



## **CHINA BILLION RESOURCES LIMITED**

**中富資源有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 274)**

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

China Billion Resources Limited (“Company”) together with its subsidiaries (collectively as “Group”) is pleased to present its first Environmental, Social and Governance Report (“Report”), which aims to demonstrate its efforts on sustainability development to all stakeholders.

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Report primarily highlights the Group’s major initiatives and activities implemented from 1 January 2016 to 31 December 2016 (“Year 2016”). For information regarding the corporate governance of the Group, please refer to the Company’s 2016 annual report.

The Group is committed to sustain its long-term businesses and to enhance environmental protection and to serve the communities in which it operates. The Group also delivers quality products and services to the customers with its prudent business management and its reasonable decision-making process. The Group maintains close contact with the stakeholders, which include shareholders, customers, employees, suppliers, creditors, regulators and the general public. The Group strives to listen to different opinions and balances the benefits of its stakeholders via constructive communication in deciding its long-term business development goals. The board of directors of the Company (“Board”) is responsible for evaluating the Group’s environmental, social and governance risks, and ensuring that the relevant risk management and internal control system are implemented appropriately and effectively.

The subsidiary of the Company, Hunan Westralian Mining Company Limited (“Hunan Westralian”), is a Chinese-foreign contractual joint venture located in Guanzhuang Town, Yuanling County, Huaihua City, Hunan Province, China, principally engaged in gold mining, exploration, refining and trading of gold products. Hunan Westralian had been granted 8 mining rights in the Guanzhuang mining area: Xiaochongzi Mine, Baomuyuan Mine, Shenjiaya Mine, Desheng Mine, Zhenjiashan Mine, Jiufa Mine, Jinzhuwan Mine and Xianglu Mine. Hunan Westralian carried out an integrated acquisition on these 8 mining rights and completed the procedure for scope-alteration of mining area. These 8 mining rights were consolidated and approved by the Provincial Department of Land and Resources as “Hunan Westralian Mining Company Limited Guanzhuang Gold Mine” (“Guanzhuang Gold Mine”). Since Hunan Westralian is the subsidiary in the Group that has a high impact on the environment, society and governance, therefore the Report will focus on the detailed disclosure on the environmental, social and governance policies and the relevant performances of Hunan Westralian in Year 2016.

## **ENVIRONMENTAL**

### **Emissions**

In Year 2016, there were 5 barrels of liquefied petroleum gas stored in the office of Hunan Westralian as cooking fuel; 6 gasoline-powered compact cars for office use; and a diesel-powered midibus for staff use. In addition, Hunan Westralian has installed 2 sets of diesel-powered power generators in Guanzhuang Gold Mine as backup power generators; a total of 20 fire extinguishers as fire-protection equipments; 2 diesel-powered light goods vehicles for delivering ore; and a diesel-powered forklift truck for delivering shoveling ore. The emissions from fuels produce exhaust gases including black smoke, carbon monoxide, hydrocarbons, nitrogen oxides (NOx), sulfur oxides (SOx) and respirable suspended particles (RSP, or particulate matter (PM)).

Hunan Westralian has carried out a series of energy-saving and emission reduction measures, including but not limited to (i) limiting motor vehicles for its specified use and shall not be used for private purposes; and (ii) the driver must strictly abide by the rules and regulations of the Company. In its effort to protect the environment with relevant prevention and control measures in its mining and expedition processes, Hunan Westralian has formulated and implemented the “Environmental Protection Management System” (“Protection System”) and the “Environmental Protection Quality Control System”, and adhered to the Environmental Protection Law of the People’s Republic of China. In order to avoid any harm on the staff and local residents, Hunan Westralian classifies and processes the household waste storage at designated locations or permitted locations to prevent or reduce pollution.

During Year 2016, Hunan Westralian was not aware of any material non-compliance of any laws or regulations relating to the emissions of air and greenhouse gases, or releasing harmful and hazardous wastes on land or water. In addition, no major penalties or non-monetary sanctions relating to the non-compliance with the relevant laws and regulations have been received in Year 2016.

