

DA SEN HOLDINGS GROUP LIMITED

大森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1580



Environmental, Social and
Governance Report
2020

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

Da Sen Holdings Group Limited (the “Company”, together with its subsidiaries the “Group”) is focusing on the manufacturing and sales of plywood products and biomass wood pellets for more than a decade’s experiences, playing a significant role in the market.

The rapid outbreak of the pandemic has brought long-term impacts to the whole world. Global economics and livelihoods have been severely hit, with the business operation of the Group also being affected. Although the Group’s solid operation experiences help the formulation and adaptation of corresponding measures to reduce the impacts within a short period of time, certain level of threats have still been posed to the operations of factories. In the second half of 2020, the Group shut down the biomass wood pellets business, and leased part of the factory and land due to the operation difficulties caused by the declining exports of biomass wood pellets.

Under the pressures brought by the pandemic to the corporate operation, the Group is still committed to helping the society and local economy at its best and facilitating the industry to go back on the track of sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This is the fifth Environmental, Social and Governance Report (the “Report”) of the Group, which aims to present the performance in the environmental, social and governance (“ESG”) aspects. The Report is prepared in both Chinese and English and is available on both the website of the Stock Exchange of Hong Kong Limited (the “SEHK”) and the Group (<http://www.msdsdn.com/>).

Reporting Boundary

The Report discloses the Group’s core business operation in Mainland China, which are the manufacturing and sales of plywood products and biomass wood pellets, during the period of 1st January 2020 to 31st December 2020 (the “Reporting Period”). The scope of data covers the factories and offices of Dasen (Heze) Biomass Energy Limited (“Dasen (Heze)”) and Meisen (Shandong) Wood Limited (“Meisen (Shandong)”).

Reporting Principles

The Report has been prepared in accordance with the ESG Reporting Guide as set out in the Appendix 27 of the Rules governing the listing of securities on the SEHK (the “Listing Rules”) (the “Reporting Guide”). The four principles, namely materiality, consistency, balance and quantitative, are adopted as the core reporting principles.

Materiality

The Group invited the board of directors (the “Board”) to participate in the identification of material issues which are disclosed in the Report.

Consistency

Unless otherwise specific, the Group adapts consistent methodologies for data collection, analysis and disclosure.

Balance

The Report is prepared in a impartial manner to ensure the fairness of the data.

Quantitative

Quantitative data and methodologies are disclosed in the Report.

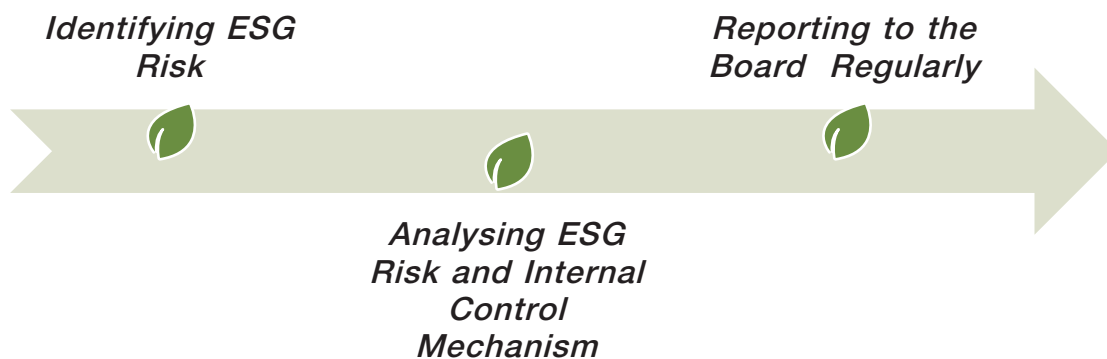
Opinions

The Group values the opinions and suggestions of stakeholders. If you have any inquiry or comments on the Report’s content or any other aspects related to sustainability, please do not hesitate to contact the Group by emailing to info@msdsdn.com.

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SUSTAINABILITY GOVERNANCE

The Group has already established the ESG Taskforce (the “Taskforce”), which comprises of the core members from different departments appointed. The Taskforce is responsible for the collection of the Group’s ESG relevant information to conduct the Report. Besides, it identifies and analyses the relevant risks and mechanisms, and reports to the Board regularly to monitor and analyse the internal performance.



The Board determines the strategic directions relevant to ESG aspects to achieve a sustainable and stable corporate development according to factors such as market changes and operation strategies. At the same time, the Board would also confirm the effectiveness of its risk management and internal control mechanisms based on the report prepared by the Taskforce, and adjust the relevant mechanisms and measures in accordance to the report content.

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STAKEHOLDER ENGAGEMENT

It is believed that listening to different stakeholders' feedbacks and integrating them into the corporate's determination of strategies, policies and measures can help with its sustainable development. Collecting different stakeholders' comments and understanding their expectations can help to enhance the formulation and improvement of operation strategies, and to achieve sustainability. Therefore, the Group has established different channels for regular communications with the stakeholders to build the long-term partner relationships.

Stakeholders	Communication Channels	Expectations	The Group's Responses
Investors/ Shareholders	<ul style="list-style-type: none"> Annual General Meeting Investor Meeting 	<ul style="list-style-type: none"> Financial results Improving the risk monitoring system 	<ul style="list-style-type: none"> Regularly disclosure of operational performance Improvement of internal risk monitoring
Government and Regulatory Bodies	<ul style="list-style-type: none"> Regular working meetings Performance reporting meetings Site visits 	<ul style="list-style-type: none"> Compliance with laws and regulations Tax payment in accordance with laws 	<ul style="list-style-type: none"> Ensuring of no violations Tax payment in full and on time
Employees	<ul style="list-style-type: none"> Opinion survey Intranet 	<ul style="list-style-type: none"> Career development opportunities Working remuneration and benefits Occupational health and safety 	<ul style="list-style-type: none"> Clear promotion mechanism Regular review on employees' benefits and salaries Providing relevant trainings and strengthening safety awareness
Customers	<ul style="list-style-type: none"> Customer satisfactory survey and feedback form 	<ul style="list-style-type: none"> Quality of logistics service Customer information security Customer rights and interests protection 	<ul style="list-style-type: none"> Utilising product tracking system Customer privacy protection Compliance operation

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Stakeholders	Communication Channels	Expectations	The Group's Responses
Suppliers	<ul style="list-style-type: none"> Management meetings and activities 	<ul style="list-style-type: none"> Integrity cooperation Business ethics and credibility 	<ul style="list-style-type: none"> Regular review on cooperative relationship Performing the contract according to law
Society and the public	<ul style="list-style-type: none"> Public or social activities and partnership program 	<ul style="list-style-type: none"> Environmental protection Job opportunities 	<ul style="list-style-type: none"> Using environmental protection and energy saving equipment Providing equal employment opportunities

Materiality Assessment

During the Reporting Period, the Group invited the Directors to participate in the identification of material issues. After consolidating the Directors' level of attentions to the issues of the four aspects, namely "environmental protection", "employment practices", "operational practices" and "community investment", the following four issues are found to be the most material issues to the Group among all.



