NAN NAN RESOURCES ENTERPRISE LIMITED

南 南 資 源 實 業 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

Environmental, Social and

Governance Report

2020/21

Contents

About the Group

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

The Group is facing diverse business development and enrich its business segments and services through acquisition and expansion.

About the Report

This Environmental, Social and Governance Report (the "Report") is the fifth sustainability-related report published on disclosing the policies, measures and performance in the aspects of environmental, social and governance. The Report is prepared in Chinese and English, and is available on the websites of the Stock Exchange of Hong Kong Limited ("SEHK") and the Company (www.nannanlisted.com).

Reporting Boundary

The Report covers the operation of Kaiyuan Mine in Xinjiang during the period from 1st April 2020 to 31st March 2021 (the "Reporting Period"). It operates the business of coal mining and sales, whereas the major source of revenue of the Group. The Group is committed to further expanding the reporting boundary, where appropriate, to improve the disclosed content.

Reporting Principles

The Report is prepared in accordance with reporting principles, as set out in the Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") of the Rules Governing the Listing of Securities on the SEHK. The four principles, namely materiality, quantitative, balance and consistency, have formed the pillars of the Report.

Materiality	Quantitative
The Group invited internal and external stakeholders, including the board of directors of the Company (the "Board"), media and non-governmental organisations ("NGOs"), and customers and business partners, to conduct a questionnaire. It aims to identify the relevant material issues and set the backbone of the Report.	The Group discloses quantified relevant data and calculation standards.
Balance	**Consistency**
The Group abides by the impartial and fair principles on the preparation of the Report.	Unless otherwise specified, the statistical method of the Group's data is consistent with the previous year.

Confirmation and Approval

All presented information is obtained from the official documents and statistical data of the Group. It is confirmed and approved by the Board on 17th September 2021.

Opinion and Feedback

The Group values opinions of all stakeholders. It is believed that their feedbacks help improve the operation performance and develop better internal control system. If you have any questions or suggestions regarding to the Report or performance of the Group, please do not hesitate to contact us via:

Tel: (852) 3845 5790
Fax: (852) 2110 1907
Email: info@nannanlisted.com

Board Statement

The Group understands the importance of putting environmental and social issues into consideration in the process of policy and strategy establishment. It strives to incorporate the environmental and social supervision activities into daily operations. The Board is responsible for handling environmental and social issues of the Group, who helps to reflect them in operation and decision-making process.

Nan Nan Resources established an Environmental, Social and Governance Working Group under the leading and involvement of the Board. It comprises of the Mine Manager, Administrative Department, Financial Department and General Manager. They assist the implementation of strategies and measures, and report to the Board on the environmental, social and governance related issues, and progress of plan or measures on a regular basis. The Board assesses the report content to ensure an effective implementation of relevant policies and measures and establishes improving measures if needed.

On the other hand, the risk management system of the Group helps the Board identify, evaluate and manage relevant risks on reducing the threats to the business operation. The internal audit program of the Board processes risk management and internal control system assessment semi-annually. It further evaluates the change of nature and level of the material risks and the corresponding handling ability, coverage of system and quality of management to ensure the effectiveness.

Identification	Assessment	Management
• Identify the risks of achieving the target and its nature	• Analyse the probability and potential impacts of the sole and combined risks	• Create effective communcation channels with the Board and establish counter measures
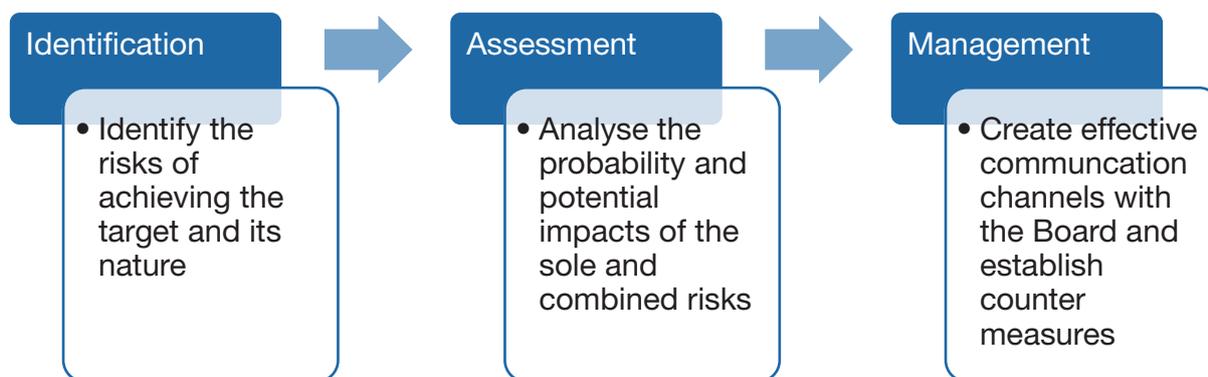
During the Reporting Period, the Group continues to conduct the identification and management of the environmental, social and governance related risk in the daily operation, with the Board's assessment and implementation of corresponding monitoring measures. At the same time, the Group concerns about the climate change impacts to the business and conducted the industrial related climate risks identification during the Reporting Period, and has started the internal discussion and analysis.

Category of risk		Risk description
Physical risk		
Frequent occurrence of extreme weather		Climate change has strengthened the frequency, strongness and destructive of extreme weather, including rainstorm and drought. It poses threats to the operation as well as the possible direct damage to the mining site, equipment and tangible assets of the Group with the indirect impacts to the overall operation.
Change of the mode of raining		Drought or extreme dry weather can affect the water supply of the mining site directly, and rainstorm may lead to flooding, landslide and solifluction, thereby damage the tangible assets of the Group and affect the safety of working environment.
Transition risk		
Policies and laws	Adjustment of national policies	Regarding to the change in national policy and structure of carbon emissions and energy, the development of non-renewable energy will be suppressed by the policy which may lead to the decrease in demand and restricted development.
	Enhancement of the environmental requirement in the industry	The national industrial requirement of development of coal resources has been raised with reference to the adjustment of green development and national policies. It improves the environmental requirements and standards of the industry to further enlarge the coverage. This increases the risk of violations, emissions and cost of compliance of the coal industry.
Technology	Competition of innovative technology	In order to cope with the demand for green energy internationally and nationally, the development and implementation of green technology continues to improve, thereby brings difficulties to corporates with slower pace. As a result, corporate with innovative coaling facilities and production technology is more competitive.

