



中國罕王控股有限公司
CHINA HANKING HOLDINGS LIMITED

罕王
HANKING

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03788

ENVIRONMENTAL, SOCIAL &
GOVERNANCE REPORT

2017







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1. About this report

1. About this report

This report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (the “**Listing Rules**”) – “Environmental, Social and Governance Reporting Guide”. All information herein reflects the performance of China Hanking Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) in respect of environmental management and corporate social responsibility from 1 January 2017 to 31 December 2017, which is available for public use to enhance transparency and increase the confidence and understanding of the stakeholders toward the Group. This report covers the iron ore business in the PRC (“**Iron Ore Business**”), nickel business in Indonesia (“**Nickel Business**”) and other business in Australia (“**Australian Business**”) (as the Australia SXO Gold Project was disposed in March 2017, this report only includes other Australian Business) owned by the Group. The information contained in this report is compiled based on the measures taken, policies adopted and the relevant information provided by the key members of the management of the Group.



The Company was incorporated in the Cayman Islands on 2 August 2010, and was listed on the Hong Kong Stock Exchange on 30 September 2011, stock code: 03788. The Group is engaged in the exploration, mining, processing, smelting and selling of mineral resources. Upholding the core value of “people-oriented and business integrity”, the Group actively performs the enterprises’ social responsibilities.

This report is prepared in both English and Chinese versions and is available on the websites of the Company and the Hong Kong Stock Exchange (the HKEXnews). Should there be any discrepancy between the English and the Chinese versions, the Chinese version shall prevail. If you have any doubts or suggestions regarding this report, please contact us at any time, which will enable us to continuously improve our ESG practices. Our contact details are as follows:



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2. Responsibility of the Board

The board of directors of the Company (the “**Board**”) has set up the multi-level health, safety, environmental protection and community organization from the Board to the production workshops at each mine. The Health, Safety, Environmental Protection and Community Committee under the Board is responsible for leading the works regarding health, safety, environmental protection and community across the Group, including establishing dedicated management organizations under the operation headquarters of iron ore and nickel businesses to manage issues regarding health, safety, environmental protection and community within each business segment, and establishing relevant enforcement organizations and appointing full-time and part-time staff for each mine and their respective production workshops to enforce and supervise the implementation of relevant policies, while the Company guides and supervises mines. In 2017, the health, safety, environmental protection and community committee organizations of each business segment were further improved, forming an organization featured with definite responsibilities and effective supervision.

The Board confirms that the Group has complied with the “comply or explain” and the proposed disclosure provisions set out in the Environmental, Social and Governance Reporting Guide. The environmental, social and governance measures taken by the Group are appropriate and effective during the reporting period.





Iron Ore Business

CHINA

Nickel Ore Business

INDONESIA

Australian Business

AUSTRALIA



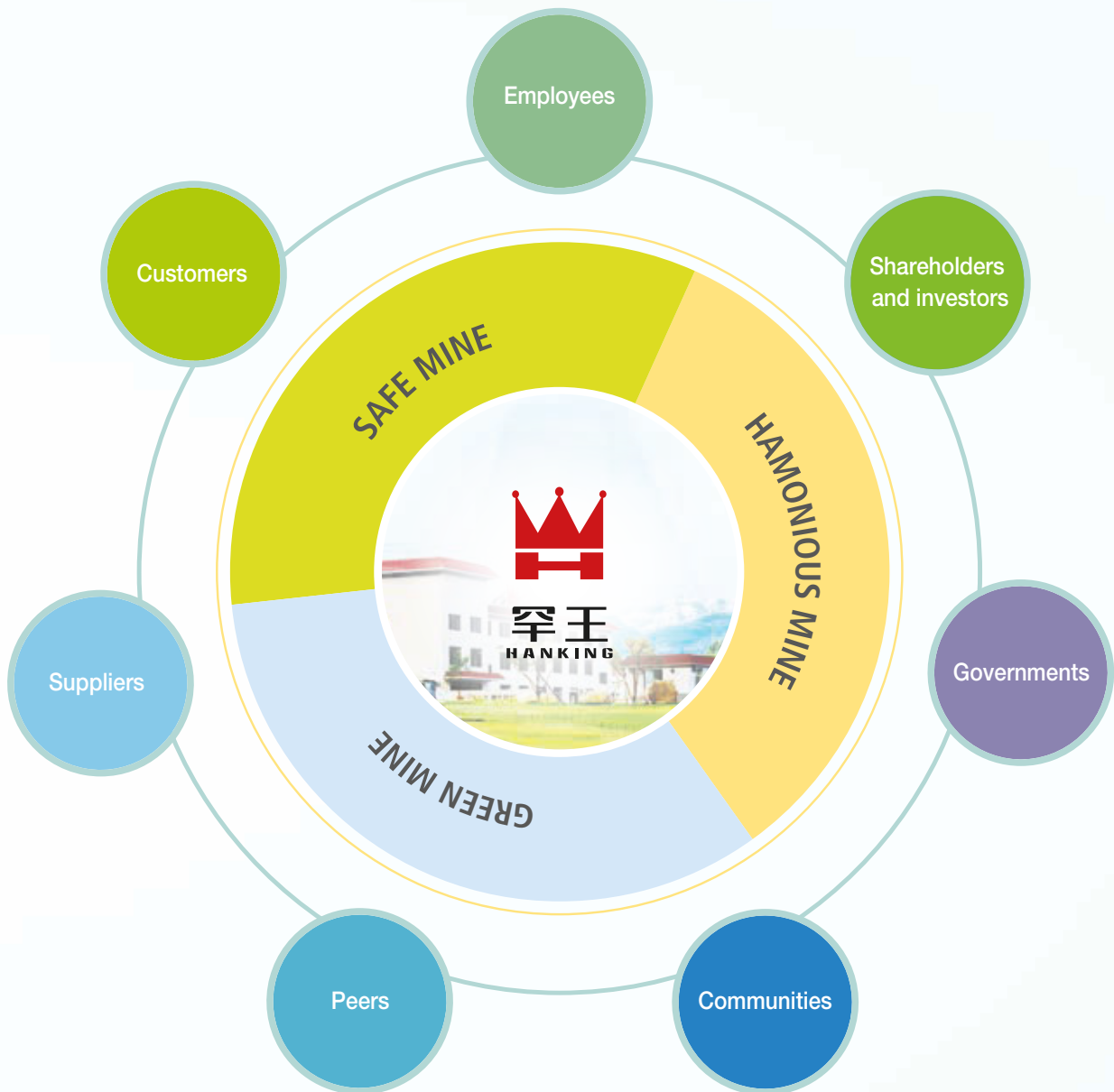
2. Responsibility of the Board





3. Stakeholders' Engagement

The Company is committed to creating a win-win community for all parties. We identify stakeholders as individuals or organizations that interact with the Group and are influenced by, and have an influence on or have a vested interest in the Group. The stakeholders of the Group include not only internal stakeholders such as the employees, but also external stakeholders such as our shareholders and investors, customers, suppliers, peers, communities and governments.



3. Stakeholders' Engagement

The Group aims to maintain open and effective communication with stakeholders to achieve the maximum of social integrated benefits (including the maximum of enterprise earnings). Going forward, the Group will maintain and promote the communication with the stakeholders and collect their opinions extensively through various forms, optimizing the substantive analysis. Meanwhile, the Group will also adopt a more quantitative, balanced and consistent reporting principles to present the content and information of the report.

Communication with Key Stakeholders of the Company in 2017		
Stakeholders	Key interests	Ways of engagement and communication
Shareholders and investors	<ul style="list-style-type: none"> Planning and development Business continuity planning Corporate operational issues Financial position Ethics and integrity 	<ul style="list-style-type: none"> Annual & interim reports Press, announcements General meetings Investor communication sessions On-site visits
Customers	<ul style="list-style-type: none"> Planning and development Business continuity planning Service commitment Market information Product quality Legal compliance Ethics and integrity 	<ul style="list-style-type: none"> Regular visits and follow-ups Company's website and promotional materials
Suppliers	<ul style="list-style-type: none"> Business continuity planning Legal compliance Financial position Corporate governance and internal control Anti-corruption Occupational health and safety 	<ul style="list-style-type: none"> Open tendering On-site visits Fairs
Employees	<ul style="list-style-type: none"> Remuneration and welfare Employment Development and training Occupational health and safety Labor standards 	<ul style="list-style-type: none"> Labor union activities Employees' activities Training and learning activities Staff meetings Face-to-face communication
Peers	<ul style="list-style-type: none"> Market information Company development Business continuity and strategic planning Corporate operation Financial position 	<ul style="list-style-type: none"> Seminars Exchange visits Industry organization conferences

Communication with Key Stakeholders of the Company in 2017		
Stakeholders	Key interests	Ways of engagement and communication
Communities	<ul style="list-style-type: none"> Community investments Charity and donation 	<ul style="list-style-type: none"> Exchange visits between villagers and the Company Charitable assistance Volunteer service Community building activities
Governments	<ul style="list-style-type: none"> Corporate governance and internal control Market information Legal compliance Ethics and integrity Company development Sustainable development and strategic planning Financial position 	<ul style="list-style-type: none"> On-site inspections and checks Research and discussion through work conferences Work reports preparation and submission for approval





4. Environmental Protection



We care

Climate change may have a significant impact on the ecosystems, communities and local economies on which the Company relies, and may also have a direct impact on the Company's business activities. Therefore, it is an important and long-term endeavor to address the risks of climate change by improving the energy efficiency and reducing the carbon footprint in mining activities to the best of our ability, which is necessary in terms of corporate profitability and social responsibility. Maintaining the trust and respect of stakeholders and building the Company's brand on the basis of increasing profit is essential to the environment and community development that the Company cares about.