Key disclosures in the Report are made according to the analysis result of the materiality assessment to respond to the expectation of stakeholders towards the Group.

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EMPLOYMENT PRACTICES

Employees are the indispensable part of a company's sustainable development. It is believed that the secured working environment and system can increase their sense of belonging to the corporate and enhance the working performance, which can further facilitate the company's long-term development. The Group understands the importance of ensuring employees' health and safety during work, the quality of employment system, and the potential of career development.

Employment system

The Group has been committed to providing employees with reasonable and good working conditions and environment to ensure that the employees' contributions to the Group are rewarded. By establishing internal policies, such as "Policy on Remuneration Management" and "Employee Handbook", and clearly stating the welfares and requirements of work for the employees, the Group can effectively protect both parties' rights and interests. At the same time, the Group has also determined policies such as "Procedures on Recruitment" and "Regulations on the Procedures of Onboarding, Departure and Transfer" to supervise the fairness and compliance of recruitment, onboarding and departure.

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Recruitment, Promotion and Termination

- Only the applicant's education level, work experience and other relevant issues would be considered for the recruitment of all positions;
- Employees are categorised and managed according to their entry positions for future arrangement, such as promotions, transfers and rank adjustment; and
- In accordance with internal rules and regulations, it is ensured that the employees are treated equally during promotions by conducting fair and just performance appraisals.

Salary and Welfares

- Remuneration comprises of basic salary, performance bonus, overtime payment, position subsidy, related subsidies and other various bonuses; and
- Employees' remuneration, welfare and relevant arrangements are clearly stated in the labour contract.

Working Hours and Holidays

- The working hours per day shall be 8 hours, while extra working hours would be compensated;
- Employees are entitled with various family leaves, including marriage leaves, maternity leaves, bereavement leaves and other national holidays etc.; and
- The arrangements, such as working hours, vacation benefits and employee benefits, are clearly stated in the labour contracts.

Equal Opportunity, Diversity and Anti- corruption

- We respect people of different races, genders, colours, age, family background, religions, sexual orientations, and nationalities, which these factors would not affect the employees' welfare and remuneration, including employment and promotions; and
- Diversified values are integrated into the considerations of employment and promotions, considering from the aspects of capability, personal performance and attitude.

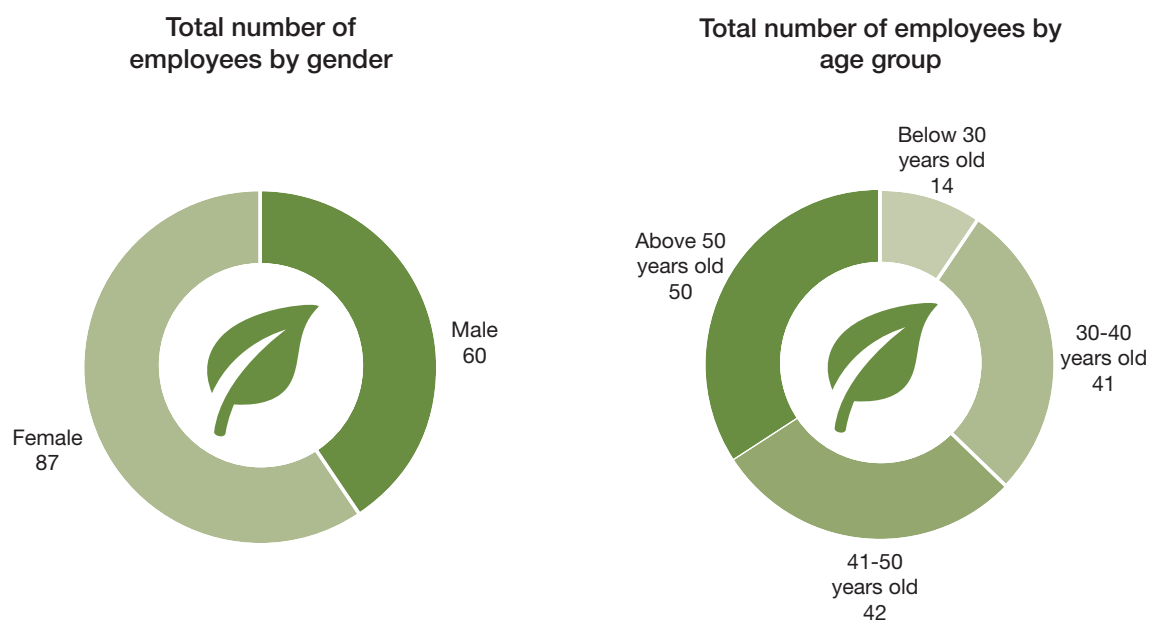
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The Group is committed to protecting the opportunities and rights of school children to receive education. We strictly prohibit the employment of child labour, which only individuals aged 18 or above would be hired. Policies such as the “Personnel Recruitment Process” are utilised to ensure that relevant operations comply with internal policies and local laws and regulations. All employees are recruited directly by the Group and would not be recruited through intermediaries or third parties. During the recruiting process, the Human Resources Department will carefully check the identity documents of each applicant to ensure that his age meets the minimum working age stipulated by the law. If applicants are found to be under the legal working age during the interview, the Group would immediately terminate their job applications and send them to the local police station or their place of residence.

At the same time, employees’ legal right is an aspect that the Group attaches great importance to. The Group does not tolerate any form of forced labour, which all employees are ensured to work voluntarily, and are supervised by the policies and measures such as that stated in the “Employee Handbook”. It is strictly prohibited to use threats, coercion, imprisonment, detention of documents, etc., to force the employees to work during non-office hours or involuntarily. If employees need to work overtime, the Group shall provide compensation based on their overtime records to ensure that they receive their pay backs and have no forced labour.

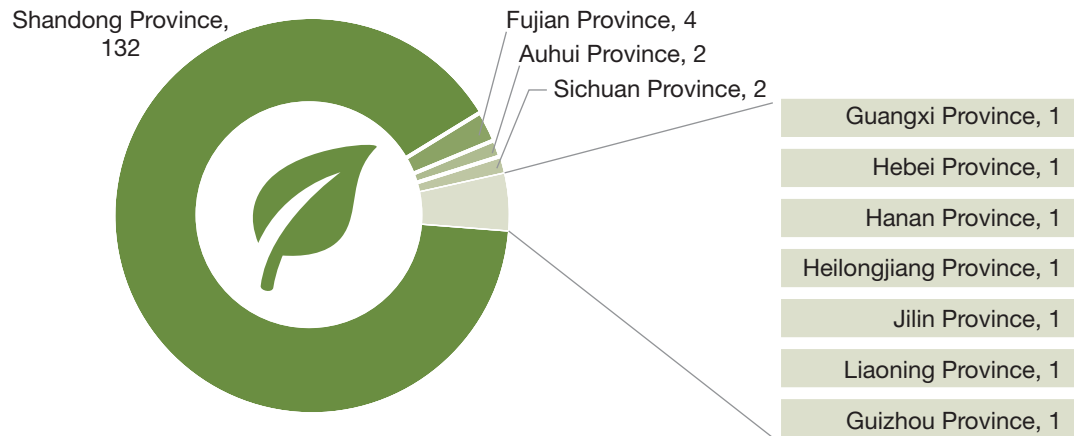
As of December 31, 2020, the Group had a total of 147 full-time employees, of which 41% were men and 59% were women. Among the employees employed, 90% are from Shandong Province, while the others are from different provinces such as Fujian, Jilin and Sichuan. The total turnover rate of the Group is 24%.

