of Supervisors,” and “Work Rules of General Manager,” and conducting decision-making in such areas as production, operation and management.

4.3 ORGANIZATIONAL STRUCTURE

CBMI has set up financial department, auditing department, human resources department, international marketing department, legal affairs department, work safety supervision department, procurement department, logistics department, quality department, post-service (commissioning) department, engineering management department, contract management department, design center, general office, equipment research and development department, operation management center, Party work department and other functional departments. According to the requirement of contract fulfillment of the projects undertaken by the company, CBMI shall set up appropriate project management department at any time. (The following is the organizational structure chart of CBMI.)

Organizational structure chart of CBMI



5. BASIC OPERATING PERFORMANCE

In 2013, CBMI consistently promoted corporate value and brand image as well as positively improving the project localization and business operation. We voluntarily take social responsibility concerning on local labor, employment, environment protection, taxation, laws and regulations, local culture and customers, religion features, to enhance the efficiency of our project, help the community' s economy and make common progress.

5.1 OPERATING PERFORMANCE AND DEVELOPMENT SITUATION

In 2013, CBMI adhered to an international, scale and related diversification strategy, proactively improved business diversification, culture building and social responsibility practices as well as operating cement engineering constructions, and we have achieved good economic and social effects.

5.1.1 TECHNOLOGICAL UPGRADE

In 2013, CBMI enhanced technological innovation, upgraded corporate technologies, vigorously promoted the development and application of new products, new technologies and new equipment. The company achieved 11 patents authorized by the State, and another eight applied patents were in pending for authorization. The details of patent application and authorization in 2013 were as follows:

No.	Project name	Type	Authorized or in pending authorization	for Application No. or Patent No.
1	Rotary equipment roller flexible support devices and rotary device	Utility model	Authorization	ZL 201320034374.6
2	Bridge mode scraper reclaimer and system	Utility model	Authorization	ZL 201320034371.2
3	Amplitude adjustable vibrating hopper	Utility model	Authorization	ZL 201220318921.9
4	Granular materials pneumatic conveying device	Utility model	Authorization	ZL 201220318923.8
5	Bin anti-blocking mechanism	Utility model	Authorization	ZL 201220476072.X
6	Efficient vortex cyclone dust collector	Utility model	Authorization	ZL 201220477749.1

7	Preheater ceramic inner barrel	Utility model	Authorization	ZL 201220616626.1)
8	Rotary equipment with adaptive roller bearing device	Utility model	Authorization	ZL 2013203284970
9	Rotary equipment roller flexible support devices and rotary device	Utility model	In pending for authorization	201320034374.6
10	Bridge mode scraper reclaimer and system	Utility model	In pending for authorization	201320034371.2
11	Rotary equipment with adaptive roller bearing device	Utility model	In pending for authorization	2013203284970

As for the technological research and development in 2013, CBMI focused on fields relating to energy-saving & environmental protection、new material application、comprehensive utilization of resources, and increased investment to advanced energy project. The 14 major scientific and technological achievements made by the company in 2013 were as follows:

No.	Project name	Level
1	New type slipper bearing grinding machine	International advanced level
2	High efficient Spiral type rotoclone collecto	Domestic leading level
3	Optimized design and application of circular stacker–reclaimer structure	Domestic advanced level
4	Application research and design of high temperature butterfly valve on tertiary air duct	Domestic leading level
5	Design and application of cement rotary kiln bypass system	Domestic leading level
6	R&D and application of firing system using combined energies such as heavy oil and coffee shells	Domestic leading level
7	R&D and application of continuous fermentation device of sorgho stalk	Domestic leading level
8	R&D and application of continuous distilling device of sorgho stalk fermented mash	International advanced level
9	Design and application of high sticky clay stock	Domestic leading level

	bin	
10	R&D and application of new type rainwater oil isolation treatment technology and device	Domestic leading level
11	Analysis and optimized application of ETAP-based cement factory power grid harmonic wave	Domestic advanced level
12	R&D and application of steam (which produced by cogeneration of cement factory) used for refrigeration system and heating system	Domestic advanced level
13	Design and application of cement factory's flue gas used for refrigeration system and heating system	Domestic advanced level
14	Design and application of weighting stock bin with hanging bracket	Domestic leading level

In 2013, the new technologies and new equipment researched and developed by CBMI were as follows:

No.	Project name	Technological field	Starting date	Completed date
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1	5.2x17m sectionalized cylinder tube mill	Machinery equipment	201201	201212
2	35.2.2S Slag vertical mill	Machinery equipment	201201	201212
3	4000TPD grate cooler	Machinery equipment	201201	201212
4	VRM50.4 raw material vertical mill	Machinery equipment	201201	201212
5	Fly ash grinding test equipment	Machinery equipment	201201	201212
6	Bentonite grinding vertical roller mill	Machinery equipment	201201	201212
7	Flexible driven rotary kiln	Machinery equipment	201201	201212
8	Sludge spreader	Machinery equipment	201201	201212
9	Sludge reclaimer	Machinery equipment	201201	201212
10	New type tooth roller harrow reclaimer	Machinery equipment	201201	201212

CBMI further completed the research and application of the European standard and specification system, updated the guidebook of silo design, and developed SAP2000-based reinforced concrete structure mapping program; the projects in Bulgaria, Algeria, Ecuador and other regions and countries also successfully passed the strict examination and approval of clients and consultancies, marking the company has possessed the design capacities in accordance with the European standard and specification system.

