



Greenheart Group  
綠心集團

# 2021

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**GREENHEART GROUP LIMITED**

綠心集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 94)**

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## ABOUT THIS REPORT

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This Environmental, Social and Governance Report (the “**Report**”) is prepared in accordance with the requirements of the “Environmental, Social and Governance Reporting Guide” contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

### BOARD STATEMENT

The board of directors (the “**Board**”) of Greenheart Group Limited (“**Greenheart**” or the “**Company**” or “**we**” or “**our**”) and its subsidiaries (collectively the “**Group**”) is fully responsible for the oversight and decision making of the Group’s environment, social and governance (“**ESG**”) matters. The Board has the overall responsibility of formulating the Group’s strategies, policies, practices on ESG matters, overseeing the ESG reporting and monitoring the implementation of ESG-related measures of the Group.

To further integrate ESG practices into our business operations, the Board has delegated this responsibility to the senior management of the Group (“the **Management**”), which has the responsibility for the planning and implementation of measures in order to achieve the ESG goals and targets set by the Board. To ensure effective implementation of the Group’s sustainability policies, updates on ESG-related policies, progress, goals and targets are reported to the Board and discussed periodically.

This Report has been reviewed and endorsed by the Board.

For further information regarding the management of risks to the Group’s businesses, please refer to the “Risk Management and Internal Control” on pages 30 to 31 in our Annual Report 2021.

### REPORTING SCOPE AND PERIOD

The content contained in the Report focuses on providing an overview of the ESG performance of the Group. It covers the reporting period from 1 January 2021 to 31 December 2021 (the “**Year**”) on information and activities of our headquarter in Hong Kong and our overseas operations in New Zealand and Suriname.

## ABOUT THIS REPORT

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We have evaluated the materiality of the key ESG issues arising from our business and have prioritized the issues that the Management believed are most important to our business and stakeholders in this Report. This Report sets out the Group's overall sustainability approaches and policies through four different areas, namely, environmental protection, our people, operating practices, and community involvement.



The Report contains forward-looking statements that are based on certain assumptions and expectations at the time of its publication, which we have deemed to be reliable after careful consideration. These statements involve known and unknown risks and uncertainties, which means that actual results may differ from the expectations, forecasts and/or conclusions made herein. No guarantee is expressed or implied as to the accuracy of these forward-looking statements and the Company expressly disclaim any liability for and assume no responsibility for correcting or updating these forward-looking statements in the event that any of these statements does not materialize or turns out to be incorrect.

## REPORTING PRINCIPLES

The following reporting principles have been applied in the preparation of the Report:

**Materiality:** The information disclosed in this Report is carefully collected, assessed and presented based on its importance to the business of the Group and to the key stakeholders.

**Quantitative:** The relevant standards, methodologies and assumptions used to prepare the quantitative information in this Report are disclosed, as appropriate. Quantitative information is provided with narrative and comparative figures, where possible.

## ABOUT THIS REPORT

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**Balance:** The information in this Report is presented without the inappropriate use of selections, omissions or other forms of manipulation that would influence a decision or judgment by the reader.

**Consistency:** This Report is prepared according to the ESG Reporting Guide issued by the Stock Exchange, unless otherwise specified. Should there be any changes in the methodologies used in the calculation of key performance indicators or any other relevant factors or statements affecting a meaningful comparison, a full explanation of the relevant change will be disclosed where applicable.

## ACCESS OF THE REPORT

The Report is available in Chinese and English. In case of any inconsistency between the two versions, the English version shall prevail. The electronic version of this Report can be downloaded on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.greenheartgroup.com>).

## ABOUT US

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Greenheart Group Limited is a Hong Kong listed company (Stock Code: 94) engaged in log harvesting, timber processing, marketing, sales and trading of logs and timber products, provision of forest management services and managing harvest right of concession. Headquartered in Hong Kong, the Group currently owns softwood plantations in New Zealand and certified hardwood concessions in Suriname, South America.

## MISSION AND VISION

The Group is committed to making proactive efforts to continuously interact with key stakeholder groups, which comprise its customers, employees, investors, shareholders service providers and the community, through various channels to understand and address their concerns. The engagement channels with stakeholders include general meetings, corporate website, corporate announcements, annual and interim reports, regular dialogue with employees and networking with service providers.

As a responsible forestry company, our vision is to grow sustainable forestry assets around the world to serve the growing wood deficits in China and the demands of other markets. We embed the sustainability principles into the core of our business strategy, including the focus on the way to protect our forests for the future, to create long-term economic value for our shareholders and to ensure our employees having a safe and healthy working environment.

Greenheart understands that as the demands placed on our planet increase for commodities and natural resources, finding a balance between the needs of mankind and the preservation of our planet is increasingly important. Our biggest asset is our forests. We have set ourselves the highest standards in research and in developing and operating our forests in order to preserve our key assets.

Greenheart is firmly committed to implementing measures to improve the three pillars of sustainability – Environmental, Social and Governance. We believe that sustainability in business is essential to the development of the Company. By adopting sustainable practices, we will gain competitive edge, increase our market share and eventually bring value to our shareholders in the long run. On top of that, we will continuously extend our efforts to improve the local communities that we work with, with a constant focus on social responsibility and to improve the livelihood of the people who live there.

## **ENVIRONMENTAL PROTECTION**

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Greenheart has been persistent in conducting its business in an environmentally responsible manner and takes measures to reduce the possible impact on the environment arising from its production and operating activities. We will closely monitor our greenhouse gas emissions and energy consumption and will stay abreast of environment-related regulatory developments in the respective areas where the Group operates.

Our ultimate goal is to achieve the balance between business growth and environmental protection by improving the operations and practices as well as encouraging the employees to adopt environmentally responsible behavior in workplace.

### **A. GREENHOUSE GAS AND CARBON EMISSIONS**

As a forestry and plantation company, Greenheart is aware of the essential role of trees in reducing carbon emissions and hence, we strive to protect the forests and take a sustainable forest management approach so as to maintain the balance between harvesting forest resources for business and the need for the environmental protection. We believe this is also the utmost concern of our stakeholders.

Majority of our carbon footprint is created in the harvesting, trucking and processing activities. Below is the detailed analysis by different divisions:

#### **New Zealand Division**

Our New Zealand division's operations consist of plantation, forest management, harvesting and sale of logs. Below are the types of emissions and respective emission data regarding different activities:

## ENVIRONMENTAL PROTECTION

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### A. GREENHOUSE GAS AND CARBON EMISSIONS (CONT'D)

#### New Zealand Division (cont'd)

##### *Plantation*

All our New Zealand plantations are developed on lands which are unsuitable for farming. As at 31 December 2021, the stocked area is projected to be 13,068 hectares with a further 570 hectares awaiting replanting. The sole commercial specie is radiata pine. Over 81% of the estate is planted on freehold land and will be replanted within 12 months after harvesting. The remaining balance of our estate is held in the form of cutting rights. We will return the related land to the land owners after harvesting. Strict environment controls are in place to minimize harm to the environment as well as the local community. The average age for harvesting is 28 years.