Category of risk		Risk description
Market	Decreasing demand in coal	The raising social awareness on renewable energy, carbon neutrality and other issues have led to the transformation of energy and national energy policy. It is expected to further reduce the demand for coal.
	Increasing pressure in investment	In response to increasing social and corporate concerns about responsible investment and environmental issues, the restrictions and difficulties of coal investment have increased. Many investors have even expressed that they will withdraw from the development of coal-fired power generation or coal mine projects, and are expected to further reduce the funds invested in the coal industry.
Reputation	Society's supervision	Regarding to the increasing environmental awareness and policies of world, countries and organisations, social monitoring and requirement on the industry increases. It may lead to negative impacts if the standards are unfulfilled. In response to the increasing environmental concerns and policies of international, national and different organisations, the society's supervision and requirements for the industry have increased, and there is possibility that non-compliance with the standards and cause adverse effects.

The Board recognises the threats and opportunities that related environmental, social and governance risks bring to the operations, and develop the ability to respond to and mitigate climate change-related risks and be able to recover from them is an indispensable part of the Company's long-term development. As a result, the Board establishes measures and system in accordance with the four aspects.

| Governance	Strategy	Risk Management	Indicators and Targets
• Create effective climate change governance structure • Develop sustainability steering committee to incorporate climate change management and assessment into its responsibilities • Provide latest information on climate change and report material issues to the Board on a regular basis	• The Board should ensure the management incorporates related climate change-related risks and opportunities as well as assessment results into business operations • Establish climate change strategy • Regular communication with internal and external stakeholders on the Group's climate change strategy and decision	• Conduct in-depth quantitative assessment of the climate change-related risks and opportunities, with scenario analysis on the materiality of related risks and corresponding impacts on the Group's operations and finances • Develop suitable response plan based on the materiality of the risk • Provide training to the relevant employees to improve internal awareness and ability	• Establish and disclose key indicators on assessing and managing climate-related risks and opportunities • Improve the data collection system to provide historical data of key indicators for trend analysis and comparison in the future • Set climate-related target and implement corresponding action plan • Establish action plan in accordance with corresponding targets to understand the need and room for improvement

Stakeholders Engagement and Materiality Identification

In order to achieve comprehensive corporate development, the opinions of external and internal stakeholders are important elements, which have an impact on the formulation of corporate sustainability strategies and target setting. The Group understands that the opinions from different industries are important to its sustainable development, taking their expectations into consideration, and reflecting them in the formulation of operating strategies and directions for better business operations.

During the Reporting Period, the Group maintained communication channels with stakeholders, maintained contact with various stakeholders including employees, suppliers, customers, shareholders and investors, and established long-term good relationships.

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

As to further understand the suggestions and expectations of stakeholders to the Group's operation, the Group invited internal and external stakeholders to conduct a questionnaire. Rating is given on the 14 issues in different 4 aspects, namely "Environmental Protection", "Employment and Labour Practices", "Operation Practices" and "Community", based on the materiality of individual and the Group's operation. In order to maintain fairness and provide sufficient room for interviewees to respond, the Group hired a consulting company responsible for the process of materiality identification. The identification of material issues and related procedures are as follows:
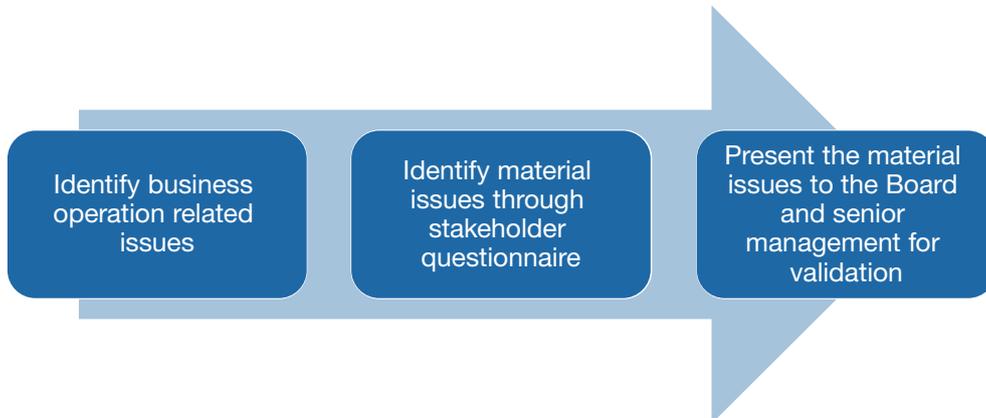
During the Reporting Period, the Group invited internal and external stakeholders to conduct questionnaire, including employees, directors and suppliers, etc. A total of 72 valid questionnaires were collected for analysis and identification purposes, and eventually 7 material issues were identified covering aspects of "Environmental Protection", "Employment and Labour Practices", "Operation Practices" and "Community". The materiality of different issues is listed as follows:
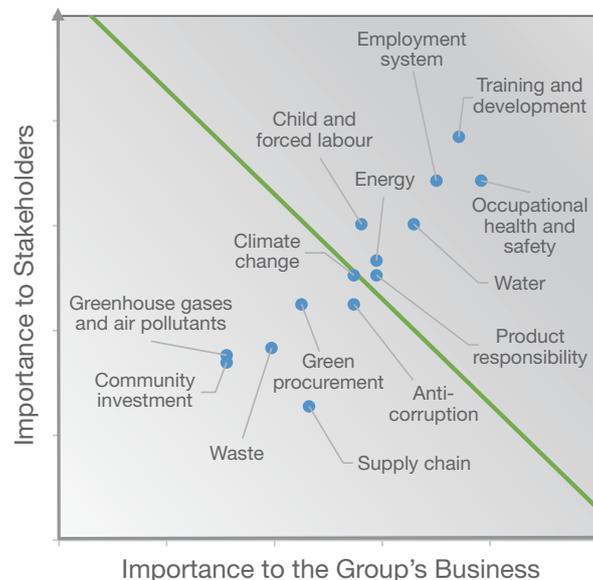
Due to the profound impact of climate change on industry operations, the Group believes that this topic is very important for future development, and the impact of business operations on the community cannot be ignored. Both climate change and community investment are presented with in-depth disclosure in the Report. Additionally, although it is not presented in the above result of materiality matrix, anti-corruption is the most concerned issue for external stakeholders in the category of "Operation Practices". Therefore, based on the results of the materiality matrix, the Group also focuses on climate change, anti-corruption and community investment to further reflect the impact of the Group's business on the environment and society.