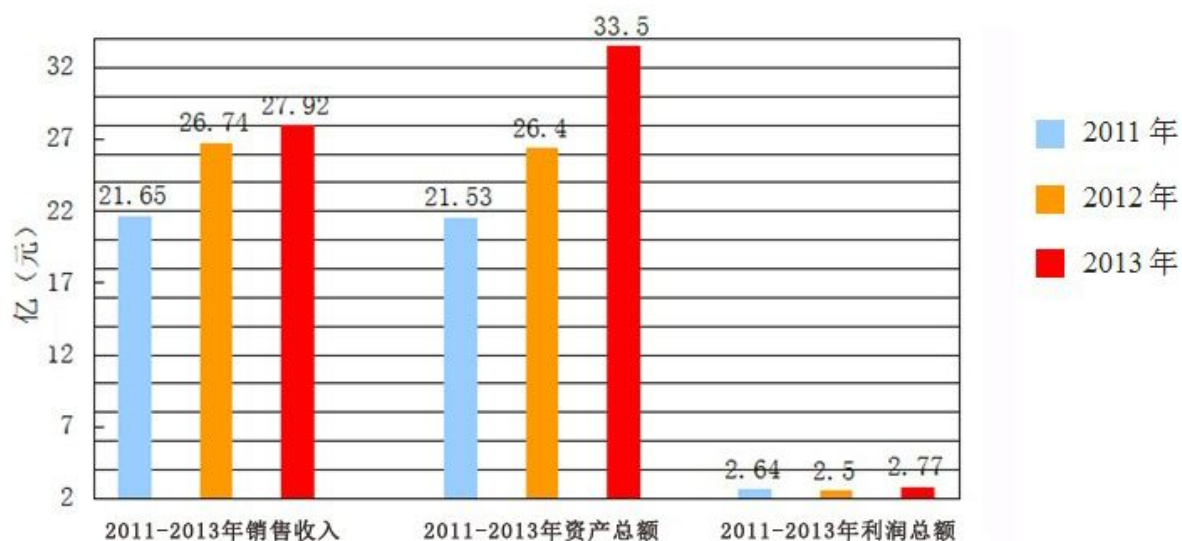
By promoting projects under 3D and EB design, CBMI graduate established new working process, decomposing workers to different working level, to totally improve working efficiency and accuracy. The Tanzania and Ecuador projects has successfully adopt new designs such as SP3D, EB and so on.

5.1.2 MAJOR ECONOMIC INDICATORS

In 2013, in spite of the fierce market competition, CBMI made a stable development in cement engineering business, with good profitability of increasing sales, assets scale and total profit.

In 2013, we achieved sales revenue of RMB 2.792 billion, up 4.41% from a year earlier, and the total assets reached RMB 3.35 billion, up 26.89% year-on-year. The total profits of the company in 2013 amounted to RMB 277 million, up 10.80% from a year earlier.

Economic performance in recent 3 years



(Note: In 2011, the sales revenue, total assets and total profits of the company were 2.165 billion yuan, 2.153 billion yuan and 264 million yuan respectively. In 2012, the sales revenue, total assets and total profits of CBMI were RMB 2.674 billion, RMB 2.64 billion and RMB 250 million.)

5.1.3 MARKET DEVELOPMENT

In 2013, CBMI took the opportunity of the recovery of world economy and the market of international cement construction, and adapted relevant measurement to develop markets. Besides continuously providing services for VIPs, we put forth effort to provide customized and different services in hot markets such as Nigeria and Benin in West Africa, Algeria in North Africa, Azerbaijan in West Asia, Ecuador in South America, Russia and Bulgaria in Europe. In 2013, CBMI signed new contracts totaled US 502.5 million dollars.

Depending on our brand perception, high technology, human resource and advanced management, CBMI increasingly expanded diversified businesses. In May of 2013, the

company established Business Development Department, focusing on premixed dry mortar and aerated concrete new building materials project, city water supply and sewage treatment project and so on. In 2013, we signed Renesola Ltd' s steel structure manufacturing project in Maldives and Papua New Guinea, Samsung power plant construction project in Penang of Malaysian and senior talents apartment in Hengqin Development Zone of Zhuhai in succession with total contract value of RMB 350 million.

5.1.4 CONSTRUCTION ACHIEVEMENTS

In 2013, CBMI ran construction projects in both abroad like Azerbaijan, Russia, Benin, Bulgaria, Ecuador, Morocco, Algeria, Nigeria and domestic province like Xinjiang, Guangdong and Jiangsu, among of which VASSILIKO project in Cyprus, FES project in Morocco, Yaobo project in Hetian, Qilian Mountains project won the FAC certificates, while HUME project in Malaysia, HOLCIM project in Azerbaijan, FES project in Morocco and Fukang project phrase 2 in Tianshan won the PAC certificates.

On November 23, 2013, CMBI produced the first batch of qualified cement from NOCIBE project, the biggest cement plant in Benin. President Boni Yayi of Benin paid three inspection visits to the construction site respectively on April 9, June 9 and December 2. The accomplishment of the project provided much space for Benin' s cement pricing competition and order supplies, which promoted the local economy significantly.

