



CST GROUP LIMITED
中譽集團有限公司

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 985)

ENVIRONMENTAL,
SOCIAL AND GOVERNANCE
2018 REPORT

About This Report

This is the environmental, social and governance (the “ESG”) report for CST Group Limited (the “Company”, together with its subsidiaries, the “Group” or “We”). This report is designed to allow the shareholders, investors (including potential investors) of the Company and the public to have a more comprehensive and profound understanding of the work done on the ESG issues of the Group for its financial year ended 31 March 2018 (the “Year”). This report elaborates the philosophy and practice in respect of social responsibility and the achievements it has made in economic, environment and social aspects. The Group primarily adopts the principles and basis of Environmental, Social and Governance Reporting Guide (the “ESG Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its standards, with an aim to establish a sound environmental, social and governance structure. For more information about the Group’s corporate governance, please refer to the “Corporate Governance Report” on the Company’s Annual Report 2018.

The Board’s Commitment and ESG Approach

The board of the Company is responsible for monitoring and managing ESG-related risks and the effectiveness of the ESG management system. During the Year, the Company has complied with the “comply and explain” provisions set out in the ESG Guide.

The ESG team, comprising the senior management, the operating staffs and the external professional consultant, was set up by the Company to monitor and manage the ESG affairs, with the cooperation of each department of the Group.

The board of directors of the Company believes that a sound environmental, social and governance structure is vital for continued sustainability and development of the Group’s activities. The Group is willing to take more responsibilities for the society but with a view to balancing the shareholders’ interests and the society’s benefits.

We will continue to strengthen its efforts in information collection for better performance in the ESG areas and broader disclosure of related information in sustainable development. We welcome any comments and suggestions on this report as well as the Group’s performance in sustainability development.



Stakeholders Engagement and Material Sustainability Issues

For the Group, the stakeholders refer to groups and individuals who have significant impact on the Group’s business, or those who are affected by the Group’s business. The participation of stakeholders is an important part of the business management of the Group for it to examine potential risks and business opportunities. Communicating with stakeholders enables the Group to understand their views, and it brings business practices of the Group closer to their needs and expectations, so as to properly manage the views of different stakeholders. The Group constantly communicates with key stakeholders within and outside the Group through various channels. This ensures that they are given an opportunity to understand the development and operating directions of the Group, as well as the opportunities for the Group to listen to their opinions in order to prioritize different issues, and to develop corresponding policies.

Ways of Communication with Major Stakeholders during the Year

<p>Internal Stakeholders:</p> <ul style="list-style-type: none"> ➤ Directors of the Group ➤ Management and Executives ➤ Employees 	<p>External Stakeholders:</p> <ul style="list-style-type: none"> ➤ Shareholders ➤ Investors ➤ Customers ➤ Suppliers ➤ Regulators ➤ Banks ➤ Community Groups
<p style="text-align: center;">Ways of Communications:</p> <ul style="list-style-type: none"> ✓ Board Meetings, General Meetings, Management/Department Meetings, In-person Meetings ✓ Annual/Interim Reports, Announcements, Circular, Company’s Website ✓ Interviews, Emails, Telephones, Panel Discussions, Trainings, Onsite Visits, Volunteering and Community Activities 	

As in the past year, in order to lay down the sustainable development strategies and direction of the Group, and to identify environmental and social issues that are important to the Group and its stakeholder, the Group has engaged a professional consultancy firm to conduct a materiality analysis through workshop, discussions and interviews with the management and key personnel. With expertise advice from the consultant, the Group has identified and selected the following material aspects for discussion in this report and these in turn have guided the formulation of the Group’s sustainable development roadmap:

- Compliance with environmental laws and regulations;
- Expenditure on environmental protections;
- Occupational health and safety; and
- Community relations.



The summary of material ESG issues, which are covered in this report, are listed below:

A. Environmental

The Group is committed to minimize its environmental impact throughout its business processes. Through stringent environmental control in operations, we ensure that applicable environmental laws are observed. We review and evaluate from time to time the efficiency and effectiveness of our environmental protection and business growth.

The Group considered that compliance with environmental laws and regulations in mining business is a material topic. Our Environment Department has continued with the emphasis of streamlining the collection and collation of environmental data necessary to meet the obligations set through legislative requirements.