We commit

According to the Company's established goal and without disruption to our production, the Company will use cleaner and renewable energy as much as possible and apply energy-efficient technologies in new buildings and equipments, taking efficiency upgrading in energy-intensive sectors as part of the Company's future plans and educating our employees on how to minimize energy use and consumption in their daily work (A2.3).



4.1 Emissions Control and Management

The Group regards reducing and standardizing discharge of waste as one of the important tasks for an enterprise to fulfill its environmental protection responsibility, and makes efforts to reduce the generation and emission of waste by utilizing technologies and recycling. The Group has obtained the required work safety license and its emission of industrial “three wastes” has reached the required standards, which are detailed below:



Types of Emissions and Respective Emissions Data (A1.1/A1.3/A1.4)

Iron Ore Business

A physical magnetic separation process was adopted by the Iron Ore Business to produce iron ore concentrates, so no toxic substances were emitted during production. The mining operation mainly generates separated soil and stone, while the processing operation mainly generates tailing pulps. Zero emission of wastewater is achieved by recycling wastewater. Noises and dusts will be emitted during the mining and hauling operation at mine sites, as well as the crushing and machine operation at the processing plant. Off-gas will be emitted by running fuel-powered equipment.

4. Environmental Protection

Nickel Business

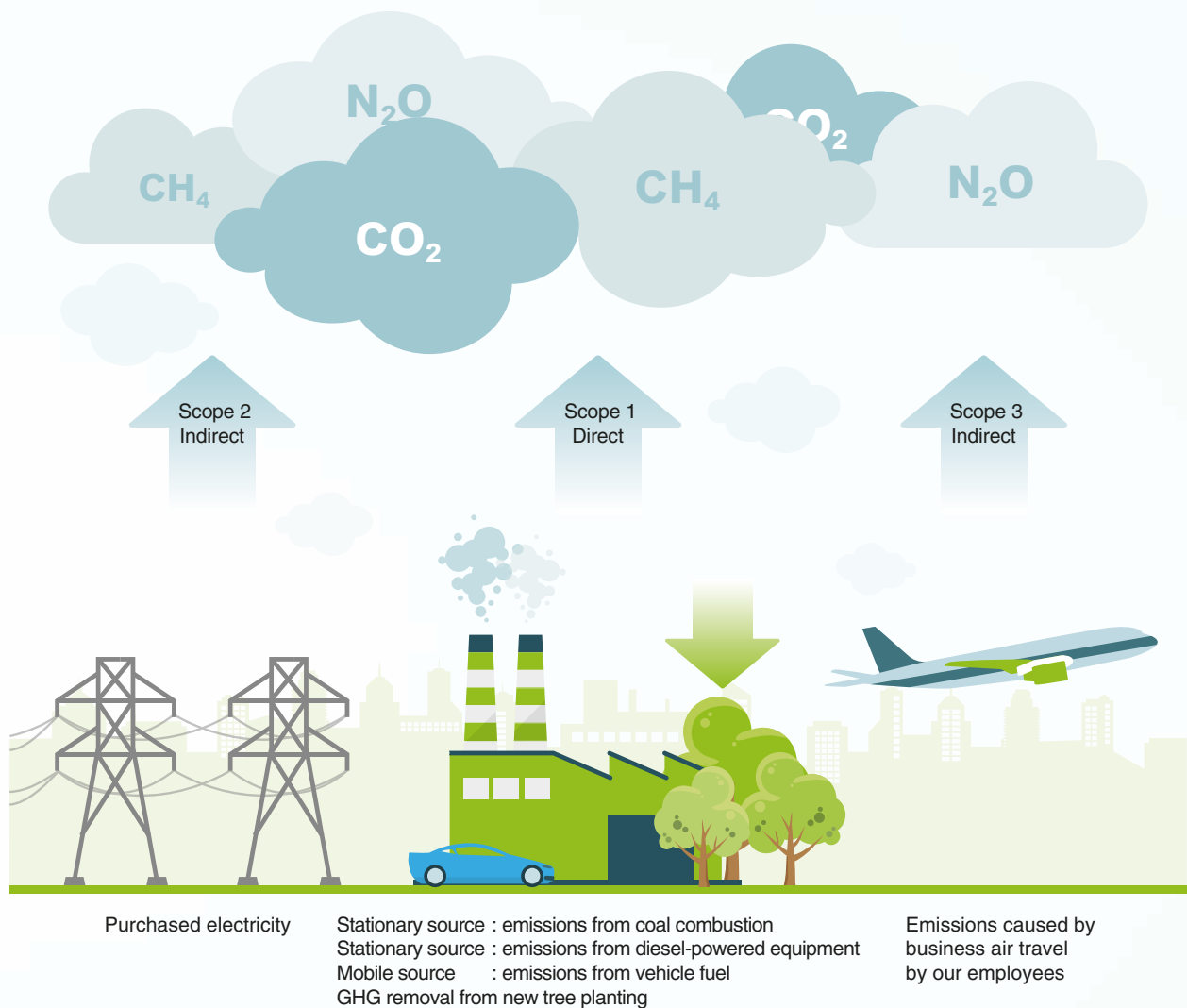
During the period from 2015 to July 2017, affected by the policy prohibiting raw ore export promulgated by the Indonesia government, production of the Nickel Business was suspended, thus the business has not generated any production emission. The cooperative mining began from August 2017, with separated soil and stone being the main emissions.

Type	Emissions	Category of pollutants	Total volume (metric tons)	Initiatives taken to reduce the emissions	
Iron Ore Business	Mining	Separated soil and stone	Non-hazardous waste	4,045,241.68	Some open-pit mining is transformed to underground mining, so that the volume of soil and stone separated will be significantly reduced.
	Processing	Tailing sand	Non-hazardous waste	3,176,410.21	Piled in the tailing ponds to be used as building materials.
		Waste water	Non-hazardous waste	0	Zero emission is achieved by recycling waste water.
Nickel Business	Mining	Separated soil and stone	Non-hazardous waste	323,300	Piled at the waste dump, which will be used for land reclamation and backfilling to reduce impact on the environment.

Analysis of greenhouse gas (GHG) emissions arising from energy consumption (A1.2)

The direct GHG emissions of the Group are mainly caused by fossil fuel consumed for production and office operation, including diesel, gasoline and coal. Indirect GHG emissions are caused by power consumed during the production process of enterprises. Other indirect GHG emissions are mainly from the emission sources of business air travel by our employees.

Sources of GHG emissions:



4. Environmental Protection

GHG emissions (A1.2)

Category	Iron Ore Business	Nickel Business	Australian Business	HQ
Scope 1 (metric tons CO ₂ e)	4,159.19	857.64	0	76.71
Scope 2 (metric tons CO ₂ e)	127,624.90	– (power generation by diesel generator units)	76.97	1,479.55
Scope 3 (metric tons CO ₂ e)	5.89	21.08	8.29	48.07
Total emissions volume of GHG (metric tons CO₂e)	131,789.98	878.72	85.26	1,604.33
Iron Ore Business Annual output of iron ore concentrates (metric tons)	1,764,000	Iron Ore Business GHG emissions per ton of iron ore concentrates (metric tons CO₂e)		0.0748
Nickel Ore Business Annual output of nickel ore (metric tons)	259,280	Nickel Business GHG emissions per ton of nickel ore (metric tons CO₂e)		0.0034

Scope 1: Refers to the direct GHG emissions. The emissions of the Group are derived from the GHG generated by consumption of stationary source and mobile source, such as coal, diesel and gasoline, and minus the GHG removal from new tree planting each year (Global warming potential (GWP) is derived from the Fifth Assessment Report (AR5) by Intergovernmental Panel on Climate Change (IPCC)).

Scope 2: Refers to the indirect GHG emissions where the GHG emissions are derived from the purchased electricity. The GHG emission factors are derived from the GHG Protocol Tool for Energy Consumption in China (Version 2.1) and the GHG Protocol.

