



**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

**2017 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

## INTRODUCTION

This is the second Environmental, Social and Governance (“ESG”) report published by Feishang Anthracite Resources Limited (Stock Code: 1738) (the “Company”, together with its subsidiaries, the “Group”). The content of this ESG Report has been prepared in compliance with the requirement of the Environmental, Social and Governance Reporting Guide 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 our Company, as we believe that people, community, society and the environment are all precious assets to our life, and we therefore place them in high regard. We strive to maintain outstanding standards and best practices in every aspect, as we believe it is the only key to long-term success, both for us and our future generations.

We have established a corporate social responsibility committee whose primary purpose is to assist the board of directors (the “Directors”) of the Company (the “Board”) with reviewing and overseeing the policies and issues surrounding the 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 Yongming. Mr. Hu Yongming is the chairman of the committee.

Based on the comments from the corporate social responsibility committee, the Board has evaluated the ESG risks to be low as the Group complies with all relevant laws and regulations. The Board is determined to continuously improve the ESG performance and reporting. In 2017, stakeholders’ engagement was conducted by means of questionnaires sent through email to assess the substance of the ESG risks from stakeholders’ perspective. Furthermore, comparative figures and explanations are given in the environmental data. The Board is determined to strengthen the internal control systems to ensure a high standard of ESG performance is achieved.

## 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 2017 to 31 December 2017 (the “Reporting Period”) as per the financial period of our Annual Report 2017. In relation to the information regarding corporate governance, please refer to the Corporation Governance Report contained in the Annual Report 2017.

## STAKEHOLDER ENGAGEMENT

In order to better understand the preferences of the stakeholders, several major stakeholders of the Company were asked for their priorities on the reporting items in the ESG report. The stakeholders include customers, suppliers, and Company’s employees at various levels, who were all selected to provide their comments by means of questionnaires. The questionnaires set out 11 aspects of the ESG report and stakeholders were asked to rank the aspects that concerned them the most and provide their reasoning. The results show that “Environmental Protection”, “Product Liability”, “Employee Benefits” and “Anti-corruption” are of most concern to the stakeholders as these are the fundamental elements for sustainable business. The Company aims to continue improving these areas to satisfy stakeholders’ needs.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### A. ENVIRONMENTAL

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. Those laws, rules and regulations include Environmental Protection Law of the PRC, Mineral Resources Law of the PRC, and the Procedures for the Registration of Mining of Mineral Resources, etc. The Group also promotes awareness of environmental protection to its 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 conserving natural resources and reducing energy consumption and waste.

#### A1 Emissions

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 2017, the Group built a sewage treatment system and a domestic water treatment system. The Group also 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 the generation of hazardous and non-hazardous waste. The Group has been in compliance with relevant PRC and Hong Kong laws and regulations, such as Air Pollution Control Ordinance of Hong Kong and Atmospheric Pollution Prevention and Control Law of the PRC, in all material aspects during the Reporting Period.

For the year ended 31 December 2017, the air emissions, including nitrogen oxide, sulphur oxides and particulate matter, were mainly produced from the Company's vehicles, which all weigh less than 2.5 tonnes.

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<b>Air Emissions</b>	<b>2016 (approx.)</b>	<b>2017 (approx.)</b>
Nitrogen Oxide (NO <sub>x</sub> )	96.60 kg	57.22 kg
Sulphur Oxide (SO <sub>x</sub> )	2.28 kg	1.46 kg
Particulate Matter (PM)	7.11 kg	4.21 kg

For the total greenhouse gas emissions, the emission from Scope 1 (direct emissions from both the stationary and the mobile combustion sources) and Scope 2 (indirect energy emissions from the acquired electricity) are set out below:

### Scope 1 CO<sub>2</sub> equivalent emissions generated from:

	<b>2016</b>	<b>2017</b>
Carbon dioxide (CO <sub>2</sub> )	1,600.96 tonnes	2,285.40 tonnes (Note)
Methane (CH <sub>4</sub> )	1063.35 kg	921.45 kg
Nitrous oxide (N <sub>2</sub> O)	54,249.74 kg	35,744.75 kg

### Total Greenhouse Gas Emissions and intensity:

	<b>2016</b>	<b>2017</b>
Scope 1	1,656.27 tonnes	2,322.07 tonnes (Note)
Intensity (per ton of coal produced)	1.11 kg	1.17 kg
Scope 2	22,223.52 tonnes	28,032.62 tonnes
Intensity (per ton of coal produced)	14.95 kg	14.09 kg

Note: The increase in emissions in 2017 compared with 2016 was mainly due to the increase in the production of coal during the Reporting Period. The intensity data, however, remained similar to the 2016 levels, which indicated that the control of emissions was effective.

