



CHINA VANADIUM
TITANO-MAGNETITE MINING
COMPANY LIMITED

中國鈇鈦磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00893

EXPLORE NEW OPPORTUNITIES



ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT

2016

TO EXPAND HORIZONS

Environmental, Social and Governance Report 2016

MISSION

We reward
our shareholders and
care for the community
回報股東，回報社會

VISION

China VTM Mining revolutionising
Vanadium and Titanium

中國鐵鈦，
太（鈦）不平凡（鈦）

CORE VALUE

With integrity, we endeavour to
explore and excel to
deliver on our commitments
誠信、開拓、責任

WE AIM TO BE A TOP-NOTCH
MINERAL MINING COMPANY
打造一流企業

Contents

About this Report	2	Protecting the Environment	9	Operational Practice	18
Chairman's Statement	3	Water Resource	9	Product Liability	18
Group Profile	4	Energy Consumption	10	Supply Chain	18
Corporate Governance	5	Emissions Control	11	Anti-corruption	19
ESG Management	6	Ecological Remediation	13	Supporting Community	20
Stakeholder Engagement	6	Respecting People	14	Index	21
Material Aspect	8	Legitimate Employment	14	Feedback	24
		Safety Matters Most	15		
		Individual Development	16		



Environmental, Social and Governance Report 2016

ABOUT THIS REPORT

China Vanadium Titano-Magnetite Mining Company Limited (the "Company" or "China VTM Mining", and together with its subsidiaries, the "Group") is publishing its second Environmental, Social and Governance (ESG) report, and its first separate ESG report. This report presents the Company's concepts, action plans and performance about sustainable development for stakeholders.

Scope

This report discloses the information of the Group fulfilling their economic, environmental and social responsibilities. This report covers the period from 1 January 2016 to 31 December 2016. Some content may look back upon past years to enable the report to be more systematic.

Frequency

This is an annual report.

Reference

This report has been prepared in accordance with the "*Environmental, Social and Governance Reporting Guide*" set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing Rules").

Report Availability

This report is available in both Chinese and English. Please visit www.chinavtmmining.com or www.hkexnews.hk to view both versions.



Environmental, Social and Governance Report 2016

CHAIRMAN'S STATEMENT

Dear stakeholders,

In 2016, the State Council of the People's Republic of China ("China") passed the *"China's 13th Five-Year Plan for Ecological & Environmental Protection"*, proposing obligatory targets for the environmental quality for the first time and thus placing ecological civilisation construction and eco-environmental protection in a strategic position. Later on, the Sichuan provincial government promulgated the *"Sichuan Province's 13th Five-Year Plan for Ecological Protection & Construction"*, setting concrete objectives for 2020 in accordance with its regional biological features and thus raising environmental protection to an unprecedented level. The Group, a natural resource based enterprise, has long been adamant in not crossing the biological red line, since we have recognised that the harmonious co-existence with the natural environment is a precondition for the sustainable development of the Group. It has been done in spite of some degree of impact on our operational cost in a short time due to tightening environmental standards and demanding governance system requirements.

In 2016, the Group continued to work on the expansion of tailing ponds, integrated utilisation of tailing, rehabilitation and restoration of mine sites, in an effort to minimise its impact on the natural environment and make good use of a variety of resources. Especially in terms of water resources, our processing plants in Huili County, Sichuan province have achieved 100% water recycling through the construction of water supply system. Meanwhile, to meet the requirements of stakeholders – for instance investors and regulators for the disclosure of quantitative information, we have further refined our environmental impact management, laying a basis of management and control for consistent improvement in the future through our internal and external assessments.

The focus of environmental protection helps us establish a foundation for the sustainable development, while our actions and commitments to the stakeholders such as our employees, communities and clients, etc, help us further broaden the potential for development in the future. After the Group adjusted its business scope in 2016, we have tried our best to safeguard the health and safety of our employees, to provide more development opportunities for them and to care for their physical and psychological fitness. We made efforts with the communities, especially with ethnic minority groups, to create a harmonious atmosphere and achieve joint economic growth through provision of jobs and business opportunities. Finally, by delivering high quality service and products, we have established a long-term and trustworthy partnership with our suppliers and contractors, thereby building a very competitive industry chain.

