



## **REAL GOLD MINING LIMITED**

**瑞 金 礦 業 有 限 公 司**

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

**(Stock Code: 246)**

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

This is the second environmental, social and governance (“**ESG**”) report of Real Gold Mining Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”). This report captures the ESG performance during the year ended 31 December 2017 (“**Year 2017**”).

This report is prepared in accordance with the Environmental, Social and Governance Report Guide (the “**ESG Reporting Guide**”) sets out in Appendix 27 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its subsidiaries are principally engaged in exploration, mining and processing of gold ore and sale of concentrates in the People’s Republic of China.

The Group has two gold mines in the Chifeng Municipality, Inner Mongolia, namely, Shirengou Gold Mine and Nantaizi Gold Mine which are adjacent to each other. The mining permit and the safety production permit for Shirengou Gold Mine are valid until August 2020 and February 2021 respectively. The mining permit, the exploration permit and the safety production permit for Nantaizi Gold Mine are valid until November 2019, June 2020 and February 2021, respectively. Production at Shirengou Gold Mine and Nantaizi Gold Mine has been suspended since mid 2016.

Luotuochang Gold Mine, another gold mine of the Group which is also located in the Chifeng Municipality, Inner Mongolia, was in operation until the former board of directors decided to suspend the mining activities there in July 2014. The mining permit and the safety production permit for Luotuochang Gold Mine are valid until January 2020 and December 2020 respectively.

When the current Board took control of the management of the Group in late 2016, the operations, mining and exploration activities had been suspended. Therefore, the figures of key performance indicators in respect of environmental aspect are derived from offices in Hong Kong and Chifeng.

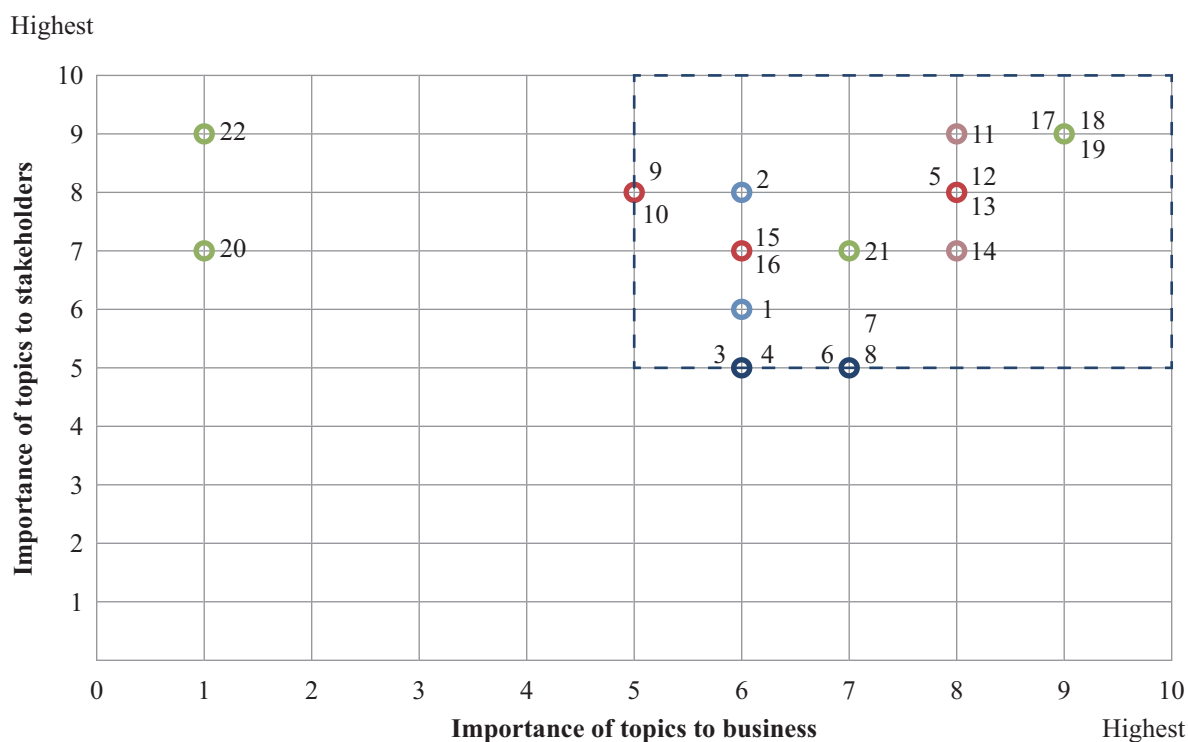
## STAKEHOLDERS ENGAGEMENT

The Group is committed to achieve long term success and sustainability in which it operates. The Group strived to build and maintain successful relationships with its stakeholders, which include shareholders, government, employees, customers, suppliers, the community and the public, on an on-going basis.