Scope 3: Refers to other indirect GHG emissions. The Group chooses to disclose the emissions caused by business air travel by our employees, which is calculated in accordance with ICAO Carbon Emissions Calculator.



In order to reduce GHG emissions, the Group has implemented policies to reduce business travels, such as encouraging our employees to substitute overseas business travel with conference call (if possible) and using public transportation. Such measures will reduce GHG emissions caused by private cars and aircrafts on a business trip (A1.5).

Emissions Management Methods (A1.6)

In order to effectively implement unified management of storage, utilisation and disposal of mine solid wastes and make rational and effective use of solid wastes, the Iron Ore Business issued the Administrative Measures for Mine Solid Wastes 《礦山固體廢棄物管理辦法》 on 6 May 2016.

Management and comprehensive utilization of separated soil and stone: In the stripping operation, topsoil and waste rocks are stripped and piled at the waste dump separately. The Company manages and monitors, on a daily basis, the piles of waste rocks and soil at the waste dump, in order to prevent flying dusts as well as water and soil erosion. Soil and stone separated may be used for reclamation, backfilling and construction of roads. Stripped waste rocks may be filled into the bottom of mine pits, and large rocks may be used for repairment and construction of drains, while stripped topsoil may be laid on the surface of mine pits, which is helpful for the growth of vegetation and environmental restoration.

Management and comprehensive utilization of tailing sand: Normally, tailing sand is discharged to the tailing pond along with tailing pulps and settles down at the bottom of the pond over time. The Company manages and monitors, on a daily basis, its tailing ponds, including the volume and height of tailing sand therein, to ensure that the height of tailing dam remains at a safe level.

Iron Ore Business has adopted the following solutions to comprehensively utilize tailing sand: (a) using tailing sand to produce non-burnt bricks for construction. The tailing sand from the processing plant is used in the production of non-burnt bricks for construction, and the comprehensive utilization rate of tailing sand is around 20%; (b) using advanced processing techniques to throw out tailing sand, which will be used as construction sand. Some tailing sand from Maogong Mine is used as pre-concentration dry slag for road repairment; (c) conducting technical improvement to minimize the amount of ore to be processed, which resulted in the decrease of tailing volume; and (d) establishment of Liaoning Hanking Green Building Materials Co., Ltd. (遼寧罕王綠色建材有限公司), which is planned to produce foamed ceramics that is a type of green building materials by making use of the tailings. The project is scheduled to be put into production in 2018.

Dust prevention and removal measures: At the mining sites and on the roads to these sites, sprinkling trucks and pipelines are used to remove dusts by spraying water. In the grinding workshops at our processing plant, a wet grinding process has been adopted to prevent dusts. Bag filters have been installed across the crushing workshops, screening workshops, waste rock storehouse, main building and other areas of the processing plant, and high level emission has been adopted to eliminate dusts resulting from production, with the dust removal efficiency reaching 99%.

Noise reduction measures: The Iron Ore Business optimizes blasting design, applies structural insulating materials, conducts technical process transformation, uses underground tailing pump stations and low noise equipment, makes interior disposition for high noise sources, installs shock pads on crushers, screening machines and ball grinders, and takes other effective measures to mitigate damages caused by noise, reducing noise source from 91 db to approximately 80 db which has met the requirements of "Emission Standard for Industrial Enterprises Noise at Boundary" (GB12348-2008).



4. Environmental Protection

Recycling of wastewater with zero emission: Wastewater generated from the production of the Company mainly comprises water carried by tailing pulps emitted from the processing plant. Tailing pulps are discharged into the tailing pond. After sedimentation and clarification, clean water will flow into the circulation pump station, then pumped back to the processing plant for reuse in processing. Thus, production wastewater from the processing plant is recycled and reused as a closed cycle, without any external emission. At the same time, domestic wastewater is turned into organic fertilizer after treatment in septic tanks, which is used as fertilizer for crops. Some mines adopt recycling water of high level water tanks that comes from the tailing pond or sediment water of open pit as production-use water of processing plant. Aoniu Mine and Shangma Mine adopt high level water tanks to pump water from underground for underground mining operation, drilling and watering roadways in the mining areas to reduce dust.

Reduction of off-gas emissions: The Company selects and uses diesel-powered equipment compliant with national emission standards in a reasonable fashion, and switches off equipment not running for a long time in a timely manner, so as to reduce its off-gas emissions.

Treatment of domestic waste: Domestic waste emitted from the living quarters will be used as fertilizer for crops after being treated in septic tanks if it is perishable, or removed to the refuse depot for disposition if it is non-perishable. The Company promotes waste sorting and forbids employees to throw away or burn domestic waste at will.

4.2 Use of Resources

For mining companies, mineral resources are their foundation to survive and thrive. The Group values and encourages thrifty and efficient use of resources, while preventing waste of resources by enhancing its effort in recycling.

Mineral resources

In 2017, the iron ore resources of our Iron Ore Business had an increase of 1,665 thousand metric tons. As of 31 December 2017, the iron ore resources amounted to 225,396 thousand metric tons^{note}.

At the time of acquisition, the Nickel Business had the measured and indicated nickel metal resources of approximately 3,744 thousand metric tons and inferred nickel metal resources of 1,047 thousand metric tons. There was no change in the nickel resources of our Nickel Business in 2017.



Note: Includes the resources of Xingzhou Mine. The mineral resources of Xingzhou Mine are classified as assets held for sale.

Use of other key resources

Besides mineral resources, other key resources used by the Group include gasoline, diesel, coal, electricity and water. Use of each of these resources and measures for more efficient use of them are summarized below.

Energy and water consumption: (A2.1/A2.2):

		Total annual consumption by Iron Ore Business	Total annual consumption by Nickel Business	Australian Business	Total annual consumption by the Headquarters
Gasoline (liters)		271,361.71	700	–	28,838.79
Diesel (liters)		2,904,091.20	215,000	–	–
Coal (metric tons)		2,038.33	–	–	–
Power consumption (kWh)		91,348,730.49	– (Measured in terms of diesel consumption instead of electricity as all electricity used is generated by diesel generator units)	96,349	48,755.77
Water (metric tons)	Surface water	2,346,054.01	12,775 (35 metric tons/day)	–	–
	Municipal water supply	–	–	714	– (borne by the lessor)

4. Environmental Protection

In 2017, the annual output of iron ore concentrates in the Iron Ore Business was 1,764 thousand metric tons while the annual output of nickel ore in the Nickel Business was 259 thousand metric tons. The unit energy consumption and water consumption are as follows:

	Consumption of per metric ton of iron ore concentrates by Iron Ore Business	Consumption of per metric ton of nickel ore by Nickel Business
Gasoline (liters)	0.15	0.0027
Diesel (liters)	1.65	0.83
Coal (metric tons)	0.0012	–
Power consumption (kWh)	51.78	–
Surface water (metric tons)	1.33	0.05

Water (A2.4)

Water is a kind of critical and limited resource that is vital to all life. However, human activities have had a negative impact on the supply of fresh water in many areas. The Group is committed to saving water resources and improving energy efficiency.

Some mines of Iron Ore Business adopt recycling water of high level water tanks or sediment water of open pit as production-use water of processing plant. Aoni Mine and Maogong Mine adopt high level water tank, which minimized the energy consumption by pumping up the water gushed from underground mining wells for recycling use, and it is highly efficient in energy and water saving. Aoni Mine constructed a septic tank of 150m³ at the office area and dormitory area respectively, so that domestic waste water after treatment can be directly used in agricultural fertilization without discharge of production and domestic waste water. It also strives to prevent leakage and waste of water through intensive inspection and maintenance of water pipelines and storage facilities, putting up water-saving signage and fostering the habit of saving water. In order to reduce water consumption, most toilets are half flushing.

Electricity

The Group reduces its power consumption for per metric ton of iron ore concentrates by installing new lines of energy-saving transformers and motors, reasonably selecting large equipment, reducing the number of equipment, improving the output per equipment and increasing production capacity. Furthermore, the Group strives to reduce power consumption by developing power-saving projects, adopting power-saving technologies, and weeding out obsolete equipment. In 2017, the power consumption of per metric ton of iron ore concentrates by the Iron Ore Business was reduced by approximately 2.9kwh as compared to the same period of last year.

By installing field compensation device at the low voltage side of the distribution room of each plant and intensive high voltage compensation device at the high voltage side of the power substation, Aoni Mine increased the power factors in order to achieve the final goal of power conservation through increased utilisation rate of electricity power. The high-powered pumping equipment was modified to apply variable frequency starting, in order to make full utilisation of the equipment, reduce power consumption and achieve power conservation. An energy consumption management and control system has been installed in order to evaluate various energy conservation measures, which has achieved favourable results (A1.5).

