

# MINING THE TOOLS **FOR SUCCESS**

Sustainability Report 2019



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This sustainability report has been prepared by Silkroad Nickel Ltd. (the “**Company**”) and its contents have been reviewed by the Company’s sponsor, ZICO Capital Pte. Ltd. (“**Sponsor**”), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalyst.

This sustainability report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this sustainability report, including the correctness of any of the statements or opinions made, or reports contained in this sustainability report.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

# 1 CORPORATE PROFILE

Silkroad Nickel Ltd. (“**Silkroad Nickel**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) is the first nickel mining company to be listed on the Singapore Exchange. Formerly known as China Bearing (Singapore) Ltd., the Company made its trading debut on the Catalist board of the Singapore Exchange on 30 July 2018, under the stock code “STP”, following the completion of the reverse takeover of the Company by FE Resources Pte. Ltd. on 5 July 2018.

The Group is primarily engaged in the exploration, mining, production and sales of nickel ore. It has been granted a mining business license to carry out nickel ore mining operations at an approximately 1,301 hectares mining concession area located in the Morowali Regency, Central Sulawesi, Indonesia (the “**Mining Concession Area**”).

The Group currently conducts its mining activities in the Mining Concession Area using an open pit mining method, which includes the exploration, planning and clearing of required surface areas, mining, transportation and stockpiling, delivery and barging, as well as reclamation and rehabilitation works. The Group engages third party contractors to undertake the necessary mining and production activities such as the stripping of overburden, excavation, transportation and stockpiling of the nickel ore as well as the maintenance of hauling roads within the Mining Concession Area.

The Company has plans to develop its downstream business, transitioning from its primary nickel mining operations to a fully-integrated nickel producer that subcontracts its nickel mining operations. This will allow Silkroad Nickel to change its current business model from operating as a relatively small scale mining operator in an environment of high capital expenditure and relatively low operational efficiency, to being a low-cost nickel producer with high-quality nickel mining assets.

## 2 BOARD STATEMENT

### BOARD STATEMENT

We are pleased to present the inaugural annual Sustainability Report of Silkroad Nickel Ltd. for the financial year ended 31 December (“FY”) 2019.

The key material economic, environmental, social and governance (“EESG”) factors for the Group have been identified and reviewed by Mr. Eddy Pratomo (Independent Chairman) and Mr. Hong Kah Ing (Executive Director and Chief Executive Officer of the Company). The board of directors (“Board”) oversees the management and monitoring of these factors and takes them into consideration in the determination of the Group’s strategic direction and policies. Sustainability is a part of the Company’s wider strategy to create long-term value for all its stakeholders.

Businesses must be quick to adapt to key stakeholders’ concerns, closing any potential gaps and capitalising on opportunities amid today’s rapidly-changing business environment.

The EESG data and information provided have been derived from internal data monitoring and verification to ensure accuracy.

### REPORTING FRAMEWORK

In defining our reporting content, we applied the Global Reporting Initiative (“GRI”)’s principles by considering the Group’s activities, impact and substantive expectations and interests of its stakeholders. We observed a total of four principles, namely materiality, stakeholder inclusiveness, sustainability index and completeness. For reporting quality, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability.

Silkroad Nickel has chosen the GRI framework as it is the most established international sustainability reporting standard and in respect of the extent to which such framework is applied, this report has been prepared in reference to the GRI Standards reporting guidelines, at Core level. No external assurance has been sought for this report.

This report is set out on a “comply or explain” basis in accordance with Rule 711B and Practice Note 7F on Sustainability Reporting Guide of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (“Catalist Rules”). Corresponding to GRI’s emphasis on materiality, the report highlights the key EESG related initiatives carried out throughout the 12-month period, from 1 January 2019 to 31 December 2019.

This report excludes our joint venture to build and operate smelter facilities for the production of nickel pig iron on the mine site in Sulawesi, Indonesia, which we had entered into a binding definitive head of agreement on 4 December 2019.

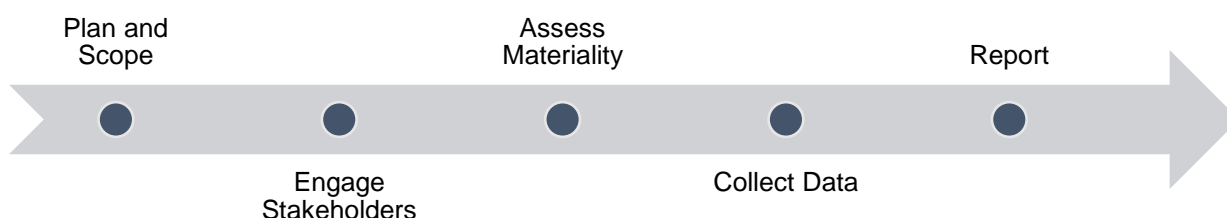
## FEEDBACK

We welcome feedback from our stakeholders with regards to our sustainability efforts as this enables us to consistently improve our policies, systems and results. Please send your comments and suggestions to [wcliew@silkroadnickel.com](mailto:wcliew@silkroadnickel.com).