An overview of the distribution of employees is as follows:



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Total number of employees by geographical region



In addition, the Group had a total turnover rate of 24% during the Reporting Period, including 9% of male and 15% of female.

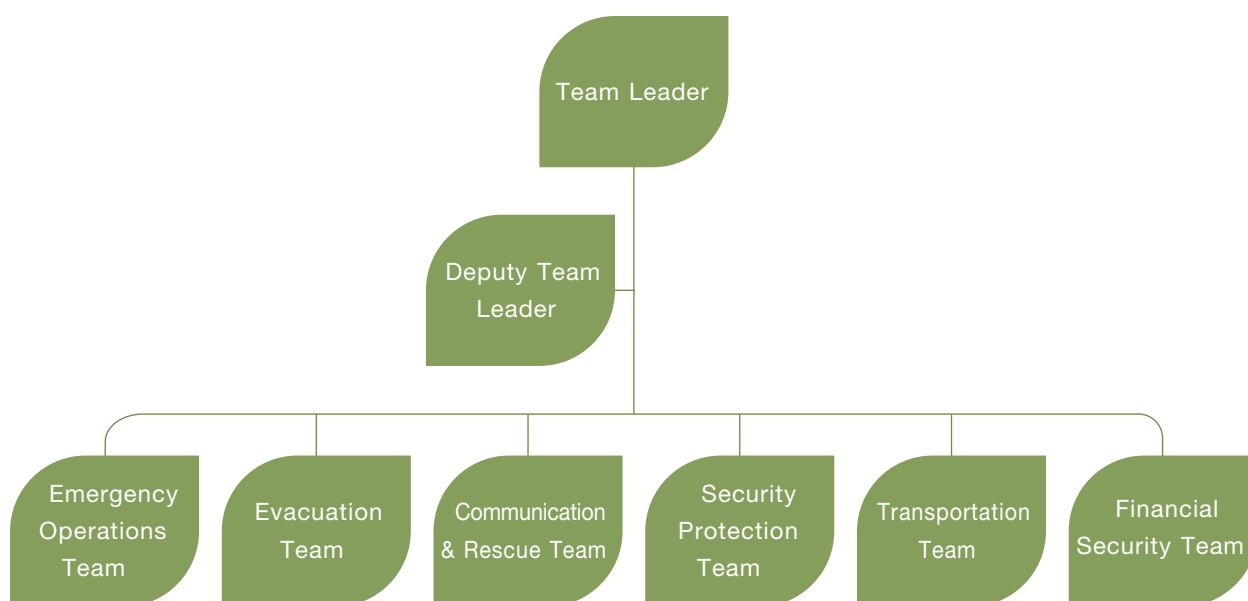
The Group complies with laws and regulations related to employment and labour standards, including the “Labour Law of the People’s Republic of China”, the “Labour Contract Law of the People’s Republic of China”, the “Abolition of Forced Labour Convention”, “Provisions on the Prohibition of Using Child Labour” and “Regulation on Paid Annual Leave for Employees”. The Group understands that violating relevant laws and regulations will bring civil and/or criminal consequences to the Group, as well as negative effects to the operations and corporate reputation. During the Reporting Period, the Group did not violate any laws and regulations related to employment and labour standard.

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Occupational health and safety

To ensure the health and safety of employees during work, the Group has established policies and relevant measures, including the “Policy on Management of Safe Production”, “Policy on Management of Safe Production Training”, “Environmental, Occupational Health and Safety Operations Control Procedures”, “Hazard Identification and Risk Assessment Control and Evaluation Procedures”, “Emergency Preparedness and Response Control Procedures” and “Emergencies Management Policies” to monitor daily operations and protect employee’s safety. At the same time, the Group insists the safe production approach of “Safety First, Precaution Crucial, Participated by all Employees and Comprehensive Control” to implement the overall monitoring for all employees to ensure all procedures and employees are protected. Besides, Meisen (Shandong) has established procedures such as the “Environmental, Occupational Health and Safety Operations Control Procedures”, “Hazard Identification and Risk Assessment Control and Evaluation Procedures” in accordance with the OHSAS18001 international standard to further monitor and protect various parties’ occupational safety.

Due to the nature of the Group’s operation, employees are required to operate a large number of equipment or machinery during their work, including cutting equipment such as chippers, flakers, and sanding equipment, as well as process machinery such as multi-opening presses and driving machines. The equipment used in the production line is large or dangerous machinery, which can cause serious injury to users. Therefore, the Group has formed an Emergency Response Leading Team, which is mainly responsible for handling, leading and directing the emergency issues. The General Manager serves as the team leader, while the Deputy General Manager or the head of each department serve as the deputy team leader to assist the team leader on the operation of the team. The Emergency Response Leading Team has divided different tasks into six categories, and six working groups would be responsible for the tasks, which actions can be taken according to policies and measures established such as the “Emergency Responding Protocols” within a short period of time.



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In order to further protect the personal safety of employees, the Group has established a series of measures to supervise and provide guidance to employees in their daily work to reduce the chance of accidents. For example, during the process of transporting logs, improper use of equipment or wrong transportation methods may cause injuries to employees with logs rolling off. To prevent related incidents, the Group arranges relevant trainings to ensure that employees have effectively implemented the operating rules and operated equipment safely. In addition, irrelevant employees are restricted from entering the premises to ensure that all employees on the premises understand the procedures and operating methods, thereby reducing or eliminating related crises.



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The Group has established relevant measures to protect the personal safety of employees when they use steam and hot oil, such as conducting regular maintenance and inspections, placing equipment in restricted areas for employee, implementing automated operations, etc., to ensure that employees would not work in places with safety threats. At the same time, the Group hold no less than one emergency drill every year to ensure that all departments and employees understand the importance of safety and are familiar with emergency handling protocols. If an employee has an accident during work, the medical staff will immediately provide treatment to the injured employee or send the seriously injured one to the hospital for further treatment. The Group would subsequently investigate relevant departments and cases and adopt improvement measures to avoid recurrence.

The Group complies with laws and regulations relevant to occupational health and safety, including the “Labour Law of the People’s Republic of China”, “Work Safety Law of the People’s Republic of China”, “Law of the People’s Republic of China on the Prevention and Treatment of Occupational Diseases” and “Fire Protection Law of the People’s Republic of China”. The Group also understands the violation of laws and regulations would bring civil and/or criminal consequences, as well as negative effects on operations and corporate reputation. During the Reporting Period, the Group did not violate any laws and regulations related to occupational health and safety.