The Company requires its employees to turn off electric equipment unused for a long time in a timely manner, and raises the awareness of its employees to save electricity by posting promotional signage, so as to prevent unnecessary wastage. In 2017, the Company continuously promoted physical exercise and power saving, with all employees responding actively, and it will go on with the initiative of “Go out during lunch breaks, and switch off for one hour”.

Diesel

The diesel consumed in the Iron Ore Business is mainly consumed by the production equipment of the Company, not including the diesel oil consumed by the contractors. The diesel consumed in the Nickel Business was used for diesel oil-fired units at each base for power generation. Meanwhile, all vehicles were powered by diesel. The Company reduces its diesel consumption by preferring diesel-saving equipment, using diesel-powered equipment reasonably, turning off equipment not running for a long time in a timely manner, and preventing spill when refueling. In the meantime, the Company has enhanced the management of diesel purchase, transport, storage and use, in order to prevent any waste, abuse and loss.

Iron Ore Business obsoleted relevant equipment and vehicles with high energy consumption and low production capacity by optimizing the equipment and facilities of the processing plant and mining plant, transformed from open-pit mining to underground mining at an increasing number of mines, and adopted the strategy that diesel used for the underground mining project will be supplied by the underground mining construction unit, which in turn reduced the diesel consumption of the Company (A1.5).

Nickel Business was powered by diesel oil-fired generator units, thus the business strives to reduce diesel consumption by advocating good habit of economic use of electricity, using power saving facilities and equipment as frequently as possible, developing power-saving projects implementing supply of power with time limits and avoiding oil spill over of vehicles and equipment when refueling (A1.5).

Gasoline

The Group's consumption of gasoline is mainly used for corporate vehicles. In order to reduce the consumption, we strictly control the use of vehicles by reducing the utilization rate. Vehicles are suggested to power off in a timely manner during the use process (A1.5).

Coal

The Group only uses coal resources for the Iron Ore Business, which is mainly used to strengthen the insulation effect of its houses. We make every effort to improve the insulation performance of the houses, striving to reduce coal consumption (A1.5).



4. Environmental Protection

4.3 Protection of Environment and Natural Resources (A3.1)

The Group is committed to maintaining a balance between efficient mining and ecological environment protection so as to achieve sustainable development. Its daily operations are reviewed carefully to minimize the adverse impact on the environment and natural resources, and the relevant education are promoted to gradually enhance the environmental awareness of the Group's employees.

Upholding the tenet of "Green Mines", the Group takes the environmental protection and restoration measures, strives to build modernized ecological mines, and aims to achieve the targets of energy conservation and emission reduction as well as cleaner production and mitigate impacts of production activities on environment by ways of recycling and technology upgrade. Report on environmental impact assessment is prepared for each operating project which will not commence until such report is reviewed and passed by professional experts, so as to minimize the impact of the operating project on the environment.

The Group complies with all environmental protection laws and regulations of each place where the Group operates, takes necessary environmental protection measures, fulfills the responsibility of restoration of mine environment, and prepares and implements the plans for protecting, restoring and treating the mine environment. The restoration of the geological environment at the mine sites goes well. No major geological disasters have occurred in recent years.

To carry out mining activities, the Group needs to occupy part of the land. After the mining is completed, the Company will restore the land and vegetation through land reclamation and revegetation measures. The Group's mining activities also consume a lot of mineral resources. Therefore, the Company tries to reduce the consumption of mineral resources by improving the rates of resource utilization, extraction and recovery. Meanwhile, the Company keeps discovering new mineral resources through exploration activities, resulting in an increase of our mineral reserves.



Improvement of the extraction rate and recovery rate (A1.5/A2.3)

The Group strives to improve the recovery rate and the extraction rate of useful metal contained in the ores to improve the efficiency of resource consumption, while offsetting such consumption by increasing its mineral reserve.

The Iron Ore Business minimizes the mining loss rate and dilution rate and maximizes the processing recovery rate by optimizing its mining methods and processing techniques, strengthening the management of on-site operations, and establishing strict technical standards for mining and processing in light of the actual conditions of each mine.

The Iron Ore Business adopts the mining method of “separate mining and explosion”, which can separate rubble and ore at the mining phase; bench mining from the top to the bottom ensures the recovery rate of open-pit mining at a level over 95%.

The extraction rate and recovery rate of the Iron Ore Business are as follows:

Mine	Extraction rate	Recovery rate
Aoni Mine	Underground mining: 91.15%	Metal recovery rate of raw ore processed: 84.24%
	Open-pit mining: 95.01%	Magnetic iron recovery rate of raw ore: 97.73%
Maogong Mine	Underground mining: 92.04%	Metal recovery rate of raw ore processed: 87.66%
	Open-pit mining: 95.37%	Magnetic iron recovery rate of raw ore: 98.12%

Technological innovation and technological improvement

1. *Phase three technological improvement project for the processing plant of Maogong Mine*

Feeding system of screening workshop was improved. After the equipment improvement, ore feeding capacity of the crushing system was greatly enhanced with improved efficiency of a single unit, which reduced working time of a single unit and reduced the feeding cost and labor intensity of workers.

After the phase three technological improvement, the capacity of conveying system was increased to 1,200 metric tons/hour, which significantly improved the transportation capacity, released the operation capacity of high-pressure grinding roller, and reduced operation cost of roll-in system. At the same time, the sieve hole was narrowed from 3.2mm to 2.5mm, and the grinding degree was reduced from 18% before the improvement to about 25%, with an increase of 7%.

2. *The conversion of closed open pit to tailing ponds at Maogong Mine greatly reduced land occupation and minimized the damages to forest land and vegetation caused by tailings deposit.*



4. Environmental Protection

Revegetation and reclamation

In 2017, pursuant to the Opinions on Accelerating the Construction of Green Mines (Guo Tu Zi Gui [2017] No. 4) (《關於加快建設綠色礦山的實施意見(國土資規[2017]4號)》) jointly issued by the Ministry of Land and Resources and other ministries, vegetation was carried out by all mines of the Iron Ore Business in the mining areas for greening and landscaping purpose by planting various arbors, shrubs and fruit trees, paving grass lawn and hardening roads. By the end of 2017, the area of forest land reclamation had reached approximately 201.13 mu. The mining methods of some mines were transformed from open-pit mining to underground mining, which reduced the waste rock, and significantly reduced the ecological harm like land occupation, environment pollution, water and soil erosion and plants destruction caused by waste rock piling. We restored some vegetation in waste rock dump of Maogong Mine, and gradually restored the ecological environment of mining area, which is crucial to protecting the ecological environment of mining area. In 2017, 59,986 trees were planted in the mining areas of the Iron Ore Business, which can reduce emissions volume of CO₂ by 1,379.68 metric tons. Aoni Mine completed land reclamation and revegetation with an area of approximately 15.84 mu and planted 4,761 trees, while Maogong Mine completed land reclamation and revegetation with an area of approximately 185.29 mu and planted 55,225 trees (A1.5/A1.6).



The geological environment treatment project resolved the environmental and geological problems of the mines, improved and restored the ecological condition as well as recovered the use value of the land, which in turn improved the living environment for the local residents. Remedy was made to the damaged mine body through backfill and slope protection to ensure slope stability and eliminate potential geological hazard. Site preparation and reclamation were conducted to restore the basic function of the land. Revegetation was carried out to restore the ecological function of the mines, so as to improve the ecological condition of the mines.

Fushun Hanking Forest Farm Limited, a subsidiary of the Group, is responsible for the revegetation and reclamation of the Iron Ore Business as well as the integrated development and utilization of idle forest and land.

It has established nurseries and farms at the mine, nurturing seedlings for reclamation.



Environment monitoring, management, investigation, assessment and report

The Group regularly monitors the water quality, air quality and noises in mines, and strengthens the monitoring, investigation, assessment and reporting on the ecosystem of the production operation zones, in order to prevent any environmental accident.

The Iron Ore Business carried out supervisory activities to water quality, air quality and noise controlling on a regular basis. After taking corresponding measures, each indicator has been preserved to comply with the requirements of laws and regulations.

In 2017, for the conversion of open pit to tailing ponds at Maogong Mine, the Group conducted environmental impact monitoring on water (underground water, surface water), air and noise, and obtained EIA approval. In the meanwhile, the Group performed the safety “three simultaneous” procedures, and obtained the work safety license. During the operation of tailing ponds, the Group continued to strengthen the monitoring, investigation, assessment and reporting on the ecological system of the production operation area, so as to prevent environmental accidents.

During the year, the Group also conducted stability monitoring and analysis on Maogong tailing ponds, Jingjia tailing ponds and waste rock dump of Aoni No. 5 mining area, and concluded that they are all safe and stable.