29 May 2020

# 3 SUSTAINABILITY APPROACH

## OUR SUSTAINABILITY METHODOLOGY



## STAKEHOLDERS ENGAGEMENT

An important starting point in our sustainability journey is to identify our stakeholders and material EESG factors relevant to our business. The interests and requirements of key stakeholders are also taken into account when formulating corporate strategies. These key stakeholders include, but are not limited to, suppliers, shareholders, customers, employees, government and regulators, the Board, bankers and community. We adopt both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into our corporate strategies to achieve mutually beneficial relationships.

Key Stakeholders	Engagement Platforms	Frequency of Engagement	Key Concerns Raised
<b>Suppliers</b>	Face-to-Face Meetings	Monthly	Prompt payment, accurate specifications, selection of reliable suppliers Delivery performance and quality performance
	Vendor Assessment	Annually	
<b>Shareholders</b>	Annual General Meetings	Annually	Financial and operational performance of the Group, corporate governance and sustainability practices, business strategies of the Group
	Extraordinary General Meetings	As and when applicable	
	Annual Report	Annually	
	Announcements	As and when applicable	
	Roadshows	As and when applicable	
<b>Customers</b>	Face-to-Face Meetings	Monthly	Quality of services, on-time delivery, product quality level
	Open House	Quarterly	
<b>Employees</b>	Staff Appraisal	Annually	Employee compensation and benefits, personal development
	Townhall Sessions	Quarterly	
	Monthly Birthday Celebrations	Monthly	
	Staff Bonding Sessions	Annually	
<b>Government and Regulators</b>	Regulatory Reporting	As and when applicable	Timely reporting Full compliance with all law, rules and regulations
	Inspections	Annually	
	E-mails / Circulars	Quarterly	
	Surveys	Quarterly	

Key Stakeholders	Engagement Platforms	Frequency of Engagement	Key Concerns Raised
<b>Board</b>	Board Meetings	Quarterly	Financial performance, policies and strategies and annual budgets of the Group
	Board Papers	Quarterly	
	Board Lunches	Quarterly	
<b>Bankers</b>	Face-to-Face Meetings	Monthly	Project financing, working capital financing
	Lunches	Monthly	
<b>Community</b>	Sponsorship	Annually	Corporate Social Responsibility (CSR) contribution Donation to local villagers
	Donations	Monthly	

## MATERIALITY ASSESSMENT

Our sustainability process begins with the identification of relevant EESG factors. Relevant EESG factors are then prioritised to identify material EESG factors which are subject to validation. The end result of this process is a list of material EESG factors disclosed in this report. Process of which is as shown below:



The Group has conducted a materiality assessment during the year with the help of an external consultant. We engaged our employees from different departments, seeking our internal stakeholders' feedback for prioritisation of these topics. Going forward, materiality review will be conducted every year, incorporating inputs gathered from stakeholders' engagements.

In order to determine if an EESG factor is material, we assessed its potential impact on the economy, environment and society and its influence on the stakeholders. Applying the guidance from GRI, we have identified the following as our material EESG factors:



## 4 ECONOMIC

### ECONOMIC PERFORMANCE

FY2019 had been a momentous year for Silkroad Nickel despite challenges such as the trade disputes between America and China, and closer to home, the Indonesian ban on exporting ore. Despite the volatility of nickel prices, Silkroad Nickel was able to record stronger results and a profitable year.

Revenue for FY2019 increased by US\$9.8 million or 169.6%, from US\$5.7 million in FY2018, to US\$15.5 million in FY2019. The increase was mainly due to the higher average selling price of nickel ore, in conjunction with a higher volume sold. The Group sold 674,007 metric tons (“**MT**”) for the year under review as compared to 275,856 MT in FY2018. Gross profit margin increased in FY2019, from 23.0% in FY2018, to 38.8% in FY2019. The increase in gross profit margin was because of the higher average selling price of nickel ore in tandem with the decrease in cost of goods sold per metric ton.

