NAN NAN RESOURCES ENTERPRISE LIMITED
南南資源實業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

Environmental, Social and

Governance Report

2021/22

Content

About the Group

Nan Nan Resources Enterprise Limited ("Nan Nan Resources" or the "Company"), together with its subsidiaries (the "Group"), focuses on the coal mining and sales business. It mainly focuses on the mining and sales of coal in Xinjiang Uygur Autonomous Region ("Xinjiang") People's Republic of China ("PRC"). At the same time, the Group has further expanded it business segments into renewable energy and informative technology, that covers regions including Hong Kong.

Striving for the best, the Group will continuous to accomplish a diversified business direction and enrich its business boundary and performance, with different business development and activity.

About the Report

The Group strives to manage its sustainability related issues and performance in order to maintain a comprehensive and sustainable operation and management system. This Environmental, Social and Governance Report (the "Report") discloses the Group's policies and measures in the aspects of environmental, social and governance, as well as reflect its monitoring performance. In addition, the Report has performed the sustainability commitment and direction of the Group with its diversified and sustainable operation. It is prepared in both Chinese and English, and is available on the websites of the Stock Exchange of Hong Kong Limited ("SEHK") and the Company (www.nannanlisted.com).

Reporting Boundary

The Report covers the operation of coal mining and sales business of Kaiyuan Mine in Xinjiang, which is the major income source of the Group, during the period from 1st April 2021 to 31st March 2022 (the "Reporting Period"). The Group dedicates to reviewing its performance and expanding the reporting boundary, where appropriate, to improve the disclosed content.

Reporting Principles

The Report is prepared in accordance with the reporting requirements as set out in the Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") of the Main Board Listing Rules of SEHK. Four principles, namely materiality, quantitative, balance and consistency, form the backbone of the Report on disclosing the relevant data and information.

Reporting principles	The Group's application
Materiality	The Group invited 48 internal stakeholders to conduct a questionnaire which helps identify the material issues.
Consistency	Unless otherwise specified, the Group adopts consistent statistical method as previous year.
Quantitative	The Group quantifies its operating performance where appropriate.
Balance	The Report is prepared in an impartial manner that fairly discloses both positive and negative impacts.

Confirmation and Approval

All data and information disclosed in the Report are obtained from official documents and statistical data. It is confirmed and approved by the Board on 31 August 2022.

Opinion and Feedback

The Group believes opinions of different stakeholders help improve its management and operation performance continuously. It leads the Group to a comprehensive sustainable business operation. If you have any questions or suggestions regarding to the Report or performance of the Group, please do not hesitate to contact us via:
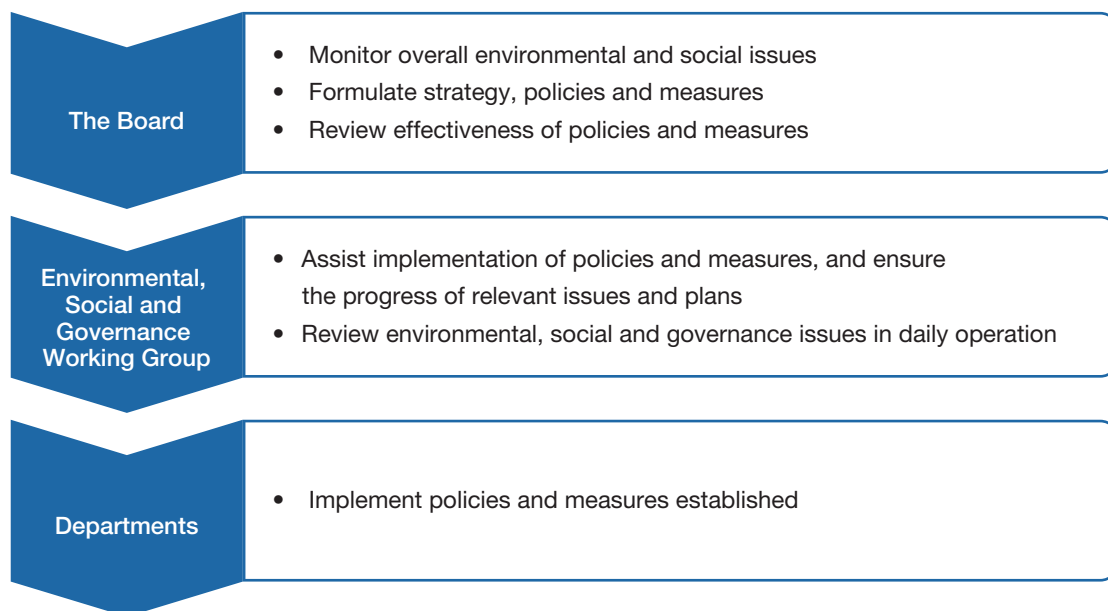
Tel: (852) 3845 5790
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Email: info@nannanlisted.com

Sustainability Governance

The Group attaches sustainability related matters with the occurrence of change in global development, climate change and other issues. It strives to integrate it into the formulation of policies and operating strategy with the ultimate goal of all-round business development. As the leader of the Group, the Board is responsible for managing sustainability related issues as well as reflecting them in the process of operation and decision making. In order to fully accomplish sustainable business operation, the Group has begun the discussions towards the formulation of strategy. It will further establish corresponding targets that guide the business operation.

To ensure an effective sustainability management, the Group has developed a clear governance structure to monitor different issues, such as climate change. Under the leadership of the Board, the Group has established an Environmental, Social and Governance Working Group which assists the implementation of policies and strategy and ensures the implementation of measures. The Environmental, Social and Governance Working Group is led by the Board and supported by members, including the Mine Manager, Administrative Department, Financial Department and General Manager. It aids the implementation of sustainability related issues established, as well as reports to the Board on regular basis to ensure the effectiveness and implementation. The Board will further review the policies and measures based on the report, and hence establish enhancement measures if needed.