Emergency plans for unexpected environmental accidents

The Company has formulated emergency plans for unexpected environmental accidents. In case any environmental accident happens, immediate actions can be taken in accordance with the plans, and the Company can immediately report the nature of the accident, investigate and analyze the cause of accident, propose and implement remedial measures, and assess its effectiveness and impacts on the environment, with an aim to prevent any environmental accident and the expansion of negative impact.

Recycling of waste and used materials

The Group encourages the recycling of waste and used materials, with an aim to reduce waste of resources and turn waste into wealth. Dedicated mechanical maintenance department at each mine can revamp abandoned and worn-out equipment for reuse.

In 2017, the Iron Ore Business had recycled and sold 559.8 metric tons of steel scrap, 405 used tyres and 5 used vehicles.

In 2017, the Nickel Business has recycled 2,000 liters of generator lubricants, 230 liters of pick-up truck lubricants and 150 used tyres.





5. Employment and Labour Practices

5.1 Employment

Adhering to the philosophy of “human oriented”, the Group is committed to providing a favorable working environment for employees to protect their health and safety. The Company also encourages the employees to exert their creativity and potential and to align personal development with enterprise growth, so as to promote mutual development between individual employee and the enterprise.

Equal opportunity

The Group provides equal opportunities for employees in all aspects with a view to create a fair and non-discriminatory working environment. Female employees are equally entitled to any opportunities as male employees, and shall not lose their jobs or deserve a pay cut due to maternity. Nobody should be discriminated in term of recruitment and career development due to their religion and race. Furthermore, the Company has adopted a policy, whereby employees shall abstain from any matter relating to their family relatives, with an aim to create a fair competition environment and to avoid negative impacts of nepotism so as to maintain impartiality of management.

Diversity

With the diversified development of our business, the Group recruited employees with diversified backgrounds. The table below presents the distribution of our employees by nationality or region:

Distribution and turnover rate of our employees by nationality or region in 2017 (B1.1/B1.2)				
Nationality or region of employees	Number of employees at the year end	Percentage of total workforce	Loss of employees	Turnover rate
Mainland China	929	94.99%	20	1.91%
Hong Kong, China	1	0.11%	0	0
Australia	5	0.52%	0	0
Indonesia	43	4.40%	3	0.29%
Total	978	–	23	2.19%

Note: turnover rate = loss of employees (i.e. the number of regular employees voluntarily resigned) ÷ annual average workforce of the Company (1,049 employees)

Among which, the annual average workforce of Iron Ore Business, Australian Business and Nickel Business amounted to 957, 5 and 64 employees respectively, while the annual average workforce of headquarters reached 23 employees .



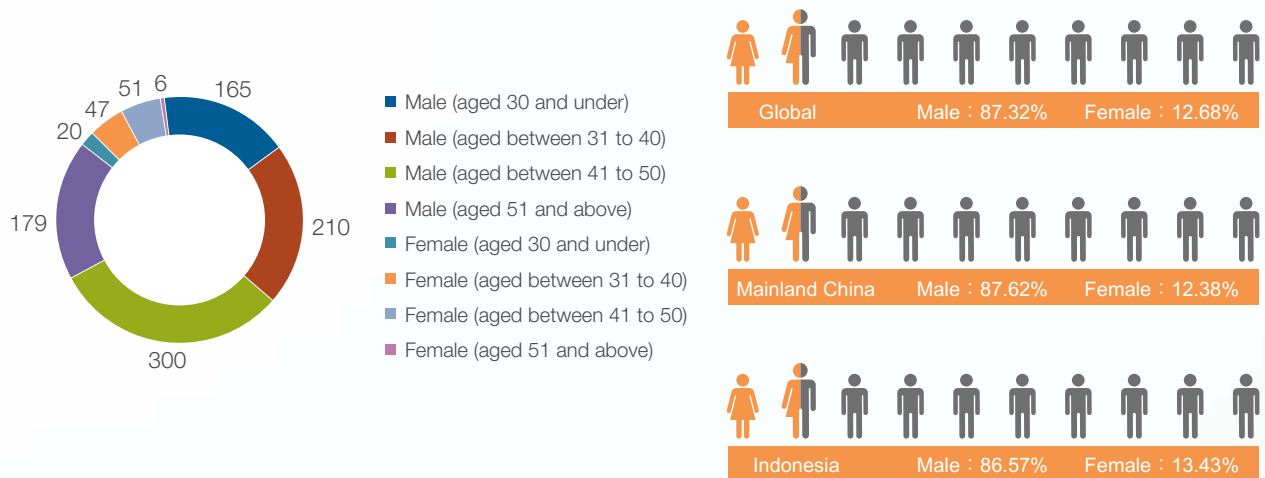
Recruitment

The Group attracts talents in accordance with the principles of openness, equality, competition and competitive selection. As of 31 December 2017, the Group had a total of 978 employees, and all of the positions are assumed by “occupational and professional” persons.

Distribution and turnover rate of our employees by position in 2017 (by employment category)				
Employment category	Number of employees at the end of the year	Percentage of total workforce at the end of the year	Loss of employees	Turnover rate
Functional management	166	16.97%	12	1.14%
Mining production	212	21.68%	7	0.67%
Processing production	441	45.09%	2	0.19%
Smelting production	1	0.10%	0	0.00%
Others	158	16.16%	2	0.19%
Total	978	100%	23	2.19%

Note: turnover rate = loss of employees (i.e. the number of regular employees voluntarily resigned) ÷ annual average workforce of the Company (1,049 employees)

The Group’s employee structure by gender and age (B1.1)



5. Employment and Labour Practices

The Group's employee structure and turnover rate by gender and age in 2017 (B1.1/1.2)				
Gender and age	Number of employees at the end of the year	Percentage of total workforce at the end of the year	Loss of employees	Turnover rate
Male				
30 and under	165	16.87%	5	0.48%
31-40	210	21.47%	8	0.76%
41-50	300	30.67%	5	0.48%
51 and above	179	18.30%	1	0.10%
Sub-total	854	87.32%	19	1.81%
Female				
30 and under	20	2.04%	1	0.10%
31-40	47	4.81%	1	0.10%
41-50	51	5.21%	1	0.10%
51 and above	6	0.61%	1	0.10%
Sub-total	124	12.68%	4	0.38%
Total	978		23	2.19%

Note: turnover rate = loss of employees (i.e. the number of regular employees voluntarily resigned) ÷ annual average workforce of the Company (1,049 employees)

Remuneration and benefits

The remunerations of employees in the Iron Ore Business comprise expected post-based salary (basic salary and performance-linked salary) and reward (variable bonus and reward/punishment amounts); the remunerations of middle and top level employees in the Nickel Business comprise basic salary, monthly performance-linked salary and annual bonus, while general staff receive fixed salary. The Company adjusts such remunerations in accordance with the operational results, the value of employee positions, individual capability and performance, the level of social development and other factors. The Company pays social insurances as well as provides food, accommodation (non-local employees), and transportation and communication subsidies for the employees. In 2017, the total remuneration and benefit paid to the employees of the Group amounted to approximately RMB83,509,000.

In order to enrich the employees' leisure life and enhance their physical and mental health, the Group organizes physical examinations and tours every year and held various cultural, sports and social activities for the employees. The Company also has staff recreation rooms with books, entertainment and fitness facilities, etc.



Promotion and dismissal

The Group provides equal promotion opportunities for the employees. The Company has set up paths of promotion for all positions. Combined with the requirements of each position and capabilities of each employee, the Company offers a platform for the ambitious, competent and hardworking employees to demonstrate their talents and make their dreams come true.

The Company realizes the importance of talents to the development of an enterprise, and exerts every effort to retain core talents. The Iron Ore Business arranged meetings between the president and the cadre employees on a regular basis, to discuss their career development and planning as well as problems at work, with an aim to prevent loss of the cadre employees.

In 2017, the turnover rate of our employees was 2.19%.

Working hours and holidays

The Group recognizes that a proper balance between work and rest helps employees to realize their full potential. The Company strictly complies with the provisions regarding working hours and holidays under the law of the places where each business operates. The administrative departments at the headquarters of the Company adopt a five-day week working pattern with eight working hours a day. The production departments at each mine work in shifts with consideration of the actual production conditions. The Company provides personal leave, sick leave, marriage leave, compassionate leave, maternity leave, work injury leave, home leave and paid annual leave for the convenience of the employees to balance their work and life.

5.2 Health and safety (B2.1/B2.2/B2.3)

Employee safety and health is one of the premises of sustainable development for an enterprise. The Group is committed to reducing the potential safety and health risks in the workplace of employees, adheres to the direction of "Safety First, Prevention Foremost" to provide employees with a compliant workplace equipped with a full range of production safety facilities and develops relevant systems and operating procedures. Through continuous fund investment, technology upgrading and implementation of supervision and appraisals, the Group spared no efforts to enhance safety awareness, so as to ensure health and safety production.

