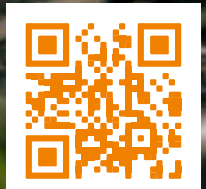




**HS TIMBER
GROUP**

SUSTAINABILITY REPORT 2021



The report contains information about our principles, our mission statement and our approach to sustainability and discusses 2021 achievements and challenges.

Perfection in Timber. www.hs.at

FOREWORD

THE YEAR 2021 WAS A CHALLENGE, BUT ALSO A SUCCESSFUL ONE FOR THE COMPANY AND ITS SUSTAINABILITY EFFORT.

Disrupted supply chains, highly volatile markets and, not in the least, the conviction that sustainability and climate protection must be more than just words, have shaped our understanding of this year. Resuming the growth path with new sawmill projects, improving energy efficiency but also a continuous effort on managing a sustainable supply chain in times of a global pandemic were the core accomplishments of the year 2021.

ABOUT 2021

The fact that we can work with wood, a raw material that can be the solution to many problems in terms of sustainability, makes us proud. At the same time, we are aware that only wood from sustainably managed forests can develop this effect to its full extent, a request that our stakeholders, but also, we ourselves, place on our work. That is why we have continued our efforts towards a responsible supply chain in 2021.

In 2021, after several years of intensive work on our sustainability performance, the FSC Board of Directors ended the disassociation with our company. An intensive and confidence-building audit process by independent third parties, with intensive involvement of critical stakeholders, had previously confirmed that we meet the conditions for re-association set by the FSC in 2018.

In addition, we have also continued our growth course in 2021. Next to major investments - such as the commissioning of the biomass cogeneration plant in Kodersdorf - we specifically worked on the construction of a plant in Svisloch, Belarus and the planning and launch of the construction of a new sawmill in Gobernador Virasoro, Argentina.

For our stakeholders, compliance issues and topics related to the safety and sustainability of our supply chain continue to be of prime importance. Therefore, in 2021 we continued to focus on training and awareness raising, as well as on professionalising our compliance work. In the area of the supply chain, we have focused on the development of our Due Diligence Hub.

In terms of our targets, we have extended our voluntary commitment not to source wood from National Parks - even if legally possible - from Romania and Ukraine. We are also making steady progress towards our goal of sourcing 100% of our raw material from forests certified for sustainable forest management by 2025 and are increasingly using the possibilities of digital data reconciliation in the Due Diligence process. For the year 2021, we will report for the first time on the progress made in reducing our Greenhouse Gas Emissions in relation to the amount of wood used, as well as the improvement in our energy efficiency over the last few years.

We would like to take this opportunity to thank all our employees who have supported us throughout the difficult period of the pandemic and who are driving the further development of our group of companies. We can only cope with the demands of this times together and we are looking forward to working together in 2022 as well.

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. Transparency is crucial to hold ourselves accountable.

Therefore, we publish our sustainability performance on a yearly basis. This report contains information about HS Timber Group's approach to sustainability, and highlights 2021 achievements and challenges.

The HS Timber Group discloses its sustainability performance on a voluntary basis. However, with this report we are already trying to anticipate the coming legal reporting requirements. In particular, we want to provide our stakeholders with answers to those questions that are of particular importance to them.

GRI STANDARDS

This report has been prepared in accordance with the GRI Standards: Core option. The use of the sustainability reporting standards of the Global Reporting Initiative ensures comparability and diligence. For a complete list of all disclosures included in this report, refer to the GRI Content Index on page 69.

REPORT BOUNDARIES

Reported content and key performance indicators (KPIs) cover the year 2021 and seamlessly connect to the reporting period of the previous Sustainability Report for 2020.

The core business of HS Timber Group, the timber-processing arm, is the main subject of this report, and includes HS Timber Group GmbH, HS Industrieinvest GmbH, HS Timber Productions S.R.L., HS Timber Productions GmbH, HS Timber Services GmbH, HS Timber Productions Reci S.R.L., HS Baco Panels S.R.L. Changes in the delimitation of data or KPIs, - for example when the entire Group or another group company is considered (such as in the field of energy generation) - are indicated at the appropriate point.

