

**新礦資源有限公司**

**NEWTON RESOURCES LTD**

(Incorporated in the Cayman Islands with limited liability)

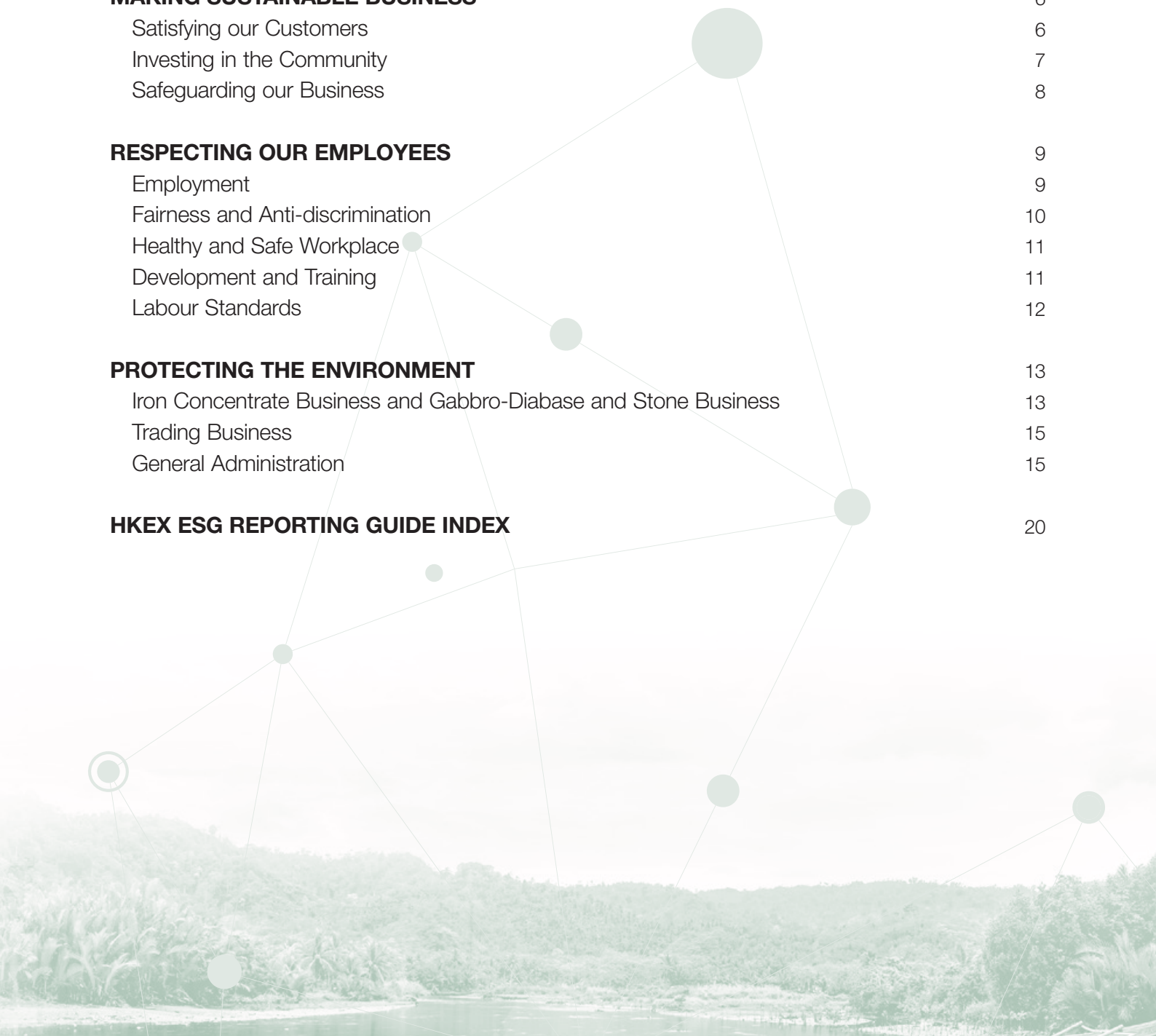
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Environmental,  
Social and  
Governance Report  
**2018**



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## Introduction

Newton Resources Ltd (hereinafter referred to as the “Company”, “we”) and its subsidiaries (collectively, the “Group”) is principally engaged in two businesses, namely, the Trading Business of iron ores and coals (the “Trading Business”) and the Mining Businesses at the open-pit iron ore and gabbro-diabase mine located in Yanjiazhuang Mine Area, Hebei Province, the People’s Republic of China (the “PRC”) (the “Yanjiazhuang Mine”) (i.e. the Iron Concentrate Business and the Gabbro-Diabase and Stone Business) for the reporting period from 1 January 2018 to 31 December 2018 (the “Reporting Period” or “FY 2018”). The Group, through Lincheng Xingye Mineral Resources Co., Ltd. (the “Xingye Mining”), an indirect non-wholly owned subsidiary of the Company, owns and operates the Yanjiazhuang Mine.

Being dedicated to actively seeking opportunities to expand the supplier network and secure the long term supply of iron ores and other commodities from overseas mines with a view to developing the Trading Business with quality, sustainable and stable product supply and striving to push forward the renewal (the “Renewal”) of mining permit (the “Mining Permit”) in respect of iron ore and gabbro-diabase at the Yanjiazhuang Mine so as to resume the Mining Business and develop a harmonious and environmentally friendly mine at the Yanjiazhuang Mine area and a safe workplace for the stakeholders, the Company always focuses on fulfilling our corporate social responsibility. To show our dedication, we are pleased to present our environmental, social and governance (“ESG”) report detailing the material social and environmental performance of the Company.