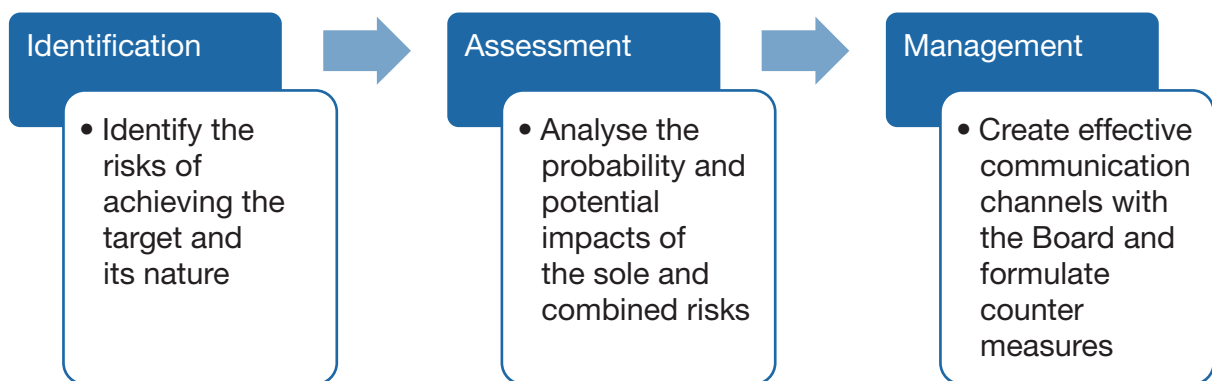| The Board	• Monitor overall environmental and social issues • Formulate strategy, policies and measures • Review effectiveness of policies and measures
Environmental, Social and Governance Working Group	• Assist implementation of policies and measures, and ensure the progress of relevant issues and plans • Review environmental, social and governance issues in daily operation
Departments	• Implement policies and measures established

At the same time, the Group has identified four core aspects in the overall sustainability governance regarding the significant impacts of climate change. It helps monitor and formulate strategy and measures of different aspects.

Governance	Strategy	Risk Management	Indicators and Targets

- **Governance**
  - Create effective climate change governance structure
  - Develop sustainability steering committee to incorporate climate change management and assessment in governance structure
  - Provide climate change related information and significant issues to the Board regularly

- **Strategy**
  - Integrate climate change related risks and opportunities as well as the assessment results into operations
  - Formulate climate change strategy
  - Communicate with internal and external stakeholders regularly with the focus of its climate change strategy and decisions

- **Risk Management**
  - Conduct in-depth quantitative assessment of the climate change related risks and opportunities with scenario analysis, to understand its importance and impacts on operations and finance
  - Formulate response plan based on the severity and importance of the risks
  - Provide relevant trainings to employees to enhance their awareness and ability

- **Indicators and Targets**
  - Formulate and disclose key indicators on assessing and managing risks and opportunities
  - Improve data collection system for trend analysis and comparison in the future
  - Establish targets and corresponding action plans

Risk Management

Effective risk management helps corporate understand and manage risks and opportunities of different aspects in the operations for a comprehensive and sustainable operation. With the risk management system established, the Board identifies, assesses and manages risks and opportunities to further stabilise potential risks in the operations. Additionally, the Board processes risk management and internal control system assessment semi-annually with regard to the internal audit program. It further assesses the change of the nature and level of significant risks and the mitigation ability, coverage of the system and management quality in order to safeguard its effectiveness.

Identification	Assessment	Management
• Identify the risks of achieving the target and its nature	• Analyse the probability and potential impacts of the sole and combined risks	• Create effective communication channels with the Board and formulate counter measures

During the Reporting Period, the Group has conducted identification and management of environmental, social and governance related risks. It is reported to the Board for its assessment and formulation of management plan. The Group has started the internal discussion and analysis of the risks and opportunities in order to diminish their negative impacts and ensure sufficient ability to seize the opportunities.

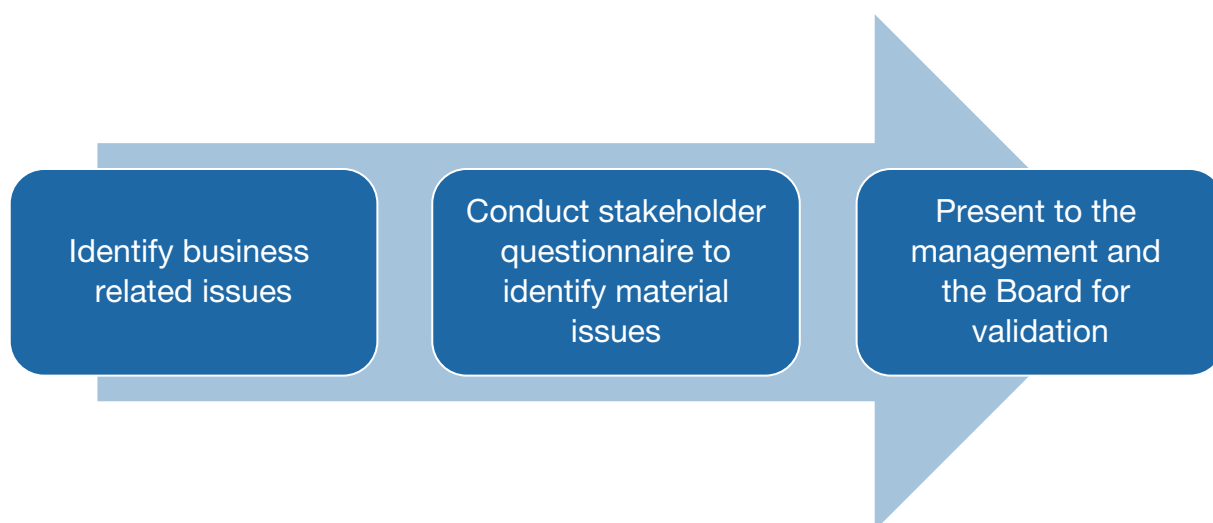| Risk		Description of risk
Physical risk		
Frequent occurrence of extreme weather		Years of human activities have strengthened the frequency of environmental issues induced by climate change, such as rainstorm and drought. At the same time, the strongness and destructive of these extreme weathers have further increased. Different environmental issues bring unstable issues that may pose direct damage to the mining site, equipment and tangible assets of the Group, or even threats to the life of the local employees.
Change of the mode of raining		Water supply can be affected by issues such as drought and extreme dry weather, which bring crisis to the location of operation. At the same time, rainstorm may lead to floods, landslides and incidents followed that brings non-negligible threats to the safety of workplace and tangible assets.
Transition risk		
Policies and laws	Adjustment of national policies	Regarding to the national emission reduction targets, carbon emissions and energy related policies and structure have been changed that brings negative impacts to the non-renewable energy development. At the same time, the changes may also lower the demand, and hence limits its room for development.
	Enhancement of industrial environmental requirement	To enhance green development, the industry threshold for coal resource development has been raised as well as the environmental protection requirements and standards will be stricter. It will increase the risk of violations, emissions and cost of compliance of the coal industry.
Market	Decreasing demand for coal	While the international market is paying more attention to renewable energy, carbon neutrality and other issues and the national policy has revised its emission reduction targets and energy transformation, the demand for coal may continue to decline.
	Increasing investment pressure	In response to the increasing importance of responsible investment, environmental protection and other issues internationally and nationally, there is an increase in the limitation and difficulty in coal investment correspondingly.