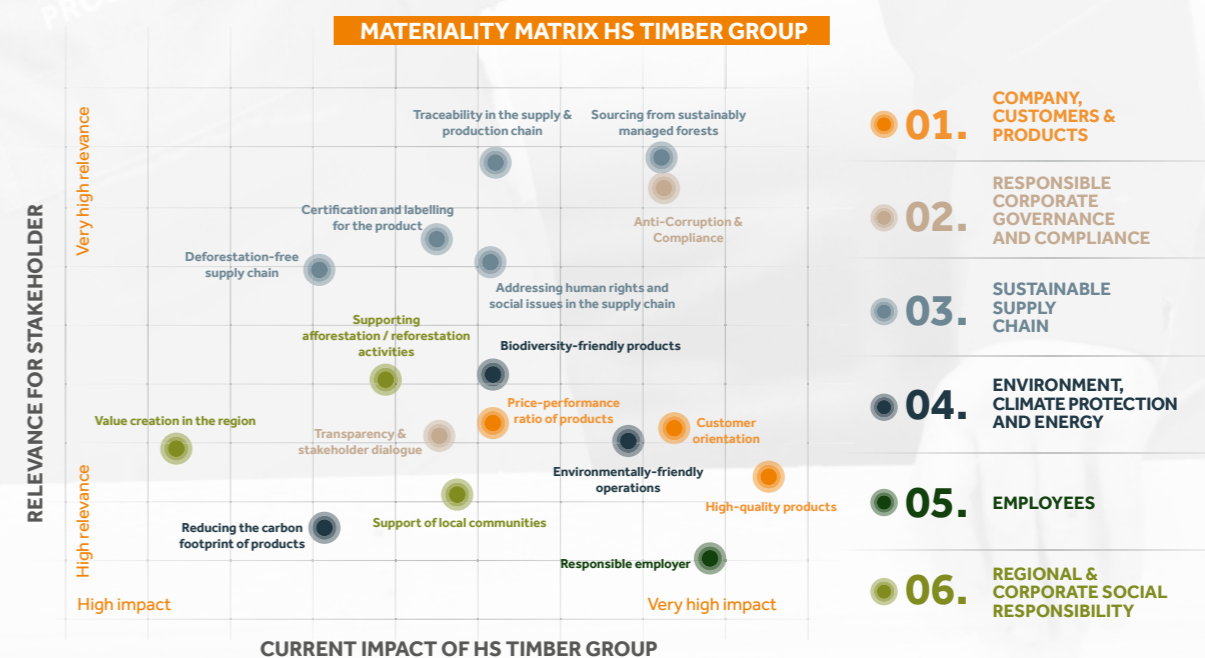
SUSTAINABILITY PROCESS

This report includes a selection of 17 sustainability topics that are material to HS Timber Group, representing the company's significant impact on economy, environment, and people. These material topics were determined in a multi-stage process that included stakeholder involvement at various stages.

First, to get a comprehensive and exhaustive picture of stakeholder opinions, multiple stakeholder consultations were included in the assessment of material topics. Two stakeholder surveys and one interview session were conducted between 2019 and 2022. Since the sustainability context of HS Timber Group did not significantly change in this period, all three consultations were included in the assessment. In December 2019, a total of 78 stakeholders - including, but not limited to employees, media, and academia - took part in an online survey 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 to the supply chain. Finally, in February 2022, 45 customers filled in an online survey to evaluate key sustainability topics. The results of all three consultations were combined to assess the relevance of key sustainability topics for stakeholders. Second, managers and department heads of HS Timber Group were invited to discuss and prioritise these key sustainability topics based on their judgement of the company's environmental and social impact. Subsequently, combined with the results of the stakeholder consultations, new material sustainability topics were determined and compiled in a new Materiality Matrix.



The Materiality Matrix summarises all key sustainability topics material to HS Timber Group and provides the basis for the content of this report. It depicts the relevance of sustainability topics for stakeholders on the vertical axis, and the extent of environmental and social impact of those sustainability topics on the horizontal axis. As such, 17 topics were defined as significant for HS Timber Group. These are topics from high to very high relevance for stakeholders. Topics that were considered irrelevant for the company were preliminarily excluded from the materiality process and are not depicted in the graph shown above.

In 2021, sustainability topics were modified to gain a more detailed understanding of sustainability issues compared to previous reporting periods. As such, key sustainability topics were further broken down into more distinctive topics. Consequently, the materiality matrix includes 17 sustainability topics, compared to 11 in previous reporting periods.



SUSTAINABLE DEVELOPMENT GOALS

17 UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The 17 Sustainable Development Goals¹ of the United Nations are the core of the 2030 Agenda for Sustainable Development and represent an urgent call to action.

HS Timber Group's operations contribute to the SDGs across the 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 65. As such, 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 one of the core value streams of HS Timber Group. The responsible use of energy is key for us. Next to reducing our energy consumption and becoming more energy efficient, we further ensure access to clean energy by not only powering our plants with bioenergy from our own bioenergy production, but also contributing with renewable electricity to the national grids of Romania and Germany.



SDG 8: Decent Work and Economic Growth

Being a fair, responsible, and attractive employer continues to be a high priority for HS Timber Group. We therefore strengthen the regional development in the areas of our production sites, not only by creating productive employment and ensuring occupational health and safety, but also supporting local communities through various CSR programmes. Additionally, our business creates an added value through higher tax incomes in the regions we operate, and, in particular, through purchasing small diameter logs, thereby purchasing assortments which are less relevant for small domestic producers in the countries we are sourcing from.



SDG 9: Industry, Innovation, and Infrastructure

Resilient and sustainable supply chains are vital to HS Timber Group's operations. Therefore, we not only foster innovation to increase resource efficiency and reduce environmental impacts but play a pioneering role in transparency and open communication in the industry. Through our innovative Timflow traceability technology, for example, we continuously increase the physical traceability of the origin of wood through research and implementation of new methods.



SDG 12: Responsible Consumption and Production

Ensuring sustainable production patterns and high-quality products through sustainable management and efficient use of natural resources is crucial for the success of HS Timber Group. To significantly reduce negative impacts in our supply chain, specifically in our procurement, we continuously champion transparency and open communication in the timber industry, accompanied by highly advanced Due Diligence Systems and compliance management. At the operational level, we have implemented an environmental management system to reduce, reuse and recycle waste. As a result, all wooden by-products are further processed or turned into renewable energy.



