



2016

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT



FEISHANG

Feishang Anthracite Resources Limited
飛尚無煙煤資源有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 1738

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

INTRODUCTION

This is the first Environmental, Social and Governance (“**ESG**”) report published by Feishang Anthracite Resources Limited (the “**Company**”, together with its subsidiaries, the “**Group**”). The contents of this report comply with the requirements of the ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

To operate as a responsible energy corporation has always been a core value of the Company, for we believe people, community, society and the environment are all precious assets to our life, and we do hold them dear to us. We strive to maintain outstanding standards and best practices in every aspect, as we believe it is the only key to long-term success, for us and for our future generations.

We have established a corporate social responsibility committee whose primary purpose is to assist the board of directors (the “**Board**”) in reviewing the policies and overseeing the issues with respect to corporate social responsibility of the Group. Our corporate social responsibility committee consists of two executive directors, Mr. Wan Huojin and Mr. Han Weibing, and one independent non-executive director, Mr. Hu Yongmin. Mr. Hu Yongmin is the chairman of the committee.

REPORTING PERIOD AND SCOPE

The scope of this report includes the activities and data from our offices in Hong Kong, Shenzhen and manufacturing facilities in Guizhou, the People’s Republic of China (the “**PRC**”). The reporting period is from 1 January 2016 to 31 December 2016 as per the financial period of our Annual Report 2016. In relation to the information regarding corporate governance, please refer to the Corporation Governance Report contained in the Annual Report 2016.

ENVIRONMENTAL PROTECTION

The Group believes that environmental conservation and protection is necessary and endeavours to comply with environmental laws, rules and regulations relating to, among others, gas and water emissions, hazardous substances and waste management, and promotes awareness towards environmental protection to the employees.

The Group is also committed to environmental protection in its operations and has made financial commitments towards the construction of environmental protection facilities and the establishment of an environmental protection management and monitoring system.

The system for managing environmental issues should include (i) measuring and reporting on the Group’s environmental impact; (ii) seeking to improve the impact of our operations upon the environment; and (iii) taking a precautionary approach to environmental matters such as by conserving natural resources and energy consumption and reducing waste.

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Emissions and Wastes

It is our policy that air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterised, monitored, controlled and treated as required prior to discharge.

All types of waste, including water and energy, should be reduced or eliminated at source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.

Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be monitored, controlled and treated as required prior to discharge or disposal.

Chemical and other materials posing a hazard if released to the environment are to be avoided if possible. If this is not possible they are to be identified and managed to ensure their safe handling, storage, recycling or reuse and disposal.

In 2016, the Group has established a sewage treatment system, a domestic water treatment system and purchased equipment for noise reduction and dust removal.

The Group has not been subject to any material claim or penalty in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The Group has been in compliance with the relevant PRC and Hong Kong laws and regulations in all material aspects during 2016.

For the year ended 31 December 2016, the air emissions including nitrogen oxide, sulphur oxides and particulate matter were mainly produced from the company vehicles, which all weigh less than 2.5 tonnes.

Nitrogen Oxide (NOx)	1,144.48 Kg
Sulphur Oxide (SOx)	2.28 Kg
Particulate Matter (PM)	109.66 Kg

The main sources of the Group's greenhouse gas emissions were from Scope 1 (direct emission from both the stationery and the mobile combustion sources) and Scope 2 ("energy indirect" emission from the acquired electricity) emissions.

	Total Greenhouse gases (CO2 and CO2 equivalent) emissions	Intensity (per ton of coal)
Scope 1	1,667.1 tonnes	1.12 kg
Scope 2	22,223.52 tonnes	14.95 kg

There was no major hazardous waste in our production. In 2016, in order to meet the demands of power plants and other customers with lower coal specification, the Group blended raw coal, lignite (the by-product of coal washing), middling coal and coal residue stone. Literally all the produce was sold, and there was no major non hazardous waste in our production.

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Use of Resources

The Group aims to follow the principle of “Recycling and Reducing”, has set up an ‘Energy Saving and Waste Reduction Team’ which is led by the general manager of Guizhou Puxin Energy Co., Ltd. and the chief of each coal mine, and communicates the policy to the employees in order to raise the employees’ awareness on resources conservation.

The Group has implemented green office practices such as encouraging double-sided printing and copying, promoting the usage of recycled paper and reducing energy consumption by switching off idle lightings and electrical appliances.