Through carbon sequestration process, our New Zealand forests capture CO<sub>2</sub> from the atmosphere through biological, chemical, and physical process and to offset an emission made elsewhere. The graph below shows the carbon we capture per hectare based on a 28 years rotation.

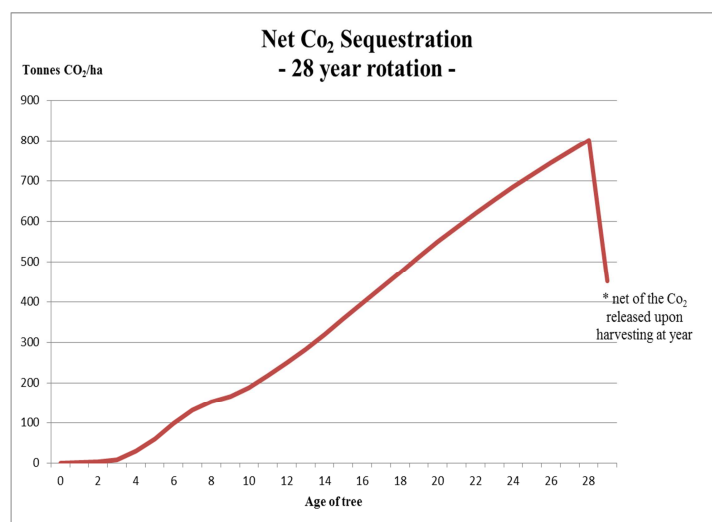
The drop at the tail-end (at 28<sup>th</sup> year) accounts for the roots and branches that rot on the ground and release CO<sub>2</sub>. The table below assumes that most of the radiata pines we harvested and sold are used for infrastructure and construction and therefore CO<sub>2</sub> will be locked in these products as long as they are in service.



## ENVIRONMENTAL PROTECTION

### A. GREENHOUSE GAS AND CARBON EMISSIONS (CONT'D)

#### New Zealand Division (cont'd)



In summary, the net CO<sub>2</sub> absorbed by our plantation activities throughout the life of the radiata pines (i.e. 28 years) is approximately 451 tonnes CO<sub>2</sub> per hectare (after netting of approximately 350 tonnes CO<sub>2</sub> released from residual roots and branches). Given that Greenheart has a total of 15,819 hectares of plantation lands, it is estimated that the net CO<sub>2</sub> absorbed in a full 28-year rotation cycle of our plantation could be as high as 7.2 million (2020: 7.2 million) tonnes.

#### *Harvesting and sales*

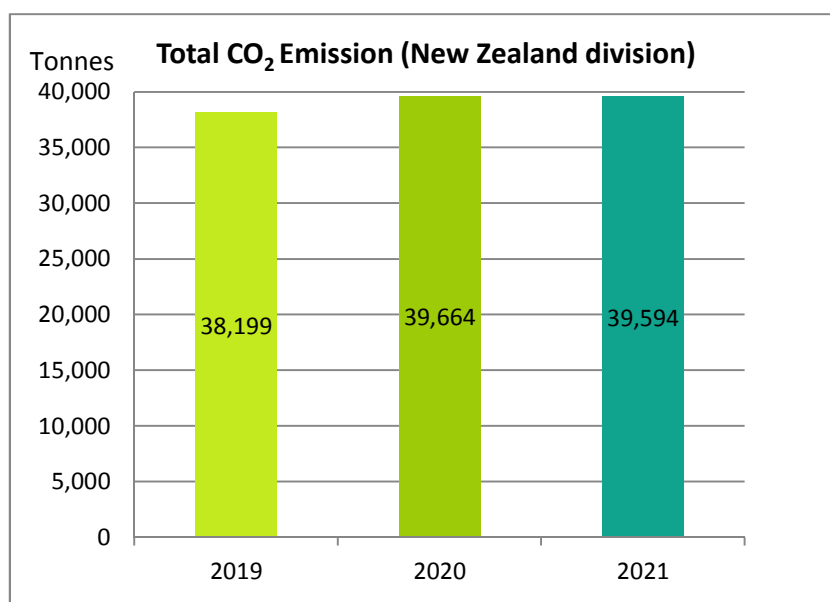
The emissions from harvesting activities are limited to the exhaust fumes emitted by harvesting machinery, log transport trucks and vehicles.

It is estimated that a total of 39,594 tonnes (2020: 39,664 tonnes) of CO<sub>2</sub> are emitted based on the volume of fuel used in the harvesting and sales activities during 2021 in New Zealand division.

## ENVIRONMENTAL PROTECTION

### A. GREENHOUSE GAS AND CARBON EMISSIONS (CONT'D)

#### New Zealand Division (cont'd)



A further breakdown of CO<sub>2</sub> emission from each of our operation activities in New Zealand, together with the comparative figures, is provided in the following table:

Operation Activities	2019 (in tonnes)	2020 (in tonnes)	2021 (in tonnes)
Harvesting ( <i>approx. 9.80kg/tonne of logs</i> )	3,868	3,712	3,568
Transport ( <i>approx. 6.00kg/tonne of log</i> )	3,073	3,073	3,429
Export Sales (Shipping) ( <i>approx. 0.01kg/tonne of logs/km</i> )	31,258	32,879	32,597
<b>Total</b>	<b>38,199</b>	<b>39,664</b>	<b>39,594</b>

## ENVIRONMENTAL PROTECTION

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### A. GREENHOUSE GAS AND CARBON EMISSIONS (CONT'D)

#### Suriname Division

Greenheart continually adheres to the standards required for responsible forest management and complies with all applicable laws and regulations in order to promote rational use of forest resources. Greenheart adapts CELOS harvesting system (“CHS”) for all its forestry operation in Suriname. CHS aims to diminish logging damage and to improve the efficiency of logging operation. It is achieved mainly through focus on planning, timing of operations, directional felling, and winched extraction techniques. Another important requirement of CHS is that the attention to long-term aspects of forest management goes beyond efforts to minimize damage to vegetation and soil, the entire infrastructure, including the main skid trails, is designed in such a way that it can be utilized again in future. Furthermore, we adhere to Police Penal Code of 1875 in order to protect the natural environment in Suriname.

Other than the harvesting method, CHS also restricts the maximum harvest quantity to not more than 25 m<sup>3</sup> per hectare over a 25-years growth cycle. Greenheart’s harvested volume in 2021 is 4.6 m<sup>3</sup> (2020: 4.1 m<sup>3</sup>) per hectare which is far below the harvesting volume requirement under CHS.

At present, there is no record about the quantity of CO<sub>2</sub> that is released from trees due to our harvesting activity in Suriname. Given that our Suriname operation has adopted CHS, it should help minimize the damage to vegetation and soil. Moreover, given that our harvesting volume is substantially lower than the CHS requirement (i.e. the annual growth rate of the forest), the forest should be able to regenerate and absorb CO<sub>2</sub> during its growth.