SDG 13: Climate Action

Most and foremost, with our main product, wood, we are providing a solution for long term storage of carbon. Additionally, we aim to minimise the environmental impact of our activities, beyond low impact forestry programmes. As such, we commit and work hard to reduce our GHG emissions and energy consumption in our operations, especially at our production sites, where we see the biggest impact. Similarly, with an ever-increasing shift in mobility and operational logistics towards more electric vehicles, we further want to reduce our environmental impact this area as well. 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 through sustainable forestry is crucial for HS Timber Group. To prevent negative impacts in our supply chain, we have strict sourcing policies in place. We passionately commit to sourcing zero wood from virgin forests or National Parks in Romania or Ukraine and continue to work with certification bodies to reach our target of sourcing 100% of our input from certified forests by 2025. Together with the Romanian Tomorrow's Forest Foundation, for example, we further support reforestation initiatives, low impact forestry and biodiversity protection.



SDG 16: Peace, Justice, and Strong Institutions

Strengthening institutions in the industry through responsible corporate governance systems is important for HS Timber Group's supply chain and operations. We aim to play a pioneering role in transparency and therefore commit to responsibility and accountability. Next to strict anti-corruption policies, as well as transparent and frequent stakeholder outreach, we continue to train management and employees on ethics and compliance issues in the wood supply chain.



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COMPANY, CUSTOMERS & PRODUCTS