Environmental Protection	Employment and Labour Practices	Operation Practices	Community
• Water • Energy • **Climate change**	• Training and development • Occupational health and safety • Employment system • Child and forced labour	• Product responsibility • **Anti-corruption**	• **Community investment**

People-oriented

Human resources are the key factor to the development of different organisations like corporate and society. The long-term development of an organisation depends on excellent employment management system with adjustment based on different demands or market trend to ensure the relevant systems are with the times. The Group values the efforts of all employees and care about their welfare and health. It strives to protect their rights and safety and provide a platform for employees to show their strengths.

Occupational Perspective

The Group believes that enhancement of employees' skills and knowledge help the Group's long-term development. The Group's Employee Organization Management System has stipulated relevant arrangements and systems on employee training and development and has ensured that all employees are protected by the relevant policies.

The Administrative Department formulates annual training plan according to the needs and actual situation of each department, to ensure the arrangements are in line with the market trends and operation conditions. At the same time, the Group discusses the content and arrangement of the training plan with the heads of each department, prepares the required professional course content, teaching materials and equipment, etc., and arranges the most suitable courses for the employees.

Administrative Department
Formulate training plan

Administrative Department and Department heads
Discuss the course content, setting, materials, etc.

General Manager
Evaluate and approve
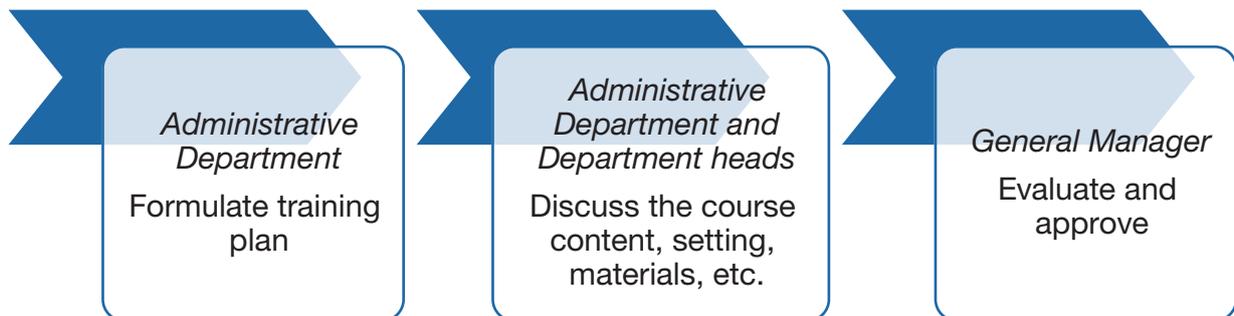
The Group mainly provides employees with internal and external training and development opportunities to further enhance their working ability and at the same time explore more possibilities for their career path.

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

External training	• Occupational disease prevention training; • On-site safety management training; and • Gas detection and application training, etc.
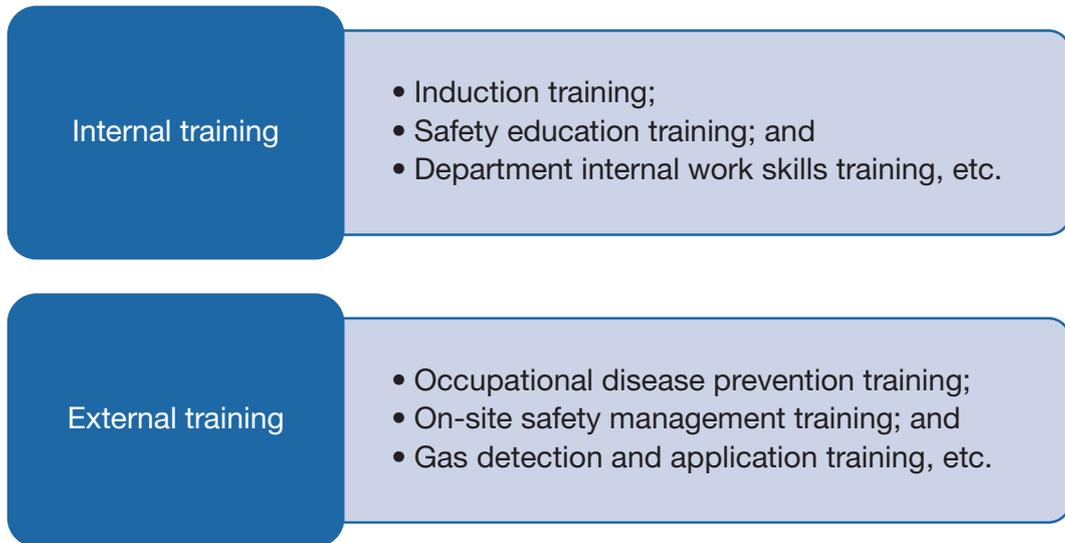
On the other hand, the Group conducts performance review on employees' work performance, assists employees to understand their working ability and skills, and provides corresponding development or training directions.

As of 31st March 2021, the Group employed a total of 83 employees, including 60 are male and 23 are female. Among them, 22 employees of the Group, which is accounted for approximately 26.5% of the total employees, received an average of 95.1 hours of training. The employees who have received training are all male employees in the mining area, including employees of all levels.

Total number of trained employees by age group

Age Group	Number
Above 50 years old	7
41-50 years old	6
30-40 years old	8
Below 30 years old	1
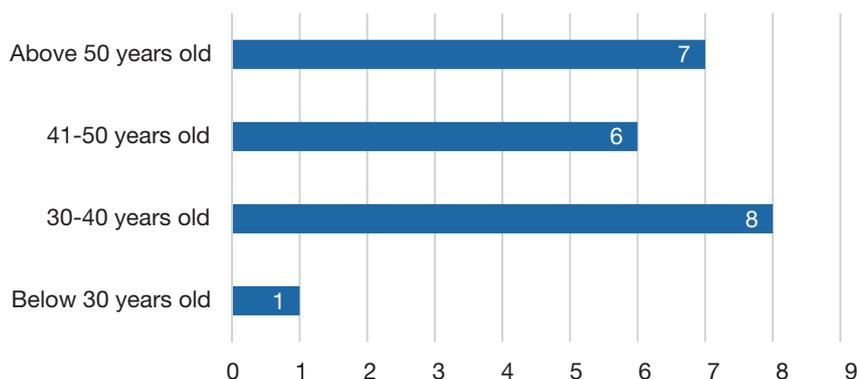
Total number of employees by gender