### **Use of Resources**

As mentioned in the section “Emissions” above, the Group has a number of policies and procedures to reduce the use of motor vehicles by the employees. In addition, Hunan Westralian has a series of guidelines on energy-conservation and use of resource. Staff is encouraged to: turn off the lights and air-conditioners when they leave the office; adjust the air conditioner and heater to keep the office temperature at 26 degrees celsius; use the scanner to minimise the use of the printing paper; switch off all electronic equipments (including computers, printers and air-conditioners, etc.) after the office hours.

### **The Environment and Natural Resources**

In order to implement the Environmental Protection Law of the People’s Republic of China to reduce or prevent destroying and polluting the natural environment, to protect and improve the mining environment and to promote conservation works, Hunan Westralian the Protection System has built an environmental friendly enterprise according to the Protection System to meet the requirements of environmental protection laws and regulations. The Protection System is formulated according to relevant laws, regulations, and standards of the state, industry and local authorities. For the environmental protection work, employees should abide by the principle of “prevention first with treatment combined”(預防為主，防治結合), “whoever pollutes whoever cleans up”(誰污染誰治理), and implement the “a very thorough”(縱到底，橫到邊) management system.

In addition, according to the Protection System, Hunan Westralian has set up a team specialized in environmental protection called The Environmental Protection Leading Team and the Safety and Environmental Protection Department. The Environmental Protection Leading Team is the highest decision-making body in environmental protection in Hunan Westralian, its duties include: (i) leading the environmental protection works; (ii) developing environmental protection policies and objectives; (iii) researching and deciding on governance solutions for major sources of pollution; (iv) assessing the overall condition of environmental protection; (v) ensuring the allocation of resources for environmental protection; (vi) awarding the employees in recognition of their outstanding achievements and contributions to environmental protection; and (vii) being responsible for determining the relevant personnel in line with the government investigation and environmental accidents.

### *Mine Dumps*

Mine dumps (also known as waste field) refer to sites where waste materials such as soils and rocks that were removed to access the ores are stored. The waste materials produced in the process generally include humic topsoil, weathered rock, hard rock, mixed geotechnical soils and small amount of recycled off-the-shelf mines and lean mines, etc.. Hunan Westralian has also set up the “Safety Management System for Dumping Operation” regulates the operation of dumps to satisfy each process’ safety protection requirements, evaluation and management, supervision and inspection requirements, to prevent accidents in the dumps.

## **SOCIAL**

### **Employment**

The Group is committed to providing a working environment free from any form of discrimination: race, gender, religion, age, disability or sexual orientation. Hunan Westralian strives to create a people-oriented, market-based, competitive and fluid work environment that attracts, trains, motivates and assesses its employees in its never-ending effort in creating a quality team. Hunan Westralian provides equal opportunities for all personnel in respect of recruitment, compensation ratios, trainings and developments, promotions and other employment benefits.

### *Diversified Team*

Hunan Westralian recruits employees of all gender, age, skills, educational backgrounds, industry experiences and other qualities, in order to achieve the most appropriate and a balanced multi-cultural team.

### *Recruitment Procedures*

Regarding to recruitment, our Group, especially Hunan Westralian, strictly follows the recruitment procedures of the Staff Manual: (i) departments that intend to recruit new employees must first fill out the department recruitment application form, and hand into the general administration officer of the department of personnel administration for approval; (ii) the personnel administration department will host the initial interviews with the candidates; (iii) personnel administration department will turn in forms and information of the candidates to their department manager and general manager for their approvals, and host the secondary interview; (iv) the personnel administration department will inform the new employees their first day of work, and assist them with their entry formalities which include establishing their personal files, signing contracts and informing them the lengths of their probations, their salaries and employee benefits in detail; and (v) the department manager will then explain to the employees their job duties and extents of their authorities.