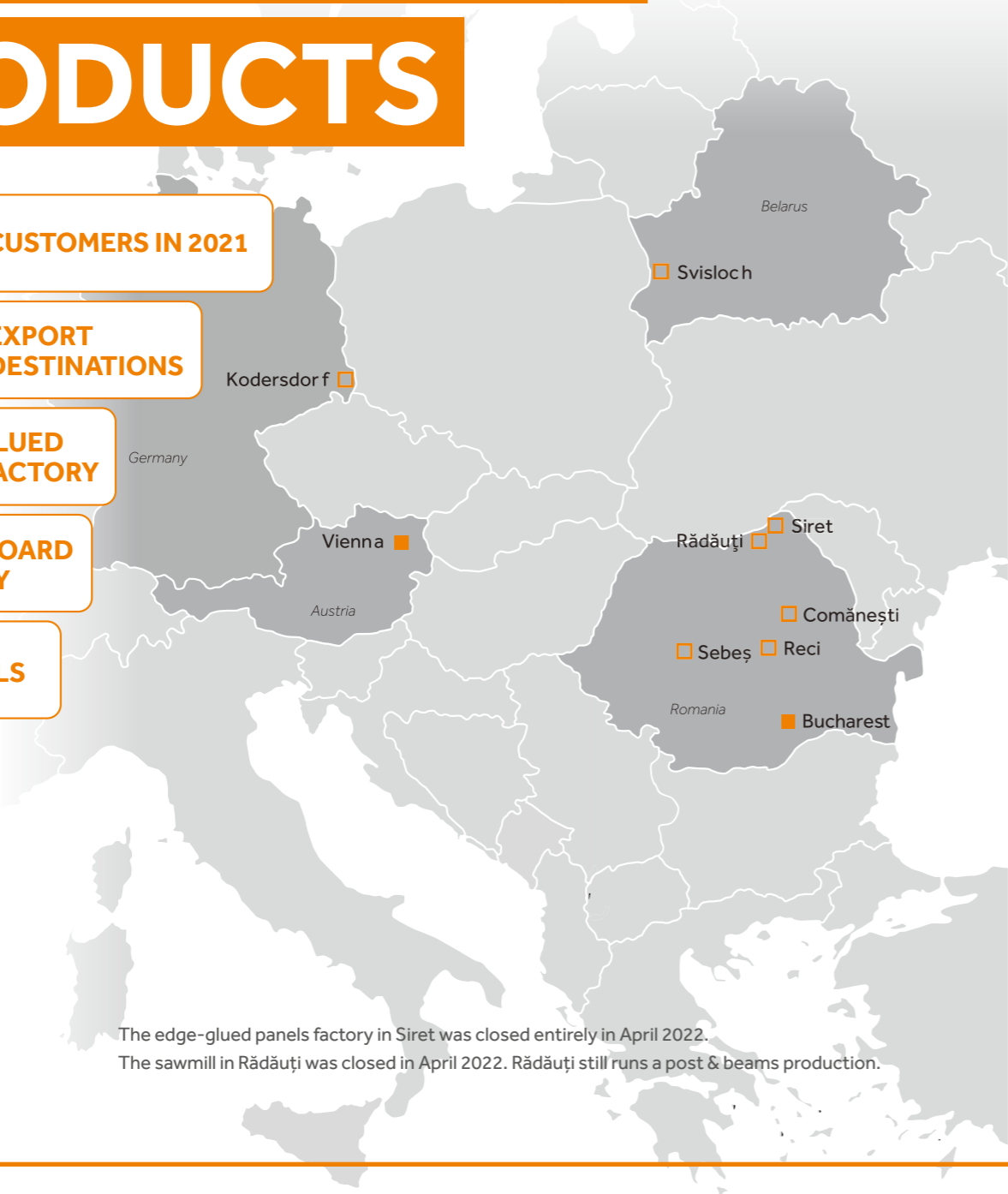
538 CUSTOMERS IN 2021

>70 EXPORT DESTINATIONS

1 EDGE-GLUED PANEL FACTORY

1 BLOCKBOARD FACTORY

4 SAWMILLS



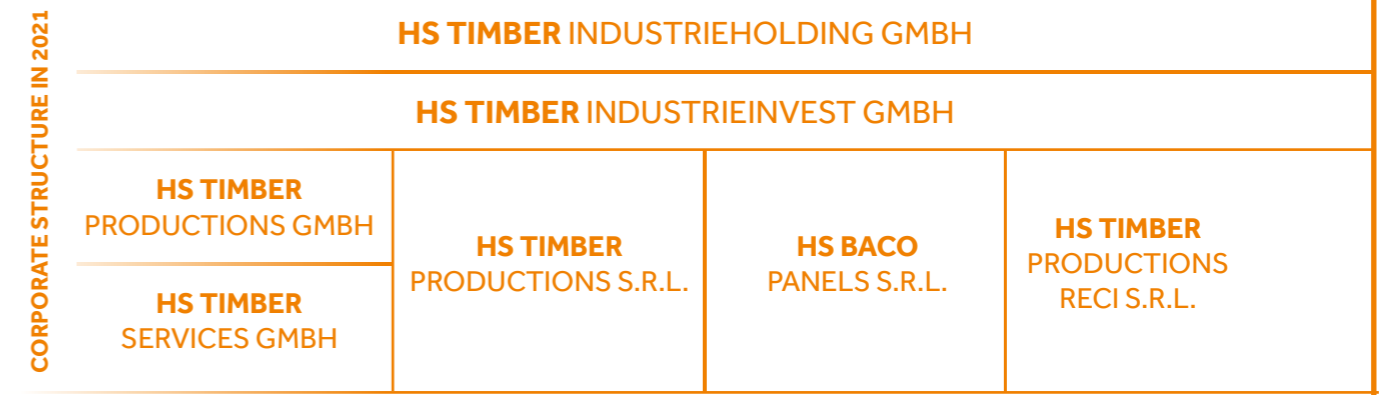
The edge-glued panels factory in Siret was closed entirely in April 2022.
The sawmill in Rădăuți was closed in April 2022. Rădăuți still runs a post & beams production.

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. Wood is our passion. With around 3,600 employees in the timber branch of the group in 2021 in Austria, Germany, and Romania, we produce high-quality wood products for industrial customers in the furniture and construction industry all over the world. Group revenues in 2021 amounted to 1.072 billion Euro compared to 784.11 million Euro in the previous year, an increase of 287.99 million Euro (+36.7%)².

We aim at Perfection in Timber by getting better every day. Sustainability, passion, and partnership are the core values of all our operations. We are open to innovative approaches and face opportunities courageously. We are committed to our responsibility for communities and a sustainable timber industry, in which the sustainability of sourcing of our resource plays the most eminent role. 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.

HS TIMBER GROUP GMBH



²Development projects are not included (they are not in the scope of the report, therefore not shown here)

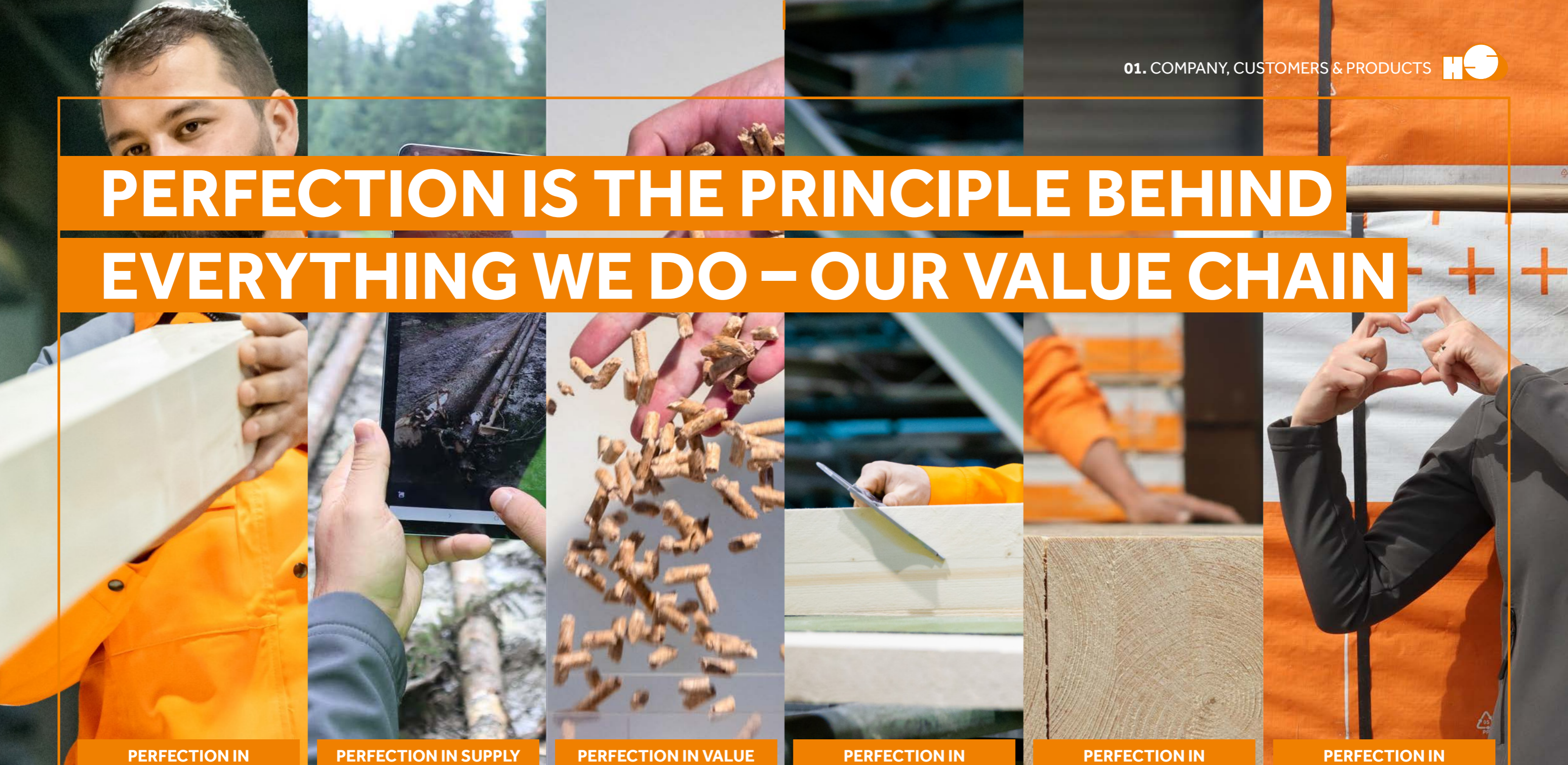
Today, HS Timber Group GmbH (timber branch) is organised as a holding company, headquartered in Vienna. Most of its employees work in the wood processing industry, but also in lumber trading, forestry, and bioenergy production. The Group has a strong presence in Romania since 2003. HS Timber Group now operates four sawmills with secondary processing. Three of them are in Romania, specifically in Reci, Rădăuți, and Sebeș, and one is located in Kodersdorf, Germany. Furthermore, we operate a blockboard factory in Comănești and an edge-glued panels factory in Siret³.