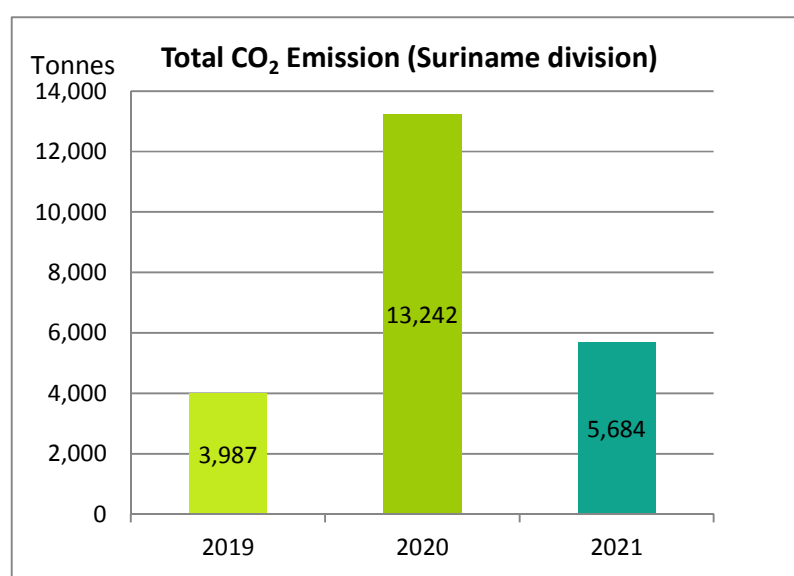
## ENVIRONMENTAL PROTECTION

### A. GREENHOUSE GAS AND CARBON EMISSIONS (CONT'D)

#### Suriname Division (cont'd)

Near the end of 2019, the Group resumed the harvesting activities in its largest concession in west Suriname, after successful renewal of the concession license. The harvesting level gradually returned to normal in 2020. Given this, substantial increase in CO<sub>2</sub> and certain kinds of Greenhouse Gas (“GHG”) emission was recorded during 2020. However, due to the lock down measures taken to contain the spread of the COVID-19 and extended rainy season, the harvesting activities were forced to slow down again during the Year.

To effectively mitigate carbon footprint, we use specific types of machinery and methods for harvesting which can produce less emissions arising from our harvesting activity. It is estimated that a total of 5,684 tonnes (2020: 13,242 tonnes) of CO<sub>2</sub> are emitted based on the volume of fuel used in the harvesting and sales activities during 2021 in Suriname division.



## ENVIRONMENTAL PROTECTION

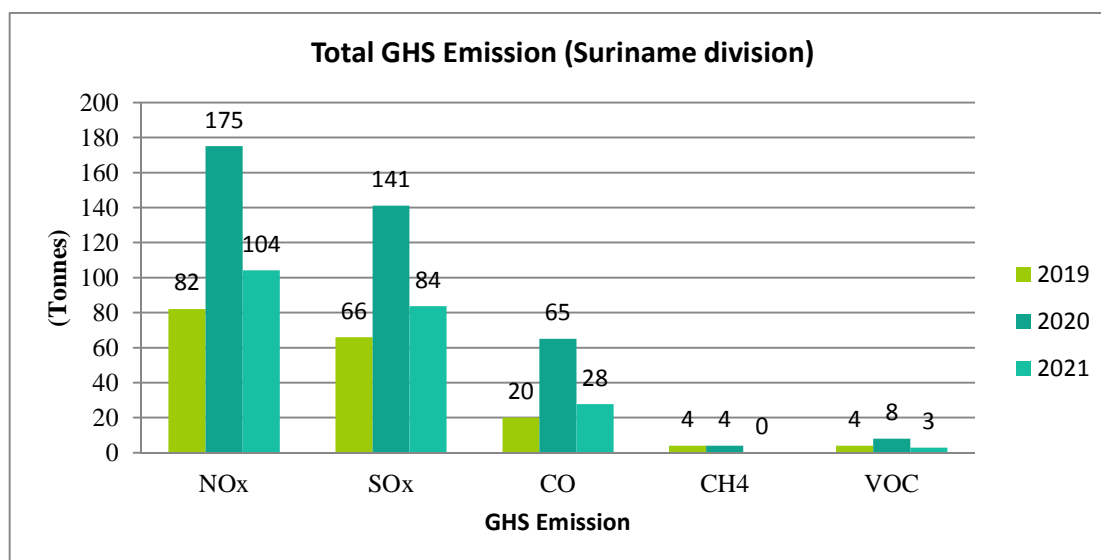
### A. GREENHOUSE GAS AND CARBON EMISSIONS (CONT'D)

#### Suriname Division (cont'd)

A further breakdown of CO<sub>2</sub> emission from each of our operation activities in Suriname is provided in the following table:

Operation Activities	2019 (in tonnes)	2020 (in tonnes)	2021 (in tonnes)
Energy Generators (approx. 59.05kg/CBM harvested logs)	880	1,880	1,120
Harvest and Roading (approx. 8.85kg/CBM harvested logs)	47	955	173
Trucking (approx. 21.27kg/CBM harvested logs)	85	3,807	484
Barging (approx. 6.232kg/CBM harvested logs)	0	234	113
Export Sales (Shipping) (approx. 439.63kg/CBM exported logs and lumber)	2,975	6,366	3,794
<b>Total</b>	<b>3,987</b>	<b>13,242</b>	<b>5,684</b>

Regarding other GHG emission from our Suriname operation in 2021, the following were calculated based on the fuel consumption data available.



## ENVIRONMENTAL PROTECTION

### A. GREENHOUSE GAS AND CARBON EMISSIONS (CONT'D)

#### Suriname Division (cont'd)

	Operation Activity	2019 (tonnes)	2020 (tonnes)	2021 (tonnes)		Operation Activity	2019 (tonnes)	2020 (tonnes)	2021 (tonnes)
<b>NOx</b>	Energy (Generators)	0	0	0	<b>SOx</b>	Energy (Generators)	0	0	0
	Harvest and Roding	0	0	0		Harvest and Roding	0	0	0
	Trucking	0	0	0		Trucking	0	0	0
	Barging	0	0	0		Barging	0	0	0
	Export Sales	82	175	104		Export Sales	66	141	84
	<b>Total</b>	<b>82</b>	<b>175</b>	<b>104</b>		<b>Total</b>	<b>66</b>	<b>141</b>	<b>84</b>
<b>CO</b>	Energy (Generators)	5	9	5	<b>CH4</b>	Energy (Generators)	1	1	0
	Harvest and Roding	4	5	1		Harvest and Roding	1	1	0
	Trucking	3	19	2		Trucking	1	1	0
	Barging	1	1	1		Barging	0	0	0
	Export Sales	14	31	18		Export Sales	1	1	0
	<b>Total</b>	<b>20</b>	<b>65</b>	<b>28</b>		<b>Total</b>	<b>4</b>	<b>4</b>	<b>0</b>
<b>VOC</b>	Energy (Generators)	1	1	1					
	Harvest and Roding	1	1	0					
	Trucking	1	2	0					
	Barging	0	0	2					
	Export Sales	1	4	0					
	<b>Total</b>	<b>4</b>	<b>8</b>	<b>3</b>					