In the production facilities, between 30%-60% of the light bulbs were changed to LED light bulbs, depending on the locations, for electricity saving purpose. In addition, variable-frequency conveyor belts are being used and the Group has installed energy saving equipment in the power supply system of the coal mines.

There is no issue in sourcing water. As water is essential to communities, we actively promote water conservation in our daily operation. There is routine checking on pipes and tanks to avoid leakage and employees are encouraged to report on any such cases for prompt repair actions.

Total electricity consumption for 2016 was 32,692,225.9 kWh, and the intensity was approximately 21.99 kWh per ton of coal produced. Total water consumption for 2016 was 406,630 litres, and the intensity was approximately 0.27 litre per ton of coal produced. As for the packaging materials, paper was used. Total paper used for 2016 was 2.256 tonnes, and the intensity was approximately 0.00151761 Kg per ton of coal produced.

Managing significant impact on the environment and natural resources

Our mining operations seek to ensure that waste gas, wastewater and industrial residue are disposed of in accordance with the relevant legal requirements of the PRC to minimise the impact on the environment. In addition, we are required by PRC law to reclaim and restore mining sites to their prior condition after completion of mining operations. Reclamation activity typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, the restoration of land features in mined-out areas, dumping sites and other mining areas, and the contouring, covering and re-vegetation of waste rock piles and other disturbed areas.

For pollution prevention and control, it is our policy that domestic and industrial wastewater at the coal mines be treated to reach the national required standards before discharge, which are the Class II Standard as per the “Wastewater Discharge Standard”(GB8978-1996) and “Coal Industry Pollutant Discharge Standard” (GB20426-2006) respectively. Such treated water will also be used for suppressing dust in the mines and for other purposes such as watering plants.

Any collection of solid waste and hazardous materials shall be carried out in a centralized way following an internal procedure with the approval of the department head and handled by specific personnel.



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Procurement management

As for the procurement of supplies, materials and equipment, the procurement manager shall consider the following factors, where appropriate to minimise the impact on the environment:

- minimal use of virgin material in the product;
- replacement of disposables with reusables or recyclables;
- minimal environmental impact from the entire product or service life cycle;
- minimal packaging or elimination of packaging;
- reduced energy/water consumption;
- toxicity reduction or elimination;
- avoiding single-use disposable items; and
- preference given to materials of high recyclability.

EMPLOYMENT AND LABOUR PRACTICES

Employment

Compensation, Benefits and Dismissal

We recruit our employees based on a number of factors such as their industry experience in the coal mining industry, their educational background, and capabilities.

Our employees are employed under employment contracts that set forth, among other things, the employee's responsibilities, remuneration and grounds for termination of employment.

It is the Group's policy that all employees must have written contracts that comply with the relevant laws and regulations. We must provide each employee with at least the local minimum wage and benefits prescribed by the relevant laws. We must pay employees promptly, regularly, on time and be fair in respect of work performance.

The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme.

The emolument policy of the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are determined by taking into account the Group's operating results, individual performance and comparable market statistics.

We have systematic procedure to conduct performance appraisal annually. Basically, employees' seniority and performance are the two foundations for promoting staff members, which reflects an objective and fair process to retain our talents.

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Working Hours, Rest Periods and Paid Leaves

It is our policy that working hours must not exceed the legal limit, and should be modified where relevant to reflect any particular hazards or risks of the work being done. Employees should be properly compensated for overtime according to the law and within legal working hour limits. There is rest period in each work day. Employees should be granted their stipulated annual leave, sick leave, maternity or paternity leave and other types of leave in accordance with the relevant laws and regulations.

Anti-discrimination, equal opportunity and diversity

The Group actively promotes a diverse workplace where people from diverse backgrounds are valued and respected. Our policy is non-discriminatory on the basis of race, colour, national or ethnic origin, gender, sexual orientation, religion, disability, age, cultural background, social group, marital status, family status or other factors conforming to applicable labour laws.

We have complied with the applicable labour laws and regulations in all material aspects during 2016.

Health and Safety

Safety of our employees is always the Group's central concern and is the core of our mission. One of our approaches is to create a strong culture of safety, by implementing high safety standards and by providing appropriate training and education to our employees. We care about our employees and their families, and therefore strive to protect them by providing a safe and healthy working environment.