In 2013, CBMI got better contractual capacity, anti-risk capability and contractual performance due to sophisticated project management system and regionalization management model, among which the Russian FER project won the Central State-owned Enterprises

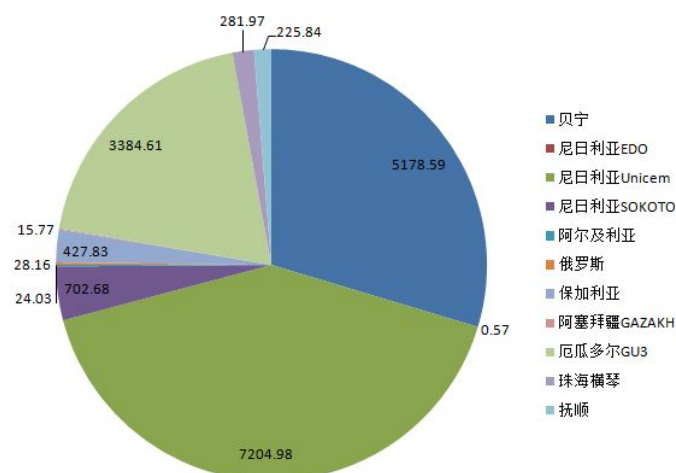
Advanced Group, the Nigeria’ s Lafarge project won the first prize of excellent project general contracting of the building materials industry and the Azerbaijan’ s HOLCIM project won the second prize of excellent project general contracting of the building materials industry.

5.2 ECONOMIC AND SOCIAL IMPACTS

Adhering to the idea of “Sharing development results,” CBMI has adopted “localization” strategy in the aspects of material procurement and human resources management during the process of production and management as well as project implementation, and took measures to promote local economic and social development and increase employment opportunities, so as to boost trade activities in the operating communities.

5.2.1 PROMOTING SOCIAL AND ECONOMIC DEVELOPMENT

For the large scale procurement business of equipment, materials and supplies, CBMI has promoted the commerce development of host countries and local regions. In 2013, the procurement amount of the company reached 1.55329 billion yuan, among which equipment procurement was 1.37854 billion yuan, commodities procurement was more than 174.75 million yuan, rolled steel procurement was 163,08 million tons (or 66.94 million yuan) and fixed assets (equipment) procurement was 51 sets (or more than 34.71 million yuan).



Procurement amount by project (Unit: 10,000 yuan)

Syria' s UCG project; Benin; Morocco' s FES project; Guinea; Nigeria' s EDO project; Algeria; Russia; Bulgaria; Azerbaijan' s GAZAKH project; Ecuador' s GU3 project; Guizhou Yaobai project; Yili Yaobai project; Dabancheng Tianshan project; Xinjiang QSCC; Second Phase of Fukang project; Huarun Changzhi project

5.2.2 INCREASING EMPLOYMENT OPPORTUNITIES

In 2013, CBMI recruited 33 graduates from domestic universities and colleges and introduced talents on engineering management, professional engineers, accounting and auditing, to satisfy our business needs and optimize the human resource structure. At the same time, we have employed labors from Xinjiang, Jiangsu, Hebei and Guangdong where our projects located, to release the employment press for the local authority.

Also, CBMI created lots of employment overseas. According to statistics, we have recruited 1,087 persons, and our sub-contractors have recruited 965 persons in overseas' projects.

Bulgaria and Azerbaijan projects also employed many local residence to release the employment press for the local authority.

The company required every overseas project division to learn and understand local social culture and customers, to avoid conflicts because of the culture difference. The overseas projects have employed amount of local engineers and frontline workers with no race, gender, religion and health discriminations, which achieved the harmonious and happy coexistence between project employees and local workers.

6. ENVIRONMENTAL PERFORMANCE

Adhering to the environmental concept of “Using humanistic spirit and green thinking to build our common home,” CBMI tried the best to comply with regulations such as the “United Nations Environment Program Declaration on Cleaner Production” and the “ICC Commercial Rules” during the process of operating management. In terms of production, life and office work, the company actively took various measures to reduce pollution and protect environment. No major environmental pollution incident has happened in the year of 2013.

6.1 ENVIRONMENTAL MANAGEMENT MECHANISM

6.1.1 MANAGEMENT ORGANIZATION

In 2013, CBMI continued to enhance the environmental protection work of the company, future competed the internal control goals and indicator compiling for environmental protection during the process of deployment and arrangement of the 2013 annual work plan, and conducted responsibility system, so as to ensure each section of work responsibility to each department and each person.

6.1.2 INSTITUTIONAL SYSTEM

In 2013, CBMI updated or enriched the company’ s documents relating to environmental protection system, making the management activities, production process and service process

more suitable to the requirements of relevant laws and regulations. In 2013, the company revised the established QMS, EMS, OHSMS, and passed the certification of consulting agency. It once again passed the certification of quality, environmental and occupational health systems in this year.

6.2 ENVIRONMENTAL MANAGEMENT MEASURES

In 2013, CBMI made best use of publicity means such as the company's office system, internet, newspapers and magazines, and seminars to publicize the guidelines, policies and scientific and technological knowledge of energy-saving and emission cut, improving the employees' ecological and environmental protection awareness.

