



SIBERIAN MINING GROUP COMPANY LIMITED

西伯利亞礦業集團有限公司\*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1142)



# 2018

Environmental, Social and  
Governance Report

\*For identification purpose only

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

This report is the second Environmental, Social and Governance Report (the “**ESG Report**”) issued by Siberian Mining Group Company Limited (the “**Company**”) and its subsidiaries (together the “**Group**”). This ESG Report shows the Group’s environmental, social and governance management approach, strategy, priorities and objectives for the financial year ended 31 March 2018.

## ABOUT THIS REPORT

The Group believes that sound environmental, social and governance performance has a decisive influence on the future sustainable development of the Group, achievement of its long-term goals and creation of long-term value for the shareholders. Therefore, the Group pays close attention to the discharge of corporate social responsibility and sustainable development.

The board of directors (the “**Board**”) of the Company is responsible for evaluating and determining the Group’s environmental, social and governance risks, the formulation of the corresponding strategies, and ensuring that appropriate effective environmental, social and governance risk management and internal control systems are established and maintained. The ESG Report has been reviewed and approved by the Board.

## Report Compilation Basis

The ESG 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 “**ESG Guide**”) and the Reporting Guide on Environmental KPIs issued by The Stock Exchange of Hong Kong Limited. The Company has complied with the “comply or explain” provisions set out in the ESG Guide for the year ended 31 March 2018.

Certain data of the ESG Report is extracted from the audited financial statements of the Company for the year ended 31 March 2018 (prepared in accordance with the applicable Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations), whilst other data comes from internal database of the Company and other relevant statistics.

## Scope of the ESG Report

The ESG Report describes the Group’s environmental, social and governance management approach, strategy, priorities and objectives covering various main areas including environmental protection, employment and labour practices, operating practices and community investment. For corporate governance of the Group, please refer to pages 23 to 30 of the Corporate Governance Report in the 2018 Annual Report of the Company.

The ESG Report covers the Company and its material subsidiaries disclosing the situation of the above areas in the operation of the Group’s core business i.e. mineral resources, commodities and other trading, and coal mining. The principal places of operation of the core businesses are Russia, Korea and Hong Kong.

## Reporting Period

The information published in the ESG Report covers the period from 1 April 2017 to 31 March 2018, which is the same as the financial year as reported in the 2018 Annual Report of the Company.

## STAKEHOLDER ENGAGEMENT

The Group believes that the support and trust of its stakeholders are important to the Group’s growth and success. The stakeholders of the Group include government and regulatory authorities, shareholders, investors, suppliers, customers, business partners, employees, media and the public.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDER ENGAGEMENT *(Continued)*

As a responsible corporate entity, the Group considers the needs of its stakeholders while strives to improve business performance, in order to balance the interests of all parties. The Group does its utmost to minimize the adverse impact on the natural environment and community; create a good working environment for employees and provide them with appropriate trainings and equal opportunities; make commitment to business partners and customers to provide quality products and services; comply with applicable laws and regulations to strengthen corporate governance and improve internal control; and participate in community activities to share the value with the society.

The Group places emphasis on communications with its stakeholders and has developed open and good communications with them to understand their expectations and requests. It communicates with the stakeholders through financial reports, statutory announcements, shareholders' meetings, face-to-face meetings and other channels, in order to reveal its financial and operating conditions to the stakeholders. The ESG Report is also intended to allow the stakeholders to understand its performance on environmental protection, community and corporate sustainable development.

The Group welcomes stakeholders to share their enquiry or opinion on the Group's sustainability issues via:

Address: Room 2402, 24/F, Tower 2, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong

Telephone: (852) 2511 8999

Fax: (852) 2511 8711

E-mail address: investor@smg.com.hk

Going forward, the Group will endeavor to improve its current policies, strengthen communications with the stakeholders, strive to enhance the stakeholders' value and achieve a mutual beneficial outcome.