Being responsible to all stakeholders will ensure that we can overcome all difficulties and achieve a better and more sustainable development. There is no doubt that China will tighten its environmental inspection in the future, so the Group will continue to improve its governance structure and promote the construction of an "Ecological Civilisation and Beautiful China" so as to achieve a sustainable development for enterprises, environment and society.

Jiang Zhong Ping

Chairman and acting chief executive officer

Hong Kong, 30 June 2017

Environmental, Social and Governance Report 2016

GROUP PROFILE

China VTM Mining has been listed on the main board of the Hong Kong Stock Exchange since 8 October 2009. During the year ended 31 December 2016, the Group was principally engaged in mining and ore processing, sale of self-produced products, trading of iron products, coals and steels, and management of strategic investments. The Group now owns five vanadium-bearing titano-magnetite mines (namely the Baicao mine, Xiushuihe mine, Yangqueqing mine, Cizhuqing mine and Haibaodang mine), one ordinary iron ore mine (namely the Maoling-Yanglongshan mine), one gypsum mine (namely the Shigou gypsum mine), five processing plants (namely the Baicao processing plant, Xiushuihe processing plant, Hailong processing plant, Heigutian processing plant and Maoling processing plant) and one iron pelletising plant. All mines are located in Sichuan province, a region with the most abundant vanadium-bearing titano-magnetite resources in China.



Environmental, Social and Governance Report 2016



CORPORATE GOVERNANCE

The Company is committed to upholding the corporate governance to ensure that formal and transparent procedures are in place to protect and maximise the interests of its shareholders. Under the supervision of the Company's board of directors (the "Board"), management is responsible for designing and implementing the Group's risk management and internal control systems. The Group has set up three lines of defense for risk management. As the first line of defense, the business units (e.g., sales department and production department) are responsible for identifying and assessing business risks and developing risk mitigation measures; as the second line of defense, the functional departments (e.g., compliance department and finance department) are responsible for assisting the business units to improve the risk management and monitoring the effectiveness of risk management; and the internal audit function, as the third line of defense, assists the Board and the audit committee to review the effectiveness of the Group's risk management and internal control systems.

As and when required, the management convened meetings which were chaired by the senior management with attendants including managers from subsidiaries and department heads from headquarters. The Group's decisions on operations, implementation of investment projects, financial issues, and the updates on risk management and internal control were considered and determined in these meetings. For more information about corporate governance, please refer to the Corporate Governance Report in the Company's Annual Report 2016.



Environmental, Social and Governance Report 2016

ESG MANAGEMENT

The Group is committed to minimising adverse impacts on employees, customers, suppliers, communities, and the environment while making every effort to maximise the interests of all parties and achieve common development.

In order to strengthen the ESG management capacity, the Group has established broad ESG indicators and information collection systems according to the requirements of relevant policies and standards. The Group has appointed specific personnel responsible for continuously improving the performance of those indicators. Focusing on important ESG issues such as product quality, safe production, environmental protection and rights of employees, the Group has established and will continue to implement management systems to meet the demand from stakeholders.

Stakeholder Engagement

Through reviewing the types and natures of stakeholders affected by all levels of the Group's operations, important stakeholders and their participation manners were identified and corresponding measures were adopted to meet their needs. In particular, effective communication with stakeholders can enhance the understanding of both parties' needs for discussion of future cooperation measures, which has gradually become an important work area of our departments.

Communication with stakeholders			
Types of stakeholders	Needs	Responses	Communication channels
Shareholders	<ul style="list-style-type: none"> Continuously stable investment returns Timely information disclosure Enterprise operations in compliance with laws and regulations 	<ul style="list-style-type: none"> Improve business diversity Establish a system for regular information Disclosure Improve internal compliance system 	<ul style="list-style-type: none"> Annual reports Corporate announcements Information dissemination Channels including roadshows
Clients	<ul style="list-style-type: none"> Continuously reliable and safe supply of products Timely response to clients' demands Improvement in product quality 	<ul style="list-style-type: none"> Establish a comprehensive safety supervision system and a response system Establish a responsible identification system for clients' needs 	<ul style="list-style-type: none"> Continuous communication like visits, emails and other official channels Signing off on long-term cooperation agreements