Female 23

Male 60

Total number of employees by age group

- Below 30 years old: 8
- 30-40 years old: 29
- 41-50 years old: 16
- Above 50 years old: 30
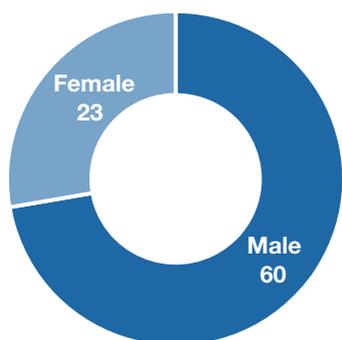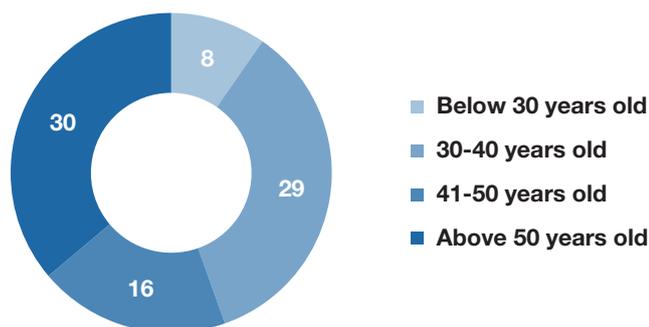
Safe Working Environment

Based on the business nature, the Group emphasises on the employees' personal health and safety and is committed to protecting their rights and safety through systematic policy measures. The Group abides by the health and safety-related ordinances and laws, including the Regulation on Work Safety Licenses, the Production Safety Law of the People's Republic of China, the Coal Industry Law of the People's Republic of China, the Regulations on Safety Supervision over Coal, the Coal Mine Safety Rules and the Special Provisions of the State Council on the Prevention of Work Safety Accidents of Coal Mines. On top of the relevant regulations, the Group has formulated the Internal Control and Management System for Mining Site Safety and Production on monitoring employee's practices and risks at workplace. It lowers the chances of causing accidents and improve occupational safety.

On the basis of the Internal Control and Management System for Mining Site Safety and Production, the Group has implemented systematic supervision measures to identify, monitor and eliminate threats at operation sites. Corresponding emergency rescue guidance has been established for incidents in mines or other equipment. For example, regarding emergency such as fire, water penetration, collapse, the Group will activate the corresponding emergency rescue procedure. The protection of employees' life safety is as the first priority and to eliminate the crisis as soon as possible.

Safety meeting

- Hold safety meetings twice every month by establishing safety meeting policy. Employees such as mine manager, vice mine manager and production technical staff participate the meetings on investigating the safety production and technological reforming condition.

Safety hazard inspection

- Conduct safety checks on the condition of slopes, coal mine transportation channels, mechanical equipment, etc. on the 5th and 25th of every month; and
- Organise on-site safety inspection meeting to analyse the condition of safety checks, thereby to implement enhancement measures of the identified problems.

Disaster prevention/hazard monitoring

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

Safety education and training

- Employees should participate safety education that covers relevant laws and regulations, such as the Production Safety Law and the Regulations on Production Safety, every month; and
- Hire professional technical staff on hosting the occupational safety course. All employees are required to participate in the assessment to ensure their safety awareness.

Employees' physical health is exposed to the high-risks environment with when working at the mining site continuously. To protect the valuable talents of the operations, the Group emphasises on employees' long-term personal health and provides annual body check, as well as the occupational health and safety check for the employees and departments of work resumption, product resumption and administrative department, etc.

During the Reporting Period, the Group did not recognise any violations of health and safety-related laws and regulations and understands the consequences of violating relevant laws and regulations, including the negative impacts on the finances and operations as well as the possibility lead to litigation.

Well-established Employment System

A reasonable, complete and comprehensive employment system helps to recruit and retain high quality employees as well as acts as the cornerstone of the Group's operations and development. The Group recognises its importance and abides by 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. Besides, the Employee Organization Management System has been formulated which initiated employment-related systems and measures to protect their rights and obligations.

Recruitment and promotion

- Departments provide written requisition to the administrative department based on necessity. Recruitment will be processed via legal channels after approval. It is made according to factors such as past work performance, working aptitudes and direction of career development of applicants. All forms of non-compliance and illegal recruitment are prohibited; and
- Department head or responsible person conducts quarterly assessment on employees' working performance. Based on the result and internal regulations, salary or position is adjusted with notice to the employees after evaluation.

Remuneration and dismissal

- Salary is comprised of basic salary and position salary with monthly salary system. It is adjusted regarding to the employees' performance and results of their appraisal; and
- The Group will terminate the employment contract if employees are absent from work without reason constantly, falsify information, leak confidential information or cause severe adverse impacts to the operation.

Working hours and rest periods

- Employees' weekly working hours and number of workdays are clearly stated in the employment contract and policy; and
- Employees are offered with paid or unpaid leaves including marriage leave, compassionate leave, maternity leave, family visit leave and annual leave.

Diversity, equal opportunity and anti-discrimination

- Opportunities such as recruitment and promotion are made based on factors including employees' work performance and skills, and not influenced by gender, sexual orientation, age, race, marriage status and other factors. If there is violation of relevant regulations, corresponding penalties will be given based on the actual condition; and
- Employees with different backgrounds and races are welcomed and supported to join in the Group, including local staff of Xinjiang and minorities.

Child and forced labour

- During the recruitment, responsible employee or department will strictly inspect the applicants' personal information and identification documents. Employment of employees under 18 years old is prohibited. If child labour is discovered, corresponding application will be stopped immediately. He or she will be sent to the police station or living place with reporting to the relevant department or manager; and
- All employees should not be forced to work after office hours in all forms, including but not limited to threatening, prisoning, detaining personal belongings or identification documents. All voluntary work during the non-office hours is required for approval with corresponding compensation according to the record of overtime work. If forced labour is discovered, investigation procedure will be taken for making relevant penalties and implementing enhancement measures.

Furthermore, employees are offered with meal allowances, travel subsidies, telephone fee subsidies in return for their efforts. At the same time, by improving employees' welfare and benefits, as well as creating inclusive and positive working environment to ensure all of their opinions are respected, the Group enhances their sense of belonging, thereby to retain talents and lower the turnover rate.

During the Reporting Period, the Group did not recognise any violations of employment-related laws and regulations, and understood the consequences of violating relevant regulations, including the negative impact on the Group's finances and operations and the possibility of litigation or affect the renewal of licenses.

Feature Story-Ensuring Employees' Personal Safety

With the impacts of coronavirus ("COVID19"), different aspects including social, economic, livelihood have been affected globally since 2020, which has brought an unmanageable crisis for global citizens, and personal health and safety have been threatened. In the early stage of the pandemic, there was a shortage of prevention materials in various countries and regions, which affected the safety of both citizens and medical personnel. At the same time, labour-intensive workplace and industries also expose employees to crises, which increase the chance of infection and community transmission.