## A. ENVIRONMENTAL

As a part of its social responsibility, the Group is dedicated to environmental-friendly development through rational resource utilization and practices of environmental protection, in order to contribute to the improvement of ecological environment and sustainable development as well as to ensure compliance of existing environmental protection laws and regulations.

The Group is principally engaged in (i) coal mining, of which the stage by stage development is under approval from the State Committee of Reserves under the Russian Federation Ministry of National Resources; and (ii) mineral resources, commodities and other trading. Accordingly, its operations mostly confine to offices in Russia, Korea and Hong Kong and it did not generate hazardous waste and material level of non-hazardous wastes and air, water and land pollution during the reporting period.

### A.1 Emissions

The Group closely monitors and strives to minimize the adverse environmental effects to its surroundings. In addition to its compliance with the laws and regulations in relation to environmental protection, such as the Federal Law on Environmental Protection of the Russian Federation, Waste Disposal Ordinance of Hong Kong, the Framework Act on Environmental Policy of the Republic of Korea and Wastes Control Act of the Republic of Korea, it also has carried out various measures for environmental protection.

The Group has implemented a range of energy saving measures to reduce the corresponding carbon emissions. Details of which can be found in the section headed "Use of Resources" below.

To lessen emissions from vehicle, the Group pays close attention to the proper management and operation of the Group's vehicle, conducts necessary maintenance work on its vehicle, makes careful transportation arrangement to enhance time and fuel savings, and encourages the usage of public transit for all non-urgent and private matters.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(Continued)*

### A.1 Emissions *(Continued)*

To reduce waste in daily operation, the Group has adopted the principle of “Reduce, Reuse and Recycle” in the offices. It has implemented waste separation of non-hazardous waste. Environmental friendly goods such as recycled paper, bio-degradable garbage bags, ozone friendly correction fluid and ball pen with replaceable cartridge have been acquired as much as possible. Besides, employees are advised and alerted to practice green, to conserve resources and to protect the environment, for example, to handle documents electronically and print papers on double sides as practicable as possible.

During the reporting period, the policies and measures regarding environmental protection were effective and the Group was not subject to any confirmed violation cases nor breached any laws and regulations relating to environmental protection.

The emission data is as follows:

Emissions	Unit	For the year ended 31 March 2018	For the year ended 31 March 2017
Nitrogen Oxides (NOx)	grams	391.577	499.967
Sulphur Oxides (SOx)	grams	15.156	17.199
Particulate Matter (PM)	grams	28.831	36.812

Total Greenhouse Gas (“GHG”) Emissions (Note 1)	Unit	For the year ended 31 March 2018	For the year ended 31 March 2017
Scope 1 (Vehicle fuel)	tonnes	2.792	3.168
Scope 2 (Purchased electricity) (Note 2)	tonnes	18.455	17.327
Scope 3 (Paper waste disposal at landfills and business air travel by employees) (Note 3)	tonnes	4.873	0.840
Total	tonnes	26.120	21.335
Intensity (per floor area — tonnes/square meter)		0.051	0.041
Intensity (per employee — tonnes/employee)		1.866	1.255

Waste	Unit	For the year ended 31 March 2018	For the year ended 31 March 2017
Total Hazardous Waste	tonnes	Nil	Nil
Total Non-hazardous Waste	tonnes	0.960	2.016
Intensity (per floor area — tonnes/square meter)		0.002	0.004
Intensity (per employee — tonnes/employee)		0.069	0.119

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(Continued)*

### A.1 Emissions *(Continued)*

Notes:

1. Total GHG emissions = CO2 emissions + CO2 equivalent emissions of other GHGs emitted.
2. For Hong Kong, according to Hong Kong Electric Company, with 1 kilowatt hour ("kWh") of power generated through combustion of fuel, 0.79 kg of CO2 is produced. For Russia, according to Climate Action Tracker, with 1 kWh of power generated through combustion of fuel, 0.412 kg of CO2 is produced. For Korea, the consumption of electricity is limited and the relevant fee is included in the monthly rental fee, therefore, it does not constitute a focus in the ESG Report.
3. Emissions from air travel are calculated based on the Carbon Emissions Calculator of the International Civil Aviation Organization.