Environmental, Social and Governance Report 2016

Communication with stakeholders			
Types of stakeholders	Needs	Responses	Communication channels
Employees	<ul style="list-style-type: none"> • Sound health and safety protection • Decent working environment • Plenty of opportunities for career development 	<ul style="list-style-type: none"> • Improve internal management systems such as staff recruitment and promotion • Enrich employees' daily lives • Provide diversified welfare 	<ul style="list-style-type: none"> • Internal website
Suppliers	<ul style="list-style-type: none"> • Fair, just and open procurement process • Punctual performance of contractual obligations 	<ul style="list-style-type: none"> • Ensure transparency in procurement process and receive internal and external supervision • Reasonably manage and control cash to ensure timely payment 	<ul style="list-style-type: none"> • Announcements and notices for procurement and tender on governmental websites • Corporate corruption reporting hotline
Government	<ul style="list-style-type: none"> • Drive local and surrounding industry development • Enterprise operations in compliance with laws and regulations 	<ul style="list-style-type: none"> • Provide job opportunities and pay taxes at the location of operation • Receive government's supervision and improve internal compliance monitoring system • Ensure compliance with laws and regulations regarding environment, safety and integrity 	<ul style="list-style-type: none"> • Participate in government meetings and regularly visit the government
Community	<ul style="list-style-type: none"> • Contribute to community development • Engage in community activities to maintain good communication 	<ul style="list-style-type: none"> • Improve local infrastructure construction • Maintain good communication with local residents 	<ul style="list-style-type: none"> • Survey of community representatives • Regular visits
Banks	<ul style="list-style-type: none"> • Good creditworthiness and strong ability to pay debts • Stable business development 	<ul style="list-style-type: none"> • Pay debts on time to keep good creditworthiness 	<ul style="list-style-type: none"> • Regular direct communication

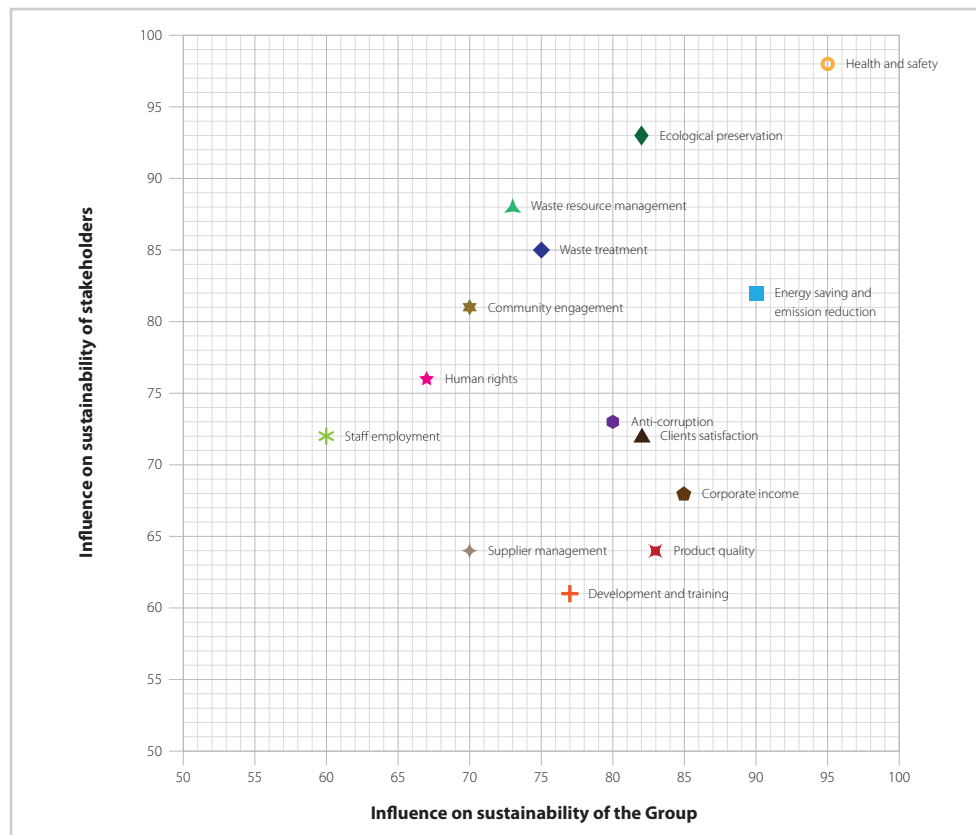
Environmental, Social and Governance Report 2016

Material Aspect

In order to identify the material aspects in the Group's ESG management and contents in this ESG report, the Group launched its materiality analysis procedure in 2016.