In 2017, the Group continued to enhance management and control over safety and health risks, and achieved the annual targets of zero death, zero serious injury accident and zero incidence of occupational disease of our employees, zero fire and zero environmental pollution. The minor injury rate per thousand persons was 1.1‰, while the rectification rate of accident risks, the implementation rate of safety instructions as well as the rates of safety education training and attendance with special operation certificate for 2017 have all reached 100%.

5. Employment and Labour Practices

Breakdown of accidents incurred by the Group

Production safety indicator	Accident	Description	Lost days
Pollution accident	0	–	–
Fire accident	0	–	–
Minor injury	1	Minor injury resulting from falls when carrying out non-production activities	15
Serious injury	0	–	–
Death	0	–	–

Note: The accident data set out in the above table were calculated in accordance with the classification standard of casualty accidents as specified by the State Council.

Dedicated organization and personnel

The health and safety working organizations at all levels of the Group from the Board to the production workshops at each mine have been set up and are responsible for the implementation and monitoring of health and safety work, constituting a multi-level health and safety management system and organizational structure as well as a comprehensive fleet of competent personnel. Please refer to the organizational chart on page 6 of this report for details.

Safety systems and procedures (B2.3)

The Group has developed and strictly implemented several health and production safety management systems, position responsibility systems and operating procedures, so as to institutionalize health and safety management, standardize operating procedures and clarify responsibilities.

In 2017, the Iron Ore Business began to revise the Safety and Environmental Management System (《安全環保管理制度》), which is expected to be completed in 2018. In addition, the Hidden Hazards Inspection and Rectification System (《隱患排查與治理制度》) and the Safety Inspection System (《安全檢查制度》) were implemented effectively, with a rectification rate of 100% for hidden hazards. With the implementation of stricter access conditions on safety and environmental protection, the Iron Ore Business obtained successively approvals for the 2.9 million metric tons underground mining project in Maogong Mine, the project on conversion of open pits to tailing ponds in Maogong Mine, safety and environmental protection “three simultaneous” system as well as safety production license in 2017. Moreover, the Group strengthened the safety and environmental protection and occupational health standardization of various mining enterprises, all of which had passed inspection in succession.

The Group implements occupational health system and earnestly abides by the Occupational Disease Prevention and Treatment Measures. While developing production, the Group also strives to enhance occupational hazard evaluation, and monitors the occupational health condition at workplace, so as to provide scientific basis for the proper prevention and treatment of occupational diseases. The Group arranges physical examination for employees at positions with potential occupational hazards on a regular basis, and strengthens occupational diseases examination for those who are exposed to dust, toxic and hazardous materials. Some mines have engaged on-site doctors, while mines without on-site doctors maintain constant touch with local hospitals to ensure timely treatment for injured or sick employees. The Group implements the “three simultaneous” system for occupational health in a construction project (i.e. the occupational diseases prevention facilities in a construction project must be designed, constructed and put into use simultaneously with the main project). In 2017, Aoni Mine conducted occupational health check for 170 employees who were exposed to dust, and Maogong Mine conducted occupational health check for 54 employees.

Awareness

In order to enhance the employees’ health and safety awareness, the Group organizes trainings every year, holds regular safety work meetings, reminds employees of safety before work every day, promotes safety activities month and safety lectures, organizes safety knowledge contests and operation skill competition of major jobs, and sets up safe and healthy work bulletin, safety warning signs, banners and slogans, etc. The employees are trained to be aware of “four do not hurt”: do not hurt others, do not hurt themselves, do not be hurt by others and protect others from being hurt.

Our rates of “three-level” safety education training for newly-recruited employees and all employees, attendance with special operation certificate, implementation of safety instructions and rectification of accident risks as well as other rates have reached 100%.

In 2017, 890 employees have received safety education in Iron Ore Business (internal training), and 61 safety managers and 186 employees for special operation were trained with corresponding courses. Among which, in Aoni Mine, 520 employees have received safety education (internal training) and there were 28 safety managers and 159 specialized operators attending the review sessions; In Maogong Mine, 333 employees have received safety education (internal training) and there were 24 safety managers and 23 specialized operators attending the review sessions; In Fushun Shangma, 37 employees have received safety education (internal training) and there were 2 safety managers and 4 specialized operators attending the review sessions. Such trainings intensified the professional safety education and imbedded safety awareness into the mind of employees.

In 2017, the Group organized emergency response drill in accordance with the relevant regulations. The Iron Ore Business held five emergency response drills.

Technical measures

The Group protects the employees’ health and safety through the adoption of effective technologies, measures, equipments and other means.

The Company provides labor protection appliances like safety helmet, safety shoes, reflective vest, protective goggles, earplugs, mouth masks, respirators, uniform for special purpose, dustproof masks, acid-proof gloves and back splint, etc. to the employees, and appointed safety officer to supervise and check the using and wearing of such labor protection appliances. The Company also equips fire-fighting equipment in flammable sites, and constructs security fences along the roads for ore transportation to prevent accidents.

5. Employment and Labour Practices

The “Six Major Systems” for underground operation safety and refuge in respect of the phase two underground mining project of Aoniu Mine, No. 4 Mining Area of Shangma Mine (production suspended at present) and phase one underground mining project of Maogong Mine have been developed and put into use, while the construction of the “Six Major Systems” for phase two underground mining project of Maogong Mine is underway. The “Six Major Systems” can monitor and supervise the underground mining environment, locate and communicate with underground personnel, and, in combination with other refuge and self-help systems, can assist underground personnel in safety, refuge and self-rescue issues, so as to protect their health and safety.

Implementation of the construction of national production safety standardized enterprise

In May 2017, Maogong Mine conducted self-evaluation on production safety standardization for “Phase 1 Underground Mine at No. 2 Mining Area”, “Jingjia Tailing Ponds” and “Maogong Tailing Ponds”. The self-evaluation team formed self-evaluation opinions by conducting self-evaluation in strict accordance with Grade Measures for Safety Standardization of Metal or Non-metal Underground Mines (《金屬非金屬地下礦山安全標準化評分辦法》) from four aspects including planning, execution, compliance and performance in respect of fourteen elements such as production safety policies and objectives, production safety laws and regulations and other requirements, organizational guarantee for production safety, risk management, safety education training, production process system safety management, mechanical and electrical safety management, on-site safety management, occupational health management, inspection, emergency management, investigation report and analysis on accidents and events as well as performance measurement and assessment involved in the Measures, and prepared the self-evaluation report on production safety standardization in July 2017. According to the result of self-evaluation, the “Phase 1 Underground Mine at No. 2 Mining Area”, “Jingjia Tailing Ponds” and “Maogong Tailing Ponds” of Maogong Mine all comply with the requirements of production safety standardization (class C) for metal or non-metal mines.

In September 2017, Maogong Mine entrusted Shenyang Honest Safety Technical Service Group (瀋陽奧思特安全技術服務集團) to conduct review on the mine. Shenyang Honest Safety Technical Service Group established a review team to conduct review in September 2017, and issued a review report on production safety standardization in October 2017. According to the review report, the “Phase 1 Underground Mine at No. 2 Mining Area”, “Jingjia Tailing Ponds” and “Maogong Tailing Ponds” of Maogong Mine all comply with the requirements of production safety standardization (class C) for metal or non-metal mines.

In 2017, Maogong Mine has submitted the “self-evaluation report” and “review report” to Fushun County Safety Supervision Bureau.

Production safety month themed activities

As the 16th national “production safety month” came in June 2017, and in an active response to the national call to promote production safety, the Iron Ore Business established the leading group for the “production safety month” campaign and launched a series of activities under the theme of “fully implementing corporate work safety responsibility”, with an aim to drive enterprises to fulfill its work safety responsibility and prevent safety accidents.

Upholding the principle of development with safety and “safety first, prevention-oriented and comprehensive management”, the campaign aimed to strengthen the employees’ awareness of work safety, advocate care for life and health, fully implement corporate work safety responsibility and promote the Regulations Governing Enforcement of Accountability System for Corporate Work Safety (《企業安全生產責任體系五落實五到位規定》) issued by the State Administration of Work Safety.

During the “production safety month”, the mines carried out a variety of activities such as emergency drill, safety-related knowledge contest, speech competition, skills competition, relearning of safety rules and regulations and technical operation procedures in light of their respective characteristics. Safety slogans and safety flags were posted and hanged on office buildings. Safety warning posts were improved for underground operation. The Group also organized safety training for technical and management personnel by safety supervisors, with the purpose of fully implementing the spirit of the “production safety month”. Each employee was required to conduct self-inspection, and safety hazards detected were required to be rectified immediately. Management personnel were organized to watch films on work safety accidents occurred in China over the last few years, thus enabling them to have deep understanding of the importance of work safety and enhancing their safety awareness. Through various means including a combination of internal and external safety education and training, we strove to improve the safety awareness and skills of all employees.