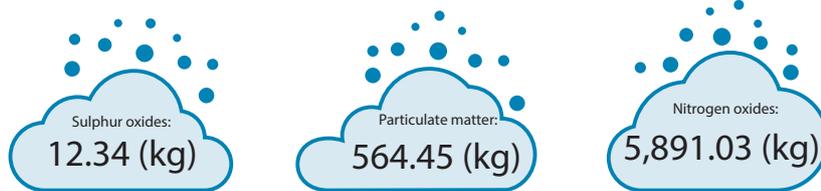
For our mining business, environmental regulatory reporting obligations for State and Federal Government Agencies in Australia have been ongoing with the Plan of Operations, Annual Return for the Environmental Authority and Energy Reporting, Receiving Environment Monitoring Program and Water Licensing reporting completed within the reporting period.

A1. Emissions

One of the Group's principal business activities is mining which comprises exploration, development and mining of copper and other mineral resources materials. CST Minerals Lady Annie Pty Limited ("Lady Annie Operations" or "Lady Annie"), a wholly-owned subsidiary of the Company, comprises a copper mine and processing facility in Northwest Queensland, Australia. During the Year, the Lady Annie Operations was still suspending the mining activities, but a small scale of processing activities still continued for the production of copper cathode. Overall, the emissions generated from the Lady Annie Operations are minimal for the Year.

For the Year, air emissions including nitrogen oxide, sulphur oxide and particulate matter were mainly produced from the Group vehicles.

The emissions data for the Year is as follow:



For the Year, greenhouse gas ("GHG") including carbon dioxide equivalent ("CO₂e") (carbon dioxide, methane and nitrous oxide) were mainly produced from the Group vehicles, consumed papers, purchased electricity and staff overseas and local travelling.

The emissions data for the Year is as follow:

Scope of GHG Emissions	Emission Sources	Type of Emissions	Emissions in Australia (tonnes)	Emissions in Hong Kong (tonnes)	Total Emissions (tonnes)	Intensity (per ton of copper cathode produced)	Intensity (per staff)
Scope 1							
Direct Emission	Combustion of fuel in mobile sources	CO ₂ e	2.23	0.0044	2,2344	0.0012	Not relevant
Scope 2							
Indirect Emission	Purchased electricity	CO ₂ e	8,273.67	49.28	8,322.95	4.42	Not relevant
Scope 3							
Other Indirect Emission	Paper waste	CO ₂ e	Immaterial quantity of emission	2.75	2.75		0.07
	Travelling	CO ₂ e	Immaterial quantity of emission	1.81	1.81		0.05
Total		CO₂e	8,275.90	53.84	8,329.74		

Note: Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.



During the Year, the Group adopted a number of energy-saving initiatives and efficiency practices to reduce GHG emission and conserve energy usage, encompassing:

- indoor temperature is maintained at an optimal level for comfort;
- employees are encouraged to turn off the computers, monitors and other personal electronic devices before they leave the office;
- telecommunication system is encouraged to avoid unnecessary travel arrangement;
- signages are put on at appropriate areas to raise the awareness of energy saving; and
- encouraging employees to make the best use of the video conference facilities so as to avoid unnecessary travel arrangement.



Hazardous Waste and Non-hazardous Waste

During the Year, there was no hazardous waste produced. Non-hazardous waste from the Group's operation mainly was the office waste paper but the management of the Group believed that the impact of non-hazardous waste arose from the waste paper is insignificant.

During the Year, the Group had not received any complaint regarding the non-compliance to laws or regulations related to air pollution and waste handling. The Group believes that there is no significant environmental impact generated by its business operations. The Group is committed to protecting environment and focusing on environmental protection in our operation, hoping that through rigorous supervision and control to reduce our long-term negative impact on environment.

A2. Use of Resources

The Group is committed to promoting environmental protection, in order to improve resources utilization and advocating commercial acts accountability to the environment arising from business development.

The Group encourages employees to save energy and improve efficient utilization of resources through the use of energy-saving lightings and recycled papers, minimizing the use of papers, reducing energy consumption by switching off idle lightings, computers and electrical appliances. Moreover, teleconference and internet-meeting practices are also encouraged by the Group to avoid unnecessary travel.



Electricity

The Group is committed to improving the energy efficiency of operations by supporting the “Indoor Temperature Energy Saving Charter” and the “No Incandescent Light Bulbs Energy Saving Charter”. The indoor air temperature of our office is set at a comfortable range, and all incandescent light bulbs have been fully deactivated.

For the Year, electricity consumption by the Group was 10,535,384 kWh, with an energy intensity of 5,598 kWh per tonne of copper cathode produced.