This ESG report is prepared in accordance with Appendix 27 to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The information covered in this ESG report focuses on the Group’s offices and various operations of our major subsidiaries in Hong Kong and the PRC including the Trading Business as well as the Iron Concentrates Business and the Gabbro-Diabase and Stone Business. The board of directors (the “Board”) of the Company is well aware of its role and responsibility in oversight of ESG matters, as well as assessment and management of material environmental and social risks issues. This ESG report has been approved by the Board. Information about our corporate governance is not included in this ESG report as it has been disclosed in our annual report 2018 in compliance with Appendix 14 to the Listing Rules. Data and information disclosed herein are compiled from documents or internal statistics provided by different business units and departments of the Group.



## Introduction *(Continued)*

We believe that stakeholders play an important role throughout our ESG journey, since their views can always enhance our practices and identify opportunities for us to do better. Hence, we reached out to different stakeholders throughout the year and paid attention to their major concerns during stakeholder engagement process. Using that as a guidance, our ESG efforts focused on three core areas this year.

### Business

Conduct business with integrity and provide products with good quality up to the specifications and keep good relationship with customers and pursue win-win to both parties at all times

### Workplace

Create a caring and respectful work environment to improve employee satisfaction and retention

### Environment

Raise awareness on environmental protection and conserve precious natural resources

We are now on a journey towards sustainability, and will continue to share our performance in the future ESG reports. We welcome your feedback on this ESG report and please contact us at (852) 2521-8168 or through email at [esg@newton-resources.com](mailto:esg@newton-resources.com).

## Stakeholder Engagement and Materiality Assessment

Stakeholders play an essential role in our sustainability journey. We always learn a lot from our stakeholders whose feedback is a vital guidance to shape our current ESG strategies and future plans to address their needs and priorities.

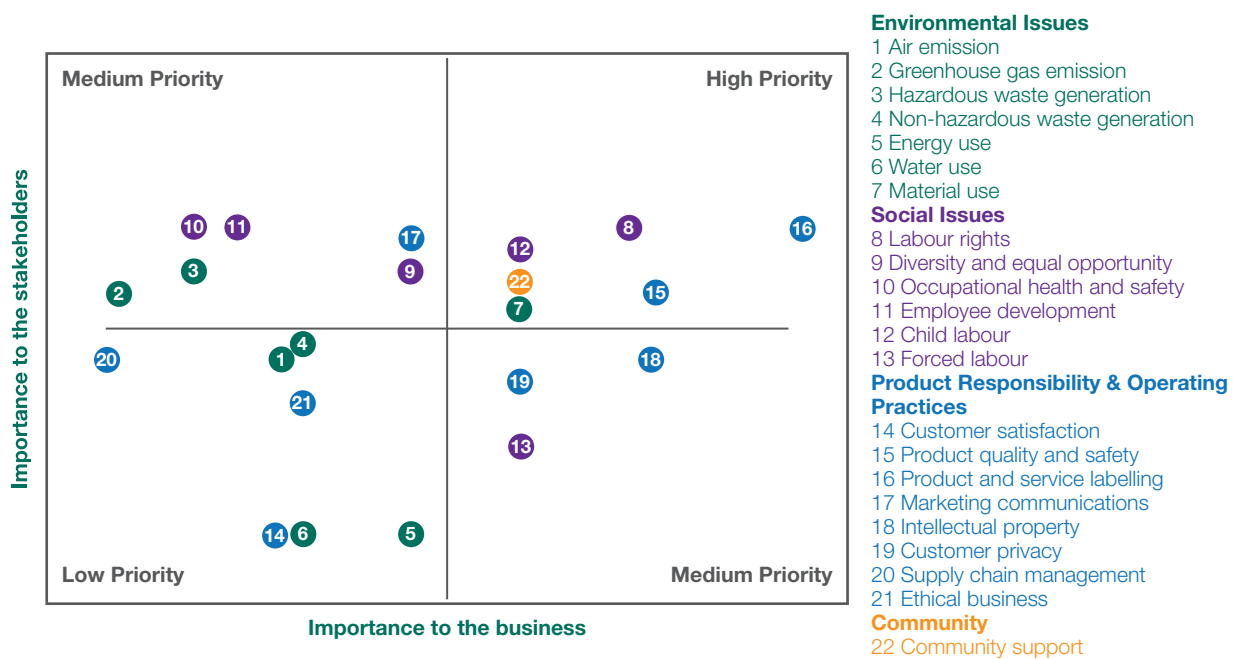
To understand their views on ESG, we invited a diverse group of stakeholders to take part in our online questionnaire throughout the year. In the questionnaire, there was a set of rating questions, allowing our key stakeholders to determine the importance and relevance of every ESG indicator to our business operation.



## Stakeholder Engagement and Materiality Assessment *(Continued)*

Through this exercise, we have prioritised the ESG issues based on the scores given by our key stakeholder groups in the online questionnaire, and visualised the results in the materiality matrix below. The six topics at the top right quadrant of the matrix are the most “highly prioritised” ESG issues that are considered important to both our stakeholders and business operation.

### Materiality Assessment Matrix



## Stakeholder Engagement and Materiality Assessment *(Continued)*

Our responses to these key concerns raised by our stakeholders are detailed in the following table. With the results and suggestions in mind, we will continue to strive to improve our ESG performance. Details of our efforts in FY 2018 are presented in the later sections.

