



ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT
2022



(Incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability)
(formerly known as Hengshi Mining Investments Limited 恒實礦業投資有限公司)
Stock Code: 1370



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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Aowei Holding Limited hereby presents its ESG report to its stakeholders, which describes the Company's concept, action plan, management approach, measures and related performance in sustainable development in 2022, which is available for public use to enhance transparency and increase the confidence and understanding of the stakeholders toward the Group.

REPORTING CYCLE AND SCOPE

The Report mainly reviews the information on the internal policies, measures and actions implemented by the Group in ESG aspects during the period from 1 January 2022 to 31 December 2022 (the "**Reporting Period**"), so as to demonstrate the environmental and social responsibilities undertaken by the Group and the relevant performance during the Reporting Period. To ensure the continuity and comparability of relevant statistics, the disclosure scope of environmental and social performance indicators in the Report remains the same as 2021. The subject scope of the Report covers the Group's iron ore business as well as green construction materials and gravel materials business in China.

REPORTING GUIDE

The Report has been formulated in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the key performance indicators are fully disclosed. The information disclosed in this Report is mainly derived from the Group's internal documents and public information. While we have not sought external assurance for this ESG Report, we have monitored and verified it based on internal data to ensure its accuracy. We may seek external assurance for future ESG reports when necessary.

REPORTING PRINCIPLES

The Company adopts the four reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency" as the basis of preparation. The application of the three reporting principles of "Materiality", "Quantitative" and "Consistency" is presented as follows:

Materiality: This Report focuses on the material issues identified and assessed by the Board and the management of the Company during the Reporting Period.

Quantitative: Quantitative KPIs are disclosed in this Report where feasible, and are used as the basis for setting relevant targets in the future. At the same time, this Report has effectively evaluated and validated the effectiveness of ESG-related policies and management systems by disclosing the performance data of the past and the Reporting Period.

Balance: We aim to maintain a balance in reporting and disclose fairly the progress and ongoing challenges of the most critical aspects of the Group's performance. The information in this Report is mainly derived from internal statistical reports, documents and communication documents during the Reporting Period.

Consistency: Unless otherwise stated, the disclosure statistical methods used in this Report are consistent with those used in the past to ensure comparability.

The information contained in the Report is derived from the integration of the measures taken, policies adopted and relevant data provided by the key personnel at the management level of the Group. Financial data in this Report are extracted from the 2022 Annual Report, while other data are extracted from the Group's internal management system and the statistics collected by the Group. The key indicators in relation to safety and environment issues of the Company are counted and calculated based on the regulations or industry standards of the PRC.

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ACCESS TO THE REPORT

This ESG Report is issued in electronic version and can be downloaded at <http://www.aoweiholding.com> or www.hkexnews.hk.

CONTACT INFORMATION

The Company places great value on comments and suggestions from our stakeholders. If you have any comments or suggestions on this ESG Report, please email us to ir@aow.com.cn.

BOARD STATEMENT

The Company is committed to integrating corporate social responsibility into its business operations. The Board of Directors (the “**Board**”) has overall responsibility for the Group’s sustainable development, including formulating strategies, monitoring the Group’s ESG-related risks and opportunities and approving the ESG Report. This Report has been confirmed and approved by the Board.

The Board believes that the risk management and internal control systems assure accuracy, reliability and the timeliness of the data presented and sustainable development measures. The Board will also regularly review the implementation effectiveness of the systems and whether they cover major control measures on material ESG issues.

The Group’s management assists the Board in periodic evaluation of principal risks exposed to the Group’s business operations and estimation made for the uncertainties; and participates in formulating appropriate risk management and internal control measures for the purpose of on-going monitoring of such risks and assessing the appropriateness of such estimations.

The Company highly recognizes the importance of ESG to the long-term and stable operation of the Company. The Group has established the ESG management structure at all levels from the Board to the production workshops of each subsidiary to ensure the legal operation and sustainable long-term development of the Company with a high level of corporate governance. As the highest decision-making body of the Group for sustainable development, the Board of the Company is responsible for reviewing the Company’s sustainable development strategies, objectives and risks, setting and reviewing ESG targets to achieve progress.

The Board has established an ESG working group, which is composed of core members from cross-functional departments and led by the executive Directors. The ESG working group is responsible for collecting and analyzing ESG data, monitoring and evaluating the ESG performance of the Group’s subsidiaries, following up and reviewing the implementation progress of ESG-related objectives of the Group’s subsidiaries, ensuring the Group’s compliance with ESG-related laws and regulations, assisting in conducting materiality assessment, and reporting the results to the Board on a regular basis to assist it in evaluating and determining whether the Company’s ESG risk management and internal control systems are appropriate and effective, and making recommendations for rectification.

The managers of the Group’s subsidiaries, special departments and production departments are responsible for the implementation in accordance with the instructions and suggestions of the ESG working group. In addition, to ensure that ESG management issues are fully taken into account in the Group’s daily operations, the Group has also assigned dedicated employees to manage daily ESG issues and assist in the establishment of an ESG connection network.