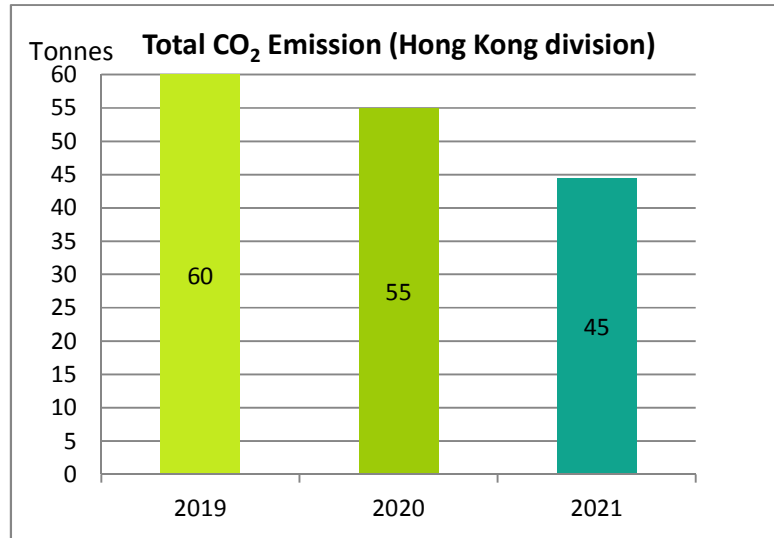
## ENVIRONMENTAL PROTECTION

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### A. GREENHOUSE GAS AND CARBON EMISSIONS (CONT'D)

#### Hong Kong Head Office

During the Year, the CO<sub>2</sub> emission in Hong Kong Head Office is mainly generated from the consumption of purchased electricity amounting to 45 tonnes (2020: 55 tonnes).



## ENVIRONMENTAL PROTECTION

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### **B. NON-HAZARDOUS WASTE**

The only type of non-hazardous waste Greenheart produces during its production process is the roots and branches left in the forests after harvesting and waste wood produced when log bolts are cut into lumber in sawmill. No hazardous waste was produced during the production process in the Year due to the business nature of the Group.

#### **New Zealand Division**

The wood waste from the operation in New Zealand division is mainly the roots and branches left in forest after the harvesting. As mentioned above, there will be approximately 350 tonnes CO<sub>2</sub> per hectare released from roots and branches after harvesting. Based on the total hectares of plantation which are harvested in 2021, a total of 6,997 tonnes (2020: 132,300 tonnes) CO<sub>2</sub> were released due to the harvesting activities.

#### **Suriname Division**

Same as New Zealand division, Suriname harvesting activity will also cause roots and branches left in the forest. On top of that, most of the waste wood in Suriname division is produced when log bolts are cut into lumber in the sawmill.

On average, the sawmill turns log bolts into Green Rough Sawn (GRS) with an efficiency of 40%, resulting in 60% wood waste that can be used for, for example, bio-energy production. The Company is looking into other recover wood products such as Charcoal and Artistic furniture.

The refitting of the wood-based bio-energy plant in West Suriname was still awaiting for further review during the Year. Should this plant resume operation, it can be used to maximize the use of the wood waste for bio-energy to power the wood processing facility and substantially reduce carbon emissions by reducing the consumption of diesel.



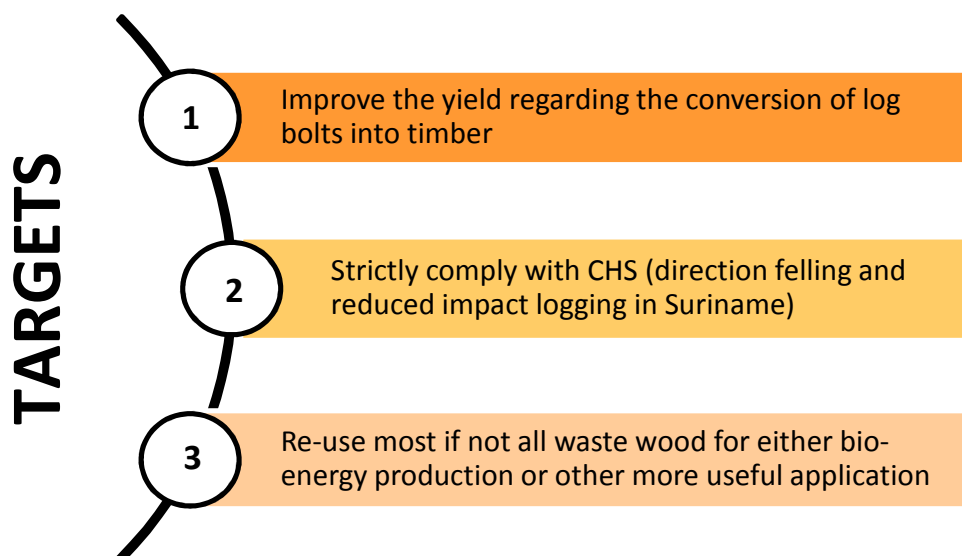
## ENVIRONMENTAL PROTECTION

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### C. EFFICIENT USE OF RESOURCES

#### *Wood*

Wood is the Group's main product and producing materials, thus the optimization of the use of wood is of the utmost importance to the Group from both commercial and environmental perspectives. Therefore, there are constant strives across the Group for the best and efficient methods on the usage of wood.



#### *Packaging Materials*

With the aim to effectively reduce the use of packaging materials and avoid waste, unless customers request, all our logs are sold unpackaged and packaging materials are limited to metal straps and plastic wrap. In 2021, we consumed a total of 0.84 tonne (2020: 0.60 tonne) of metal strap and 0.27 tonne (2020: 0.15 tonne) rolls of plastic wrap for packaging.

#### *Electricity*

The resources used by Greenheart are principally attributed to electricity consumed at its offices and the fuel oil consumed from harvest machinery and log transport trucks.

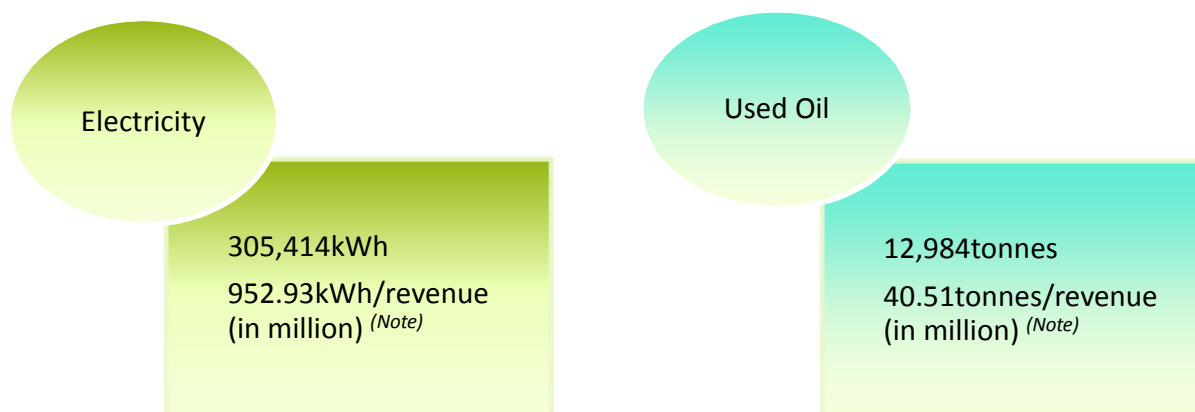
## ENVIRONMENTAL PROTECTION

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### C. EFFICIENT USE OF RESOURCES (CONT'D)


#### *Electricity (cont'd)*

#### Energy consumption of the Group in 2021



*Note:* Intensity is calculated by dividing the Group's revenue of HK\$320.5 million in 2021.