## *Salaries and Benefits*

Hunan Westralian strictly abides by the Labor Law of the People's Republic of China to provide reasonable salaries and benefits to its Chinese employees, providing five social insurances and one fund (五險一金), which include endowment insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance, and the housing provident fund for employees. Employees are also entitled to paid holidays include annual leave, sick leave, marital leave and maternity leave. Hunan Westralian has established a promotion mechanism in which the department manager can make adjustment on the employee's salary and promotion based on his/her job performances. All guidelines related to salaries and dismissals, work hours and holidays are clearly stated in the Company's Staff Manual. Provided with a well-defined and fair reward and punishment mechanism, the employees can focus on developing their own potentials and becoming the best on their jobs.

## *Leave Management*

Hunan Westralian's working hour is 6 days a week and 7 hours a day. Hunan Westralian has also provided a guideline in its Leave Management Method, it states that other than the national statutory holidays, employees may be entitled to overtime compensation (overtime work will be compensated with same amount of time-off). In the case of sick leave, employees who are hospitalized or suffering from illnesses must provide medical proofs to obtain sick leaves.

Employees are also entitled to the marital leave, maternity leave, paternity leave, bereavement leave based on the state regulations.

### *Marital Leave*

According to the Marriage Law of the People's Republic of China, staff who have reached the legal age of marriage can entile 3 days of marital leave when they get married, and staff who qualify as "late marriage" can be entitled to 15 days of marital leave. They are entitled to receive full wages during the marital leave;

### *Maternity and Paternity Leave*

Female employees who meet the National Family Planning Policy can be entitled to 90 days of maternity leave when they are pregnant; female employees who are qualified as "late pregnancy" can be entitled to 105 days maternity leave; female employees who experienced dystocia or caesarean can be entitled to 105 days maternity leave; female employees who are having multiple pregnancy will have additional 15 days for each child on top of the basis of 90 days. Male employees can be entitled to a week of paternity leave. Female employees who have children under 18 months of age are given 1 hour of nursing time on every work day. Both male and female employees are entitled to full wages and bonuses during maternity and paternity leaves;

### *Bereavement Leave*

Employees who suffered from the loss of immediate family members (parents, children or spouses) will be given 5 days of bereavement leave; those who suffered from the deaths of their collateral relatives will have 3 days of funeral leave (the travel time is caluculated seperately). Employees are entitled to full wage during bereavement leave.

In Year 2016, Hunan Westralian was not aware of any material non-compliance of laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefit and welfare. In addition, no major fines or sanctions have been received in Year 2016 due to non-compliance with relevant laws and regulations.

## **Health and Safety**

In order to put our guiding principles of “placing safety first, preventing injuries as core, and managing comprehensively” (“安全第一，預防為主，綜合治理”) into practice, and to strengthen the managements of safety training, Hunan Westralian has set out guidelines in accordance to Safe Production Law of the People’s Republic of China, Safety Training Management Measures (Safety Supervision Bureau Decree No. 44) and the relevant laws and administrative regulations, to ensure the quality of our job safety training and further its development. Furthermore, the Company provided a variety of well-planned and specialized safety trainings which are tailored to the realistic working conditions, in order to promote a higher level of safety awareness for all.

Major hazards of mining include ground pressure, water damage, fire or explosion hazards, poisoning and suffocation hazards.

### *Ground Pressure*

Due to some unauthorised indiscriminate mining by the locals in the past, there are goaves existing in the mines. The goaves may collapse under the ground pressure if they are not filled or treated with other methods. To prevent the goaves from collapsing, Hunan Westralian has developed a “Filling Recovery Safety Management System”, which requires each layer of mining to be filled immediately after being mined, and the last layer shall be treated with fill tightening, to prevent staff from falling into goaves.

### *Water Damage*

There are three types of water damage that may cause casualties and property damages: (i) when goaves collapse and water from surface seeping in as a result, or when there are cracks or caves on the surfaces and precipitations pours in; (ii) when underground water gushes inside the mining areas (even when the amount of water gushing is small, the strength and abruptness may cause immense damages to the mining site); and (iii) when the water on the surface or when rain pours in and lead to floodings in goaves, roadways and mining areas. In order to prevent any of the water damages mentioned above, Hunan Westralian regulates all its units to fulfill the work safety requirements by abiding “Drainage Management System”, “Surface and Underground Drainage Management System”, “Water Damage Control Technology Management System”, “Water Damage in Mines Forecast System” and “Water Damage Investigation System”.