Risk		Description of risk
Technology	Competition of innovative technology	In order to coordinate with the development and demand for green energy, relevant technological development and application continue to increase. It will bring difficulties to enterprises with slower pace when enhancing the competitiveness of those with advanced coal mining construction and production technology.
Reputation	Society's supervision	In response to the increasing attention and policies about environmental protection, the regulations and supervision of the industry has been enhanced which increases the number of violated organisation, and hence possibly lead to adverse effects.

## Stakeholders Communication and Materiality Identification

The Group values the opinions of external and internal stakeholders and strives to maintain effective and positive relationships, to achieve comprehensive and sustainable development as well as to help the formulation of sustainable strategy and targets. In order to reach a comprehensive corporate development, the Group continues to maintain good relationship with stakeholders, including employees, suppliers, shareholders and investors and customers. It collects opinions of different parties and considers in the operations as well as reflects in strategy and development direction. During the Reporting Period, the Group has communicated with different stakeholders through the following communication channels and established a good relationship.

Stakeholder groups	Communication channels
Employees	• Employee activities • Performance review • Whistleblowing procedure
Suppliers	• Supplier review
Shareholders and investors	• Shareholder meetings • Financial report
Customers	• Customer communication procedure • Questionnaire

During the Reporting Period, the Group mainly focuses on the opinions of internal stakeholders, so as to respond to the needs and expectations of its employees and Board members. The Group has invited 48 internal stakeholders to conduct a questionnaire to rank 14 issues in the aspects of "Environmental Protection", "Employment and Labour Practices", "Operation Practices" and "Community". In order to maintain fairness, the Group hired a consulting company responsible for the relevant process as in previous year.

Identify business related issues → Conduct stakeholder questionnaire to identify material issues → Present to the management and the Board for validation

The result of materiality assessment is similar to those of the previous year that is majored by "Employment and Labour Practices". Also, water, energy, product responsibility and other issues were identified as material issues again.
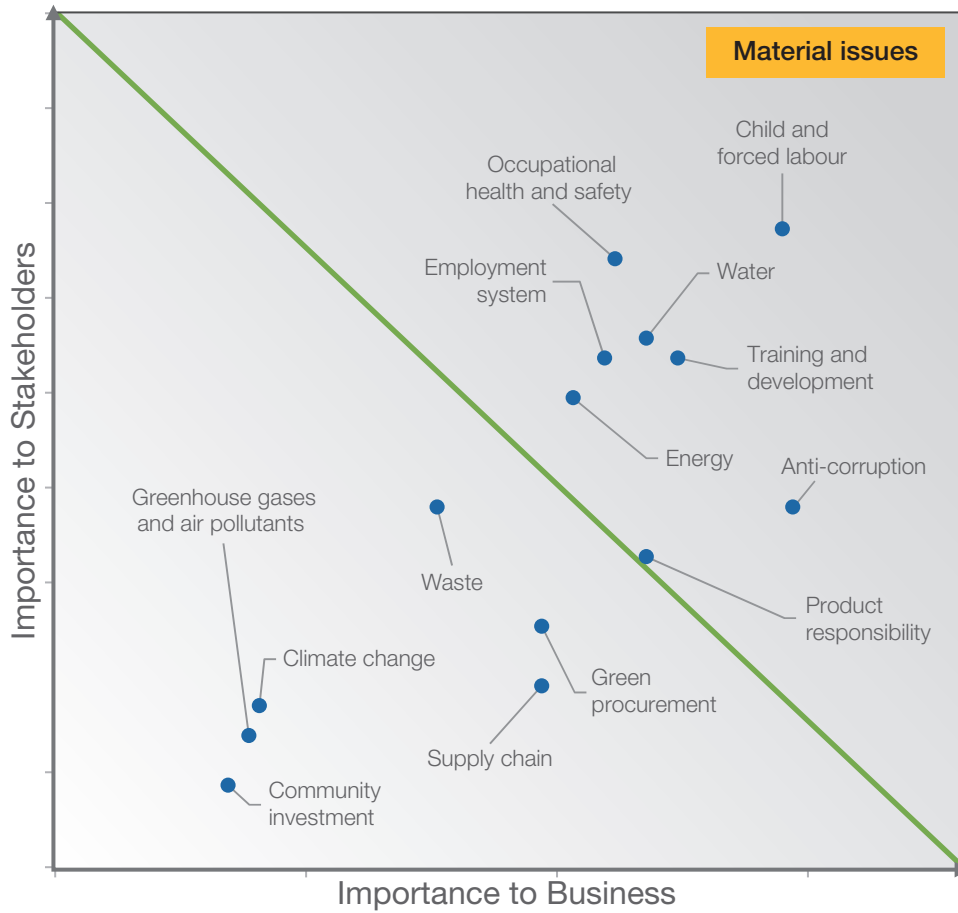
People-oriented

Employees' participation is an integral part of achieving sustainable business model effectively. The Group understands that well-established human resource management system plays an important role in ensuring effective implementation of internal talent management system, as well as respond accordingly to the changes in the market and where it operates. At the same time, a comprehensive management system can also safeguard the well-being of employees, protect their rights and health and safety, and create a positive working environment.

The Group complies with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Regulation on Work Safety Licenses, the Production Safety Law of the People's Republic of China, the Coal Industry Law of the People's Republic of China, the Regulations on Safety Supervision over Coal, the Coal Mine Safety Rules, the Special Provisions of the State Council on the Prevention of Work Safety Accidents of Coal Mines and other relevant laws and regulations, and formulates internal regulations, such as the Employee Organization Management System and the Internal Control and Management System for Mining Site Safety and Production, to further monitor its compliance in daily operation. With regard to its stringent management system, the Group was not aware of any violation of laws and regulations during the Reporting Period. If there is violation, the Group will report and handle in accordance with relevant regulations or mechanisms.

Employment System

The Group emphasises the recruitment and retention of talents for long-lasting and stable compliance operations. Through strictly complying with laws and regulations, such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, and formulating the Employee Organization Management System, the Group has clearly indicated relevant systems and measures on protecting the rights and obligations of all parties.