The Group has always placed great emphasis on energy conservation. To achieve this, we continually apply efficient energy consumption strategy to improve energy saving and reduce energy consumption.

To green our office, Greenheart actively promotes the **3R**  concepts - "Reduce, Reuse and Recycle" in daily business activities.

**ENVIRONMENTAL PROTECTION**

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**C. EFFICIENT USE OF RESOURCES (CONT'D)**

*Electricity (cont'd)*

**R**educe

- maintain the office temperature at 25.5°C
- install energy-efficient light tubes and use natural daylight for office as far as possible
- remind employees to switch off all computers, office equipment and air-conditioners when not in use
- use audio/video conferencing to reduce business travels
- promote paperless office which encourage staff to read and send documents electronically to reduce printing and to print and photocopy documents on both sides of paper

**R**euse

- a clear label tray with one-sided printed paper is placed near the photocopies to encourage staff to use those paper print informal documents or draft
- reuse paper boxes for storage or archiving documents instead of throwing them away

**R**ecycle

- collection of waste paper for recycling
- collection of toner cartridges for recycling

## ENVIRONMENTAL PROTECTION

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### C. EFFICIENT USE OF RESOURCES (CONT'D)

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#### *Water*

The Group does not need to use a lot of water in its Suriname sawmill operations which used water mainly for cooling saw blades. We do not face any difficulty in sourcing water for our Suriname sawmill operations as all the production facilities are located near rivers. For New Zealand plantation, the Group simply uses rainwater to plant the trees. The consumption of water in Hong Kong headquarter and offices in New Zealand and Suriname is minimal and is used mainly for drinking and hygiene needs. Having said that, the Group attaches importance to efficient use water resources. It is our commitment to reduce water consumption as much as we can.

Furthermore, during the Year, in order to protect the environment, we have:

- ✓ joined the “No Air-con Night 2021” organized by Green Sense
- ✓ joined the red packets recycle and reuse programme organized by Greeners Action
- ✓ joined the “Earth Hour 2021” organized by the World Wide Fund for Nature

## ENVIRONMENTAL PROTECTION

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### D. ENVIRONMENT AND CLIMATE CHANGE

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Greenheart is committed to conducting its business activities in an environmentally conscious manner and it strives to mitigate the environmental impacts caused by our operations. To achieve this, the Group has established the “Corporate Environmental Policy” which sets out the measures for controlling the forest/plantation operations in both New Zealand and Suriname divisions. Measures include, but not limited to:

- A lot of plants were placed in offices to purify the air and cleanse the working environment;
- Conduct environmental impact assessments on a regular basis;
- Ensure stream and waterways are protected and not disturbed by harvest activities;
- Protect native plants and fruits that may border the harvest area;
- No exotic species or genetically modified organism are used at any stage of production process;
- The use of chemicals is limited and whenever chemicals are used, a register will be kept for monitoring purpose;
- The timber harvesting never exceed the sustainable yield of the forest;
- Reduce erosion through correct engineering and seeding of disturbed areas;
- Production activity will be stopped during period of heavy rainfall to protect the soil; and
- No production activity will take place in vulnerable areas and high conservation value forests.

The Group is also mindful of the risks posed by extreme weather to its operations. These extreme weather conditions may not only cause physical damage to our premises, facilities and properties, but may also endanger the lives and safety of our employees. Heavy rainfall in Suriname may slow down our harvesting activity and disrupt our inland logistic. Heat waves in southern hemisphere may increase the risk and extent of wildfires. Our management and staffs in Suriname and New Zealand will regularly monitor the weather conditions and will take necessary actions to mitigate the impact.

## ENVIRONMENTAL PROTECTION

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### **D. ENVIRONMENT AND CLIMATE CHANGE (CONT'D)**

The Group has developed contingency plans to cope with certain extreme and inclement weather. In the course of adverse weather conditions such as typhoon, rainstorm and hot weather, the management will re-deploy their manpower and take precautionary measures, as well as making sure its staff can be better protected when they travel to and from work. Because of the occurrence of foreseeable natural disasters, a natural disaster warning announcement will be issued to all employees of the Group, listing the types of disaster warnings (such as typhoons, rainstorms, earthquakes, and hot weather) and the level of disaster warning, in order to ensure the safety of employees. The Group will also refer to the recommendations of local governments and formulate corresponding protective measures and try our best to avoid any physical damage.

# OUR PEOPLE

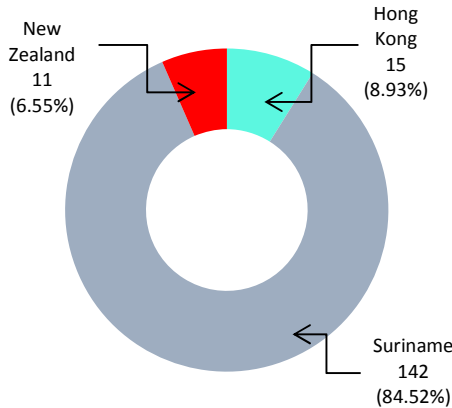
Employees are one of our key stakeholders. Greenheart cares about our employees and regards them as one of the important resources for the development of the Company. To attract and retain the best people for the Group, we endeavor to build a comfortable, healthy and equal working environment for our employees and ensure that all their rights and interests are protected.

## A. EMPLOYMENT AND LABOUR PRACTICES

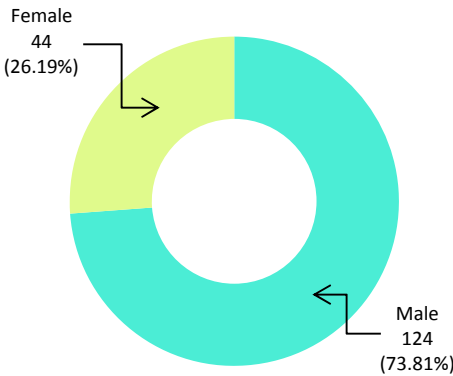
As at 31 December 2021, the Group has a total of 168 (2020: 183) employees. During the Year, 19 employees had resigned. It represented an annual turnover rate of 11.30%.

