



Holzindustrie Schweighofer's clarifications regarding the Environmental Investigation Agency (EIA) report

Bucharest, October 22nd, 2015 – A report carried out by the Environmental Investigation Agency (EIA), which analyzes the situation of illegal logging in Romania, presents a large number of false accusations based on inaccurate information about Holzindustrie Schweighofer, for which we would like to make several clarifications.

We are concerned about illegal logging in Romania as much as the civil society and we want to emphasize that Holzindustrie Schweighofer is not part of the problem, but **part of the solution**. We impose to our suppliers to comply with all legislation and to prove the legal origin of the wood they deliver.

Moreover, not only do we refuse any suspicious transport that lacks complete and correct legal documents, but we also report it to the competent authorities that can investigate and sanction the irregularities. **Just within the last year, Holzindustrie Schweighofer has declined and reported 69 transports of wood with inaccurate documents.**

We reaffirm our openness to offering additional information and details about our activities and procedures to the interested organizations and individuals, so we stand at your disposal for any questions related to any other subjects included in the EIA report.

Moreover, we would like to answer to the main accusations that are brought to us in the EIA report, which we consider ungrounded.

1. Logging in national parks

Holzindustrie Schweighofer is the only company in the Romanian woodworking industry that does not accept any wood coming from national parks. We would like to clarify that harvesting in national parks is permitted by the law in certain areas (buffer zones) and under special guidelines. However, as we share the opinion that these areas represent a key habitat for the preservation of thousands of species, Holzindustrie Schweighofer has **voluntarily** committed, at the beginning of 2015, to refuse any delivery of wood coming from national parks. Regarding the deliveries accepted by HS before taking this commitment, they came exclusively from buffer zones, and the wood was harvested in compliance with the forests management plan approved by the authorities, thus HS has never purchased illegally harvested wood, coming from protected areas.

2. Accusations of monopoly on softwood

We reject any monopoly accusations, as there are 5,000 wood processors in Romania.

The market, in the Romanian woodworking industry, is modernizing and reorganizing at this moment, as it has already happened in other countries in Europe. This has nothing to do with the market position of Holzindustrie Schweighofer, but it is a reaction to the technological and economic development. There are numerous competitors on the Romanian market and an active competition that profits both the suppliers and the end clients.

Holzindustrie Schweighofer's success, speculated in the EIA report, is actually a result of the company's investments in quality, in its employees and in modern technologies. The development of the companies that activate in this industry does not represent any threat to Romanian forests, but it offers added value reflected in jobs, professional opportunities, taxes and contributions, support for the economy and community.

We would also like to mention that **HS is the most important wood importer in Romania.** The company annually imports from neighbouring countries over 1 million m³ of logs, for which it pays taxes to the Romanian state amounting over 40 million RON, while Romania exports every year especially to the Far East about 400,000 m³ of unprocessed wood.

3. The impact on the furniture industry

Over 70% the raw material used in the Romanian furniture industry is represented by hardwood, not by softwood, thus the softwood timber processing industry is not responsible for the lack of raw material or the bankruptcies of furniture producers after 1990.

In reality, the existence of the woodworking industry ensures the production of the furniture industry, for producers that want to buy timber.

We mention, as well, that **95% of the Holzindustrie Schweighofer's products are products with added-value**, a large part of them being sold directly in Romania, including to furniture factories.

4. Bonuses for harvesting services providers

EIA speculates that HS offers bonuses for illegal cuttings that exceed the limits provided in the APV (the document that proves the origin of the wood). In fact, the bonus mentioned in the harvesting services contract is **a quality bonus**, offered to all the contractors that ensure a good sorting of the harvested material, do not produce any damage to the forest, comply with all wood harvesting legal provisions, with work safety regulations etc.

5. Penalties for the suppliers

EIA speculates in this report on an excerpt from an older contract of Holzindustrie Schweighofer that stipulates a penalty for suppliers, in case the harvesting location was different from the one mentioned in the contract. This clause referred to the situation when the suppliers delivered wood from another county than the one stipulated in the contract (the prices were different from county to county). Nevertheless, the entire wood, regardless the county from which it was harvested, had **legal origin**.

This clause, in order to avoid any confusion, does no longer exist in our contracts with suppliers.

6. Investigations at Sebes and Radauti factories

Following investigations conducted by the Ministry of Environment at our factories, a report was drafted which, according to the legal procedures in Romania, was sent to the Prosecutor's Office. Because we have not yet received any copy of this report and we do not know its complete and official content, we cannot comment on the information that it might include, but we can offer a first clarification of the data presented in the EIA report. The confiscated timber that the EIA report refers to had a legal origin, thus the seizure was not in volume, but in value. This decision was taken due to human errors related to data operation or certain exceeded terms.

7. Land restitutions in Romania

All forestland purchases of Cascade Empire, part of Holzindustrie Schweighofer group, went through a careful and detailed legal Due Diligence performed by international law companies, that guarantee the compliance will all legal provisions. There is no pending lawsuit concerning any of the lands owned by Schweighofer via Cascade Empire SRL. There is however a legal inquiry into the right of ownership of one individual who subsequently sold a small plot of land to Cascade Empire SRL. The small plot currently under judicial investigation represents only 5.7%, respectively 833 hectares of a total area of 14.500 hectares under the property of Cascade Empire SRL.

Holzindustrie Schweighofer has nothing to do with the way forestland restitutions took place in Romania.

About Holzindustrie Schweighofer

Holzindustrie Schweighofer is part of the Schweighofer Group and has its roots in an Austrian family business with more than 400 years of experience in woodworking. Currently, the company is leader in the European wood processing industry and is also active in viscose pulp production, bioenergy production, forestry and real estate.

Holzindustrie Schweighofer opened its first sawmill in Romania in 2003, at Sebes. Currently, the company is running on the local market other two sawmills in Radauti and Reci, an edged glued panel factory in Siret and a blockboard factory in Comanesti, generating over 3,000 people directly in these locations and more than 10,000 in related industries. Since entering the local market until now, Holzindustrie

Schweighofer has invested 778 million euro in Romania, and in the last 4 years it has contributed to the state budget with over 100 million euro. The profit made by the company in the last 10 years is reinvested in Romania, creating each year new jobs. Holzindustrie Schweighofer imports annually from neighbouring countries over 1 million m³ of logs, for which it pays taxes to the Romanian state amounting over 40 million RON, while Romania exports every year especially to the Far East about 400,000 m³ of unprocessed wood.