



HS TIMBER

# SUSTAINABILITY

## REPORT 2022

The report contains information about our principles, our mission statement and our approach to sustainability and discusses 2022 achievements and challenges.



Perfection in Timber. [www.hs.at](http://www.hs.at)



# FOREWORD

**EACH CUBIC METER OF SAWN TIMBER WE PRODUCE STORES UP TO ONE TON OF CO<sub>2</sub>, MAKING A SIGNIFICANT DIFFERENCE FOR GENERATIONS TO COME. WE TAKE RESPONSIBILITY FOR THIS.**

## ABOUT 2022

We attribute our accomplishments to our unwavering focus on working with the best, always renewable, and sustainable resource: wood. Our products not only contribute to the global fight against climate change but also have a positive impact on the lives of people worldwide. Remarkably, each cubic meter of sawn timber we produce stores up to one ton of CO<sub>2</sub>, making a significant difference for generations to come. We take responsibility for this.

While reflecting on our accomplishments, we acknowledge that processes are often accompanied by hurdles such as the conflict in Ukraine and ever-increasing challenges in Romania, which made us change our production setup in the country.

Driven by our passion for embracing new challenges, we remain steadfast in our commitment to continual improvement and growth. As such, we proudly acquired Luvian Saha Oy, a Finnish sawmill known for its impeccable wood quality. This acquisition has allowed us to broaden our product portfolio and offer new and exciting solutions to our customers. The sawmill project in Argentina, on the other hand, made great progress in 2022 and is scheduled to start production by the end of 2023. Finally, the construction of a new glulam factory in Kodersdorf was well advanced in 2022 and will come into full operation in 2023.

We are proud that we can work with a raw material that is inherently sustainable. By sincerely protecting our supply chain and sourcing exclusively from sustainably managed forests, we have created the basis for this sustainable business. In addition to the measures from our sustainability programme and to achieve our environmental targets, the year 2022 was marked by investments in renewable energy and energy efficiency. This included the construction of a photovoltaic plant in Comănești and an e-motor exchange program. We also continuously replaced bulbs with LEDs, and the new mill in Luvia continued its refurbishment of the drying channels with a heat recovery system. Finally, we commenced with the construction of a second biomass cogeneration facility in Kodersdorf, which will go online by February 2024.

In the vicinity of our mills, there are many non-profit organizations and social institutions that do wonderful work. In 2022, we had the chance to share a part of our economic success in collaboration with long-standing partners, especially in the fields of education, training, social welfare, and forestry. We thank our partners for their contributions.

As we look ahead, we recognize that the road to sustainability is dynamic and ever evolving. The coming year presents us with a number of exciting and at the same time challenging goals. Our ambition to excel every day drives us forward, and we face the future with unwavering confidence. Together, we are poised to tackle the challenges that lie ahead, guided by our shared commitment to sustainability, innovation, and responsible business practices.

With this report we also want to say a huge thank you to all our employees who support this sustainability journey with their passion and tireless efforts.

We invite you to explore this report, which delves into our sustainability initiatives, environmental stewardship, social responsibility, and corporate governance. By doing so, you will gain a comprehensive understanding of how HS Timber Group continues to contribute to a more sustainable world.

Thank you for your interest in our sustainability journey.

**Gerald Schweighofer, Jürgen Bergner, Christian Hörburger, Martin Louda**  
Management Board of HS Timber Group



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# ABOUT THIS REPORT

**Our goal is to become better every day especially when it comes to sustainability.**

We recognise the importance of sustainability and its impact on the environment and on a sustainable social development. To determine the impact of our business activity in these areas and identify where we can make a significant contribution, we initiated a sustainability process in 2017. Our Sustainability Report showcases HS Timber Group's commitment to sustainability and outlines our achievements and challenges on a yearly basis. While the disclosure of our sustainability performance is voluntary, this report is based on GRI core and demonstrates our proactive efforts to prepare for future legal reporting obligations. Our primary aim is to address the specific concerns of our stakeholders and provide them with answers to questions that are particularly important to them.

We, as a company, have a big advantage: our resource is sustainable. We maximise using 100% of our resources to manufacture products that either sequester carbon or generate renewable energy. Each investment we make is carefully evaluated to minimise not just costs but also to mitigate its environmental impact, particularly concerning climate change. Moreover, engaging in dialogues with internal and external stakeholders is of paramount importance for advancing our sustainability initiatives and performance. It is crucial to emphasise that sustainability encompasses more than just reducing environmental impacts; it also entails conducting business with integrity and showing respect for our people.

### GRI STANDARDS

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option, as a means of ensuring consistency and thoroughness in our sustainability reporting. By following the sustainability reporting standards set forth by the Global Reporting Initiative, we strive to achieve comparability and demonstrate diligence in our reporting practices. For a comprehensive list of all disclosures featured in this report, please consult the GRI Content Index provided in chapter 8.

### REPORT BOUNDARIES

The sustainability report covers the period from January to December 2022, seamlessly aligning with the reporting period of the previous year's Sustainability Report.

The report encompasses the core business operations of HS Timber Group, specifically its timber-processing companies, including the following entities: HS Timber Group GmbH, HS Timber Industrieinvest GmbH, HS Timber Productions GmbH, HS Timber Services GmbH, HS Timber Productions S.R.L., HS Timber Productions Reci S.R.L., HS Baco Panels S.R.L., and Luvian Saha Oy. The mills that are under construction in Argentina and Belarus are not considered, as they are not yet operating.

Any changes in the scope of data or key performance indicators (KPIs), such as when considering the entire Group or another group company (e.g., in the area of energy generation), are indicated in the report at the corresponding place.

### SUSTAINABILITY PROCESS

This report addresses 17 selected sustainability topics that are deemed material to HS Timber Group, reflecting the company's significant impact on the economy, environment, and society. The identification of these material topics was carried out through a multi-stage process that involved stakeholder engagement at various stages.

In line with our mission statement, the Materiality Matrix undergoes regular updates through a comprehensive multi-stage process. The most recent major review of the Materiality Matrix was conducted for the reporting period of 2021. During this review, the material topics were refined to gain a more thorough understanding of sustainability issues compared to previous reporting periods. This resulted in further disaggregation of key sustainability topics into more distinct areas. Consequently, the Materiality Matrix now encompasses 17 sustainability topics, compared to 11 in prior reporting periods. The development of the new Materiality Matrix involved several steps, which are outlined in the following paragraphs.

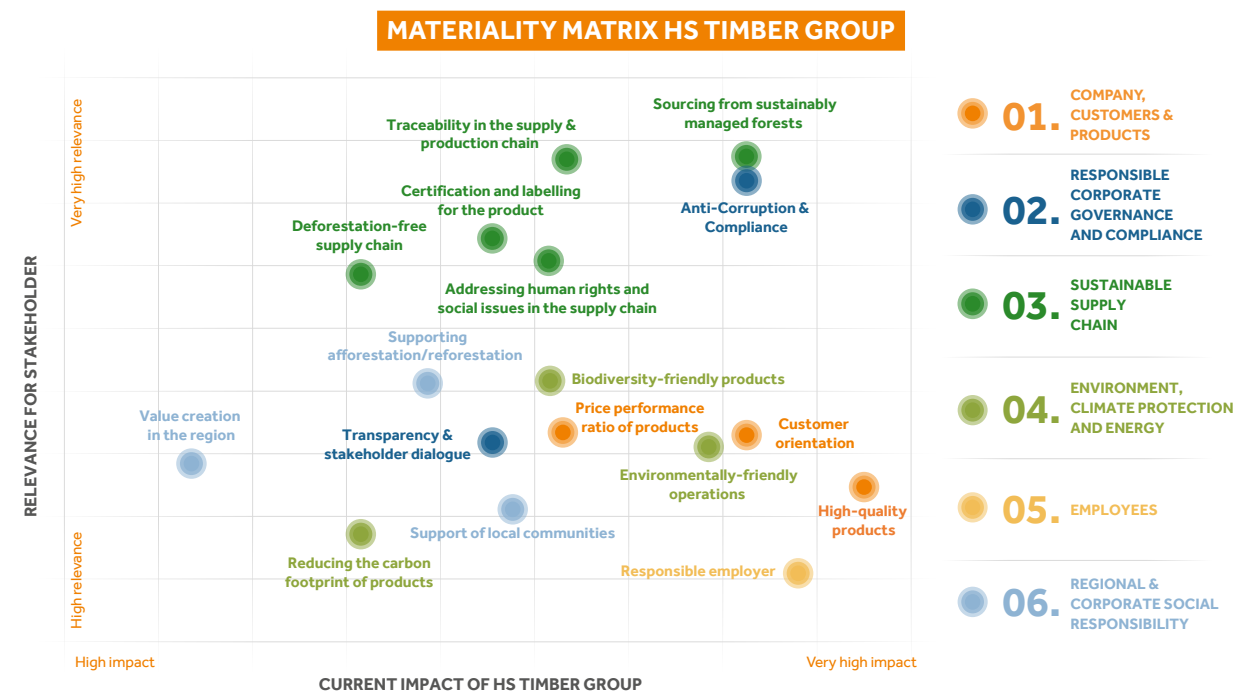
To ensure a comprehensive and inclusive assessment of stakeholder perspectives, multiple consultations were conducted to determine the material topics. Between 2019 and 2022, two stakeholder surveys and one interview session were conducted, providing a thorough understanding of stakeholder opinions. As the sustainability context of HS Timber Group

remained relatively stable during this period, all three consultations were included in the assessment.

In December 2019, an online survey was administered to a total of 78 stakeholders, including employees, media representatives, and academia, to evaluate and identify key sustainability topics. In February 2021, as part of the FSC re-association process, NGOs, public authorities, competitors, and business partners were interviewed to assess sustainability issues related to the company and its supply chain. Finally, in February 2022, an online survey was filled in by 45 customers to evaluate key sustainability topics. The combined results of these con-

sultations formed the basis for assessing the relevance of sustainability topics to stakeholders.

In the next phase, managers and department heads of HS Timber Group were engaged in discussing and prioritising these key sustainability topics based on their understanding of the company's environmental and social impact. The outcomes of these discussions, combined with the results of the stakeholder consultations, led to the identification and compilation of new material sustainability topics, which were then presented in a new Materiality Matrix.



The Materiality Matrix serves as a summary of all key sustainability topics that are material to HS Timber Group, providing the foundation for the content of this report. It presents the relevance of these topics to stakeholders on the vertical axis, while the horizontal axis represents the extent of the environmental and social impact of HS Timber Group on these topics. Following the process described before, 17 topics were defined as significant for HS Timber Group, ranging from high to very high relevance for stakeholders. Topics that were deemed irrelevant for the company were excluded from the materiality process and are not depicted in the graph shown above.

The objective of the Materiality Matrix is to identify and prioritise the topics that hold utmost significance for both HSTG and its stakeholders. Simultaneously, this procedure facilitates communication with the most crucial internal and external stakeholders, seeking their input on the current significance of the respective sustainability topics. The materiality matrix was reviewed in 2022 and there were no relevant changes compared to the previous year. Another complete update of the Materiality Matrix is planned for 2024.

In the first half of 2022, HS Timber Group expanded its timber processing operations with the addition of a new site in Luvia, Finland. Currently, the stakeholders associated with this site have not been included in the Materiality Matrix definition process. However, their inclusion is planned for the upcoming revision process. In the transition phase, the plant manager was consulted to gather their perspective and determine their alignment with the mentioned topics.

After careful consideration, the local management concluded that all topics that are significant for their operations are included in the matrix. However, it is important to note that the supply chain topics, traceability in the supply and production chain, and addressing human rights and social issues in the supply chain, as well as the topic of anti-corruption, are of lower concern in Finland. This is due to the lower risk levels which apply to Finland (and Germany) in comparison to high-risk areas such as Romania.





## SUSTAINABLE DEVELOPMENT GOALS

The 17 Sustainable Development Goals (SDGs) established by the United Nations form the foundation of the 2030 Agenda for Sustainable Development and represent an urgent call to action.

HS Timber Group understands its role in contributing to the SDGs throughout its entire value chain. Based on the materiality process and the sustainability programme, relevant SDGs were identified and linked with the contents of this report and the sustainability targets on page 62. We have identified the following SDGs as material to our operations: SDG 7, SDG 8, SDG 9, SDG 12, SDG 13, SDG 15, and SDG 16.

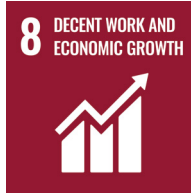
### SDG 7: AFFORDABLE AND CLEAN ENERGY

Energy production is a core value stream for HS Timber Group and we place great emphasis on the responsible utilisation of energy resources. Therefore, our commitment lies not only in reducing our energy consumption and enhancing energy efficiency but also in facilitating access to clean energy. Our plants are powered by our own bioenergy production, and we contribute renewable electricity to national grids in Romania and Germany.



### SDG 8: DECENT WORK AND ECONOMIC GROWTH

HS Timber Group places great importance on being an employer that is fair, responsible, and appealing. To achieve this, we are committed to promoting regional development in the areas where our production sites are located. This involves not only providing meaningful employment opportunities and ensuring the safety and wellbeing of our employees, but also supporting the local communities through various Corporate Social Responsibility (CSR) programmes. Moreover, our business contributes to the economic growth of these regions, by generating tax revenues. We also make a positive impact by purchasing small diameter logs, which are typically of lesser importance to small domestic producers in the countries where we source our materials.



### SDG 9: INDUSTRY, INNOVATION, AND INFRASTRUCTURE

Resilient and sustainable supply chains are crucial for HS Timber Group's operations. We prioritise fostering innovation to enhance resource efficiency and minimise environmental footprints. Additionally, we take a pioneering stance in promoting transparency and open communication within the industry. An example of our commitment is demonstrated through our [Timflow](#) traceability technology. We enhance the physical traceability of wood, ensuring greater transparency regarding its origin.



### SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensuring sustainable production patterns and delivering high-quality products are paramount to the success of HS Timber Group. We prioritise efficient utilisation of natural resources to achieve these goals. In our supply chain, particularly in our wood procurement, we place great emphasis on transparency and open communication within the timber industry. We support these efforts by implementing advanced Due Diligence Systems and maintaining comprehensive compliance management. At the operational level, we have implemented an environmental management system that focuses on waste reduction, reuse, and recycling. Furthermore, all wooden by-products undergo further processing or are used for renewable energy production.



### SDG 13: CLIMATE ACTION

Foremost, HS Timber Group recognises the pivotal role of wood, our primary product, in providing a long-term carbon storage solution. To achieve this, we prioritise efforts to reduce greenhouse gas (GHG) emissions and energy consumption, particularly at our production sites where the largest impact is observed. We diligently work towards implementing measures that promote sustainability and reduce our environmental impact. Furthermore, as the mobility and operational logistics industry shift towards electric vehicles, we actively seek to decrease our environmental footprint in this area as well. However, the greenhouse gas emissions from our supply chain are yet just partly considered.



### SDG 15: LIFE ON LAND

The protection, restoration, and promotion of biodiversity and ecosystems are of high importance to HS Timber Group, and we recognise the vital role of sustainable forestry in achieving these goals. To mitigate negative impacts within our supply chain, we maintain stringent sourcing policies. We are fully committed to sourcing zero wood from Virgin Forests or National Parks in Romania or Ukraine, and we actively collaborate with certification bodies to reach our target of procuring 100% of our inputs from certified forests by 2025. In pursuit of our commitment to environmental stewardship, we collaborate with the Romanian Tomorrow's Forest Foundation to support reforestation initiatives, low impact forestry practices, and the protection of biodiversity.



### SDG 16: PEACE, JUSTICE, AND STRONG INSTITUTIONS

HS Timber Group understands the significance of fortifying institutions within the industry through responsible corporate governance systems. We understand that transparency is key, and we strive to lead by example in promoting accountability and responsibility. To this end, we have implemented robust anti-corruption policies and ensure transparency through regular stakeholder engagement. In our commitment to ethical practices, we provide continuous training to our management and employees, specifically addressing ethics and compliance matters within the wood supply chain. By equipping our team with the necessary knowledge and tools, we actively foster a culture of integrity and responsible conduct.



### SDG 17: PARTNERSHIPS FOR THE GOALS

A successful sustainable development agenda requires partnerships between governments, the private sector and civil society. We are committed to working closely with stakeholders in the regions where we operate. We maintain long-term partnerships with our suppliers and customers, but we also regularly support civil society organisations or other social institutions over many years. In this way, we make a further contribution to the sustainable development of the regions.





# 01

## COMPANY, CUSTOMERS & PRODUCTS

1,319 CUSTOMERS IN 2022

OVER 70 EXPORT DESTINATIONS

5 SAWMILLS

1 BLOCKBOARD FACTORY



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

### THE COMPANY

HS Timber Group is a long-established wood processing company of Austrian origin, with strong roots in Central and Eastern Europe, especially Romania. Our passion for wood drives us to produce high-quality wood products for industrial customers in the global furniture and construction industry. With approximately 3,000 dedicated employees in the timber branch of our group in 2022 across Austria, Germany, Romania, and Finland we are committed to continuous improvement and sustainability. Group revenues in 2022 amounted to 1.171 billion Euro com-

pared to 1.072 billion Euro in the previous year, an increase of 99 million Euro (+9.2%).

At HS Timber Group, we strive for Perfection in Timber by getting better every day. Our core values revolve around sustainability, passion, and partnership. We foster an environment that encourages innovative approaches and embraces new opportunities. Recognising our responsibility towards communities and the timber industry, we prioritise the sustainable sourcing



of our resources. This commitment is central to our operations and reflects our dedication to promoting a sustainable timber industry. Our employees are the cornerstone of our success and are regarded as the best in their field. Their expertise and commitment are invaluable assets that drive our company forward. As a company, we are dedicated to global and sustainable growth while upholding environmental considerations. We consistently invest in our core competences, such as sawmilling and industrial timber processing, while actively diversifying our business. Our approach involves building a global presence while maintaining strong regional roots, ensuring a sustainable balance between expansion and environmental responsibility. By continually investing in our operations, promoting sustain-

ability, and fostering a culture of innovation, HS Timber Group is positioned to meet the evolving needs of our customers and contribute to a more sustainable future for the timber industry.

#### CORPORATE STRUCTURE IN 2022

HS Timber Group GmbH is organised as a holding company headquartered in Vienna. The central governance body of HS Timber Group is the Management Board. Altogether, all companies employ approximately 3,000 individuals who work primarily in the wood processing industry. However, there are also employees engaged in lumber trading, forestry, and bioenergy production.

HS TIMBER GROUP GMBH				
HS TIMBER INDUSTRIEHOLDING GMBH				
HS TIMBER INDUSTRIEINVEST GMBH				
HS TIMBER PRODUCTIONS GMBH	HS TIMBER PRODUCTIONS RECI SRL	HS TIMBER PRODUCTIONS SRL	HS BACO PANELS SRL	LUVIA HOLDING GMBH
HS TIMBER SERVICE GMBH				LUVIAN SAHA OY

*Development projects are not included in this graphic as they are not in the scope of the report.*

#### PRODUCTION FACILITY CHANGES

In 2022, HS Timber Group's production facilities underwent significant transformations. One notable change was the divestment of the Siret panel factory from the company. Consequently, all activities previously carried out at the Siret facility came to a complete closure in the first quarter of 2022. Furthermore, the Rădăuți sawmill also experienced a significant alteration, as its sawmilling operations were halted during the same period. Just glued timber (Post & Beams) production continued uninterrupted, maintaining its essential role within the facility. In terms of acquisitions, it is noteworthy that in March 2022 the group expanded its presence, by acquiring the Luvian Saha Oy sawmill in Finland, which contributed to strengthening the group's timber production capabilities. Amidst these changes, it is worth emphasising that the operations of the Comănești blockboard factory, the two Romanian sawmills in Sebeş and Reci, and the Kodersdorf mill in Germany have remained unchanged. These facilities were continuing to operate seamlessly, fulfilling their crucial roles within the production framework. Regarding ongoing greenfield projects, construction activities at the facility in Belarus were temporarily suspended and resumed after legal clarifications. These sanctions directly impacted the progress of the construction project. However, construction was resumed after legal clarifications. On a positive note, construction of the sawmill in Argentina is currently underway and is expected to be completed by November 2023, marking a significant milestone in the group's expansion plans.

ber production), and the acquisition of the Luvia sawmill in Finland. Construction in Belarus was impacted by sanctions, while progress on the Argentina sawmill construction remains positive. This report provides an overview of activities in the Rădăuți, Sebeş, Reci, and Kodersdorf mills, the Comănești blockboard factory, as well as information on the sawmill in Finland.

#### LUVIAN SAHA OY - WELCOME TO THE GROUP!



We warmly welcome our new colleagues in Finland to the Group, as we believe that this addition presents a great opportunity for collaboration, mutual learning, and the advancement of our sustainable practices. Embracing the new location and its culture, we are eager to combine our expertise with the Luvian sawmill team. By leveraging our perspectives and experiences, we are confident in our ability to drive innovation and enhance our sustainability performance.

Cultural diversity plays a vital role in fostering creativity and generating fresh ideas. We are excited about embracing the Finnish heritage and work ethos, as it expands our collective knowledge and encourages exploration of new approaches and technologies. By fostering an environment of open communication and collaboration, we aim to create synergies that positively impact our sustainability goals and contribute to the well-being of the communities we serve.

In summary, the production facilities witnessed notable changes in 2022, including the divestment of the Siret panel factory, the halt of the Rădăuți sawmill (except for glued tim-



# OUR VALUE CHAIN – PERFECTION IS THE PRINCIPLE BEHIND EVERYTHING WE DO

AT HS TIMBER GROUP WE BELIEVE IN HONESTY AND TRANSPARENCY WHEN IT COMES TO OUR VALUE CHAIN.

WE ARE COMMITTED TO OPERATING IN A SUSTAINABLE MANNER AND ACTIVELY ADDRESSING OUR ENVIRONMENTAL AND SOCIAL IMPACTS. OUR FOCUS IS ON CONTINUOUS IMPROVEMENT, AND WE STRIVE TO MEET AND EXCEED THE EXPECTATIONS OF OUR STAKEHOLDERS.

## RAW MATERIAL FROM FORESTS

While we do not engage in tree harvesting ourselves, we actively support the conservation of natural forests and the fight against illegal logging. Our Action Plan for a sustainable wood supply chain goes above and beyond legal requirements, outlining a comprehensive set of measures to ensure responsible sourcing practices.

## SUPPLY CHAIN

Sourcing from sustainably managed forests and preserving biodiversity is a fundamental aspect of our operations. We are dedicated to sourcing 100% of our raw materials from forests certified by reputable forest certification schemes. Our Supply Chain Management relies on excluding controversial materials; therefore, we implemented an effective and up-to-date Due Diligence System to ensure the integrity of our products. Our pellets undergo the same Due Diligence processes as our solid wood products, ensuring their sustainability credentials.

## OUR TEAM

Our colleagues are the cornerstone of our company. Their unwavering dedication, expertise and passion are the pillars of our achievements. We highly esteem their contributions, cultivating a culture of growth, inclusivity and well-being. Through offering training and development opportunities, we empower our teams to establish sustainable practices to help us contribute to a greener future. Their steadfast commitment to our mission, coupled with their diverse knowledge and experience makes us a successful company.

## VALUE CREATION

We are committed to maximising the utilisation of our raw materials, aiming for zero waste. Our main products include solid lumber for various applications, while all by-products are further processed into pellets, or sold to customers in the paper, pulp and particle boards industry. The bark is utilised to generate renewable energy and minimising waste. Our commitment to perfection in production is supported by high-tech manufacturing and processing facilities.

## HIGH QUALITY PRODUCTS

We prioritise product quality through the use of automated and innovative production machinery. Continuous checks at all our plants enable us to maintain the highest levels of customer satisfaction. In addition to high-quality sawn timber, we also manufacture value-added products, such as glue laminated construction timber, which is exported to Japan for housing construction. Additionally, our pellets, made from sawdust and shavings, provide an eco-friendly source of energy.

## CUSTOMER SERVICE

Our dedicated sales team is committed to meeting and exceeding customer expectations. We welcome special requests, as they provide an opportunity to collaborate with our customers on the latest ideas and innovations. Whether serving large construction companies, mid-sized furniture factories, or DIY enthusiasts, our goal is to fulfil customer requirements down to the last detail. We consider this a collective responsibility, and our commitment to quality and customer satisfaction is reflected in our close to zero claim rate.