The Group included various sources:

- Mining industry development background and trends
- Material analysis results from peer companies
- Strategies and business focus of the Group
- Related standards and guidelines for sustainability reporting
- Feedback from stakeholders



The Group's Materiality Matrix in 2016



Environmental, Social and Governance Report 2016

PROTECTING THE ENVIRONMENT

The Group is fully aware of the complementary relationship between production operations and environmental protection. In the pursuit of development, the Group is active in formulating management approaches and taking corresponding measures to reduce emissions and minimise energy consumption. Meanwhile, the Group has followed up on the work of reclamation and greening in mining areas to fully protect the ecological balance.

The Group has worked out the *"Professional Management Measures for Safety and Environmental Protection"* (《安全環保專業管理辦法》) and *"Rules for Evaluating Safety and Environmental Protection"* (《安全環保考核細則》) to realise the effective management on environmental issues. Throughout 2016, the Group complied with all relevant environmental laws and regulations that have a significant impact on the Group.

Water Resource

The Group regards water as an essential resource for iron ore processing, as a huge amount of water would be required during the picking process. As all of the Group's mines and plants are located in mountainous areas with abundant rainfall, the main water source comes from the stream in mountains and the associated water during the mining process. There is no need to draw water from local rivers, lakes, or even from the public water supplying system. The Group has also obtained the *"Water Drawing Permit"* from the local government and has implemented the *"Water Law of the People's Republic of China"* (《中華人民共和國水法》) and water-saving measures to improve water efficiency.

2016 Fresh Water Consumption (tons)

	2016 (Note 1)	2015 (Note 2)
Consumption of fresh water		
Stream	743,041.88	—
Associated water	33,000.00	—
Lakes and rivers	0	—
Municipal water supply	0	—
Total	776,041.88	3,111,315.00

Notes:

- Due to the change in business scope, the amount of products which required water was significantly decreased as compared to 2015.
- In 2015, only the total amount of water consumption was recorded; in 2016, a breakdown by sources was calculated.



Environmental, Social and Governance Report 2016

Reducing the consumption of fresh water and improving the efficiency of its use is a high priority, as the mining industry conducts business through exploiting natural resources from the environment. Since the tailing pond in Huili County, Sichuan province (near to the Baicao mine, Xiushuihe mine, Yangqueqing mine and Cizhuqing mine) was built in 2013, the Group was able to reuse the water disposed from the tailing pond by recharging it to the processing plants. In 2016, all the waste water produced during the manufacturing process was recycled this way.

Due to the limited landform situation near the mines in Wenchuan County, Sichuan province, the Group could not construct the tailing pond for Maoling-Yanglongshan mine and plant. The Group's tailing effluents are tested by local environmental departments quarterly to ensure chemical oxygen demand and ammonia nitrogen emitted have met national environmental standards. Throughout the year, the Group recorded zero pollution incidents in respect of waste water discharge.

Energy Consumption

The Group operates as a green enterprise and has a strict energy management system. By implementing "*Management of Power, Energy and Measurement*" (《動力、能源、計量管理辦法》), the Group continuously reduces energy consumption, optimises production, upgrades equipment and promotes green office. These measures have gradually improved the Group's overall energy management.

The Group mainly uses gasoline for business vehicles and diesel fuel for mining machinery and equipment. Ledgers for such energy use are kept separately and are recorded in a timely manner. Electricity is the most substantial energy resource for our operations. In 2016, the Group sustained the contract with a local hydro-power station in Wenchuan County, Sichuan province, for supplying all the electric power the Group needed in its mines and plants, which enabled us to reduce our greenhouse gas (GHG) emissions.

Annual Energy Consumption

		2016	2015
Gasoline		67.68 kL	66.37 kL
Diesel		964.40 kL	416.63 kL
Electricity	Electricity purchased from external grids	130,639 MWh	11,256 MWh
	Clean energy purchased	7,153 MWh	6,697 MWh
Energy consumption per production value of RMB10,000 (kgce)		99.00	69.85

Note:

- Due to the change in business scope, the Group consumed more electric power in the mines and plants in Huili County, Sichuan province. The clean energy purchased in Wenchuan County, Sichuan province, was maintained at the same level as in 2015.