6.2.1 PRODUCTION AND OPERATION

In 2013, CBMI strengthened the promotion of new technologies, and continuously gave priorities to adopt energy-saving and emission reduction technologies, materials and equipment. The projects gave priorities to power- and oil-saving construction machinery, and used them in a reasonable and scientific way, So as to achieve energy saving, environment protecting and low emission.

A) Research, application and promotion of new technologies

In 2013, CBMI focused on the promotion of frequency conversion power-saving technology, low-nitrogen combustion technology and other environmental protection technologies in the cement process design.

We expanded frequency conversion power saving technology, which can save 30% power, in Benin NOCIBE 3600t/d project and Ecuador GU3 4500t/d expansion project. We utilized waste incineration technology, which can save 245,000 tons standard coal every year, to alter 60% of traditional fuels in Russian FER 5000t/d project. The new technology and process has brought good economic and environmental effects.

In 2013, the FES project, collaborated by CBMI and Holcim Group, have put into operation and transformation. The project adopted the new calciner and new generation of grate cooler the company developed, with energy saving and environmental protecting technology of frequency conversion power saving, low-nitrogen combustion and waste incineration, which decreased the pollution while increasing productivity. What is more, the design department fully utilized present structure and devices according the reality and features of the old production line, to decrease the investment of unnecessary resources, the project total cost and period and achieved the maximized ratio of investment and efficiency.

Indicators comparison before and after FES project

Statistical indicator project	before	after
Productivity (TPD)	1400	2800
Heat consumption (kj/kg-cl)	> 3350	≤3207
Power consumption (Kwh/t-cl)	> 70	≤54

Dust discharge (mg/Nm ³)	> 80	≤20
Nitride (mg Nox as NO _x /Nm ³)	> 1350	≤800
Sulfide (mg SO _x /Nm ³)	> 400	≤300

B) Typical Projects

Benin project department located in dry, heavy windy and dusty West Africa. To reduce the dust and improve the staff' s working and living condition, the department planted trees and other green plants in working and living areas. Besides, we watered the ground at fixed time during construction to efficiently restrain dust. The department also built large septic-tank in working and living area to reduce the pollution to local community. The department arranged to collect and recycle the wastes and used materials during construction to decrease the pollution to environment and waste of resources.

To reduce the usage of local power energy, Benin project department arranged to adopt uniform solar water heater, which can save about 50,000 L oil for using electric generator. As for the drinking water, the department invited local authoritative institution to test the water quality and purchased water purification processing system from China' s domestic market, reducing the demand of external water resources. By taking these measures, the power consumption could decrease 100 kilowatt-hours per day compared to the previous projects.

6.2.2 BENEFITS OF ENERGY-SAVING AND EMISSION CUT

In 2013, CBMI achieved good performance in energy-saving and emission reduction by promoting technologies and enhancing management. The details were as follows:

Target item	Target value of 2013	Task fulfillment
Utilization rate of equipment	$\geq 97\%$	84%
Serviceability rate of equipment	90.5%	97%
Total client satisfaction degree	88%	87%
Itemized client satisfaction degree		85%
Contract fulfillment rate	100%	100%
Energy-saving and control rate of commonalities and equipment	$\leq 5\%$	5%
Training coverage rate	100%	100%
Publicity rate of	100%	100%

energy-saving and emission cut		
Paper consumption reduction rate	1%–2%	2%
Power consumption reduction rate	1%–2%	1.1%
Utilization rate of rolled steel	≥97%	96.55%

6.2.3 LIFE AND OFFICE AREA

In 2013 CBMI continued to implement the system of responsibility division between the headquarters and project management departments for the use and management of water, power electricity, and fuel oil.

The general office was in charge of the use and management of water and power electricity, conducting statistics of water and power consumption within its jurisdiction, while the project management department was responsible for the management of water, power electricity and fuel oil use of working site, establishing statistical records for the energy consumption of the project, collecting the consumption data of water, power electricity and fuel oil monthly, and filling out water, electricity and oil consumption cards.

The headquarters and project management departments checked and assessed the management practices in accordance with the office paper use and management methods. All departments basically realized double-sided paper use of abandoned paper. Meanwhile, the company's computer system was re-upgraded to increase the paperless network office management, and the paperless office degree reached 90 percent.

CBMI proactively promoted online bidding to reduce the human resource and financial resources as well as protecting the environment while increasing the procurement efficiency.

The Russia' s project was carried out in strict accordance with local requirements of natural environmental protection, conducting waste classification in working sites and life areas. Firstly, the project department obtained the waste discharge permit, and signed waste treatment agreement with local waste treatment department. The waste was classified and relevant equipment such as oil separator and sewage treatment system were introduced to the life areas, so as to effectively treat the liquid waste. The indicators of the sewage draining outlet should meet the local discharge requirements. The efforts the company has made were recognized by local environmental management departments, receiving letters of thanks successively from these departments.

7. OCCUPATIONAL SAFETY AND HEALTH

In 2013, CBMI insisted on the concept of “putting people first,” strengthened safety production thought foundation and cultural supporting, guided the employees to establish safety values, strived to promote and implement safety development strategy and safety system construction, and carried out safety educational trainings and colorful safety management activities. The company continued to enhance the employees’ occupational safety and health management work, improved their working and living conditions as well as the social security and other social benefits.