<b>Stakeholders</b>	<b>Expectations and concerns</b>	<b>Communication and response</b>
Shareholders	<ul style="list-style-type: none"><li>● Financial results</li><li>● Corporate transparency</li><li>● Sound risk control</li></ul>	<ul style="list-style-type: none"><li>● Improve mining capability and facilities with the goal to maximise the output efficiency</li><li>● Daily information disclosure</li><li>● Optimisation of risk management and internal control</li></ul>
Government	<ul style="list-style-type: none"><li>● Being law-abiding</li><li>● Paying tax in accordance with the law</li><li>● Safe mining production requirement and supervision</li></ul>	<ul style="list-style-type: none"><li>● Operation in compliance with the law</li><li>● Making timely tax payment in full</li><li>● Further improve the safety measures of gold mines</li></ul>
Employees	<ul style="list-style-type: none"><li>● Career development platform</li><li>● Remuneration and benefit</li><li>● Safe working environment</li></ul>	<ul style="list-style-type: none"><li>● Promotion mechanism</li><li>● Competitive remuneration and benefit packages</li><li>● Provision of training to staff and enhancing their safety awareness</li></ul>
Customers	<ul style="list-style-type: none"><li>● Customer information security</li><li>● Customer interest protection</li></ul>	<ul style="list-style-type: none"><li>● Customer privacy protection</li><li>● Marketing in compliance with the law</li></ul>
Suppliers	<ul style="list-style-type: none"><li>● Collaboration integrity</li><li>● Business ethics and creditworthiness</li></ul>	<ul style="list-style-type: none"><li>● Building a responsible supply chain</li><li>● Performing contracts in accordance with the law</li></ul>
The community and the public	<ul style="list-style-type: none"><li>● Environmental friendliness</li><li>● Employment opportunities</li></ul>	<ul style="list-style-type: none"><li>● Greening and waste separation guidelines</li><li>● Provision of employment opportunities</li></ul>

## Materiality Assessment

The Group carried out a materiality assessment to the environment, society and governance related issues in the Year 2017. With reference to its actual business and industrial characteristics, the Group identified and recognised 22 issues in relation to the environment, society and governance, and invited internal and external stakeholders to give rating on the materiality of such 22 issues. The management concluded the materiality priority of the issues and prepared a materiality matrix chart for the Year 2017 as follows:



### Environmental issues

1. Greenhouse gas emissions
2. Energy consumption
3. Water consumption
4. Waste
5. Environmental impact of construction
6. Green buildings certification
7. Customer engagement in environmental issues
8. Use of chemicals

### Social issues

9. Local community engagement
10. Community investment
11. Occupational health and safety
12. Labour standards in supply chain
13. Training and development
14. Employee welfare
15. Inclusion and equal opportunities
16. Talent attraction and retention

### Operation issues

17. Economic value generated
18. Corporate governance
19. Anti-corruption
20. Supply chain management
21. Customer satisfaction
22. Customer privacy

## EMISSIONS

The Group is engaged in exploration, mining and processing of gold ore and sale of concentrates in the People's Republic of China, which may inevitably produce exhaust gas, greenhouse gas, dust, sewage, noises and other emissions.

The Group has implemented internal control policies and made clear guidelines on management of gold mine environment, control on emissions, and even management of office environment, in an effort to minimise the impacts of its daily operation on the environment. The Group has taken necessary measures to minimise the impact on the environment from its operation, these measures include: (i) sprinkling water to suppress dust frequently to abate dust; (ii) discharging tailings and waste water into mine dump; and (iii) using equipment with less noise and adopting noise reduction measures for noise-generating equipment to reduce the impact of noise on the environment.