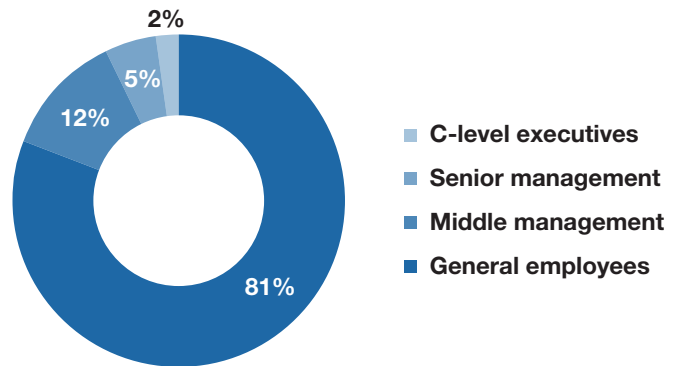|	
Recruitment and dismissal	• Departments provide written recruitment applications to Administrative Department for approval and recruitment procedures base on necessity. Recruitment will only be carried out through legal channels. It is made according to factors, such as applicant's past work performance, working attitudes and direction of career development, while prohibit any illegal and unfair recruitment; • The Group strictly prohibits the employment of those under the age of 18. Responsible employees or departments will strictly review the applicant's personal information and identification documents during the recruitment to avoid the misuse of child labour. If there is child labour found, the Group will immediately stop the application, and send he or she to the police station or living place with reporting to the relevant department or manager; and • The Group will dismiss the employment contract regarding the mechanism established, if employees are absent from work without reason constantly, falsify information, leak confidential information or cause severe adverse impacts to the operation.
Working hours and promotion	• Employees' weekly working hours and number of workdays are clearly stated in the employment contract and policy. All forms of forced labour after office hours are prohibited, including but not limited to threatening, prisoning, detaining personal belongings or identification documents. If any employee needs to work voluntarily after office hours, he or she is required to seek approval and record the corresponding details of overtime work for compensation. If forced labour is found, the Group will immediately undergo investigation, give corresponding penalty and formulate improvement measures; and • Department heads and responsible person conduct quarterly assessments for employee to evaluate their working performance, and hence adjust remuneration packages or positions according to the results and internal regulations.

Welfares and remuneration	• The Group adopts monthly salary system that comprises of basic salary and position salary. It is adjusted according to the employees' performance and results of their appraisal; and
	• Employees are offered with paid or unpaid leaves including marriage leave, compassionate leave, maternity leave, family visit leave and annual leave. Also, the Group provides benefits, such as meal allowances, travel subsidies, telephone fee subsidies, for its employees.
Diversity, equal opportunity and anti-discrimination	• All recruitment, dismissal, position adjustment and other issues are determined based on the employee's working performance, skills, attitude and other factors. It should not be affected by their gender, sexual orientation, religion, marital status and other factors. If there are any violations, the Group will implement corresponding sanctions according to the actual situation; and
	• The Group welcomes the employees with different backgrounds and races, including local staff of Xinjiang and minorities.

During the Reporting Period, the Group employed 109 employees, of which 81 were male and 28 female. Besides, the Group employed 6 other workers to assist its daily operation against the same period.

Percentage of employees by gender

Female 26%

Male 74%

Percentage of employees by employment level

2%

5%

12%

81%

■ C-level executives
■ Senior management
■ Middle management
■ General employees
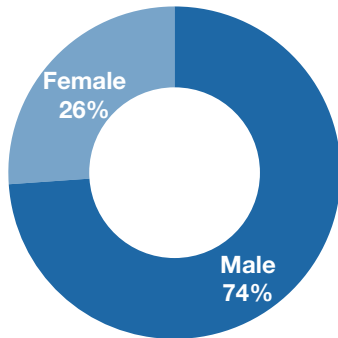
Health and Safety

The Group understands the importance of providing a safe working environment for its employees. On the basis of laws and regulations of the place where it operates, the Group has established the Internal Control and Management System for Mining Site Safety and Production and the corresponding management system to ensure timely identification, monitoring and elimination of dangers. In addition, the Group has formulated emergency rescue guidelines for incidents, such as fire, water penetration and collapse, to safeguard the employees' safety. At the same time, the Group also pays great attention to the physical and mental health of employees who work in the mining area for a long period of time. It is committed to protecting employees through annual body checks, as well as occupational health and safety check for employees and departments of work resumption, product resumption and administrative department, etc., to further protect their health.

Safety meeting

- Hold safety meetings twice every month in accordance with the safety meeting policy. Employees such as mine manager, vice mine manager and production technical staff are involved in the meetings to investigate the safety production and technological reforming condition.

Safety hazard inspection

- Conduct three safety checks on the condition of slopes, coal mine transportation channels, mechanical equipment, etc. every month; and
- Organise on-site safety inspection meeting to analyse the condition of safety checks as well as formulate corresponding enhancement measures.

Disaster prevention/hazard monitoring

- Assess the stability of the slopes on regular basis, and hence to formulate stabilisation measures;
- Repair and maintain the facilities and fire extinguisher at the mining site regularly, as well as to develop fire prevention and extinguishing system; and
- Inspect the drainage systems regularly.

Safety education and training

- Employees are required to participate safety education that covers occupational health and safety related laws and regulations; and
- Organise occupational safety course that is hosted by professional technical staff. All employees are required to participate the assessment to ensure their safety awareness.

With the implementation of various prevention regulations and measures, society has gradually begun to stabilise. Although the decrease in the confirmed cases allows measures to be slowed down accordingly, the Group continues to protect its employees with cautious attitude to avoid increasing risk of infection due to laxity. It strengthens the cleaning and disinfection of operating sites, and provides materials such as sanitizer to ensure workplace and personal hygiene, as well as employees are required to measure their body temperature before entering the workplace. If a confirmed case is found, the Group will provide timely treatment or support to the infected employee in accordance with relevant policies and response measures. It will also identify potential confirmed cases as soon as possible to prevent further expansion of the risk of infection.

Development and Training

A job with room for development and opportunities will not only provide employees with diverse development and training opportunities, but also bring positive impacts to corporate development in the long-term and help it grow steadily. The Group has stipulated the relevant arrangements and systems of employee training and development in the Employee Organization Management System, so as to ensure them to receive training and development opportunities and protection under a structured system.

In order to ensure that the training activities provided meet the needs of different departments, the Administrative Department formulates plans according to their needs and actual conditions. It will also discuss relevant arrangements with the heads of each department to ensure arranging the most suitable courses for employees.

Administrative Department

Formulate training plan

Administrative Department and Department heads

Discuss details including course content, setting, materials, etc.

General Manager

Evaluate and approve

Internal training

- Induction training;
- Safety education training; and
- Department internal work skills training, etc.

External training

- Occupational disease prevention training;
- On-site safety management training; and
- Gas detection and application training, etc.

At the same time, the Group conduct performance review for its employees to understand their working performance and skills, so as to formulate appropriate training plans or provide guidance.

During the Reporting Period, the Group provided training activities to a total of 47 employees, with the corresponding average training hours of 122.8 hours.