Key concerns from stakeholders	Our responses	Sections
Product and service labelling	Many of our stakeholders have shown their concerns on this topic. Hence, we will explore ways to enhance labelling and advertising of our products and services to drive customer satisfaction.	Making sustainable business
Product quality and safety	Our stakeholders find product quality and safety an area that we should focus on. To respond, it is always our responsibility to ensure we deliver products with good quality up to the specification that do not pose health and safety risks to customers, through a series of assessment and inspection.	Making sustainable business
Community support	Making positive contribution in the community in which we operate and live is always one of our focus areas to work on. We will continue to take care of our community and encourage our people to join voluntary activities and charities.	Making sustainable business
Labour rights and child labour	Both labour rights and child labour are considered material by our stakeholders. Having heard from them, in addition to strict compliance in relevant labour requirements, we realise it is our responsibility to maintain regular and open communication with our people, as well as taking care of their wellbeing. We will also work more closely with our business partners to prevent and eliminate employment of child labour in our supply chain, to safeguard the interests and safety of children.	Respecting our employees
Environmental protection	Our stakeholders recognise the importance of balance between business development and environmental protection. Hence, we will continue to fulfill our responsibility and promote responsible use of resources in our business operations.	Protecting the environment



## Making Sustainable Business

As a responsible and ethical corporate, we not only have to fulfill the responsibilities for our employees. Going beyond it, we remain committed to our customers, business partners, as well as communities. In making sustainable business, our responsibilities focus on four areas: satisfying our customers, safeguarding our business, investing in community as well as environmental protection.

### Satisfying our Customers

We always strive to provide products with good quality up to the specification and keep in good relationship with customers and pursue win-win to both parties at all times.

It is vital to manage our supply chain because this directly influences the quality of our products and customer satisfaction. In doing so, we carefully select our new suppliers by considering not simply their reputation and prices, but also their product quality. We also take their performance on business integrity as well as sustainability into account, to ensure they uphold the same standards of social and environmental responsibility as we do. Regular performance assessment is conducted on existing suppliers to ensure continuous quality supply that meets our requirements.

We, also, work hard to further mitigate risks and help improve sustainability performance of our suppliers. Through a series of capacity-building programmes, we work closely with our suppliers and other business partners to improve their environmental and social standards in the supply chain. For instance, we support our suppliers to develop green production standards such as responsible use of resources and waste reduction. In addition, we promote responsible and ethical business practices in supply chain, by requiring our suppliers not to employ any child and forced labour. We also encourage them to identify opportunities for improvement.

Apart from managing our supply chain well, it is also very important that all products are of good quality up to the specification and do not pose health and safety risks to our customers. Hence, we conduct assessment and inspection (where appropriate) on our products before delivery, to ensure our customers can enjoy healthy and safe products with excellent quality.

To learn and improve, we need to understand how customers think towards us. Various communication channels, such as email, are set up to collect feedback from our customers, helping us continuously improve quality of our products and services as well as enhancing their confidence being with us.

In FY 2018, we were not aware of any material non-compliance with laws and regulations relating to health and safety, advertising and labelling matters of products and services.



## Making Sustainable Business *(Continued)*

### Investing in the Community

We are not simply a company, but also a part of the community. We embrace corporate social responsibilities and the giving back to society. It strives to raise employees' awareness of caring for the community and people, with a view to building good corporate culture.

In the prior years and the Reporting Period, Xingye Mining, in light of environmental protection measures in the region and overall green development direction of the PRC government, had submitted proposals to the relevant government authorities regarding various options for the Renewal, including but not limited to the feasibility of adjustment in mining capacity and/or reduction of resources fee in relation to gabbro-diabase, and it is required to obtain the approval for the adjustment of the forestry ecology planning covering the Yanjiazhuang Mine area (the "Land Use Adjustment"). The management of Xingye Mining has been in regular contact with the relevant government authorities so as to give impetus to the assessment and adjustment process regarding the Land Use Adjustment. The Group is still waiting for confirmation and approval on Land Use Adjustment which is being liaised among various government authorities. Despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the Reporting Period and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents, including, among others, the adjustment to the mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application. The management of Xingye Mining has been working closely with the local authority to find a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area (as aforesaid). The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application.

Moreover, Xingye Mining had to cope with the resumption of the Iron Concentrate Business. In order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye Mining has been under discussions with governmental and village representatives and has been exploring more alternatives and considering other collaboration possibilities as appropriate with the aim to bring back the operations at the Yanjiazhuang Mine, including an award sharing proposal so that the villagers could be entitled to benefit from the resumption, smooth operation and performance of the Yanjiazhuang Mine in the long run. As far as known to Xingye Mining, the Yanjiazhuang Mine is near the locations with ecological development and tourism value. The management of Xingye Mining is also conducting studies and researches on the feasibility of and negotiating with governmental and village representatives on the future development of and the integration of "Agricultural-Cultural-Ecological-Tourism" business model to the Mining Businesses of Xingye Mining which may possibly bring new business environment to the Yanjiazhuang Mine area and to smooth out the local issues and to cater for the green development trend of the PRC government. The management of Xingye Mining will continue to negotiate with local village representatives to understand the co-development potential and economic values of this ecological proposal so as to evaluate and adjust the business plan, as and when appropriate.





## Making Sustainable Business *(Continued)*

### Investing in the Community *(Continued)*

To promote positive corporate citizenship, we proactively organised and participated in various community activities during the Reporting Period:

- To support environmental protection, we encouraged our Hong Kong staff to participate in the red packet recycling activity organised by the property management company of the office building and Greeners Action.
- We encouraged our Hong Kong staff to donate surplus mooncakes to the needy so that they may enjoy Mid-Autumn Festival's blessings and happiness.
- We made donations to a charitable organisation in Hong Kong.
- We always encourage our people to take part in charities and voluntary activities, such as blood donation as well as flag-selling.

The Group will continue to cooperate with more organisations and institutions and provide them with more support, thereby making greater contribution to the society.

### Safeguarding our Business

We believe that integrity is the foundation of making a sustainable and successful business. Hence, we strive to uphold the highest levels of business integrity, by having zero tolerance against corruption as well as safeguarding all of the confidential information, in order to protect our business.

#### Anti-corruption

To us, sustainable business is about honesty and integrity. Strictly complying with relevant laws and regulations, we work against corruption in any of its forms – including bribery, extortion, fraud and money laundering.