The total number and distribution of employees of the Group, by region, gender, age group and employment type, as at 31 December 2021 are detailed below:

*Employees by Region*



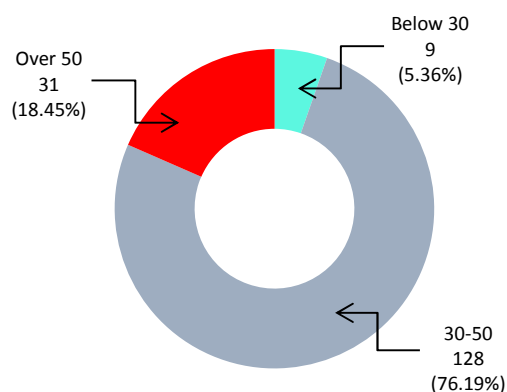
*Employees by Gender*



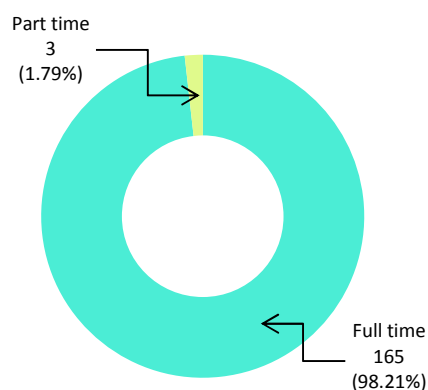
## OUR PEOPLE

### A. EMPLOYMENT AND LABOUR PRACTICES (CONT'D)

*Employees by Age Group*



*Employees by Employment Type*



Below is the detailed breakdown of employee turnover rate by region, gender, age group and employment type, during the Year:

	Turnover rate		
	Hong Kong	Suriname	New Zealand
<b>By Region</b>	11.76%	9.55%	15.38%
<b>By Gender</b>			
Male	12.50%	11.29%	22.22%
Female	11.11%	3.03%	0%
<b>By Age Group</b>			
Below 30	0%	0%	0%
30-50	7.14%	7.89%	16.67%
Over 50	33.33%	17.14%	0%
<b>By Employment Type</b>			
Full time	12.50%	9.55%	18.18%
Part time	0%	0%	0%



## OUR PEOPLE

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### **A. EMPLOYMENT AND LABOUR PRACTICES (CONT'D)**

The Group prohibits child labour and forced labour in any workplace. We strictly abide to Children and Young Persons Employment Act in Suriname, Employment of Children Regulations & Employment of Young Persons (Industry) Regulations in the Employment Ordinance in Hong Kong and the relevant laws in New Zealand to combat against child labour and forced labour.

During the Year, the Group strictly complied with all applicable labour standards and employment laws and regulations of its respective operating bases and no non-compliance related to employment was noted. Should there be discovery of any violations of labour regulations, the responsible personnel or department head would immediately report to the administration department, which will then take appropriate remedial measures. Serious violations will be reported to appropriate statutory or investigative agency where necessary.

We believe that each employee should be treated equally and ensure that employees in the workplace or job applicants during the recruitment process will not be subject to any form of discrimination.

All applicants invited for interview are required to provide valid personal identification documents and educational certificates before recruitment. The Group ensures all applicants for employment are over the age for completing compulsory education or the minimum age for employment in order to avoid child labour. Background checks are also carried out when deemed necessary. All the employment contracts entered into between the Group and the successful applicants clearly specified the working hours and in the Group's employee handbook.

Depending on the needs of the job positions, the Group recruits talents through different recruitment channels, including internal recommendation, internal promotion, job transfer or social recruitment.

All employees and job applicants are assessed based on their skills, qualification and performance irrespective of their ages, marital status, races, religions and nationality, gender, disability, sexual orientation or political background.

## OUR PEOPLE

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### **A. EMPLOYMENT AND LABOUR PRACTICES (CONT'D)**

The Group adopted an employee handbook that includes the terms and conditions of employment, the staff benefits and the office rules and policies. Furthermore, all employees of the Group have entered into written employment contracts and such contracts will include dismissal term where the Group has the right to terminate such contract with an employee who willfully violates local laws and regulations and the Group's policy.

Employees' remuneration packages include basic salaries and performance-based bonuses which shall be determined by their qualifications, experience and prevailing market rates. Salaries and promotion opportunities are normally reviewed annually based on individual performance appraisals. Apart from the basic remuneration package, Greenheart also offers a wide range of benefits including medical and hospital insurance coverage and paid leaves for sick, marriage and bereavement in addition to statutory holidays. All of our employees' remuneration packages are protected by Minimum Wage Act 2019 in Suriname, Wages Protection Act 1983 in New Zealand and Minimum Wage Ordinance in Hong Kong.

All employees enjoy rest days, statutory holidays and paid annual leave according to the respective government laws and regulations. No employee is paid less than the minimum wage specified by the government regulations in different jurisdictions.

To improve operation efficiency in our Suriname division, we have undergone workforce rationalization process based on strategic workforce planning. We have worked with the labour union and maintained direct communication with them to ensure transparency throughout the process, with particular respect to the selection and compensation. In order to avoid any ambiguity and disputes, mutual separation agreements would be signed between Greenheart and these employees setting out the terms and conditions of the termination of the employment.

## OUR PEOPLE

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### **B. EMPLOYEE HEALTH AND SAFETY**

Greenheart places the highest priority on health and safety of all our employees. We endeavor to protect them from work-related accidents or injuries and the Group pledges full compliance with the relevant occupational health and safety legislation of Hong Kong, New Zealand and Suriname.

The Group provides insurance covering medical treatments and accidents to eligible employees. In order to avoid accidents and ensure that all employees work in a safe manner, we implement tailor-made “Workplace Health and Safety Manual” for different working conditions and needs which stipulates clearly the safety procedures as well as emergency response plans. Those established policies and guidelines will be reviewed periodically and further improved to better protect our employees. At the same time, first aid kit is available at each workplace to ensure that any employee who is injured or ill at work can receive immediate attention.

In 2021, the Group has maintained a good and safe working environment and was not subject to any punishment by the government and did not have any litigation pertaining to employee health and safety issues.

#### **New Zealand Division**

In New Zealand, we have strictly complied with The Health and Safety at Work Act 2015 (the “**HSWA**”) which came into force in April 2016 to ensure that the health and safety of people employed or engaged is not put at risk from work carried out by the Company. To fulfill commitment of providing a safe working environment and equipment to all contractors and employees, the Group has gradually implemented a new safety management system to assist the contractors and employees to better identify and manage risks factors in the workplace. In addition, our New Zealand forest managers have arranged training to the employees of our contractors to enhance their understanding of the requirements under the HSWA and keep their knowledge of work health and safety matters up-to-date. A clean health and safety policy and procedure is adopted which will be reviewed and updated periodically.