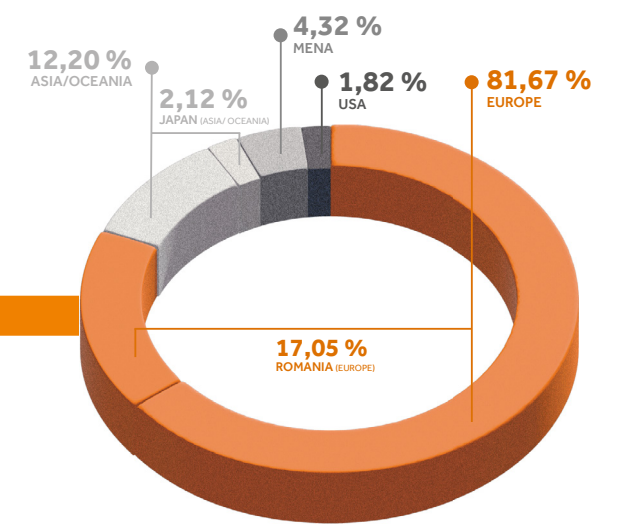


## CUSTOMERS

HS Timber Group supplies customers around the globe. Most of our customers, over 81%, are based in Europe. However, the distribution by volumes sold is different (see chart). Japan and USA are key export markets for our company. Our customers are distributors, industrial companies from the construction and furniture industry, as well as Do-It-Yourself stores that sell directly to consumers. We are particularly proud of the fact that we have had a long-standing partnership with our customers for many years. In 2022, we had 1,319 customers, of which 518 have had a customer relationship with us for more than five years. This represented a share of 39% of our customer base in 2022. This, too, is proof of our professionalism and tailor-made approach to our customers, to meet their demands in product quality, be it the product as such, or the assurance of its sustainability.

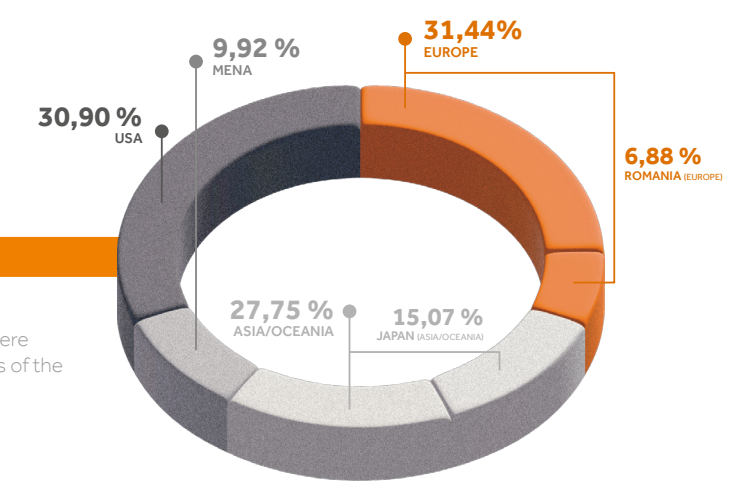
### CUSTOMER DISTRIBUTION BY REGION 2022

Based on customer numbers in 2022  
 MENA – Middle East and North Africa



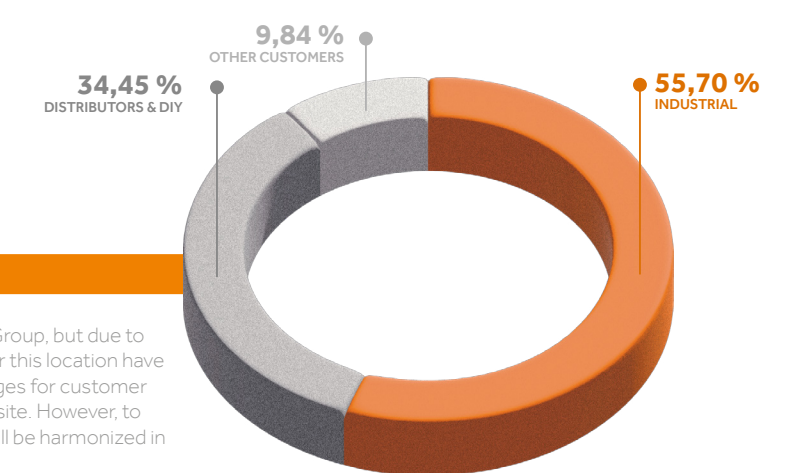
### MAIN MARKETS

The most important markets (in terms of m<sup>3</sup> solid lumber) were calculated on the basis of the sales of all solid wood products of the sawmills and panel factories of HS Timber Group.  
 MENA – Middle East and North Africa



### CUSTOMER CATEGORY

In 2022, Luvian Saha Oy became part of HS Timber Group, but due to the use of different systems, customer categories for this location have not yet been differentiated. As a result, the percentages for customer categories do not include customers from the finish site. However, to ensure uniformity across all locations, the systems will be harmonized in the future.



“HS Timber Group has been a key partner for American International Forest Products for over 20 years. They provide sustainable building materials that fuel our growth as a company. The products they produce are the ideal mix for our diverse customer base, including Pro Dealers, Distributors, Multi-Family project jobbers and Manufacturers. HS Timber Group are responsible innovative leaders in the forest products industry.”

**JOHN VRANIZAN**, President American International Forest Products





## PRODUCTS

At HS Timber Group, we take pride in our commitment to sustainability and the production of environmentally responsible products. From sawn timber to renewable energy solutions, our portfolio embodies both high quality and sustainable practices. At the heart of our product line lies a renewable and climate-conscious raw material: wood. We are proud to work with this raw material that offers a way forward in combating the climate crisis. Because wood absorbs CO<sub>2</sub>, our products make a lasting contribution to the absorption of greenhouse gas in the atmosphere. Moreover, the long-term carbon sequestration capacity of wood makes the use of sawn timber highly environmentally friendly.

Our comprehensive product offerings consist of a range of items, including sawn timber, planed timber, glued timber (post & beams), profiled timber, blockboards, big size shuttering panels, edge glued panels, pellets, renewable energy in the form of power and heat, as well as wood chips, shavings, and sawdust which subsequently go to the further processing industry. Additionally, we make use of the bark, recognising its value as a by-product that we use for heating our own highly efficient combined heat and power plants. This way we produce heat for drying our lumber and electricity for our own production,

as well as excessive energy that serves national electricity grids.

When it comes to our products, there are three material topics that are of significant relevance to our stakeholders. Firstly, we are committed to providing high-quality products that consistently meet and exceed the expectations of our customers. Through continual improvements in our manufacturing processes, we are able to reduce the energy requirements of our products, thereby minimising their environmental footprint. Further details on this topic can be found in Chapter 4 of our report. Secondly, we place a strong emphasis on the price-performance ratio of our offerings, ensuring that our customers receive exceptional value for their purchases. We prioritise striking a balance between affordability and quality, ultimately providing our customers with products that deliver on both fronts. Lastly, customer orientation is deeply ingrained in our business practices. We are dedicated to transparent communication and providing accurate product and service information. By adhering to stringent standards, we aim to minimize incidents of non-compliance concerning product and service information and labelling, reinforcing our commitment to integrity and customer satisfaction.

SAWN TIMBER



GLUED TIMBER



PELLETS



PLANED TIMBER



PROFILED TIMBER



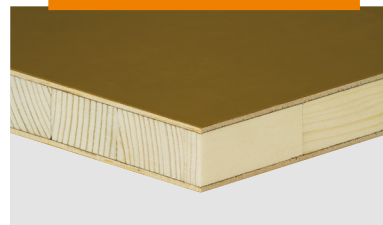
COATED PROFILED TIMBER



5-LAYER BLOCKBOARD



3-LAYER BLOCKBOARD



SHUTTERING PANEL



### RENEWABLE ENERGY

The sawmills located in Reci, Rădăuți, Sebeș, and Kodersdorf are equipped with advanced combined heat and power plants (CHP) that utilise biomass and bark to generate renewable energy. These state-of-the-art facilities prioritise the efficient utilisation of heat and electricity for the sawmills' internal production processes, particularly for the kiln drying process. Any excess green power produced by these CHP plants is seamlessly integrated into the national power grid, contributing to the overall renewable energy capacity and reducing reliance on non-renewable sources. It must be noted here that in the Kodersdorf mill, all generated energy must be supplied to the grid and is not directly available for internal consumption by the company.

### ENVIRONMENTAL PRODUCT DECLARATION – LUVIAN SAHA OY

The Finnish Sawmills Association issued an Environmental Product Declaration (EPD) for Finnish sawn and planed timber<sup>1</sup> produced by member companies of the association in 2021. The EPD provides comprehensive environmental information specifically for this category of timber, ensuring transparency and promoting sustainable practices within the industry.

The EPD enables stakeholders to make informed decisions regarding the environmental impact of this particular type of timber, as it allows accurate carbon footprint calculations and facilitates the selection of environmentally responsible building materials. Luvian Saha Oy was one of the eight sawmills that provided data for the calculations and was also part of the steering team for the development process. The EPD has been implemented by Luke Natural Resources Institute Finland.

<sup>1</sup> EPD for sawn and planed timber | Luvian Saha



# 02

## RESPONSIBLE CORPORATE GOVERNANCE & COMPLIANCE



 **A GROUP-WIDE COMPLIANCE MANAGEMENT SYSTEM**

 **NEW CODE OF CONDUCT FOR ALL BUSINESS PARTNERS**

 **A GROUP-WIDE WHISTLE-BLOWER REPORTING LINE**



At HS Timber Group, we prioritise responsibility by aligning our entrepreneurial thinking with long-term sustainability principles. To turn this vision into reality, we rely on a straight internal structure of rules. Our approach encompasses several key elements, including well-defined guiding principles and internal procedures, effective management and supervisory mechanisms, a powerful Mission Statement, robust compliance management, and a clear Code of Conduct for both employees and, recently, for all business partners. We firmly believe that the only way to treat external stakeholders - such as customers and the local community - with fairness is by ensuring that our own internal corporate culture is responsible and transparent.

Our stakeholders have consistently highlighted the significance of compliance for us as a company and sustainability and legality for our supply chain. These issues have remained at the forefront of our agenda (see Materiality

Matrix, page 7), and we have witnessed increased trust and confidence from our stakeholders in our ability to address them effectively. Nevertheless, we recognise that these concerns continue to be of utmost importance. As a company that is sourcing wood from high-risk countries, we are firmly committed to prioritising these issues and allocating appropriate resources to address them. We believe that transparency and comprehensive training of our staff are paramount to maintaining integrity in all our actions. Consequently, we have set standards that exceed statutory requirements, and we aspire to play a pioneering role in encouraging our suppliers and business partners to adopt similar approaches. Our focus extends to promoting transparency within the wood supply chain and providing support for sustainable forestry practices. As a result, we are providing comprehensive information on our supply chain, such as our annual Supply Chain Report, or the publicly accessible documentation on [Timflow](#) deliveries to our Romanian mills.

### SUSTAINABLE CORPORATE GOVERNANCE

The Mission Statement of the company emphasises its core values, with a strong focus on sustainability, which serves as one of the fundamental pillars of the organisation. To uphold these values and ensure compliance, the company has implemented comprehensive Codes of Conduct for both employees and all other business partners. These documents address critical aspects of compliance, such as anti-corruption, anti-trust, and anti-discrimination policies. Environmental commitments are outlined in the dedicated Environmental Policy and Timber Sourcing Policy, reflecting the company's dedication to sustainable practices. Furthermore, social aspects, particularly Occupational Health and Safety, are prioritised through our Health and Safety Policy and our Compliance Statement adhering to the ILO Core Conventions.

The management of all these aspects is steered centrally from the Group's headquarters. Two specific management systems are in place for Supply Chain Control and Environment Management. In 2022, the Supply Chain management received the PEFC Chain of Custody certification in all locations, with additional FSC Chain of Custody certifications obtained in Comănești and Luvia. Moreover, the environment management systems in Reci and Comănești are ISO 14001 certified, Comănești is also ISO 9001 certified. The energy management system in Kodersdorf is certified according to ISO 50001. Regarding Occupational Health and Safety, we have successfully implemented management systems that align with legal requirements, ensuring the well-being of our workforce. These efforts collectively contribute to our ongoing commitment to sustainability and responsible business practices.

### MISSION STATEMENT

HS Timber Group's Mission Statement (see annex) reflects our philosophy, strategy, and values, guided by the principles of sustainability, partnership, and passion. It serves as our vision for the company's future and underpins all our corporate principles and managerial decision-making. The Mission Statement encompasses various areas, including customers, employees, business partners and suppliers, regions, internal

organisation, and sustainability. Moreover, it emphasises the significance of compliance and a sustainable supply chain. The Mission Statement plays a vital role in the induction process for new employees, as it sets the foundation for their understanding of our company. Developed by the Management Board in 2017, it has been shared with all our employees.

### CODE OF CONDUCT

HS Timber Group's internal Code of Conduct is one of the company's cornerstone documents, which lays the baseline for how the company and all its subsidiaries do business. It stipulates clear standards of conduct that must be followed by all our employees. The Code of Conduct focuses on anti-corruption measures and compliance with regulations, while also emphasising respectful and professional internal interactions, to promote a culture of mutual respect among employees. The Code of Conduct for Employees is publicly accessible on the HS Timber Group website: [Code of Conduct for Employees](#) (hs.at)

From our internal Code of Conduct, we have derived a Supplier Code of Conduct. In July 2022, the scope of the Supplier Code of Conduct, introduced in 2019, was extended to all business partners, to include suppliers, customers, as well as other business partners. The aim is to convey our standards to the supply chain as well as to all other business partners of HS Timber Group, including the business partners of all our subsidiaries. The Code of Conduct for Business Partners has been incorporated by reference into all purchasing agreements of HS Timber Group. The Code of Conduct for Business Partners is published on the HS Timber Group website: [Code of Conduct for Business Partners](#) (hs.at)





“As a fair partner, good employer, and engaged corporate citizen, sustainability remains a key focus for us. We aim to fully harness the potential of wood as a sustainable and climate-friendly building material. Compliance is a top priority, and we are working closely with our suppliers, customers, and employees to develop high integrity standards. Through knowledge, innovation, and new approaches, we continuously strive to improve. Our diversity approach and dedication to employee development ensure state-of-the-art working environments. As an engaged corporate citizen, we actively promote sustainable development in society wherever we operate. We extend our gratitude to our hard-working colleagues for their contributions and unwavering commitment, especially during challenging times. Every day, we strive to become better and remain dedicated to a sustainable future.”

JÜRGEN BERGNER, Management Board, HS Timber Group

## COMPLIANCE MANAGEMENT & PROGRAMME

HS Timber Group has developed a robust compliance management system that is rooted in our Mission Statement and Code of Conduct for employees. These documents serve as the foundation for promoting ethical behaviour within our company's business environment. The management of our compliance organisation is centralised at the Group level, ensuring consistency and effectiveness throughout the company. To mitigate compliance risks, we have implemented a compliance programme that includes a thorough compliance risk assessment. This assessment encompasses both Supply Chain Due Diligence and general compliance risks, enabling us to proactively address potential issues.

In order to foster transparency and accountability, HS Timber Group provides multiple reporting channels for both internal and external stakeholders. For instance, we offer an independent, confidential, and, if necessary, anonymous reporting channel directly to the Group Compliance Office. This channel is available to all employees and any affected party seeking to report potential violations. In the year 2022, we received a total of ten reports through this official compliance (whistleblower) reporting line. Out of these ten reports, three were deemed relevant to HR matters. Seven reports were internal reports from employees and the remaining three reports were filed by external complainants. Following the receipt of these reports, appropriate corrective actions were taken in six cases, demonstrating our commitment to addressing and rectifying any compliance issues promptly and effectively.

One of the fundamental requirements outlined in our Code of Conduct is the prevention of conflicts of interest. We actively manage this aspect throughout our purchasing procedures and strongly encourage employees to disclose any conflicts of interest that may arise in the course of their work.

We have implemented a KYB (know your business) and a KYC (know your customer) process to mitigate legal risks such as money laundering or engaging with entities that have faced international sanctions. Additionally, we conduct rigorous assessments of roundwood suppliers to ensure they have no involvement in illicit practices, including forest crimes and corruption. All business partners are expected to adhere to our Code of Conduct for Business Partners.

To ensure our employees are well-informed and equipped to uphold our compliance standards, HS Timber Group organises regular training courses conducted by external experts and the Group's Compliance Office. These courses focus on compliance, anti-trust and anti-corruption measures, serving to educate and raise awareness among our staff. In addition to these personalised trainings, HS Timber Group also utilises e-learning modules to address compliance-related topics, such as the Code of Conduct. We further reinforce awareness through compliance quizzes distributed via internal communication channels, such as the MyHSTimberGroup internal communications app.

In terms of supply chain control, the company employs various methods, including direct reports on platforms like [Timflow.com](#), media monitoring, and audit reports, to identify potential non-compliances within the supply chain. More information regarding claims can be found in Chapter 3: Sustainable Supply Chain. As certified entities, all managers and staff responsible for certification undergo regular trainings on the certification requirements.

The company had initially planned to pursue ISO 37301:2021 Compliance Management certification in 2022. However, due to organisational changes and resource constraints, the certification deadline was postponed. Nevertheless, the action plans derived from the GAP analysis conducted in 2021 are being consistently implemented.

### COMPLIANCE CASE: ZERO TOLERANCE ON BRIBERY

In 2022, HS Timber Productions SRL – the Sebeş Branch - was involved in a bribery compliance case. An employee was found to have accepted money in exchange for offering larger quantities of goods or preferential pricing, resulting in harm to the company. The employee engaged in similar practices with multiple commercial companies. The company has taken decisive actions, including terminating the employee's contract, suspending relations

with six beneficiary companies, and providing information to the Prosecutor's Office and General Anti-corruption Directorate. The investigation is ongoing, with witnesses interviewed and relevant documents submitted. HS Timber Group is fully cooperating to ensure a thorough investigation and uphold ethical corporate governance standards.





## STAKEHOLDER DIALOGUE

At HS Timber Group, we know the significant influence our corporate decision-making holds over a wide range of stakeholders. This includes our customers, employees, business partners, authorities, as well as the communities surrounding our production sites and the media. We also value the input provided by NGOs, civil society organisations, and representatives from various stakeholder groups. Acknowledging and understanding the needs and expectations of all these stakeholders through ongoing and meaningful interaction is of utmost importance to us.

To effectively engage with our stakeholders, we employ diverse forms of tailored communication, ensuring that each stakeholder group is addressed appropriately. This approach allows us to prioritise recognising and comprehending their needs through regular interaction. By maintaining an open and ongoing dialogue, we aim to align expectations, find common ground, and develop collaborative solutions. The input we receive from stakeholders is highly valuable to us, as it brings forth important facts, social and environmental concerns, and innovative ideas that may otherwise remain unnoticed. We believe that engaging in constructive dialogue and actively addressing stakeholders' concerns will ultimately enhance our sustainability performance.

In 2022, the company organized an event in Romania entitled Stakeholder consultation on HS Timber Group's policies and purchasing areas, attended by more than 90 people, members of the local communities, business, authorities, and other organisations. During the event, topics of common interest were debated such as: competition rules in Romania - implications in the forestry sector, the use of modular and mobile forestry bridges for wood harvesting with a low impact on the environment, the current situation of the wood market, innovative AI solutions for measuring wood in different processing phases, administration of private forests, PEFC - applied sustainability. There were also practical demonstrations of the modular bridge and the AI instruments for measuring the wood in the field.

Continuous collaboration with suppliers, their awareness and training are also crucial. Therefore, we promote open, ongoing dialogue as a basis for aligning expectations and actions and significantly reducing the negative impact in our supply chain, in particular in our purchases.

Dialogue extends to our participation in various associations. HS Timber Group is a member of several associations, including the European Organisation of the Sawmill Industry (EOS), the Romanian Association of the Wood Industry (Prolemln), the German Sawmill and Timber Industry Association (DeSH), and the Finnish Sawmills Association. In Austria, HS Timber Group is a member of the Federation of Austrian Industries (IV).

## STAKEHOLDER INPUT IN THE WOOD PURCHASING PROCESS

As emphasised earlier, we recognise the significance of external input as an integral part of our risk management efforts. In addition, we firmly believe that transparency plays a crucial role in mitigating risks within our supply chain. To facilitate meaningful engagement with stakeholders, we have developed [Timflow](#), our publicly accessible wood tracking system for Romania.

In 2022, our mills in Romania have been visited by 16 journalists from Romanian central media, as well as international media outlets. This policy not only facilitates the revelation of facts and concerns but also encourages the development of novel ideas that may otherwise have remained unknown to our company. Furthermore, it serves as a transparent demonstration of our dedicated efforts to ensure a safe and secure supply chain, as well as an opportunity to discover what HS Timber Group does and its impact at a local community level.

Through the [Timflow](#) platform, HS Timber Group provides comprehensive information about the delivery of wood by trucks in Romania. This includes images of loaded trucks and GPS-based data revealing the origin of the wood. We encourage stakeholders and interested individuals to directly contact us through the website if they notice any perceived irregularities or if they require clarification on any aspect. Implemented in all of the Group's Romanian sawmills since April 2017.

In our location in Kodersdorf, we regularly welcome interested parties and decision-makers to provide them with insights into our operational production. These high-level visits are typically accompanied by the DeSH, of which HS Timber Group is a member.

## OPEN DOORS POLICY

As part of our dedication to transparent communication, HS Timber Group has established an Open Doors Policy for NGOs. To participate, NGOs are required to register with our Compliance Department and sign a standard non-disclosure agreement regarding the technologies employed. This process enables representatives from recognised NGOs to visit our mills without prior notice.

The Finnish sawmill in Luvia, as part of HS Timber Group, also welcomed a diverse range of visitors. For instance, as part of our participation in the Sahateollisuus campaign, parliament members, municipal leaders, and the press visited the site. Additionally, the location actively encourages visits from groups of private forest owners. In 2022, this included the TASEMO group, representing private forest owners from the Tampere area. The visit provided an opportunity for approximately 50 forest owners to gain insights into our operations. These visits play a crucial role in promoting transparency and stakeholder engagement, fostering open dialogue, and strengthening relationships.

During the past six years, HS Timber Group developed a sound corporate communication strategy based on openness and transparency. Hence, the Open Doors Policy also extends to

## STAKEHOLDERS AND FORMS OF COMMUNICATION

	STAKEHOLDER GROUP	SELECTED COMMUNICATION MEASURES
ADMINISTRATION	STATE LEVEL	Direct contact, newsletter, project-related communication
	REGIONS	Project-related communication, regional stakeholder meetings, direct contact
	MUNICIPALITIES	Project-related communication, regional stakeholder meetings, direct contact
	PROTECTED AREAS MANAGEMENT	Project-related communication, regional stakeholder meetings, direct contact
POLITICIANS	LOCAL	Direct contact
	NATIONAL	Direct contact, contact through associations
	INTERNATIONAL (E.G. EUROPEAN PARLIAMENT)	Direct contact, contact through associations
EMPLOYEES	CURRENT EMPLOYEES	Internal communication (including internal communications app)
	FUTURE EMPLOYEES	Public relations, employer branding measures
BUSINESS PARTNER	CUSTOMERS	Personalised customer support, newsletter, website
	SUPPLIERS WOOD & OTHER	Regional stakeholder meetings, direct contact
	FOREST ADMINISTRATION	Regional stakeholder meetings, direct contact
	FOREST OWNERS	Regional stakeholder meetings, direct contact
SOCIETAL STAKEHOLDERS	MEDIA	Public relations, website, social media, local press trips
	ENVIRONMENTAL NGOS	Newsletter, direct contact
	SOCIAL NGOS	Newsletter, direct contact
	INTEREST GROUPS, ASSOCIATIONS	Attendance at events, direct contact
	RESEARCH AND EDUCATION	Attendance at events, direct contact
	UNION REPRESENTATIVES	Direct contact
INTERESTED PUBLIC	Public relations work, website, social media	



"HS holds a prominent position in the European timber industry. For the 30 Agriculture students from the University of Natural Resources and Applied Life Sciences Vienna, gaining insight into the production of such a significant product was truly valuable. The supply chain security measures, especially the Timflow system implemented by the company, was particularly interesting to us. We really appreciated the openness we received during our visit."