Environmental, Social and Governance Report 2016

Emissions Control

The Group conducts standard management of emissions and disposals according to relevant laws and regulations to reduce impacts on the environment. The Group also seeks measures to minimise the amount of waste in response to the national requirements for emissions reduction. In 2016, all emissions of the Group were in line with the standards of Sichuan province and the Group was not subject to any administrative penalties.

• Solid Waste

The Group prevents accidents at the tailing storage facilities, and reduces the environmental pollution caused by slags by disposing of the mine waste rocks and mine tailings, through the enhancement of the comprehensive utilisation of tailing slags. In 2016, the Group faced more stringent demands from related government departments of environment protection about these emission controls as these two kinds of waste were the Group's main discharges to the environment. The Group continued to strengthen the management and no sanctions were received during 2016.

Annual Amount of Waste Disposed (thousand tons)

	2016 (Note 1)	2015 (Note 2)
Waste Rocks		
Stack	1,800.94	—
Outsourcing	139.00	—
Total	1,939.94	567.00
Tailing Slurries		
Stack	2,394.11	—
Outsourcing	101.25	—
Total	2,495.36	1,960.14

Notes:

1. Due to the change in business scope, the amount of waste was significantly increased as compared to 2015.
2. In 2015, only the total amount of waste rocks and tailing slurries was recorded; in 2016, a breakdown by means of treatment was calculated.

Environmental, Social and Governance Report 2016

The Group's tailing pond built in Huili County, Sichuan province will meet its designed capacity in the near future. The Group launched the expansion project in 2016, and showed the environmental impact assessment report to the public. The tailing pond is a suitable program for disposing tailing slurries in an environmental-friendly and economic way which benefits both the environment and the Group.

Besides the waste rocks and tailing slurries, the Group classifies, collects, and centrally stores industrial waste, such as scrap metals generated in the mining process, are recycled and sold, while domestic sewage is disposed of by sanitation department.

The Group implements strict management and safe disposal of hazardous waste and has developed a "Hazardous Waste Management System" (《危險廢物管理制度》) and emergency plan for leakage of hazardous waste. Meanwhile, according to the national requirements, the Group reports its hazardous waste annually and standardises the management of hazardous waste storage sites and ledgers. Moreover, the Group regularly transfers hazardous waste to qualified hazardous waste disposal units for disposal.

• GHG Emissions

Climate change has become a major challenge to the world. As a mining enterprise, the Group has set GHG emissions reduction as one of its top priorities. The Group insists on a green office path, and reduces emissions by reducing business travel, encouraging telephone conferences, promoting a paperless office, by reducing the use of printers. To achieve a lower level of GHG emissions, the Group has taken actions to adjust its energy consumption structure by using more clean energy. In 2016, the Group purchased clean energy (20% of total electricity purchased) to reduce its operational impact on the environment.

Indirect energy emissions and direct emissions from business vehicles are the main sources of GHGs emitted by the Group. There are no direct emissions from boilers or other coal-fired or gas-fired equipment in 2016.

Annual GHG Emissions (tons)

		2016	2015
Direct emissions	Gasoline and diesel	2,758.54	1,243.95
Indirect energy emissions	Electricity purchased	24,033.75	17,457.50
Total		26,792.29	18,701.45

Environmental, Social and Governance Report 2016

Ecological Remediation

According to the "Water and Soil Conservation Law of the People's Republic of China" (《中華人民共和國水土保持法》), "Soil and Water Conservation Plan Management Measures" (《開發建設專案水土保持方案管理辦法》) and other regulations and requirements, the Group adheres to the principle of "fitting to local needs, averting disaster, stressing on key points, and improving efficiency". The Group values the management of tailing ponds and takes action on reclamation and greening to recover mined areas. In 2016, 171,000 m² of area was remediated and green area reached 118,000 m² to effectively improve the ecological environment of the mining areas.





Environmental, Social and Governance Report 2016

RESPECTING PEOPLE

Employees have always been the backbone of the Group through their innovation, pursuit of excellence, and diverse thinking to uphold the Group's core competitiveness and values and unwavering sustainable advantage.