For more details on the financial results of the Group for FY2019, please refer to the following sections of the Company’s annual report for FY2019:

- Financial & Operations Review, pages 4 to 5; and
- Financial Statements, pages 36 to 79.

### ANTI-CORRUPTION

Silkroad Nickel does not tolerate corruption in any form. Our Group is guided by our anti-corruption policy. The management of Silkroad Nickel (“**Management**”) emphasized to our staff that the Group has zero tolerance with corruption and that stern actions will be taken if anyone is involved in any corruption. Any report of corruption will be escalated to the attention of the Chairman of the Audit and Risk Committee of the Company (“**AC**”). We prohibit corruption in all forms, including extortion and bribery. We are not aware of any incident of corruption in FY2019 and we aim to maintain zero incident of corruption in FY2020.



## 5 ENVIRONMENTAL

### ENERGY

Energy consumption is inevitable in the daily operations of a mining company. At our mining site, diesel is used for our excavators and dump trucks. Our average monthly diesel consumption is approximately 15,000 litres.

We do not have harmful emissions nor spill in our operations in FY2019 and we aim to maintain this record in FY2020.

### BIODIVERSITY

The land we used for mining activities will be rehabilitated once it has been “mined-out”, in order to return the land to its natural state pre-mining. The land will be refilled with soil and



trees will be replanted on the land. Fertilizer will also be added to the soil and the land. In December 2019, the Group had replanted 200 pots of trees in about 5 hectares of the “mined-out” land (representing 30% of the “mined-out” land). Additionally, there were no waste generated from the Group’s mining activities. We target to rehabilitate 50% of the “mined-out” land in FY2020.

## ENVIRONMENTAL COMPLIANCE

Silkroad Nickel is in compliance with the regulations of the Ministry of Energy and Mineral Resources, which specify that mining activities cannot result in flooding in the mining area. To prevent flooding, the Group has built a sediment pond, which is a temporary pond built on a mining site to capture eroded or disturbed soil and protect the water quality of the nearby stream, river, lake, or bay.

There was no incidence of non-compliance with the regulations and no penalty imposed from local authorities in FY2019.

We target to maintain the sediment pond to prevent flooding and comply with all regulations in FY2020.

## 6 SOCIAL

### OCCUPATIONAL HEALTH AND SAFETY

Our employees' safety and health at the workplace is one of our top priorities, and our ultimate goal is to have a zero-accident workplace. We are committed to managing and reducing safety and health risks through effective risk management. Our Health and Safety Committee provides safety training and supervision of the working environment. We conduct safety training on a monthly basis and ensure all the road infrastructure, equipment and vehicles at the mine site are in good condition. In the event of any occurrence of any injury at the mine site, the Safety Officer will investigate the incident and collect information relating to the incident. We have also established a Health and Safety policy, which is made available to our staff through the Production SOP (Standard Operating Procedure).

There was no record of any major accident, which resulted in any injury or death, in FY2019 and we target to maintain zero major accident in FY2020.

#### ***Emergency Preparedness***

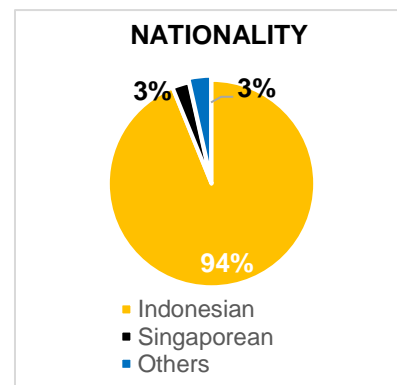
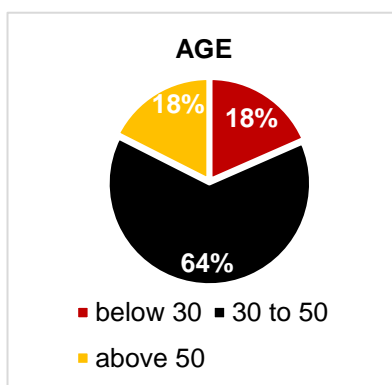
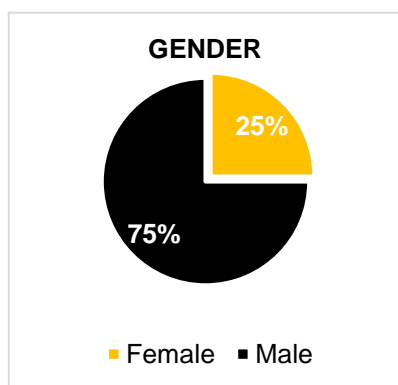
Our employees' safety is important to us. We have assigned a Safety Officer to be stationed at our mine site. We also have an evacuation plan in place, which will be activated during emergencies. Pursuant to evacuation place, a designated safe area at the pit, dormitory and workshop area has been identified, and our staff will be evacuated to the safe area as instructed by the Safety Officer, in case of emergencies.