MARTIN KUBLI, Executive Board "Akademikergroupe Bodenkultur"





# 03

## SUSTAINABLE SUPPLY CHAIN

### OUR SUPPLY CHAIN AT A GLANCE

**9** SOURCING COUNTRIES FOR ROUNDWOOD, EXCLUSIVELY FROM THE EU

**0** TIMBER FROM NATIONAL PARKS

**80%** OF INPUT FROM CERTIFIED FORESTS IN 2022

**529** ON-SITE AUDITS BY HS TIMBER GROUP EXPERTS IN ROMANIA

- + In 2022, HS Timber Group purchased 3.966 million m<sup>3</sup> of sawlogs with bark and 132,752 m<sup>3</sup> of sawn timber.
- + The three sawmills in Romania alone purchased roundwood from 619 Romanian harvesting companies and Forest Management Units. 322 of these vendors (52%) delivered less than 500 m<sup>3</sup> annually, 262 (42%) delivered between 500 m<sup>3</sup> and 5,000 m<sup>3</sup> and 35 (6%) delivered more than 5,000 m<sup>3</sup>.
- + The sawmill in Finland procured from a total of 1,309 direct suppliers, including six forest associations.
- + We have been in long-term partnerships of at least five years with 266 suppliers. Between 2018 and 2022, these suppliers have made deliveries each year. When we look at companies which have been our suppliers during at least four years in the before mentioned period, the number of these long-term partnerships increases to 430 suppliers.
- + Sawn timber was purchased from 83 suppliers for the mills in Comănești, Siret and Rădăuți.
- + Before being accepted for processing, a total of 1,636 deliveries in Romania underwent further investigation by our SCCC staff.
- + In total, HS Timber processed 31 complaints on suppliers that were raised internally as well as externally in 2022.
- + As a consequence, 19 supplying companies were suspended due to internal investigations that revealed their non-compliance with HS Timber Group's policies and/or legal requirements. Of these suspensions, 11 were precautionary.

**SUPPLY CHAIN SECURITY IS ONE OF THE MOST SIGNIFICANT PILLARS OF HS TIMBER GROUP'S SUSTAINABILITY COMMITMENTS.**

Our sustainable products start with a responsible supply chain for the sourcing of high-quality sawlogs. It is of utmost importance to us that the materials we purchase come from sustainably managed forests. Thanks to the implementation of a comprehensive supply chain control system, we can ensure a deforestation-free supply chain and can guarantee that none of our wood originates from Virgin Forests or from National Parks in Romania and Ukraine. To ensure this, we have a strict and well-communicated Timber Sourcing Policy, and we only collaborate with suppliers who share our values and commitment to sustainability. While we take any violation of our procurement principles seriously, we also value good partnerships with our suppliers and prioritize long-term collaborations. Our system ensures traceability in the supply and production chain.







## FOREST AS A SOURCE OF RAW MATERIAL

In 2022, all purchased and processed roundwood was sourced from European Union countries. Therefore, this report focuses on the forest resources in Europe. Forest management and the legality of harvest activities have gained global interest and concern. However, it is evident that forest resources in Europe are well managed. Statistics show a continuous increase in both forest cover and standing volume over the past 30 years, which is especially true for Romania. A key policy in EU countries has been to increase the growing stock by reducing annual removals. This policy has now reached its natural limits. Nevertheless, the accumulation of wood in coniferous monocultures, coupled with climate changes, has led to a rise in natural disturbances. The bark beetle calamity in the Czech Republic, Germany, and Austria in recent years clearly exemplifies this trend.

Forests in Eastern Europe have a long history of documented forest management, with strong centralised planning<sup>2</sup>. Over the centuries, there has been significant human intervention, resulting in the replacement of beech with conifers, primarily spruce, especially at lower altitudes. Forest management practices in Europe have typically created even-aged stands dominated by a single tree species. However, in recent decades, there has been a shift towards sustainable forest management policies aimed at maintaining a balance between harvesting and regrowth. This trend is also gaining momentum in the context of increasing climate risks. Biodiverse forests appear to be more resilient in terms of climate adaptation.

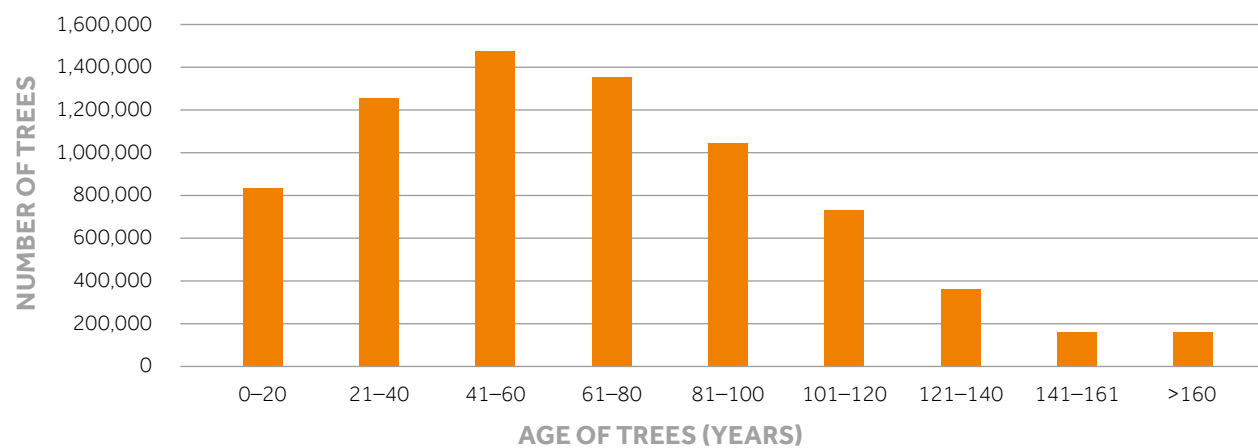
One of the main indicators of sustainable forest management in the European Union (EU) has been to cut less than the annual yield. This approach has led to a steady increase in forest cover and standing timber in the EU from 1990 to 2020. During this period, the forest area increased by 10%, while the growing stock increased by 48.5%. However, there are natural limits to this policy, as old trees become more susceptible to pests and diseases - such as bark beetles - and may struggle to adapt to changing climatic conditions.

In Romania, the variation in the age structure of trees clearly indicates a decrease in the proportion of trees in the 0 to 20 and 20 to 40 age classes. It is factually clear that, contrary to public opinion, the number of trees being removed from Romanian forests have been decreasing. The impact of this trend is even more significant than it appears, as the graph encompasses both long rotation species and short rotation species like acacia, poplar, birch, and hornbeam<sup>3</sup>.

<sup>2</sup> SoEF\_2020.pdf (foresteurope.org), Global Forest Resources Assessment 2020 (fao.org), Statistics | Eurostat (europa.eu)

<sup>3</sup> Rezultate IFN – Ciclul II | National Forest Inventory (rofn.ro)

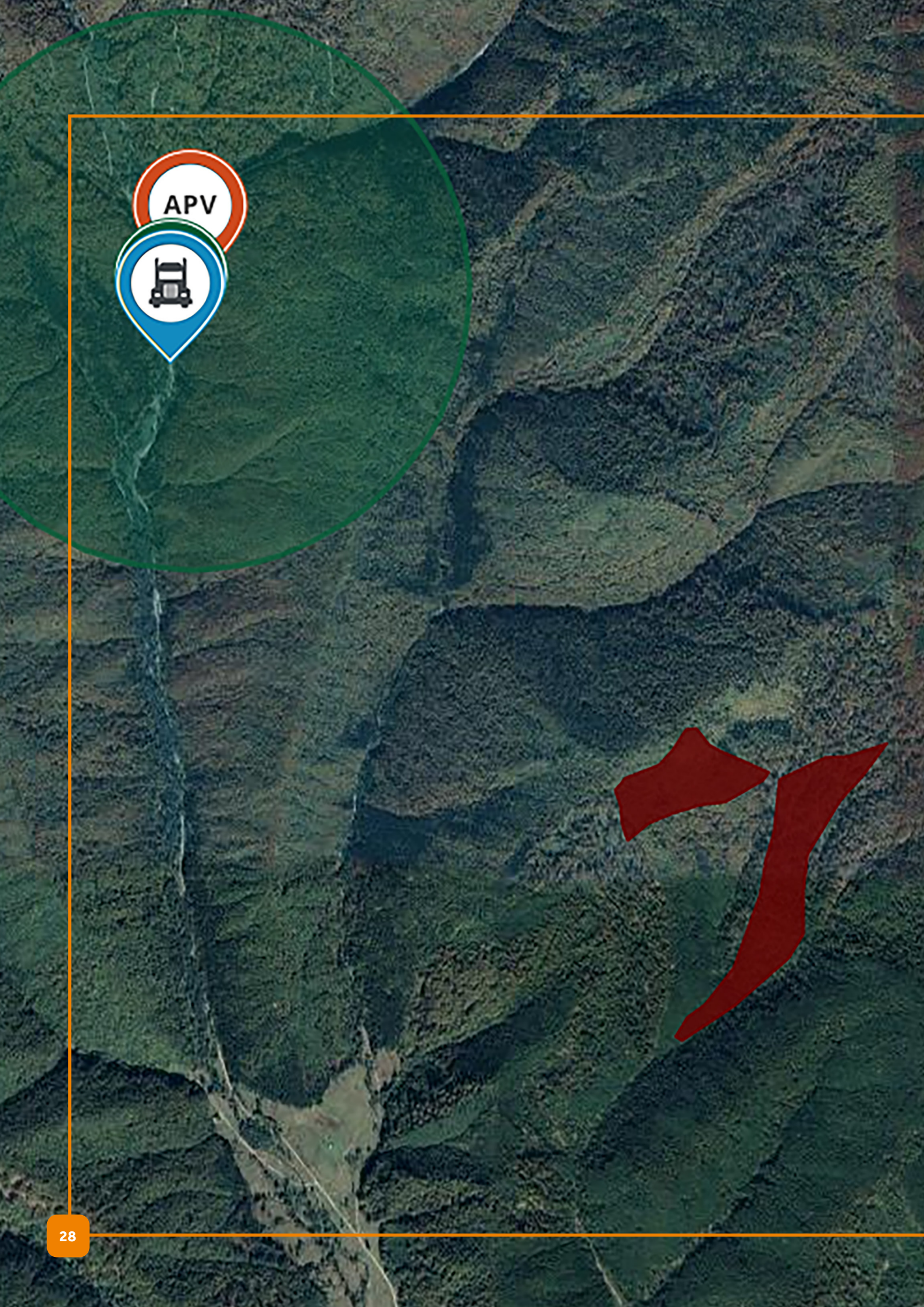
AGE DISTRIBUTION OF THE ROMANIAN FOREST



Based on data from the National Forest Inventory, A.1.2. Forest area by age classes and regions







Climate change has had a significant impact on forests, particularly in the form of increased disturbances. The accumulation of wood in coniferous monocultures, combined with changing climate conditions, has led to a rise in natural disturbances, as seen in recent bark beetle calamities in countries such as the Czech Republic, Austria, and Germany. The bark beetle infestations require active human intervention, such as the removal of old and dead trees, and replanting with tree species that are better at resisting droughts. While a non-intervention policy may seem appealing from a public perspective, it would take a significantly longer period, possibly centuries, for the forest to restore its natural state and ecosystem potential, especially for carbon sequestration through natural regeneration.

Disturbances, whether caused by humans, fire, wind, or old age, are a natural part of the forest's life cycle. National forest legislations in many countries are trending towards reducing the size of harvest operations to align more with natural patterns and mimic biological movements. Harvest operations do not reduce biodiversity but create varying conditions in terms of light and forest structure. If carried out properly, they are creating ecological niches for many different organisms. This mirrors back to the fact that in Europe, agriculture has been identified as the main driving factor of biodiversity loss, while

forest biodiversity has remained relatively stable over the past 30 years<sup>4</sup>.

In the near future, European forest policies are expected to change to actively prevent large outbreaks of natural disturbances. This will likely require active intervention and higher levels of wood removal. The goals include promoting uneven-aged and mixed forests, resilient forest stands, and implementing smaller-scale and more frequent forest operations. However, achieving these goals will take a considerable amount of time.

Regarding the sourcing of raw materials for HS Timber Group, all inputs are derived from approved harvest operations. In high-risk countries, HS Timber Group in collecting GPS coordinates for all harvesting areas. It is worth noting that over 60% of the input in Romania comes from thinning operations. Additionally, to demonstrate its commitment to sustainable forestry and the protection of biodiversity, HS maintains a strict policy of zero timber from National Parks and excludes any input from Virgin Forests, which are protected by law, as well as running elaborate mitigation measures to avoid input from such areas that are not mapped or protected.

### TIMBER SOURCING POLICY

In 2022, we continued our practice of exclusively purchasing and processing roundwood from within the European Union (EU). Our input mainly consists of small-diameter sawlogs (averaging 21cm middle diameter) from coniferous species like spruce, fir and pine. In Romania, we do not directly engage in wood harvesting. Instead, we primarily source wood from strictly controlled harvesting companies and Forest Management Units. However, in Finland, the main acquisition method is purchasing "wood on stump". In this case, we contract harvesting services that operate on our behalf. Therefore, the addition of Luvian Saha to our group in 2022 has led to a significant increase in our share of sold logs due to these circumstances.

Throughout the year 2022, we sourced roundwood from nine countries within the EU: Germany, Austria, Poland, Romania, Slovakia, Czech Republic, Finland, Sweden, and Latvia. Among these, Romania is the only high-risk supplier country in our supply chain where the DDS contains several country-specific features. The high-risk is a result of its classification within the CPI (Corruption Perception Index)<sup>5</sup>. These features are described in more detail later in this chapter.

Our commitment to sustainability is evident in our target to source wood exclusively from forests certified for sustainable forest management by 2025. As of 2022, 80% of our input

already meets this criterion, which is consistent with the previous year<sup>6</sup>. This is an estimate which is based on evidence for claimed material and an approximation for material that approaches us via traders based on the certified areas in the countries of origin.

We are dedicated to promoting responsible and sustainable sourcing practices throughout our operations. We believe that a responsible timber industry should also contribute to the protection of biodiversity, especially in conserving the last primeval forests. Since 2015, HS Timber Group has made a commitment to cease sourcing from National Parks in Romania, despite it being legally permissible. Since then, the company has consistently enhanced its control procedures, specifically focusing on this matter, to ensure compliance with this commitment. In 2022, HS Timber Group extended its "Zero Timber from National Parks Policy" to Ukraine.

<sup>4</sup> Biodiversity monitoring in Europe (leaflet) — European Environment Agency (europa.eu) Common Birds in Europe — population index

<sup>5</sup> Transparency International (2022): Corruption Perception Index

<sup>6</sup> See [Supply Chain Report 2022](#)





## DUE DILIGENCE SYSTEM

HS Timber Group has developed and implemented an advanced and robust Due Diligence System (DDS) for all its mills, aimed at mitigating risks associated with purchasing and using wood material from illegal or controversial sources. The Due Diligence System also addresses risks related to human rights and occupational health and safety issues. The various measures within the group's DDS are designed to comply with the following requirements:

- National legal framework in all the countries where HS Timber Group operates
- European Timber Regulation (EUTR) - Regulation (EU) No 995/2010
- (US) Lacey Act
- (Japanese) Clean Wood Act
- PEFC STD 2002:2020 for all mills
- FSC® policy of association requirements for Comănești and Luvia
- SFI certification for all mills
- HS Timber Group's own Timber Sourcing Policy

In 2022, HS Timber Group conducted a review of its Due Diligence System and introduced several changes to enhance it. One of the key updates involved the revision of the Timber Sourcing Policy, which included an extension of the "Zero Timber from National Parks" principle to include Ukrainian national parks. This expansion aimed to strengthen HS Timber Group's

commitment to responsible timber sourcing and protect ecologically sensitive areas from exploitation. Additionally, the Supplier Code of Conduct underwent a thorough update and was transformed into a more comprehensive Code of Conduct for all Business Partners. This integration allowed for a more unified and consistent approach in ensuring ethical and sustainable practices throughout the entire supply chain. Notably, a special clause addressing conflict timber was introduced specifically for Ukrainian suppliers, to address potential risks in the region. Moreover, HS Timber Group reviewed and updated the field auditing templates for logyard and plot audits. These audits play a crucial role in verifying supplier compliance and identifying areas for improvement. Furthermore, HS Timber Group took a significant step to enhance its internal systems by creating a database that includes all plots from National Parks in Romania. This allows for better monitoring and management of timber sourcing activities, ensuring adherence to the "Zero Timber from National Parks" policy. We take our obligations seriously and set ourselves high standards that go far beyond the legal framework. We have learned from the past that keeping these promises is the most effective way to protect against any risks in the supply chain.

Luvian Saha OY runs its own Due Diligence System based on the certification requirements in a low-risk environment.

### RISK ASSESSMENT AND RISK MITIGATION

Our proactive Due Diligence approach allows us to monitor and manage risks in our supply chain. We update risk assessments and implement mitigation measures to ensure compliance and responsible sourcing of wood. Transparency and accountability are key to our values at HS Timber Group, making our Due Diligence System essential for achieving sustainability goals.

Information gathering is always the first step in a Due Diligence process. With an annual revision of the risk profiles of our sourcing countries, we maintain an up-to-date system that addresses all relevant risks regarding supply chain compliance. Additionally, we promptly update the risk assessment when we become aware of changes in risk exposure in a country, such as legislative changes or media reports.

The country risk assessment identifies potential risks and defines relevant mitigation measures to ensure a negligible risk at the level of each delivery. These mitigation measures address country level risks, supplier related risks and risks related to deliveries. They range from general measures, such as implementing the Timber Sourcing Policy or the Code of Conduct for Business Partners, to conducting supplier on-site audits or verifying each delivery with [Timflow](#) and SUMAL 2.0 in Romania.

**All supplying countries are assessed for seven types of risk, which provide the structure for the risk assessment:**

- + Geopolitical risk
- + Integrity risk
- + Human rights/employment risk
- + Environmental risk
- + Regulatory risk
- + Operational risk
- + Traceability risk

**We consider diverse sources of available and reliable information to assess the risks for each country of origin, which form the basis of our risk assessments:**

- + Corruption Perceptions Index<sup>7</sup>
- + Rule of Law index<sup>8</sup> The EU infringement database
- + United Nations and European sanctions
- + Trade bans
- + Country level forest management and traceability information
- + Forestry statistics and biodiversity information
- + Convention on International Trade in Endangered Spe-

<sup>7</sup> 2022 Corruption Perceptions Index

<sup>8</sup> WJP Rule of Law Index







“As an Austrian initiative for a supply chain law and the publisher of Lieferkettenatlas.com, transparency and sustainability of supply chains are of central concern to us. Therefore, we greatly appreciate that HS Timber has given us the opportunity to deeply engage with the company's supply chain management and the security system for tracing wood deliveries. With its efforts and "Timflow", its own tool for tracing, HS Timber serves as a positive example in the timber industry.”

VERONIKA BOHRN MENA, Vorsitzende der Stiftung COMÚN

cies of Wild Fauna and Flora (CITES)

- + Third party risk assessments
- + Extracts from media monitoring
- + Stakeholder input – NGO Reports
- + Any other reliable information

When it comes to specific supply chain risks, we address them with special mitigation measures, focusing on two main criteria: maintaining short supply chains to reduce complexity and avoiding logyards, which pose a risk of mixing wood from controversial sources.

The DDS is designed according to the risk level of each supplying country. We have implemented a comprehensive range of customised risk mitigation measures, including organisational, contractual, and audit-based controls, to ensure transparency and legality in our supply chain. Core elements of the DDS include written purchase contracts, annual signing of Supplier Declarations, legal background checks in high-risk countries, verification of origin at the delivery level, reliance on forest management planning and public data, and exclusion of wood from National Parks in certain countries. Certification is considered as an additional risk mitigation, and additional EUTR requirements are met where HS Timber Group is an operator in the chain, which is the case for standing timber purchases or lumber imports.

On-site and desk-based audits play a crucial role in verifying the accuracy and legality of our suppliers' operations. In the case of on-site audits, we differentiate between pure chain of custody audits, where we verify documents in the administrative offices of our suppliers, and forest management audits, which typically occur during inspections of a Forest Management Unit (FMU). We conduct verifications of approval of management plans, harvesting activities, compliance with conservation measures in protected areas, and health and safety and fire protection regulations. The verifications in the forest are conducted to assess the accuracy of harvesting activities in respecting the confines of a plot and to identify any potential damage caused during wood removals.

In Romania, HS Timber Group ensures traceability of suppliers' logyards through Inspectorul Pădurii, monitoring input with registry plates on trucks and cross-checking photo documentation with stated input volume. Inconsistencies prompt further investigation and on-site audits. Transaction verification systems such as SUMAL 2.0 are also implemented in other countries, enhancing documentation and verification by tracing material origin for each truck.

We require our suppliers to adhere to our Code of Conduct for Business Partners. Additionally, we apply legal background checks to exclude suppliers that are subject to penal measures or sanctions. Furthermore, third-party audits are used to assess compliance with the EUTR and certification requirements in high-risk countries where HS Timber Group staff is not available. Additionally, we employ media monitoring in high-risk countries to ensure adherence to regulations and our sustainability commitments.

In high-risk countries such as Romania, the DDS requires intensive field verification and field visits. In 2022, 529 field audits were conducted by HS Timber Group's Supply Chain Control and Certification (SCCC) experts in Romania. HS Timber Group's staff conducted and documented a total of 272 Chain of Custody (CoC) audits there, adhering to the predefined audit intensity rules. These audits encompass health and safety checks, as well as document reviews. One crucial purpose of these audits is to estimate the volume and compare it with SUMAL volumes. Any additional volume detected during this process indicates undocumented and, consequently, illegal input. Furthermore, the HS Timber Group staff conducted 124 plot audits in Romania and issued 170 corrective action requests. Technically, a plot visit refers to an inspection conducted during an ongoing harvesting operation. This comprehensive inspection encompasses various aspects, including the verification of harvesting documentation, tree marking, implementation of health and safety measures, and assessment of any potential impacts on low impact forestry practices. We also conducted over 40 field audits in Ukraine with our own staff there.

#### CERTIFICATION

HS Timber Group has set the target to source 100% of its timber from forests certified by PEFC and/or FSC® forest certification schemes by 2025. In pursuit of this goal, we maintained six single site certificates from PEFC in 2022, with five located in Romania and one in Germany. The annual surveillance audits were conducted in March in Romania and in July in Kodersdorf, Germany.

In contrast to common industry practices, HS Timber Group goes beyond the norm by selling all of its products with the minimum claim of PEFC Controlled Sources. This approach ensures that both certified and non-certified materials undergo the same level of scrutiny and control through HS Timber Group's Due Diligence System. By maintaining this consistent control standard, HS Timber Group demonstrates its commitment to responsible sourcing and transparency throughout its supply chain.

HS Timber Group is the first solid wood lumber company to be approved to utilise the Sustainable Forestry Initiative (SFI®) Label Recognizing Global Standards. This recognition allows HS Timber Group to promote PEFC Chain of Custody (CoC) certified wood products beyond North America. To qualify for the SFI Label Recognizing Global Standards, obtaining a PEFC Chain of Custody Certification is a prerequisite. HS Timber Group had already successfully obtained the PEFC CoC standard certification back in 2014.

In 2022, two of HS Timber Group's locations, HS Baco Panels and the Finnish sawmill Luvia, held FSC® CoC (Chain of Custody) certifications. HS Baco Panels underwent the CoC certification audit on 13 December 2021, and the FSC® certificate was issued on 11 January 2022. Additionally, the entire HS Timber Group ensures compliance with FSC®'s Policy for Associations requirements.





## SOURCING ROUNDWOOD IN ROMANIA

HS Timber Group has a well-regulated process for selecting its roundwood suppliers. Among the countries in our supply chain, Romania is the only high-risk roundwood supplier country where our DDS contains several country-specific features. This is due to the country's classification within the CPI as well as ongoing public criticism concerning corruption, traceability, and biodiversity in the Romanian forest sector, despite forestry being generally considered low risk in Europe.

In Romania, HS Timber Group has taken a leading role in providing public access to transaction-level information by introducing the [Timflow](#) system as early as April 2017. [Timflow](#) is an online GPS tracking system that monitors the roundwood transport route from loading points to the mills' gates. The information for each truck includes the origin location and GPS coordinates, APV code if the delivery is initiated from the primary platform, photo documentation of the load, and the route provided by the GPS unit fixed into all trucks delivering roundwood to HS Timber Group. The system is available online for any third party at [www.timflow.com](#), accessible through a simple registration process.