Legitimate Employment

The Group values the advantages brought by the culture and diverse workforce, and is committed to fostering a positive, inclusive, and safe environment for everyone. The Group consistently adheres to a people-oriented principle to respect employees' capabilities, ensure the fairness of recruitment, and improve employee participation.

- **Employee Recruitment**

The Group is committed to ensuring respect for human rights and is consistent with the requirements of the *"Labour Law of the People's Republic of China"* (《中華人民共和國勞動法》), the *"Labour Contract Law"* (《勞動合同法》) and other relevant laws and regulations. The Group has established recruitment regulations to document its policies on forbidding child and forced labour and eliminating unfair discrimination. The Group employs people on the basis of job requirements and does not discriminate on grounds of age, ethnic or social origin, gender, sexual orientation, religion, disability or any other status. To prevent occurrence of child employment, the Group has put a sound self-regulation and reporting scheme in place, and the top executive will be fined by RMB10,000 for any violation.

The Group prefers to employ local candidates through an open recruitment process and has established the *"Human Resource Management Measures"* (《員工管理辦法》) relating to recruitment, working hours, assessment, dismissals and other processes. At the end of 2016, the Group had a total of 1,486 employees, all of whom have entered into labour contracts.

- **Employee Engagement**

It is important for everyone to speak and act with a sense of fair and equitable human rights. The Group has undertaken various actions and created a positive atmosphere to ensure all employees feel valued and are encouraged to express their opinions to promote engagement.

The Group promotes open and honest dialogue with employees. Leader-led communication and engagement is supported by a variety of communication tools, including the monthly internal communication meeting dedicated to employees' needs. The Group periodically conducts internal communications meetings to understand the current and emerging issues affecting employees and is increasing engagement with all employees and their representatives.

The Group has adopted a *"Corporate Benefits Policy"* (《公司福利管理制度》) to provide all employees with various benefit practices to help them maintain welfare and health, such as workers' compensation, meal allowance, paid time off, vacations, etc. Social insurance covers all employees under the direction of the code of conduct and local laws.

Environmental, Social and Governance Report 2016

Safety Matters Most

We are dedicated to the safety of everyone in the Group; the safety of our operations and the unique capabilities of our employees ensure the sustainability of the Group. We promote the health and safety of our people with policies and proactive programs, such as the "Safety Supervision System" (《安全監察制度》) and "Management Measures for Occupational Health" (《職業健康管理辦法》), that help individuals stay safely, personally and professionally.

- **Safe Production Management**

The Group has built a safety management network in accordance with its corporate hierarchy. Those who lead production in each layer are also responsible for safety management. We maintain strong safety systems, standards and tools to minimise safety risks by different measures, such as security checks, emergency management and safety training. Additionally, the safety training coverage reached 100%. In 2016, there were no fatalities and only 4 incidents of minor injuries. We are committed to using all available resources to aid in the recovery of injured employees as quickly as possible.

The Group organises a safety inspection every month. At all our operational sites, every person must check that critical controls are in place and working effectively before work can begin. Managers, supervisors and operators are all involved. For the main production sites, video surveillance systems have been installed with designated personnel on duty around the clock to monitor production safety.

At the operation level, there are various large and small steps the Group has taken to check up during the whole operation process to ensure the security capabilities are met. The Group conducts daily hand tool checklists to review the design of critical controls and to verify that they are being implemented as designed. Additionally, the Group conducts monthly assessments to standardise and redesign the tools to improve safety and ease of use.

- **Occupational Health**

As an employer, the Group takes responsibilities very seriously and minimise the risks of accidents and health hazards. The "Management Measures for Occupational Health Policy" (《職業健康管理辦法》) covers all relevant management and functions including structures, rules and tools relevant to occupational safety and health protection. Through providing yearly physical examinations, occupational disease inspection, labour insurance and appliances for labour protection, the Group ensures the health of each employee.





Environmental, Social and Governance Report 2016

Individual Development

The Group's aim is to continue promoting employees, supporting them in their individual development, and furthering their careers on the basis of their individual strengths. The Group continues to give our employees advanced training so that they are always familiar with the latest technical developments.

- **Promotion Path**

The Group's people strategy is focused on offering exciting work and development opportunities, rewarding good performance, and providing quality leadership. The Group selects and recommends reserve cadres in various ways, including tutor recommendation, job rotation, and on-the-job training, etc.