It is important to let our employees understand and act in the same way we conduct business. Our guidelines clearly set out the situations and behaviours that our people should be aware of when doing business, so that the unethical practices, such as conflict of interest and corruption, can be avoided. Monitoring and reviewing on our internal mechanism is performed from time to time to ensure ongoing compliance in business activities as well as strengthening governance structures.

Our employees have the responsibility to report any suspected business improprieties. A whistle-blowing policy is in place to encourage the reporting of any corruption or misconduct, while respecting the privacy of the whistle-blowers. Different channels, including email and letter, are set up to express their concerns. In case any potential misconduct arises, the risk management department will investigate and take actions in a prompt and strict manner.

## **Making Sustainable Business** *(Continued)*

### **Safeguarding our Business** *(Continued)*

#### **Anti-corruption** *(Continued)*

Our Audit Committee assists our Board in providing an independent view of our financial reporting process, internal control and risk management system, oversees the audit process and performs other duties and responsibilities as assigned by our Board. We review our internal control mechanism regularly to enhance the standard of our governance. For more information about the Group's corporate governance, please refer to pages 28 to 51 of our annual report 2018 and our corporate website at [www.newton-resources.com](http://www.newton-resources.com).

In FY 2018, we were not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering.

#### **Privacy and Confidentiality**

It is essential that our employees maintain confidentiality at all times at work.

Taking confidentiality in a serious manner, by setting out clear guidelines, we aim to safeguard the interests of the Group. Employees are restricted from leaking our confidential information – ranging from business plans and opportunities, data from our customers and suppliers and production techniques to the details of our research and development projects – to external parties without duly permission.

In addition, our employees in Hong Kong are required to sign the confidentiality agreement and adhere to the stringent standards on handling confidential information during the time with us.

In FY 2018, we were not aware of any material non-compliance with laws and regulations relating to privacy matters of products and services provided.

## **Respecting Our Employees**

Employees are a valuable asset to the Group and form a strong foundation in our business. Hence, being a responsible employer, we have the responsibility to provide a safe and fair workplace for all of our people, where they can grow and thrive in their careers while maintaining a healthy work-life balance.

### **Employment**

As a responsible employer, we always work hard to safeguard all labour rights and employment practices to our employees. Strictly complying with all relevant laws and regulations, as well as industry practices, we set out guidelines on compensation, dismissal, recruitment, promotion, working hour, rest periods, as well as benefits and welfare. In FY 2018, we were not aware of any material non-compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, and other benefits and welfare.

## Respecting Our Employees *(Continued)*

### Employment *(Continued)*

Aligning with the prevailing market practices as well as taking individual performance into consideration, our remuneration package is offered to help attract, retain and motivate our talented people. Under the remuneration system, in addition to the retirement saving scheme and medical insurance, various allowances and special paid leaves are provided to eligible employees with examples set out below:

#### Hong Kong

- Medical and hospitality insurance
- Accident and life insurance
- Mandatory provident fund
- Employees' compensation insurance
- Examination leave with pay
- Educational subsidies for academic and professional qualifications
- Severance payment/Long service payment
- Birthday/Marriage/Maternity/Paternity leave with pay

#### PRC

- Endowment insurance
- Medical insurance
- Accident insurance
- Unemployment insurance
- Work-related injury insurance
- Childbirth insurance
- Housing provident fund
- Maternity/Paternity leave with pay

To motivate our employees, rewards in terms of bonuses, promotions, and other fringe benefits are offered based on individual performance and contribution. We also perform regular reviews on the system to make sure it is effectively implemented to promote a rewarding workplace.

In addition to the attractive remuneration package, we work to create a harmonious workplace culture that supports work-life balance. Our employees can simply spend dedicated time with their families and enjoy paid family leaves such as birthday leave and maternity and paternity leaves. We also arrange a series of leisure activities ranging from team lunches and dinners, to distribution of festival snacks such as mooncakes to our employees and their families to share the joy in festivities as well as appreciating their contribution to work.

### Fairness and Anti-discrimination

We believe that everyone deserves being treated in a fair and respectful manner. Across the Group's operation, we support anti-discrimination and work hard to provide equal opportunities to all of our employees. We promote fair employment by considering job-related criteria – namely, personal competence, knowledge about the job roles and suitability towards the job positions – of the job applicants in the recruitment process. Employees are also subject to equal opportunities in promotion based on the appraisals on their own job performance.

In FY 2018, we were not aware of any material non-compliance with laws and regulations relating to equal opportunity, diversity, and anti-discrimination.





## Respecting Our Employees *(Continued)*

### Healthy and Safe Workplace

It is our responsibility to take good care of employees' safety and wellbeing. In doing so, in addition to following all possible regulatory requirements, we have relevant guidelines and programmes in place to ensure they have a decent and safe place to work in.

To build a safe and healthy workplace for our people, the Group arranges for regular carpet sanitising and disinfection for provision of a clean workplace. Moreover, we also provide medical insurance to cover their medical expenses on health check-up and hospitalisation to safeguard their wellness.

Awareness-raising plays an important part in our operation to ensure workplace safety and employee wellbeing. We have guidance on upholding safety standards in production as well as implementing safety initiatives for raising employees' awareness. Safety education and training programmes are provided for our employees to improve their awareness and skills.

We always work to ensure the wellbeing of our people and workplace safety; however, accidents may happen. Emergency drills are arranged for our employees to raise their safety awareness and to make sure they understand the best ways to cope with emergencies in any case. In Hong Kong, for instance, we regularly take part in the fire drills organised by the management of the office building where we are located so as to strengthen knowledge on fire safety and emergency response among employees.

In FY 2018, we were not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

### Development and Training

We value our employees' development, and strive to provide learning and development opportunities so that they can nurture their talents and grow with us.