Training and Development

The Group supports all-round and sustainable development of employees and provides them with various supports, including internal and external trainings and supports. Through the establishment of “Internal Transfer Management Measures”, “Human Resources Management Procedures” and “Company Training Management System”, the Group ensures that the arrangement of career development and training management for the employees are well supervised. Besides, the management is responsible for determining the training plan for the year, and the Human Resources Department will notice various department with the relevant arrangement to be implemented. The Group would also provide quarterly training to employees to fulfil the development needs of different departments and employees.

Under the guidance of different regulations and systems, the Group has established an integrated training system covering knowledge trainings, skills training, and attitude training. Different trainings are provided to employees to help them to understand different responsibilities and knowledge. They would receive different trainings according to different purposes. For instance, employees from production line would receive trainings on equipment operation and skill training to ensure that they understand the operation method to use the equipment safely. New employees would also receive induction training to understand the job content, daily operations of the group, etc., which can help them to engage in the working environment as soon as possible to perform their duties. In addition, the Group arranges team leaders, group leaders or experienced employees to guide the newcomers at work, emphasizing learning and growth through practice.



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Apart from providing internal training, employees can also participate in training activities provided by colleges and universities, industry management departments and government agencies entrusted by the Group. Employees with outstanding performance would be recommended to relevant colleges or institutions for training to enhance their working abilities and career development, which can provide assistance to the Group's operations. At the same time, the Group also encourages employees to participate in external training and obtain relevant professional qualifications by providing education benefits, which helps the Group and themselves to develop in an all-round way.

Employees can also take the initiative to propose written applications of job transfers based on their own development intentions and work abilities. After obtaining the approval of the department head, the Human Resources Department will evaluate and handle the applications in accordance with the employment approval procedures. Relevant transfers will be considered and respond to their applications based on factors such as employees' development intentions, abilities, and job vacancies.

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OPERATION PRACTICES

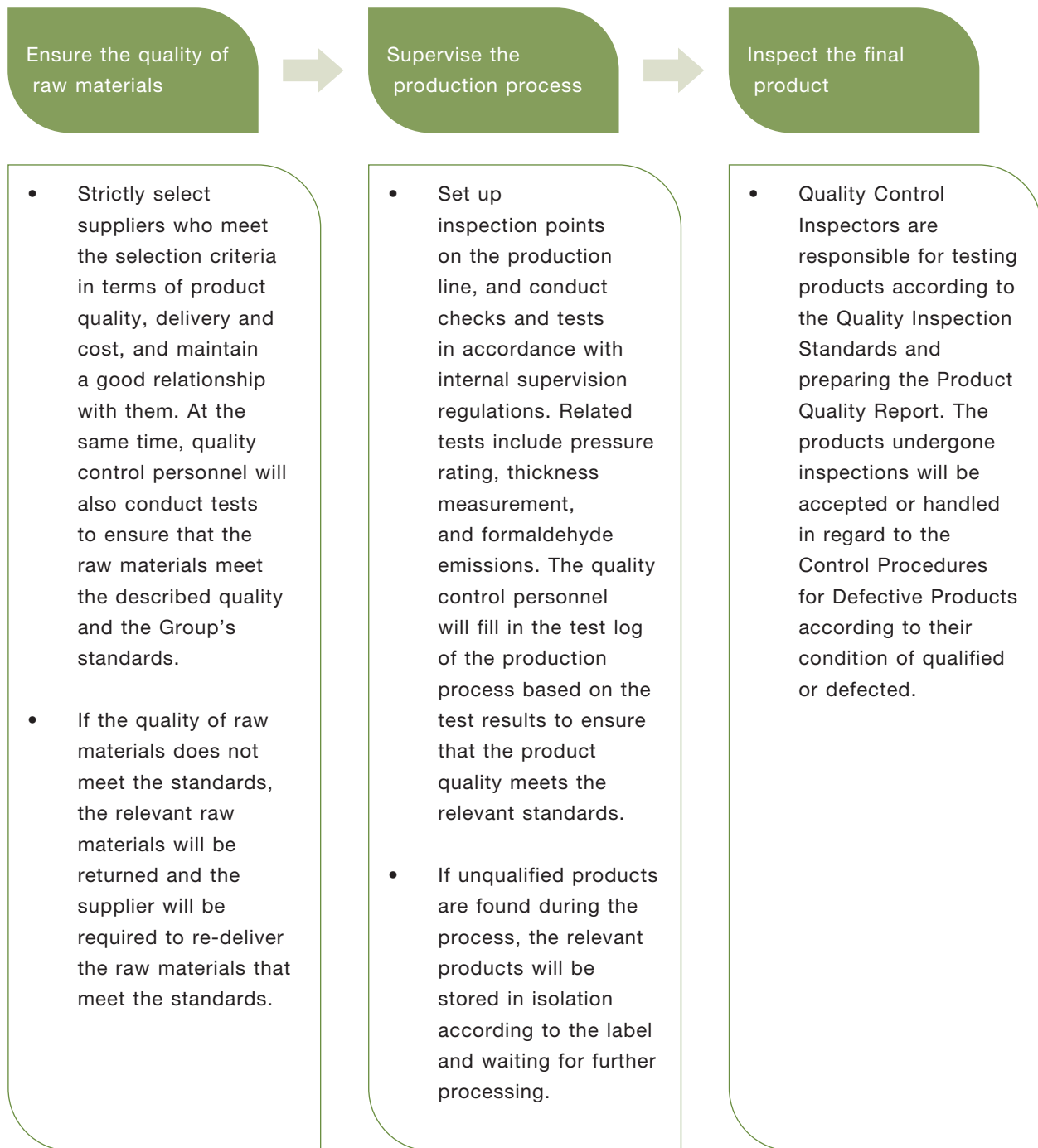
The Group understands the importance of compliance and is committed to maintaining the quality of products to ensure that the rights and interests of customers are protected. At the same time, the Group has always upheld a clean operation and extended the principle of openness and fairness to the supply chain.

Product Responsibility

The Group understands the importance of maintaining product quality and has established a sound internal supervision and quality control system through the formulation of policies, such as “Quality Management Policies”, “Production Process Quality and Safety Control Policy”, and “Tracing Management Policy”, and the introduction of ISO 9001 quality control system. Among them, the quality control system of Meisen (Shandong) has been certified by an independent testing agency. Meanwhile, the quality of the Group’s products complies with the national standard GB/T9846-2004, and the formaldehyde content of the products has also fulfilled the requirement of the F4 Stars Standard of the Ministry of Agriculture and Forestry of Japan and the P2 level of California Air Resources Board (CARB).

In order to ensure product quality, the Group has also formulated detailed monitoring procedures to supervise the procurement, production and delivery process to ensure that the products meet the standards from the preparation of raw materials to the delivery of the products.