The Group is focused on providing employees with significant and diverse career opportunities at various function levels for management and administrative staff, technical staff, operational staff, and sales and marketing staff. The Group defines a clear set of roles, responsibilities, and accountabilities for all employees, meanwhile, providing a variety of in-company and outside-of-company content to enhance basic and expert job competence.

- **Training**

The Group offers a range of training sessions and courses to increase skills and knowledge. The approach to basic and advanced training has been defined in the Group's learning and development guideline. In order to support training on proprietary field technology, the Group has integrated and standardised training courses at each company level.

Environmental, Social and Governance Report 2016

The training program includes:

A. *Internal training*

- On-the-job training
- Training for special operations
- Continuing education
- Occupational skills

B. *External training*

- Training for management skills
- Academic lecture
- Study tours

The Group supports learning by recognising the importance of on-the-job experiences, coaching and evaluation. The three-level evaluation method helps employees understand and collect their feedback and requirements. The Group regards this as an index for the quality of our training.

A. First level: Evaluate satisfaction with the learning process

B. Second level: Evaluate the effect through examinations and operation

C. Third level: Evaluate the improvement in employees' working behaviours and performance after they come back to work

Through evaluations and feedback, the Group helps cultivate the motivation and willingness of employees to increase their career opportunities within the Group. In the future, the Group will not only provide skills and knowledge through training but also focus on supporting employees' active career development.



Environmental, Social and Governance Report 2016

OPERATIONAL PRACTICE

The Group adopts sound operation practices to create an integrated and sustainable environment for business development, including qualified products, fair procurement procedures and in-place anti-corruption schemes.

Product Liability

During 2016, the Group has diversified its business to the trading of steels, coals and iron products. The Group also sold raw ores and rendered processing services for an independent third party to increase its profitability. Due to the high concentration of customers, the Group maintained good relationship with customers who required a stable supply of iron products. The Group offers raw ores and concentrates of which the iron content fully meets the client's requirements, and deliver high quality iron products in consistent with its "Measures on Professional Quality Management" (《質量專業管理辦法》).

Goals for Product Quality

- Guaranteed value of TFe in vanadium-bearing iron concentrates > 54% (Heigutian processing plant and Baicao processing plant – 55%, Xiushuihe processing plant – 54%)
- Chemical contents meet the standards as agreed
- Granularity high of vanadium-bearing iron concentrates < 200, with a target amount of not less than 50%
- Guaranteed value of TFe in ordinary iron concentrates ≥ 65%
- Customer satisfaction level: 90%

Since the Group is positioned in the upper stream of the value chain, products are not delivered to the end users and not harmful to people's safety or health. No threats to customer privacy were brought about during any business engagements with the Group's clients.

Supply Chain

The raw materials for ore processing are mainly steel balls, plates, and other industrial consumables. In 2016, the Group delegated its procurement of all raw materials to one main supplier. By doing so, the material supply is well managed due to simplified procedures and lower cost. Purchases by the supplier are made based on the purchase plans, which are proposed by the leader of production and in accordance with the production plan. Selection of the main supplier is in line with all procurement policies of the Group and will be conducted once a year. Anti-bribery clauses are in place in the contract with the main supplier.

Environmental, Social and Governance Report 2016

Anti-corruption

The Group is dedicated in maintaining integrity and ethics in the entire business operation. The directors of the Company are guided by the *Toolkit on Directors' Ethics*, released by the Independent Commission Against Corruption, to identify and assess any inappropriate business actions in the Group according to "Company Law" (《公司法》) and other related laws. The Group also provides anti-bribery training materials for its management, which specifies the risks and legal liabilities of corruption.

To indicate proper manners and raise awareness of anti-corruption for employees, the Group sets out clear rules on code of ethics and conflict of interests, and principles against unfair competition in its own employee handbook. Every employee is required to make a declaration to abide by ethics and be against corruption when they enter into a labour contract with the Group. In addition, they receive training on the employee handbook every year and further declare their compliance. No lawsuits due to bribery or corruption have ever arisen in the Group.

The Group has established a sound scheme for anonymous whistleblowing. The compliance department is responsible for receiving reports on inappropriate behaviours, which it then reports to the audit committee for further investigation. Any illegal activities will be handed over to judicial authorities. All reported matters in the Group and the treatments will be reviewed by the audit committee at least once a year.