At the end of 2020, the company started the construction of another sawmill with secondary processing in Belarus. The investment in the modern sawmill in Svisloch, in the region of

Grodno, amounts to 84 million Euro and will employ around 230 people in the region. As designed, the sawmill, processing pine and spruce logs, has an annual sawing capacity of 500,000 m³ of coniferous roundwood⁴.

After the end of 2021, together with our joint-venture partner Forestscape the construction of a new sawmill in Gobernador Virasoro, a town in the Argentinean Region of Corrientes was started. The investment amounts to approximately 100 million USD and the sawmill is expected to create 280 direct jobs. The plant is designed to process small diameter pine logs (Pinus taeda and Pinus elliottii), which will be sourced exclusively in the region from sustainably managed plantations. After commissioning, the plant has a processing capacity of 500,000 m³ of saw logs/year.

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



PERFECTION IN
TIMBER

PERFECTION IN SUPPLY
CHAIN SUSTAINABILITY

PERFECTION IN VALUE
CREATION

PERFECTION IN
PROCESSING

PERFECTION IN
PRODUCTS

PERFECTION IN
CUSTOMER SERVICE

We select our raw materials according to the strictest criteria, to meet our customers' expectations, develop solutions for the most demanding customers and manufacture our products with the greatest precision. Our wood products are often out of sight, hidden inside the core of a structure. Yet, they can be found all over the world.

Sourcing from sustainably managed forests and respecting biodiversity is central to our industry. The goal of sourcing 100% of our raw materials from forests certified by forest certification schemes is one of the company's core commitments. The exclusion of controversial material and an effective and state-of-the-art due diligence system are the basis for a robust supply chain management for us.

High-tech manufacturing and processing is the basis of perfection in production. Each piece of wood is inspected individually to determine its precise qualities. Each year, we sort up to 60 million boards at each of our sawmills. We utilize 100% of the raw material. With the core we produce our main products, solid lumber for all sorts of use. All by-products are further processed into pellets or sold to customers in the paper or panel industry. The bark of our logs is used to generate renewable energy.

Highly automated and innovative production machinery ensure perfect product qualities. Together with continuous checks at all plants, we aim at safeguarding the highest levels of customer satisfaction with our products.

In addition to high-quality sawn timber, we also manufacture value-added products at our processing facilities, such as our glue laminated construction timber that is exported to Japan for use in housing construction. Pellets, made from our sawdust and shavings, are an eco-friendly source of energy. Made exclusively from by-products, they undergo the same Due Diligence processes as our solid wood products.

Our aim is clear: to meet and exceed customer expectations. As a team, it is our job to do so – right down to the very last detail. Our sales team appreciates special requests, as these give us the opportunity to work with our customers on the latest ideas and innovations. From large construction companies to mid-sized furniture factories and Do-It-Yourself enthusiasts – our goal is clear: to fulfil customer requirements, down to the last detail. We consider this the task of the entire team.