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During the Reporting Period, the Group did not recall any products sold or shipped due to safety and health reasons. The Group will strive to maintain the quality of its products and provide customers with high-quality products.

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In addition to policies and measures to ensure product quality and related processes, the Group provides outstanding services and products according to the policies such as “Customer Credit Evaluation Policy” and “Contract Review Policy”. If there are any customer complaints, the sales department will be responsible for receiving and handling related complaints and will continue to follow up the feedback information to ensure the quality of the products and customer satisfaction. The Group will also conduct annual customer satisfaction surveys to collect their feedbacks and conduct continuous follow-up and improvement. In terms of product promotion, the Group employs a professional advertising team to design promotional information and prohibits any statements that mislead customers.

At the same time, in order to protect the security of customers’ information, the Group requires relevant employees to sign the confidential agreement to ensure all of them abiding the regulations.

The Group complies with laws and regulations relevant to product responsibility, such as “Product Quality Law of the People’s Republic of China”, “Law of the People’s Republic of China on Protection of Consumer Rights and Interests” and “Advertising Law of the People’s Republic of China”, and understands that violating relevant laws and regulations will bring civil and/or criminal consequences to the Group, as well as negatively affect operations and corporate reputation. During the Reporting Period, the Group did not violate any laws and regulations related to product responsibility.

Anti-corruption

The Group has always upheld a clean and fair operation and established a comprehensive internal control system, including a set of policies and systems including the “Employee Handbook” and “Regulations on Fraud and Violations” to prevent any form of unethical behaviour, such as corruption, malpractice, bribery, fraud, and misappropriation of funds, etc.

All employees would be issued an “Employee Handbook” and explained by the Human Resources Department upon the entry to ensure that they understand the requirements of the Group and avoid violations due to insufficient understanding. To promote the importance of anti-corruption and its relevant information, the Group has organised anti-corruption conferences and other educative events, and publicised related codes of conduct, etc., to create a clean corporate culture. Besides, the Group has provided anti-corruption trainings to the Board and employees to further enhance the level of awareness to anti-corruption among the internal personnel.

The Group has also established a secretariat and a supervisory office to supervise daily operations and ensure compliance. The Anti-Fraud Management Office is responsible for managing special telephone hotlines, emails, and mailboxes to receive reports from insiders or those directly or indirectly related to operations. Whistle-blowers can file their cases through different channels with real name or anonymously, and leave written records and reports to the management or the Board.

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If the case is found to be true after investigation, the Group would apply the penalties, including transferring the case to the domestic law enforcement agency for further investigation and handling. At the same time, the Group would also take improvement measures to evaluate and enhance the affected department's regulatory measures and policies, reducing the chance of recurrence of violations. The secretariat will disclose the case accordingly, including the process, participants, evaluation etc. Throughout the whole process, the personal data and other relevant information of the whistle-blowers will be kept strictly confidential to ensure that their personal safety and position will not be negatively affected by reporting the case.

The Group complies the laws and regulations relevant to anti-corruptions, including the "Company Law of the People's Republic of China", "Bidding Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China" and "Interim Provisions on Banning Commercial Bribery". It also understands that violating relevant laws and regulations will bring civil and/or criminal consequences to the Group, as well as negatively affect operations and corporate reputation. During the Reporting Period, the Group did not violate any laws and regulations related to anti-corruption.

Supply Chain

The Group has formulated policies and measures such as the Purchasing Management System, Supplier Management System, Supplier Information Sheet, Supplier's Environmental Commitment Agreement, and other policies and measures to help regulate supply chain related matters, including the procurement and hiring process, etc.

To ensure that the process of engaging raw material suppliers meets the needs of the Group, it would first evaluate its own needs, and then compare and evaluate the prices of various suppliers to ensure that the prices are reasonable and appropriate. In addition, the past performance of relevant suppliers would also be taken into consideration. The Group would use public channels to inquire whether these suppliers have been punished due to environmental issues, violations of laws and regulations and other factors. If related violations are found, they would not be considered by the Group for further cooperation.

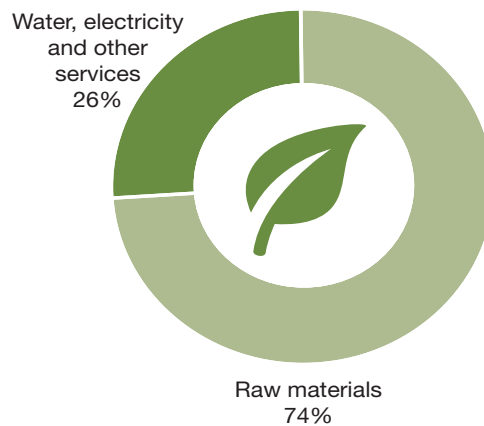
Along the cooperation, if the pollutants produced during the production of raw materials purchased by the Group exceed the relevant standard, the supplier must take appropriate measures, including putting up alarming signs at where hazardous wastes and objects are placed, and prioritising the handling of recyclable materials, to avoid a waste of resource. If the relevant suppliers are likely to cause or have already caused serious environmental pollution and harm, the Group would terminate the cooperation between the two parties. It would also evaluate the performance and awareness of suppliers in social aspects, such as the issues of employment and occupational health and safety, to ensure that they comply with relevant laws and regulations and standards set by the Group.

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The Group is committed to maintaining equality and fairness in the tendering and bidding process. Under the standard of united and transparent, the Group conducts fair procurement and ensures that no discriminatory matters arise during the process. To further maintain the equality, employees or individuals who have interests in the relevant suppliers are not allowed to participate in the procurement procedures to avoid potential conflicts of interest.

During the Reporting Period, the Group had a total of 70 suppliers, all of which were from Mainland China. Among them, 52 were suppliers of raw materials and 18 were suppliers of water, electricity and other services.