Environmental, Social and Governance Report 2016

SUPPORTING COMMUNITY

The Group strives to be a good partner for communities. Most of the Group's mines are located in areas where minorities reside. As the majority of the Group's employees are local residents, the Group effectively offers job opportunities for minorities, and more valuably, communications and cultural interaction are greatly enhanced. In addition, the Group has always contributed to local development of sports and culture, sponsored relevant events and worked with local governments to enrich residents' lives. To better meet the communities' expectations, the Group keeps the communication channels open and receives regular visits and seek opportunities for cooperation to create better living conditions in communities. In 2016, the Group spent over RMB300,000 on community development.





Environmental, Social and Governance Report 2016

INDEX

ESG Reporting Guide

Disclosures and KPIs		Page
Environmental		
A1 : Emissions		
General Disclosure		11
A1.1	The types of emissions and respective emissions data	11-12
A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	12
A1.3	Total hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	Under calculation
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	11
A1.5	Description of measures to mitigate emissions and results achieved.	12
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	12
A2 : Use of Resources		
General Disclosure		9-10
A2.1	Direct and indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	10
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	9
A2.3	Description of energy use efficiency initiatives and results achieved.	10
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	10
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	No packaging used for iron products.
A3 : The Environment and Natural Resources		
General Disclosure		13
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	13



Environmental, Social and Governance Report 2016

Disclosures and KPIs		Page
Social		
Employment and Labour Practices		
B1 : Employment		
General Disclosure		14
B1.1	Total workforce by gender, employment type, age group and geographical region.	14
B1.2	Employee turnover rate by gender, age group and geographical region.	Information related to the Group's operation data
B2 : Health and Safety		
General Disclosure		15
B2.1	Number and rate of work-related fatalities.	15
B2.2	Lost days due to work injury.	Under calculation
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	15
B3 : Development and Training		
General Disclosure		16-17
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Under calculation
B3.2	The average training hours completed per employee by gender and employee category.	Under calculation
B4 : Labour Standards		
General Disclosure		14
B4.1	Description of measures to review employment practices to avoid child and forced labour.	14
B4.2	Description of steps taken to eliminate such practices when discovered.	14
Operating Practices		
B5 : Supply Chain Management		
General Disclosure		18
B5.1	Number of suppliers by geographical region.	18
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	18



Environmental, Social and Governance Report 2016

Disclosures and KPIs		Page
B6 : Product Responsibility		
General Disclosure		18
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No related issue
B6.2	Number of products and service related complaints received and how they are dealt with.	No related issue
B6.3	Description of practices relating to observing and protecting intellectual property rights.	No related issue
B6.4	Description of quality assurance process and recall procedures.	18
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	No related issue
B7: Anti-corruption		
General Disclosure		19
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.	19
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	19
Community		
B8: Community Investment		
General Disclosure		20
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	20
B8.2	Resources contributed (e.g. money or time) to the focus area.	20

Environmental, Social and Governance Report 2016

FEEDBACK

Dear Reader:

Thank you for reading the *ESG report 2016 of China VTM Mining*. We sincerely welcome your feedback regarding this report and our sustainability performance. Please kindly fill out this feedback form and send back to:

Address: Unit A, 4th Floor, E168, Nos. 166-168 Des Voeux Road Central, Hong Kong

Email: ir@chinavtmmining.com

1. Which of the following stakeholder group do you belong to?
☐ Shareholder ☐ Employee ☐ Supplier ☐ Customer ☐ Government ☐ Community
☐ Academic institution ☐ Other _____ (please specify)
2. Did you read a paper version or an electronic version?
☐ Paper version ☐ Electronic version
3. Do you wish to read a paper version or an electronic version?
☐ Paper version ☐ Electronic version
4. What is your overall evaluation of the report?
 - Readability (i.e., intelligible expression, beautiful design, attractive content, and easy-to-find required information)
☐ 3 (good) ☐ 2 (general) ☐ 1 (poor)
 - Reliability (The information in this report is true and reliable)
☐ 3 (good) ☐ 2 (general) ☐ 1 (poor)
 - Completeness (The report should reflect positive and negative information, and meet your needs in information)
☐ 3 (good) ☐ 2 (general) ☐ 1 (poor)

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

June, 2017