Gasoline

For the Year, gasoline consumption by the Group for the Lady Annie Operations was 825,263 litre, with an intensity of about 439 litre per tonne of copper cathode produced.

Paper

The Group practices paper saving initiatives, such as encouraging employees to use duplex printing for internal documents and adopt environmentally friendly photocopy habit. Apart from reducing paper waste at source, paper recycling also contributes to conserving resources such as forests, energy and water. To efficiently recycle used paper, waste segregation and collection are particularly important.

For the Year, a total of 2,751 kg of paper has been used for daily office operations with an intensity of 74 kg paper per staff. Paper recycling practice is engaged and promoted regularly to raise employees’ awareness on conserving paper.

Water

For the administrative office, the Group consumes water in the office from a centralized water and sanitation system implemented in the building. The cost of water consumption of the Group is inclusive in the monthly rent, and the building management does not individually measure the water consumption of each tenant and hence no relevant data can be collected. In spite of this, we strive to reduce water consumption in daily operation by encouraging employees to turn taps off tightly to prevent dripping of water and giving priority to effective water-saving products.

In Lady Annie Operations, the water used in production is sourced from a lake and comes from rain and groundwater. The Group is unable to quantify the amount of water used in the production.

Solvent Solution

In our copper production, water mixed with sulphuric acid as leach solution containing dissolved metal is drained into pregnant solution storage pond via closed irrigation pipe. After separating the metals from the pregnant solution, the barren solution is circulated back into the heap leach again for reuse. There is no environmental harm if the solution is well contained within the closed leaching circuit. All of leaching facilities are well maintain to prevent any leakage of solution into the soil occurred.



Packaging Material

For the Year, the packaging material used in the Group's business operation is immaterial.

A3. Environment and Natural Resources

The Group constantly assesses and monitors the environmental risks in its daily operation, and formulates corresponding mitigation measures promptly when discovering any potential risk to the environment, so as to ensure such risk can be controlled and reduced to an acceptable level. The Group is committed to making the most efficient use of natural resources and reducing waste.

The Environment Department of Lady Annie has continued with the emphasis of streamlining the collection and collation of environmental data necessary to meet the obligations set through legislative requirements. Changes to calibration and sampling methodologies have resulted in improved quality assurance/quality control of water samples, a reduction in the duration of groundwater sampling events and an increase in the retention of surface water samples during storm events. In addition, improvements were made to data collation within the specialist environmental database which will assist in tracking data associated with environmental incidents. New technology has been utilized for survey and drainage analysis of mining areas resulting in faster, safer and higher quality data gathering resulting in cheaper, better quality surface water management decisions to be made as well as a range of other benefits.

B. Social

B1. Employment and Labour Practices

Employees are regarded as the greatest and valuable assets and core competitive advantage of the Group. The Group aims to provide employees with respectful and fair working environment through maintaining a sound system of human resources management covering the various aspects such recruitment and remuneration.

The recruitment and promotion of the Group are fair and open for all employees, and are not affected by age, sex, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation and other factors. In order to provide a good and fair working environment and safeguard the well-being of the employees, the Group seriously considers all those valuable opinions from the employees for enhancing workplace productivity and harmony.

The Group offers competitive remuneration, promotional opportunity, compensation and benefit packages to attract and retain talents. Remuneration packages are reviewed periodically based on the Group's operating results, individual performance and market information. The Group aims to reward and motivate the contribution and performance of employees and assist them in their career development and promotion within the Group.

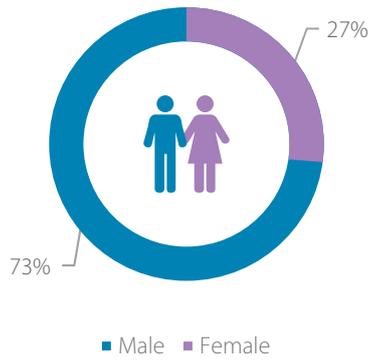
The Group strictly complies with applicable laws and regulations in the localities of its operation, and the relevant administrative rules and measures are strictly enforced. These rules and regulations specify the requirements relating to employment, labor relations, employees' remuneration, social insurances, housing fund, mandatory provident fund and welfare to protect the rights of employees.

During the Year, the Group has complied with all relevant labor laws and regulations in Hong Kong, China and Australia.