Ratio of suppliers by category



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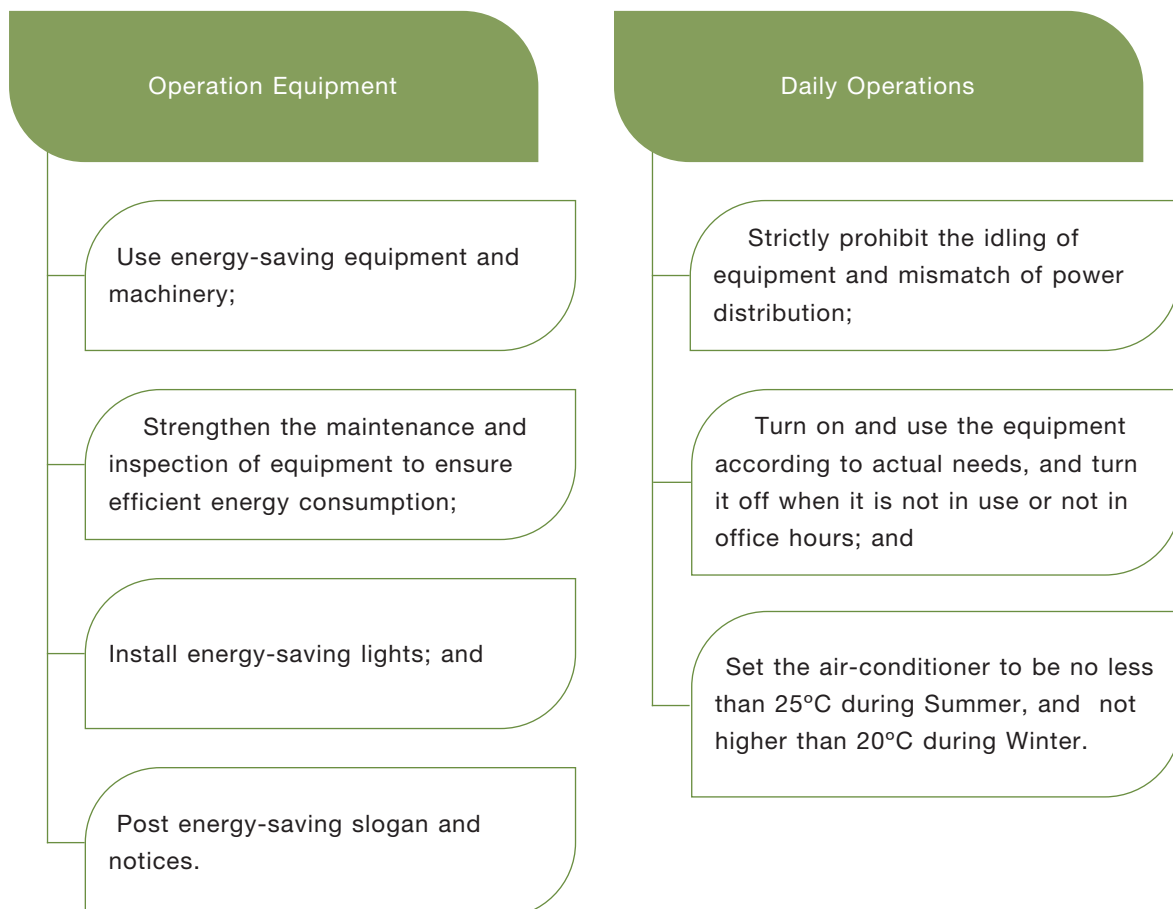
ENVIRONMENTAL PROTECTION

The environment has already been affected to a certain extent by various human and corporate activities. To maintain the sustainable development of the society, environment and corporates, the Group understands the importance of balancing the operations and environmental performance. It has committed to reducing the negative impacts brought by operations to the environment by determining relevant policies and measures.

Use of Resources

Energy

The Group's operations involve different types of energy use, including non-renewable energy sources such as diesel and gasoline. At the same time, it would also purchase electricity from the third party to support the operation of network systems and other equipment and systems. To reduce the impact of daily operations on the environment, the Group has formulated relevant internal policies and measures such as "Regulations for Boiler Operation and Management" to achieve the goals of electricity saving and efficient resource consumption, as well as supervising the implementation of energy relevant policies and measures.



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During the Reporting Period, the Group's energy consumption was equivalent to 26,591.84 MWh, and its density was 180.90 MWh equivalent per employee. As the Group further improved its data collection system, energy consumption increased significantly compared with the previous year.

Energy	2020	2019	2018	Unit
Diesel ¹	223.76	376.15	865.07	MWh
Petrol ¹	205.88	268.84	508.85	MWh
Biomass ²	24,560.14	Not available	Not available	MWh
Electricity	1,602.06	2,583.05	3,220.93	MWh
Total energy consumption	26,591.84	3,228.04	4,594.85	MWh
Energy consumption intensity ³	180.90	16.73	11.72	MWh/employee

Water

The Group complies with laws and regulations related to water resources. It has installed water meters for related equipment to ensure that there are clear records of its consumption. In addition, the Group has also formulated relevant measures to promote water conservation information and to effectively monitor and consume water resources.

Office Equipment

- Install water-saving appliances;
- Conduct regular inspection and maintenance of equipment; and
- Relevant department should repair the equipment as soon as possible if abnormal condition is found.

Cultivation of habits

- Put up water saving notices in conspicuous places; and
- Turn off the pipe when it is not in use or after use.

¹ It was calculated according to the "Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)".

² It was calculated assuming that the calorific value of biomass is 9.5 GJ/tonne.

³ As of December 31, 2020, the total number of employees of the Group was 147 (2019: 193; 2018: 392).

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The Group's water consumption mainly comes from the groundwater in the plants and tap water for domestic use in the staff dormitories. During the Reporting Period, the Group's water consumption was 26,730 tonnes, showing a significant increase from the previous year. During the Reporting Period, Dasen (Heze) carried out maintenance and renovation projects in the workshops, which caused the water consumption of the workshop during the construction period had increased significantly.

Water Consumption	Unit – tonnes			Unit – tonnes/employee		
	2020	2019	2018	2020	2019	2018
Total water consumption	26,730	799	862	181.84	4.13	2.2

Glue

Since one of the Group's business operations is the manufacture of plywood products, glue and other adhesives are used for production in daily operations. To further improve the scope of disclosure, the Group disclosed the amount of glue used for the first time and promised to continue to enhance data collection to improve its completeness and accuracy.

During the Reporting Period, the amount of glue used by the Group was 858,170.15 kg.

Glue	2020	Unit
Consumption of Glue	858,170.15	kg

Emissions

Air Pollutants and Greenhouse Gas Emissions

Different equipment are used for the Group's business operations, which generates a certain degree of greenhouse gas and air emissions. To standardise the environmental management work in daily operations, the subsidiaries of the Group have also established the ISO 14001 environmental management system. Through a standardised management system, employees can more clearly understand and comply with relevant regulations. In addition, the Group has formulated the "Pollution Control Procedure for Sewage, Exhaust Gas, Noise and Waste" to monitor the emission of greenhouse gases and pollutants caused by operations, thereby reducing related environmental impacts.

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The Group's emissions are mainly saw dust, volatile organic compounds, boiler exhaust gas and vehicle exhaust gas. As related emissions are inevitable by-products of the Group's operations, employees and administrative personnel would strictly monitor the implementation of corresponding measures and policies to reduce the negative impacts on the environment. The person in charge of environmental issues will regularly review the implementation of measures and policies and report to the management. If an emergency occurs during the production period that causes problems with the sewage system, the person in charge would immediately take measures to avoid further expansion of the affected area and report to the management to establish improvement measures.

Working System

- Use a central dust removal system to suck the gas into a bag filter or cyclone separation system, and have regular checking and cleaning to remove blockages;
- Ensure the effectiveness of the ventilation system of the workshops to avoid potential risks caused by dust accumulation;
- Conduct regular equipment inspection and maintenance to ensure its operating status and safety;
- Cover the chip storage area, and use wind barriers, water sprays or adhesives for materials stacked outdoors to reduce their emissions;
- Use UV photolysis to remove volatile organic compounds; and
- Optimise the working system and increase the loading rate.