A range of internal and external training programmes are offered to our employees, covering the topics on job specific knowledge and skills, management skills, as well as personal development, to ensure they are competent in their job roles as well as facilitating their own future development. We provide equal opportunities of learning and development in the workplace where our employees are not simply able to receive on-the-job training, whereas special training support and programmes are designed to enhance knowledge on industry-wide practices and regulations and leadership skills are provided for our managerial co-workers to promote sense of responsibility.



## Respecting Our Employees *(Continued)*

### Development and Training *(Continued)*

We believe that our business thrives when our people start to grow and excel in their careers. To support their career growth and development, we always encourage employees to acquire professional qualifications. Several incentives, such as paid examination leaves, educational subsidies as well as flexible working schedules, are provided to help them evolve in ways that are good for their personal growth and future career development.

In addition, our performance-based appraisals allow our employees to receive constructive feedback from their supervisors, and set work goals and future development with their supervisors on a regular basis. We believe this process can let our people understand where to focus on and improve, helping them develop and grow on their career paths during the time being with us.

We also provide reading materials regarding the latest Listing Rules changes and relevant laws and regulations updates to the directors of the Company, so as to enhance their corporate governance knowledge and sense of responsibility to the Group.

### Labour Standards

The Group is convinced that a safe, efficient and appropriate working environment and sound labour policies are essential to safeguarding our most valuable assets – our employees. The Group has formulated internal human resources guidelines and labour system, which are in strict compliance with (depending on the geographical locations) the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and with reference to international labour standards where appropriate. All recruitment procedures and promotion mechanisms are monitored and implemented by the Group's human resources department.

Workers' rights in our supply chain should be respected. Extending the commitment to our supply chain, we promote ethical and sustainable business practices by working closely with our business partners. We have zero tolerance towards employment of child and forced labour in the supply chain, to respect and support human rights.

During the Reporting Period, the Group did not find any child labour or forced labour and was not involved in any discrimination of race, religion, age or disability and there were no cases of non-compliance by the Group with laws and regulations relating to prevention of child labour and forced labour.



## Protecting the Environment

Climate change is a big challenge facing the world now and is causing great threats to the environment and society where we live and operate. Focusing on tacking our carbon footprint, we understand that we have responsibility to protect the natural environment, and preserve the planet for our current and future generations.

### Iron Concentrate Business and Gabbro-Diabase and Stone Business

The Group's Iron Concentrate Business and Gabbro-Diabase and Stone Business at the Yanjiazhuang Mine remained suspended in the Reporting Period.

In 2016, Xingye Mining received a notice from the environmental protection authority (the "EPA") requiring it to carry out an upgrade of environmental protection measures of the production facilities for highway crushed stone and railway ballast at the Yanjiazhuang Mine as required by the EPA (the "Environmental Upgrade"). Although the management of Xingye Mining has been developing a preliminary plan for the Environmental Upgrade, inclement weather took place in Hebei Province, the PRC in late July 2016, causing floods and landslides in the region as well as life and economic losses and business disruption (the "Disaster"), and forcing the originally planned Environmental Upgrade to be postponed.

Since late 2017, Xingye Mining has been pushing forward the remaining outstanding works on the Environmental Upgrade with an aim to meet the requirements for the Environmental Upgrade and be accepted by the relevant EPA. However, further construction and remedial works shall be required before the environmental protection requirement could be attained. Xingye Mining has arranged its staff members to attend to these follow-up works so as to meet the required standards for satisfactory completion of the Environmental Upgrade. The management of Xingye Mining has also been actively addressing the demands in relation to the Disaster during the Reporting Period. It is believed that, having satisfied these local demands, the village representatives will focus on the negotiation with the Group with a view to achieving consensus and swift settlement of the disputes and issues surrounding the Yanjiazhuang Mine.

Considering the smoggy weather in Mainland China, especially in Beijing-Tianjin-Hebei cluster, the PRC government is laying down plans to further tighten the relevant environmental protection measures towards heavy pollution industries, such as open-pit mines.





## Protecting the Environment *(Continued)*

### Iron Concentrate Business and Gabbro-Diabase and Stone Business *(Continued)*

Throughout 2017 and the Reporting Period, the management of Xingye Mining has been working closely with various PRC government authorities in respect of the Renewal. One of the proposals is to adjust and narrow down the Yanjiazhuang Mine area so as to preserve the natural reserves area in the region and to positively respond to the PRC government's direction and development of ecology and environmental policies, while this may also help Xingye Mining to reduce its remaining resources fee payable in relation to gabbro-d diabase. Such proposal together with the government's domestic development plan triggered the Land Use Adjustment, which becomes one of the steps for the Renewal of the Mining Permit. The management of Xingye Mining has been in contact with the relevant government authorities so as to give impetus to the assessment and adjustment process regarding the Land Use Adjustment. The Group is still waiting for confirmation and approval on Land Use Adjustment which is being liaised among various government authorities. Despite the effort of Xingye Mining, the Renewal application has not been processed by the relevant government authority during the Reporting Period and Xingye Mining is preparing additional documents to meet the requirements for the Renewal. According to the local authority, Xingye Mining could re-submit the Renewal application once it has resolved and obtained certain requisite documents, including, among others, the adjustment to the mining area, the settlement of remaining outstanding resources fees, and certain documents and reports to support the Renewal application. The management of Xingye Mining has been working closely with the local authority to find a mutually agreeable solution to the adjustment to the mining area, including the proposal to narrow down the Yanjiazhuang Mine area (as aforesaid). The management of Xingye Mining has also commenced the preparation of the required reports with a view to pushing forward the Renewal application. The Group has not received any notice in respect of the rejection of the Renewal application or the withdrawal of the Mining Permit from the relevant government authorities as at the date of this ESG report.