The Group understands the threats to the personnel personal safety under the situation of resources shortage while raises the difficulties and risks of operation. For faith maintenance and health protection during the pandemic, the Group strengthens the cleaning and sanitising of operation sites to maintain the clearness of workplace. Besides, prevention materials, such as sanitiser, is provided for sanitising hands and maintaining personal hygiene. Body temperature screening equipment is also provided to ensure the health and safety of workplace through testing body temperature before entering. Whenever there is positive case at operation site, the Group will handle the cases in related to the relevant policies and measures. It aims to minimise the impacts with making sure the timely treatment for employees, identifying potential cases as soon as possible, and securing the employees' safety.

Environmental Conservation

Different environmental disasters and extreme weather in recent years have clearly reflected the impacts of human activities far exceeds the carrying capability of nature, and severely affecting its original operation mode. In order to avoid further irreversible impacts of the Group's operations on the planet, the Group adheres to the Procedures for Administration of Registration of Mining of Mineral Resources, the Regulation of Xinjiang Uyghur Autonomous Region the Administration of the Geological Environment, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Provisions on the Protection of the Geographic Environment of Mines, and other environmental-related laws and regulations. On the basis of the relevant regulations, the Group has formulated a series of internal policies, such as the Environmental Work Policy and the Climate Change Policy, to further supervise and manage the actual or potential impacts in the operations.

Sustainable Use of Resources

Energy Consumption

Energy consumption has always been the focus of countries and sectors, and energy conservation and emission reduction are often promoted through different activities to reduce the burden on the environment. The Group is also committed to responding to public expectations, the Environmental Work Policy has stipulated the targets on achieving resource intensification of mineral resources. The Group has implemented a series of measures, including puts up energy-saving notice, turns off the idling equipment, to raise employees' awareness and reduce the unnecessary electricity consumption. In order to further supervise the energy use in operation, the Group is committed to developing energy management system in the future, establishing and reviewing the relevant targets and measures regularly, and continuously improving the energy performance of Nan Nan Resources.

Operating equipment
- Regular repair and maintenance of equipment to avoid the increasing energy use due to the components issues; and
- Exchange the old or large energy consumed equipment, etc.

Employee's awareness
- Put up energy-saving notice; and
- Turn off power of the idling equipment, etc.

During the Reporting Period, the major sources of energy were diesel, petrol and electricity. The total energy consumption was 1,703.6MWh with the intensity of 1.18MWh/1,000 tonnes of raw coal.

Energy consumption	2020/21	2019/20	2018/19	Unit
Direct energy	243.7[1]	331.6[2]	549.1[2]	MWh
Indirect energy[3]	1,459.9	1,370.8	1,039.2	MWh
Total energy consumption	1,703.6	1,702.4	1,588.3	MWh
Energy intensity (in terms of raw coal production)	1.18	1.89	0.93	MWh/1,000 tonnes of raw coal

Water Consumption

The Group recognises the importance of water to life and operations, and is committed to maintaining its sustainability. Regarding the established internal monitoring system, the Group has imposed measures accordingly on helping to achieve the target of water-saving. In addition, although the Group does not have problem of seeking water sources, it promises to work hard to protect the continuity of water sources and ensure the rights to use of the current and future generations.

Put up water-saving notices

Install equipment such as water-saving taps

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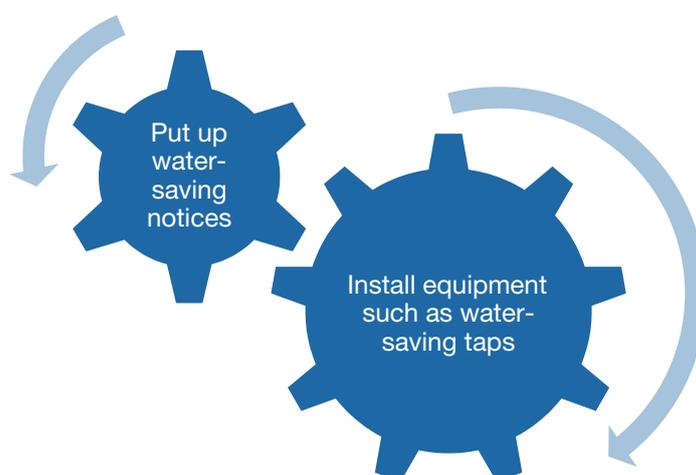
[1] Includes the consumption of petrol and diesel from the vehicles. During the Reporting Period, the Group did not consume acetylene.

[2] Includes the consumption of diesel and acetylene.

[3] Includes the purchased electricity from the third parties.

During the Reporting Period, the total water consumption of the Group was 110,795 cubic metres with the intensity of 77.0 cubic metres/1,000 tonnes of raw coal. To further reduce the environmental impacts of business operation, the Group imposed stricter environmental protection measures, including daily spraying of water on workplaces and roads to reduce dust, which leads to a significant increase than the previous year's consumption.

Water consumption	2020/21	2019/20	2018/19	Unit
Total water consumption	110,795	40,032	49,138	cubic metre
Water consumption intensity (in terms of raw coal production)	77.0	44.5	28.7	cubic metre/1,000 tonnes of raw coal

Climate Change

The climate crisis is an imminent problem, bringing tremendous challenges to the environment and society. Among them, human factors are a major factor in exacerbating climate change. The production and operation of non-renewable energy will accelerate the deterioration of the problem, and extreme weather will become more frequent. Extreme weather will bring huge risks to the survival of animals and plants. It may lead to frequent occurrence of crisis such as severe floods and drought which put the business operation and the planet at risk.

The Group understands that its own operating performance and climate change issues are closely related, and hopes to reduce the impact of climate change risks through the Climate Change Policy and corresponding measures that have been formulated and to respond to its threats, such as frequent heavy rains that cause parts of the operating sites areas are submerged, or long-term temperature rises cause soil moisture loss. The Group will formulate measures in response to different risks in the future to reduce the risks to the Group and achieve sustainable operations.

Emissions and Greenhouse Gas Emissions

Air Pollutants and Greenhouse Gas Emissions

Due to the nature of the business, the air pollutants and greenhouse gas emissions are unavoidable. In order to minimise the environmental impacts, the Group adheres to the emissions-related ordinances and laws, such as the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, and internal policies, and implements corresponding measures on top of the regulations to adopt low-carbon operation in the daily operations.