## OUR PEOPLE

### B. EMPLOYEE HEALTH AND SAFETY (CONT'D)

#### Suriname Division

In Suriname, we have complied with all national laws, for example Suriname Safety Law of 1947, which prescribes all safety measures that need to be taken by the employer in order to guarantee a safe working environment. Also, not only personal protective equipment that meet the requirements of occupational hazards will be provided and workers are asked to use available and applicable protection measures at all times to avoid accidents, we also have facilities to provide first aid assistance and have an operational emergency procedure to make sure employees are held in the best possible ways in case an accident might occur. Furthermore, all workers are well-trained with respective safety knowledge before working in the respective areas and they have the right to refuse to work in an unsafe environment in accordance with our employee handbook. In addition, we regularly co-operate with different institutions such as Red Cross, Forestry Training Center Inc. (Guyana) to organize various occupation safety talks for our workers.

An overview of performance of the Group's health and safety area during each of the past three years including the Year:

Indicators	Unit	2021			2020			2019		
		Hong Kong	New Zealand (Note)	Suriname	Hong Kong	New Zealand (Note)	Suriname	Hong Kong	New Zealand (Note)	Suriname
Fatality or permanent disablement cases recorded	number	0	0	0	0	0	0	0	0	0
Number of employees died during duty	person	0	0	0	0	0	0	0	0	0
Number of working days loss from working injury	days	0	0	21	0	1	38	0	5	24

*Note: Including contractors' employees who are working for Greenheart during the Year.*

## OUR PEOPLE

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### **B. EMPLOYEE HEALTH AND SAFETY (CONT'D)**

#### **Precautions against the COVID-19 pandemic (the “COVID-19 Pandemic”)**

As COVID-19 pandemic has been spreading worldwide, the Group has taken a variety of measures to protect the health of our employees which include:

- All employees and visitors entering the office should wear masks;
- Measure and register the body temperature of employees and visitors before entering the office;
- Strengthen the disinfection and cleaning of the workplace, including meeting rooms, tables and door handles;
- Alcohol-based hand sanitizers have been placed in various locations in the office;
- Anyone who or whose family members have been in contact with suspected cases or confirmed cases must immediately notify his/her supervisors and Human Resources Department; and
- Allow flexible working hours and work from home arrangements for our staff.

### **C. DEVELOPMENT AND TRAINING**

Greenheart strives to provide an environment where our employees can grow professionally and develop their career path that meets the long-term growth of our business simultaneously. We encourage our staff to undertake training and further studies to enhance their job-related skills and knowledge.

Education allowances are offered to our employees to attend training courses organized by professional institutions from time to time to enhance their professional and technical knowledge. The Group also provides its directors with regular reading materials to ensure that they keep abreast of the latest regulatory requirements, corporate governance practices, financial information and market trends.

## OUR PEOPLE

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### C. DEVELOPMENT AND TRAINING (CONT'D)

In our Suriname division, we have created “Standard Operational Procedures Manual” for most of our activities which set out instructions for workers to carry out routine operations. It not only forms the basis of on-the-job training to our employees but also assists us to improve the overall operation efficiency and uniformity of performance in the long run. The procedures will be explained to each new employee before they begin their job and refreshments are given annually or whenever needed. All trainings are registered in a database which allows the managers to keep trace of the training records of each employee even if the training was given in another location.

Below is the summary of percentage of employees trained by gender, and employee category and the relevant average training hours completed:

	<i>Percentage of trained employees</i>	<i>Average training hours</i>
<b><i>By Gender</i></b>		
Male	77.19%	20.67 hours
Female	22.81%	19.58 hours
<b><i>By Employment Category</i></b>		
Senior management	28.07%	18.72 hours
Middle management	49.12%	13.00 hours
General staff	22.81%	9.00 hours

## OPERATING PRACTICES

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Providing the highest quality of timber to customers around the world is not only our commitment to customers, but also our core business strategy aiming to stay competitive in the ever-changing global market and to maintain our leading position amongst industry peers. Also, throughout its operations, the Group ensures that it is in strict compliance with all national and regional policies regarding anti-corruption.

### A. SUPPLY CHAIN MANAGEMENT

The Group has its standard operating procedures in place with periodical audit and reassessment of the procedures. Each operating unit has its supply chain and purchasing department with clear lines of segregations.

The procurement of equipment, products and services is undertaken through an open and fair competition to ensure we engage a product/service provider that can best meet the Group's particular needs in which their experience, technical expertise and capacity will be taken in account. To better enhance the sustainability of the Group's development, priority will be given to those product/service providers with environment-friendly products and are actively fulfilling social responsibilities. Furthermore, the Group is committed to supporting local economies by prioritising procurement from local suppliers to reduce the carbon footprint from transportation.

Greenheart requests all product/service providers to sign confidentiality agreement to ensure all information provided will only be used for specified purposes. Formal agreements will be entered into with each product/service provider before cooperation, listing out all the legal, regulatory, and various additional sustainability requirements. Product/service providers are required to pay attention to the environmental risks that may arise in their operations and manufacturing processes. Internally, an authorization process is in place to ensure that no engagement of product/service provider is made without the approval of the Group's authorized personnel. If any irregularities are found, we will require our product/service providers to take immediate remedial and corrective measures.

All product/service providers are treated in an equal manner in order to develop a long-term working relationship with each of them. Also, we will carry out quality review on the selected product/service providers based on price, quality and after-sale service periodically to ensure sustainable quality material and services are received.

# OPERATING PRACTICES

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## A. SUPPLY CHAIN MANAGEMENT (CONT'D)

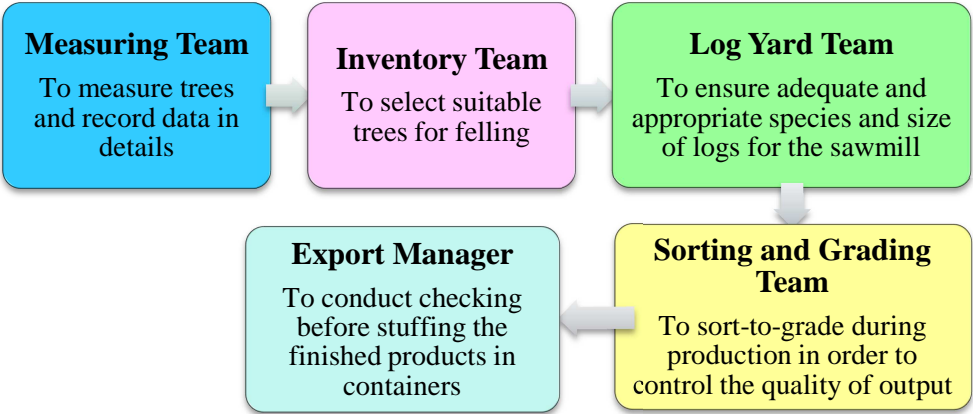
To better manage our production process, we have specially developed a system for the Group to track the entire supply chain and trace a specific product at any given time.

During the Year, we cooperated with 109 suppliers in total, of which 24 suppliers in Hong Kong, 40 suppliers in New Zealand and 45 suppliers in Suriname.