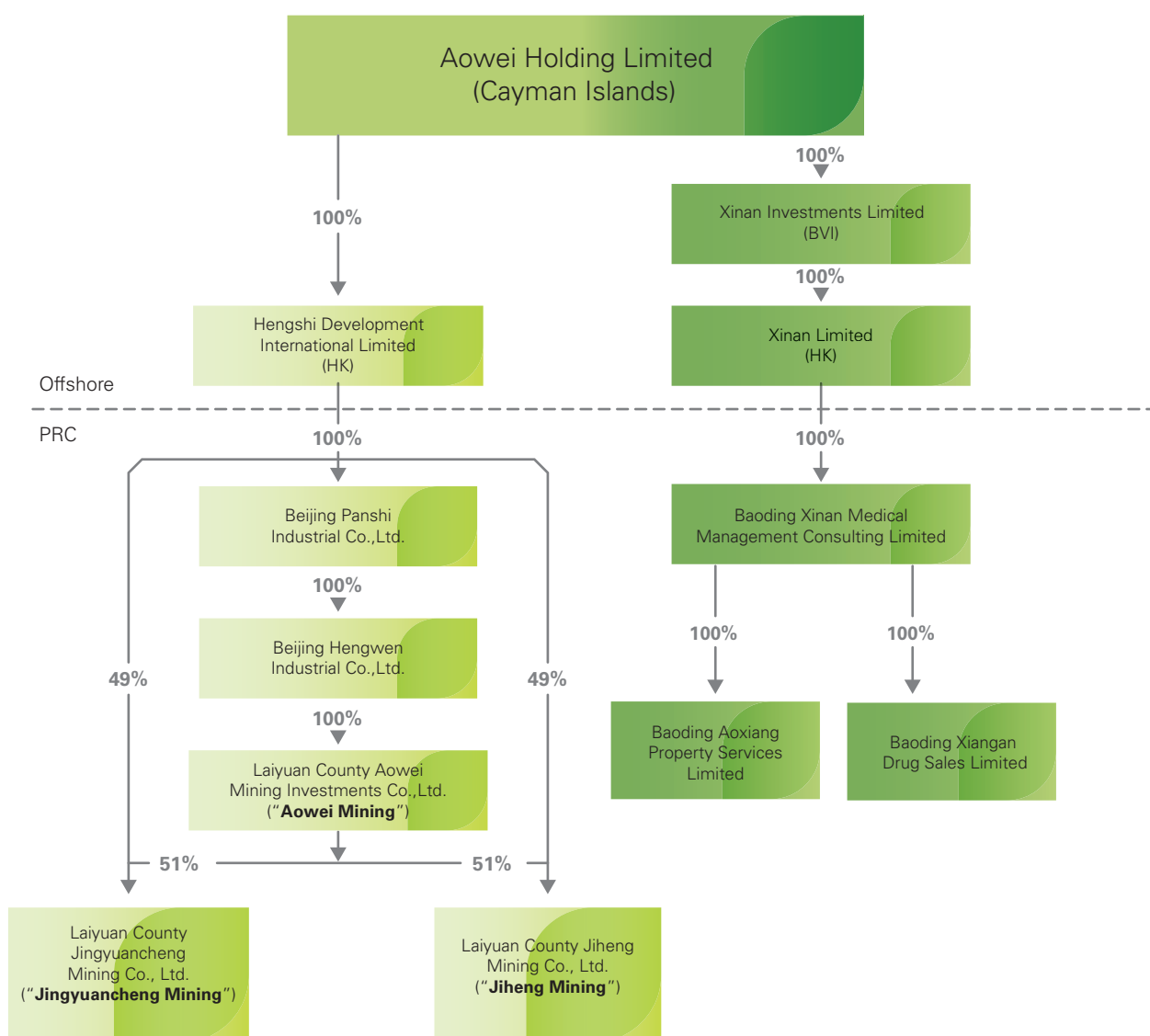
In order to continuously improve the Group’s environmental performance, the Group has set ESG targets based on its business, which are regularly reviewed by the Board according to the progress made in achieving the targets, details of which are set out in this ESG report. In the future, the Group will also continue to improve the operation management mechanism and gradually optimize various governance measures, so as to enhance the Group’s performance in sustainable development and continue our ESG development journey.

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GROUP PROFILE

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 28 November 2013 (stock code: 1370), and was principally engaged in (i) the exploration, mining, processing and trading of iron ore products and major products including iron ores, preliminary concentrates and iron ore concentrates; and (ii) conducting the green construction materials construction sand and gravel materials production and sales business.

As at 31 December 2022, the structure of the Group was as follows:



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CORPORATE GOVERNANCE

The Group is committed to maintaining corporate governance, strictly complies with the securities regulatory rules and requirements such as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and has established formal and highly transparent procedures to ensure that the interests of all shareholders are protected. The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The above risks include but are not limited to material ESG-related risks. Under the supervision of the Board, the management is responsible for the design, implementation and monitoring of the risk management and internal control systems of the Group, and provides confirmation to the Board on the effectiveness of the risk management and internal control systems.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholders' opinions are the best reference to improve our operating results and promote our sustainable development. We communicate with stakeholders (investors, shareholders, employees, suppliers and customers, etc.) through various channels to collect their opinions and demands, so as to review and improve the Group's sustainable development policies and strategies, and continuously improve our corporate social responsibilities.