Percentage of employees by gender
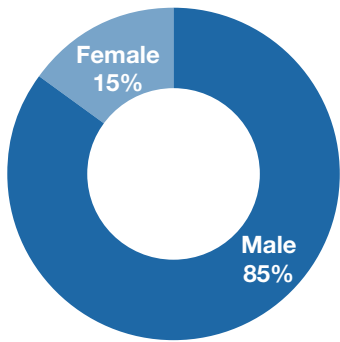
Percentage of employees by employment level

Percentage of employees by gender:
- Female 15%
- Male 85%

Percentage of employees by employment level:
- 2%
- 13%
- 28%
- 57%
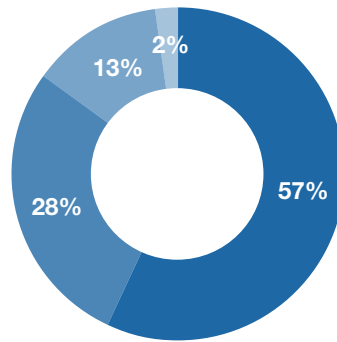
- ■ C-level executives
- ■ Senior management
- ■ Middle management
- ■ General employees

Environmental Conservation

With the social and economic development, the environmental impact of various human activities has gradually emerged. The Group understands a green operating model is an important element to maintain environmental, social and economic stability. It abides by the Procedures for Administration of Registration of Mining of Mineral Resources, the Regulation of Xinjiang Uyghur Autonomous Region the Administration of the Geological Environment, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Provisions on the Protection of the Geologic Environment of Mines and other environmental laws and regulations. Additionally, the Group has further formulated the Environmental Work Policy, the Climate Change Policy and other relevant policies to established a comprehensive and appropriate internal monitoring system. With rigorous internal and external management systems, the Group has fully complied with relevant regulations and standards and did not aware of any violation cases.

Striving for the best, the Group will review its own operating direction and strategy from time to time, and establish environmental targets in relation to emissions, waste, water resources and energy when appropriate, so as to achieve a comprehensive and systematic green operation model.

Use of Resources

Energy plays an important role in daily operations. While standing at the frontline of coal mining business, the Group deeply understands the preciousness of energy and the importance of energy conservation to protect precious resources. It clearly stated the targets on achieving resource intensification of mineral resource in the Environmental Work Policy, thereby to formulate responding measures to improve internal environmental protection awareness and reduce energy consumption. In order to strengthen the monitoring of energy use, the Group will establish an energy management system in the future, and formulate targets and measures for a sustainable operation model.

Operating equipment

- Regular repair and maintenance of equipment to ensure effective energy consumption; and
- Replace equipment with substandard energy efficiency.

Employee's awareness

- Put up energy-saving notice in conspicuous places; and
- Turn off idling equipment.

During the Reporting Period, the Group's energy consumption totalled 4,775.8 MWh, with the intensity of 2.54 MWh/1,000 tonnes of raw coal. Because of increasing production that leads to the growth of demand for direct and indirect energy, as well as including the consumption of acetylene, the energy consumption increased correspondingly.

Energy Consumption[1]	2021/22	2020/21	2019/20	Unit
Direct energy	2,808.2[2]	243.7[3]	331.6[4]	MWh
Indirect energy[5]	1,967.6	1,459.9	1,370.8	MWh
Total energy consumption	4,775.8	1,703.6	1,702.4	MWh
Energy intensity (in terms of raw coal production)	2.54	1.18	1.89	MWh/1,000 tonnes of raw coal

In addition to energy use, operations consume a certain amount of water resources. The Group attaches the eagerness of maintaining water sustainability and standards to protect the survival of creatures. The Group is committed to trying its best to maintain its sustainability. With the established internal control systems and measures, it further implements water-saving operation model at its operating sites. For example, putting up water saving notices in conspicuous places and installing equipment such as water saving taps.

During the Reporting Period, the Group did not have any issues in sourcing water. It consumed a total of 131,215 cubic metres of water resources. Because of the growth in production, water consumed in the operations was increased correspondingly that results in an 18.4% increase in total consumption.

Water Consumption	2021/22	2020/21	2019/20	Unit
Total water consumption	131,215	110,795	40,032	cubic metre
Water intensity (in terms of raw coal production)	69.8	77.0	44.5	cubic metre/1,000 tonnes of raw coal

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[1] With reference to the Energy Statistics Manual issued by the International Energy Agency.

[2] Includes the consumption of petrol, diesel for vehicles and acetylene. Regarding the issue in accessing data, part of the fuel consumption is estimated by the average monthly consumption.

[3] Includes the consumption of petrol and diesel for vehicles.

[4] Includes the consumption of diesel and acetylene.

[5] Includes electricity purchased from the third party.

Waste Generation

The Group mainly generates non-hazardous wastes, such as domestic waste and food waste, in its daily operations, and does not generate hazardous waste. Although it does not produce waste that causes serious pollution and harm to the environment, the Group is concerned about its disposal and has established disposal procedures in accordance with relevant regulations. For example, the Group collects waste and sends to landfill or incinerator.

Apart from ensuring proper handling of waste, the Group understands the importance of reducing waste at source, and dedicates to reducing the amount of waste generated through different methods.

Reduce	Reuse	Recycle
• Encourage the use of reusable or refillable products; and • Purchase materials according to actual needs and encourage employees to purchase base on necessity to prevent waste.	• Collect food waste and convert into fertiliser; and • Clean the used container and convert into other use.	• Place recycling bins in dominant places; and • Put up recycling slogan near the rubbish bins to remind awareness of recycling resources.

During the Reporting Period, the Group did not collect waste related data. It understands the importance of managing the production and disposal of waste. It is committed to establishing relevant procedures and measures to improve its data collection system.

Climate Change

With the economic and social development, the environmental problems derived from it continue to intensify, especially climate change. Extreme weather, melting glaciers and other problems not only destroy habitats, but also bring unprecedented crises to survival. The Group understands the relationship of its own operations and climate change cannot be ignored. It is expected to mitigate its impact through the Climate Change Policy and corresponding measures, as well as to ensure the sufficient capabilities to reduce the risks of climate change and respond to the threats. For example, frequent rainstorms have the opportunity to flood the operating sites, continuous increases in temperature and insufficient rainfall can drain soil moisture. In order to achieve long-lasting and sustainable operation, the Group will formulate targeted mitigating measures in the future to strengthen its own stability and risk resistance.

Air Pollutants and Carbon Emissions

Because of the operational characteristics, the Group cases unavoidable emissions of air pollutants and greenhouse gases when using equipment in its daily operations. It understands the importance of making every effort to reduce the impact on the environment and air in the face of increasingly serious climate change, extreme weather and other phenomena. With regard to Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and other regulations as the basis, Nan Nan Resources has further established measures to provide employees with guidelines and directions for daily emission reduction to achieve a sustainable business model.