### DIVERSITY AND EQUAL OPPORTUNITY

We offer workplace diversity and equal opportunities to our employees. For workplace diversity, we value everyone's differences. We learn from each other regardless of cultural background and bring those differences into the workplace to broaden experience and knowledge. Diversity includes not only race but gender, ethnicity, personality, age, education and background.

For equal opportunities, all employees are treated equally and not disadvantaged by prejudices or bias. The well performing employees will qualify for promotion or rewards regardless of their race, gender, ethnicity, personality, age, education and background.

Our Group has a total of 114 employees as at the end of FY2019, 14 of which joined us during the year (10% turnover rate). Our workforce is distributed as follows:



There was no report of discrimination in FY2019 and we target to maintain zero report of discrimination in FY2020.

We conduct quarterly town hall sessions to keep our employees updated on our business development and human resource-related matters.

In FY2019, we had rewarded one of our employees by recognising the employee as the “Best Employee” of the year.



## CHILD LABOR

We respect human rights, support the elimination of all forms of forced and compulsory labor, especially child labor. We do not employ minors as employees and we are not aware of any child labor from our suppliers. We will ensure that we eliminate forced and compulsory labor and child labor throughout our operations.

## LOCAL COMMUNITIES

Our Group is committed to serving and giving back to the community. We recognise that for long-term sustainability, we need to achieve a balance between being profit-driven and being a socially responsible corporate citizen.

In FY2019, we have supported the community through the following:

- Hari Raya - Donated cow and cash to the village nearby our mine site
- Football competition in the village nearby our mine site - Cash donation
- Palu Tsunami - Cash donation and lent our vehicle to the local authority to assist in transporting the Tsunami victims



*Hari Raya – cash donation to the villagers*



**Bantuan korban bencana Gempa, Tsunami Kota Palu & Donggala 2018**  
**PT. TEKNIK ALUM SERVICE**

We will continue to support the community in the upcoming years.

## **SOCIOECONOMIC COMPLIANCE**

We pride ourselves in having good corporate governance and observing compliance with applicable laws and regulations. The Group is committed to conduct its business with integrity and to safeguard the interest of all our stakeholders, both internal and external. We will ensure compliance with applicable laws and regulations throughout the years to come.

## **RIGHTS OF INDIGENOUS PEOPLE**

Our Group does not have any instance of violation involving the rights of indigenous people in FY2019.

A CSR program was implemented by the district where the Group contributed RP5,000/MT based on the sales quantity sold by the Group to the indigenous people in FY2019. We will continue to support the CSR program implemented by the district in FY2020.

# 7 GOVERNANCE

## CORPORATE GOVERNANCE

Silkroad Nickel believes that strong governance is key to a sustainable business. The Board and the Management are committed to the best practices in corporate governance to ensure sustainability of the Group's operations. We believe that our constant drive for corporate excellence will allow us to establish a more transparent, accountable and equitable system, thereby protecting the interests of our shareholders, as well as increasing the value of our Company and enhancing long-term shareholders' value.

Our corporate governance framework and practices for FY2019 are based on the principles and the provisions of the Singapore Code of Corporate Governance issued on 6 August 2018 (the "**Code**") which forms part of the continuing listing obligations of the Catalist Rules.

Please refer to the Corporate Governance Report section set out on pages 15 to 29 of the Company's annual report for FY2019, for more details of our corporate governance framework and practices.

The Board confirms that, for FY2019, the Company has adhered to the principles of the Code, and the provisions of the Code (except where otherwise explained). In so far as any provision has not been complied with, appropriate explanations have been provided and how the practices the Company had adopted are consistent with the intent of the relevant principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

We will continue to comply with the Code and meet all requirements that are expected of us by our stakeholders. In case any deviations are found, we shall make the necessary disclosure as required under the Code.

## ENTERPRISE RISK MANAGEMENT

The Board acknowledges its responsibility for the governance of risk and ensuring that the Management maintains a sound system of risk management and internal controls to safeguard interest of shareholders and the Group's assets. At this stage, the Board is of the view that a separate board risk committee need not be established as the Board and the AC are currently responsible for monitoring the implementation of the Group's risk management framework and policies and the current arrangement is effective for the time being.