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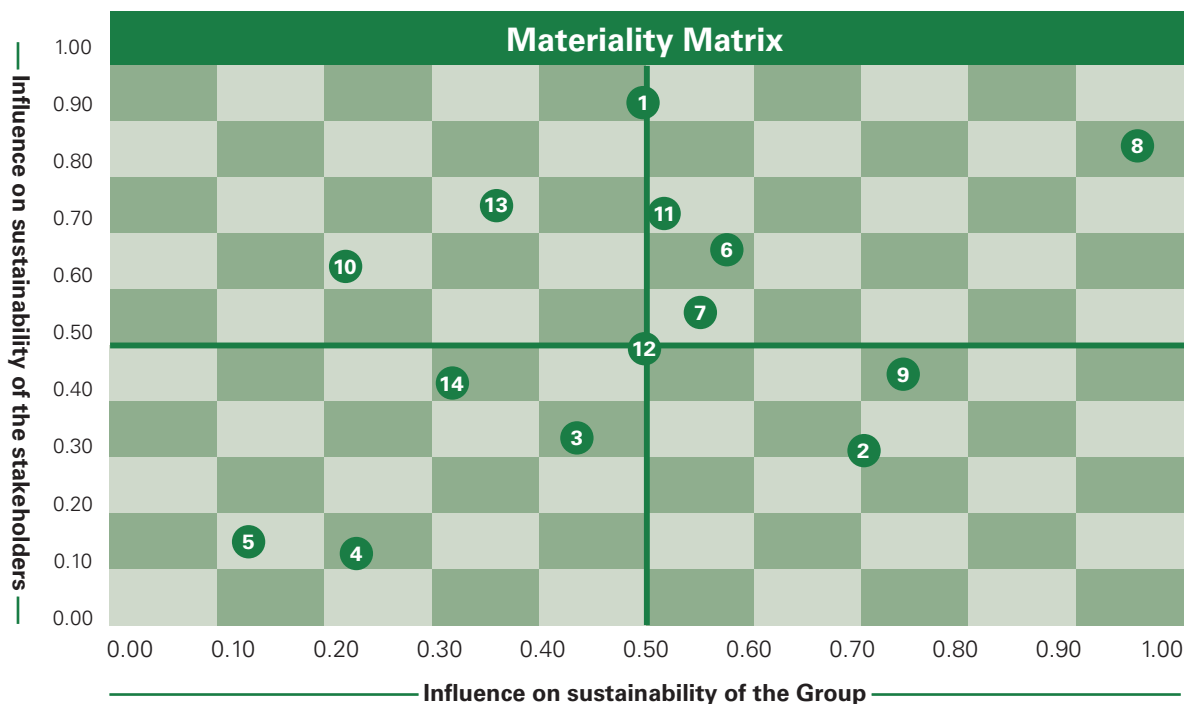
The Company's Stakeholders' Involvement for the year ended 31 December 2022

COMMUNICATION WITH STAKEHOLDERS			
Stakeholders	Demands	Reply	Communication Channels
Shareholders	Sustainable and stable investment return	Enhance business diversity and strengthen operating cash flow	General meetings Annual and interim reports
	To operate in compliance with relevant laws and regulations	Improve internal compliance system Establish a comprehensive system for the disclosure of regular and specific information	Company announcements
	To promptly disclose the information		
Governmental authorities	To promote development of local and peripheral industries	Provide employment opportunities and pay taxes in the locations where we operate	Participation in government meetings Regular visits to government authorities
	To operate in compliance with relevant laws and regulations	Accept government supervision and strengthen compliance with relevant laws and regulations on environment, safety and integrity	Acceptance of inspection by government authorities
Employees	To provide adequate health and safety protection	Formulate the work safety and health policy in compliance with relevant laws and regulations	Internal memorandum Employees' activities
	To provide sufficient career development opportunities	Improve the internal staff recruitment and promotion management system	Training and counselling activities
	To improve remuneration and benefits		
Customers	To operate in compliance with laws and regulations	Strengthen compliance with relevant laws and regulations on environment, safety and integrity	Business communication Customer feedback
	To continuously provide high-quality services	Improve employee training Optimise production technology	Onsite visits
	To improve product quality		
Suppliers	To ensure fair, equitable and open procurement process	Ensure the transparent procurement process and accept internal and external supervision	Onsite visits Provide corporate corruption reporting hotline
	Timely performance of contractual obligations	Strengthen contract management and cash flow monitoring	
Banking and financial institutions	High credit rating and ability to pay debts	Maintain good credit by settling debts on time	Ongoing communication through physical visits, emails, virtual meetings and other formal channels
	To ensure robust and sustainable business development	Maintain sound operation and development	
Communities	To improve community environment	Improve local infrastructure	Participation in community meetings and community welfare activities
	To support community welfare	Maintain good communication with local residents	

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MATERIALITY ASSESSMENT

According to the materiality principle of the Environmental, Social and Governance Reporting Guide, the Group communicates with stakeholders to understand their concerns on the material issues of the Group’s sustainable development. Based on the results of the survey, the Group identified 14 material issues. The following Matrix of Materiality Assessment lists the extent to which stakeholders pay attention to different issues.



Environment	Work Environment	Operating Practice	Community Contribution
1 Environmental impact and management	6 Employee benefits	10 Supply chain management	13 Community development
2 Mine resource management	7 Development of employees	11 Quality assurance	14 Public welfare charity
3 Water conservation	8 Workplace safety	12 Anti-corruption	
4 Energy conservation and emission reduction	9 Occupational health management		
5 Air pollutants emission			

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ENVIRONMENTAL PROTECTION

We understand that the long-term development of an enterprise is closely related to the sustainability of the environment, and are committed to being a responsible enterprise. The Group strictly abides by the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Mineral Resources Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Solid Waste and other relevant laws and regulations, and continues to implement the concept of green and low-carbon into each stage of production and operation to promote clean production and green development. In addition, the Company has established a sound environmental management system and adopted effective Environmental Protection Management System, Emergency Plan for Sudden Environmental Accident and Green Mine Design Plan and other relevant environmental protection mechanisms to minimize or avoid negative impacts on the atmosphere, soil and water, and tried its best to optimise resource efficiency to achieve the goal of balancing business development and environmental protection.

The Group strictly fulfills the mine environmental recovery responsibility, and aims to improve the ecological and environmental conditions through gradually recovering the surface vegetation within the mining area. During the Reporting Period, in order to reduce the environmental impact of its business on the operation sites to varying degrees, the Group planted approximately 1,758 trees, realized a greening area of 39,937 square meters through planting trees and laying grasslands.