### *Fire or Explosion Hazards*

There are multiple potential sources of flammable, combustive and explosive materials in the mining process, explosives and detonator materials such as ammonium nitrate is the most dangerous. To ensure fire or explosion hazards eliminated in the process of storage and transportation, Hunan Westralia has developed “The Use of Fire Product Management System”, “Explosives Storage Safety System”, “Explosives Safety Inspection System” and “Use of Explosives Management System”. The systems also require all responsible personel passing the safety training and assessments, and has obtained the Explosives Administrator Certificate or Explosion Certificate. In addition, Hunan Westralian has also set up “Fire Safety Measures”, “Fire Prevention Management System” and “Fire Management System”, and requires all managers to inspect and supervise the site strictly adhering to the guidelines, which include but not limited to (i) sampling the air quality for any combustible gas at mining site and clearing out any flammable material in the location and using sprinkler to remove any dust particles before ignition. There shall be at least two fire extinguishers and two buckets at the scene at all time. After ignition, it should put out the fire with water, and observe for an hour to ensure all fire were put out before leaving the scene; (ii) checking the first and second wiring before welding, and ensuring the

grounding is placed well to prevent electric shock; and (iii) checking the oxygen and acetylene meters before using welding torches to prevent gas leakage.

### *Poisoning and Suffocation Hazards*

Poisoning and suffocation hazards are caused by the airborne dust and soots from explosion and other airborne contaminants at the mine, which include: the mixture of sulfide and air formed by the oxidation of the ore body, and air contaminants in the cave, the goaf and the tunnel. In order to maintain the air quality in mining areas, the Company has adopted a block mining system in the mines, and has a separate ventilation system in each zone. The Company has chosen a central ventilation with Xianglu Air Return Shaft and Jinzhuwan Adit as the main return air shaft. Inside the mine shaft, the company has adopted a side-wing diagonal ventilation system, the fresh air is pushed in via main adit and drew out from ventilation adit. A 55 kilowatts pumping ventilation fan is mounted at the Jinzhuwan Adit Shaft, and two 7.5 kilowatts pumping exhaust fans are mounted at Xianglu Air Return Shaft. Hunan Westralian has developed a “Ventilation and Dust Management System” and required the Department of Production Technology, Department of Environmental Safety and Mining Area Mechanical and Electrical Management Unit to follow strictly: (i) the air composition must have a minimum oxygen ration of 18%, and carbon monoxide in the air must not exceed 24 million fraction; (ii) the dust content of the air in the tunnel and the excavation work surface must not exceed 0.5 mg/m; (iii) ventilators must be installed in excavation areas and poorly ventilated working areas; (iv) the distance between the pressurized ventilator and the working surface of the ventilated area shall not exceed 10 meters, and distance between the exhausted ventilator and working area shall not be less than 15 meters; (v) before extracting the ores, workers must remove the dust and other air contaminants with sprinklers in excavation areas, mining areas or any operation surface that creates dust easily, while washing 20 meters of the tunnel; (vi) the effective wind volume shall be no less than 60% in the local main ventilator and main ventilation shaft; and (vii) Ventilation and Dust-removal Operators shall sample the oxygen content and carbon monoxide concentration in the air before each operation, and shall keep a detailed record.

### *National Certification*

On 20 October 2016, Hunan Westralian engaged a local safety assessment company, an independent third party, to issue a Safety Assessment Status Report, confirming that the eastern part of Hunan Westralian Guanzhuang Gold Mine fulfilled all the safety requirements listed in the Implementation of the Safety Production License for Non-coal Mining Enterprises (State Administration of Nationalities [2009] No. 20) and the Safety Regulations for Metallic or Non-metallic Mines (GB16423-2006) by State Administration of Work Safety.