The key points of our policies are:

- to promote the general health of employees;
- to reduce work-related injury and illness;
- to ensure information regarding health and safety systems and standards are made readily available to employees in appropriate language(s); and
- to ensure that employees are aware, through newsletters, training or other effective and frequent means of communication, of our obligations with regard to site safety and their own obligations of ensuring the safety of themselves and other employees.

Safety Measure

The Group is committed to maintaining high safety standards at the coal mines, such as providing a safe working environment at coal mines, providing appropriate protective gears at work, conducting regular safety training sessions for employees, including mine managers, methane inspectors, blasters, electricians, coal miners and other workers, to improve their safety awareness and knowledge, and arranging annual occupational health examinations, periodic job rotations and annual leave for employees.



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The Group has implemented a six-part safety system at operating coal mines which consists of the following components: an electronic safety monitoring system; a wireless tracking system that tracks the location of underground workers; emergency exits; emergency water supplies; emergency underground communication equipment; and compressed air stations that provide emergency underground oxygen supplies.

The Group has not been subject to any material claim or penalty in relation to health and work safety and has been in compliance with the relevant PRC and Hong Kong laws and regulations in all material aspects during 2016.

Development and Training

To ensure the quality of our employees at all levels, employees of the Group are encouraged to attend training and development courses to acquire the more knowledge and skills.

Our mining employees receive training through orientation training sessions as well as on-the-job training by our more experienced technical personnel. Moreover, our coal mine managers receive additional technical and managerial training, and we offer certain of our employees the opportunity to attend external training sessions held by colleges and governmental organizations.

Training includes:

- periodic safety training for all employees;
- periodic training, examinations and certifications for special skills workers in the mines; and
- periodic safety training provided by the provincial government. The attendees are the legal representative of the company (公司法人) and “The Five Chiefs of the Mine” (五職礦長) referring to the chief of the coal mine, chief engineer, deputy chief of mine safety, deputy chief of production and deputy chief of electrical and mechanical engineering. After passing the examinations, the attendees will be awarded the “Certificate in Safe Production” by the provincial government.

Labour Standards

We believe in a no forced labour and child labour policy.

It is the Group’s policy not to use forced, coerced, bonded, or indentured, or involuntary prison labour in any form. All work, including overtime work, shall be voluntary. Employees are free to leave employment upon giving reasonable notice. We do not require employees to hand over government-issued identification, passports or work permits as a condition of employment.



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It is our policy not to employ any person under the local legal minimum employment age, or employ any person in a manner which conflicts with completion of their compulsory schooling, or employ any person below the age of 16 years on a full-time basis (unless part of a professional apprenticeship program approved by local laws). Additionally, all young employees must be protected from performing any work that is likely to be hazardous, or likely to interfere with the employees' education, or that may be harmful to the employees' health, or development. It is the Group's policy to adhere to legitimate workplace apprenticeship programmes and comply with all laws and regulations governing apprenticeship programmes.

The Group has been in compliance with relevant laws and regulations and has not been assessed any fines or penalties with regard to child labour and forced labour during 2016.

OPERATING PRACTICES

Supply Chain Management

We all have a responsibility to look after the natural environment both for the present and the future. All stages in our supply chain shall comply with and preferably exceed applicable national and legal environmental requirements.

The major suppliers for the Group's mining operations include third party contractors and suppliers of ancillary materials used in the mining operations.

It is our policy that preference should be given to suppliers which have:

- a policy stating their sustainability values and commitments;
- sustainability certificates or awards;
- sustainability management systems or quality management systems that incorporate environmental and social considerations; and
- full compliance with the Group's supplier code of conduct (the "Code") and all applicable environmental and social regulations and legislation.

We work with our own service providers and subcontractors to ensure that they also strive to meet the principles of the Code and/or have their own supplier code of conduct.



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Product Responsibility

Superior performance, quality and safety of our products are our commitment to our customers, which enables us to strengthen the Group's reputation, maintain a good relationship with our customers and ensure our leading position in the industry.

It is the Group's policy to comply with all relevant laws and regulations to ensure consistency of our products. The Group uses strict quality control at all stages of product development, production and distribution. To ensure that the Group's anthracite coal meets the requirements of the customers, the Group has established three laboratories to test the coal quality. The staff in the laboratories are responsible for monitoring anthracite coal production process, conducting inspection and testing of anthracite coal, and performing onsite inspections at our coal mines.