EMISSION MANAGEMENT

There were no harmful substances produced during the Group's production and operation process. A certain amount of waste rock and tailings are removed in the mining and processing, waste water is generated from the mineral processing, whereas noise and dust are mainly produced during crushing and processing operation. Each operating subsidiary of the Group has established a sound environmental protection system and set up dedicated environmental protection management personnel, and has formulated scientific environmental impact protection and governance measures to ensure that emissions meet the discharge standards.

During the Reporting Period, the Group was not aware of any material non-compliance with all relevant laws and regulations relating to environmental issues, including but not limited to waste and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste.

Waste rock discharge management

In accordance with the policies of energy conservation and emission reduction, environmental protection and efficiency enhancement and the promotion of mine ecological restoration, the Group further implemented the sustainable development strategy, actively promoted the upgrading of mining and industries. Through building a green industrial base, the waste rock stripped from the production process was used to process the green construction materials construction sand and gravel materials. In this way, we not only realized energy conservation and emission reduction, but also further avoided the impact of large amounts of waste rocks on the natural environment and safety risks.

During the Reporting Period, the waste rock produced by the Group in the production process was the qualified raw materials for processing into the green construction materials construction sand and gravel materials, which can achieve zero discharge of waste rock.

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The tailings generated from the mineral processing process will be discharged into the tailings storage facilities for compaction and stockpiling after being processed by the dry discharge process or the dehydration workshop, and professional staff are arranged to carry out 24-hour on-duty inspection and monitoring of tailings storage facilities.

In order to take full advantage of the efficiency of resource use, the Group will also accelerate the green industry layout in the next 3 to 5 years, and intensify in-depth research on the deep processing and utilization of tailings to reduce or avoid the impact of tailings discharge on the ecological environment and safety risks, and strive to achieve zero discharge of waste rock tailings in mining.

Dust management

A certain amount of dust was produced by each operating subsidiary of the Group during the mine blasting, ore crushing, screening, and vehicle transportation process. In order to reduce or avoid the impact of dust, all mining companies have built closed mineral processing workshops and are equipped with a first-time removal device. At the same time, the Group also deployed multiple sprinklers for 24-hour sprinkling and dust suppression in the operation site. In addition, the Company has distributed dust cap, dust mask and other dust prevention equipment to field workers to reduce the impact of dust on the environment and employees.

During the Reporting Period, the Company engaged qualified testing institutions to test the dust generated in the production and operation activities. The dust emission concentration of the Company conformed to the Emission Standard for Pollutants for Mining and Mineral Processing Industry (GB28661-2012). The details are as follows:

Test Items	Analysis Method	Applicable Standards and Standard Value	Test Concentration (mg/m ³)
Organised dust	Ambient Air – Determination of Total Suspended Particulates – Gravimetric Method (GB/T15432-1995)	Emission Standard for Pollutants for Mining and Mineral Processing Industry (GB28661-2012) Special emission standard limits for air pollutants: PM ₁₀ ≤10mg/m ³	2.1-8.4mg/m ³
Unorganised dust	Stationary Source Emission – Determination of Mass Concentration of Particulate Matter at Low Concentration – Manual Gravimetric Method (HJ836-2017)	Emission Standard for Pollutants for Mining and Mineral Processing Industry (GB28661-2012) Unorganized emission limit: PM ₁₀ ≤1.0mg/m ³	0.209 – 0.348 mg/m ³

During the Reporting Period, the Group's dust emission concentration was within the range of the applicable standards and standard value implemented by local environmental protection regulatory authorities. In the future, we will continue to strengthen environmental protection and dust suppression measures with the goal of applicable standards and standard value required by the local environmental protection regulatory authorities, pay close attention to environmental protection policy trends, strictly implement environmental protection policy requirements, and control the dust emission concentration within the emission standard range permitted by environmental protection policies through effective measures of environmental protection and dust suppression, so as to reduce or avoid the pollution caused to the atmosphere.

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Noise management

The Group generates noise during the production and operation process and equipment operation in mining and mineral processing, such as drilling, blasting, as well as crusher, circular vibration screen, ball mill, dust collector fan and other equipment. The Company has developed a series of noise reduction measures for this purpose, such as using porous differential blasting during blasting, giving priority to low-noise and high-efficiency processing equipment for production equipment, and installing soundproof boards, soundproof window and noise elimination equipment in the plant to reduce the negative impact of noise on the surrounding environment. At the same time, the Company has provided field workers with effective protective equipment (such as noise-proof earplugs, ear protectors, etc.) to protect the physical and mental health of field workers.

During the Reporting Period, the Company engaged qualified testing institutions to regularly test the noise generated in the production and operation activities. The noise detected at the factory boundary conformed to the requirements of the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008). The details are as follows:

Test Items	Analysis Method	Applicable Standards and Standard Value	Test value (db(A))
Industrial enterprises noise at boundary – day	Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008)	Category III standard: ≤ 65 db (A)	56.9-51.8
		Category II standard: ≤ 60 db (A)	50.9-58.9
Industrial enterprises noise at boundary – night	Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008)	Category III standard: ≤ 55 db (A)	50.5-52.8
		Category II standard: ≤ 50 db (A)	46.0-49.1

During the Reporting Period, the Group's noise emission was within the range of the applicable standards and standard value implemented by local regulatory authorities. In the future, we will continue to target at the applicable standards and standard value required by local regulatory authorities, and control the noise within the emission standard range permitted by policies through effective noise reduction measures, in order to reduce or avoid noise pollution.