### **Development and Training**

Hunan Westralian has prepared “Staff Manual” to regulate the employee trainings and developments, it includes: (i) training purposes; (ii) training systems; (iii) method of trainings; and (iv) training management. In order to create a safe working environment for all, Hunan Westralian is committed to providing workers sufficient pre-job trainings, on-the-job trainings and other related professional trainings. All new employees are required to participate internal training which enables them to quickly adapt to the working environment, to understand the corporate culture and to master the basic skills needed. In addition, Hunan Westralian also recruit lecturers for staff-training internally as well as externally: the internal trainings improve the operational capacities of the employees, and external trainings enhance their professional knowledges, safety awareness, and further their skills in management leadership and teambuilding. Hunan Westralian strives to further company development, enhance the performances of its employees and retain the talents in company.

Hunan Westralian has developed a “Safety Activities Day System”. Every Friday is a Safety Activities Day, every mining area is divided into morning and afternoon section, and the activities are held for not less than 2 hours.

As an effort to raise awareness on job safety, Hunan Westralian set up a “2017 Safety Training Program”. The training targets the new employees, special operations personnel, team leaders, part-time security officers, major responsible officers of the company and safety management personnel. The trainings also equip all the staff with essentials knowledges such as the laws and regulations, skills on identifying sources of hazards, emergency procedures and safety standards etc.

### **Labour Standards**

Hunan Westralian believes that all forms of child labour and forced labour are universally condemned and therefore are strongly against them and strive to comply all the laws and regulations strictly. Hunan Westralian strictly abides by the labor contract system, and all employees are required to sign a labor contract within one month from the date of employment.

During Year 2016, the Group was not aware of any material non-compliance regarding laws and regulations relating to prevent child labour and forced labour in Hunan Westralian. In addition, no major fines or sanctions have been reported in Year 2016 due to non-compliance with relevant laws and regulations

### **Supply Chain Management**

Hunan Westralian has always complied with laws and regulations in its business operations, and has always adhered to the international standards, and remained fair in its purchasing procedures.

In its supply chain management, Hunan Westralian always upholds the principle of transparency, honesty, integrity and fairness. Hunan Westralian provides strict guidelines on its purchasing procedures in its assessment and selections of services providers to ensure every little step is in compliance with regulations. In addition, Hunan Westralian has approval procedures to ensure the cooperation with suppliers are monitored and approved by the appropriate level of management.

### **Product Responsibility**

Customers’ satisfaction is one of Hunan Westralian’s main goals. Hunan Westralian is committed to comply with the laws and regulations in respect to health and safety of its products, advertising, labeling and privacy. All employees are required to comply with applicable government and regulatory laws, rules, codes and regulations.

During Year 2016, the Group was not aware of any material non-compliance of the laws and regulations relating to the health and safety, advertising, labeling, privacy matters relating to the products and methods of redemption in Hunan Westralian. In addition, no large fines or violations have been reported in Year 2016.

## **Anti-corruption**

Combining the relevant laws and regulations of the People's Republic of China and the actual company's situation, Hunan Westralian has set up "Anti-fraud Policy" to strictly prohibit any forms of corruptions and frauds, to enhance Hunan Westralian's governance and internal control, and to regulate its operation activities in order to reduce Company's operation risks and to ensure the company has a stable and healthy development. All employees are prohibited from using deception or other illegal measures to receive personal benefits including but not limited to money, gifts, loans, awards, contracts, services and food.

Hunan Westralian has also set up "Anti-fraud Prosecution Procedure" and communication channels that enable the staff to report frauds. If employees in Hunan Westralian knew or suspected any forms of fraud, they may follow the procedures to report. Hunan Westralian encourages employees to report to the Chairman of the Audit Committee through mail or email anonymously. After the prosecution is accepted, the relevant prosecutions will be conducted independently by the internal auditors or the external legal counsels under the supervision of the chairman of the committee.

During Year 2016, the Group was not aware of any material non-compliance of the laws and regulations relating to bribery, extortion, fraud and money laundering in Hunan Westralian. In addition, no large fines or violations have been reported in Year 2016.

## **Community Investment**

Hunan Westralian is striving to become a positive force in the communities in which they operate, and has maintained close communication and interaction with the community in order to contribute to community development.

As a responsible enterprise, Hunan Westralian is committed to improving its social image and social responsibility through community investment, and also encourages all employees to take their own initiative to help and support local communities and neighbours.