Operating equipment	Employee's awareness
• Adopt relatively low-pollution equipment • Exchange equipment with growth in pollutants or greenhouse gas emissions by aging components	• Encourage the use of public transport • Encourgae the use of online meetings, such as teleconference and video conference
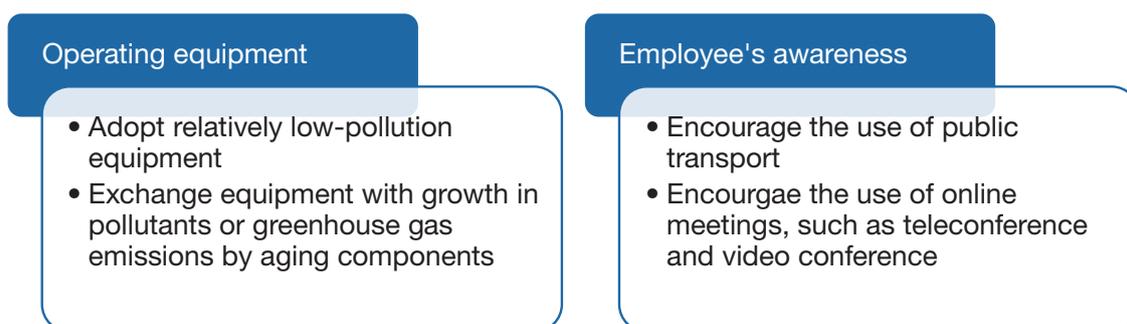
During the Reporting Period, the Group's emissions of nitrogen oxides, sulphur oxides and respirable suspended particulates were 2.5kg, 7.4kg and 0.3kg, respectively. As affected by the pandemic, the decreased use of vehicles has resulted in a significant reduction in related air pollutant emissions.

Air pollutants[4]	2020/21	2019/20	2018/19	Unit
Nitrogen oxides	2.5	2,257.8	3,779.8	kg
Sulphur oxides	7.4	148.5	248.6	kg
Respirable suspended particulates	0.3	13.7	23.0	kg

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[4] Calculation method and travel distance of vehicles are with reference to the Technical Guidelines for the Preparation of Air Pollutants Emission Inventory for Road Vehicles (Trail).

During the Reporting Period, the total greenhouse gas emissions is 68,620.1 tonnes of CO_2e with the intensity of 47.71 tonne of CO_2e/1,000 tonnes of raw coal. The emissions are increased by about 58.8% during the Report Period due to the further enhancement of data collection system of the Group.

Greenhouse gas emissions[5]	2020/21	2019/20	2018/19	Unit
Scope 1 direct greenhouse gas emissions	67,723.3[6]	42,370.6[7]	60,511.1[7]	tonne of CO_2e
Scope 2 energy indirect greenhouse gas emissions[8]	890.7	836.3	634.0	tonne of CO_2e
Scope 3 other indirect greenhouse gas emissions[9]	6.0	5.4	Not available	tonne of CO_2e
Total greenhouse gas emissions	68,620.1	43,212.3	61,145.1	tonne of CO_2e
Greenhouse gas emissions intensity (in terms of raw coal production)	47.71	48.1	35.7	tonne of CO_2e/1,000 tonnes of raw coal

Waste

The Group does not produce hazardous wastes during its operations, while the non-hazardous wastes are mainly comprised of domestic waste, food waste, etc. The Group abides by waste-related ordinances and laws, including the Provisions on the Protection of the Geologic Environment of Mines and the Regulation of Xinjiang Uyghur Autonomous Region the Administration of the Geological Environment. Wastes are handled accordingly such as send to landfill or incinerator after collection.

The Group has formulated a series of measures with the aim to reduce the waste production by following the direction of reduction, reuse and recycling through awareness training, and will post reminders in conspicuous places to remind employees to observe and implement relevant measures.

[5] Calculation method is with reference to the Guidelines for Accounting and Reporting Greenhouse Gas Emissions China Coal Producing Enterprises (Trail).

[6] Includes methane emissions from open pit (obtains 99.9% of Scope 1 emissions), emissions from burning petrol and diesel for vehicles. During the Reporting Period, the Group did not consume acetylene.

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

[8] Includes electricity consumption.

[9] Includes carbon emissions from business travel.

Reduction	Reuse	Recycling
• Encourage employees to use reusable or refillable products. For example, reusable food container and refillable ballpoint pen; and • Encourage employees to purchase food based on actual needs to avoid food waste, etc.	• Collect food waste and process it for plant fertiliser; and • Clean and reuse the used food container, such as transforming into flowerpot or pen holder, etc.	• Place recycling bins in conspicuous places for employees to recycle cleaned recyclable products at their convenience; and • Put up recycling slogan near the rubbish bins to remind employees to recycle the used products, etc.

During the Reporting Period, the Group did not collect the statistical data of non-hazardous waste. Nan Nan Resources is committed to further improving the data collection system for a more comprehensive data disclosure. Besides, the Group did not recognise violations of waste-related ordinances and regulations with the commitment to uphold the strict management system of Nan Nan Resources to ensure its compliance.

Wastewater

The major wastewater produced by the Group is domestic wastewater. After processed through sewage treatment facilities, which will be used for sprinkling water to reduce dust. During the Reporting Period, the Group did not produce any industrial wastewater, which requires the anaerobic treatment. Please refer to "Water Consumption" on the relevant consumption and measures.

During the Reporting Period, the Group did not recognise any violations of emissions-related laws and regulations, and understands the consequences of violating relevant regulations are acknowledged, including the negative impacts on the Group's finances and operations as well as the probability of litigation.

Environment and Natural Resources

The Group understands that its operations may cause environmental problems, including soil erosion and groundwater pollution. In order to lower the impacts and the chance of occurrence, the Group adheres to the Procedures for Administration of Registration of Mining of Mineral Resources, the Regulation of Xinjiang Uyghur Autonomous Region the Administration of the Geological Environment, and other relevant ordinances and laws. On the basis of relevant regulations, the Environmental Work Policy has initiated the measures and arrangement on monitoring and managing the environmental impacts of business operation. For example, Nan Nan Resources regularly arrange special personnel to conduct inspections to ensure its compliance. On the other hand, environmental protection mine manager, who is responsible for relevant management issues, organise regular meetings on the tasks of environmental protection to analyse and tackle with the material environmental issues. Measures, such as disposal management and shrub plantation, are also formulated to reduce the operation risks and impacts.

Feature Story-Shrub Plantation Policy

Greening the environment helps beautify the surrounding environment and provide employees with a better working environment. At the same time, plants play an indispensable role in reducing environmental risks. The Group has always tried its best to protect the environment wherever it can, and has formulated the Shrub Plantation Policy, hoping to contribute to the earth.