The key environmental indicators data in respect of emissions of the Group in the Year 2017 is as follows:

<b>Environmental Indicators</b>	<b>Unit</b>	<b>2017</b>
<b>Air emissions<sup>1</sup></b>		
Nitrogen oxides (NOx) emissions	kg	N/A
Sulphur oxides (SOx) emissions	kg	N/A
Particulate matter (PM) emission	kg	N/A
<b>Greenhouse gas (“GHG”) emissions</b>		
Total GHG emissions <sup>2</sup>	kg CO <sub>2</sub> e	27,664
GHG emissions intensity	kg CO <sub>2</sub> e (per employee)	152
Direct emission (Scope 1)	kg CO <sub>2</sub> e	N/A
Indirect emission (Scope 2)	kg CO <sub>2</sub> e	11,361
Other indirect emission (Scope 3)	kg CO <sub>2</sub> e	16,303
<b>Waste</b>		
Total non-hazardous waste produced	tonnes	9
Non-hazardous waste produced intensity	tonnes (per employee)	0.05
Total hazardous waste produced <sup>3</sup>	tonnes	N/A
Hazardous waste produced intensity	tonnes (per employee)	N/A

Scope 1: No direct GHG emissions by the Group.

Scope 2: Indirect GHG emissions resulting from electricity consumption by the Group.

Scope 3: Other indirect GHG emissions include emission from business travel by employees.

<sup>1</sup> The Group did not generate air emissions from gaseous fuel consumption and vehicles. Therefore, such disclosures are not applicable to the Group.

<sup>2</sup> GHG emissions can be divided into three separate areas (i) direct; (ii) indirect; and (iii) other indirect.

<sup>3</sup> No hazardous waste is produced by the Group. Therefore, this disclosure is not applicable to the Group.

The Group strictly regulates the operation of its business to ensure the compliance with national and local laws and regulations relating to environmental protection and pollutant emissions. During the Year 2017, the Group is not aware of any material non-compliance with the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Water Pollution Prevention and Control, Air Pollution Control Ordinance, the Waste Disposal Ordinance and other relevant laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have significant impact on the environment. In addition, there was no report of significant fines or sanctions as a result of non-compliance with the relevant laws and regulations in the Year 2017.

## **USE OF RESOURCES**

The Group continues with initiatives to introduce resource efficiency measures to the Group's operations, and it is committed to optimising the use of resources in all of its business operations. During the Year 2017, the Group has performed the following measures to enhance resource efficiency:

- Turning off all the air conditioners and lighting systems before leaving the working environment in order to reduce the usage of electricity;
- Using energy efficient LED lighting to replace energy-inefficient light bulbs by phases in order to reduce the usage of electricity;
- Using recycled paper and double-sided printing for internal documents or non-important documents in order to reduce paper waste disposed at landfills;
- Using electronic documents such as email as possible and reduce paper usage;
- Reducing the use of disposable goods and reuse office stationery; and
- Encouraging staff to utilise teleconferences and video conferences to avoid unnecessary business travelling.

The key environmental indicators data in respect of use of resources by the Group in the Year 2017 is as follows:

<b>Type of resources consumption</b>	<b>Unit</b>	<b>2017</b>
Electricity purchases for consumption	kWh	14,381
Electricity consumption intensity	kWh (per employee)	79
Amount of water consumption <sup>4</sup>	m <sup>3</sup>	N/A
Water consumption intensity	m <sup>3</sup> (per employee)	N/A
Total packaging material used for finished products <sup>5</sup>	kg	N/A
Amount of packaging material per unit produced	kg	N/A

The Group considers water resources to be quite valuable and the Group is committed to promoting the concept of saving water. There is a wide range of water use at gold mines, the Group has policies in place at the gold mines to remind workers not to waste water. Nevertheless, the Group would do its best to save the precious water resources in the coming years. The Group is not aware of any issue in sourcing water during the Year 2017.

## **THE ENVIRONMENT AND NATURAL RESOURCE**

The Group realises that its business operations had been deploying natural resources and thereby placing a negative impact on the environment. With a view to minimising the environmental impact, the Group had implemented internal control policies related to environment protection into the process of business operations. The Group continuously monitors its mode of operation and adopt necessary measures to alleviate the impact to the environment and natural resources.

Noise reduction devices are installed to reduce the noise generated during operation and the impact of noise on the environment.

## **EMPLOYMENT**

The Group has established its internal employment policies and rules pursuant to the Employment Ordinance of Hong Kong, the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China and other relevant laws and regulations.

The Group determines employees' salary, benefits and promotion based upon their job nature, experience, work performance, financial results and market condition. The Group guarantees fair treatment of employees and prevent discrimination based on gender, race, religion, age, marital and family status, disability or any other grounds.

<sup>4</sup> No water consumption as the operations, mining and exploration activities had been suspended during the Year 2017. Therefore, this disclosure is not applicable to the Group.

<sup>5</sup> No use of packaging materials during the Year 2017. Therefore, this disclosure is not applicable to the Group.