Recycling waste water

The Company's production and operation sites are equipped with a complete waste water filtration and circulation system. The industrial wastewater generated can be recycled and reused through tailings storage facilities and recycling water pump stations without being discharged to the surroundings. Tailings storage facilities and water pump stations are equipped with dedicated personnel to strictly observe the facilities 24 hours a day. During the Reporting Period, the Group did not have any incident of wastewater leakage and pollution. In the future, the Group will continue to strengthen the in-depth treatment and recycling of waste water, and strive to maintain zero discharge of industrial wastewater.

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Waste gas emissions management

The Company's waste gas emissions mainly come from the exhaust generated during the driving of motor vehicles. The Group strictly implements the Vehicle Management System, advocates environmental protection and energy conservation policies, reasonably arranges the use of travel vehicles, and encourages employees to travel green.

For the year ended 31 December 2022, the air pollutants generated by the Group's motor vehicles are quantified as follows:

Air pollutants emission (kg)	2022	2021	% of change
Nitrogen oxides (NO _x)	32.6	35.4	-7.9%
Sulfur oxides (SO _x)	1.2	1.4	-14.3%
Suspended particulate matter (PM)	1.9	2.0	-5.0%

Note: The air pollution emissions are calculated in accordance with the emission factors specified in the Technical Guide for Compiling the List of Air Pollutants Emitted by On-road Vehicles (Trial) issued by the environmental protection regulatory authority.

In the future, we will continue to strengthen the management of waste gas emissions, deploy relevant subsidiaries for target decomposition, and formulate an assessment plan to evaluate subsidiaries that have exceeded emission or received administrative penalties, so as to promote the Group to achieve a year by year reduction in overall waste gas emissions intensity.

GHG emissions

The major sources of greenhouse gas emissions during the Group's operations are direct emissions from business vehicles, machinery and equipment. The Group attaches great importance to the impact of greenhouse gas on the atmospheric environment. It advocates green travel, reasonably arranges the use of travel vehicles; promotes paperless office, encourages employees to save paper and reduce the use of photocopiers, and adopts energy-efficient facilities to replace the energy-intensive facilities in order to realize the continuous reduction of greenhouse gas emissions. At the same time, in order to effectively reduce greenhouse gas emissions, the Group planted approximately 1,758 new trees during the Reporting Period, realized a greening area of 39,937 square meters through planting trees and flowers.

Details of GHG emissions resulting from the Group's operations for the year ended 31 December 2022 are as follows:

GHG Emissions (tons)		2022	2021	% of change
Direct GHG emissions (scope 1)	Gasoline and diesel	7,934.9	7,990.3	0.7%
Indirect emissions (scope 2)	Electricity purchased	152,157.1	141,532.2	7.5%
Other indirect GHG emissions (scope 3)	Waste paper	0.7	0.6	16.7%
	Business air travel	3.5	13.5	-74.1%
GHG removals (scope 1)	Planting trees	-24,260.4	-41,538.0	-41.6%
Total		151,815.1	107,998.6	25.8%

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Note: Greenhouse gas emissions are calculated according to the China Energy Statistical Yearbook, the Guidelines for the Preparation of Provincial Greenhouse Gas Inventories (Trial) and the average carbon dioxide emission factor for the China Regional Power Grids published by the National Development and Reform Commission.

During the Reporting Period, the increase in greenhouse gas emissions compared to the same period of last year was mainly due to the increase in electricity consumption of the Company as compared with the same period of last year. In the future, we will enhance the use of green energy and low-carbon energy-saving facilities, and encourage employees to save energy, reduce consumption and green travel, so as to achieve the goal of continuous reduction of greenhouse gas emissions intensity year by year.

Recycling of waste and used materials

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

Domestic waste control

The perishable domestic waste in the living area is discharged into the septic tank for disposal and burial. Non-perishable domestic waste is transported to the garbage disposal station for disposal. The Company encourages waste sorting and prohibits the random disposal or incineration of domestic waste. The Group will collect domestic waste centrally and send it to landfill at the location designated by the local sanitation department.

Management of Water Resources

The Group understands the importance of water resources to the environment and corporate development. The Group strictly abides by the Water Law of the People's Republic of China, implements strict management measures and vigorously improves water efficiency.

Water consumption by the Group during the year ended 31 December 2022:

Water consumption (tons)	2022	2021	% of change
Surface water	165,236	262,810	-33.3%
Municipal water supply	16,500	15,000	-9.1%
Total	181,736	262,810	-30.8%

In the future, the Group will strive to better control water consumption and reduce the use of new water year by year to prevent water resource issues from affecting the overall operation of the Group's business. To effectively control water consumption, the Group will continue to enhance the recycling of water in the production, strengthen the daily inspection and maintenance of water network pipelines and storage facilities, and raise the awareness of water conservation among staff by putting up posters to promote the importance of water conservation.

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Management of Energy

The Group understands the importance of efficient use of energy. We have taken a number of measures to improve energy efficiency, such as technological renovation, equipment upgrading, optimizing the production process and assessment mechanism, in order to achieve energy conservation and consumption reduction. At the same time, the Company also encourages energy conservation and low-carbon office by holding meetings or posting propaganda slogans to improve awareness of energy conservation and low-carbon of employees.

The use of energy by the Group for the year ended 31 December 2022 is as follows:

Energy consumption	Unit	2022	2021	% of change
Electricity	0000'KWh	17,206.5	16,005.0	7.5%
Diesel	Tons	2,443.4	2,454.0	-0.4%
Gasoline	0000'Litres	9.7	10.7	-9.3%

In the future, the Group will actively implement energy conservation and consumption reduction measures. Under the premise of the original equipment capacity, the Group will aim to maintain or reduce the intensity of energy consumption such as electricity, diesel and gasoline year by year, so as to promote the efficient and energy-saving development of the Group.