Life near the mining site experiences a shock to the system with the annual rainfall of about 200 ml, due to the natural characteristics of the site. It, therefore, may lead to water loss, decrease in water storage capacity, thereby increase the opportunity of sand and dust storms. To maintain the water storage capacity and prevent soil erosion, the Group plants shrubs regularly in the areas where it operates to strengthen the water storage capacity and stability. In addition, the roots of plants can grip the deep soil, which can further strengthen the bearing capacity of the soil. Since the Group's business operation may lead to destruction of soil structure, ensuring the number of surrounding plants can maintain the soil stability and reduce the environmental impacts.

Compliance Operation

The Group clearly understands the maintenance of business standards helps long-term and sustainable development of the business. It is committed to covering both internal and external stakeholders from different levels and positions through policies and measures, on upholding the compliance and professions of operation. The Group has formulated a clear and understandable internal monitoring system with the compliance of relevant laws and regulations. The Group is of one mind on creating a social and working environment with integrity.

Responsible Daily Operation

Upholding excellence quality of products and service, protecting the confidentiality of all information and protecting the rights of creators help stabilising the business operations. The Group emphasises the sustainability and stability of operation with the formulated policies such as the Intangible Asset Management System, the Internal Control and Management System for Mining Site Safety and Production, the Customer Privacy Protection Regulation, the Sales and Contract and Sales Flow Management System, Files Management and Implementation System and Commercial Secrecy Confidentiality Policy, with the compliance of product responsibility-related regulations such as the Product Quality Law of the People's Republic of China, to further monitor the operating procedure and provide relevant guidance.

The Group has formulated the Standardization of Safety and Quality Management Leadership Team of which comprises of mine manager as the leader and members such as safety staff, technicians, skilled workers on assisting the formation of the team and implementing the safety and quality standardisation inspections and assessments. At the beginning of each month, mine manager organises quality standardisation meeting on inspecting the quality management procedures of the month as well as to formulate corresponding enhancement measures and plans for the next month. At the same time, the Group also undergoes safety and quality inspections and assessments in the middle and end of every month to ensure the compliance of its monitoring procedures.

Customer privacy and opinions are also one of the issues of concern to the Group. All personnel and employees are prohibited to leak any information and confidential data. Organisations or persons must hold supporting documents before they can access relevant information. In addition, customers can communicate with sales department, or provide opinions or suggestions to the salesperson or business department. It helps the continued improvement of the Group on enhancing the service and products.

Although the linkage between the Group's operations and intellectual property right are relatively low, the Group complies with and has formulated relevant policies has been to prevent infringement and protect the intellectual property and intangible assets. The Administrative Department of the Group is responsible for monitoring and managing all intangible assets in the operation and ensuring the rights of partners will not be infringed.

During the Reporting Period, the Group did not recognise any violations of product responsibility-related laws and regulations and understands the consequences of violating relevant laws and regulations, including the negative impacts to the Group's finance and operation as well as the possible of litigation. If any employee violates relevant ordinances or policies, the Group will deal with the matter in accordance with regulations, including termination of employment contracts or handing over to law enforcement agencies.

Professional Operation Practices

The Group believes ethical operations sets a cornerstone for long-term development. On the basis of relevant laws such as the Criminal Law of the People's Republic of China, the Group has formulated the Employee Organization Management System which monitor all practices in the operation for compliance maintenance. All employees are abided by the relevant regulations and policies with the prohibition of corruption, bribery, fraud or other practices that harming the compliance, fairness and the interest of the Group. If there are corruption cases with reasonable suspicion, employees should report the cases in accordance with the employee whistleblowing system. The Administrative Department will conduct investigation based on the collected information.

Complaint channel		Investigation		Investigation result
• Lodge non-anonymous or anonymous complaints to the Administrative Department via channels, including letters, emails, internet, telephone and designated mail box.	→	• Investigator or investigation team conducts confidential investigation within 30 days, that all information should not be disclosed to the third party.	→	• Written investigation result will be provided to the whistle-blower; • Employee reward and punishment review committee will give penalties to the responsible person or hand to judiciary authorities based on the severity, in related to the invetsigation results; and • Investigators will explain and clarify the case if the report is invalid.

During the Reporting Period, the Group did not recognise any violations of anti-corruption laws and regulations, and understood the consequences of violating relevant laws and regulations, including the negative impact on the Group's finances and operations as well as the possibility of litigation or affect the renewal of licenses.

Sustainable Supply Chain

Strict and comprehensive supplier management enhances the management and identification of relevant environmental and social risk, as well as to maintain the stability of supply chain. The Group has formulated the Procurement Management System, that includes specific term, Standards regarding Suppliers' Environmental and Social Policies, which indicate the requirements of the relevant risks. When hiring suppliers, the Group must also evaluate the overall performance of suppliers in accordance with policies, including reputation, stability, and quality. Environmental and social risks management and requirements of products or service are also listed in the standards to ensure the consideration of relevant requirement in the process of decision making and selection. After assessment, suppliers with excellence performance will be selected as the partner by the relevant employees or departments.

Environmental	
Management requirement	• Adopt energy or equipment with low pollution to reduce or eliminate the generation and discharge of pollutants; • Adopt prevention measures on noise pollution; and • Develop measures for different resource usage to reduce air pollutants and greenhouse gas emissions.
Social	
Management requirement	• Formulated occupational health and safety related measures and policies to create a safe working environment; • Child and forced labour are prohibited to protect the rights of employees; and • Comply with relevant laws and regulations with zero violation cases.

Community Contribution

The Group understands that its operation and development depends on the support of the society and the people, and hopes to respond to their support in different ways. In accordance with the Community Investment, Sponsorship and Donation Policy, the Group has carried out a series of social investment activities, including material donations

During the Reporting Period, the Group mainly donated coal to different regions to help them survive the severe winter, A total of 1,020 tonnes of coal donation were made to Three Springs Village, Jijihu community, and Caring Coal arranged by Zhundong Management Committee, etc. The Group has also continued the donation to Baigezhoule Villages, with 120 tonnes of coal.

The Group is committed to organising activities in different areas to help maintain the stability of the community and promote development. While maintaining the existing social investment strategy, it will also investigate different measures to respond to the community's expectation and support for Nan Nan Resources.