Supervision and assessment

The Group develops and implements a number of supervision, inspection and assessment systems, conducts regular and unscheduled inspections and assessments, including quarterly, monthly, weekly, daily, occasional and mutual safety inspections, so as to timely detect and effectively rectify all kinds of safety risks. The Company keeps controlling major hazards such as explosives magazines, oil storage and tailing ponds, monitors safety information of all locations of mines (including mining yards, processing plants, workshops, sedimentation tanks, waste dumps, topsoil, etc.), and performs safety oversight over contractors. 483 safety inspections have been conducted regarding Iron Ore Business throughout the year. Operation management department conducts inspection quarterly, production safety division conducts inspection monthly and workshops conduct inspection for 4 times every month. 104 safety inspections have been conducted regarding Nickel Business throughout the year.

5. Employment and Labour Practices

The Group continues to carry out strict safety production responsibility assessment. The Group has implemented the “one-vote veto safety system”. The effectiveness of safety production is linked to individual economic benefits, promotion and appraisals, and the Group strictly implements the provisions of reward and punishment. In 2017, the mining company signed the Letter of Commitment on Safety Production Objective Assessment (《安全生產目標考核責任狀》) with general manager of each mine, while each mine signed such Letter of Commitment with workshops as well as teams and groups, with an aim to implement and assign safety and environmental protection tasks at all levels. The Iron Ore Business imposed a fine of RMB22,810 on the officer-in-charge for “three violations” behaviors (namely violation of instructions, violation of operation regulations and violation of labour discipline). The Nickel Business did not make payment for the safety assessment reward, and did not deliver any penalty on safety ground throughout the year.

Fund insurance

The Group ensures the fund investment in health and safety and sets aside safety measure fees exclusively for health and safety protection purpose every year.

In 2017, the Iron Ore Business invested RMB10,303,800 as safety measure expense, which was used for the improvement of mine production safety conditions, the addition, updating and maintenance of safety equipments and environmental protection facilities, the purchase of labor protection appliances, special equipment inspection (30 throughput), reclamation and environment treatment as well as safety promotion and education. Through the aforesaid investments in safety and environmental protection, safety condition and environmental protection at each mine have been further improved.

The Nickel Business invested IDR28,800,000 as safety measure expense, which was used for set-up of safety signs as well as restoration of worksites and fences along the roads.

5.3 Development and training

The Company understands that the improvement of the overall quality and professional skills of all employees not only means the enhancement of skills of employees, but also the enhancement of the Group’s overall competitiveness. The Group pays much attention to the employees’ development and training, and has developed and implemented the training management system, training system and process in respect of its employees, with an aim to promote the improvement of both employees and the Company.

Trainings for directors and management

The Company places great emphasis on trainings for directors and management, and requires its directors to learn Guidelines on Disclosure of Inside Information issued by the SFC and training materials provided by the Hong Kong Stock Exchange. The company secretary shall attend not less than 15 hours of professional training courses every year. In addition, a variety of training programs and seminars have been organized by the Company.

On 21 May 2017, all directors and management of the Company attended the special training courses on internal control and risk management presented by Mr. Xu Sheng, a lecturer on corporate risk management service from Deloitte Touche Tohmatsu. The training covered: investigation of and analysis on internal control and risk management, overview of internal control and risks, case study on internal control and risk management during the process, interpretation of and interactive discussion on the latest requirements regarding environmental and social responsibilities.



Trainings for employees

Details on trainings provided by the Iron Ore Business in 2017 are set out in the two tables below:

By employee category (B3.1)			
Employee category	Number of employees trained	Average training hours	Percentage of participants
Senior management	17	2.94	1.90%
Middle management	126	1.02	14.09%
General staff	751	3.04	84.00%
Total	894	7.01	

By training content (B3.2)						
Name/type of trainings	Training contents	Internal/external trainings	Cumulative training hours	Cumulative number of trainings	Cumulative number of participants	Whether or not subject to assessment and assessment results
Corporate culture	Company's systems	Internal	210	1	105	Yes
Employee care	Female health care	Internal	168	1	42	No
Professional skills	Processing technologies	Internal	138	1	55	No
Comprehensive quality	Outdoor development activities	External	384	1	48	No
Professional skills	Value-added tax	Internal	170	1	68	No
Induction training	Beginning education	Internal	9,041	3	239	No
Occupational safety education	"Three-levels" safety education and safe operation practices	Internal	23,431	13	579	Yes
Occupational skills	Operation skills for each type of worker	Internal	16,191	16	461	No
General management	Financial and administrative management	Internal	30,052	13	683	No
Comprehensive quality	Conduct and etiquette standards and 6S management	Internal	12,996	9	342	No
Total			92,781	59	2,622	

5. Employment and Labour Practices

Internal trainers

The Company has initiated the construction of an “internal trainer team” in order to support the implementation of the Company’s strategies and human resources development plan, develop and utilize the in-house intellectual resources, pass on management and technical experience, disseminate the enterprise culture of Hanking Mining, create an atmosphere of knowledge sharing, further improve the training system, as well as provide employees with a platform to practice and develop. Iron Ore Business has developed internal trainers system and built a team of internal trainers. With 17 formal internal trainers and 4 candidates for internal trainers, the team can provide courses regarding management, technical skills, legal affairs and production at present. All internal trainers are selected from the Company’s key employees and divided into junior, intermediate, senior and honorary internal trainers based on their training capabilities. The Company conducts assessment, training and evaluation on the internal trainers to grant promotion and incentives, and encourages them to improve their capabilities and provide training.

In 2017, the training contents of internal trainers are set out as follows:

No.	Training course	Level of internal trainer	Training hours/ class	Number of participants
1	Company’s systems	Four junior trainers	2	105
2	Processing technologies	One intermediate trainer	2	55
3	Value-added tax	One junior trainer	2.5	68

Note: In 2017, there is no human and business training for the Nickel Business.

5.4 Labor standards

The Group follows the relevant provisions in the Labour Law and the Labour Contract Law and complies with the relevant rules of the International Labour Standards (“ILS”) to safeguard the labour interest.

The Group respects the right of workers to choose their profession freely, regulates labor management, prohibits forced labor and prohibits the recruitment and use of child labor, so as to protect the health and safety of our employees and enhance the management of occupational health. During the reporting period, the Group has never recruited or used child or forced labor (B4.1).

A labour union is established by various levels of corporate bodies of the Group as required and employees may join a union of their own free will.

A human resources department is established by the Group’s headquarters and various levels of corporate bodies to regularly review and deal with violations of labour standards. During the reporting period, no violation of labour standards was identified (B4.2).





6. Operating Practices

We consider that the relationship between corporate development and social development is mutually supportive and mutually beneficial. Therefore, we safeguard the interest of stakeholders and co-develop with them.

6.1 Supply chain management

The Group has developed and implemented the Material Procurement Management System to unify the purchase, storage and deployment of the materials required by each mine. On the basis of the material requirement plans developed by the production department and the categories of the materials, the Group generally purchases materials through three methods, namely bidding, price enquiry/comparison and sentinel procurement. Contracts shall be signed for all purchases and the Company strictly supervises and controls the performance of the contracts and the payment of the funds. The Company keeps a list of suppliers and makes regular assessment and update. The Company constantly analyses the inventory of the materials, purchased categories and material consumption. The Company also evaluates the environmental and social risks of the supply chain on a regular basis, so as to ensure the safety of the supply chain.

In 2017, the suppliers of the Group are mainly from China and Australia. Of which, 7 suppliers are selected through bidding, 25 suppliers are selected through price enquiry/comparison and 118 suppliers (regional agents) are selected through sentinel procurement. The selection of suppliers of the Group shall be subject to the approval process and supervision procedure, and shall be supervised by the legal department and audit department of the Group, so as to ensure a fair selection procedure (B5.1/B5.2).

6.2 Product responsibility

The Group attaches importance to its product quality and reputation as well as implements product quality management in strict accordance with the relevant PRC laws and regulations and industry standards. The Group has developed and implemented measures on management of product quality and sales, and enhanced product quality inspections and sales management, so as to ensure that superior products are offered for customers.

Before leaving the production plants at the mines and upon delivery to the customers, the products sold to customers by the Group shall be subject to measurement and quality inspection. The data provided by the Company on the quantity and quality of the products shall be compared with those provided by the customer. If there is a considerable disparity between the results of both parties, the Company and the customer shall solve the dispute through negotiation. If no settlement is reached, the dispute shall be referred to a third-party authoritative organization for review and arbitration (B6.4).