7.1 BUILDING AND IMPROVING QEHS MANAGEMENT SYSTEM

CBMI greatly paid attention to the importance of QEHS management system (i.e. quality system, environment system, occupational health system and safety system) to the corporate development and social responsibility. The company consistently fulfilled social responsibility while expanding the operation scales and increasing fast development of businesses.

CBMI lay emphasis on the improvement of QEHS management system. The company set a system operation department, established uniformed management system from headquarter to project departments. The system can carry out the connection and coordination between routine QEHS management systems by managing, controlling and checking the quality management, environment protection, occupational health maintenance and safe production of each project.

The company supervised project managers to plotting the quality management and environment protection, taking care of the staff’ s occupational health and adhering to the safety regulations to ensure no significant safety and personal injury accidents.

In 2013, CBMI passed the external audit of quality, environment, occupational health and safety management systems. The auditors audited 2 projects and other 12 departments and provided improvement suggestions. The auditors gave a high praise on our management and confirmed our compliance with the standard of quality, environment, occupational health and safety management system.

7.2 ENHANCING RESPONSIBILITY OF PRODUCTION SAFETY

In 2013, CBMI divided and quantified the safety goal into departments and projects to clarify the responsibilities and accidents accountability in accordance with Safety Responsibility Policy, Letters of Safety Responsibility Policy and Safety Performance Assessment Indication.

In 2013, the general manager of CBMI signed 77 letters of safety responsibility with department directors, up 4.2% year-on-year. All the projects signed 40 letters of safety responsibility to sub-contractors. By signing these letters, the company can divide the safety indicators and responsibility to each level, with clear division of work, goal and responsibility, to make every staff realize the importance of safety and its relationship with each person.

7.3 CARRYING OUT SPECIAL RECTIFICATION TO TROUBLESHOOT POTENTIAL ACCIDENTS

In 2013, CBMI launched kinds of potential risk checking activities, such as checking before Spring Festival, Festival of Lanterns, Mid–Autumn Day and the National Day, safety quality checking for all overseas projects, checking for maintenance and repair safety, fire safety inspection, special inspection in flood season, inspection in whole nation and so on.

CBMI adhered to the general requirement of “Fully coverage, Zero tolerance, Strict enforcement, Concrete results” , put emphasis on inspecting thoughts, institutes, mechanism and job site, sticking to assignment, introspection, inspection, rectification and conclusion. The company arranged inspection group to the job site several times, by casual inspection and follow–up inspection, inspecting 16 times in 13 projects at Yili Yaobo and Xinjiang Qingsong Building Materials. The potential risks has been reduced a lot compared to the last year.

7.4 STRENGTHENING SAFETY TRAINING

Safety management is the premise of safe production. Only safety education and training increased can all the staff raise the conscious of safety and prevention, which result to keeping safety in mind and solving the potential risks fundamentally.

In 2013, CBMI consistently carry out safety education. We have continuing trained and educated 13 safety managers and 7 national registered safety engineers, and 4 people passed the qualification examination for national registered safety engineers. In accordance with the Safe Production License Rules, we accomplished education to 28 “three class people” to meet the requirement of safety management and operation. Besides, we put emphasize on frontline works’ education, adopting different levels education approaches such as training before abroad, training in entrance and training on the job in the form of construction site

broadcasting, board news, newspapers and internet. We trained the staff on basic safety knowledge and skills accordingly, and got excellent efficiency. In 2013, the number of training overseas reached to 625 person–time.⁴

7.5 CONDUCTING SAFETY CULTURE CONSTRUCTION

In 2013, CBMI paid attention to the approaches and efficiency to detail the safety management. We conducted the “I need safety, no anxiety no risk. I can be safe, I can be happy” safety initiative last a whole year at all the projects. Besides, we promoted 10 series of special activities on safety and near 20 projects acted positively.

In 2013, CBMI advocated safety culture by safety briefs, which published related polices timely, collected and broadcasted accidents in relevant corporations, industries and nationwide, and spread good safety management experience. We mobilized the project managers to participate in communicating, sharing and urging the safety management experience by articles invitation.

In 2013, CBMI issued 12 safety briefs. Not only introduced the Bulgaria project and Russian FER project, but also realized the interaction among CBMI and projects. The briefs was pasted in the construction sites to potentially raise the safety consciousness of frontline workers.

To get experience from accidents and protect friends and himself/herself in disaster, in 2013, CBMI especially established a new broadcasting column – Cases, which reviewed accidents in the industry in recent ten years each month to get experience and gave effect measurement to prevent accidents, and got a good influence in the company and projects. In October and

December of 2013, Shaobo Deng and Xiaochuan Hao in Bulgaria project was awarded as the “Safety Model” in the 3rd quarter and 4th quarter respectively by Italy Cement Group.