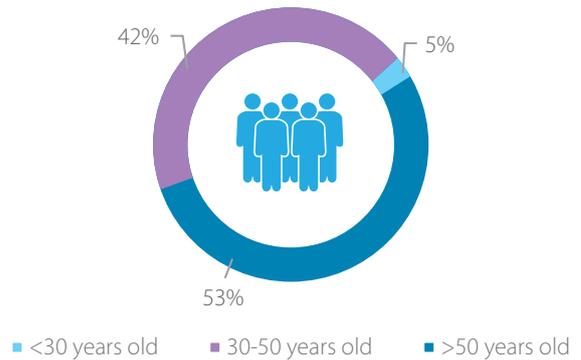
The analysis of human resources of the Group during the Year is as follow:

Percentage of Employees by Gender



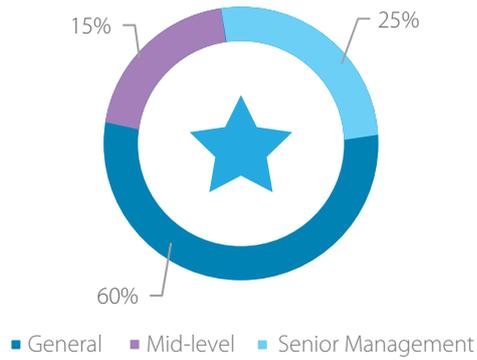
73% of our employees are Male and 27% are Female.

Percentage of Employees by Age



53% of our employees are over 50 years old, 42% are between 30 to 50 years old and 5% are below 30 years old.

Percentage of Employees by Grade



60% of our employees are general grade, 25% are senior management and 15% are mid-level grade.



B2. Health and Safety

The Group is committed to protecting the health and safety of the employees and the community. Our employees are required to comply with all relevant occupational health and safety regulations, and do our utmost to provide them with safe and healthy working environment.

The Safety Department of the Lady Annie continued to deliver Nationally Accredited competencies to employees in accordance with legislative requirements and site-based standards.

The mines rescue training continued to be delivered with the adoption of all employees forming the site mines rescue team. This strategy was adopted due to the limited staff numbers and the legislative requirement to ensure adequate response to any emergency is maintained.

The implementation of a number of safety initiatives improved the hazard identification reporting culture. The prestart meetings at the commencement of each work day includes, hazard reporting performance which supports the focus of reduced incidents and safe workplace by early hazard detection and reporting. Safety initiatives and improvements raised by the workforce are actively encouraged and implemented after risk evaluation. Industry best practice in all areas of safety is an achievable target.

The ongoing focus for all employees and contractors is to ensure a high degree of safety focus and that hazard identification is maintained for all tasks. The importance of incident reporting procedures and hazard identification will continue to be highlighted to all employees and visitors. The site employees and contractors continue to expand in job roles and responsibilities and ensuring site policies and established procedures are followed, will be of critical importance.

The Group do acknowledge the potential health issues that exist in office settings. Hence, we do take measures to preserve our talents from exposure to occupational diseases or injuries, no matter severe or minor. The Group motivates our staff to achieve work-life balance. The Group has offered various facilities in the office to address the health and safety needs of our employees, encompassing:

- installing air purifiers in areas where are relatively crowded such as conference and meeting rooms;
- ensuring ample space between workstations and clean and tidy common space such as corridors and pantry;
- maintaining sufficient ventilation and lighting system in the offices; and
- offering adjustable chairs and monitor screens for eye protection at each individual workstation.

For the Year, there was no breach of relevant laws and regulations relating to employees' health and safety.



B3. Development and Training

Talent development is an important part of our human resource strategy. The Group understand that the employees' knowledge and skills are essential to the Group's operation and business growth, good development plan lays a good foundation for the employees to face business challenge in the future, it also helps them to grasp promotion opportunities, fulfill their career aspiration.

The Group provide the employees with effective training and develop a clear promotion ladder, ensuring that the employees have the required skills. The Group conducts performance evaluation annually, and based on the assessment result to provide the staff with appropriate training, and offer job development and promotion opportunities for outstanding employees.

The training requirements of the staff continued to be reviewed to ensure the multi-skilling target set during the last reporting period was continued. The upgrading of machinery competency certificates to the training packages was facilitated by working closely with the Registered Training Organization Civil Safety. Civil Safety ensured all of the training material supplied to site was of industry best standard and compliant with the most recently released training packages. The training of staff in additional skills of various departments was managed closely to ensure consistent skill sharing standards were achieved, and all safety related issues were communicated correctly.