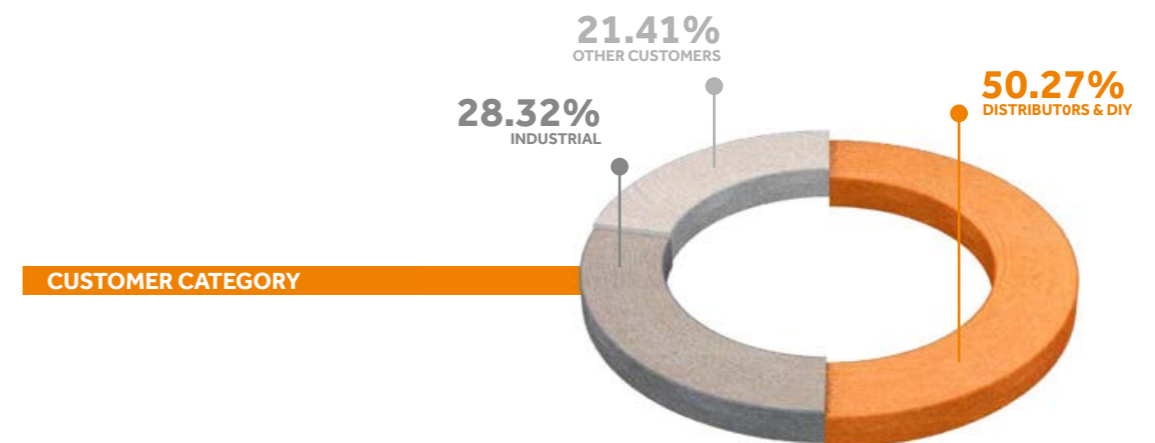
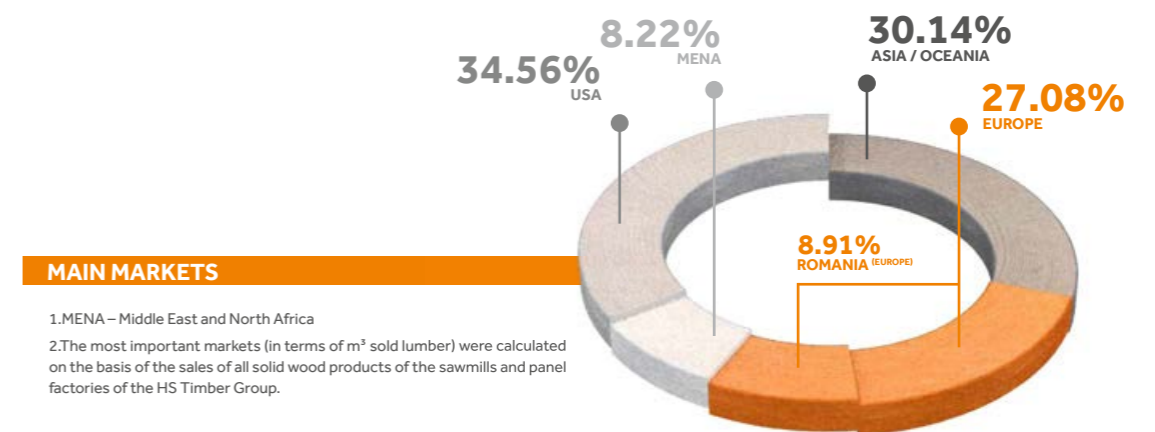
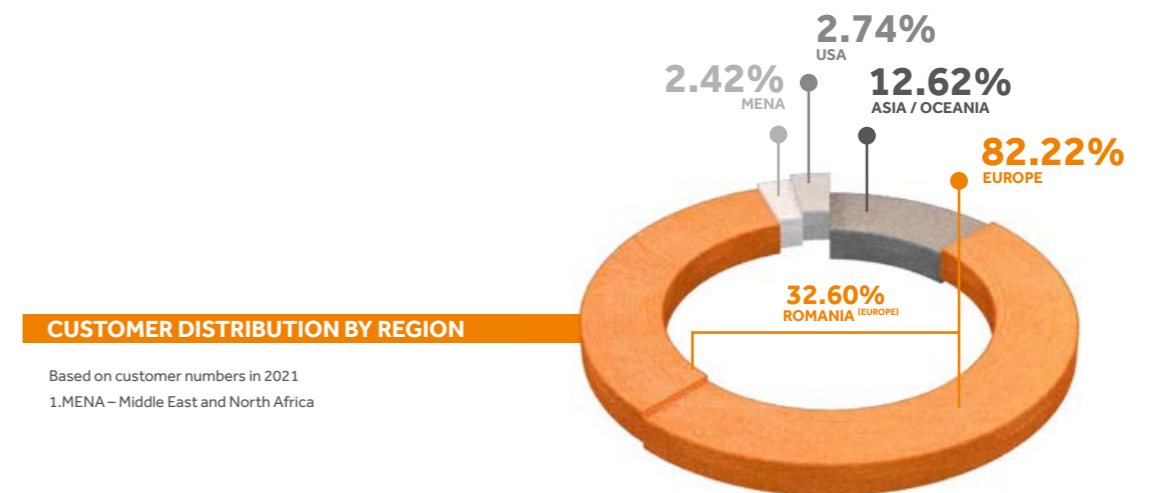
01

CUSTOMERS

HS Timber Group supplies customers around the globe. Most of our customers, over 80%, 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 main customers are distributors, industrial companies from construction and furniture industries and Do-It-Yourself stores. We are particularly proud of the fact that we have had a long-standing partnership with our customers for many years. In 2021, we had 538 customers, of which 255 have had a customer relationship with us for more than five years. This represents a share of 47.3% of our customer base in 2021. 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.