### A.2 Use of Resources

The Group is dedicated to control the use of energy and resources in the business operation and to improve energy and resource utilization to achieve economic benefits and to minimize pollution.

As the Group does not involve any manufacturing process and also not maintain any wet pantries in its offices, the consumption of water is limited and therefore does not constitute a focus in the ESG Report. In addition, as the Group does not use any packaging material for finished products, the reporting on consumption of packaging material is not applicable in the ESG Report.

In order to save energy within the office premises, the Group prefers high energy efficient devices, for example, electronic appliances with Grade 1 energy label and light-emitting diode lights. The Group places signage in offices to enhance environmental awareness of the employees. It encourages its colleagues to make use of natural light, and minimize power consumption including maintaining indoor temperature at an appropriate level, keeping the lights and electronic appliances off when they are not used and turning off computers, photocopy machines, printers and facsimile machines when they are off duty or on leave. In addition, permission is required for lighting and air-conditioning during non-business hours. The resources saving measures are effective and employees' awareness to practise green has been enhanced.

The energy consumption data is as follows:

Energy	Unit	For the year ended 31 March 2018	For the year ended 31 March 2017
Electricity	kWh'000	32.852	30.493
Intensity (per floor area — kWh'000/square meter)		0.065	0.059
Intensity (per employee — kWh'000/employee)		2.347	1.794
Fuel Consumption	litres	1,031	1,170
Intensity (per floor area — litres/square meter)		2.026	2.272
Intensity (per employee — litres/employee)		73.643	68.824

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL *(Continued)*

### A.3 The Environment and Natural Resources

Due to the existing business nature of the Group, the adverse impact of its operations on the environment and natural resources is not significant.

In order to generate long-term values to the stakeholders and community as a whole, the Group will continue to review the environmental practices, assess the environmental risks of its business, and adopt further eco-friendly practices and preventive measures when necessary as well as ensure the compliance of relevant laws and regulations.

The Group also provides information and updates on environmental protection to employees so as to raise their environmental awareness and further improve the overall office environmental performance.

## B. SOCIAL

### EMPLOYMENT AND LABOUR PRACTICES

#### B.1 Employment

The Group believes that employees are valuable assets and nurturing them is always one of its major development goals. It has established and implemented an effective human resources management system pursuant to all applicable laws and regulations, for example, Labour Code of the Russian Federation, Employment Ordinance of Hong Kong, Mandatory Provident Fund Schemes Ordinance of Hong Kong, Employees' Compensation Ordinance of Hong Kong, Minimum Wage Ordinance of Hong Kong, Labour Standards Act of the Republic of Korea and Equal Employment Policy Act of the Republic of Korea, and with reference to the general practices and benchmark of the industry. All employees are bound by the provisions of the work guidelines and employment contracts made thereunder.

The human resources management system covers areas including the employment policies (such as compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare), rights and responsibilities, code of professional ethics, and workplace safety and health, in order to protect the interests of both the Company and employees.

With the intention to attract and retain talents for its long-term and stable growth, the Group remunerates employees at a competitive level. Remunerations are determined in accordance with the level of position, working experience, education background and the assessment results of the annual performance evaluation. The Group's remuneration packages include basic salary, medical insurance, group insurance, work-related injury insurance, performance bonus, share options, sick leave, annual leave, maternity leave and statutory retirement fund. Furthermore, the Group also organizes company functions and activities for employees from time to time to increase their sense of belonging to the Group.

The Group introduces and enhances employees' recognition of its corporate core values, namely devotion, loyalty and service, and incorporates them in performance evaluation to set up standards for mind-set and behaviour, ensuring that employees' attitude and behaviour embody and conform to its corporate culture.