B4. Labour Standards

The Group's employment policies in regard to prohibiting child and forced labour are implemented to respond to the local employment laws and regulations. The recruitment process of the Group is strictly abided by the guidelines of the Human Resource Department. No child nor forced labor in the Group's operation during the reporting period.

Prior to confirmation of employment, the Group's human resources department will require job applicants to provide a valid identity documents to verify that the applicants are lawfully employable, and ensure full compliance of relevant laws and regulations that prohibit child and forced labour.

The Group has no tolerance for the use of forced labour or child labour in our business operations. The Group enters into employment contract with each of its employees in accordance with the relevant laws and regulations in the localities of its operation.

The Group is in compliance with both the Employment Ordinance of the Laws of Hong Kong in terms of employment management and the relevant laws and regulations in China and Australia.



B5. Supply Chain Management

The Group attaches importance to developing and maintaining long-term relationships with our suppliers, looking forward to forming long-term partnerships with them. We take a fair and open principle on procurement of materials and services. We support and encourage the suppliers to promote efficient use of resources and environmental protection and fulfill corporate social responsibility. The Group also conducts follow-up assessment on the suppliers, and, if necessary, reviews them through a third-party organization.

Through regular on-site inspections and monthly progress meetings and works reviews, the Group obtains better quality control and management on the agreed terms of general specification and works contracts. The Group also has standard procedures on acceptance of works delivered by subcontractors which include checking the completed works quality against contract requirements and specifications, counter-checking completion information provided by contractors and carrying out sampling tests

For materials purchased from suppliers, the Group has standard procedures for checking the quality, quantity and overall content of materials received.

B6. Product Responsibility

The Group is committed to providing customers with high-quality products and services and settling customer complaints effectively, continuously improving service level and ensuring customer satisfaction.

The Group strives to make sure that the products and services comply with related laws and provide customers with high-quality products. The Group has developed recovery policy and after-sale service and has established communication channel by which customers can send feedback to the Group, including complaints or grievances.

For products delivered to customers, there is independent party to assess the products and ensure the quality and quantity meet the requirement.

The Group is responsible for protecting the privacy of customers and devotes all our efforts to prevent the leakage of customer information. Except for the public documents as specified in laws and regulations, the Group strictly follows the relevant privacy ordinance and never allows information disclosure without approval of data owners. Employees are obligated to retain in confidence all information obtained in connection with their employment, including but not limited to, trade secrets, customers information, supplier information and other proprietary information.

During the Year, the Group had no non-compliance case regarding violations of relevant laws and regulations on product responsibility and data privacy during the Year.



B7. Anti-Corruption

The Group advocates a high standard of business integrity throughout its operations and has no tolerance of corruption or bribery in any form. The Group strictly adheres to the laws and regulations in regard to anti-corruption and bribery in all locations where the Group is conducting business.

The Group has complied with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong) and other relevant laws in regions in which the Group invests.

All directors, management and employees of the Group are required to abide by the Company's regulations. We encourage the reporting of suspected business irregularities and provide clear channels specifically for this purpose.

The Group is committed to adhering the highest ethical standards. During the Year, the Group was not involved in any litigation regarding corruption, bribery, fraud or money-laundering. The Group will continue to comply with the relevant laws and regulations both in Hong Kong, China and Australia.

B8. Community Investment

The Group is committed to being a responsible member of the community and aims to make a positive impact on the local community. Maintaining harmonic relationship with the community is beneficial to the business development of the Group.

During the Year, the Group participated in "Annual Recycling Program 2018" organized by China Resources Property, all recycled items will be donated to various charitable organizations for recycling purposes. Meanwhile, we will continue to respond to the appeal of "Environmental Protection Department" to recycling the fluorescent lamp in order to reduce the impact on the natural environment and support the reduce waste at source.

In Australia, our Lady Annie Operations' relationship with communities of Mount Isa, Camooweal, Cloncurry, the Northwest Queensland and North Queensland regions has consolidated through its involvement with community events and activities by sponsorship, donations and in-kind support, employment and business opportunities.

The Exploration Department of Lady Annie maintains close relations with landholders over the broad area of Lady Annie exploration tenements as well as contributing to ongoing community and stakeholder engagement with other stakeholders such as Calton Hills Station, Yelvertoft Station, Kalkadoon, Indjalandji-Dhidhanu, Mitakoodi people, business partners and regulators on a regular and needs basis. Lady Annie Operations continue to provide support to the Yelvertoft Camp draft.

The Group encourages employees to participate in various voluntary events, creating a strong social network and providing assistance and supports for the people in need.