In 2022, Timflow covered a total of 25,109 deliveries. Among these, 6.52% (1,636) underwent additional investigation due to incomplete information provided by the supplier. In such cases, the load is not rejected, but stored separately. This is because if the online code is valid, the takeover process cannot be refused. Subsequently, the SCCC Department conducted additional verification to complete the missing information.

Since February 2021, the Romanian state wood monitoring system SUMAL 2.0 which is publicly provided on the website Inspectorul Pădurii, has been offering similar functions to Timflow, providing public access to all wood deliveries for the previous four days. Currently, HS Timber Group operates Timflow in parallel with SUMAL 2.0, ensuring double security in case of technical errors. Furthermore, the advantage of also using Timflow for us lies in the fixed GPS tracker in the trucks, higher resolution watermarked photo storage, enhanced tracking capabilities, and longer availability of delivery records. We maintain our Timflow system operational because we firmly believe that providing delivery information to the public for 12 months is essential for achieving full transparency in the supply chain. We are convinced that transparency is a key solution to address many challenges faced along the supply chain.

With the implementation of SUMAL 2.0, HS Timber Group can now collect all available harvesting locations (APVs) in Romania on a weekly basis, providing full coverage of APVs located in National Parks. To identify deliveries originating in strictly protected areas, virgin, and quasi-virgin forests, dedicated GIS maps are used. This enables us to identify and reject deliveries from these areas, thus strengthening control and compliance with the Zero Timber from National Parks policy in Romania. In 2022, we refused one transport originating in a National Park. In total, throughout the year 2022, four transports were rejected.

When it comes to the roundwood supplier selection process in Romania, we have implemented a strict supplier onboarding procedure. In Romania, becoming a harvesting company is only possible through a domestic legal process. Before establishing a supplier relationship, HS Timber Group staff conducts legal background checks on each supplying harvesting company to ensure there is no criminal involvement in illegal logging or corruption. Contracts are created and confirmed with time stamps, and suppliers receive Timflow-dedicated GPS trackers for trucks, along with compliance training. All partners are required to accept the Code of Conduct for Business Partners, and logyard suppliers undergo initial Chain of Custody audits.

HS Timber Group implements several measures to protect biodiversity through its DDS. These measures include updating the field audit questionnaire in 2022 to incorporate photos of rare species. HS Timber Group staff also conduct visits to all plots over 160 years old located in Natura 2000 sites to ensure compliance and mitigate risks of potential Virgin Forest disturbances while monitoring biodiversity protection requirements. Romania maintains a catalogue of virgin forests. These areas are strictly protected. Their surface currently stands at roughly 1% of the forest cover in Romania. The current Natura 2000 revision process could potentially lead to the identification of new areas which classify as virgin forests. To avoid risks related to these unmapped areas, we are conducting the in-house verifications.

Furthermore, compliance with low impact forestry requirements is assessed during these plot visits. HS Timber Group also promotes the use of mobile bridges to prevent machinery from entering riverbeds, thereby contributing to biodiversity preservation efforts.

## SAWN WOOD FROM RUSSIA AND BELARUS

Purchases of solid sawn wood from third parties account for less than 10% of the total input of HS Timber Group in 2022. Prior to the European sanctions, sawn timber was sourced from Belarus and Russia in full compliance with European Timber Regulation (EUTR). However, due to the EU trade embargos, sourcing wood from these regions is no longer possible. In compliance with these sanctions, HS Timber Group has taken the following actions in 2022:

- + Immediate cessation of all import activities from Russia starting 25 February 2022.
- + Imports from Belarus were only allowed if both the contract and the DDS were executed before 2 March and all purchases were physically terminated by 4 June, according to the Council Regulation 765/2006 (see annex).
- + HS Timber Group continues to import from Ukraine, employing risk mitigation measures implemented by the local staff in Ukraine. Purchases are limited to areas that are not directly impacted by military activities, aligned with the guidance provided by the EU Commission.

## STAKEHOLDER EVENTS FOR SUPPLIERS

In October 2022, HS Timber Group organised a successful face-to-face stakeholder consultation in Covasna, Romania, the first since 2019. To ensure a productive event, the meeting was split into one afternoon and one morning session the following day, with a social event at the end of the first day. The participation rate was high, with main suppliers, Forest Management Units, state authorities, and forestry associations attending. The event covered important topics, including legislation on corruption and competition, the local and international wood market status, innovations in Tomorrow's Forest Foundation's modular bridge, Lidar technology for efficient wood volume measurement, and the benefits of PEFC certification for wood products. The second day focused on practical demonstrations of the modular bridge and Lidar technology, offering a potential solution for assessing loads accurately and reducing volume-related risks.



## CLAIMS FOR NON-COMPLIANCE WITH THE TIMBER SOURCING POLICY

HS Timber Group's Due Diligence System (DDS) employs robust measures to ensure compliance with legal requirements and the Timber Sourcing Policy. Compliance is monitored at three levels:

- + In Timflow, non-compliance may result in a truck suspension for 1-3 months.
- + During field audits, corrective actions are graded (observation, minor, major), and failure to implement them leads to suspension.
- + Investigations triggered by media monitoring and internal or third-party inputs can result in suspensions for up to 3 years, if necessary.

HS Timber Group's DDS utilises a time-stamped internal document handling system to gather stakeholder inputs and record significant deviations as "cases." In 2022, the SCCC (Sup-

ply Chain Control & Certification) staff registered a total of 31 cases. Out of these, eight cases were considered "unsubstantiated" or not justified, and further investigation pending in two cases. The remaining 21 cases resulted in various measures being implemented by HS' DDS, ranging from oral reprimands to contract suspensions.

In 2022, HS Timber Group's DDS resulted in eight supplier suspension cases. Among these, one supplier was released from suspension once an on-site audit provided enough information to lift the suspension. Furthermore, in 11 cases, precautionary suspension was applied to companies that were not currently working with HS Timber. These cases were mainly due to accusations of underestimating volumes and confiscation of volumes and/or trucks. These incidents were identified through media monitoring or reported by stakeholders. Precautionary suspension is implemented to prevent future collaboration with the concerned company without a proper investigation of the case.



# 04

## ENVIRONMENT, CLIMATE PROTECTION & ENERGY

**100%** UTILISATION OF THE DELIVERED SAWLOGS

**21.7%** REDUCTION OF GHG EMISSIONS PER FULLY PROCESSED WOOD EQUIVALENT<sup>9</sup>

**5.5%** REDUCTION OF MWH OF ELECTRICAL & THERMAL ENERGY USED PER FULLY PROCESSED WOOD EQUIVALENT<sup>9</sup>

**99.7%** SHARE OF RENEWABLE THERMAL ENERGY

**84.2%** OF ASH WAS FURTHER UTILISED IN EXTERNAL PROCESSES IN 2022

**98.6%** OF ALL WASTE RECOVERED



<sup>9</sup> In 2022 compared to 2021



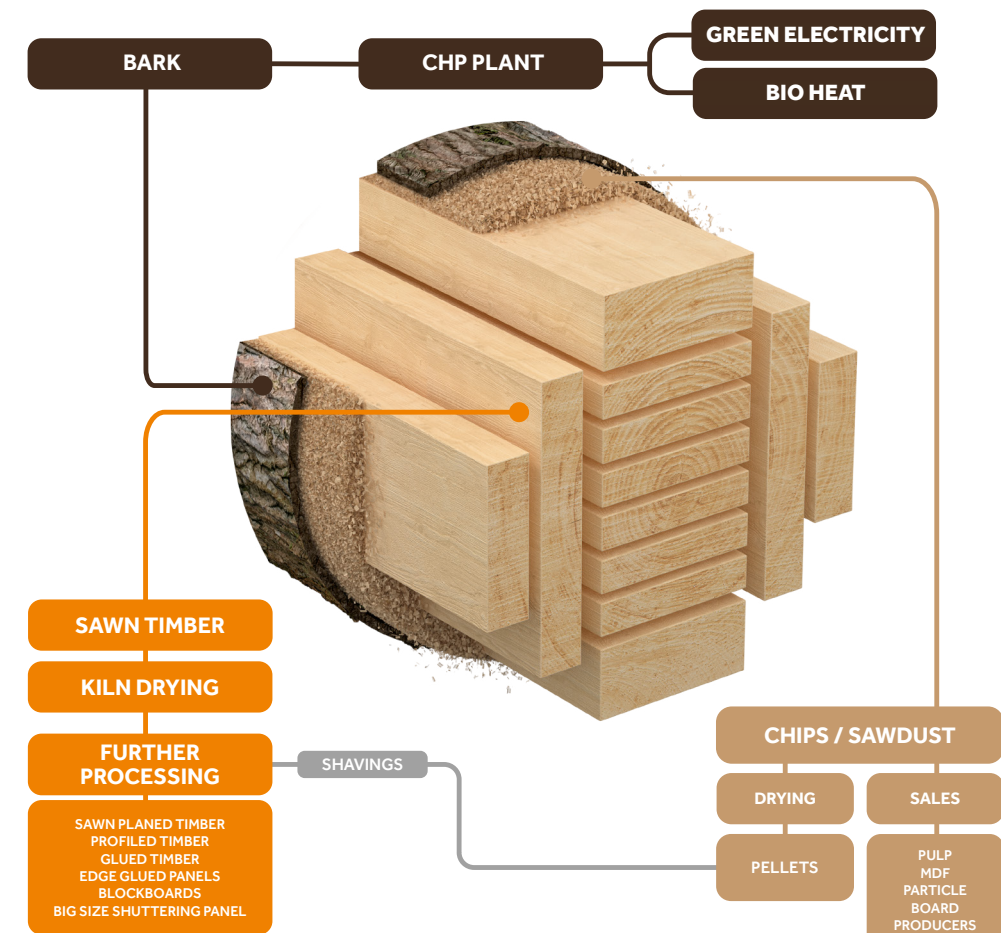
At HS Timber Group, our mission as a wood processing company is to achieve global growth while upholding sustainable practices and preserving the environment. Central to our commitment is the sustainable management of the forests from which we source our wood. We understand that only intact forest ecosystems can rejuvenate and effectively close the natural CO<sub>2</sub> cycle. We consider ourselves privileged to work with a renewable resource in our core business – wood. Through our long-lasting products, we establish the foundation for long-term carbon sequestration in wooden constructions or generate renewable energy. Every investment we undertake is carefully evaluated not only to reduce costs but also to minimise our environmental impact, particularly on the climate. As a company, we are part of the solution in the fight against the climate crisis, and we are proud of it.

We possess a significant advantage in our operations - our resource is inherently sustainable. To ensure minimal waste and optimal resource utilisation, our sawmills are designed for 100% use of the delivered logs. By-products such as sawdust, wood chips, and wood shavings are efficiently processed into pellets, supporting green heating systems in households throughout Europe. Alternatively, our customers further process these by-products into pulp, paper, or particle boards. Our

commitment to energy sustainability is evident as we strive for self-sufficiency. Our state-of-the-art combined heat and power plants, located at our sawmills, generate green energy from renewable sources. For that, we use all bark from the sawlogs delivered to us, along with externally purchased biomass, predominantly wooden waste from other wood processors. This comprehensive approach ensures that we maximise the use of available resources and minimise waste throughout our operations.

HS Timber Group's operations are consuming significant quantities of energy and wood. In 2022, approximately 3.97 million solid m<sup>3</sup> of logs passed through the gates of HS Timber Group's mills. Around 220 GWh of electricity and 823 GWh of heat were needed to produce the high-quality wood products. Thereof 99.7% of consumed thermal energy was covered by renewable resources. Therefore, HS Timber Group has set itself ambitious goals, especially in relation to climate change and energy efficiency. By 2025, we intend to lower company-wide greenhouse gas (GHG) emissions by 25% per final product unit and reduce our company-wide energy consumption by 30% per final product unit. These goals have been enshrined in our [Environmental Policy](#).

Our aim: to be a role model in the wood processing industry and make a significant contribution to tackling climate change.



Typical cutting pattern with products and by-products produced from a freshly harvested sawlog with bark.





## ENVIRONMENT MANAGEMENT

**HS Timber Group has implemented a company-wide Environment Management System (EMS), to reduce the environmental impact of its activity and to improve its environmental performance.**

The group-wide EMS is based on the ISO:14001 standard. In 2011, the blockboard factory in Comănești was the first company within the group certified to the ISO:14001 standard. In 2018, the sawmill in Reci followed and received ISO:14001 certification; successful recertification was achieved in 2021. The goal was to have a unified environment management system across all our sites by the end of 2022. This goal has

been successfully achieved at all sites within the group, except for the newly acquired location in Finland. Nevertheless, we are currently in the process of further developing and fully implementing the system at all our sites. Part of the EMS are specific annual environmental programmes, consisting of concrete investments into energy efficiency and environment protection measures.

### ENVIRONMENT MANAGEMENT SYSTEM IN ROMANIA

The Environment Management Systems (EMS) for the production sites in Romania underwent significant development in 2021, which continued in 2022 as well. At the mill level, dedicated staff members oversee environmental aspects and ensure full compliance with relevant regulations and laws. These environment specialists conduct surveys, document compliance, monitor environmental

parameters such as emissions, perform audits on waste separation practices, and provide training to raise staff awareness of environment matters. The team of specialists is coordinated by an environment expert based in Romania and guided by the Chief Sustainability Officer at the Group level.

### AWARENESS CAMPAIGN ON THE MYHSTIMBERGROUP INTERNAL APPLICATION

In 2022, a series of short videos addressing the environmental issues of our company were periodically published on the MyHSTimberGroup application, for all Romanian employees. The total of 14 videos was created by the team of environmental specialists from the sawmills. The videos covered various topics, including the responsibilities of environment specialists within the company, theoretical presentations on waste management, the implementation of a selective waste collection system in our production processes, and chemical management. The short videos received positive feedback from the application's visitors, with a preference for those featuring di-

alogues and live presentations from the production halls. However, the videos incorporating pictures with background sound were also appreciated. Overall, the environment videos effectively captured the interest of 85% of the employees. Following the videos, we organised an environment competition for our employees in the Romanian mills, featuring three questions related to the topics covered in the videos.

Moving forward, we plan to continue these initiatives in 2023, aiming to further enhance knowledge and awareness among our employees regarding environment issues.

### MATERIAL, RESOURCE EFFICIENCY, AND WASTE PREVENTION

While our primary raw material, wood, is fully utilised, the production process generates various types of waste. These waste materials are professionally sorted locally and then transferred to specialised companies for further processing. Overall, 98.6% of the total waste - including wood by-products and ash - is effectively recovered. Although part of the wood by-products are technically classified as "waste", we ensure their internal recovery as previously described in this chapter.

tonnes in 2022. In our factories in Reci, Sebeș, and Luvia we recover nearly 100% of the ash, while in Rădăuți, Siret, Comănești, and Kodersdorf, due to limited alternative solutions in those areas, some of the ash is still deposited in landfills. On a group-wide level, 84.2% of the generated ash is successfully recovered. We continuously explore additional applications for re-using this ash, such as in the cement industry (as an auxiliary material in cement production), the fertiliser industry, or the metal industry.

In 2022, we generated 25,385 tonnes of non-hazardous waste (excluding bark, sawdust, and chips from our own production) and 399 tonnes of hazardous waste, such as waste oils. We ensure the safe disposal of hazardous waste in accordance with laws and contractual obligations at suitable facilities. Wood ash constitutes the largest portion of non-hazardous waste. Our biomass power plants generate significant quantities of ash as a result of the combustion process, amounting to 21,885

Towards the end of 2021, we conducted a waste management audit in collaboration with an external consultant across all our mills in Romania. This audit provided us with a comprehensive understanding of potential environmental risks and areas for improvement. The findings from the audit have been incorporated into our corrective action plan and are under continuous implementation.

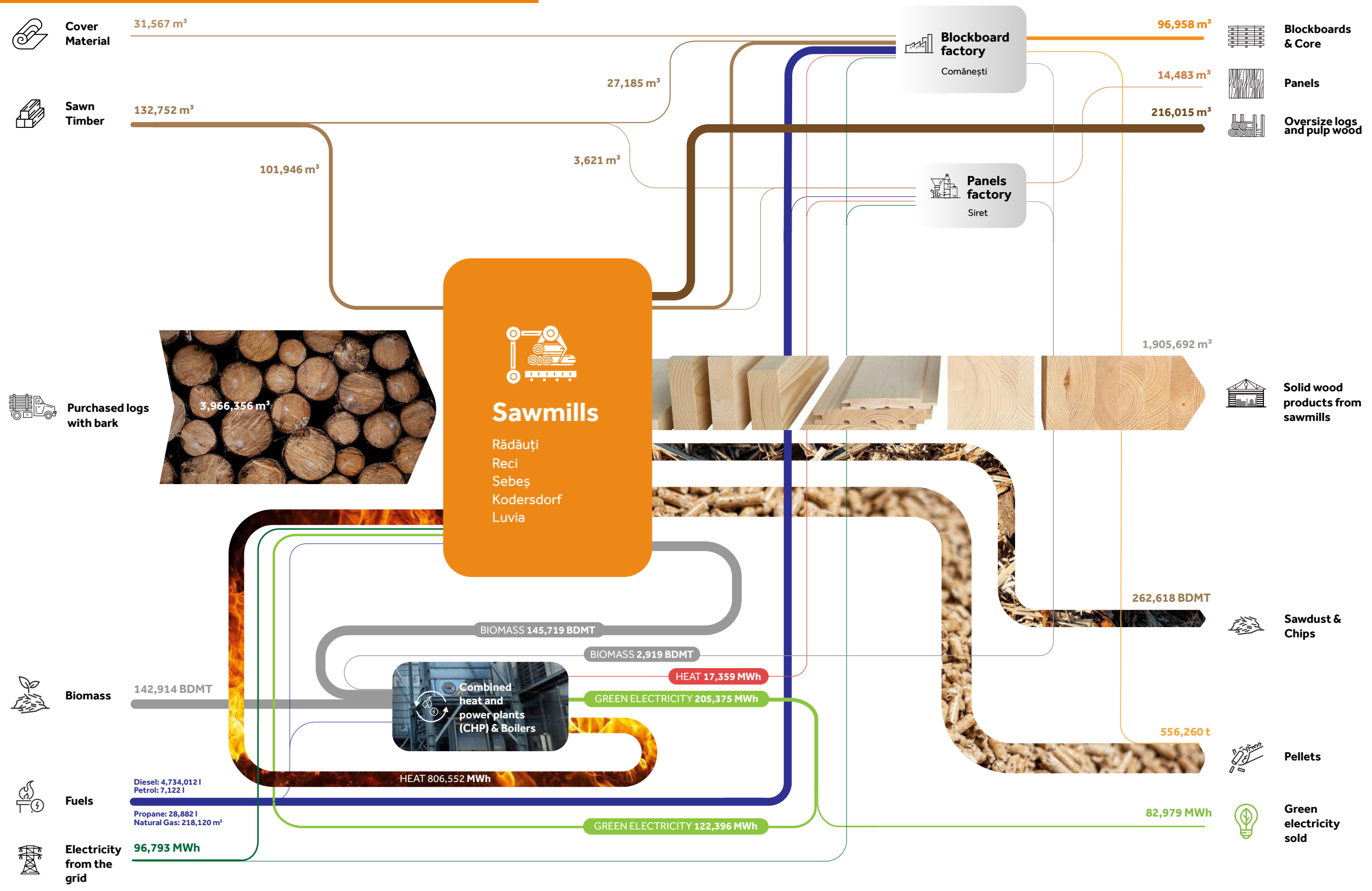
“ I strongly emphasise the importance of implementing an Environment Management System within our company. This system plays a vital role in identifying and effectively managing environmental impacts, ensuring strict compliance with regulations, minimising ecological footprints, and promoting smoother operations throughout our organisation. ”

**KATALIN MARTON**, Environment Specialist, HS Timber Productions Reci



This diagram illustrates the most important material and energy flows of the production facilities of the company. To achieve a better clarity of energy flows, all energy production facilities and the corresponding flows towards the production units were presented cumulatively. Detailed data is available within the framework of the Environment Management System.

## MATERIAL & ENERGY FLOW DIAGRAM (SANKEY DIAGRAM)







## INPUT-OUTPUT TABLE

	INPUT	UNIT	2020	2021	2022	% change from 2021 to 2022
<b>MATERIALS</b>	Purchased logs with bark	m <sup>3</sup>	3,798,056	4,123,571	3,966,356	-3.8%
	Processed logs without bark	m <sup>3</sup>	3,594,118	3,780,829	3,541,102	-6.3%
	Purchased sawn timber	m <sup>3</sup>	197,908	162,599	132,752	-18.4%
	Received intra-group sawn timber	m <sup>3</sup>	312,974	343,735	230,800	-32.9%
	Purchased cover and core material	m <sup>3</sup>	31,023	35,257	37,370	-6.0%
	Burned biomass (infeed)	BDMT	250,033	296,709	291,552	-1.7%
	Biomass from external sources	BDMT	72,293	131,436	142,914	8.7%
	Biomass from intra-group sources	BDMT	477	1,118	786	-29.7%
	Purchased starch	BDMT	2,366	3,744	3,729	-0.4%
	Purchased flour	t	1,898	2,084	2,677	28.4%
	Purchased lubricating oil	t	657	705	778	10.3%
	Purchased hydraulic oil	t	91	111	114	3.3%
	Purchased glue (free of formaldehyde)	t	2,210	1,662	1,201	-27.7%
Purchased glue (with formaldehyde)	t	2,339	3,063	2,478	-19.1%	
<b>ENERGY</b>	Consumed electricity from own CHP	MWh	131,835	144,851	123,366	-14.8%
	Purchased electricity	MWh	70,327	81,725	96,935	18.6%
	Thermal energy consumed from biomass	MWh	693,861	817,605	823,911	0.7%
	Thermal energy produced from biomass	MWh	775,195	871,516	878,315	0.8%
	Thermal energy produced from natural gas	MWh	2,351	2,992	2,343	-21.7%
	Purchased natural gas	m <sup>3</sup>	223,936	276,014	218,120	-21.0%
<b>MOBILITY</b>	Petrol purchased for internal use	l	1,257	406	481	18.4%
	Diesel purchased for internal use	l	4,901,515	5,346,557	4,563,024	-14.7%
	Petrol purchased for vehicles outside the mill	l	26,610	15,427	15,171	-1.7%
	Diesel purchased for vehicles outside the mill	l	182,672	236,839	212,483	-10.3%
	Employee air travel (Scheduled & chartered flights)	km	457,715	633,751	1,597,583	152.1%
Water Consumption from public grid	m <sup>3</sup>	167,318	179,645	150,676	-16.1%	

Logs presented in the Sustainability Report are reported following ÖNORM L 1021:2015 (Huber measurement). Logs presented in the Sustainability Report may differ from official reports in Romania and Finland, because of different reference methods applied. In the 2020 Sustainability Report, purchased logs were reported without bark (3,751,050 m<sup>3</sup>)

Changes in 2021 input data  
 Purchased glue (free of formaldehyde) – data correction from 2,244t to 1,662t  
 Purchased glue (with formaldehyde) – data correction from 2,481t to 3,063t

	OUTPUT	UNIT	2020	2021	2022	% change from 2021 to 2022
<b>PRODUCTS</b>	Solid wood products sold <sup>10</sup>	m <sup>3</sup>	1,881,605	1,795,813	1,908,845	6.3%
	Quantity of panels sold	m <sup>3</sup>	59,943	53,847	14,483	-73.1%
	Quantity of blockboards sold	m <sup>3</sup>	101,657	116,869	95,475	-18.3%
	Quantity of core sold	m <sup>3</sup>	4,071	1,123	1,483	32.1%
	Sawdust and wood chips sold	BDMT	317,824	330,969	262,618	-20.7%
	Pellets and briquettes sold	t	476,877	583,584	556,260	-4.7%
	Logs sold	m <sup>3</sup>	50,049	63,356	216,015	241.0%
	Electricity sold	MWh	75,083	90,084	82,979	-7.9%
<b>WASTE</b>	Non-hazardous waste generated without bark, sawdust, and chips from own production <sup>11</sup>	t	20,060	25,927	25,385	-2.1%
	From which ash generated from boiler and CHP	t	16,468	23,063	21,885	-5.1%
	From which landfilled municipal waste generated	t	232	199	208	4.7%
	Total hazardous waste generated	t	432	498	399	-19.8%
	Recovered waste including bark, sawdust, and chips <sup>11</sup>	t	432,884	463,367	338,797	-26.9%
	Recovered ash <sup>11</sup>	t	5,864	17,341	18,431	6.3%
	Share of total recovered waste	%	97.2%	98.7%	98.6%	
Share of recovered ash	%	35.6%	75.2%	84.2%		

<sup>10</sup> incl. small proportions of Siret and Comănești

<sup>11</sup> Waste related activities are classed as recovery (R) or disposal (D) as defined in the EU Waste Framework Directive 2008/98.