EMPLOYMENT AND LABOUR PRACTICES

The Group upholds the people-oriented principle and strictly complies with relevant laws and regulations such as the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China, to ensure that all employees enjoy various rights and interests and fair and equitable treatment in accordance with the law.

The Group respects the rights and interests of employees. In terms of recruitment, determination of employment terms and handling of any employment matters, the Company adheres to the principles of equal opportunities, and ensures that all employees are treated equally without any discrimination, regardless of gender, marital status, race, religion, etc. At the same time, the Company standardises the management of labor and employment, eliminates the occurrence of forced labour, and prohibits the recruitment and employment of child labour. During the Reporting Period, the Group was not aware of any recruitment or employment of child labour or forced labour. Meanwhile, the Company regards employees' personal data as confidential information and will only be used for employment, welfare insurance, any other legal purposes with the consent of the Company and employees.

The Group's headquarters and subsidiaries have set up human resources department to regularly review and deal with violations of labour standards. During the Reporting Period, no violation of labour standards was found. Meanwhile, the Group establishes different channels to understand and collect employees' comments and suggestions on our policies, working environment, and development strategies so as to safeguard the sustainable development of the Group.

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As of 31 December 2022, the Group had a total of 1,027 employees, which included the total number of employees of the subsidiaries covered in the Report. The relevant data of the Group's employees is as follows:

By region

Region	Number of employees	Percentage of total workforce	Number of staff turnover	Turnover rate ⁽²⁾
Aborigines ⁽¹⁾	742	72.2%	40	3.9%
Non-aborigines	285	27.8%	19	1.9%

By gender and age

Gender and Age	Number of employees at the end of the year	Percentage of total workforce at the end of the year	Number of staff turnover	Turnover rate ⁽²⁾
Male				
35 and under	140	13.6%	22	2.2%
35-50	443	43.1%	27	2.6%
50 and above	408	39.7%	8	0.8%
Sub-total	991	96.5%	57	5.6%
Female				
35 and under	5	0.5%	–	–
35-50	19	1.9%	–	–
50 and above	12	1.2%	2	0.2%
Sub-total	36	3.5%	2	0.2%
Total	1,027	–	59	5.8%

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By employment category

Employment category	Number of employees at the end of the year	Percentage of total workforce at the end of the year	Number of staff turnover	Turnover rate ⁽²⁾
Functional management	252	24.5%	24	2.3%
Mining production	128	12.5%	9	0.9%
Dry processing production	469	45.7%	14	1.4%
Water concentration production	144	14.0%	12	1.2%
Other	34	3.3%	–	–
Total	1,027	–	59	5.8%

Notes:

(1) Aborigines: local residents of Laiyuan county where iron mines are located

(2) Turnover rate = number of staff turnover (i.e. the number of regular employees voluntarily resigned) ÷ annual average workforce of the Company (1,023)

DEVELOPMENT AND TRAINING

The Group attaches great importance to the development of employees and has formulated the clear promotion mechanism such as the Measures on Promotion and Management of the Employees and the Measures on Assessment of Skill Level, which sets out the selection criteria and guidelines, to provide employees with development opportunities and explore career opportunities. At the same time, the Company's various departments have also formulated training plans and development courses in the areas of safety production, health protection, occupational skills, craftsmanship and corporate culture to assist employees to realise their potential and improve their comprehensive quality and professional skills.

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Trainings for employees during the year ended 31 December 2022 (by training content)

Name/Type of courses	Brief of course content	Average hours	Cumulative number of participants	Percentage of cumulative number of participants to annual average number of employees
Main officer training	laws and regulations/safety knowledge	20	2	0.2%
Safety management personnel training	laws and regulations/safety knowledge	20	23	2.2%
New employee safety training	laws and regulations/safety knowledge/safety compliance/others	72	67	6.5%
Occupational disease management training	laws and regulations/occupational disease prevention knowledge	8	23	2.2%
Special operation personnel training	laws and regulations/professional knowledge	48	64	6.3%
Other training	rules and regulations/emergency rescue/safety operation regulations	24	1,334	130.4%
Listing Rules training	Listing Rules/reporting procedures	4	20	2.0%
Anti-pollution, integrity and self-discipline training	rules and regulations/anti-money laundering knowledge/integrity and self-discipline knowledge	4	75	7.3%
Total		25	1,608	157.2%

Trainings for employees during the year ended 31 December 2022 (by employee category)

Employee category	Number of employees trained	Average training hours	Percentage of participants to the annual average number of employees
Management	74	23	7.2%
General staff	953	40	93.2%
Total	1,027	39	100.4%

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Trainings for employees during the year ended 31 December 2022 (by employee gender)

Employee gender	Number of employees trained	Average training hours	Percentage of participants to the annual average number of employees
Male employee	991	39	96.9%
Female employee	36	37	3.5%
Total	1,027	39	100.4%

Note: The average number of employees of the Group was 1,023 during the year ended 31 December 2022.

HEALTH AND SAFETY

Health and safety management is the lifeline of a company's sustainable development. The Group strictly complies with the laws and regulations related to occupational health and safety, such as the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, the Law of the People's Republic of China on Work Safety, the Labour Law of the People's Republic of China, etc., and adopts a number of management measures to eliminate potential safety risks, strengthen employees' safety awareness and lay a solid foundation for health and safety management.