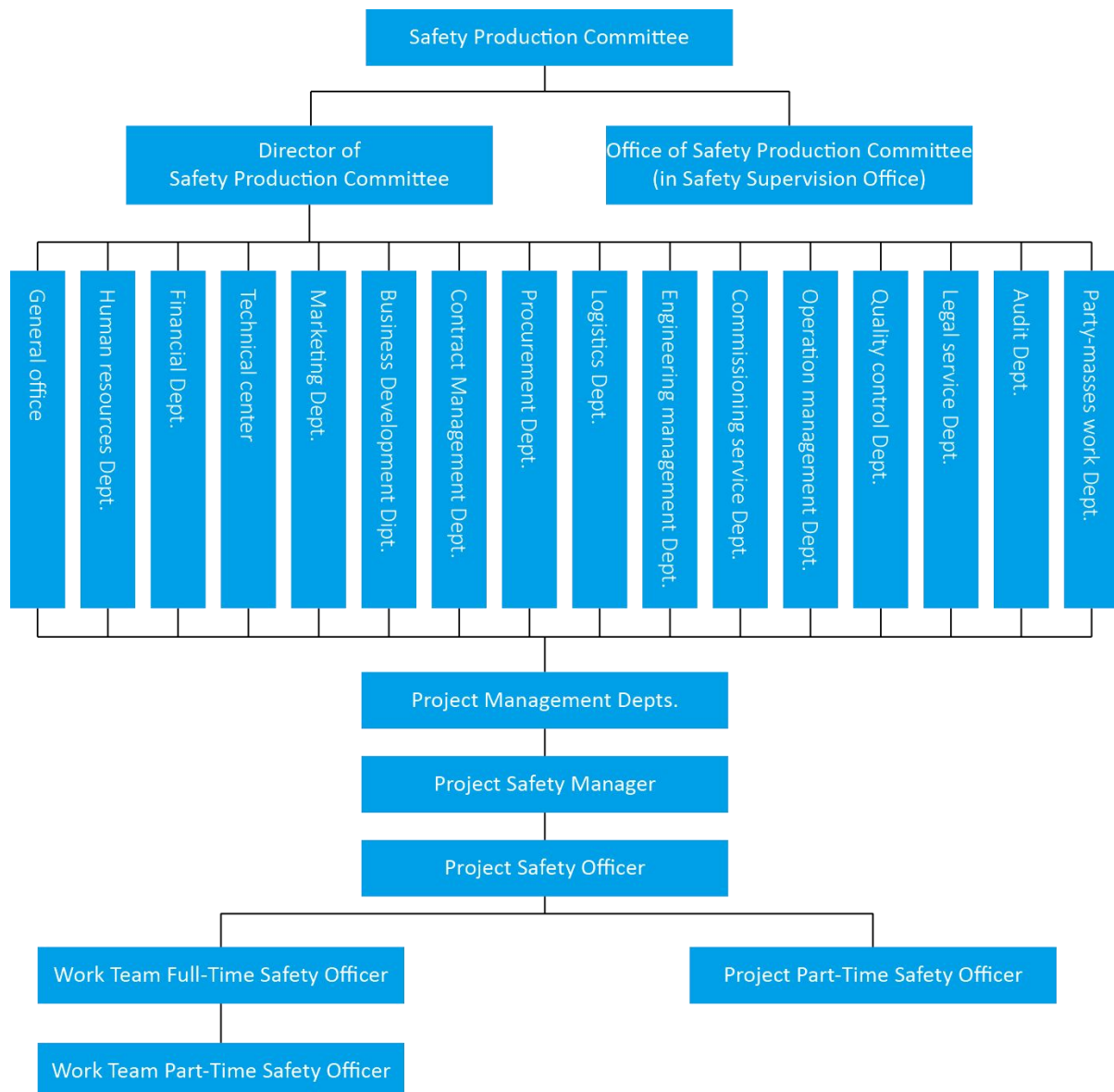
7.6 UTILIZING SCIENCE AND TECHNOLOGY TO ENHANCE PRODUCTION SAFETY

In 2013, CBMI put safety management information platform into practice. To enhance the site management and the standardization of project execution, the company issued documents on Management Policy of Safety Information Platform and Safety Management Evaluation of Construction Project. By utilizing the platform, we enhanced the monitor and routine evaluation on execution of each projects. The use of new technology intensified the awareness and responsibility of safety, which improved the safeguarding capability greatly.

7.7 LAUNCHING EMERGENCY PLAN FOR WORK SAFETY

In 2013, from the rob abortive in Nigeria project to rob and car burn in Burkina Faso project, from terrorist attacking in Xinjiang to 6.6 grade earthquake at Min County and Zhang County of Gansu Dingxi, CBMI suffered from nearly 30 emergencies. To deal with these emergencies, the company kept high level cautions and accountabilities, and put high emphasis on prevention and prediction of emergencies. The project managers dealt with emergencies calmly and launched emergency solutions timely to secure the safety of the staffs.

Organizational structure chart of Safety Production Committee



7.8 INCREASING INPUT IN SAFETY MANAGEMENT

In 2013, as the increasing in safe production management and control, CBMI raised the safe production budget to RMB 3.17 million, growing in 12%. The addition in budget was used in adding site safety preventing equipment, personal safety preventing devices, safety education and monitoring.

In 2013, the company invested a total of 28.84 million yuan for safety management, among which 12.622 million yuan was for safety protection equipment and facilities, 6.2006 million yuan was for emergency equipment and personal protective products, 1.386 million yuan was for safety production inspection and assessment, 2.36 million yuan was for expenditure relating to major hazard sources, 3.21 million yuan was for safety production training and emergency exercise, and 3.07 million yuan was for other expenditure of safety production.

