



SIBERIAN MINING GROUP COMPANY LIMITED

西伯利亞礦業集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code :1142)

The cover features a collage of mining-related images. On the left, an orange-tinted image shows a large conveyor belt system. On the right, a teal-tinted image shows industrial machinery. At the bottom, a yellow and blue mining truck is parked on a dirt road. The background is a mix of these colors and textures.

2017

Environmental, Social and
Governance Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This report is the first Environmental, Social and Governance Report (the “**ESG Report**”) issued by Siberian Mining Group Company Limited (the “**Company**”) and its subsidiaries (together the “**Group**”). This ESG Report shows the Group’s environmental, social and governance management approach, strategy, priorities and objectives for the financial year ended 31 March 2017.

ABOUT THIS REPORT

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

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

Report Compilation Basis

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**ESG Guide**”) and the Reporting Guide on Environmental KPIs issued by The Stock Exchange of Hong Kong Limited. The Company has complied with the “comply or explain” provisions set out in the ESG Guide for the year ended 31 March 2017.

Certain data of this ESG Report is extracted from the audited consolidated financial statements of the Company for the year ended 31 March 2017 (prepared in accordance with the applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations), whilst other data comes from internal database of the Company and other relevant statistics.

Scope of the ESG Report

The ESG Report describes the Group’s environmental, social and governance management approach, strategy, priorities and objectives covering various main areas including environmental protection, employment and labour practices, operating practices and community investment. For corporate governance of the Group, please refer to pages 20 to 25 of the Corporate Governance Report in the 2017 Annual Report of the Company.

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

Reporting Period

The information published in the ESG Report covers the period from 1 April 2016 to 31 March 2017, which is the same financial year as reported in the 2017 Annual Report of the Company.

STAKEHOLDER ENGAGEMENT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT *(continued)*

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

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

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

Address: Room 2402, 24/F, Tower 2, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong
Telephone: (852) 2511 8999
Fax: (852) 2511 8711
E-mail address: investor@smg.com.hk

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

A. ENVIRONMENTAL

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

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

A.1 Emissions

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

A.1 Emissions *(continued)*

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

During the reporting period, the Group did not violate or breach any laws and regulations relating to environmental protection.

The emission data is as follows:

Emissions	For the year ended 31 March 2017
Nitrogen Oxides (NOx)	499.967 grams
Sulphur Oxides (SOx)	17.199 grams
Particulate Matter (PM)	36.812 grams
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Total Greenhouse Gas (“GHG”) Emissions (Note 1)	For the year ended 31 March 2017
Scope 1 (Vehicle fuel)	3.168 tonnes
Scope 2 (Purchased electricity) (Note 2)	17.327 tonnes
Scope 3 (Paper waste and others)	0.840 tonnes
Total	21.335 tonnes
Intensity (per floor area — tonnes/metre square)	0.041
Intensity (per employee — tonnes/employee)	1.255
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Waste	For the year ended 31 March 2017
Total Hazardous Waste	Nil
Total Non-hazardous Waste	2.016 tonnes
Intensity (per floor area — tonnes/metre square)	0.004
Intensity (per employee — tonnes/employee)	0.119

Notes:

- Total GHG emissions = CO2 emissions + CO2 equivalent emissions of other GHGs emitted.
- For Hong Kong, according to Hong Kong Electric Company, with 1 kilowatt hour (“kWh”) of power generated through combustion of fuel, 0.79 kg of CO2 is produced. For Russia, according to Climate Action Tracker, with 1 kWh of power generated through combustion of fuel, 0.412 kg of CO2 is produced. For Korea, the consumption of electricity is limited and the relevant fee is included in the monthly rental fee, therefore, it does not constitute a focus in the ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

A.2 Use of Resources

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

As the Group does not involve any manufacturing process and also not maintain any wet pantries in its offices, the consumption of water is limited and therefore does not constitute a focus in the ESG Report.

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

The energy consumption data is as follows:

Energy	For the year ended 31 March 2017
Electricity	30.493 kWh'000
Intensity (per floor area — kWh'000/metre square)	0.059
Intensity (per employee — kWh'000/employee)	1.794
Fuel Consumption	1170 litres
Intensity (per floor area — litres/metre square)	2.272
Intensity (per employee — litres/employee)	68.824

A.3 The Environment and Natural Resources

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

EMPLOYMENT AND LABOUR PRACTICES

B.1 Employment

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

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

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

Furthermore, the Group also organizes company functions and activities for employees from time to time to increase their sense of belonging to the Group.

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

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

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

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

During the reporting period, the Group did not violate or breach any laws and regulations relating to employment and labour practices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B.2 Health and Safety

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

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

The Group properly provides protection facilities and equipment for prevention of occupational hazards and work injuries in workplace, and offers work-related injury insurance and other commercial insurances to employees so as to provide adequate protection for the interests of employees.

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

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

B.3 Development and Training

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B.4 Labour Standards

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

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

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

During the reporting period, the Group did not violate or breach any laws and regulations relating to the prevention of child and forced labour.

OPERATING PRACTICES

B.5 Supply Chain Management

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

OPERATING PRACTICES *(continued)*

B.6 Product Responsibility

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

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

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

During the Reporting Period, the Group did not violate or breach any laws and regulations relating to product responsibility.

B.7 Anti-corruption

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

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

During the Reporting Period, the Group did not violate or breach any laws and regulations relating to anti-corruption.

B.8 Community Investment

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

TARGET

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