Timber sold to third parties reflects invoiced volumes according to the contractual specifications. The significant surge in logs sold in 2022 can be attributed to the new location in Finland, which is also purchasing wood on stump.

Changes in 2021 output data:  
 Recovered waste per definition including bark, sawdust, and chips – data correction from 395,350t to 461,967t.





## ENERGY MANAGEMENT

We required around 220 GWh of electricity and 823 GWh of heat to produce our high-quality wood products. This energy is mainly generated by means of combined heat and power (CHP), in the biomass power plants at the sawmills in Romania and Germany. The plants use primarily wood waste from production (e.g., bark), or other external biomass to generate energy. Biomass that is purchased externally must meet strict sustainability criteria, since the electricity produced is also fed into the public grid - as green electricity.

In our location in Germany, all electricity produced is fed into the national grid. Therefore, the self-sufficiency rate with green electricity at this location stood at 0% in 2022, even though we could cover physically all consumed electrical energy by own production there. As a result, around 44% of the company's

total electricity requirements are purchased externally. Therefore, HS Timber Group's self-sufficiency rate with green electricity stood at 56% in 2022 over all its locations.

We have implemented organisational measures and regulatory changes to enhance our efficiency in achieving our energy and climate goals. The certification of the energy management system at Kodersdorf was a crucial organisational step, accompanied by revisions to our machinery purchasing guidelines. A dedicated chapter on energy efficiency was introduced, outlining important requirements. Notably, one of the key requirements stipulated that only electric motors with a minimum energy efficiency class of IE4 would be permitted for future purchases starting from 2022.

### GROUP BEST PRACTICE: ENERGY MANAGEMENT SYSTEM IN KODERSDORF, GERMANY

Since 2015, the site in Kodersdorf, Germany has implemented an ISO 50001-certified energy management system to effectively reduce energy consumption. The ISO 50001 certification is independently audited on an annual basis, with the successful re-certification audit conducted in 2022. This achievement can be attributed to regular investments in energy-saving projects and facility modernisation. By systematically and continuously evaluating energy consumption and costs, significant savings have been consistently realised in electricity, heat, diesel, and compressed air. Notably, particular attention is given to the site's primary energy consumers.

The most energy-intensive process at the mill is wood drying, which uses significant heat and electricity. Consequently, numerous measures have been undertaken to decrease electricity consumption. For instance, the motors in the drying chambers are continuously upgraded from IE 1 to IE2<sup>12</sup>, offering higher energy efficiency due to their improved efficiency class. Additionally, efforts have been made to optimise power usage for lighting throughout the plant. The installation of energy-efficient LED lamps instead of the old lighting system resulted in significant cost savings. Specifically, the LED lamps in the logyard consume approximately 50% less electricity compared to the old system. The upgrade included a new light management system. This enables the individual illumination and selective deactivation of specific sections within the production

halls. Consequently, the plant's lighting power consumption decreased by approximately 25,000 kWh from December 2021 to December 2022. Further strategic investments in new equipment have also led to notable improvements in energy efficiency. The modern planing system, featuring efficient motors, enables energy savings of one kWh per cubic meter of processed wood. Additionally, a dedicated loading platform for lumber packages has been constructed, streamlining the container loading process with the assistance of a single forklift. What is more, a load peak management system has been implemented to mitigate high load peaks and reduce strain on the power grids. Through the analysis of individual plant load profiles and the optimisation of the energy performance indicator system, potential energy savings have been identified. These measures contribute to enhanced energy efficiency and overall operational effectiveness.

<sup>12</sup> The International Electrotechnical Commission (IEC) has put in place energy-efficiency classifications for electric motors across four levels of motor efficiency: IE1 Standard Efficiency, IE2 High Efficiency, IE3 Premium Efficiency and IE4 Super Premium Efficiency.

## ENERGY EFFICIENCY AND RENEWABLE ENERGY IN PRODUCTION

Efficient energy and resource utilisation are of utmost importance in HS Timber Group's production chain. We prioritise the use of cutting-edge machinery and vehicles in our plants to ensure compliance with high environmental standards and minimise emissions.

### EXAMPLES OF ENERGY EFFICIENCY MEASURES IN 2022

At HS Baco Panels in Romania, a variety of measures were implemented in 2022 to improve energy efficiency. During the year, a photovoltaic park with monocrystalline photovoltaic modules with a capacity of 4 MWp was installed on the roof of the blockboard factory. It will be operational in 2023. Other initiatives include the conversion to 100% LED lighting in the plant, the replacement of old machinery and acquisition of new, energy-efficient equipment, the installation of two reactive energy compensation systems, the installation of frequency converters on the pressing line to reduce energy consumption, replacement of some electrical cabinets, and the installation of electrical engines on the filter station ventilators to achieve optimal efficiency.

The implementation of Kaizen in Sebeş and Reci in 2022 led to several positive outcomes, such as cost savings, improved safety, increased energy efficiency, enhanced productivity, and better utilisation of resources. This resulted in a clear reduction of our environmental impact. Examples of these measures included the reduction of thermal and electrical energy con-

sumption through improvements in all drying chamber seals, as well as the optimisation of forklift routes by marking roads, access routes, and storage streets. The continuous pursuit of improvement through Kaizen ensures that the company is capable of making progress in the field of energy efficiency.

In Kodersdorf, the construction of a glulam plant started in 2022 and went online in 2023. Wood drying in the plant will be conducted using the new and highly energy efficient Valutec channel dryer. Additionally, plans are underway to establish a photovoltaic plant with a capacity of 1,440-kilowatt peak (kWp), and its implementation is scheduled for 2023. Furthermore, Kodersdorf started the construction of a second combined heat and power plant, which will come into operation in 2024. Energy production is becoming a more and more important value stream for the group.

In 2022, investments to enhance the energy efficiency were also made in the new location in Luvia, Finland. One notable investment was the installation of a heat recovery system for a kilning channel, aimed at reducing the heat demand in that specific area. Additionally, LED lamps have been installed throughout the buildings.

These initiatives showcase our commitment to using advanced technologies and renewable energy sources to enhance sustainability and energy efficiency in our operations.

## INTERNAL MOBILITY AND LOGISTICS

In 2022, the vehicles used by HS Timber Group consumed approximately 4.8 million litres of diesel and 16,000 litres of petrol. The majority of this fuel consumption occurred within the factory premises, particularly in the large log and sawn timber yards at the sawmills, to facilitate logistics operations. Electrical forklifts are employed specifically within our indoor further processing facilities. This strategic choice enables us to further decrease our reliance on fossil fuels, since these forklifts are powered by green electricity, in many locations sourced from our own combined heat and power plants.



HS Timber Group continued to buy vehicles that are rated "best in class" in their respective categories and ordered nine electrical forklifts for its premises in 2022. To further reduce fuel consumption, we provided regular fuel-saving driver training at all our plants. By leveraging vehicle data in conjunction with GPS Timber, we analyse and optimise the fuel consumption of each vehicle, ensuring that unnecessary consumption is avoided. This approach allows us to continually improve our fuel efficiency and minimise our environmental impact.

Regarding the business travel activities of our management and employees, it can be said that in 2022, the COVID-19 pandemic no longer posed limitations. As a result, there was an increase in flight kilometres compared to 2021, which can be attributed to the company's growth strategy and its developing project in Argentina. However, moving forward, our intention is to refrain from further increasing the number of business trips. We will closely monitor the evolution of flight kilometres to ensure responsible and efficient travel practices in the future.





## EMISSIONS: GREENHOUSE GAS BALANCE

The greenhouse gas (GHG) balance encompasses all of HS Timber's main sites and operations in Romania, Germany, Finland, and Austria<sup>13</sup>. The emission sources included are categorised based on the three scopes defined by the Greenhouse Gas Protocol.

In 2022, HS Timber's corporate carbon footprint stood at 60,067 t CO<sub>2</sub>e (location based method) and 76,639 t CO<sub>2</sub>e (market based). The largest contributors, accounting for 96% of the balance, were GHG emissions from purchased electricity (51% location based), the company's diesel fleet (25%), and biomass combustion (20%). The remaining GHG emissions originated from purchased natural gas, the petrol and propane fleet, district heating, and air travel. The inclusion of the Luvia site in Finland, which joined HS Timber Group this year, has expanded the scope of this year's calculation. Additionally, the emissions from the Vienna and Ybbs office locations were combined due to their relatively small contribution to overall emissions.

Total GHG emissions in 2022 are affected by the discontinuation of production at the Siret site in the first quarter 2022 and the reduction of production activity in 2022 at the Rădăuți production site (shutdown of sawmill) which resulted in a drop of approximately 50% of the GHG emissions at this site. On the other hand, the acquisition of the production site in Luvia has increased the group's GHG emissions.

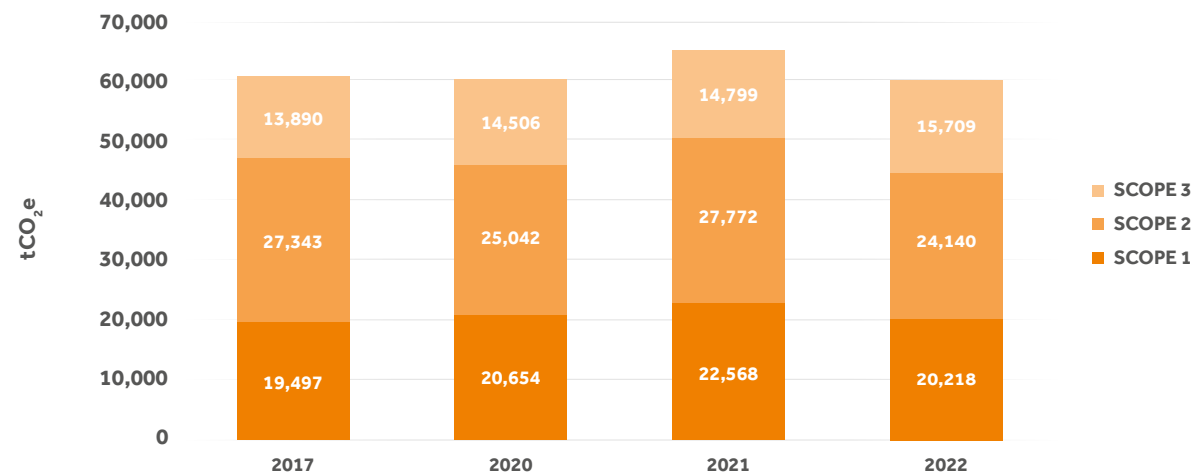
When compared to 2021, emissions from most business activities have decreased due to lower consumption or changes in calculation methodology. However, the emissions from air travel

have significantly increased (refer to table below) as Covid travel restrictions were largely revoked in 2022. The rise in emissions from purchased electricity (market based) is primarily attributed to a shift in the electricity mix provided by the Romanian supplier. As demonstrated in the table below, emissions from purchased electricity decreased compared to 2021, when using the location-based method for calculation.

The emission factors for indirect emissions from electricity, as reported in Scope 2 and Scope 3, are sourced from IEA (2022)<sup>14</sup> and Ecoinvent V 3.9.1 (2022)<sup>15</sup>. These conversion factors consider the greenhouse gases CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. For direct emissions (Scope 1) related to fuel combustion, the emission factors are obtained from Umweltbundesamt (Environment Agency Austria 2022)<sup>16</sup>, covering the seven Kyoto gases.

In Scope 3, only fuel- and energy-related activities and emissions from air travel are considered. Fuel- and energy-related activities encompass the supply chain of fuels for process heat and transportation. When wood waste from HS Timber plants is used for energy production, no Scope 3 emissions are accounted for, as the emissions from the provision of this biomass (sawmill, transport, etc.) are already included in Scope 1. However, Scope 3 emissions are considered for biomass purchased from external sources. The supply chain, including transmission losses, of electricity is also considered. These emissions are closely linked to the company's energy usage, thus the company's influence on them is considered significant. Additionally, the amount of air travel is directly controlled by the company and therefore reported.

**CORPORATE CARBON FOOTPRINT 2017-2022**  
(BY YEAR AND SCOPE; LOCATION-BASED)



The figure above presents a comparison of the years 2017, 2020, 2021, and 2022, during which a greenhouse gas balance was calculated for HS Timber. It is important to note that a comparison across all years can only be made using the location-based method, as market-based data for 2017 is unavailable.

	2017	2020	2021	2022	%-change 2021 to 2022
	t CO <sub>2</sub> e	t CO <sub>2</sub> e	t CO <sub>2</sub> e	t CO <sub>2</sub> e	
<b>Scope 1 (Direct emissions from own production)</b>					
Petrol fleet	54	59	36	33	-8%
Diesel fleet	12,395	12,497	13,931	11,905	-15%
Propane	-	132	110	46	-58%
Energy from biomass	6,333	7,501	7,912	7,775	-2%
Energy from gas	715	465	578	458	-21%
<b>Total Scope 1</b>	<b>19,497</b>	<b>20,654</b>	<b>22,568</b>	<b>20,218</b>	<b>-10%</b>
<b>Scope 2 (Indirect emissions from purchased energy)</b>					
Purchased electricity (location-based)	27,343	25,039	27,720	24,139	-13%
Purchased electricity (market-based)	n.a.	19,024	28,344	40,711	+44%
Purchased district heating	-	3	2	2	-13%
<b>Total Scope 2 (location based)</b>	<b>27,343</b>	<b>25,042</b>	<b>27,722</b>	<b>24,140</b>	<b>-13%</b>
<b>Total Scope 2 (market based)</b>	<b>n.a.</b>	<b>19,026</b>	<b>28,346</b>	<b>40,713</b>	<b>+44%</b>
<b>Scope 3 (Indirect emissions from purchased energy)</b>					
Petrol	15	16	10	9	-1%
Diesel	3,247	3,254	3,585	3,066	-14%
Propane	-	48	39	16	-58%
Biomass (from external sources)	3,608	5,061	3,651	3,970	+9%
Natural gas	347	164	195	155	-21%
Electricity (location based)	6,178	5,683	6,718	6,763	+1%
Scheduled/chartered flights	494	281	601	1,729	+188%
District heating	-	-	1	1	-7%
<b>Total Scope 3</b>	<b>13,890</b>	<b>14,506</b>	<b>14,799</b>	<b>15,709</b>	<b>+6%</b>
<b>Total tCO<sub>2</sub>e (location based)</b>	<b>60,730</b>	<b>60,202</b>	<b>65,089</b>	<b>60,067</b>	<b>-7,7%</b>
<b>Total tCO<sub>2</sub>e (market based)</b>	<b>n.a.</b>	<b>54,187</b>	<b>65,712</b>	<b>76,639</b>	<b>+16,6%</b>

<sup>13</sup> Production sites in Reci, Rădăuți, Sebeș, Comănești and Siret in Romania, Kodersdorf in Germany and Luvia in Finland; the head office in Vienna including the technical office in Ybbs and the office in Bucharest are also included.

<sup>14</sup> IEA (2022) Emission Factors

<sup>15</sup> Ecoinvent V 3.9.1 (2022)

<sup>16</sup> Emissionskennzahlen 2022 (Umweltbundesamt 2022)





## MEASURING OUR PROGRESS

In 2018, HS Timber Group established ambitious goals in addressing climate change and enhancing energy efficiency. Our aim is to reduce company-wide CO<sub>2</sub> emissions by 25% per final product unit and lower energy consumption by 30% per final product unit by 2025. To achieve these targets, the company has implemented a range of technical and organisational measures at various levels that were already outlined in the chapters before.

The diversity of our product range and the varying energy intensity across our production processes pose a challenge in developing a key performance indicator that aligns with the concept of a "final product unit" as originally intended and communicated in the 2018 Sustainability Report. However, at Group level, the biggest share of CO<sub>2</sub> emissions (83.9% in 2022) and thermal and electric energy consumption (96.6% in 2022) can be attributed to the five sawmills. Therefore, we decided to develop a KPI which is based on the performance of the sawmills to measure the progress of our actions regarding our emission and energy targets. Since the year 2021, we are reporting on the progress made.

The KPI is derived from the quantity of wood input measured in "fully processed wood equivalents" required to produce our sawn wood products and pellets. This value is determined by subtracting the quantity of sold or burned by-products (such as chips or sawdust) from the total quantity of processed logs. By calculating this adjusted wood input quantity, we obtain a

comprehensive measure of the total raw material used for timber and pellet production. This figure serves as our reference value, which we then compare to our greenhouse gas (GHG) emissions and energy usage from our sawmills. Through this approach, we obtain a specific KPI that reflects the energy and GHG intensity of our production process.

### KPI

Compared to the reference year 2017 (in which we operated four sawmills), the total greenhouse gas emissions of the currently five sawmills increased by 6.8% (50,389 tCO<sub>2</sub>e vs. 47,201 tCO<sub>2</sub>e) in 2022, despite a significant 20.4% increase in production volume during the same period. This significant increase in production is the reason why our self-defined key performance indicator, "GHG per fully processed wood equivalent," shows a 21.7% reduction in GHG emissions for one cubic metre of fully processed wood equivalent. The reduction is attributed to the higher utilisation rate of the existing machinery and the implementation of energy efficiency measures in the mills. Due to the unavailability of market-based figures for the base year 2017, a location-based approach was chosen for calculating the carbon footprint associated with purchased electricity.

Although the total energy consumption of the five sawmills increased by 28.8% compared to the reference year 2017 (1,008,102 MWh vs. 782,768 MWh), which is strongly correlated with the mentioned 20.4% production increase, the KPI "MWh used thermal and electrical energy per fully processed wood

equivalent" demonstrates a 5.5% reduction. This positive impact was primarily achieved through an 12.6% reduction in electricity consumption, while the reduction in thermal energy use was 3.6% during the same period. The reduction in electricity consumption associated with processing one cubic metre of fully processed wood was primarily achieved through improved

machine utilisation rates, streamlined processes (e.g. by implementing the Kaizen approach in all Romanian sawmills), the implementation of an energy efficiency action plan, and the ongoing energy implementation efforts as described before.

### OUTLOOK

While we are making progress towards our carbon emissions reduction target, we accept the difficulties we face in achieving our energy efficiency targets for 2025. Given the advanced nature of our mills, it is challenging to identify significant technological or organisational measures that would lead to substantial energy savings while simultaneously increasing production levels. Nevertheless, HS Timber Group is dedicated to exploring potential savings and evaluating modern technologies as part of our ongoing efforts. Furthermore, we are considering the implementation of a Product Carbon Footprint (PCF) assessment for our diverse product range. This assessment

would provide valuable information on the environmental impact of our products, enabling us to share this data with stakeholders in the future.

To meet the reporting requirements of the Corporate Sustainability Reporting Directive (CSRD) in 2025, HS Timber Group will initiate a stock-taking exercise on our reporting obligations and commitments, in 2023. This exercise will involve conducting a GAP analysis to ensure compliance with CSRD requirements (see our Sustainability Programme in chapter 7).

KPI for sawmills	Total Sawmills 2017	Total Sawmills 2020	Total Sawmills 2021	Total Sawmills 2022	% change 2017 to 2022
KgCO <sub>2</sub> generated/fully processed wood equivalent at the sawmills (m <sup>3</sup> )	20.62	15.94	16.49	16.14	-21.7%
Total used energy at sawmills (MWh)/fully processed wood equivalent (m <sup>3</sup> )	0.34	0.29	0.33	0.32	-5.5%
Total used thermal energy at sawmills (MWh)/fully processed wood equivalent (m <sup>3</sup> )	0.268	0.234	0.265	0.258	-3.6%
Total used electrical energy at sawmills (MWh)/fully processed wood equivalent (m <sup>3</sup> )	0.074	0.060	0.065	0.065	-12.6%





# 05

## EMPLOYEES

**2,984** EMPLOYEES IN 2022

IMPROVED INTERNAL COMMUNICATION WITH DEDICATED APP

TRAININGS ON ANTI-CORRUPTION AND COMPETITION LAW

CONTINUATION OF KAIZEN IMPLEMENTATION

LTIFR<sup>17</sup> OF 12.20



“Employees are our greatest asset. We put a high value on respectful interaction between people. Transparent internal communication is important, as well as a greater understanding of other cultures within an intercultural setting.”

KAROLINA WANTUCH, HR Manager HS Timber Productions GmbH

<sup>17</sup> Lost Time Injury Frequency Rate



As of 2022, we had approximately 3,000 employees across our timber branch in Austria, Germany, Romania, and Finland producing high-quality wood products. The company is currently in a restructuring and growth phase, selling assets and acquiring them in other regions. Additionally, we proceed with Greenfield projects, such as the one in Gobernador Virasoro, Argentina. This is why the number of employees currently varies. At HS Timber Group, we aim at creating a positive work environment across all our locations and we ensure that this endeavour receives significant promotion internally. Our Employer Branding strategy centres around retaining key employees and aims to cultivate a loyal community comprising highly skilled individuals proficient in both technical and soft skills. This means we prioritise supporting the growth and satisfaction of our employees. We support internal career paths as much as possible and emphasise continuous development. This is difficult in flat hierarchies, but in 2022, skilled colleagues from Romania have moved up to function at the group level.

At HS Timber Group, we value and prioritise fostering an open and diverse culture, which is evident in the cultural diversity among our employees. In 2022, our team comprised individuals hailing from Austria, Argentina, Belarus, Bulgaria, Czech Republic, Finland, Germany, Hungary, India, Japan, Poland, Portugal, Romania, Slovakia, Spain, and Ukraine. We understand the significance of promoting diversity not only within our employee base but also within our governance bodies. While our current efforts primarily focus on having a workforce composed of individuals from various nationalities, we are mindful of the necessity to ex-

pand our initiatives to encompass a broader range of diversity dimensions. We are committed to enhancing our practices and fostering an inclusive and representative environment for everyone.

Furthermore, Occupational Health & Safety is a top priority for HS Timber Group. We continuously implement measures to reduce the number accidents. We are conducting factory inspections with the help of the iAuditor application – a digital audit tool – and organise training and awareness campaigns. We have committed to a ZERO accidents policy.

HS Timber Group is fully committed to upholding the ILO Core Conventions, which encompass fundamental principles and rights at work. This includes ensuring freedom of association, eradicating forced and child labour, promoting non-discrimination, and supporting collective bargaining. As a prominent player in the timber industry, HS Timber Group acknowledges its responsibility towards employees and partners, and strives to cultivate a corporate culture that emphasises compliance with legal requirements. The company diligently monitors national legislation in all operating countries to ensure alignment with ILO standards, with responsibility for implementation resting on the management of HS Timber Group and its subsidiaries<sup>18</sup>. To address ethical and respectful behaviour throughout the company, we put in place a Code of Conduct, which is part of your labour contract and the second most important document after this mission statement in our company.

Key employee figures of HS Timber Group	Unit	2020	2021	2022	Change 2021 to 2022
Total number of employees	Headcount	3,517	3,651	2,984	-18.3%
Number of female employees	Headcount	896	960	761	-20.7%
Percentage of female employees	%	25	26	26	
Number of male employees	Headcount	2,621	2,691	2,223	-17.4%
Percentage of male employees	%	75	74	74	
Total number of employees in management positions*	Headcount	154	189	211	11.6%
Number of female employees in management positions	Headcount	22	41	48	17.1%
Number of male employees in management positions	Headcount	132	148	163	10.1%
Permanent contract	Headcount	3,470	3,559	2,866	-19.5%
Temporary contract	Headcount	41	92	118	28.3%
Full time	Headcount	3,470	3,612	2,939	-18.6%
Part time	Headcount	47	39	45	15.4%
Average hours of training per employee**	Hours	24	31	28	-10.6%
Employees covered by collective agreements or company agreements	%	100	100	100	
Senior management hired from the local community (country)	%	97	93	97	
LTIFR - Lost Time Injury Frequency Rate	Number	Not reported	7.82	12.20	56.6%

\* Management Board, Group Heads of Central Functions, Mill Managers, RO Heads of Central Functions (including GM and CFO), Department Leaders.

\*\*Introductory and periodic training on Health & Safety, emergency situations, fire prevention, Code of Conduct, external and internal training on various topics.