Towards the Future

In recent years, the international community and investment markets have initiated the discussions on sustainable development. By gradually incorporating relevant issues into the formulation and consideration of various policies and strategies, various regions have derived different concepts and goals of sustainable development, such as carbon neutrality and carbon peaking, etc., hoping to unite all local forces to promote global sustainability development. As a member of the global village, the Group has the responsibility to respond to international, national and social calls, and hopes to use its own influence to jointly invest in the sustainable construction of cities, countries and even the world. The Group will take sustainable development-related issues into consideration when formulating operating strategies and guidelines to ensure that business operations comply with the principles of sustainable development.

The Group is stepping forward to a more sustainable operation via appropriate strategies to further enhance the relevant operational development. Besides, the formulation of the Climate Change Policy and Environmental, Social and Governance Working Group helps effective supervision of relevant issues, as well as the target and operation direction setting with the reference to national and international strategies.

At the same time, the development and success of the Group depends on the support of all sectors of society. Based on the concept of "Taken from the community, giving back to society", the Group promises to invest the income from business operations in the community to provide better living conditions for the people in the community. At the same time, the Group will also ensure the compliance of business operations and exercise strict self-discipline. It is hoped that through its own influence, the Group will demonstrate standard practices to the industry and promote the progress of the industry.

In the past year, the spread of the new type of coronavirus is unstopped, subverting the mode of living. At the same time, the global temperature has risen and various natural disasters have become more frequent, which has continued to push human life into danger. The Group strives to tackle with the challenges and explore a sustainable development path for the society, and create a beautiful place to live in the future.

Appendix

Key Performance Indicators

Environmental Key Performance Indicators

	2020/21	2019/20	2018/19	Unit
Air pollutants				
Nitrogen oxides	2.5	2,257.8	3,779.8	kg
Sulphur oxides	7.4	148.5	248.6	kg
Respirable suspended particulates	0.3	13.7	23.0	kg
Greenhouse gas emissions				
Scope 1 – direct greenhouse gas emissions	67,723.3	42,370.6	60,511.1	tonne of CO_2e
Scope 2 – energy indirect greenhouse gas emissions	890.7	836.3	634.0	tonne of CO_2e
Scope 3 – other indirect greenhouse gas emissions	6.0	5.4	Not available	tonne of CO_2e
Total greenhouse gas emissions	68,620.1	43,212.3	61,145.1	tonne of CO_2e
Greenhouse gas intensity (in terms of raw coal production)	47.71	48.1	35.7	tonne of CO_2e/1,000 tonnes of raw coal
Energy consumption				
Direct energy	243.7	331.6	549.1	MWh
Indirect energy	1,459.9	1,370.8	1,039.2	MWh
Total energy consumption	1,703.6	1,702.4	1,588.3	MWh
Energy intensity (in terms of raw coal production)	1.18	1.89	0.93	MWh/1,000 tonnes of raw coal
Water				
Total water consumption	110,795	40,032	49,138	cubic metre
Water intensity (in terms of raw coal production)	77.0	44.5	28.7	cubic metre/1,000 tonnes of raw coal

Social Key Performance Indicators

		2020/21
Number of employees		
Gender	Male	60
	Female	23
Age	Below 30 years old	8
	30-40 years old	29
	41-50 years old	16
	Above 50 years old	30
Employment type	Full-time	80
	Part-time	3
Geographical region	Urumqi	17
	Qitai County	65
	Mori Kazakh Autonomous County	1
Employment level	General employees	53
	Middle management	19
	Senior management	9
	C-level executives	2
Total		83
Employee turnover rate		
Gender	Male	10
	Female	4
Age	Below 30 years old	2
	30-40 years old	4
	41-50 years old	6
	Above 50 years old	2
Employment type	Full-time	13
	Part-time	1
Geographical region	Urumqi	6
	Qitai County	8
	Mori Kazakh Autonomous County	0
Employment level	General employees	12
	Middle management	1
	Senior management	0
	C-level executives	1
Total		16.9%

	2020/21	2019/20	2018/19
Employee health and safety			
Number of work-related injuries	0	0	0
Lost days due to work-related injury	0	0	0
Number of work-related fatalities	0	0	0

		2020/21
Number of trained employees		
Gender	Male	22
	Female	0
Employment level	General employees	7
	Middle management	9
	Senior management	4
	C-level executives	2
Total		22
Employee average training hours		
Gender	Male	95.1
	Female	0
Employment level	General employees	146.5
	Middle management	92
	Senior management	39
	C-level executives	48
Total		95.1

ESG Reporting Guide Content Index

Aspect	Content	Page index/ remarks
A1. Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	21-23
A1.1	The types of emissions and respective emissions data.	21, 31
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	22, 31
A1.3	Total hazardous waste produced and, where appropriate, intensity.	22
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	23
A1.5	Description of emission target(s) set and steps taken to achieve them.	21
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	22-23
A2. Use of Resources		
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	18-20
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	19, 31
A2.2	Water consumption in total and intensity.	20, 31
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	18
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	19
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	The issue is irrelevant to the Group's business.

Aspect	Content	Page index/ remarks
A3. Environment and Natural Resources		
General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	24
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	24
A4. Climate Change		
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	20
A4.1	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	20
B1. Employment		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	11, 15-16
B1.1	Total workforce by gender, employment type, age group and geographical region.	13, 32
B1.2	Employee turnover rate by gender, age group and geographical region.	32

Aspect	Content	Page index/ remarks
B2. Health and Safety		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	13-14
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	33
B2.2	Lost days due to work injury.	33
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	14
B3. Development and Training		
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	11-12
B3.1	The percentage of employees trained by gender and employee category.	12
B3.2	The average training hours completed per employee by gender and employee category.	33
B4. Labour Standards		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	15
B4.1	Description of measures to review employment practices to avoid child and forced labour.	16
B4.2	Description of steps taken to eliminate such practices when discovered.	16

Aspect	Content	Page index/ remarks
B5. Supply Chain Management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	28
B5.1	Number of suppliers by geographical region.	During the Reporting Period, there are total of 6 suppliers, which are all from PRC.
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	28
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	28
B5.4	Description of practices used to promote environmentally preferable products and service when selecting suppliers, and how they are implemented and monitored	28
B6. Product Responsibility		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	25
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	26
B6.2	Number of products and service related complaints received and how they are dealt with.	26
B6.3	Description of practices relating to observing and protecting intellectual property rights.	26
B6.4	Description of quality assurance process and recall procedures.	25
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	26

Aspect	Content	Page index/remarks
B7. Anti-corruption		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	26
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	27
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	26-27
B7.3	Description of anti-corruption training provided to directors and staff.	During the Reporting Period, the Group did not provide anti-corruption training, as affected by the pandemic.
B8. Community Investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	29
B8.1	Focus areas of contribution.	29
B8.2	Resources contributed to the focus area.	29