In 2018, there were several other developments in the PRC which were perceived to be less favourable to the mining industry, especially the open-pit mines, from environmental perspective. Namely, the new Environmental Protection Tax Law came into force on 1 January 2018 which levies specific environmental protection taxes on the industry. Some commentators consider that, with this new tax system, China's regulation of environmental pollution by businesses is expected to be more efficacious. In the meantime, the PRC government has released a three-year action plan on air pollution control in August 2018, solidifying a timetable and roadmap for improving air quality.

In line with the general trend in the policies for environmental protection and emission reduction in China and with the purpose of constructing an environmentally friendly mine and enhancing the utilisation rate of ore resources, the Group installed environmental protection structures at the production facilities and other sites for the production of gabbro-d diabase and stone, so as to mitigate any adverse impact on surrounding areas during the production process.

To cope with the potential impact of these policy moves on the Mining Businesses, the Group will keep abreast of the latest regulatory requirements and changes, and adopt appropriate environmental and other measures from time to time to facilitate the resumption of operation and production at the Yanjiazhuang Mine.

During the Reporting Period, no significant safety-related incidents were recorded in the operations at the Yanjiazhuang Mine.

## Protecting the Environment *(Continued)*

### Trading Business

The Group's Trading Business primarily involved the supply and sales of commodities (iron ore) during the Reporting Period. The Group arranges for the suitable transport and delivery of iron ore to customers using third party vessels, and thus there is no record of direct emission in this aspect. Nevertheless, the Group normally nominates the vessels that comply with the requirements of the International Management Code for the Safe Operation of Ships and for Pollution Prevention.

### General Administration

To ensure our operation does not cause undesirable impacts on the environment, we aim not only at reducing adverse environmental impacts from our operation, but also bringing positive impacts by promoting responsible use of resources.

It is crucial to comply with all relevant environmental laws and regulations at both local and national levels. Hence, in our operation, not only do we ensure we comply with them, we also pay close attention to any update on the regulatory requirements. In FY 2018, apart from disclosed elsewhere in this ESG report, we were not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, generation of waste as well as the use of resources in Hong Kong.

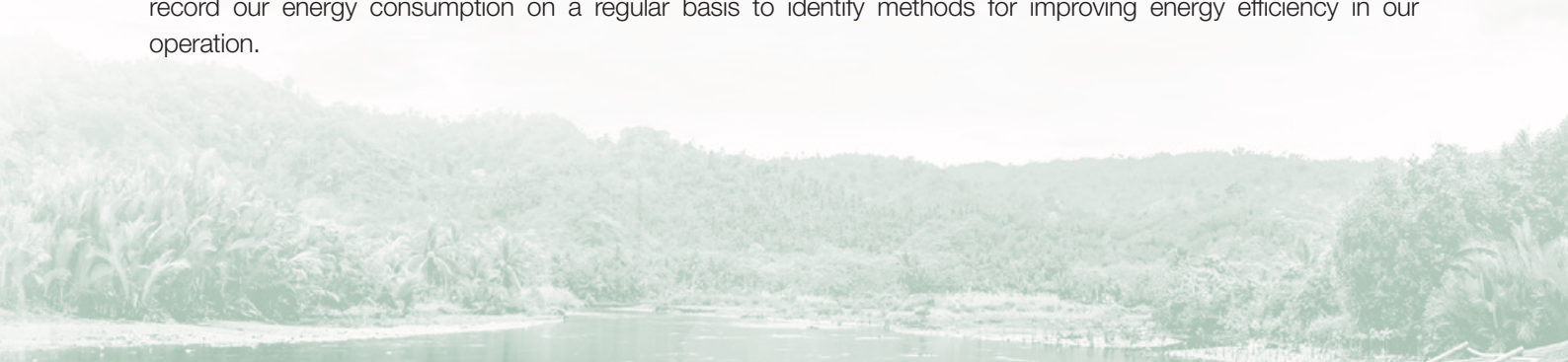
Besides compliance, we always identify opportunities for continuous improvement. Not only do we constantly raise employees' awareness and competence on environmental protection by providing clear guidance, but we also identify material environmental impacts within our operation and formulate corresponding control measures to address those issues.

### Responsible Use of Resources

Different precious resources – such as energy, paper and other materials – are used in our daily operation. We realise that they are not unlimited and will be used up in one day. Hence, we always ensure the resources are used in an efficient and responsible manner, to help sustain the natural environment.

We aim to advocate 3Rs – reduce, reuse and recycle – in our operation. For instance, in the waste management of our operation, we see the potential values in waste and always work to extend their usable lifespan by recycling and reusing some useful parts of them, to avoid directly disposing of them in landfills.

We pay special attention to energy consumption since greenhouse gas is often released from energy production, and has strong relation with global warming. Facing the challenge and focusing on tackling it, we measure and record our energy consumption on a regular basis to identify methods for improving energy efficiency in our operation.



## Protecting the Environment *(Continued)*

### General Administration *(Continued)*

#### Responsible Use of Resources *(Continued)*

Energy consumption <sup>1, 2, 3</sup>	Unit	FY 2018	FY 2017
<b>Direct energy consumption by type</b>			
Gasoline by vehicles	GJ	N/A	430.69
<b>Indirect energy consumption by type</b>			
Electricity	GJ	30.74	535.29
<b>Energy consumption</b>	GJ	30.74	965.98
Energy intensity	GJ/FTE	2.36	13.05

To improve efficiency, in addition to taking part in the Green Sense's "No Air Con Night" campaign, several energy-saving measures are implemented at work.

#### Air-conditioning system

- Reduce the use of air-conditioning system by limiting the hours of operation to maintain the optimal temperature and help reduce power consumption

#### Lighting

- Replace old lighting systems with more energy-efficient lighting products such as LED lighting system
- Remind employees constantly to turn off idling lighting system by displaying notices

#### Other office equipment

- Opt for energy-efficient office equipment, such as office electronic appliances, to maximise energy efficiency

<sup>1</sup> We collected the data from our core operations that we considered may pose material impacts to the environment and our business operations in FY 2018.