<sup>18</sup> Compliance Statement ILO Core Conventions





## EMPLOYEE WELL-BEING

**At HSTG, we know the crucial role that employee well-being plays in creating a productive environment. As a company committed to sustainability, we strive not only to reduce our environmental footprint but also to enhance the well-being of our employees.**

We are proud of the positive impact on our employees of our newly constructed office building, located in Comănești, which had been completed in 2021. The new office building stands as a sustainable and energy-efficient workplace, providing our employees with an inviting environment. Our construction approach focused on material and cost optimisation, utilising approximately 435 m<sup>3</sup> of cross-laminated timber for walls and ceilings, along with 40 m<sup>3</sup> of glulam posts and beams. These choices not only contribute to the building's recyclability but also enhance its visual appeal. We are proud that some wall cladding and ceiling elements were produced by our colleagues in our own factory, to tailor the workplace to the specific needs and comfort of our administrative staff. Within the building, open spaces serve as incentives for communication, collaboration, and the exchange of information. The glass elements and open office design embody transparency, aligning with our core business approach. To further prioritise employee well-being, we incorporated features such as abundant daylight and increased sound insulation. The glulam lamellas in the ceiling area not only enhance the visual aesthetics but also improve room acoustics, fostering a comfortable and focused work atmosphere. More-

over, our ventilation system is equipped with a heat recovery system, and we source our heating fuel and electricity from our biomass cogeneration plant. The extensively greened roofs contribute to the overall sustainability of the project.

The Kodersdorf location has several bi-national teams, owing to its proximity to the Polish border. To ensure a smooth onboarding process, including the facilitation of contract signing, and to provide continuous support to employees, the company offers its services in the respective mother tongues of its employees. This is benefiting everyone within the organisation. Furthermore, employees who are not native German speakers can take part in free online language courses, which contributes to better daily cooperation in the workplace. On top, numerous employee initiatives have been organised in 2022 at the location. For instance, a tree-planting campaign took place, involving employees and their families. Additionally, a family festival was held on the company premises, which included bus trips around the factory, giving attendees an opportunity to familiarise themselves with their family member's workplace.

In 2022, our newly acquired location in Luvia, Finland also took several measures to improve working conditions and employee well-being. New social facilities were constructed specifically for our maintenance and kilning process employees, offering comfortable spaces to relax and socialize during breaks. Recognising the importance of physical fitness, the gymnasium was

modernised, which is available 24/7 to employees. This allows them to exercise conveniently, promoting a healthy lifestyle and better work-life balance. To support employee well-being, occupational healthcare and physiotherapy services were made accessible to all. This enables prompt addressing of any health concerns and provides comprehensive support. Furthermore, regular physical examinations were introduced for employees working in noise-prone environments, aiming to identify and address potential health risks early on. Monitoring their health

development allows for appropriate support and intervention. Acknowledging the rise in remote work, measures were implemented to enhance the comfort and ergonomics of home offices. For example, office chairs were purchased to ensure employees have suitable equipment. These initiatives aim to create a positive and supportive work environment prioritising the well-being of employees in Luvian Saha. Ongoing investments in programmes and initiatives will continue to foster their growth and satisfaction within the organisation.

“

**In 2022, we launched the "People of HS" campaign on our internal communication app, MyHSTimberGroup, to honour our dedicated, long-term employees. We aimed to discover more about their contributions, experiences and personalities beyond their positions in the company. Through engaging interviews, we fostered meaningful connections, emphasising our commitment to sustainability and valuing our colleagues as a key driver of our success. This initiative became a major success, ranking among the Top 3 points of interest in our internal communication app.**

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**LUCIANA PETRESCU, Head of Public Relations, HS Timber Productions Romania**

## KNOWLEDGE IS POWER - MYHSTIMBERGROUP

Our internal communication mobile and desktop application **MyHSTimberGroup** was launched in 2021 in Romania. Designed to offer swift and convenient access to information, this tool is accessible to all our employees, from blue-collar workers to top management. MyHSTimberGroup has significantly enhanced transparency within our organisation while fostering a stronger sense of connectivity and interaction among our workforces.

Since its implementation, MyHSTimberGroup has been instrumental in providing direct and instant access to essential updates, company-wide announcements, and important documents. Whether our employees are on-site or working remotely, they can easily stay informed and engaged through this user-friendly app. By breaking down communication barriers, MyHSTimberGroup has played a pivotal role in strengthening collaboration, aligning objectives, and nurturing a cohesive work environment.

Following the success of its launch in Romania, we extended the availability of MyHSTimberGroup in 2022 to our locations in Germany as well as our headquarters in Vienna. This expansion enables our employees across different regions to enjoy the benefits of this internal communication platform, ensuring connectivity and fostering a shared sense of purpose throughout our organisation.

At HS Timber Group, we are committed to leveraging technological advancements to enhance employee experiences and streamline communication channels. MyHSTimberGroup represents our ongoing dedication to fostering transparency, promoting collaboration, and empowering our workforce with the tools they need to thrive in today's fast-paced business environment.







## OCCUPATIONAL HEALTH AND SAFETY

Occupational Health and Safety remains a top priority for HS Timber Group. In the previous year – 2021 - we implemented a comprehensive Health and Safety strategy which we continued throughout the year 2022. Different measures aimed at reducing the number of accidents were implemented. We conduct factory inspections using the iAuditor application, a digital tool designed for audits. Additionally, we organise training and information campaigns, using large-size posters, meetings, info-monitors, and our internal communication mobile application to effectively disseminate information among employees. All workers are also regularly trained on how to comply with the health and safety rules. Furthermore, we prioritise the safety and comfort of our employees by standardising work equipment and opting for high-quality protective clothing and shoes.

Despite our concerted efforts, we experienced an increase in work-related accidents in 2022 compared to the previous year. In 2021, we recorded a total of 73 work-related accidents, whereas in 2022, this number rose to 88. It is important to note that the increase in work-related accidents in 2022 can partially be attributed to the heightened awareness created by the

campaigns and efforts undertaken in the previous year. This increase may reflect a greater level of reporting and recognition of incidents, showcasing our organisation's improved vigilance in identifying and addressing potential risks. Out of the 88 accidents reported in 2022, 68 of them resulted in lost time injuries. Lost time injuries occur when employees are unable to work the following full workday due to job-related injuries. This metric is crucial for evaluating the impact of accidents on our workforce and highlighting areas for improvement. To measure our progress and underscore our commitment to health and safety, we have adopted the Lost Time Injury Frequency Rate (LTIFR) as a key performance indicator. LTIFR measures the number of lost time injuries relative to the total number of hours worked during a specific reporting period, expressed per one million hours worked. Beginning in 2021, we have committed to regularly report the LTIFR to track our advancements in this area. In 2021, the LTIFR for HS Timber Group stood at 7.82. However, in 2022, it increased to 12.20. This upward trend emphasises the importance of continued efforts to enhance health and safety practices within our organisation. Keeping up awareness and pushing for proper reporting of all incidents will be one of the focus points in the coming years.



### ROMANIA

In 2022, significant health and safety measures were implemented in Romania to ensure a safe working environment for both employees and external personnel. To enhance the internal health and safety structure and ensure consistent documentation, a common "library" was created. It serves as an archive for the Health & Safety responsables as well as the fire protection responsables, who store all relevant documents for each factory in it. This promotes standardisation in content and format, with access limited to authorised users. Regular training sessions were conducted for workers, led by accredited experts, with a focus on enabling department heads and shift supervisors to effectively train their teams. Additionally, training regulations were established for external personnel, including visitors, drivers, and contractors, addressing specific safety protocols and guidelines. Furthermore, a new model Convention was drafted specifically for external firms providing services under contract or work orders. This Convention encompassed provisions related to

occupational safety and health, fire safety, emergency situations, and environmental protection. In the mills, emphasis was placed on enhancing safety through clear signposting of pedestrian and auto routes, providing guidance through workplaces, high-risk areas, and facilities. Signage was customised to meet local requirements and enable effective communication. Additionally, in compliance with legal obligations, appropriate prohibition, warning, obligation, and rescue signs were installed based on specific accident risks. This ensures safe navigation within the premises. To further prioritise worker safety, the lock out procedure, known as LOTOTO (Lock Out, Tag Out, Try Out), was implemented. This procedure plays a crucial role in safeguarding workers during maintenance work and interventions at production facilities. The number of reported work-related injuries in Romania is relatively low. In the future, we will focus on creating a modern reporting culture and procedure to protect all employees in case an injury happens.

### GERMANY

In 2022, a fatal accident involving a temporary worker occurred at our group's site in Kodersdorf, Germany. We deeply regret the fatal incident and remain committed to improving the safety of our employees and everyone who works on our premises. We have conducted a thorough investigation into the circumstances of the accident and implemented appropriate measures to prevent similar incidents in the future. These measures include increasing awareness among our employees of potential hazards and reinforcing the importance of following safety regulations as well as always using technical protective measures.

To further mitigate risks and ensure the safety of our workforce, the affected location has made improvements to its traffic route system and has conducted tests of the "Linde

Safety Guard," an innovative assistance system designed to increase safety for both vehicle operators and pedestrians in the vicinity of forklifts. Its active alert system ensures that all parties are promptly alerted in the event of potential danger, enabling swift and appropriate action to be taken. We will implement this system in 2023 in Kodersdorf to enhance safety standards and we remain committed to continuously improving our safety practices. Furthermore, the implementation of automated fire protection technology at our location in Germany has resulted in an improvement in fire safety. In 2022, the number of reported work-related accidents per 1,000 full time employees in Kodersdorf was 38. This is well below industry average (82.3). The site takes occupational safety very seriously.

### FINLAND

Already some years ago, Luvian Saha Oy took significant steps to prioritize occupational safety and improve the overall safety culture and attitudes within the organisation. A well-defined health and safety organisation was established, involving employees, employers, and occupational healthcare professionals. The health and safety board convenes quarterly to address related matters, and weekly meetings at mill level now incorporate discussions and updates on health and safety issues. Furthermore, an occupational safety system was implemented to enable staff to report any concerns encountered during their daily work. These reports are thoroughly investigated by managers, who then take appropriate actions. In addition, routine inspections and risk surveys are conducted annually, with a particular focus in 2022 on the sticking and stacking process and office areas. In 2022, further

notable improvements were implemented in health and safety, including the introduction of a safety system for employees working alone. Access routes in yard areas were marked, and signs were installed to enhance safety. COVID-19 safety measures were continued, such as adjusting break room usage, working time arrangements, and limiting encounters. Collaboration with the local fire department involved three training sessions conducted on-site, specifically tailored to our yard area. The fire alarm systems were renewed in critical areas, including the log sorting area, maintenance hall, office buildings, and kilning buildings. The electricity switchboard in the kilning process was also renewed to improve fire safety. These initiatives reflect the commitment of the management in Luvia to maintaining a safe and healthy work environment.



## TRAININGS

We prioritize ongoing investments in education and training to empower our employees in enhancing their own capabilities, enabling them to attain a high level of expertise and specialisation. By collectively striving for Perfection in Timber, we work towards a shared goal.

In 2022, HS Timber Group reaffirmed its commitment to developing leadership within the organisation. Building on the programmes initiated in 2021, we continued to prioritize leadership development throughout the year. All in all, 50 individuals from middle management were trained on how to better lead their teams in accordance with our principles. We also took the opportunity to reflect on our past initiatives and gather valuable feedback from participants. This feedback will guide us in making informed enhancements to our programmes, ensuring they align even more closely with the needs of our employees. Additionally, we emphasised the importance of collaboration and knowledge sharing among our leadership team members across different locations. By fostering a culture of open communication and the exchange of best practices, we aimed to strengthen the bonds between colleagues and cultivate a shared leadership language throughout the organisation.

As we move forward, we are currently in the planning phase for the continuation of our leadership programme in Austria, set to launch in the autumn of 2023. This upcoming endeavour will build upon our past successes and further equip managers and team leaders with the skills necessary for effective leadership. Through our continued leadership development initiatives, we aim to empower our employees, strengthen collaboration, and drive innovation across the organisation. We believe that by investing in our leaders, we will create a positive impact on our employees, stakeholders, and the environment, contributing to a sustainable and prosperous future for all.

As part of our ongoing commitment to compliance, we have prioritized training efforts in the areas of anti-corruption and competition law. The year 2022 marked the launch of our compliance online training programme, which was mandatory for white-collar employees within the group. The anti-corruption training was rolled out to every employee, acknowledging its relevance across all roles and departments. Additionally, the competition law training was rolled out to a smaller group of employees, such as those in the sales department and other areas more exposed to competition law issues. Despite being the first year of full implementation, the completion rates for the anti-corruption and competition law e-learning were commendable. In 2022, 57.6% of the enrolled employees successfully completed the anti-corruption e-learning, while 55.2% completed the competition law e-learning. It's important to note that these ratios exclude our employees from the Finnish site, which joined the Group in 2022 and are not yet integrated into our online training platform. The compliance online training programme will be rolled out annually, and our objective is to increase the completion ratios year by year, ensuring even greater understanding among our employees. Through these trainings, we aim to equip our employees with the necessary knowledge and skills to uphold the highest standards of anti-corruption and competition law compliance to which we hold ourselves accountable.

What is more, in 2022 the informative and interactive IT security awareness trainings, introduced at the end of 2021, were successfully continued. These trainings covered essential topics such as business email compromise, insider threats, mobile device security, social engineering, and vishing/smishing. The completion rate of the IT training across the entire Group in 2022 was 63.39%. However, identifying the importance of IT security due to the rise in cyber-attacks and fraud-related scams, a higher completion rate is now being targeted for the coming years.



## BECAUSE EDUCATION IS THE FOUNDATION

### KAIZEN - HOW TO GET BETTER EVERY DAY THROUGH THE INVOLVEMENT OF OUR PEOPLE

In February 2021, HS Timber Group introduced the Kaizen approach to three sawmills in Romania with the goal of enhancing working conditions, minimising resource loss, optimising production processes, and prioritising employee training. The Kaizen culture fosters continuous incremental improvements by involving all individuals, from workers to top management.

To effectively implement this approach, we have appointed a dedicated project manager responsible for overseeing the process. Additionally, in each factory, Kaizen teams have been established, consisting of department leaders and subordinates. Since the inception of the project, 34% of the personnel in Sebeş, Reci, and Rădăuți have received training on the fundamental techniques of Kaizen. By equipping employees with these essential skills, HS Timber Group is empowering them to actively contribute to the continuous improvement efforts and embrace the Kaizen mindset. Throughout 2022, a total of 484 Kaizen workshops were organised, covering a range of important topics such as the 5S principles (Sort, Set in order, Shine, Standardise, and Sustain), and Identification of Loses. Since the start of the project more than 1,000 workshops have been completed.

A total of six comprehensive Value Stream Mappings were conducted - three in Reci and three in Sebeş - for Planing, Sawmilling, and Dryers. These analyses have resulted in the creation of detailed maps that illustrate the production flow within these departments. These visual representations help to identify bottlenecks, streamline processes, and drive continuous improvement. What is more, approximately 150 operational and visual standards have been implemented across the facilities. These standards provide clear guidelines and best practices for employees to follow, ensuring consistency, efficiency, and quality in their work processes.

To enhance visibility and understanding of production figures, HS Timber Group has implemented DigiLean, a digital tool that offers improved visualisation of production data. This tool provides valuable insights and facilitates better decision-making during daily meetings. Additionally, as a project management tool, DigiLean aids in monitoring and tracking the progress of Kaizen action plans, ensuring effective follow-up and accountability.

These accomplishments demonstrate HS Timber Group's commitment to continuous improvement and the successful integration of the Kaizen approach into its operations. By using Value Stream Mapping, investing in employee training, implementing operational standards, and leveraging digital tools such as DigiLean, the company is well-positioned to drive efficiency, productivity, and quality across its facilities.

### NOTEWORTHY OUTCOMES:

#### + Enhanced Visual Management and Clean Working Environment:

The mills have experienced notable improvements in visual management, ensuring better organisation and clarity in the work areas. This has contributed to a cleaner and more efficient working environment, promoting productivity and reducing the chances of errors or accidents.

#### + Improved Health and Safety Conditions:

The implementation of Kaizen principles has led to a significant improvement in health and safety conditions at the workplace. By identifying and addressing potential hazards and risks, HS Timber Group has prioritised the well-being of its employees, creating a safer work environment.

#### + Ongoing Employee Training in Management Techniques:

HS Timber Group remains committed to the development of its employees, particularly in management techniques related to Kaizen Daily Management. Continuous training programmes ensure that employees are equipped with the necessary skills and knowledge to effectively contribute to the company's improvement efforts.

#### + Increased Employee Awareness and Machine Functionality:

Through the Kaizen approach, employees have gained a heightened awareness of the importance of maintaining optimal machine functionality. This has resulted in improved motivation and morale among the workforce, as they understand the vital role they play in ensuring the smooth operation of the machinery.



# 06

## REGIONAL & CORPORATE RESPONSIBILITY

OVER 2.6 MILLION EURO IN CSR CONTRIBUTIONS IN 2022 IN ROMANIA

1 MILLION SEEDLINGS PLANTED SUCCESSFULLY IN PARTNERSHIP WITH THE TOMORROW'S FOREST FOUNDATION

THE TOGETHER! INITIATIVE IN ROMANIA FOCUSED ON ENERGY EFFICIENCY ISSUES

30 STUDENTS ATTENDED THE EVERGREEN LECTURES



HS Timber Group is dedicated to regional responsibility, which entails respecting the community and its people, complying with local legal requirements, and contributing to the sustainable development of the regions where it operates. We strive to foster economic growth and create safe, meaningful job opportunities in these areas, while upholding our environmental and social responsibilities. It is not only our employees who play a vital role in our economic success, our regional suppliers and business partners also contribute significantly. To meet the operational needs of our sawmills, we prioritise purchasing small diameter logs. By doing so, we support the preservation of a diverse wood producer landscape, as these assortments are often less relevant for small domestic producers in the countries from which we source.

### CSR STRATEGY

Corporate Social Responsibility for HS Timber Group extends beyond internal improvements such as reducing our environmental footprint or continuously seeking ways to avoid wood waste, maximising the value of our primary raw material wood and acting responsibly. Ensuring that the softwood we utilise originates from sustainable forestry is a top priority for us. Although we do not carry out harvesting activities ourselves, we are committed to maintaining and improving a system that guarantees responsible sourcing from well-managed forests and legal harvest sites. Our efforts are aimed at combating illegal logging, which hinders the development potential of forest owners, regions, and states. In order to achieve this, we diligently collaborate exclusively with suppliers who demonstrate a high level of integrity and can guarantee the legality of the wood we procure. We carefully screen our supply chain to exclude wood sourced from National Parks and Virgin Forests. Additionally, we employ rigorous screening measures to ensure that our wood does not originate from old growth forests or biodiversity hotspots, even though we do not process large diameter logs.

Additionally, we actively support initiatives aligned with social, environmental, and forward-looking goals. Support of and cooperation with social organisations and local initiatives form a strong pillar of our corporate commitment.

Reforestation activities are a key focus of our CSR projects. Through our partnership with the Tomorrow's Forest Foundation, we have already planted over a million seedlings in Romania, and these efforts are ongoing. As already said, we prioritise the regions where we operate when selecting CSR projects, ensuring that our contributions have a positive impact on local communities and environments. However, our social responsibility extends globally. By supporting educational projects in India and Ethiopia, we aim to address specific challenges faced by those in need.

### ECONOMIC IMPACT IN THE REGIONS

HS Timber Group ranks among the largest lumber producers worldwide, with export destinations spanning over 70 countries. We are a stable partner in the regions where we operate, especially as our supply chains are typically regional, and our employees mostly come from the areas in which we operate.

This is particularly important as we primarily operate in rural areas, away from major industrial centres.

Through our activities in Romania, we have created over 2,000 direct employment opportunities in the country in 2022 and our employee-related expenses in Romania amounted to approximately 44.6 million Euro for the year. In Kodersdorf, Germany, the company also provides around 400 secure jobs in a region heavily affected by emigration. The employee-related expenses in Germany totalled around 18.7 million Euro. These amounts include social security contributions and employees' income tax. What is more, HS Timber Group maintains a continuous investment strategy for its production sites. In 2022, the group invested more than 10.8 million Euro in its factories in Romania. The investments in Germany were even higher, reaching around 29.2 million Euro. These investments were allocated to projects such as the construction of a second biomass cogeneration facility and the establishment of the glulam plant. Furthermore, the group's companies paid approximately 29.6 million Euro in Corporate Income Tax and contributed 2.6 million Euro to Romanian charity projects through sponsorships. Additionally, our activities resulted in indirect and induced taxes generated in the countries where we are active.

In Romania, the forestry and wood processing industry play a significant role in the country's economy. Directly, they contribute over 1.5% to the GDP. However, when we consider the indirect and induced effects, the industry's contribution expands to approximately 4.5% of the Romanian GDP. This demonstrates the far-reaching impact and interconnectedness of the sector. Moreover, for every Euro generated as gross value added in the forestry and wood processing industry, an additional 1.8 Euro are generated within the country's economy. This includes 1.1 Euro along the value chain, representing the various stages of production and distribution, and 0.7 Euro resulting from increased economic activity through employee spending. Within the entire Romanian forestry and wood processing industry, together with furniture manufacturing, the wood processing industry is the largest contributor to the GDP. Additionally, the forestry and wood processing industries play a crucial role in employment. Approximately 6.6% of the total national workforce in Romania is employed in these industries, highlighting their significant contribution to job creation and livelihoods. Overall, the forestry and wood processing industry in Romania not only generates direct economic value but also stimulates growth, employment, and prosperity throughout the country<sup>19</sup>.

The regions in which we operate are also significant markets, particularly for products like pellets. Faced with a growing demand for green fuel, we are committed to serving local markets and supporting the regions in their transition to a more environmentally friendly heating energy system. We firmly believe that long-term collaboration with local business partners is central to our stability and success.

<sup>19</sup> PWC (2022). Socio-economic and climate impact of the forestry and wood processing industries in Romania.





## CSR ENGAGEMENT OF HS TIMBER

“ Together we are responsible, and we demonstrated it again in 2022. This year we were also able to support to local communities with material or financial support. We are aiming to make the difference where there was a greatest need for help. In terms of energy, we supported social institutions with pellets and helped schools to build their own photovoltaic plants. This way, our ‘Together!’- initiative has met a new area of application. ”

**DAN BĂNACU**, General Manager, HS Timber Productions Romania

## ENERGY MATTERS!

### ROMANIA

In 2022, HS Timber operated four wood processing units in Romania and contributed over 2.6 million Euro to sponsored projects exclusively in this country. These projects primarily focused on social, environmental, and forward-looking initiatives. Over the 2010 to 2022 period, HS Timber Group's sponsorships in Romania totalled nearly 18.5 million Euro.



In 2022, the company continued its Together! initiative, which was initially launched in 2020 as an immediate response to the needs of local communities during the COVID-19 pandemic. The primary focus of the initiative this year was on energy support projects. HS Timber financed the installation of solar photovoltaic plants in educational institutions in Bacău county, including the George Enescu School, the Primii Pași Nursery in Moinești, and the Ciprian Porumbescu School in Comănești. In Siret, HS Timber sponsored the Hospital for Chronic Diseases by supplying 70 tonnes of pellets to ensure heating during the cold season. This marks the seventh consecutive year of support from the company. Pellets donations were also done to the social project in Siniob. HS Timber is also a trusted partner of the Siret Social Assistance Directorate, an organisation dedicated to improving the lives of community members in need, including single grandparents, institutionalised individuals, and other vulnerable groups. Over the years, HS Timber has not only contributed to the rebuilding of the Elderly Home but also supported ongoing modernisations and refurbishments e.g. the restoration of the home's roof.

### Taking care of our communities' health

In 2022, we also understood the importance of supporting healthcare initiatives in our communities. One notable project is the establishment of a therapy room at Maria Beatrice, the First National Paediatric Centre in Romania in Alba-Iulia, dedicated to children with cerebral palsy, neuromotor disorders, and trauma. Furthermore, in Cajvana, Suceava county, we financed a pilot project aimed at promoting public well-being, with a particular focus on improving youth's quality of life through education and providing specialised psychologists and medical advice for overall health and better coping skills. In Comănești, we financed medical equipment for surgical rooms at the Ioan Lascăr Hospital. In Sfântu Gheorghe, we contributed to the purchase of an ultrasound machine for the



Internal Medicine department, vital signs monitors for the Nephrology section, a uroflowmeter for the Urology sector, and an automated cardio-defibrillator for the Dermatology sector at the Dr. Fogolyán Kristóf County Emergency Hospital. Additionally, HS Timber facilitated the purchase of a SMURD type B2 ambulance, serving the town of Covasna and 19 neighbouring villages, benefiting nearly 28,000 residents. Furthermore, we sponsored a Neopuff™ resuscitation system for the neonatology department at the Moinești Municipal Emergency Hospital. Through these contributions, HS Timber remains dedicated to improving community health and well-being, making a positive impact on the lives of individuals and families.