“HS Timber Group has been a reliable partner for us for many years, providing us with the optimal sustainable raw material to fulfil our customers’ wishes. The durable blockboards are easy to process with all woodworking tools and machines and can be designed in a variety of ways, with different veneers and coatings. This also makes them the ideal material for furniture manufacturing, shop fitting, vehicle, and stage construction.”

Oliver Broszeit, Managing Partner of Broszeit Group





PRODUCTS

OVERVIEW OF HS TIMBER GROUP'S PRODUCTS & BY-PRODUCTS:

- + Sawn timber
- + Planed timber
- + Glued timber (post & beams)
- + Profiled timber
- + Pellets and briquettes
- + Blockboards
- + Big size shuttering panels
- + Edge glued panels
- + Renewable energy (power & heat)
- + Wood chips, shavings, and sawdust
- + Bark



02

RESPONSIBLE CORPORATE GOVERNANCE & COMPLIANCE

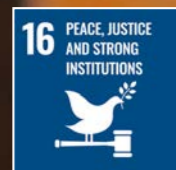
 **A GROUP-WIDE COMPLIANCE MANAGEMENT SYSTEM**

 **CODE OF CONDUCT FOR EMPLOYEES AND SUPPLIERS**

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

At HS Timber Group, responsibility means that our entrepreneurial thinking is geared towards sustainability principles on a long-term basis. To make that a reality, we are - even though being very entrepreneurial - aiming at a clear internal structure: we have clear guiding principles and internal procedures, effective management and supervisory mechanisms, a powerful Mission Statement, properly functioning compliance management and a clear Code of Conduct for both employees and suppliers. The only way to deal fairly with external stakeholders - including customers and the local community in the region - is to guarantee that our own internal corporate culture is responsible and transparent.

Our stakeholders have clearly pointed out that, for us, the topics of compliance, sustainability and legality in the supply chain remain at the top of the agenda (see materiality matrix, page 7). Trust and confidence that we are managing these issues properly have increased over the last years among our stakeholders. Still, these issues remain the core concerns for us. We as a company are committed to focus on them. A clearly organised and regulated internal organisation is the basis for a good performance in the field of compliance. We believe that transparency and proper training of our staff is the best way to always act with integrity. Therefore, we set standards which go far beyond the statutory requirements, and we intend to play a pioneering role in ensuring that our suppliers and business partners adopt similar approaches. We place particular emphasis on a transparent wood supply chain and support for sustainable forestry.



SUSTAINABLE CORPORATE GOVERNANCE

The commitment to a sustainable corporate governance is taken directly from the company's core values expressed in the Mission Statement and the Code of Conduct for Employees. It was integrated in the company's 2021 targets for all departments and implemented throughout the company.

We have currently put in place a policy framework for timber sourcing, an ambitious environmental policy and a policy on occupational health and safety. All these activities are steered centrally from the Group's Headquarters, with responsible staff at each site.

On the wood supply chain, we are running a standardised Due Diligence System which enables us to uphold legal requirements, as well as certification requirements (more detailed information in Chapter 3: Sustainable Supply Chain). What is more, we are also running a standardised Environmental Management System. At the site level, these systems are partly certified for ISO 14001. In the field of occupational health and safety we have implemented management systems which allow us to comply with the law. By better coordinating these activities, we aim at improving the standard over time in this field as well.

OUR MISSION STATEMENT

PERFECTION IN TIMBER.

HS Timber Group's Mission Statement reflects our philosophy, strategy and values and is guided by the principles of sustainability, partnership, and passion. Our Mission Statement also constitutes our vision for the company's future and forms the basis for all our corporate principles and all managerial decision-making. It covers the following areas: customers, employees, business partners and suppliers, regions, internal organisation, and sustainability.

Furthermore, the Mission Statement clarifies the importance of compliance and a sustainable supply chain. Acknowledgement of the Mission Statement is a key step in the induction of new employees. The Mission Statement was developed by the Management Board in 2017 and has been presented to all our employees. It is available at <https://hs.at/en/company/our-model.html>

CODE OF CONDUCT

Our Group-wide, binding, Code of Conduct sets forth basic rules for all employees and managers. Alongside the Mission Statement, the Code of Conduct is one of the most important internal sets of rules, providing clear instructions to all employees about ethical business practices. The Code of Conduct focuses on anti-corruption and compliance (adherence to regulations), internal personal interaction, and mutual respect.

The Code of Conduct was introduced throughout the Group via a campaign at all mills. It was also integrated into a mandatory on-boarding process for new employees.

The document is available at <https://hs.at/en/responsibility/how-we-do-business/code-of-conduct-for-employees.html>

In addition to the Code of Conduct for employees, in 2019 HS Timber Group issued a Supplier Code of Conduct⁵. It sets forth ethical business practices which all raw material suppliers must comply with, and it was incorporated by reference into all HS Timber Group's purchasing agreements. The document is available at <https://hs.at/en/responsibility/how-we-do-business.html>



“**Openness, transparency and integrity are important values for us. Our stakeholders and society demand it. These values foster the confidence of our customers and suppliers in working with us. They support our company on our path towards sustainable development.**”

Gerald Schweighofer, CEO HS Timber Group GmbH

COMPLIANCE MANAGEMENT & PROGRAMME

HS Timber Group's compliance management system is based on our Mission Statement and our Code of Conduct for employees. Both constitute the basis for ethical behaviour in our company's business environment. The compliance organisation is managed at Group level. The compliance programme is based on a comprehensive compliance risk assessment. This is true for supply chain Due Diligence, as well as for general compliance risks.