Management Measures

The Group adheres to the working policy of "safety first, prevention-oriented and comprehensive governance", and has established the health and safety management systems at all levels from the Board to the production workshops at each mine, which together with the relevant staff are responsible for the implementation and monitoring of health and safety management work. The Group has developed several policies related to occupational health and safety, including Occupational Health Management System, Post Operation Regulations, Safety Inspection System, Regular Safety Production Meeting System, Work Injury Accident Management System, Labor Protective Equipment Management System, Outsourcer Safety Management Systems and Emergency Accident Emergency Rescue Plan, etc., so as to institutionalize occupational health and safety management work system, standardize operating procedures, clarify responsibilities and ensure that the occupational health and safety management works can be implemented smoothly.

The Group strictly complies with the requirements of relevant laws and regulations, regularly organises qualified institutions to conduct occupational health monitoring in the work site, so as to provide scientific basis for the accurate prevention and control of occupational diseases. At the same time, the Group also regularly organises physical examinations for positions exposed to occupational hazards, establishes occupational health records for employees, and equips employees with labour protection equipment that meets the requirements to protect the physical and mental health of employees. In addition, the Group also pays special attention to the management of contractors' health, safety and environmental protection, and compulsively requires contractors to strictly implement industry norms and standards.

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The Group strictly enforces the system of occupational health, safety inspection and reward and punishment. Through regular and irregular inspections and assessments, the Group timely identifies safety hazards and effectively rectifies them. By linking the effectiveness of production safety with individual performance, promotion and evaluation, the Company implements production safety responsibility at all levels. The production safety responsibility is assigned to the person after signing the production safety responsibility certificate. During the Reporting Period, the Group has conducted a total of 149 health and safety inspections, achieving a rate of safety risk ratification and safety instruction implementation of 100%. The Group paid RMB0.5 million as safety assessment reward, with no fine imposed against behaviors violating the health and safety regulations during the Reporting Period.

During the Reporting Period, the Group had completed occupational health and safety education training for 1,608 employees in order to enhance the employee's safety protection skill and improve the employees' awareness of occupational health and safety protection. For the purpose of improving the emergency rescue level, emergency response capability and the operability of emergency plans of employees, the Group organized a total of 10 emergency response drills during the Reporting Period.

Emergency response drills of the Group during the year ended 31 December 2022

Mines	Names of drills	Number of participants
Jiheng Mining	Contact incident emergency drill	20
	Drainage chute collapsing emergency drill	25
	Air tank explosion emergency drill	20
	Vehicle accidents emergency drill	20
Jingyuancheng Mining	Mine debris flow, landslide emergency plan drill	50
	On-site handling plan of mining vehicle accidents and heatstroke accidents drill	20
	On-site handling plan of mining vehicle accidents and contact incident drill	20
	Emergency drill for flooding and object strike at Chengzigou tailings dam	40
	Emergency drill for dam-failure and drowning at Dabugou tailings dam	40
	Drill for on-site handling of drowning at Dabugou tailings dam and contact incident at Chengzigou tailings dam	20

Safety Fund Insurance

The Group continues to ensure the fund investment in health and safety and sets aside safety measure fees each year exclusively for health and safety protection purpose. During the Reporting Period, the actual investment in safety measures fees amounted to approximately RMB10.6 million.

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Safety Accidents and Targets

For the year ended 31 December 2022, the Group continued to enhance the risk management and control over the occupational health and safety in production, and there was no formal record of any fatal accident and major work-related injury, and there was no record of work-related fatalities for at least three consecutive reporting years. The relevant accident rate kept at a reasonable level, and did not cause any loss of working days. The targets on the occupational health and safety of the Group for 2022 are: the rate for minor injury $\leq 3\%$, and the rate for serious injuries, fatal accidents, fire accidents, collective food poisoning accidents, major accidents in equipment and facilities, and incidence of occupational diseases is zero.

SUPPLY CHAIN MANAGEMENT

The Group attaches great importance to the cooperation and communication with supply chain and firmly believes that maintaining a stable business with suppliers can contribute to its sustainable development and growth. The Group has also formulated corresponding policies and mechanisms to regularly assess the environmental and social risks of the supply chain, so as to ensure that the quality, environment and safety performance of the supply chain are in line with the Group's policy.

In order to better manage the list of suppliers, when selecting new suppliers, the Group's procurement management department will comprehensively evaluate the environmental and social risks of the supply chain in accordance with the Tender Management Measures, the Procurement Management Measures and other policy mechanisms, including its business quality, production capacity, product quality, credit investigation, service capabilities and environmental safety, and determine on a merit basis to ensure the safety of the supply chain. In addition to the above selection criteria, we also consider the environmental and social standards of suppliers, including the prohibition of child labour and forced labour, the elimination of discrimination against employees, the provision of a safe working environment, the consideration of whether the products and services provided are conducive to environmental protection and meet the internal environmental requirements of the Group, while minimizing the negative impact on the natural environment and strictly complying with the laws. Our procurement personnel also conduct on-site due diligence when necessary. In addition, we also conduct an annual comprehensive evaluation of our suppliers and cease to purchase products from suppliers who (i) continuously deliver substandard products; (ii) refuse to replace or return defective products; (iii) fail to meet our required standards (such as production capacity, environmental, health and safety standards) according to our annual evaluation; and (iv) conduct any act that materially affects the commercial interests of our Group. To assure the fairness and equity of the selecting process, the legal department and internal control department also participate in the supervision. The Group also strives to continuously improve its procurement methods and supplier evaluation procedures. Therefore, the Group will also engage qualified internal control consultants to review whether there are defects and risks in the Group's procurement methods and evaluation procedures, and continue to improve the policy mechanism of supply chain management.