There was no major hazardous and non-hazardous waste in our production. In 2017, in order to meet the demands of power plants and other customers with lower requirement on coal specifications, the Group blended raw coal, lignite (the by-product of coal washing), middling coal and coal residue stone. Almost all the products were sold, and there was no major non-hazardous waste in our production.

### A2 Use of Resources

The Group aims to follow the principle of “Recycling and Reducing”, and 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 their awareness of resource 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.

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In the production facilities, between 30%-60% of the light bulbs were changed to LED light bulbs, depending on the locations, for electricity saving purposes. 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 operations. There is routine checking of pipes and tanks to avoid leakage and employees are encouraged to report any such cases for prompt repair actions.

Use of resources	Unit	2016 (approx.)	2017 (approx.)
Electricity	kWh	32,692,226	42,687,101
Electricity intensity	kWh per ton of coal produced	21.94	21.45
Water	Cubic meter	406,630	600,600
Water intensity	Cubic meter per ton of coal produced	0.27	0.30

Consumption of water and electricity increased compared with 2016, which was mainly attributable to the increase in the production of coal during the Reporting Period.

As for the packaging materials, paper was the main material used.

Packaging material – Paper	2016 (approx.)	2017 (approx.)
Consumption	2,256 kg	1,800 kg
Intensity (per ton of coal produced)	0.0015 kg	0.00090 kg

### A3 The Environment and Natural Resources

Our mining operations seek to ensure that waste gas, wastewater and industrial residue are disposed of in accordance with relevant legal requirements of the PRC, such as the Law of the PRC on the Prevention and Control of Water Pollution, 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 meet 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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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 of disposable items
- preference given to materials of high recyclability

### B. SOCIAL

#### EMPLOYMENT AND LABOUR PRACTICES

##### B1 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 employment contracts as per the PRC Labour Contract Law. We provide each employee with at least the local minimum wage and benefits and pay employees promptly, regularly, on time and fairly 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 for the employees of the Group is based on merit, their 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.

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We maintain systematic procedures to conduct performance appraisals annually. Employees' seniority and performance are the two foundations for promoting staff members, which reflects an objective and fair process to retain our talents.

### *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 are granted their stipulated annual leave, sick leave, maternity or paternity leave and other types of leave in accordance with 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 PRC Labour Law and the PRC Labour Contract Law in all material aspects during the Reporting Period.

### **B2 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. During the Reporting Period, we fully complied with the Work Safety Law of the PRC and the Regulations on Occupational Injury Insurance.

The key points from 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).
- 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.

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### *Safety Measures*

The Group is committed to maintaining high safety standards at the coal mines by providing a safe working environment at coal mines; providing appropriate protective gear 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.

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 the Reporting Period. Those laws and regulations include the Work Safety Law, the Mine Safety Law and the Regulations on Occupational Injury Insurance of the PRC and the Occupational Safety and Health Ordinance of Hong Kong.

### **B3 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 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 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 skilled workers at the mines.
- 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), who are the chief of the coal mine, the 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.



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### B4 Labour Standards

We believe in a no forced labour and no 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.

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 programme 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 the PRC Labour Law and the Regulations on the Administration of Housing Fund, and has not been assessed for any fines or penalties with regard to child labour and forced labour during the Reporting Period.

## OPERATING PRACTICES

### B5 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 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.
- 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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### B6 Product Responsibility

Superior performance, quality and safety of our products are our commitment to our customers, enabling 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 applies 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 the anthracite coal production process, carrying out inspections 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 an 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 the PRC Product Quality Law and has not been assessed for any fines or penalties with regard to product safety, advertising, labelling and privacy matters relating to our products during the Reporting Period.

### B7 Anti-Bribery and Anti-Corruption

The Group is committed to ethical conduct when 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, public or local area networks) to ensure that employees have 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.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

- 1) fraud risk assessment is included when 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 the effectiveness of the Group's risk management and internal control systems. The Group does not maintain its own internal audit team for cost-saving reasons but the internal audit team of the Group's related party is shared with the Group to assist the Audit Committee with reviewing 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 as updated training to existing employees.
- 4) establishing a channel for real-name or anonymous reporting on fraudulent activities.
- 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 and professional conduct and integrity. 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 Reporting Period.

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 conduct in operating a business.

### B8 Community Investment

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

In 2017, we took part in the following community work:

- We sponsored different schools for scholarship and education related activities.
- In order to help solve the drinking water problem at Ba Yi Village, we donated CNY1.3 million to support the construction of a water pipe project.
- In view of the needs during winter, we donated coal to the elderly of the disadvantaged group called the “Five Guarantees” (五保戶) and sold coal at a discounted price to selected disadvantaged villages.
- We carried out cultural activities with local governments for certain festivals.
- We continued to support various construction projects in local communities to improve their well-being.