### Because education is the foundation

HS Timber understands the transformative power of education and is committed to supporting young generations. In Rădăuți, we are dedicated to preventing school dropouts from kids of disadvantaged families by financing activities at the Maria Ward Social Centre. Our long-standing commitment continues with the afterschool program in Reci and the Robert Cole Association in Comănești, both of which were continued in 2022. We also provided study equipment, furniture, and IT resources to institutions such as Varadi Jozsef School in Sfântu Gheorghe, Venczel Jozsef Highschool in Miercurea Ciuc, and Prichindelul Kindergarten in Rădăuți. In Comănești, the Phronesis Educational Centre offers talented children the opportunity to study playing musical instruments such as piano or guitar, thanks to the involvement of HS Baco Panels blockboard factory. Additionally, HS Timber initiated a pilot project with its cooperation partner, the Tomorrow's Forest Foundation, aiming to train 300 students from high schools in Comănești, Dărmănești, and Moinești on forest and environmental protection topics.



Furthermore, HS Timber supports a study conducted by the Faculty of Forestry at the Ștefan cel Mare University in Suceava on Automatic monitoring and warning system for prevention of bark beetle attacks in spruce forests. Norway spruce is one of the most important tree species in Europe, covering 28.7% of the forested land. The stability of spruce forests is affected by various factors, of which bark beetles are of major importance. Early identification of bark beetle populations in forests can lead to much earlier and more effective control measures to significantly reduce the impact of these pests.



“I am convinced that this partnership for the educational institutions in our town is a natural continuation of all our efforts to invest both in reducing carbon emissions and in saving energy resources in the community.”

**VALENTIN VIERU**, Mayor of Moinești

### FINLAND

Luvian Saha in Finland also places great importance on supporting the local community, particularly in the realm of sports and physical activity. One example is the donation of raw materials for the training stairs located in Luvia and the city of Eurajoki. These training stairs are accessible to everyone in the area. The donation was made to the municipality of Eurajoki, where we provided the materials, while the municipality handled the organisation of other aspects. Luvian Saha Oy also extends its support to young people by creating opportunities for sports and physical activities, with a specific focus on team sports for children and youth. The company sponsors several local junior and children's sports teams, ranging from ice hockey to football, thereby enhancing access to these activities. Furthermore, for the past few years, the company has been supporting a talented local athlete named Anni Rohila, a cross-country skier who aspires to participate in the Olympic Games.

### GERMANY

The site in Kodersdorf, Germany primarily supports local associations and organisations in the vicinity of the facility. Kodersdorf is a partner of the Holzbau Kompetenzzentrum Sachsen (Wood Construction Competence Centre Saxony), which contributes to finding solutions for environmentally and climate-friendly construction through the use of wood. Another focus lies in a long-term cooperation with the Forstmuseum - Waldpädagogisch-forsthistorisches Zentrum der Oberlausitz (Forestry Museum - Forest Education and Historical Centre of Upper Lusatia), which involves reforestation planting initiatives with employee participation.





## PARTNERSHIP WITH TOMORROW'S FOREST FOUNDATION IN ROMANIA

HS Timber Group has a strategic partnership with Tomorrow's Forest Foundation, supporting social and environmental projects that promote the sustainable development of forests in Romania. The foundation, established in 2019, expands the reforestation programme initiated in 2017 under the same name. The initial reforestation programme was developed in partnership with the Association of Forest Administrators and the Stefan cel Mare University in Suceava, with financial support from HS Timber Group. Its primary focus was on reforesting privately owned or local government areas facing regeneration difficulties. In addition to reforestation, the foundation now implements initiatives for sustainable forestry, community development, and educational projects. This includes assisting small forest owners, associations, and town halls in their efforts to effectively bring back their forests, to restore their produc-

tion capacity, including other ecosystem services, as well as the adaptation to climate change. Currently, the Foundation runs four programmes.

In 2022 the foundation achieved its initial goal of planting one million seedlings in Romania on lands with regeneration issues. The foundation also conducted an experiential learning pilot workshop for teachers and educators as part of the Education Programme. In addition, nine mobile bridges were constructed to protect biodiversity under the Responsible Forestry Programme. The Tomorrow's Forest Communities Programme provided grants to communities to contribute to the sustainable development of forest-dependent communities in Romania, including responsible forestry and forest management

### THE REFORESTATION PROGRAMME



The Reforestation Programme specifically assists forest area owners facing regeneration challenges and lacking the necessary resources for reforestation. The initial objective of the Foundation's Reforestation Programme was to successfully plant one million seedlings in privately and community-owned forest areas. This milestone was accomplished in 2022. Since the inception of the Tomorrow's Forest project in 2017, a total of 1,005,730 seedlings have been planted across 242.8 hectares of forest land, also thanks to the financial support from HS Timber Group. During the planting season from March to mid-June 2022, the foundation planted a total of 208,350 seedlings on 11 lands located in Alba, Bacău, Braşov,

Cluj, and Harghita counties. In 2022, over 700 participants dedicated their time and effort to the planting initiatives. To ensure the robust growth and vitality of the young forest vegetation, forest maintenance and monitoring activities will be conducted for a minimum of three years in each plantation. Furthermore, 2022 marked another significant milestone as the foundation established its first urban forests. These two small forests, inspired by the renowned Japanese botanist and activist Akira Miyawaki's approach, were planted right in Bucharest, with the first one in March and the second in December.

**"It is with great delight that we have rediscovered this year the joy of events with volunteers. After two years of the pandemic, in which we tried to avoid health risks, in 2022 we again had hundreds of children and young people on our construction sites. Happy is who has seen dirty dwarves from head to toe, flushed and cheerful from the way out, singing to the saplings to grow big!"**

VALENTIN VIERU, Mayor of Moineşti

### THE COMMUNITIES PROGRAMME

In the spring of 2022, the foundation introduced the Tomorrow's Forest Communities program, which offers non-refundable grants with the aim of promoting sustainable development of forest-dependent communities in Romania, emphasising responsible forestry and forest management. Its key objectives include promoting responsible forest management, supporting improved quality of life in forest communities, raising awareness and appreciation for nature and forests through education, providing equal development opportunities for forest communities, and supporting the adoption of low CO<sub>2</sub> emission technologies.



### THE SUSTAINABLE FORESTRY PROGRAMME



In the course of the Sustainable Forestry Programme the modular, the mobile forestry bridge was further tested and, as to this date, 20 bridges are installed across watercourses in Suceava, Bacău, Harghita, Covasna, Braşov, Buzău, and Vrancea counties. These bridges play a crucial role in protecting habitats affected by human activities and ensuring clean drinking water for communities comprising hundreds of thousands of people. The absence of proper river crossings leads to turbid waters, adversely impacting the feeding and reproductive conditions for numerous invertebrate and vertebrate species, ultimately causing harm to the ecosystem.

Additionally, within the framework of the Sustainable Forestry Programme, the foundation has made further progress in the establishment of experimental stone pine (*Pinus cembra*) plantations. Given the escalating severity of global warming's impact, it is now more crucial than ever to actively explore climate adaptation solutions for our forests. This endeavour holds immense significance in guaranteeing the long-term viability and sustainability of the existing forests in the Carpathian region.

### THE EDUCATION PROGRAMME

In November, the pilot edition of the Forest School programme was launched, featuring experiential learning workshops both in the forest and in the classroom. These workshops are designed for teachers, educators, and facilitators who engage with young people from various organisations. The programme's objective is to establish a nationwide network in Romania, fostering collective exploration of local forests and facilitating collaboration on ideas, techniques, games, and materials that generate memorable experiences and a lasting connection to nature and biodiversity. Starting in spring 2023, the Tomorrow's Forest Foundation will organise multiple courses in different regions across the country. These courses will provide valuable opportunities for participants to engage in immersive learning experiences and further deepen their understanding of the natural world.







## EVERGREEN PRIVATSTIFTUNG

In collaboration with the Evergreen Privatstiftung, the global parent institution of HS Timber Group and other companies within the Group, we are committed to supporting charitable activities worldwide. This includes aiding educational projects in India and Ethiopia, as well as supporting various charities in Austria. The foundation's primary focus is to foster innovation in the forestry and timber industry, while also supporting non-profit and charitable causes. One key emphasis is on projects that promote education, encourage creative thinking, and

find new solutions. Particularly, Evergreen Privatstiftung prioritises vulnerable groups, such as children and refugees.

The foundation actively advises and supports its subsidiaries in matters of donations and sponsorship, ensuring that projects align with its goals. Additionally, Evergreen Privatstiftung can initiate projects in line with its objectives and encourage its subsidiaries to participate and offer support.

### EVERGREEN LECTURES

The Evergreen Lectures held in September 2022, focused on digitalisation and its relevance to the timber industry. Professor Gregory La Blanc from UC Berkeley delivered practical and engaging insights on how digitalisation is transforming industries. A total of 30 students attended the lectures to learn from international experts and network with other disciplines. The course emphasised the importance of digitising business models to ensure long-term success, a concept applicable to the forestry and timber sector as well. Participants were inspired by the lectures, with key takeaways included

the need for production companies to embrace data-based decision-making and the potential for the timber industry to adopt similar approaches. The Evergreen Private Foundation, which supports innovation in the forestry and timber sector, organised the lectures to foster collaboration between emerging professionals and other industries. The participants were chosen based on motivation and expertise. The event concluded with a certificate ceremony at the Vienna University of Technology, offering recognition from the Berkeley Executive Institute.

### EVERGREEN INNOVATION CAMP

The second Evergreen Innovation Camp took place between 20 and 22 April 2022. This time, the hackathon focused on the theme of the "autonomous forest worker." Participating students searched for the best applications of robots or autonomous flying drones in the forest. As with the first Hackathon in 2019, a diverse mix of students from German-speaking countries participated. Experts from various fields, including the Federal Forests, and the technology sector, such as the Swedish forestry drone start-up DeepForestry, acted as mentors.

Among the ideas developed in 48 hours, the "Free the Tree" team impressed the jury the most, as they designed an autonomous mowing robot. The second-place winner was team

"Borky" with their solution against bark beetles, and the third-place winner was "ThinX," with their approach to digital display. The first three teams were awarded 6,000, 3,000, and 1,500 Euro respectively. Special attention was given to assembling teams with members from different fields of study. Each team comprised a mix of forestry and wood students (e.g., Boku, FH Kuchl) along with computer scientists, mechanical engineers, or students from the WU University.

The teams presented their ideas in front of approximately 150 guests at TU Vienna's hydraulic engineering hall in the Arsenal. TU Vienna graciously provided the premises for the "hacking" event in the Arsenal.

### CSR ACTIVITIES IN ETHIOPIA

Trading company DABG, a company of the Evergreen Privatstiftung, has maintained a strong business partnership with Ethiopia for over 25 years. In recent times, Ethiopia has faced significant political conflicts, resulting in hardships for the civilian population, families, and children. DABG continued supporting various projects in Ethiopia throughout 2022, in collaboration with "Menschen für Menschen". In July 2022, HS Timber Group demonstrated their commitment by donating 250,000 Euro to support ongoing emergency relief

efforts in eastern Ethiopia, specifically for the purchase of food. Furthermore, in November 2022, DABG pledged a total of 240,000 Euro to support the construction of the Tulu Becho School, with an initial instalment of 100,000 Euro already contributed. Through continued philanthropic efforts, we aim to address the immediate needs of the Ethiopian population and foster long-term development and prosperity for the nation.

### CAMPUS IN BURKINA FASO

In 2022, the Evergreen Privatstiftung reaffirmed its commitment to supporting educational initiatives in Burkina Faso. In 2020, the foundation donated 40,000 Euro for the construction of a technical middle school, which is managed on-site by independent development organization ICEP. Despite facing challenges like heavy rainfall, limited supplies, COVID-19 restrictions, and a military coup, significant progress was made in the construction project during 2022. The completion of the first rooms in autumn marked a significant milestone.

During a visit to the construction site, it was observed that local materials were used, such as bricks sawn from the nearby ground and the construction work relied heavily on manual labour, providing vital income for the local community. The HTL Campus, designed as a technical school, will include classrooms, workshops, administrative rooms, dormitories, sanitary facilities, and a kitchen building with a dining hall.

### FURTHER CSR ACTIVITIES

Furthermore, the Group and its subsidiaries actively support projects that focus on providing children and teenagers with access to education and training opportunities, enabling them to pursue independent and self-determined professional careers. An example is the ZUKI project in India. In the past, Evergreen Privatstiftung has supported it by co-financing a training centre with accommodation facilities. In 2022, two college

students and three girls pursuing nursing education were directly supported with financial contributions. In July 2022, two young boys who grew up in the ZUKI centre in Kolkata and completed their education were given the opportunity to work at HS Timber in Romania.





# 07

# SUSTAINABILITY PROGRAMME

Sustainability is an ongoing journey, and we accept the need for continuity despite the ever-changing external circumstances faced by companies. Over the past few years, we have gained valuable experience in implementing sustainability measures, and our sustainability programme has been in place for several years with minor adjustments to accommodate changing circumstances. However, our main direction has remained.

Our progress has been significant, and we have successfully fulfilled most of our voluntary commitments. Alongside the measures already implemented, we have introduced new initiatives for 2023 to align with the reporting requirements of the Corporate Sustainability Reporting Directive. While we have been voluntarily reporting as a best practice and to meet stakeholder demands, we will be required to report starting from the 2025 financial year.

To ensure a seamless transition, we will start with a comprehensive GAP analysis to evaluate our current position. Our primary focus will involve reviewing our materiality analysis and conducting a climate risk analysis. We will also establish a more structured data collection process and assess our activities according to the EU taxonomy regulation, to determine what qualifies as truly sustainable. It is unfortunate that, despite its contribution to climate-friendly construction, sawmilling is not yet recognised as an eligible activity.

As part of our commitment to being a truly sustainable business, we are reaffirming significant self-commitments. By 2025, our aim is to source all wood from certified forests and avoid sourcing from National Parks in Romania and Ukraine. Furthermore, we will persist in our efforts to further reduce our carbon footprint. In line with our approach from last year, we will connect our goals with the United Nations Sustainable Development Goals (SDGs) to ensure that our material issues align with this international framework.



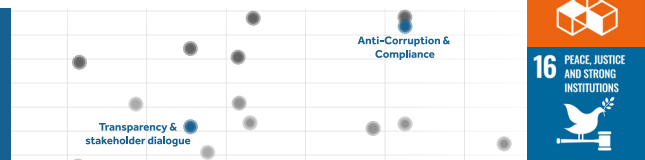
## 01. COMPANY, CUSTOMERS & PRODUCTS



GOAL	Targets & Measures	Detailed description for 2022	Indicator	Achievement in 2022	Status	Outlook for 2023
<b>SECURE QUALITY FOR CUSTOMERS</b>						
			Claim rate:	-0.0%	On track	
	Standardisation and unification of quality management (Database/Benchmarking)	Investments in Kodersdorf ongoing	Quality management unified	80%	On track	Continuation of activities
<b>KEEP LONG-TERM PARTNERSHIPS</b>						
			> 50% of customers are long-term customers*	78.5%	On track	
	Continuation and maintenance of customer support	Retention of customers in the current volatile market conditions has been achieved				Increased personal customer contact including regular presence at trade fairs

\* Customers with a business relationship of more than five years

## 02. RESPONSIBLE CORPORATE GOVERNANCE AND COMPLIANCE



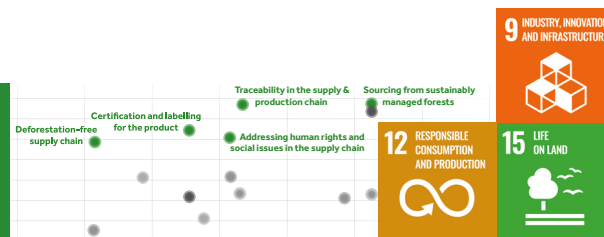
GOAL	Targets & Measures	Detailed description for 2022	Indicator	Achievement in 2022	Status	Outlook for 2023
<b>INCREASING THE PERFORMANCE OF OUR COMPLIANCE MANAGEMENT</b>						
			Legal actions due to violations of anti-corruption legislation (GRI 205-3)	0	On track	
	Certification of Compliance Management System by 2022	Continuation of implementation of identified measures according to an internal GAP analysis (e.g. reporting channel and procedure)	Management system certified	66%	Delayed	Getting ready for certification by 2023
	Annual training of 100% of the top management	Groupwide trainings on anti-corruption and on anti-trust have been provided to exposed staff. Personal trainings have been conducted for the sales and logistics teams.	Share of HQ top management having performed annual training (GRI 205-2)	80%	Partly on track	Continuation of activities
<b>KEEP LONG-TERM PARTNERSHIPS</b>						
			Feedback from Stakeholder Consultation	No negative feedback on the topic	On track	
	Open Doors Policy at all sites - 100% access granted on request	In 2022 we had 16 visits from journalists in our mills in Romania and one in Kodersdorf. No requests from NGOs in 2022.	Access granted to media or NGOs	100%	On track	Continuation of activities
	Two local stakeholder events annually in Romania	One event was done in person and another event was organised online	Implementation of events	2/2	On track	Continuation of activities (probably downsized to one event annually, due to changed organisational structure in Romania)





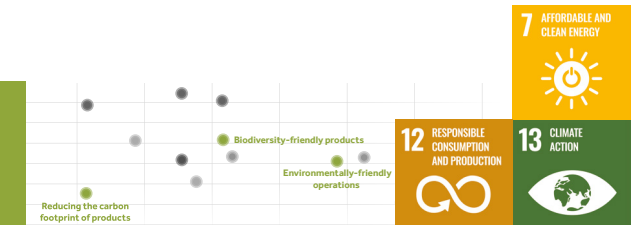
## SUSTAINABILITY TARGETS ANALYSIS AND PROGRAMME FOR 2023

03. SUSTAINABLE SUPPLY CHAIN						
GOAL	Targets & Measures	Detailed description for 2022	Indicator	Achievement in 2022	Status	Outlook for 2023
<b>IMPROVING PROTECTION OF BIODIVERSITY IN THE SUPPLY CHAIN</b>						
			Wood processed from Virgin Forests/ National Parks	0m <sup>3</sup>	On track	
	Extension of existing Timber Sourcing Policy to exclude wood originating from Virgin Forests or National Parks to Ukraine and Belarus	Continuation of policy	Policy change implemented	N/A	Achieved	Continue with the Policy
	Additional Risk mitigation for Natura 2000 areas in Romania	Conduct audits on forest plots older than 160 years to avoid input from potential (not yet mapped) Virgin Forests	100% audits for plots older than 160 years in Natura 2000 sites in Romania	100%	On track	Continue with this risk mitigation measure
<b>PURCHASE WOOD FROM CERTIFIED FORESTS</b>						
	100% of wood input purchased from certified forests by 2025	In 2022, already 80% of our roundwood input originated from certified forests.	Wood purchased from certified forests	80%	On track	Renew commitment and scale up activity
<b>CONSTANT IMPROVEMENT OF OUR DUE DILIGENCE SYSTEM TO ENSURE A SUSTAINABLE SUPPLY CHAIN</b>						
	Increase physical traceability of the origin of wood through research and implementation of new methods	The SCCC department constantly assesses the possibility to get better physical traceability of all wood input. Even in low-risk countries we started to collect data on the origin of the wood	Number of projects	1/1	On track	Continuation of activities



## 04. ENVIRONMENT, CLIMATE PROTECTION AND ENERGY

GOAL	Targets & Measures	Detailed description for 2022	Indicator	Achievement in 2022	Status	Outlook for 2023
<b>REDUCE GHG WITHIN OUR PRODUCTION</b>						
	Achieve a 25% reduction in GHG emissions (per final product unit) by 2025 (reference year: 2017)	Continued implementation of the Energy Efficiency Action Plan in combination with quality management process (Kaizen)	Change in CO <sub>2</sub> e per fully processed wood equivalents (reference year: 2017)	-21.7%	On track	Start project on improved data availability. Start revision process for the target (including extension on scope 3 emissions)
<b>IMPROVE ENERGY EFFICIENCY</b>						
	Achieve a 30% reduction in energy consumption (per final product unit) by 2025 (reference year: 2017)	The implementation of a new machine procurement policy provides for specific requirements in the field of energy efficiency. Continuous implementation of Kaizen in Romanian sawmills an implementation of other measures (Heat recovery systems, etc.)	Change in MWh per fully processed wood equivalent (thermal & electrical) (Reference year: 2017)	-5.5%	Not on track	Continue activities linked to energy efficiency. Start revision process for the target
<b>REDUCE THE ENVIRONMENTAL IMPACT OF OUR ACTIVITIES</b>						
	Roll out of the Environmental Management System across the entire group by 2022	The EMS was further developed and unified. Based on the ISO 14001-certified EMS in Reci, a system was rolled out in all other Romanian production sites. Implementation for Germany is in progress.	Number of mills with EMS	7/7*	On track	Continue the improvement process for the manual and the practical implementation
	Increase the proportion of ash that is recycled rather than landfilled to 100% by 2022		Share of recycled/ reused ash/landfilled ash	84.2%	Partially on track	Continue research of alternative uses for the ash in the mills where it is not yet recovered



\* The factory in Siret is still included here





## SUSTAINABILITY TARGETS ANALYSIS AND PROGRAMME FOR 2023

### 05. EMPLOYEES



GOAL	Targets & Measures	Detailed description for 2022	Indicator	Achievement in 2022	Status	Outlook for 2023
<b>BE A FAIR, RESPONSIBLE AND ATTRACTIVE EMPLOYER</b>						
	Further development of employees' competencies; creation of new training programmes and learning opportunities	Continuation of Leadership Training programme for middle management in Romania	Average hour of training/year/employee	28h/year/employee	Not on track	Continuation of activities
	Introduction of an employee retention programme by 2022	Diverse measures at mill level on employer branding (planting activities with employees, family event in Kodorsdorf, local awareness campaigns to raise employer attractiveness)	Employee turnover rate (GRI 401-1)	25%	Partially on track	Internal workshop: "New ways of work", home office policy, implementation of discount programmes & new cafeteria concept in the Vienna HQ, conducting a survey among employees
<b>CONTINUOUS IMPROVEMENT IN HEALTH &amp; SAFETY</b>						
	Zero severe accidents throughout the entire group	There was one lethal accident in 2022 in Kodorsdorf	Number of lethal accidents = 0	1	Not achieved	Zero severe accidents throughout the entire group
	Implementation and certification of a Health & Safety Management System	Standardisation measures throughout the group have been implemented; certification was not achieved	LTIFR -Loss Time Injury Frequency Rate	12.20	Partially on track	Get ready for certification in the next two years
<b>REVISION OF SUSTAINABILITY PROGRAMME CONCERNING</b>						
	Revision of Sustainability Programme concerning employees		Revised Programme	0%	Start in 2023	Revision of the measures and targets (Starting point: employee survey)

### 06. REGIONAL AND CORPORATE SOCIAL RESPONSIBILITY



GOAL	Targets & Measures	Detailed description for 2022	Indicator	Achievement in 2022	Status	Outlook for 2023
<b>SUPPORTING LOW IMPACT FORESTRY IN ROMANIA</b>						
	Conduct a low impact forestry programme together with partners (e.g. Tomorrow's Forest Foundation)	Implementation of a project on cable crane transporting from inaccessible forest plots	Project implementation	100%	Achieved	Continuation of activities
	Continue strategic collaboration with the Tomorrow's Forest Foundation	The collaboration has been extended in 2022. Focus on new plantation activities and an innovative Agroforestry project	Collaboration with the Tomorrow's Forest Foundation	Yes	On track	Continuation of activities
<b>STRENGTHEN THE REGIONAL DEVELOPMENT IN THE AREAS OF OUR PRODUCTION SITES</b>						
	Increase the amount invested in regional CSR programmes	In 2022, the amount spent on regional CSR projects in the vicinity of the mills in Romania was increased to more than 1,600,000 Euro.	Contribution (including in-kind contribution) to regional CSR programmes in Romania	1,600,000 Euro	On track	Continuation of activities with regional actors in line with the economic capabilities

In light of the changes introduced by the Corporate Sustainability Reporting Directive (CSRD) regarding sustainability reporting requirements for our company starting from 2025, we have acknowledged the need to revise and improve our sustainability program to align it with the new reporting standards. The year 2022 was dedicated to familiarizing ourselves with these upcoming changes, which included understanding the new reporting requirements, assessing our current practices, and establishing a strong foundation for their successful implementation in the future. Provided below is a preliminary overview of the measures planned for 2023.