With an aim of internal cultivation, the Group has established organizational structure, and formulated plans on sustainable career development for employees based on corporate development strategies. It provides wide opportunities for employees to leverage their talents and achieve personal ambition, making the Group a desirable employer for them.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(Continued)*

### EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

#### B.1 Employment *(Continued)*

The Group undertakes the responsibility of an equal opportunity employer to create a fair, discrimination-free and respectful workplace and culture for employees. It ensures that all employees and job applicants are entitled to equal opportunities and are treated fairly in all employment arrangements, such as employment, deployment, recruitment, training, promotion, rates of pay and benefits.

The Group adopts zero tolerance to harassment and bullying in workplace. It monitors the behaviors of employees, urge employees to report complaints when they find any misconduct, conducts detailed investigations and takes necessary disciplinary actions if needed.

During the reporting period, the Group did not violate or breach any laws and regulations relating to employment and labour practices and no labour disputes were recorded both internally and externally.

#### B.2 Health and Safety

The Group attaches high importance in building a safe, healthy and hygienic workplace for its employees. It has adopted various measures in strict compliance with the Constitution of the Russian Federation, the Basic Law on Labour Protection of the Russian Federation, Labour Code of the Russian Federation, Occupational Safety and Health Ordinance of Hong Kong, Occupational Safety and Health Act of the Republic of Korea and relevant laws and regulations to provide safe working environment and protect employees from occupational hazards.

The Group has established and implemented the occupational health and safety precautions to provide employees the necessary directions to practice safe work behaviours. The effectiveness of the precautions is reviewed regularly.

The Group properly provides protection facilities and equipment for prevention of occupational hazards and work injuries in workplace, and offers work-related injury insurance and other commercial insurances to employees so as to provide adequate protection for the interests of employees. It also prohibits smoking and abuse of alcohol and drugs in workplace; offers clean and tidy offices; and provides sufficient ventilation and lighting system as well as adjustable chairs and monitors in offices.

In addition, it provides health and safety information to employees to enhance their awareness. Trainings on contingency measures in relation to emergencies such as fire, typhoon and rainstorms, as well as emergency use of equipment in response to accidents are provided to employees.

During the reporting period, the Group did not violate or breach any laws and regulations relating to health and safety and no incident of work related injury occurred.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(Continued)*

### EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

#### B.3 Development and Training

The Group understands that training and development of employees are essential for its success and it aims to provide the Group with a capable, engaged and productive workforce. Based on the direction and needs of the business development and employees' position, it encourages employees to have appropriate trainings, and to acquire skills and career development opportunities, including new employees orientation, technical and professional skill enhancement training, work safety training, on-the-job training and personal training on business management etc., with a view to enhance employee quality, qualifications and skills so that they can achieve personal growth and realize their potential. All directors, company secretary and senior management are provided with appropriate seminars. On top of internal trainings, the Group also encourages employees to participate in externally organized trainings in pursuit of their personal career development goals.

The Group provides internal promotion opportunities for employees with ambition, enthusiasm and development potential to pursue their career goals. Through job appraisal, it communicates job performance and career development goals with employees and at the same time give appreciation and advice to employees to help them growth and obtain greater job satisfaction.

#### B.4 Labour Standards

The Group does not tolerate the use of child or forced labour. It strictly follows the Labour Code of the Russian Federation, Employment Ordinance of Hong Kong and Labour Standards Act of the Republic of Korea, and make reference to international labour standards and industry practices. The human resources management system governs all recruitment and promotion activities so as to ensure no existence of child and forced labour. It also reviews the overall employment practices to avoid child or forced labour and other potential irregularities from time to time.

The Group does not hire child labour aged below the relevant legal threshold of the respective countries. At the time of interview, the Human Resources Department would request job applicants to present valid identification document for verification of their actual ages. It also conducts background checks and comprehensive recruitment review to ensure the accuracy and trueness of the applicant's information.

To ensure no forced labour, the Group conducts open and fair recruitment according to corporate plans and needs. It respects employees' rights that stipulated in the laws and regulations that all employees would receive a salary not lesser than the statutory minimum wage, have prescribed working hours pursuant to employment contract, and enjoy sufficient rest time and paid holidays. Any necessary arrangements of overtime working would be agreed by employees voluntarily. Overtime working and overtime pays (where applicable) are in line with the local laws and regulations. During working hours, employees are allowed to move freely within the work premises. Employees are allowed to terminate employment contract after giving reasonable notice according to the relevant employment contract.