Equipment Selection

- Use products certified with environmentally friendly labelling, such as environmentally friendly adhesives and cleaning agents; and
- Classify vehicles and conduct regular inspections to eliminate vehicles that fail to fulfil the national emission policy.

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Through these measures, the Group ensures that the control of air emissions meets the the national emission requirements. During the Reporting Period, the Group's emissions of sulphur dioxide, nitrogen oxides and inhalable particulate matter were 102.98 kg, 1,557.10 kg and 10.19 kg, respectively. Due to the outbreak of the epidemic and the shutdown of the factories, the production line and operations have been affected, resulting in a significant reduction of air pollutant emissions.

Air Pollutants ^{4,5}	Unit – kg		
	2020	2019	2018
Sulphur dioxide	102.98	14,870	9,020
Nitrogen oxide	1,557.10	59,100	35,680
Respirable suspended particulates	10.19	1,180	710

During the Reporting Period, the Group's total greenhouse gas emissions were 1,086.22 metric tonnes of CO₂ equivalent, and its density was 7.39 metric tons of carbon dioxide equivalent per employee. Due to the outbreak of the epidemic and the shutdown of the plants, the utilisation rate of equipment used in operation was reduced, which had led to a significant drop in its emissions. In addition, the Group's emissions from biological sources are 101.75 metric tonnes of CO₂ equivalent.

GHG Emissions ⁶	2020	2019	2018	Unit
Scope 1 – Direct GHG emissions ⁷	108.81	1,417.66	1,104.45	tonnes of CO ₂ equivalent
Scope 2 – Energy indirect GHG emissions ⁸	977.42	1,960.54	2,444.61	tonnes of CO ₂ equivalent
Total GHG emissions	1,086.23	3,378.20	3,549.06	tonnes of CO ₂ equivalent
GHG intensity (by number of employee) ³	7.39	17.50	9.06	tonnes of CO ₂ equivalent/employee
Biogenic emissions ^{9,10}	101.75	Not available	Not available	tonnes of CO ₂ equivalent

⁴ Includes the air pollutants generated by vehicle gasoline consumption, stationary sources, diesel consumption, and biomass consumption of biomass generators.

⁵ Reference calculation criteria: "the Preparation of Air Pollutants Emission Inventory for Road Vehicles (Trial)", "Technical Guidelines for Compiling Air Pollutant Emission Inventory from Biomass Combustion", "Technical Guidelines for Compilation of Primary Source Emission Inventory of Inhalable Particulate Matter (Trial)" and "USEPA, AP-42: Compilation of Air Emissions Factors".

⁶ Reference of calculation criteria: the "Enterprise Greenhouse Gas Emissions Accounting and Reporting Guidelines – Other Industries (Trial)".

⁷ Includes the emissions from gasoline burnt by vehicles and diesel by generators.

⁸ Includes the emissions from electricity, which the emission factors of national grids are used.

⁹ Reference of calculation criteria: "CM-0920V01 Power Plant of Electricity Generation with Biological Waste (1st Edition)".

¹⁰ Bio-source carbon emissions come from the combustion of biomass, which the emission generated is not included in Scope 1 and 2.

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Waste

The Group is committed to reducing waste generated in operations to lower the burden on the environment. The Group's principal waste management policies are reducing waste generation from the source and seeking reuse and recycling. Through the creation of a digitalised working environment, information such as transactional notifications and data transmission would be sent through the network system to reduce the use of paper in office and other resources. If employees need to print or use paper, they should try to use double-sided, reuse or recycle used paper to avoid waste or excessive use that would generate a large amount of waste.

The waste generated in the operation of the Group mainly includes waste sent to waste incineration plants for treatment, agricultural and forestry residues recycled as biomass pellets, and saw foam that is recycled by third parties. As it is impossible to calculate the weight of wood cores that have been recycled by third parties, 2,768,018 wood cores are not included in the data.

Through the implementation of the above-mentioned waste reduction policies and measures, and the impact brought by the epidemic on daily operations, during the Reporting Period, the Group's non-hazardous waste generation amounted to 20,784.42 tonnes, with a density of 141.39 tonnes/number of employees, which was significantly lower than in previous years. Due to the characteristics of the business nature, the Group did not generate any hazardous wastes.

Waste	2020	2019	2018	Unit
Total generated				
non-hazardous waste	20,784.42	24,125	12,654	tonnes
Non-hazardous waste intensity (by number of employee) ³	141.39	125.00	32.28	tonnes/employee

At the same time, the Group also strictly monitors the wastewater generated during operations in accordance with the environmental operation control procedures and the government's sewage discharge standards. The sewage generated in daily production and operation is purified by underground sewage treatment equipment before being discharged into the urban sewage pipeline network.

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During the Reporting Period, the Group's wastewater discharge volume was 26,730 tonnes, an obvious increase from the previous year. As the epidemic poses threats to the health and safety of the community and employees, some employees are more aware of personal health and environmental hygiene, which greatly increases the amount of wastewater generated in operations. At the same time, Dasen (Heze) carried out workshop maintenance and renovation projects, in which the water resources of the workshop were used during the construction period, resulting in a significant increase in its disposal.

Wastewater	2020	2019	2018	Unit
Total generated wastewater	26,730	799	862	tonnes

The Group complies with the laws and regulations relevant to emissions, such as "Environmental Protection Law of the People's Republic of China", "Law of the People's Republic of China on the Prevention and Control of Water Pollution", "Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution", "Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution" and "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste". The Group understands that violating relevant laws and regulations will bring civil and/or criminal consequences to the Group, as well as negatively affect operations and corporate reputation. During the Reporting Period, the Group did not violate any laws and regulations related to emissions.

Environment and Natural Resource

The Group's business relies heavily on natural resources, including forest resources. To reduce the actual or potential impacts brought by the operation to natural resources, the Group complies with relevant laws and regulation, including the "Environmental Protection Law of the People's Republic of China", "Forestry Law of the People's Republic of China" and "Regulation on the Implementation of the Forestry Law of the People's Republic of China", and implement them into operations.

The Group is committed to reducing the impact of the production process and has obtained timber transportation permits in accordance with relevant laws and regulations. The Group would also supervise the method to obtain timber to ensure its legality and controlled environmental impact, including only using timber obtained with logging permits to avoid over-exploitation of natural resources, which may cause significant problems. In addition, the Group would also reject or terminate the cooperation with suppliers that cause significant impacts on forest resources to ensure the sustainability of resources.

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During the Reporting Period, the Group consumed 212,950.75 cubic meters of poplar wood, a decrease from the previous year's consumption.

Timber	2020	2019	2018	Unit
Total timber consumption	212,950.75	226,850	203,818	cubic meters

Climate Change

Years of economic and social development have increased the burden on the environment, causing significant impacts on various places' environment and ecology. It leads to climate changes that would have taken multiple generations or civilisations within decades. Subsequent problems such as extreme weather and rising water temperature threaten the lives of human and other species, and affect the economic performance.