In order to strengthen quality control, and stabilize and improve product quality, the Iron Ore Business embarked on amending the Acceptance Management System (《验收管理制度》) since 2015, which was subsequently issued on 9 December 2015. In 2017, in terms of the Iron Ore Business, Aoni Mine produced iron ore concentrates at an average grade of 69.49%, and Maogong Mine produced iron ore concentrates at a grade of 68.33% through technological improvement.



6. Operating Practices

6.3 Anti-corruption

The Group is on no account engaged in bribery, blackmail, fraud and money-laundering. The Group has a zero-tolerance policy regarding abuse of power of duties and position for personal gain which damages the interest of the Company, users, suppliers and other third parties.

The Group has developed and implemented the auditing and offence reporting system, and also has engaged independent auditors to conduct external audits on the Company, with an aim to prevent and control the fraud or wrongdoings within the Company through internal and external audit.

The Company undertakes to comply with the laws and regulations on business operation. The employees have the right to report alleged violations of state laws, regulations and policies, internal control problems of the Company, and other fraud or violation of Company's disciplines to the Company. Informants may provide detailed information to the audit committee of the Company through telephones, letters, e-mails, and interviews, etc. Informants can bring reports beyond the service scope of the audit committee of the Company to relevant departments and make necessary reflection. In case of major problems or emergencies, informants should report to the senior management or the board of directors of the Company. The Company keeps the information of informant employees strictly confidential to ensure that they won't be retaliated or discriminated illegally for the reporting (B4.2/B7.2).

During the reporting period, no litigation relating to anti-corruption was identified by the Group (B7.1).



7. Community Engagement

Adhering to the tenet of “harmonious mines”, the Group attaches importance to the establishment of a harmonious relationship with the local communities. It cares for and listens to the requests of the community parties and uses its best endeavors to support the community education affairs, infrastructure development and community environmental improvement. The Group prioritizes the employment of local workers and selection of local suppliers.

Reinforcing communication with the communities

Upholding the principle of “establishing harmonious relationship between villages and enterprises”, the Group reinforced communication with the local communities, so as to promote harmonious coexistence with the villages. In light of the actual situation, the Company has established a series of systems to understand demands from the local communities and to maintain the relationship between villages and enterprises, so as to ensure smooth communication with the local communities. With the support of the local government and villages, the Company established the joint mediation mechanism to promote equal dialogue among the three parties, so as to maintain a harmonious and stable relationship between villages and enterprises.

Reception of the local communities and villagers by the Iron Ore Business in 2017

No.	Date	Communities or villagers	Demands	Response by the Company	Description
1	May 2017	Villagers	Requesting to repair the bumpy roads	Agree	Invested RMB270,000 and assigned 20 employees to repair the one-kilometer long road in the village, which took them 30 days.
2	June 2017	Villagers	Water resource is difficult to access due to the lower water level of the wells in the village	Agree	Invested RMB10,500 and assigned 15 employees to build two weirs in the river to raise the water level, which took them 15 days.



7. Community Engagement

Community environment

As we are part of the community, efforts to construct the community are to improve our living environment. The Group actively supported the community environmental construction, raised their awareness towards environmental protection and tried to make contributions to the community.

In 2017, Aoni Mine invested RMB30,000 and assigned 4 employees to carry out the daily sprinkling operation on Aoni village's road to reduce dust for a period of six months.

In 2017, the Nickel Business actively participated in social welfare activities such as interaction between village and enterprise. Specifically, it invested IDR75,000,000 to help Alenggo village construct a power generator; and it invested IDR2,000,000 to help Morole village repair bridges.



Community care

The Group cares about the local people who are in need of help, and provided them with necessary support. On the eve of every Spring Festival, the Iron Ore Business staff visit the low-income worker families and bring them rice, flour, oil and other necessities. The Iron Ore Business also occasionally organizes some young employees of the Company to clean the houses for the villagers with mobility disabilities and provide assistance within their capacity.

In 2017, Aoni Mine spent RMB3,000 to provide the poor families with consolation supplies and RMB1,000 to repair the houses and chimneys for the poor families.

In 2017, the Nickel Business donated IDR4,500,000 in honor of the Indonesia Independence Day and IDR5,000,000 to Langgikima town as a gift for the new year.



7. Community Engagement

Labor demand

The candidates from the community where the Group runs business enjoy the priority to be recruited, which not only relieves the local employment pressure, increases villagers' income, but also promotes good relationship between villages and enterprises.

The table below presents the employment of local villagers by each mine operated by the Iron Ore Business in 2017:

Mines	Total number of employees	Number of local employees	Number of Chinese employees	Percentage of local employees to total workforce
Aoniu Mine	573	491	573	85.69%
Maogong Mine	268	260	268	97.01%
Shangma Mine	42	42	42	100.00%
Total	883	793	883	89.81%

The operating camps of the Nickel Business also employ many local Indonesian staff. In 2017, the distribution of employees at the operating camps of the Nickel Business by nationality is as follows:

Total workforce	Number of Chinese employees	Number of local employees	Percentage of local employees to total workforce
67	24	43	64.18%

Culture and sports

The Group attached great importance to participating in the community cultural and sports activities and carried out various forms of cultural and sports exchange activities with the local communities, including basketball matches, mountain-climbing competitions and football games. These activities not only enriched the employees' spare time life, enhanced their physical fitness, but also promoted the harmonious relationship between the villages and our enterprises.

In May 2017, Aoniui Mine, Houan town and Aoniui village jointly held the 2017 Mountain-climbing Competition with an investment amount of RMB20,000. This was the fourth mountain-climbing competition held by these three parties since 2012, and Zhao Guozhi from the Production Division of Aoniui Mine and Zhang Ruyu, a villager from Aoniui village won the champion title in the Men's Section and the Women's Section respectively.

In June 2017, 25 employees assigned by Aoniui Mine spent one day to participate in the Basketball Match jointly held by the villages and enterprises.

In June 2017, Aoniui Mine invested RMB5,000 and assigned 5 staff to help Aoniui village to perform the Yangge Show for one day.

During 9 June 2017 to 10 June 2017, Maogong Mine assigned 1 staff to participate in the 2017 Employees Table Tennis Match held by the General Labour Union of Fushun County and won prize. In 2017, Maogong Mine invested RMB3,000 and assigned 4 staff to participate in the Fushun County Basketball Match which lasted for eight days.





8. Indicators Index

This indicators index illustrates the Company's compliance with indicators of "comply or explain" and "recommended disclosures" set out in Environmental, Social and Governance Report issued by the Stock Exchange during the reporting period.

Aspects	Key Performance Indicators	Disclosures	Pages	Explanation
A. Environmental				
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	●	10	
A1.1	Types of emissions and emission of waste.	●	11-12	
A1.2	Total emissions volume (in metric tons) and, where appropriate, intensity of greenhouse gases (e.g. per unit of production volume, per facility).	●	13-14	
A1.3	Total hazardous waste produced (in metric tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	●	11-12	
A1.4	Total non-hazardous waste produced (in metric tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	●	11-12	
A1.5	Description of measures to mitigate emissions and results achieved.	●	14, 18, 19, 21	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	●	15, 16, 22	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	●	16	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	●	17	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	●	17	
A2.3	Description of energy use initiatives and results achieved.	●	10, 21	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	●	18	
A2.5	Total packaging material used for finished products (in metric tons) and, where appropriate, with reference to per unit produced.	○		N/A
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	●	20	
A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage such impacts.	●	20	

Aspects	Key Performance Indicators	Disclosures	Pages	Explanation
B. Social				
Employment and Labour Practices				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	●	24	
B1.1	Total workforce by gender, employment type, age group and geographical region.	●	24-26	
B1.2	Employee turnover rate by gender, age group and geographical region.	●	24-26	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	●	27-28	
B2.1	Number and rate of work-related fatalities.	●	27	
B2.2	Lost days due to work injury.	●	28	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	●	27-29	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	●	32-34	
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	●	33	
B3.2	The average training hours completed per employee by gender and employee category.	●	33	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	●	34	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	●	34	
B4.2	Description of steps taken to eliminate such practices when discovered.	●	34, 36	
Operating Practices				
General Disclosure	Policies on managing environmental and social risks of the supply chain.	●	35	
B5.1	Number of suppliers by geographical region.	●	35	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	●	35	

8. Indicators Index

Aspects	Key Performance Indicators	Disclosures	Pages	Explanation
Product Responsibility				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters in respect of products and services provided and methods of redress.	○		N/A
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	○		N/A
B6.2	Number of products and service related complaints received and how they are dealt with.	○		Recommended Disclosure
B6.3	Description of practices relating to observing and protecting intellectual property rights.	○		Recommended Disclosure
B6.4	Description of quality assurance process and recall procedures.	●	35	
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	○		N/A
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	●	36	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	●	36	
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	●	36	
Community				
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	●	37	
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	●	37-39, 41	
B8.2	Resources allocated (e.g. money or time) to the focus area.	●	37-39, 41	