Statistics of CBMI' s safety management work by indicator in 2013

Item	Indicator comparison		
	Plan of 2013	Completion of 2013	Completion of 2012
Control rate of safety production	100%	100%	100%

standardization management			
Safety training coverage rate	100%	100%	100%
Increase rate of special funds for safety management	14.7%	24.6%	5%
Rate of incident causing serious injuries or above	0	0	0
Control rate of harmful operating sites after treatment in labor environment and labor conditions	100%	100%	100%
Completion rate of potential dangers rectification	100%	100%	100%
Rate of employment with certificates of special operation workers	100%	100%	100%
Passing rate safety inspection	100%	100%	100%

7.9 IMPROVING EMPLOYEES' WELFARE GUARANTEE

CBMI paid consistent attention to employees' benefits guarantee work. In 2013, the company constantly improved the levels of employment security, further education and other social benefits for employees.

7.9.1 SIGNING LABOR CONTRACTS IN ACCORDANCE WITH LAWS

In 2013, CBMI completed the employee recruitment system, preventing non standardized behaviors in employment. Based on the non-discrimination principle of “equal pay for equal work” and principles of non-forced labor and no child labor. In 2013, the company recruited 33 graduating students and 6 needed talents, and all of them have signed labor contract. The company passed labor supervision annual auditing successfully.

The Bulgaria project abided by local laws and regulations. To keep a long and continuous employment relationships, the project made and entered into management rules that employees can get official salary in 3 months after starting work and get a 50 BGL rise in every half of one year. The Bulgaria project adopted 9 local sub-contractors in all constructions. The Azerbaijan project trained each batch of employees the local customers and cultures, emphasizing the local culture and religions, respecting the local living habits, which resulted to good relationship with local community. There was no conflicts between the project staff and local workers. The project staff celebrated the local festivals with residences and carried out several activities to enhance the communications and friendship.

7.9.2 PURCHASING INSURANCES FOR EMPLOYEES

In 2013, CBMI continued to pay housing accumulation fund, endowment insurance, medical insurance, industrial injury insurance and unemployment insurance. The company improved the accident and injury insurance management system for staffs and arranged the procurement of the insurance. The company paid the employer reliability insurance 638 person-time, to RMB 402,000 and accident injury insurance 640 person, to RMB 196,200.

7.9.3 OFFERING FURTHER EDUCATION OPPORTUNITIES

In 2013, the Human Resource Department arranged other departments to formulated annual training plans. Each month the department inspected and coordinated internally according the plans. During the plans' execution, the Human Resource Department proactively seek training resources for other departments and arranged internal training among different departments. The Human Resource Department carried out 63 trainings the whole year, to RMB 338,900.

CBMI trained the new employees in a “military training, prolongation and internal training” mode to let them merge into the corporate as soon as possible. We trained English for staffs integrated with main business and real operation. We help the staffs with the appraisal of engineering and economic professions, training on relevant occupational certificates, transact examinations and certificate inspection, to release the complication for staffs. We continued collaborated with Wuhan Science and Engineering University to open on-the-job graduate education. In 2013, we accomplished the appraisal of high and middle level professions, among which 3 persons achieved professor level of engineers, 20 high level engineers, 1 high level economist and 35 middle level engineers.

7.9.4 COMPREHENSIVELY CONCERNING THE PHYSICAL AND PSYCHOLOGICAL HEALTH OF STAFFS

In 2013, CBMI arranged physical examination for employees and retirees. The hospitals conducted statistics and medical analysis of the physical examination data, giving written reports and offering them with treatment and preventative measures for the disease and potential health dangers.

The Azerbaijan project afforded health examination for all staffs. The project procured washing machine and haircutter to make a good healthy condition for staffs. As Benin project located in malaria area, to secure our staffs healthy, the project established non-profit clinic, employed specialized doctors and provided efficient medicines. The Bulgaria project installed air conditioner in office, dining room and dormitory, built cafes and 30-square-meter changing room for staffs to make a good working and living condition for them. To protect the health of staffs in Tanzania project, in August 27 of 2013, the project arranged free health examination for the local worker.

8. ANTI-CORRUPTION AND ANTI-COMMERCIAL BRIBERY

In 2013, CBMI connected frequently in the field of technology, construction and projects. To avoid kinds of law breaking, discipline violating, corruption and bribery for illegitimate interest, and enhance the clean corporate building in construction field, the company signed letters of incorruption with each directors and managers every year. Besides, the company made and entered into strict inspection and evaluation policies.

CBMI endeavored to improve the incorruption prevention system and established researches with universities on Incorruption Risk Prevention System. The company cleaned up the overall operation system and business processes, to find out the risk point, formulate effective measurement and monitor mechanism, enhance the efficiency of incorruption prevention and let the power running under the sunlight.

In 2013, the normal operation of the “tender committee” and the implementation of relevant tender management system effectively controlled the corruption and commercial bribery. There was no corruption or commercial bribery case happened in 2013.

CBMI also invited relevant leaders and expertise to give speeches on incorruption, arranged Party members to watch movie *Trees in the Rain* and required the members to stick to the common believes.

In 2013, CBMI carried out online bidding system to open, impartially and fairly procure, preventing corruption and bribery. The company also regulated that all overseas projects cannot bribe, accept bribes, give and ask for money from sub-contractors, units in charge of construction, clients and other relevant firms or workers.