The Management has conducted a review of the strategic, operational, financial, compliance and information technology risks faced by the Group and has implemented appropriate controls to mitigate these risks. On a quarterly basis, the Chief Financial Officer ("**CFO**") of the Company provides an update to the AC on the key risks faced by the Group and measures in place to ensure that material risks of the Group are being mitigated to an acceptable level.

We aim to review our risk management framework and policies regularly to ensure all relevant risks are identified, communicated and addressed timely.

## **BUSINESS ETHICS**

All of our staff are reminded of the importance of upholding the highest standards when it comes to business ethics. The Group regularly updates relevant staff with development in international and local regulations. There were no significant fines or non-monetary sanctions for non-compliance with laws and regulations in FY2019 and we target to maintain this record in FY2020.

## GRI STANDARDS CONTENT INDEX

GRI Standard	Disclosure	Reference / Description	
<b>GRI 101: Foundation 2016</b>			
<b>GENERAL DISCLOSURE</b>			
<b>GRI 102: General Disclosures</b>	102-1	Name of organisation	Silkroad Nickel Ltd.
	102-2	Activities, brands, products and services	FY2019 Sustainability Report (SR) page 1
	102-3	Location of headquarters	Singapore
	102-4	Location of operations	SR page 1
	102-5	Ownership and legal form	FY2019 Annual Report (AR) pages 13, 41, 84 to 85
	102-6	Markets served	SR page 1, as well as AR pages 72 to 73
	102-7	Scale of the organisation	SR pages 1, 6, 9 to 10
	102-8	Information on employees and other workers	SR pages 9 to 10
	102-9	Supply chain	SR page 1
	102-10	Significant changes to the organisation and its supply chain	None
	102-11	Precautionary Principle or approach	We do not specifically address the precautionary approach.
	102-12	External initiatives	SR page 10
	102-13	Membership of associations	The subsidiary company, PT Teknik Alum Service, is a member of the Association of Nickel Mining Indonesia (Assosiasi Penambang Nikel Indonesia - APNI).
	102-14	Statement from senior decision maker	SR pages 2 to 3
	102-16	Values, principles, standards and norms of behaviour	SR page 12
	102-18	Governance structure	AR pages 15 to 29
	102-40	List of stakeholder groups	SR pages 4 to 5
	102-41	Collective bargaining agreements	None
	102-42	Identifying and selecting stakeholders	SR pages 4 to 5
	102-43	Approach to stakeholder engagement	SR pages 4 to 5
	102-44	Key topics and concerns raised	SR pages 4 to 5
	102-45	Entities included in the consolidated financial statements	AR page 61
	102-46	Defining report content and topic boundaries	SR pages 2 to 3
	102-47	List of material topics	SR page 5
	102-48	Restatement of information	Not applicable as this is the first reporting cycle
	102-49	Changes in reporting	Not applicable as this is the first reporting cycle
	102-50	Reporting period	SR page 2
	102-51	Date of most recent previous report	Not applicable as this is the first reporting cycle
	102-52	Reporting cycle	Annually
	102-53	Contact point for questions about the report	SR page 3
	102-54	Claims if reporting in accordance with the GRI Standards	SR page 2
	102-55	GRI content index	SR pages 14 to 15
	102-56	External Assurance	No external assurance has been sought. We may seek external assurance in the future.
<b>MATERIAL TOPICS</b>			
<b>GRI 201: Economic performance</b>	201-1	Direct economic value generated and distributed	SR page 6
<b>GRI 205: Anti-corruption</b>	205-1	Operations assessed for risks related to corruption	SR page 6
<b>GRI 304: Biodiversity</b>	304-2	Significant impacts of activities, products, and services on biodiversity	SR page 7



## GRI STANDARDS CONTENT INDEX

<b>GRI Standard</b>	<b>Disclosure</b>	<b>Reference / Description</b>
<b>GRI 307: Environmental compliance</b>	307-1	Non-compliance with environmental laws and regulations
<b>GRI 403: Occupational Health and Safety</b>	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
<b>GRI 405: Diversity and equal opportunity</b>	405-1	Diversity of governance bodies and employees
<b>GRI 408: Child Labor</b>	408-1	Operations and suppliers at significant risk for incidents of child labor
<b>GRI 411: Rights of Indigenous People</b>	411-1	Incidents of violations involving rights of indigenous peoples
<b>GRI 413: Local Communities</b>	413-1	Operations with local community engagement, impact assessments, and development programs
<b>GRI 419: Socioeconomic Compliance</b>	419-1	Non-compliance with laws and regulations in the social and economic area