Operating equipment

- Adopt relatively low carbon and pollution equipment; and
- Inspect and replace components to avoid increasing emissions due to aging components.

Employees' awareness

- Encourage the use of public transport; and
- Encourage the use of telephone and video conference to lower the demand for business travel.
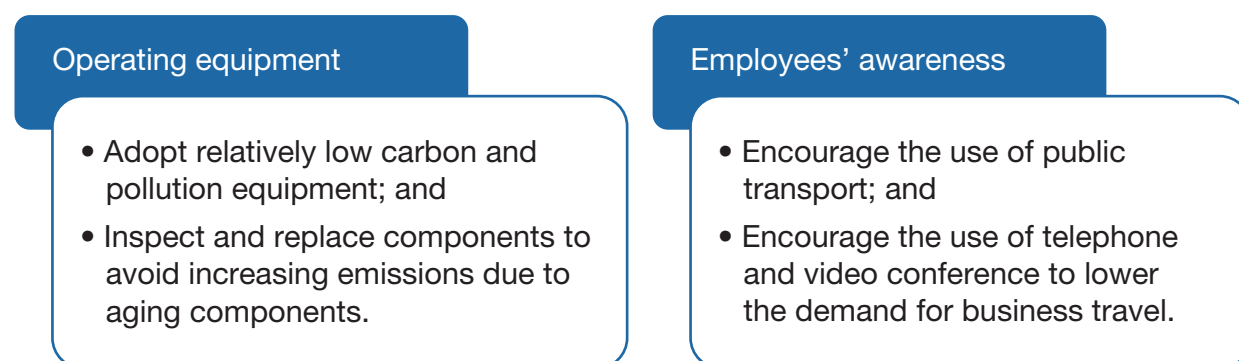
During the Reporting Period, the Group emitted a total of 1,187.1 kg nitrogen oxides, 1.7 kg sulphur oxides and 73.4 kg respirable suspended particulates. At the same time, the greenhouse gas emissions reached 89,829.1 tonnes of CO_2e, with an intensity of 47.80 tonne of CO_2e/1,000 tonnes of raw coal. Because of the growth in production that leads to an increasing use of equipment and resources, as well as enhancing the coverage of data collected, the air pollutants and greenhouse gas emitted increased correspondingly.

Air Pollutants[6]	2021/22	2020/21	2019/20	Unit
Nitrogen oxides	1,187.1	2.5	2,257.8	kg
Sulphur oxides	1.7	7.4	148.5	kg
Respirable suspended particulates	73.4	0.3	13.7	kg

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[6] With reference to the Energy Statistics Manual issued by the International Energy Agency and the Guidelines for Accounting and Reporting Greenhouse Gas Emissions China Coal Producing Enterprises (Trail).

Greenhouse gas emissions	2021/22	2020/21	2019/20	Unit
Scope 1 – direct greenhouse gas emissions[7]	88,683.0[8]	67,723.3[9]	42,370.6[8]	tonne of CO_2e
Scope 2 – energy indirect greenhouse gas emissions[10, 11]	1,143.2	890.7	836.3	tonne of CO_2e
Scope 3 – other indirect greenhouse gas emissions[12]	2.9	6.0	5.4	tonne of CO_2e
Total greenhouse gas emissions	89,829.1	68,620.1	43,212.3	tonne of CO_2e
Greenhouse gas intensity (in terms of raw coal production)	47.80	47.71	48.1	tonne of CO_2e/ 1,000 tonnes of raw coal

Environment and Natural Resources

When developing coal mines, plants in the surrounding environment will be cleared due to project development, resulting in potential risks such as soil erosion. At the same time, it is more likely to cause serious environmental problems such as groundwater pollution during the period of coal mining. The Group understands the emergency of reducing the environmental impacts and risks arising from its operations. By strictly complying with regulations such as the Procedures for Administration of Registration of Mining of Mineral Resources, the Regulation of Xinjiang Uyghur Autonomous Region the Administration of the Geological Environment and other regulations, as well as indicating in the Environmental Work Policy for the monitoring and managing the environmental impact of business operations including arranging for special personnel to conduct regular inspections, strictly implementing pollution discharge supervision, and planting shrubs. Additionally, environmental protection mine manager is responsible for the management in daily operation and organising regular meetings on the tasks of environmental protection to analyse and tackle with the material issues.

In order to further ensure the stability of soil in the operating sites, the Group's Shrub Plantation Policy stipulates its emphasis on local environmental protection, so as to reduce the potential crisis of sand and dust storms caused by insufficient soil moisture and reduced water storage capacity. The Group regularly plants shrubs so that the roots of the plants could grasp the deep soil, thereby enhancing the land bearing capacity and stability.

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[7] With reference to Corporate Greenhouse Gas Emission Accounting Methods and Reporting Guidelines for Power Generation Facilities (2022 Revision), 2006 IPCC Guidelines for National Greenhouse Gas Inventories and How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs by SEHK.

[8] Includes methane emissions from open pit, emissions from burning petrol, diesel for vehicles and acetylene.

[9] Includes methane emissions from open pit, emissions from burning petrol and diesel for vehicles.

[10] Includes the electricity consumption.

[11] With reference to Corporate Greenhouse Gas Emission Accounting Methods and Reporting Guidelines for Power Generation Facilities (2022 Revision).