9. SOCIAL WELFARE

CBMI positively implemented the UNGC views, supporting the economic construction, social development and environmental protection cause of the poverty-stricken areas where the company's headquarters located. The company donated a total of 100,000 yuan to Xinlizhuang Village of Yangguanlin Town and Liangzhuangzi Village of Xijuntun Town in Fengrun District, Tangshan.

In 2013, after the M7.0 earthquake in Lushan County, Yaan City of Sichuan Province, the Xinjiang, Russian FER, Azerbaijan and Benin projects proactively raised money for the disaster area.

In the year of 2012, Benin project provided assistance or aid in construction of an elementary school for local community, and the project consistently improved the education environment. On December 23 of 2013, the project donated study materials to the teachers and students in the school. President Boni Yayi visited the school during his visit to the project and praised CBMI for the distribution to local education.

On December 23 of 2013, the day before Christmas Eve, Benin project donated bags, notebooks and school uniform to the school. Bulgaria project donated 1200 BGL to open local school and helped disabled complete one journey. In 2013, the project also invited local

primary students to join in the Spring Festival, and the students gave the project the 12 Chinese zodiac their draw as a gift. The charity of the project was praised by local community.

10. OUTLOOK 2014

In 2014, CBMI will further implement the United Nations Global Compact’ s Ten Principles, continuously boost the work of social responsibility fulfillment, improve the compiling quality of annual report and enhance the engagement with stakeholders.

10.1 ENHANCING EMPLOYEE’ S SOCIAL RESPONSIBILITY AWARENESS

Firstly, to actively participate in the annual appraisal activities for best social responsibility practices, annual meeting, yearbook compiling and other activities held by the United Nations Global Compact and its China Network.

Secondly, to continuously invite the experts of the United Nations Global Compact to conduct special–topic training.

Thirdly, to carry out research work on “social responsibility culture,” and conduct in–depth publicity and inspection to social responsibility work of overseas projects.

10.2 STRENGTHENING ENERGY–SAVING AND EMISSION CUT MANAGEMENT

In 2014, CBMI will continue to strengthen the management of energy–saving, emission reduction and environmental protection, and the goals of environment management quality improvements in the next year are as follows:

Target item	Target value of 2014	Task fulfillment of 2013
Equipment utilization rate	$\geq 97\%$	84%
Serviceability rate of equipment	90.5%	97%
Total client satisfaction degree	88%	87%
Itemized client satisfaction degree		85%
Contract fulfillment rate	100%	100%
Energy-saving and control rate of commonalities and equipment	$\leq 5\%$	5%
Training coverage rate	100%	100%
Publicity rate of energy-saving and emission cut	100%	100%
Paper consumption	1%–2%	2%

decrement rate		
Electricity (water) consumption decrement rate	1%–2%	1.1%
Utilization rate of rolled steel	≥97%	96.55%

10.3 IMPROVING REPORT COMPILING

Firstly, to establish annual report compiling group, perfect the compiling body, enhance professional training, continuously enlarge the influence of social responsibility ideas both inside and outside of the company, and promote the social responsibility practice and management work.

Secondly, to continuously carry out report assessment work, enhance the social responsibility awareness and improve reporting quality.

Thirdly, to increase the communication channels of the annual report and enlarge its communication scope.

APPENDIX

APPENDIX I: THIRD PARTY ASSESSMENT

I have carefully read the Social Responsibility Report 2013 of CBMI Construction Co., Ltd (hereinafter referred to as “the Report”), and hereby made the following comments:

In the completeness, materiality and responsiveness respect, the Report meets the requirement of an international CSR report, and it is a high quality report.

The Report released the CSR management, performance and events of CBMI Construction Co., Ltd (hereinafter referred to as “CBMI”) in the year of 2013. The Report made a complete framework and structure, releasing information in six issues – responsible management, marketplace, environment, OHS, anti–corruption and bribery and philanthropy.

The Report accounted the operation features of building materials industry and issues stakeholders concerned, recognized and released the material issues in performance in accordance with *the United Nations Global Compact in terms of Communication on Progress (COP)*.

As to the issued stakeholders concerned, the Report made an objective response, which I think the Report is responsive.

As a pioneer in pursuing excellent corporate citizenship in domestic building materials industry, CBMI described their environment impacts and performance in detail in the Report. I am glad to see that CBMI is playing a leading role in energy saving and emission reduction and proactively dealing with environment protection with community and society.

As a model of “going out” , CBMI put emphasis on supporting communities overseas, employment localization, protecting local workers’ right in the Report. I am full of confidence in CBMI’ s business success because of their awareness of responsibility, attitude of integrity and culture of inclusiveness

As the development and maturity of CBMI’ s CSR management system, I hope CBMI can improve their CSR code of conduct, and ensure the implementation of the conduct by training, executing, monitoring and communicating system.

I believe that CBMI have a brilliant future in promoting CSR implementation and sustainability as a leader in internationalization strategy.

张晓

Chairman, Provalue Management Consultancy Corporation

Executive Member, China Institute of Strategy & Management

Executive Director, China Strategy Research Center of CSR in Building Material Industry

APPENDIX II: FEEDBACK

Name		Working organization	
Topics involved in feedback suggestions			
Feedback contents			
Seal/ signature	<p>Signature (or official seal of the working organization):</p> <p>Date: MM/DD/YY</p>		