The Group strictly regulates the operation of its business to ensure the compliance with national and local laws and regulations relating to employment during the course of operation. In the Year 2017, the Group was not aware of any material non-compliance with the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, the Employment Ordinance of Hong Kong and other relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. In addition, there was no report of significant fines or sanctions as a result of non-compliance with the relevant laws and regulations in the Year 2017.

## **HEALTH AND WORK SAFETY**

The Group realises that safety production is the top priority for its business operation. In order to prevent and reduce the risk of accident in the workplace, the Group has established internal control policies to standardise health and work safety requirements at gold mines.

The Group provides training to its staff at gold mine to improve employees’ safety awareness and self-protection ability. All workers must be equipped with personal protective equipment such as anti-poisoning and suffocation. Safety warning signs are placed at the danger zones of each area.

Besides, the Group has established emergency response plan in its gold mines. Emergency rescue team is made up of employees who prepare for and respond to any emergency incident.

The Group strictly regulates the operation of its business to ensure the compliance with national and local laws and regulations relating to health and safety during the course of operation. In the Year 2017, the Group was not aware of any material non-compliance with the Safety Production Law of the People’s Republic of China, the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases, the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and the relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards that have a significant impact. In addition, there was no report of significant fines or sanctions as a result of non-compliance with the relevant laws and regulations in the Year 2017.

## **DEVELOPMENT AND TRAINING**

The Group requires all safety training must “placing safety first, preventing injuries as core, and managing comprehensively”. Administration department and safety department are responsible for developing safety training schedules to employees. Employees engaged in production must undergo safety technical training and pass the examination to obtain the qualification certificate. Those who fail to pass the safety technical training assessment must be retained until the assessment is qualified.

## **LABOUR STANDARDS**

The Group believes that all forms of child labour and forced labour are universally condemned, and therefore against these illegal arrangements and strive to comply all the laws and regulations strictly. The Group strictly complies with the labour contract system, and all employees are required to sign a labour contract within one month from the date of employment. Human resources department of the Group requires job seekers to provide valid identification before confirming employment to ensure that applicants can be employed in accordance with the law.

The Group strictly regulates the operation of its business to ensure the compliance with national and local laws and regulations relating to labour standards during the course of operation. In the Year 2017, the Group was not aware of any material non-compliance with the Labour Law of the People's Republic of China, the Employment Ordinance and the relevant laws and regulations relating to preventing child and forced labour. In addition, the Group did not employ child and forced labour, nor did it record any cases of discrimination involving race, religion, age or disability in the Year 2017.

## **SUPPLY CHAIN MANAGEMENT**

The Group has always complied with laws and regulations in its business operations, and has always adhered to the international standards, and remained fair in its purchasing procedures. In its supply chain management, The Group always upholds the principle of transparency, honesty, integrity and fairness. The Group provides strict guidelines on its purchasing procedures in its assessment and selections of services providers to ensure every little step is in compliance with regulations. In addition, the Group has approval procedures to ensure the cooperation with suppliers are monitored and approved by the appropriate level of management.

## **PRODUCT RESPONSIBILITY**

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

The Group strictly regulates the operation of its business to ensure the compliance with national and local laws and regulations relating to product responsibility during the course of operation. In the Year 2017, the Group was not aware of any material non-compliance with the laws and regulations relating to the health and safety, advertising, labelling, privacy matters relating to the products and methods of redemption. The Group strictly complies with local laws and regulations related to product liability, such as the Advertising Law of the People's Republic of China. In addition, there was no report of significant fines or sanctions as a result of non-compliance with the relevant laws and regulations in the Year 2017.



## **ANTI-CORRUPTION**

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

The Group provides communication channels that enable the staff to report frauds. If employees in the Group knew or suspected any forms of fraud, they may follow the procedures to report. The Group encourages employees to report to the chairman of the audit and risk management committee through mail or email anonymously. After the prosecution is accepted, the relevant prosecutions will be conducted independently by the internal auditors or the external legal counsels under the supervision of the chairman of the committee.

In the Year 2017, the Group was not aware of any material non-compliance of the laws and regulations relating to bribery, extortion, fraud and money laundering. The Group strictly complies with local laws and regulations related to anti-corruption, such as the Criminal Law of the People's Republic of China and the Anti-Money Laundering Law of the People's Republic of China. In addition, there was no report of significant fines or sanctions as a result of non-compliance with the relevant laws and regulations in the Year 2017.

## **COMMUNITY INVESTMENT**

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

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