Frequent natural disasters may also have a negative impact on the Group's own operations. To reduce the impact, the Group is committed to formulating relevant systems to identify issues and responding actions to ensure that it would not cause indelible impacts on operations and employees. For example, extreme weathers, such as heavy rains and extreme heat, may affect the production schedule and bring safety and health hazards to employees. The Group plans to formulate responding actions to problems caused by climate change in the future and is committed to ensuring the safety of employees and assets.



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COMMUNITY INVESTMENT

The Group understands that helping the society to develop stably and giving back to the society in different ways are the basic social responsibilities of an enterprise. To strengthen the supervision, the Group ensures it has fulfilled its social responsibility by developing the “Temporary Regulation of Philanthropy of Dasen (Heze)” according to the “Articles of Association of Meisen (Shandong) and Dasen (Heze)”, “Company Law of the PRC” and other related laws and regulations.

During the Reporting Period, Dasen (Heze) helped the development of the construction project of agricultural product wholesale market at Chengwu County. The disused biomass pellet factory was leased to third parties on demand for the development and operation of agricultural product wholesale market. Since there was no formal agricultural product wholesale market in Chengwu County before, and the sanitation level of the small agricultural product wholesale market was poor, this initiative had successfully improved the related situation. In addition, Meisen (Shandong) also donated RMB2,000 to the Chengwu County Charity Federation during the Reporting Period for the purchase of epidemic prevention materials, ensuring the supply of personal protective equipment for citizens of the community.

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APPENDIX

Key Performance Indicators Summary

Environmental Key Performance Indicators

	2020	2019	2018	Unit
Air Pollutants				
Sulphur dioxides	102.98	14,870	9,020	kg
Nitrogen oxides	1,577.10	59,100	35,680	kg
Respirable suspended particulates	10.19	1,180	710	kg
GHG Emissions				
Scope 1 – Direct GHG emissions	108.81	1,417.66	1,104.45	tonnes of carbon dioxide equivalent
Scope 2 – Energy indirect GHG emissions	977.42	1,960.54	2,444.61	tonnes of carbon dioxide equivalent
Total GHG emissions	1,086.22	3,378.20	3,549.06	tonnes of carbon dioxide equivalent
GHG intensity (by number of employees)	7.39	17.50	9.06	tonnes of carbon dioxide equivalent/ employee
Biogenic emissions	101.75	Not available	Not available	tonnes of carbon dioxide equivalent
Waste				
Total non-hazardous waste generation	20,784.42	24,125	12,654	tonnes
Non-hazardous waste intensity (by number of employees)	141.39	125.00	32.28	tonnes/employee
Total generated wastewater	26,730	799	862	tonnes
Energy Consumption				
Diesel	223.76	376.15	865.07	MWh
Petrol	205.88	268.84	508.85	MWh
Biomass	24,560.14	Not available	Not available	MWh
Electricity	1,602.06	2,583.05	3,220.83	MWh
Total energy consumption	26,591.84	3,228.04	4,594.85	MWh
Energy intensity (by number of employees)	180.90	16.73	11.72	MWh/employee
Water Consumption				
Total water consumption	26,730	799	862	tonnes
Water consumption intensity (by number of employees)	181.84	4.13	2.2	tonnes/employees
Glue				
Consumption of Glue	858,170.15	Not available	Not available	kg
Packaging Material				
Total packaging material	6,760.00	13,564	366,461	pieces
Timber				
Total timber consumption	212,950.75	226,850	203,818	cubic meters

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Social Key Performance Indicators

			2020
Total Employee			
By gender	Male		60
	Female		87
By age group	Below 30 years old		14
	30-40 years old		41
	41-50 years old		42
	Above 50 years old		50
By employment type	Full time		147
	Part time		0
By geographical region	Shandong Province		132
	Fujian Province		4
	Auhui Province		2
	Sichuan Province		2
	Guangxi Province		1
	Hebei Province		1
	Hanan Province		1
	Heilongjiang Province		1
	Jilin Province		1
	Liaoning Province		1
	Guizhou Province		1
By employment category	General employee		141
	Middle management		5
	Senior management		1
	C-level executives		0
Total			147
Employee Turnover Rate			
By gender	Male		9%
	Female		15%
By age group	Below 30 years old		3.5%
	30-40 years old		14%
	41-50 years old		3.5%
	Above 50 years old		3%
By geographical region	Shandong Province		22%
	Hebei Province		0.5%
	Henan Province		1%
	Jilin Province		0.5%
Total			24%

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			2020
Health and Safety			
Work-related injuries			2
Lost days due to work-related injuries			18
Work-related fatalities			0
Supplier			
Geographical region	Mainland China		70
	Nature		
	Raw material		52
	Water, electricity and other services		18
Total			70

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SEHK ESG REPORTING GUIDE CONTENT INDEX

Material Aspects	Content	Page Index/Remarks
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	22, 26
A1.1	The types of emissions and respective emissions data.	23-24, 29
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.	24, 29
A1.3	Total hazardous waste produced and, where appropriate, intensity.	25, 29
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	25, 29
A1.5	Description of emission target(s) set and steps taken to achieve them.	23
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	25
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	20
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	21, 29
A2.2	Water consumption in total and intensity.	22, 29
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	20
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	21

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Material Aspects	Content	Page Index/Remarks
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	29
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	26
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	26
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	27
A4.1	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	27
B1 Social		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	7-8, 10
B1.1	Total workforce by gender, employment type, age group and geographical region.	9-10, 30
B1.2	Employee turnover rate by gender, age group and geographical region.	10, 30

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Material Aspects	Content	Page Index/Remarks
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	11, 13
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	There is no work-related fatalities occurred in the past three years.
B2.2	Lost days due to work injury.	31
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	12-13
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	13-14
B3.2	The average training hours completed per employee by gender and employee category.	During the Reporting Period, total of 20 employees received average training of 2 hours. While the relevant data by gender and employee category of the Group is not available for the Reporting Period, the Group is committed to enhancing the data collection and disclosure in the future.
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	9-10
B4.1	Description of measures to review employment practices to avoid child and forced labour.	9
B4.2	Description of steps taken to eliminate such practices when discovered.	9

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Material Aspects	Content	Page Index/Remarks
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	18
B5.1	Number of suppliers by geographical region.	19, 31
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	18-19
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	18
B5.4	Description of practices used to promote environmentally preferable products and service when selecting suppliers, and how they are implemented and monitored	18
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	15-17
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	16
B6.2	Number of products and service related complaints received and how they are dealt with.	17
B6.3	Description of practices relating to observing and protecting intellectual property rights.	The issue is not material to the Group's business
B6.4	Description of quality assurance process and recall procedures.	16
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	17

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Material Aspects	Content	Page Index/Remarks
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	17-18
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.	18
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	17-18
B7.3	Description of anti-corruption training provided to directors and staff.	17
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	28
B8.1	Focus areas of contribution.	28
B8.2	Resources contributed to the focus area.	28