As for advertising and marketing policies, we are committed to a responsible approach to communication. It is the Group's policy to adhere to internal verification process for information used in advertising and promotion and to ensure that our advertising and promotional materials are backed by past performance and relevant data based on customer feedback or laboratory results.

The Group has been in compliance with relevant laws and regulations and has not been assessed any fines or penalties with regard to product safety, advertising, labelling and privacy matters relating to our products during 2016.

Anti-Bribery and Anti-Corruption

The Group commits to ethical conduct in doing business. It is our policy that all forms of corruption, extortion, fraud and bribery must be prohibited, including those for our own benefit or for the benefit of our relations, friends or associates.

In Jan 2014, the Group established an internal anti-fraud policy, codes of conduct and procedures to prevent all forms of bribery, corruption and fraud. This internal policy provided a clear definition of the concept of fraud and the scope of fraudulent activities including, but not limited to, accepting bribes and rebates and expenditure for improper purposes such as payment of bribes and rebates.

It is our policy that anti-fraud policies and procedures and related measures shall be communicated in a variety of ways within the Group (through employee handbooks, company rules and regulations, publicity or local area network) to ensure that employees receive access to relevant laws and regulations, receive business ethics training, understand the concepts involved in the code of conduct; and be able to differentiate between illegal and ethically-sound behaviours. All employees must be aware of the Company's serious attitude towards fraud prevention and the employees' own responsibility for anti-fraud.

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The Group assesses the risk of fraud and establishes specific control mechanisms to reduce the occurrence of fraud, mainly through the following means:

- 1) fraud risk assessment is included when the management conducts an enterprise risk assessment at the beginning of each year. Management is required to identify and assess fraud risks at the corporate level, business unit level, and major account level, and to assess the importance and likelihood of fraud, including risk. These assessments also include false financial reports, misappropriation of company assets and unauthorized or inappropriate revenues or expenses, and an assessment of the risk of fraud, including senior management or the Board;
- 2) the Audit Committee assists the Board in monitoring the risk exposures, the design and operating effectiveness of the relevant risk management and internal control systems and will then report to the Board after properly reviewing relevant procedures. The Group does not maintain its own internal audit team due to cost-saving reason but the internal audit team of the Group's related party is shared with the Group to assist the Audit Committee to review the effectiveness of the Group's risk management and internal control systems;
- 3) the implementation of control measures to reduce the occurrence of fraud opportunities such as integrity and anti-fraud training to new employees as well updated training to existing employees;
- 4) establishing a channel for real-name or anonymous reporting on fraudulent activities; and
- 5) requiring our suppliers to disclose to us immediately any situation that may appear as a potential material conflict of interest. They are also expected to disclose if any of our officials or consultants working with the Group has a material interest of any kind in the supplier's business or any kind of economic ties with the supplier.

Employees are expected to observe a high standard of ethical, integrity and professional conduct. The Group has adopted a whistle-blowing policy. The Audit Committee meets regularly with the Company's senior management to consider the effectiveness of internal controls and risk management of the Company. As far as the Group is aware, there were no fraudulent practices brought to the Group's attention during the year.

The Group abides by the Anti-Unfair Competition Law of the PRC, the Interim Provisions on Prohibiting Commercial Briberies, the Anti-Money Laundering Law of the PRC and other laws and regulations that call for integrity and ethical conducts in operating a business.



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Community Responsibility

We are keen to nurture strong and long-lasting relationships with the communities in our neighbourhoods. On one hand, we aim to minimize negative environmental and social impacts of our operations on our neighbourhoods; and on the other hand, we proactively seek opportunities to contribute to them by supporting a wide range of social projects and activities that would mutually benefit both the Company and local communities. The Group cares about the disadvantaged groups and supports charity work.

In 2016, we took part in the following community work: -

- in response to the modernization of rural area in the PRC, we participated in the building of Socialist New Villages (社會主義新農村) near our coal mines;
- during traditional festivals, we visited the villagers in our neighbourhood in particular those families going through a time of hardship and those in the disadvantaged group called the “Five Guarantees” (五保戶). They are the elderly, the handicapped and minors in the rural areas without the ability to work and with no source of income;
- we carried out cultural activities with the local government on certain festivals; and
- we held a basketball game to enhance friendship with the villagers and spent RMB80,000 for the construction of a basketball court to enhance the recreational facility for the villagers in Jinsha county, Guizhou.