During the reporting period, the Group did not violate or breach any laws and regulations relating to preventing child and forced labour and no disputes or litigations on labour matters were reported.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(Continued)*

### OPERATING PRACTICES

#### B.5 Supply Chain Management

Supply chain management is one of the key elements in the Group's quality control system. The Group adheres to offer equal opportunities to all potential suppliers and partners to fulfill various needs of different customers. It believes that keen market competition can help us improve product quality, achieve cost minimization, and rapidly respond to customers' needs as well as provide them with more options.

Stringent criteria are adopted in selecting suppliers and partners, and they are required to possess rich experience and continuous ability to provide satisfactory product quantity and quality, reasonable price, timely delivery and good services. In addition, they must conduct business in compliance with the environmental and social regulations.

The Group strictly monitors the procurement process to ensure that the entire process is conducted in an open, fair and just manner and lack of interests transfer or corruption of any kind. All procurements are conducted in the form of contract. It closely supervises performance of the contract terms and at the same time conducts checks and analysis to ensure the security of the supply chain.

In addition, the Group constantly collects viewpoints and opinions from the customers through various methods and channels and makes timely improvements. During the year, the Group maintains good relationships with both the suppliers and customers.

#### B.6 Product Responsibility

The Group believes that products and services of good quality are one of the key factors of success. It has always complied with the relevant laws and regulations such as Product Liability Act of the Republic of Korea, Fair Labeling and Advertising Act of the Republic of Korea and Personal Information Protection Act of the Republic of Korea etc., and product quality is monitored closely to ensure the stability of high quality, health and safety of the products. The Group from time to time conducts quality check to ensure product quality. It strives to prohibit fraudulent, misleading, deceptive and other unfair commercial practices that may undermine customers' confidence and rights.

The Group has adopted pre-determined procedures and preventive measures to deal with enquiries and complaints. It has conducted regular meetings with the customers to address their concerns and complaints.

In addition, as customer privacy protection is one of the most important concerns, the Group has implemented appropriate data security system and measures to ensure that unauthorized use of customers' information is prevented, collected data is protected, and customers' privacy is well respected and secured.

During the reporting period, the Group did not violate or breach any laws and regulations relating to product responsibility and no complaints or claims on the products were recorded.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL *(Continued)*

### OPERATING PRACTICES *(Continued)*

#### B.7 Anti-corruption

The Group adheres to the philosophy of honesty and integrity in doing business and adopts zero tolerance to corruption or any misconduct that is against the Group's interest. It has implemented various measures in compliance with the relevant laws and regulations, for example, Anti-corruption Law of the Russian Federation, Prevention of Bribery Ordinance of Hong Kong and Anti-corruption Act of the Republic of Korea.

The Group has implemented and regularly reviewed the internal control system and related party transactions management measures to prevent bribery, extortion, fraud and money laundering, and to maintain good corporate governance. It has incorporated the anti-bribery and anti-corruption policy in the staff handbook, requiring all directors, senior management and all other employees to uphold their personal and professional conduct. The Group provides anti-corruption information to employees to enhance their awareness and promote professional conduct.

During the reporting period, the Group did not violate or breach any laws and regulations relating to anti-corruption and there was no enquiry or concern regarding bribery or corruption from the government or banking officials.

#### B.8 Community Investment

The Group values corporate social responsibility and promotes employees' awareness of caring for the community and mutual help. It highly support employees to participate in volunteer activities and social services to take care of and help the needy.

## TARGET

Looking forward, the Group aims and plans to strengthen its environmental, social and corporate governance performance by optimizing the existing policies and measures, reviewing the effectiveness of the procedures, keeping up to date to the latest development of relevant issues and maintaining continuous dialogue with the stakeholders.