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During the Reporting Period, there were a total of 165 qualified suppliers and contractors providing services to the Group, including 159 suppliers providing materials and equipment supply services to the Group, 80 suppliers in Hebei Province and 79 suppliers in other provinces; there were a total of 6 contractors providing on-site operation services to the Group, including 5 contractors in Hebei Province and 1 contractor in other provinces. During the Reporting Period, no suppliers with significant negative impacts on the environment and society were identified.

PRODUCT RESPONSIBILITY

The Group places a strong emphasis on consistently upholding the quality of its products and strictly complies with the Product Quality Law of the People's Republic of China and other relevant laws and regulations and industry standards. Through the implementation of product quality management measures, the Group is committed to providing customers with high-quality products and services and paying attention to customers' response to the products sold by the Group.

The Group requires each production unit to establish a quality inspection ledger, which sets out the objectives, frequency and scope of quality inspection, and timely adjusts the production equipment and technology according to quality inspection results to ensure and improve product quality.

Quality objectives:

Iron ore business: to ensure that the grade of acid iron ore concentrate is not less than 66%; to ensure that the grade of alkaline iron ore concentrate is not less than 63%;

Machine-processed sand and gravel business: to ensure that the relevant standards of machine-processed sand are in line with the national standards.

In order to ensure that the products are delivered to customers with quality and quantity, the Group has adopted a series of safeguard measures to conduct double measurement and quality inspection of the products. In case of any significant difference, the Group will also deal with it in accordance with the Customer Complaints Guidelines for Quality. Problem that cannot be resolved will be subject to review and arbitration by third-party authoritative organization. During the Reporting Period, the Group did not have any cases of material non-compliance with laws and regulations relating to product responsibility, and did not receive any complaints about products and services.

As the iron ore concentrates and machine-processed sand and gravel materials produced by the Group are located in the upstream of the entire industrial chain and will not directly deliver the products to the end customers, the products will not directly endanger the safety and health of any person or cause environmental pollution.

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ANTI-CORRUPTION

The Group upholds a corporate culture of integrity and self-discipline and strictly abides by the Criminal Law of the People's Republic of China, the Anti-corruption Law of the People's Republic of China and the Anti-money Laundering Law of the People's Republic of China, and establishes a strict code of anti-corruption and integrity and developed corresponding internal and management systems. The Group adopts a zero-tolerance policy for any form of bribery, corruption, fraud and money laundering.

In order to strengthen the anti-corruption approach and avoid the above-mentioned fraud or unethical behaviour, the Group has formulated and implemented relevant mechanisms such as audit, reporting and anti-money laundering, and clarified the Company's anti-corruption management disciplines and conduct requirements. At the same time, the Company also engages external auditors to conduct audit on the Company to prevent and control the Company's fraud or unethical behaviour.

The Group conducts anti-corruption related training to raise the awareness of integrity building among employees and management. In 2022, our Directors and employees have received anti-corruption trainings, covering the "Anti-Corruption Programme – A Guide for Listed Companies" issued by the Independent Commission Against Corruption of the Hong Kong Special Administrative Region.

The Group set up various whistle-blowing mechanisms to provide employees with confidential channels such as telephone hotlines, email and mailbox for whistleblowing, to encourage employees to report violations identified as soon as possible. Designated departments are responsible for handling reported incidents and may report to relevant regulatory or law enforcement authorities when necessary.

During the Reporting Period, the Group did not have any legal cases regarding corrupt practises brought against the Company or its employees.

COMMUNITY PARTICIPATION

The Company attaches great importance to building harmonious and inclusive enterprise and community relationship with the community, and is committed to developing together with the community where it is located. Through communicating with the community and actively assisting in solving the concerns of the community, the Company contributes to the development of the community and local residents.

During the Reporting Period, when the COVID-19 epidemic spread, the Company actively supported the epidemic prevention and control work in the community where it operates, and donated anti-epidemic drugs with a value of approximately RMB200,000. The Company also pays attention to the development of public welfare undertakings in the community, and provides funds of RMB100,000 to local poor villages through the local community for improving residents' life and infrastructure construction. In addition, the Company has made every effort to help address employment issues of local labour to promote the increase of income of community residents. During the Reporting Period, the Company helped about 60 local residents solve their employment problems.

In the future, the Group will continuously strive to participate in more corporate social responsibilities and contribute to the development of the community with practical actions.

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This indicators index illustrates the Company’s compliance with indicators of “comply or explain” and “recommended disclosures” set out in Environmental, Social and Governance Report issued by the Stock Exchange during the Reporting Period.

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	(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.
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A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility). 8
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READER FEEDBACK FORM

Dear reader:

Thank you for reading the ESG Report of Aowei Holding for FY2022. We sincerely welcome your feedback on this ESG Report and our sustainability performance. Please complete this feedback form and email to ir@aow.com.cn.

1. Which of the following stakeholder group do you belong to?

Shareholders Employees Suppliers Customers Government Communities Academic Institutions Others (please specify)

2. Did you read a paper version or an electronic version?

Paper version Electronic version

3. Do you prefer to read a paper version or an electronic version?

Paper version Electronic version

4. What is your overall evaluation of this report?

Readability (i.e. intelligible expression, aesthetic design, attractive content and easy-to-understand information)

3 (Good) 2 (General) 1 (Poor)

Reliability (whether the information in this report is true and reliable)

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Completeness (the report reflects both positive and negative information and provides the information that you need)

3 (Good) 2 (General) 1 (Poor)

In addition to the content that has been disclosed, what kind of information would you like to read?

27 April 2023