<sup>2</sup> The significant decrease in reported consumption and intensity is largely due to the exclusion of our Yanjiazhuang Mine operation from reporting in FY 2018.

<sup>3</sup> Our intensity figure is the total recorded amount per number of full-time employees ("FTE") in the core operations in FY 2018.



## Protecting the Environment *(Continued)*

### General Administration *(Continued)*

#### Responsible Use of Resources *(Continued)*

Paper is essential in our daily business. We work hard to promote paperless office culture, by utilising paper in a responsible manner as well as avoiding unnecessary wastage. Our employees are constantly encouraged to make better use of electronic communication instead of printing hardcopy. Duplex printing is preferred over single-sided printing to reduce paper consumption. In addition, to advocate green procurement, we would like to see the paper we used is managed in ways that benefit the planet and the people, by opting for those certified by the international Forest Stewardship Council ("FSC") or participated in the Programme for the Endorsement of Forest Certification ("PEFC").

To strive for continuous improvement, we continued our focus on improving our data tracking and measurement system to get a clearer picture of where we need to improve. In FY 2018, we began to keep track of how resources, such as paper, are used in our operation. Our annual resource consumption is presented in the table as follows.

Resource use <sup>1, 2, 3</sup>	Unit	FY 2018	FY 2017
<b>Electricity</b>	kWh	<b>8,538</b>	148,691
Intensity	kWh/FTE	<b>657</b>	2,009
<b>Purchased fuel</b>	Litres	<b>N/A<sup>4</sup></b>	11,924
Intensity	Litres/FTE	<b>N/A</b>	161
<b>Paper consumed</b>	Tonnes	<b>0.58</b>	N/A
Intensity	Tonnes/FTE	<b>0.04</b>	N/A
<b>Paper recycled</b>	Tonnes	<b>0.39</b>	N/A
Intensity	Tonnes/FTE	<b>0.03</b>	N/A

<sup>4</sup> The quantity of purchased fuel for vehicles in FY 2018 is excluded from reporting.

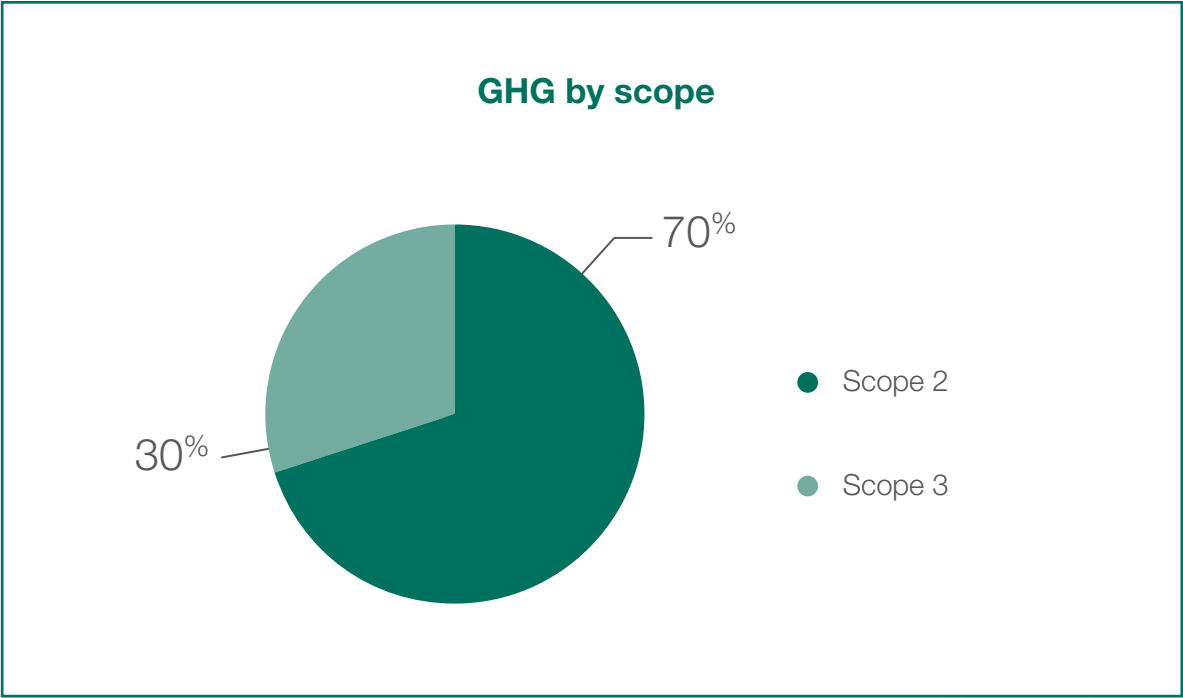
Protecting the Environment *(Continued)*

General Administration *(Continued)*

Managing Greenhouse Gas Emissions

Heavily linked with climate change and triggering other environmental challenges such as more frequent extreme weather events, greenhouse gas is often released from energy production. In managing so, we continued to perform carbon accounting and use it as a tool to understand our performance for better management of carbon footprint in our operation.

In FY 2018, we measured a total of 10 tonnes of carbon dioxide equivalent. Of the total amount of greenhouse gas we generated from our operational activities, 70% came from the electricity that we purchased from electricity supply company, and the remaining 30% was the indirect energy emissions from business air travel.



## Protecting the Environment *(Continued)*

### General Administration *(Continued)*

#### Managing Greenhouse Gas Emissions *(Continued)*

In addition, we look for opportunities to improve. In FY 2018, we produced 3 tonnes of carbon dioxide equivalent from business air travel, which is 79% fewer than that in FY 2017. This was due to the huge efforts from our employees who made good use of telephone conferencing system to decrease the frequency of business trips; thus, cut down carbon emissions during flight. We will continue to improve and make the planet a better place to live in.