## NEW: CORPORATE SUSTAINABILITY REPORTING – COMPLIANCE WITH CSRD

GOAL	Targets & Measures	Detailed description for 2022	Indicator	Achievement in 2022	Status	Outlook for 2023
<b>MEETING ALL REQUIREMENTS OF CSRD BY 2025</b>						
	GAP analysis on CSRD	See text above	GAP Analysis finalised	0%	Starting 2023	A GAP analysis will identify the needs of adaptation to the current reporting activity
	Sustainability Risk Assessment	See text above	Sustainability Risk Assessment structure set up and performed for the first time	0%	Starting 2023	A Sustainability Risk Assessment will assess the resilience of our business model rising from climate change and other sustainability issues
	Climate transition "vision" document	See text above	Climate transition vision setup is ready, and first plan published	0%	Starting 2023	A vision is developed to show how the company can ensure climate neutrality in 2050 (set a new short-term target for 2030)
	Extend Greenhouse Gas Balance to full scope 3	See text above	Comprehensive Greenhouse Gas Balance calculation	0%	Starting 2023	Extend the Greenhouse Gas Balance calculation to all scopes fully available for reporting year 2024



## GRI CONTENT INDEX

This GRI Index was compiled in accordance with the guidelines of the Global Reporting Initiative (GRI Standards 2016, application level "in accordance with core option"). All data refers to the year 2022, unless otherwise stated.

In the course of the materiality process, HS Timber Group identified the main areas for action. These were assigned to the individual GRI topics. The following table provides an overview of the main topics, the corresponding GRI indicators and the contribution to certain SDGs (Sustainable Development Goals).

AREAS FOR ACTION	GRI TOPICS (CODES)	SDGs
1. High quality products	302-5	SDG 12
2. Price-performance ratio	201-1	
3. Biodiversity-friendly products	304-2, 308-2	SDG 12, 15
4. Reducing carbon footprint of products	305-1, 305-2, 305-3, 305-5	SDG 13
5. Customer orientation	417-2	
6. Certification and labelling for the product	304-2, 308-2	SDG 12, 15
7. Traceability in the supply and product chain	308-2	SDG 12, 15
8. Addressing human rights and social issues in the supply chain	414-2	SDG 8, SDG 12
9. Deforestation-free supply chain	304-2, 308-2	SDG 15
10. Responsible employer	401-2, 403-9, 404-1, 405-1, 406-1	SDG 8
11. Anti-corruption and Compliance	205-1, 205-2, 205-3, 307-1, 419-1	SDG 16
12. Transparency and Stakeholder Dialogue	413-1	
13. Support of local communities	203-1, 203-2	SDG 8
14. Value creation in the region	203-1, 203-2	SDG 8, SDG 9
15. Sourcing from sustainably managed forests	413-1, 304-2, 308-2	SDG 12, SDG 15
16. Supporting afforestation/reforestation activities	203-1, 304-2	SDG 15
17. Environmentally friendly operations	301-1, 302-1, 302-2, 302-4, 305-1, 305-2, 305-3, 305-5, 306-1, 306-2	SDG 7, SDG 12, SDG 13

CODE	CONTENT IN ACCORDANCE WITH GRI STANDARDS (CORE)	REFERENCE/COMMENT
<b>ORGANISATIONAL PROFILE</b>		
102-1	Name of the organisation	Chapter 1
102-2	Activities, brands, products, and services	Chapter 1
102-3	Location of headquarters	Chapter 1
102-4	Location of operations	Chapter 1
102-5	Ownership and legal form	Chapter 1
102-6	Markets served	Chapter 1
102-7	Scale of organisation	Chapter 1
102-8	Information on employees and other workers	Chapter 5
102-9	Supply Chain	Chapter 3
102-10	Significant changes to the organisation and its Supply Chain	Chapter 3
102-11	Precautionary principle or approach	Chapter 2
102-12	External initiatives	Chapter 6
102-13	Membership of associations	Chapter 2
<b>STRATEGY</b>		
102-14	Statement from senior decision-maker	Chapter 2
<b>ETHICS AND INTEGRITY</b>		
102-16	Values, principles, standards, and norms of behaviour	Chapter 2
<b>GOVERNANCE</b>		
102-18	Governance Structure	Chapter 1, 2
<b>STAKEHOLDER ENGAGEMENT</b>		
102-40	List of stakeholder groups	Chapter 2
102-41	Collective bargaining agreements	Chapter 5
102-42	Identifying and selecting stakeholders	About the report, Chapter 2
102-43	Approach to stakeholder engagement	About the report, Chapter 2
102-44	Key topics and concerns raised	About the report, Chapter 2
<b>REPORTING PRACTICE</b>		
102-45	Entities included in the consolidated financial statements	About the report, Chapter 1
102-46	Defining reported content and topic boundaries	About the report
102-47	List of material topics	About the report
102-48	Restatements of information	About the report
102-49	Changes in reporting	About the report
102-50	Reporting period	About the report
102-51	Date of most recent report	About the report
102-52	Reporting cycle	About the report
102-53	Contact point for questions regarding the report	Editorial
102-54	Claims of reporting in accordance with the GRI Standards	About the report
102-55	GRI content index	GRI content index
102-56	External assurance	Not available



## MANAGEMENT APPROACHES AND PERFORMANCE INDICATORS

### AREA FOR ACTION 1: HIGH QUALITY PRODUCTS

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 1
	103-2	The management approach and its components	Chapter 1
	103-3	Evaluation of the management approach	Chapter 1
Energy	302-5	Reduction in energy requirements of products and services	Chapter 4

### AREA FOR ACTION 2: PRICE-PERFORMANCE RATIO

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 1
	103-2	The management approach and its components	Chapter 1
	103-3	Evaluation of the management approach	Chapter 1
Economic performance	201-1	Direct economic value generated and distributed	Chapter 1

### AREA FOR ACTION 3: BIODIVERSITY-FRIENDLY PRODUCTS

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 1, 3
	103-2	The management approach and its components	Chapter 1, 3
	103-3	Evaluation of the management approach	Chapter 1, 3
Biodiversity	304-2	Significant impacts of activities, products, and services on biodiversity	Chapter 3
Supplier environmental assessment	308-2	Negative environmental impacts in the supply chain and actions taken	Chapter 3

### AREA FOR ACTION 4: REDUCING THE CARBON FOOTPRINT OF PRODUCTS

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 1, 4
	103-2	The management approach and its components	Chapter 1, 4
	103-3	Evaluation of the management approach	Chapter 1, 4
Emissions	305-1	Direct (Scope 1) GHG emissions	Chapter 4
	305-2	Energy indirect (Scope 2) GHG emissions	Chapter 4
	305-3	Other indirect (Scope 3) GHG emissions	Chapter 4
	305-5	Reduction of GHG emissions	Chapter 4

### AREA FOR ACTION 5: CUSTOMER ORIENTATION

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 1
	103-2	The management approach and its components	Chapter 1
	103-3	Evaluation of the management approach	Chapter 1
Marketing and labelling	417-2	Incidents of non-compliance concerning product and service information and labelling	No incidents in the reporting period

### AREA FOR ACTION 6: CERTIFICATION AND LABELLING FOR THE PRODUCT

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 1, 3
	103-2	The management approach and its components	Chapter 1, 3
	103-3	Evaluation of the management approach	Chapter 1, 3
Biodiversity	304-2	Significant impacts of activities, products, and services on biodiversity	Chapter 3
Supplier environmental assessment	308-2	Negative environmental impacts in the supply chain and actions taken	Chapter 3

### AREA FOR ACTION 7: TRACEABILITY IN THE SUPPLY AND PRODUCTION CHAIN

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 3
	103-2	The management approach and its components	Chapter 3
	103-3	Evaluation of the management approach	Chapter 3
Supplier environmental assessment	308-2	Negative environmental impacts in the supply chain and actions taken	Chapter 3

### AREA FOR ACTION 8: ADDRESSING HUMAN RIGHTS AND SOCIAL ISSUES IN THE SUPPLY CHAIN

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 3
	103-2	The management approach and its components	Chapter 3
	103-3	Evaluation of the management approach	Chapter 3
Supplier social assessment	414-2	Negative social impacts in the supply chain and actions taken	Chapter 3

### AREA FOR ACTION 9: DEFORESTATION-FREE SUPPLY CHAIN

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 3
	103-2	The management approach and its components	Chapter 3
	103-3	Evaluation of the management approach	Chapter 3
Biodiversity	304-2	Significant impacts of activities, products, and services on biodiversity	Chapter 3
Supplier environmental assessment	308-2	Negative environmental impacts in the supply chain and actions taken	Chapter 3



## MANAGEMENT APPROACHES AND PERFORMANCE INDICATORS

### AREA FOR ACTION 10: RESPONSIBLE EMPLOYER

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 5
	103-2	The management approach and its components	Chapter 5
	103-3	Evaluation of the management approach	Chapter 5
Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Chapter 5
Occupational health and safety	403-9	Work-related injuries	Chapter 5
Training and education	404-1	Average hours of training per year per employee	Chapter 5
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	Chapter 5
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	Chapter 5

### AREA FOR ACTION 11: ANTI-CORRUPTION AND COMPLIANCE

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 2
	103-2	The management approach and its components	Chapter 2
	103-3	Evaluation of the management approach	Chapter 2
Anti-corruption	205-1	Operations assessed for risks related to corruption	Chapter 2
	205-2	Communication and training about anti-corruption policies and procedures	Chapter 2, 5
	205-3	Confirmed incidents of corruption and actions taken	Chapter 2
Environmental compliance	307-1	Non-compliance with environmental laws and regulations	No incidents in the reporting period
Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	No incidents in the reporting period

### AREA FOR ACTION 12: TRANSPARENCY AND STAKEHOLDER DIALOGUE

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 2
	103-2	The management approach and its components	Chapter 2
	103-3	Evaluation of the management approach	Chapter 2
Local communities	413-1	Operations with local community engagement, impact assessments and development programmes	Chapter 6

### AREA FOR ACTION 13: SUPPORT OF LOCAL COMMUNITIES

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 6
	103-2	The management approach and its components	Chapter 6
	103-3	Evaluation of the management approach	Chapter 6
Indirect economic impacts	203-1	Infrastructure investments and services supported	Chapter 6
	203-2	Significant indirect economic impacts	Chapter 6

### AREA FOR ACTION 14: VALUE CREATION IN THE REGION

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 6
	103-2	The management approach and its components	Chapter 6
	103-3	Evaluation of the management approach	Chapter 6
Indirect economic impacts	203-1	Infrastructure investments and services supported	Chapter 6
	203-2	Significant indirect economic impacts	Chapter 6

### AREA FOR ACTION 15: SOURCING FROM SUSTAINABLY MANAGED FORESTS

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 3
	103-2	The management approach and its components	Chapter 3
	103-3	Evaluation of the management approach	Chapter 3
Local communities	413-1	Operations with local community engagement, impact assessments and development programmes	Chapter 6
Biodiversity	304-2	Significant impacts of activities, products, and services	Chapter 3
Supplier environmental assessment	308-2	Negative environmental impacts in the supply chain and actions taken	Chapter 3

### AREA FOR ACTION 16: SUPPORTING AFFORESTATION/REFORESTATION ACTIVITIES

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 3, 6
	103-2	The management approach and its components	Chapter 3, 6
	103-3	Evaluation of the management approach	Chapter 3, 6
Indirect economic impacts	203-1	Infrastructure investments and services supported	Chapter 6
Biodiversity	304-2	Significant impacts of activities, products, and services	Chapter 3, 6

### AREA FOR ACTION 17: ENVIRONMENTALLY FRIENDLY OPERATIONS

GRI Topic	Code	Content according to GRI standards	Reference/Comment
Management approach	103-1	Explanation of the material topic and its boundary	Chapter 4
	103-2	The management approach and its components	Chapter 4
	103-3	Evaluation of the management approach	Chapter 4
Materials	301-1	Materials used by weight or volume	Chapter 4
Energy	302-1	Energy consumption within the organisation (Scope 1 and 2)	Chapter 4
	302-2	Energy consumption outside of the organisation (Scope 3)	Chapter 4
	302-4	Reduction of energy consumption	Chapter 4
Emissions	305-1	Direct (Scope 1) Greenhouse Gas Emissions	Chapter 4
	305-2	Energy indirect (Scope 2) Greenhouse Gas Emissions	Chapter 4
	305-3	Other indirect (Scope 3) Greenhouse Gas Emissions	Chapter 4
	305-5	Reduction of Greenhouse Gas Emissions	Chapter 4
Effluents and waste	306-1	Water discharge by quality and destination	Chapter 4
	306-2	Waste by type and disposal method	Chapter 4





## Mission Statement

**Perfection in Timber.**  
Getting better every day

### Sustainability

**Our resource is renewable and unique.**

Our local engagement in the regions initiates and supports economic development and respects the environment.

### Partnership

**Close cooperation is our key to common success.**

Our reliability ensures stability for our employees, customers and suppliers.

**The HS Timber Group is a long-established wood processing company of Austrian origin with very strong roots in Central and Eastern Europe, especially Romania.**

We are open to new approaches and realize opportunities courageously. We are committed to our responsibility for communities and a sustainable timber industry. Our employees are best in class and our greatest asset. As a company we strive to grow globally and sustainably while respecting the environment. We constantly invest in our core competences of sawmilling and industrial timber processing, as well as in diversifying our business. We do this by building a global presence with strong regional roots.

### Passion

**We are passionate about meeting new challenges and finding the best solutions.**

Our ability to innovate products and services guarantees individual solutions.



**We are customer oriented.**

The pursuit of perfection and quality makes us different.

Perfection in servicing achieves best results for our customers. This is how we understand partnership.

Our customers' economic success is the basis for our own long-term success.

Our performance and capability of finding the best solutions for our customers distinguish us from others.

Our strengths: Flexibility, speed, openness and consequent implementation.

**We respect our regions and value them.**

The regions we work in are the basis for our successful value chain.

We offer high quality jobs and contribute to the long-term revival and attractiveness of the regions.

We understand and respect the concerns of our partners. We support them in the regions in solving problems to secure our sites.

**Our employees are among the best in the industry.**

We support our employees' development and seek their best performance in return.

Only qualified employees guarantee that all rules are respected. We are an attractive employer: We strive for satisfied employees and a close cooperation.

We value our employees as our most important resource and support them in taking over responsibility. We believe in their skills and dedication. In return, we expect their willingness to always strive for the best approach.

We care about health and safety.

We appreciate constant development and the ability to learn from mistakes. We are a strong unity, direct and hands-on.

Teamwork is the cornerstone for our success – we remain strong by closely working together.

**Our organization is transparent.**

Our internal organisation is well structured and understood by all of our employees.

Decisions are taken fast and at the right level. We strive for an appropriate level of involvement and personal responsibility.

Lean structures together with a strong awareness for communication throughout the group characterize our organisation.

**We work closely with our partners.**

Our suppliers as well as our customers are our economic basis. We offer them reliability and long-term partnerships.

We demand honesty in respecting our rules and legal provisions as well as the commitment towards continuous improvement – both, from ourselves and our partners.

**Sustainability leads us in our daily business.**

We are committed to sustainability and growth throughout our organisation.

Our economic success depends on our supply basis, a sustainably managed forest. Sustaining and fostering this natural heritage is crucial.

We are fully committed to protecting biodiversity and contribute to climate protection. Our resource's origin is transparently traceable, making our products one of the safest in the industry.

The responsible use of our resource and an effective environmental management are an integral part of our economic activities, supporting innovation and success.

A transparent and honest dialogue with our employees, stakeholders and the general public helps to implement and constantly improve our approach.





## TIMBER SOURCING POLICY



# HS Timber Group Timber Sourcing Policy

Version October 2022

This policy applies to all timber processing and trading companies of HS Timber Group.

Sustainably managed forests have the highest priority for HS Timber Group. We are committed to ensuring that all our timber is responsibly sourced from sustainably managed forests.

We will purchase timber only from non-controversial sources and in full compliance with our Timber Sourcing Policy.

We require all suppliers and vendors to demonstrate compliance with all legal requirements for forest management, timber harvesting and related trade as a basis for long-term partnership.

We operate a robust security system. As a responsible business, we verify the origin of the timber we use in order to exclude controversial sources.

### The following sources are considered controversial:

- Illegally harvested wood;
- Territories in which traditional and civil rights are violated;
- Territories and regions with armed conflicts;
- Wood from forests whose high conservation value is threatened;
- Natural forests that have been converted to plantations;
- Forests that are planted with genetically modified trees;
- Areas where the Core Conventions of the International Labour Organisation as defined in the 1998 "Declaration on Fundamental Principles and Rights at Work" are violated.

We are explicitly committed to excluding material sourced from virgin forests and non-intervention areas as well as material originating from forest land whose property title is being effectively disputed in court and when courts or authorities have ordered the suspension of operations. Moreover, we refrain from buying material originating from National Parks in Romania and Ukraine.

We do business only with partners whom we have reason to trust as acting with due diligence and professional prudence. Where executive managers or staffs in similar functions has been convicted by a final binding court decision for illegal wood harvesting or corruption, we will as a rule exclude their companies from our supply chain for three years. In severe and justified cases, we reserve the right to delist suppliers at any time appropriate. To re-enter the supply chain thereafter requires a comprehensive audit demonstrating full compliance with all requirements of this Timber Sourcing Policy.

We believe forest certification to be an instrument that helps to promote sustainable forest management. We are actively supporting the development of sustainable forest management in our sourcing areas.

Our target is to source 100% of our timber from forests certified to PEFC™ and/or FSC® forest certification schemes by 2025.

We encourage our suppliers to seek certification for sustainable forest management and chain of custody, and we want to take this path collectively. Suppliers unable to meet our sourcing standards shall take corrective actions.

We invite stakeholders to an open and constructive dialogue to help us continuously improve our business and our performance in regard to responsible forest trade.

This policy will be reviewed and a public statement on its implementation will be issued annually.



Jürgen Bergner, Christian Hörburger,  
Martin Louda, Gerald Schweighofer





## ENVIRONMENTAL POLICY



# HS Timber Group Environmental Policy

Version October 2022

This policy applies to all timber processing and trading companies of HS Timber Group.

Our economic success depends on our supply base, a sustainably managed forest, and a healthy environment. Through responsible use of our resource – wood – we aim to become an integral part of a circular economy. For us, respecting the environment also entails full compliance with environmental laws and regulations, as a minimum level of performance.

Wood from sustainably managed forests is the most sustainable material. Using wood can prevent excessive use of plastic or other non-renewable materials. The use of wood is therefore essential for tackling the challenges of climate change.

We care about health, safety, and the environment, which means not only providing a safe, healthy workplace, but also ensuring that our employees are properly trained, competent and aware of environmental aspects and the impact of their activities on the environment.

### We therefore commit to:

- promoting a corporate culture in which responsible use of our resource and effective environmental management are an integral part of our economic activities, supporting innovation and success;
- a target of buying exclusively material originating from certified forests by 2025 and publicly reporting progress against this target annually (sourcing policy);
- full compliance with national and international environmental requirements with the objective of exceeding the requirements, thus moving towards a higher level of environmental protection;
- contributing to protecting biodiversity and actively engaging in forest restoration actions;

- a target of a 30% reduction in electrical and thermal energy by 2025<sup>1</sup>;
- a target of a 25% reduction in CO<sub>2</sub> emissions by 2025<sup>1</sup>;
- minimising the volume of waste generated by our operations;
- maximising the re-use of waste;
- ensuring the most environmentally friendly treatment and disposal of each type of waste;
- establishing, maintaining, and intensifying dialogue with stakeholders and employees, to ensure and achieve our environmental objectives and goals through continuous improvement.

<sup>1</sup> per final product unit or an equivalent calculated unit  
<sup>2</sup> detto

### Implementation

In order to achieve the principles and goals presented and to ensure continuous improvement, we apply the methodology of the environmental management system in accordance with ISO 14001:2015, covering the flow of the raw materials from acquisition up until delivery of the product to customers. That we take the expectations of interested parties into account goes without saying. We are striving for a unified environmental management system across all our mills by 2022 at the latest. The decision on whether to seek ISO 14001:2015 certification is at the discretion of the respective mill management.

Implementation of this policy is a shared responsibility between the mill management, which is accountable for its implementation on the ground, and Group management, which regularly reviews the policy. This will ensure consistency of the policy, appropriateness and effectiveness in relation to the environmental impacts and the risks associated with our economic activities.

This policy will be reviewed and a public statement on its status of implementation will be issued annually, in the context of the Sustainability Report.



Jürgen Bergner, Christian Hörburger,  
Martin Louda, Gerald Schweighofer







## ABBREVIATIONS

**APV** – Act de Punere în Valoare (Romanian document of origin, inventory/details of trees for harvesting plots)

**BDMT** – Bone Dry Metric Tonnes, the unit of measurement for the weight of one tonne of absolutely dry wood mass

**CHP** – Combined Heat and Power plant

**CITES** – Convention on International Trade in Endangered Species of Wild Fauna and Flora

**CoC** – Chain of Custody

**CSR** – Corporate Social Responsibility

**CSRD** – Corporate Sustainability Reporting Directive

**DDS** – Due Diligence System

**DeSH** – German Sawmill and Timber Industry Association

**DIY** – Do-It-Yourself

**EMS** – Environment Management System

**EOS** – European Organisation of the Sawmill Industry

**EUTR** – European Union Timber Regulation

**FMU** – Forest Management Unit

**FSC®** – Forest Stewardship Council

**GHG** – Greenhouse Gas Emissions

**GPS** – Global Positioning System

**GRI** – Global Reporting Initiative

**HS** – HS Timber Group

**IEA** – International Energy Agency

**ILO** – International Labour Organisation

**ISO** – International Organisation for Standardisation

**KPI** – Key Performance Indicator

**LIDAR** – Light imaging, detection and ranging

**MENA** – Middle East and North Africa

**NGO** – Non-Governmental Organisation

**PEFC** – Programme for the Endorsement of Forest Certification

**SCCC** – Supply Chain Control and Certification

**SFI** – Sustainable Forestry Initiative

**SUMAL** – Integrated Timber Tracking Information System (Sistem Informațional Integrat de Urmărire a Materialelor Lemnoase)

- <sup>1</sup> EPD for sawn and planed timber | Luvian Saha
- <sup>2</sup> SoEF\_2020.pdf (foresteurope.org), Global Forest Resources Assessment 2020 (fao.org), Statistics | Eurostat (europa.eu)
- <sup>3</sup> Rezultate IFN – Ciclul II | National Forest Inventory (roifn.ro)
- <sup>4</sup> Biodiversity monitoring in Europe (leaflet) — European Environment Agency (europa.eu) Common Birds in Europe — population index
- <sup>5</sup> Transparency International (2022): Corruption Perception Index
- <sup>6</sup> See Supply Chain Report 2022
- <sup>7</sup> 2022 Corruption Perceptions Index
- <sup>8</sup> WJP Rule of Law Index
- <sup>9</sup> in 2022 compared to 2021
- <sup>10</sup> incl. small proportions of Siret and Comănești
- <sup>11</sup> Waste related activities are classed as recovery (R) or disposal (D) as defined in the EU Waste Framework Directive 2008/98.
- <sup>12</sup> The International Electrotechnical Commission (IEC) has put in place energy-efficiency classifications for electric motors across four levels of motor efficiency: IE1 Standard Efficiency, IE2 High Efficiency, IE3 Premium Efficiency and IE4 Super Premium Efficiency.
- <sup>13</sup> Production sites in Reci, Rădăuți, Sebeș, Comănești and Siret in Romania, Kodersdorf in Germany and Luvia in Finland; the head office in Vienna including the technical office in Ybbs and the office in Bucharest are also included.
- <sup>14</sup> IEA (2022) Emission Factors
- <sup>15</sup> Ecoinvent V 3.9.1 (2022)
- <sup>16</sup> Emissionskennzahlen 2022 (Umweltbundesamt 2022)
- <sup>17</sup> Lost Time Injury Frequency Rate
- <sup>18</sup> Compliance Statement ILO Core Conventions
- <sup>19</sup> PWC (2022). Socio-economic and climate impact of the forestry and wood processing industries in Romania.



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