## B. PRODUCT RESPONSIBILITY

We understand that apart from quality, customers are becoming more concerned about environmental matters and more likely to purchase and use eco-friendly products. Greenheart is fully aware of and in support this market trend and implements product certification and well-established quality inspection procedures to ensure that all our products meet quality standard and sustainable development requirement.

On the other hand, in order to improve product quality and reduce waste of resources, the Group has established a workflow for quality control which will be performed by certain teams during different stages of the production process.





## OPERATING PRACTICES

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### **B. PRODUCT RESPONSIBILITY (CONT'D)**

Our wood comes from responsibly managed forests which are being managed in a way that preserves the natural environment and benefits the lives of local people while ensuring its sustained economic viability. Due to the nature of the Group's business, recall procedure is not applicable. And hence no products sold or shipped subject to recalls for safety and health reasons.

At the same time, the Group emphasizes the importance of protecting the privacy of our customers and business partners. The Group's information technology department has maintained a comprehensive data protection system to ensure that the data we collect is protected and our customer's privacy is respected. All of our desktop computers and laptops have installed firewall and upgraded regularly to prevent against the attack of the latest malwares. In addition, no computer software and programme can be downloaded or used without prior approval of the management and information technology department.

No complaints received from customers or business partners due to leakage of information during the Year.

The Group strictly abides by the regulation regarding the collection, processing and use of the information collected from our customers and business partners. When signing a contract with a customer or a business partner, a term on confidentiality of their information will be included to avoid disclosure of their information. Employees are obligated to retain in confidence any information obtained in connection with their employment, including but not limited to trade secrets, client information, supplier information and other proprietary information.

Trademark is one of our valuable assets. We protect our logos by registration as trademarks in major operating markets such as Hong Kong, New Zealand, Canada, Europe and mainland China. To observe the law, we renew the trademarks before their expiry to ensure the legality of continued use of trademarks.

Apart from trademark, we refuse to download or use any pirated computer softwares in order to further uphold intellectual property rights.

## OPERATING PRACTICES

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### C. ANTI-CORRUPTION

Greenheart values credibility and integrity and prohibits any form of corruption or malpractice such as bribery, money laundering, extortion and fraud. The Group has formulated and strictly enforced anti-money laundering and counter-terrorist financing policy to prevent, identify and control the risk of fraud and corruption. We believe that strong ethical conduct is essential in building a sustainable business and gaining the trust from our employees, customers, suppliers and other business partners. We have zero tolerance for violations against business ethics and strictly abide to all anti-corruption laws such as Anti-Corruption Act in Suriname, Organisation for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Anti-Bribery Convention), the United Nations Convention Against Corruption (UNCAC) and the Asia Pacific Economic Cooperation's (APEC) Santiago Commitment to Fight Corruption and Ensure Transparency followed by New Zealand and the Prevention of Bribery Ordinance enforced by the Independent Commission Against Corruption in Hong Kong.

Binding terms have been included in their respective employment or service contracts to ensure that directors and employees act in accordance with the Group's requirements on anti-corruption. Under no circumstances are they permitted to use inside information for their own private gains. At the same time, the Group has been consistently improving its internal control system in order to prevent corruption and fraud. Employee handbook which lays out the Group's expectations and guiding principles on bribery prevention is provided to each employee.

To maintain a fair, ethical and efficient business and working environment, the Group has established whistleblowing policy to provide employees with a confidential platform to raise concern about any suspected cases of misconduct and malpractice. Whistleblowers can raise complaints directly to the chairman of Audit Committee of the Group by letter or mailbox. All complaints received will be read and investigated by the Audit Committee. All investigations will be handled confidentially.

The Board is ultimately accountable for the Group's activities and financial performance. Anti-corruption training materials and video are circulated to the Board during the Year to further strength directors' awareness against corruption.

## **OPERATING PRACTICES**

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### **C. ANTI-CORRUPTION (CONT'D)**

During the product/service providers' selection or procurement processes, employees are reminded to avoid misuse of authority or being engaged in situations which could affect their ability to make decisions. No confirmed legal case brought against the Group and its employees concerning corruption during the Year.

## COMMUNITY INVOLVEMENT

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Being a responsible corporate citizen, Greenheart has been actively involved in community projects near the towns and cities where we worked. Our strategy is focused on working with other non-profit organizations to improve underprivileged people's lives and promote environmental awareness.

### A. CORPORATE GIVING

During the Year, Greenheart has donated a total of approximately HK\$27,000 (2020: HK\$22,000) to different charity organizations. For example, Haven of Hope.

### B. EMPLOYEE VOLUNTEERING

In addition to donations, we also encourage our employees to contribute their time and efforts in various local community projects in the regions where we operate. In recent years, we have consistently participated in different social welfare activities.

#### Hong Kong Head Office

In this Year, our employees in Hong Kong participated in Qile Cake (耆樂餅) charity sale project, which aimed at raising funds for the elderly care service (Organizer: Haven of Hope Christian Service). We have raised HK\$1,435 for this event.



Greenheart has been awarded the “Caring Company” Logo by the Hong Kong Council of Social Service for 6 consecutive years since 2015 in recognition of our significant efforts on social responsibility.

## COMMUNITY INVOLVEMENT

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### **B. EMPLOYEE VOLUNTEERING (CONT'D)**

#### **New Zealand Division**

Our forest management company has a dedicated community team who will handle the communication, relationship development, concern and disputes with the related communities. They have worked closely with schools, police and trucking companies to improve safety on the roads and ensure children are made aware of the possible dangers. Greenheart has also liaised with the Department of Conservation to ensure that the New Zealand public can have access to safe areas of the forest for recreation.

#### **Suriname Division**

The local management and employees are committed to giving back to the community through various channels. For instance, collaboration and alliances with institution and conservation groups for the betterment of wildlife, agricultural and environment, provide education to local workforce and senior stakeholders, and provide assistance to local community and government department to expand business opportunities.

On top of this, we respect and care about the cultures and institutions of the indigenous and tribal people in Suriname. Although Suriname has not ratified The Indigenous and Tribal Peoples Convention, 1989 (the “**ILO Convention 169**”), we have incorporated the principles laid down in the ILO Convention 169 into our Group’s policies which include:

- ✓ **C**onsult with the indigenous people concerned with regard to the management of forest resources that may affect them
- ✓ **A**llow indigenous people to do subsistence economy and traditional activities such as fishing and hunting in the concession areas
- ✓ **R**ecognize the rights of ownership concerned over the lands that the indigenous people traditionally occupy
- ✓ **E**nsure that the indigenous people enjoy equal opportunities and fair treatment in employment

## COMMUNITY INVOLVEMENT

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### **B. EMPLOYEE VOLUNTEERING (CONT'D)**

#### **Suriname Division (cont'd)**

In order to build and maintain good enduring relationship with the local communities which are both Amerindian and Maroon tribes, we offer job opportunities towards these local communities in both the forest operations and the sawmill and organize regular meetings to ensure complaints, issues and questions are addressed in an efficient way. We will also organize training session with Dienst's Lands Bosbeheer – Service Forest Management to inform the local communities about the national hunting laws and regulations.