GHG emissions <sup>1, 2, 3, 5</sup>	Unit	FY 2018	FY 2017
<b>Direct emission ("Scope 1")</b>			
Company vehicles	tCO <sub>2</sub> e	N/A	32
<b>Energy indirect emission ("Scope 2")</b>			
Purchased electricity	tCO <sub>2</sub> e	7	147
<b>Other indirect emission ("Scope 3")</b>			
Business air travel	tCO <sub>2</sub> e	3	14
<b>Total</b>	tCO <sub>2</sub> e	10	193
Intensity	tCO <sub>2</sub> e/FTE	1	3

<sup>5</sup> Our greenhouse gas ("GHG") emission figure is the sum of energy indirect ("Scope 2") emission from imported electricity, and other indirect ("Scope 3") emission from business air travel by employees. Since we did not directly emit any GHG in the core operations in FY 2018, we do not report the direct ("Scope 1") emission.



## HKEX ESG Reporting Guide Index

HKEX ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/ Reference Section
<b>Aspect A Environmental</b>			
<b>A1 Emissions</b>	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 wastes.	Green office practices are implemented	PROTECTING THE ENVIRONMENT
<b>KPI A1.1</b>	The types of emissions and respective emissions data.	Green office practices are implemented	PROTECTING THE ENVIRONMENT
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green office practices are implemented	PROTECTING THE ENVIRONMENT – Managing greenhouse gas emissions
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable	Hazardous waste generation is not a material aspect for the Group.
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable	Non-hazardous waste generation is not a material aspect for the Group.
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved.	Green office practices are implemented	PROTECTING THE ENVIRONMENT
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Green office practices are implemented	PROTECTING THE ENVIRONMENT – Responsible use of resources



## HKEX ESG Reporting Guide Index *(Continued)*

HKEX ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/ Reference Section
<b>A2 Use of Resources</b>	Policies on efficient use of resources, including energy, water and other raw materials.	Green office practices are implemented	PROTECTING THE ENVIRONMENT – Responsible use of resources
<b>KPI A2.1</b>	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).	Green office practices are implemented	PROTECTING THE ENVIRONMENT
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not applicable	Water consumption is not a material aspect for the Group.
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved.	Green office practices are implemented	PROTECTING THE ENVIRONMENT – Responsible use of resources
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not applicable	Water consumption is not a material aspect for the Group.  In FY 2018, we were not aware of any issues in sourcing water that is fit for purpose.
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	Not applicable	Packaging consumption is not a material aspect for the Group.
<b>A3 The Environment and Natural Resources</b>	Policies on minimising the issuer's significant impact on the environment and natural resources.	Not applicable	The Group's operations do not have significant impacts on the environment and natural resources.
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not applicable	The Group's operations do not have significant impacts on the environment and natural resources.

## HKEX ESG Reporting Guide Index *(Continued)*

HKEX ESG Reporting Guide General Disclosures		Policies & Procedures	Explanation/ Reference Section
<b>Aspect B Social</b>			
<b>B1 Employment</b>	Information on:	Human Resources Guidelines	RESPECTING OUR EMPLOYEES
	<ul style="list-style-type: none"> <li>– the policies; and</li> <li>– compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	Remuneration Policy	– Employment
<b>B2 Health and Safety</b>	Information on:	Occupational Health and Safety Guidelines	RESPECTING OUR EMPLOYEES
	<ul style="list-style-type: none"> <li>– the policies; and</li> <li>– compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>		– Healthy and safe workplace
<b>B3 Development and Training</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Human Resources Guidelines	RESPECTING OUR EMPLOYEES
	Training refers to vocational training. It may include internal and external courses paid by the employer.		– Development and Training



## HKEX ESG Reporting Guide Index *(Continued)*

HKEX ESG Reporting Guide	General Disclosures	Policies & Procedures	Explanation/ Reference Section
<b>B4 Labour Standards</b>	<p>Information on:</p> <ul style="list-style-type: none"> <li>– the policies; and</li> <li>– compliance with relevant laws and regulations that have significant impact on the issuer</li> </ul> <p>relating to preventing child and forced labour.</p>	Human Resources Guidelines	<p>RESPECTING OUR EMPLOYEES</p> <ul style="list-style-type: none"> <li>– Labour Standards</li> </ul>
<b>B5 Supply Chain Management</b>	<p>Policies on managing environmental and social risks of the supply chain.</p>	Supplier Management Guidelines	<p>MAKING SUSTAINABLE BUSINESS</p> <ul style="list-style-type: none"> <li>– Satisfying our customers</li> </ul>
<b>B6 Product Responsibility</b>	<p>Information on:</p> <ul style="list-style-type: none"> <li>– the policies; and</li> <li>– compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	Sales Management Guidelines	<p>MAKING SUSTAINABLE BUSINESS</p> <ul style="list-style-type: none"> <li>– Satisfying our customers</li> </ul>
<b>B7 Anti-corruption</b>	<p>Information on:</p> <ul style="list-style-type: none"> <li>– the policies; and</li> <li>– compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to bribery, extortion, fraud and money laundering.</p>	Whistle-blowing Policy	<p>MAKING SUSTAINABLE BUSINESS</p> <ul style="list-style-type: none"> <li>– Anti-corruption</li> </ul>
<b>B8 Community Investment</b>	<p>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.</p>	Negotiation with local village representatives and participation in community activities	<p>MAKING SUSTAINABLE BUSINESS</p> <ul style="list-style-type: none"> <li>– Investing in the community</li> </ul>





**新礦資源有限公司**  
NEWTON RESOURCES LTD

Suite 4117, 41/F, Jardine House,  
1 Connaught Place, Central, Hong Kong  
Tel: (852) 2521 8168  
Fax: (852) 2521 8117

[www.newton-resources.com](http://www.newton-resources.com)