[12] Includes carbon emissions from business travel.
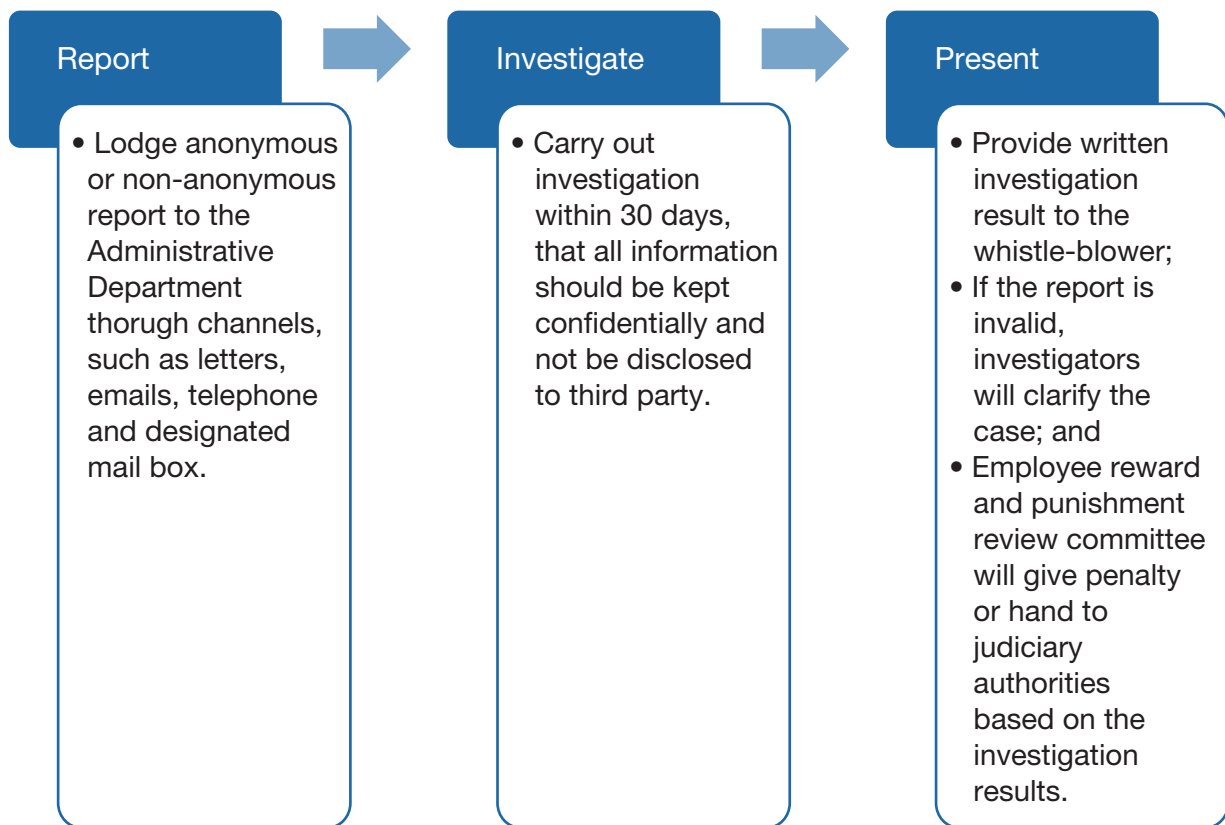
Operating Practices

Sincere and compliant operation is essential factor of a stable and long-term business development. The Group understands the importance of maintaining a professional operating attitude. Through a series of policies and mechanisms, it provides employees with proper guidelines and maintains compliance in the operation. At the same time, the Group has formulated corresponding management based on the basis of relevant internal and external regulations to ensure the effectiveness of the system and jointly safeguard a honest corporate culture.

The Group complies with the Product Quality Law of the People's Republic of China, Criminal Law of the People's Republic of China and other laws and regulations, and has further formulated the Intangible Asset Management System, the Internal Control and Management System for Mining Site Safety and Production, the Customer Privacy Protection Regulation, the Sales and Contract and Sales Flow Management System, Files Management and Implementation System, Commercial Secrecy Confidentiality Policy, Employee Organization Management System, Procurement Management System and other relevant internal policies to supervise the compliance of daily operations. During the Reporting Period, the Group was not aware of any violation of relevant laws and regulations on product responsibility and anti-corruption. Also, there was no corruption case against the Group or its employees, as well as any products recalled for health and safety reasons or complaints. If there is violation, the Group will report and handle in accordance with relevant regulations or mechanisms.

Anti-corruption

The Group attaches integrity as the cornerstone of maintaining long-term and stable development. The Employee Organization Management System sets out the requirements for operating ethics, providing clear guidelines for all employees, including prohibiting corruption, bribery, fraud or other damage to compliance, fairness and interests of the Group. At the same time, the Group has formulated a clear whistleblowing system to further strengthen the operations of various aspects as well as ensure the compliance. Employees can report any corruption matters that are reasonably suspected to relevant departments or personnel with the employee whistleblowing system. The Administrative Department will conduct investigation correspondingly to reduce the impact of violations.

Report		Investigate		Present
• Lodge anonymous or non-anonymous report to the Administrative Department thorugh channels, such as letters, emails, telephone and designated mail box.	→	• Carry out investigation within 30 days, that all information should be kept confidentially and not be disclosed to third party.	→	• Provide written investigation result to the whistle-blower; • If the report is invalid, investigators will clarify the case; and • Employee reward and punishment review committee will give penalty or hand to judiciary authorities based on the investigation results.

During the Reporting Period, the Group organised 1 hour of anti-corruption activities to employees and the Board respectively.

Product Responsibility

The Group adheres to the concept of excellent product and service, while ensuring the confidentiality of the information held and safeguarding the rights and interests of creators, stabilising the operation and performance of the enterprise. In addition to complying with relevant laws and regulations, the Group has also adopted the Intangible Asset Management System, the Internal Control and Management System for Mining Site Safety and Production, the Customer Privacy Protection Regulation, the Sales and Contract and Sales Flow Management System, Files Management and Implementation System, Commercial Secrecy Confidentiality Policy and other policies and guidelines to achieve comprehensive operation management. In order to further strengthen supervision, the Standardization of Safety and Quality Management Leadership Team, which is led by the mine manager, will organise the quality standardisation meeting at the beginning of each month. It will review the quality management process after members such as safety staff, technicians, skilled workers implement the safety and quality standardisation inspections and assessments, as well as formulate improvement measures and plans for the next month on related issues. Additionally, the Group will conduct safety quality inspections and assessments in the middle and late of each month to ensure the compliance of its monitoring procedures.

At the same time, the Group attaches great importance to the customers' privacy and opinions, as well as indicates the all information. Information could only be accessed with relevant supporting document. Customers could also communicate with the Group through sales department, or provide feedback or suggestion to the salesperson or business department, so as to continuously improve its services and products.

Although there is no intellectual property related matters involved in business operation, the Group is committed to complying with and formulating relevant policies to protect the intellectual property and other intangible assets of all parties. Besides, the Administrative Department is responsible for monitoring and managing the intangible assets in operations to ensure compliance.

Supply Chain Management

Through a rigorous management system, the Group manages and identifies the environmental and social risks of suppliers effectively, as well as the stipulated the requirements in the Procurement Management System's specific term, Standards regarding Suppliers' Environmental and Social Policies, to stabilise the supply chain. At the same time, the Group has to evaluate suppliers' reputation, stability, quality and other factors in accordance with policies established during the process of selection. It has further included the requirement of environmental and social risk management and products and service to ensure an in-depth consideration before final decision. Employees or departments will only select those with excellence performance and complying with regulations as partner after assessment that is applicable to all suppliers.[13]

Environmental	• Adopt low-pollution energy or equipment; • Adopt prevention measures on noise pollution; and • Formulate reduction measures for different resource usage.
Social	• Formulated occupational health and safety related measures and policies to create a safe workplace; • Prohibit use of child and forced labour to protect the rights of employees; and • Comply with relevant laws and regulations with zero violation cases.

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[13] Regarding the difficulties faced in accessing the internal data, the Group is unable to ensure the data accuracy during the Reporting Period. In order to safeguard the accuracy, the supplier related data is not available for disclosure.

Community Investment

Apart from environmental, employment and operation related issues, the Group understands supports from society and people also impact its corporate operation and sustainable development. With the Community, Investment, Sponsorship and Donation Policy and other relevant policies, the Group has carried out a series of community investment activities to respond to supports of different parties and assist the sustainable development of local community.

During the Reporting Period, the Group continuous to support the poverty alleviation. With its business characteristics, the Group sponsored the use of coal of those in need. The Group faced difficulties in accessing the amount of invested resources during the Reporting Period that results in the unavailability of relevant information. With the ultimate goal of developing a positive and inclusive community, it perseveres with aiding the community development and support the poverty alleviation.

Appendix

Key Performance Indicators

Environmental Key Performance Indicators

	2021/22	2020/21	2019/20	Unit
Air Pollutants				
Nitrogen oxides	1,187.1	2.5	2,257.8	kg
Sulphur oxides	1.7	7.4	148.5	kg
Respirable suspended particulates	73.4	0.3	13.7	kg
Greenhouse Gas Emissions				
Scope 1 – direct greenhouse gas emissions	88,683.0	67,723.3	42,370.6	tonne of CO_2e
Scope 2 – energy indirect greenhouse gas emissions	1,143.2	890.7	836.3	tonne of CO_2e
Scope 3 – other indirect greenhouse gas emissions	2.9	6.0	5.4	tonne of CO_2e
Total greenhouse gas emissions	89,829.1	68,620.1	43,212.3	tonne of CO_2e
Greenhouse gas intensity (in terms of raw coal production)	47.80	47.71	48.1	tonne of CO_2e/1,000 tonnes of raw coal
Energy Consumption				
Direct energy	2,808.2	243.7	331.6	MWh
Indirect energy	1,967.6	1,459.9	1,370.8	MWh
Total energy consumption	4,775.8	1,703.6	1,702.4	MWh
Energy intensity (in terms of raw coal production)	2.54	1.18	1.89	MWh/1,000 tonnes of raw coal
Water Resources				
Total water consumption	131,215	110,795	40,032	cubic metre
Water intensity (in terms of raw coal production)	69.8	77.0	44.5	cubic metre/1,000 tonnes of raw coal

Social Key Performance Indicators

		2021/22
Number of Employees		
Gender	Male	81
	Female	28
Age	Below 30 years old	15
	30-40 years old	38
	41-50 years old	16
	Above 50 years old	40
Employment type	Full-time	104
	Part-time	5
Geographical region	Urumqi	17
	Qitai County	91
	Mori Kazakh Autonomous County	1
Employment level	General employees	88
	Middle management	13
	Senior management	6
	C-level executives	2
Total		109

		2021/22
Number of Other Workers		
Gender	Male	2
	Female	4
Age	Below 30 years old	1
	30-40 years old	0
	41-50 years old	0
	Above 50 years old	5
Employment type	Full-time	5
	Part-time	1
Geographical region	Urumqi	3
	Qitai County	3
	Mori Kazakh Autonomous County	0
Employment level	General employees	4
	Middle management	1
	Senior management	1
	C-level executives	0
Total		6
Employees Turnover Rate		
Gender	Male	11.1%
	Female	7.1%
Age	Below 30 years old	20.0%
	30-40 years old	7.9%
	41-50 years old	18.8%
	Above 50 years old	5.0%
Employment type	Full-time	10.6%
	Part-time	0.0%
Geographical region	Urumqi	0.0%
	Qitai County	12.1%
	Mori Kazakh Autonomous County	0.0%
Employment level	General employees	10.2%
	Middle management	15.4%
	Senior management	0.0%
	C-level executives	0.0%
Total		10.1%

	2021/22
Employees' Health and Safety[14]	
Number of work-related injuries	0
Lost days due to work-related injury	0
Number of Trained Employees	
Gender	Male	40 (49.4%)
	Female	7 (25.0%)
Employment level	General employees	27 (30.7%)
	Middle management	13 (100%)
	Senior management	6 (100%)
	C-level executives	1 (50%)
Total		47 (43.1%)
Average Training Hours of Employees	
Gender	Male	139.8
	Female	25.7
Employment level	General employees	215
	Middle management	126
	Senior management	72
	C-level executives	48
Total		122.8

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[14] During the past three years (including the Reporting Period), the Group did not occur any work-related fatality.

ESG Reporting Guide Content Index

Aspect	Content	Page index/ remarks
A1. Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	18, 21
A1.1	The types of emissions and respective emissions data.	21, 27
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	22, 27
A1.3	Total hazardous waste produced and, where appropriate, intensity.	20
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	20
A1.5	Description of emission target(s) set and steps taken to achieve them.	18
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	18, 20
A2. Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	18
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	19, 27
A2.2	Water consumption in total and intensity.	19, 27
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	18
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	18-19
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	The issue is irrelevant to the Group's business.

Aspect	Content	Page index/ remarks
A3. Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	18, 22
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	22
A4. Climate Change		
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	18, 20
A4.1	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	20
B1. Employment		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	11
B1.1	Total workforce by gender, employment type, age group and geographical region.	13, 28-29
B1.2	Employee turnover rate by gender, age group and geographical region.	29
B2. Health and Safety		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	11, 14
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	30
B2.2	Lost days due to work injury.	30
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	14-15

Aspect	Content	Page index/ remarks
B3. Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	11, 16
B3.1	The percentage of employees trained by gender and employee category.	17, 30
B3.2	The average training hours completed per employee by gender and employee category.	17, 30
B4. Labour Standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	11
B4.1	Description of measures to review employment practices to avoid child and forced labour.	12
B4.2	Description of steps taken to eliminate such practices when discovered.	12
B5. Supply Chain Management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	23, 25
B5.1	Number of suppliers by geographical region.	25
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	25
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	25
B5.4	Description of practices used to promote environmentally preferable products and service when selecting suppliers, and how they are implemented and monitored	25

Aspect	Content	Page index/ remarks
B6. Product Responsibility		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	23-24
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	23
B6.2	Number of products and service related complaints received and how they are dealt with.	23
B6.3	Description of practices relating to observing and protecting intellectual property rights.	25
B6.4	Description of quality assurance process and recall procedures.	24
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	23-25
B7. Anti-corruption		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	23
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	23
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	23-24
B7.3	Description of anti-corruption training provided to directors and staff.	24
B8. Community Investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	26
B8.1	Focus areas of contribution.	26
B8.2	Resources contributed to the focus area.	26