The company offers several reporting channels for internal and external stakeholders. For example, an independent, confidential, and, if necessary, anonymous reporting channel directly to the Group Compliance Office is available to all employees and any affected party wishing to report potential violations. On this official compliance (whistleblower) reporting line we registered eight reports in 2021, of which three were to be considered as substantiated and one was a request for clarification.

A basic requirement from our Code of Conduct is the avoidance of conflicts of interest. We are actively managing this in the purchasing procedure, and we are encouraging employees to make their conflicts of interest transparent in all business processes.

We are screening suppliers and business partners to avoid legal risks such as money laundering or doing business with internationally reprimanded entities. On top of this, suppliers are heavily scrutinised regarding any potential involvement in illicit practices (forest crimes, corruption, etc.). All our suppliers are requested to abide by the Supplier Code of Conduct.

HS Timber Group's employees periodically attend training courses given by external experts. Regular compliance and anti-corruption courses serve to train and raise awareness among our employees. For these courses, HS Timber Group also cooperates with the International Anti-Corruption Academy (www.iaca.int), which supports the company with bespoke training programmes and access to an international network of experts in its compliance programme. 55 of the most exposed staff took part in the IACA trainings. Overall, we trained 147 staff members, ranging from new staff at Group level, to employees in the most exposed departments (such as sales, logistics, purchasing) on compliance-related matters. Due to the pandemic situation, all trainings were held as virtual and/or hybrid training units. Additionally, to these personal trainings, the company performed e-learning on compliance related issues - such as the Code of Conduct - as well as compliance quizzes through internal communication channels.

Specifically in supply chain control, the company uses in addition to direct reports (such as on timflow.com) other means - which include media monitoring or audit reports - to identify potential non-compliances in the supply chain. Details on claims in Chapter 3: Sustainable Supply Chain.

At the end of 2021, a revision of the compliance management has been started in preparation for obtaining the ISO 37301:2021⁶ certification in 2022. The basis for this work was a dedicated specialised training of involved compliance staff, as well as a gap analysis of the existing system, matched against the standard. Further on, an in-depth compliance risk assessment was set up to show areas of action for the compliance programme.



STAKEHOLDER DIALOGUE

We understand that our corporate decision-making has a significant impact on various interest groups. They include our customers, employees, and business partners, authorities, as well as the regions in which our production sites are located, as well as NGOs, civil society organisations and representatives of interest groups. It is important for us to acknowledge and understand the needs and requirements of all our stakeholders, through regular mutual interaction and communication. Depending on the stakeholder group, different forms of communication are used.

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
BUSINESS PARTNER	
CUSTOMERS	Personalised customer support, newsletter, website
SUPPLIERS WOOD	Regional stakeholder meetings, direct contact
OTHER	Regional stakeholder meetings, direct contact
FOREST ADMINISTRATION	Regional stakeholder meetings, direct contact
FOREST OWNERS	Regional stakeholder meetings, direct contact
SOCIETAL STAKEHOLDERS	
THE 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

With international stakeholders, HS Timber Group interacts via structured dialogue. This takes place via regular in-person meetings or via official company events, where we exchange information with diverse interest groups. For our local and regional stakeholders, we are regularly organising events. We use these events for information, awareness raising and dialogue. Because of the pandemic situation, just one event was organised in 2021 and it was held as an online consultation.

The input we receive from our stakeholders helps us get a better understanding of concrete social and environmental concerns, but also to find new business opportunities. Hence, stakeholders play a significant role in the certification process, e.g., for sustainable forest management.

Dialogue also happens within associations. HS Timber Group is member of several associations, such as for example EOS – the European Organisation of the Sawmill industry⁷, Prolemn – the Romanian Association of the Wood Industry⁸, or DeSH – the German Sawmill and Timber Industry Association⁹.

STAKEHOLDER INPUT IN THE WOOD PURCHASING & CERTIFICATION PROCESS

As already mentioned, we consider external input to be an integral part of our risk management activities. Furthermore, we believe that transparency is one of the most important risk mitigation measures in the supply chain.

of perceived irregularities, or if anything is unclear or not comprehensible. Timflow was implemented in all the Group's Romanian sawmills in April 2017 and, one month later, its scope was extended to all wood collection points owned by the company.

Therefore, our publicly available wood tracking system Timflow is designed specifically for interaction with stakeholders. On www.timflow.com, HS Timber Group publishes all details regarding delivery of wood by trucks in Romania, e.g., images of loaded trucks and GPS-based information about the origin of the wood. Any stakeholder or any interested person can contact us directly via the website, in case

In January 2021, a targeted stakeholder consultation process was undertaken directly by FSC®, which ran for six weeks. A second consultation was carried out during summer 2021. The objective of the consultations was to gather information on the stakeholder perceptions about HS Timber Group's operations, in the context of the FSC Roadmap Process to end disassociation.

OPEN DOORS POLICY

In line with its commitment to transparent communication, HS Timber Group has implemented an Open Door Policy for NGOs. After registering with the company's Compliance Department and signing a standard non-disclosure agreement regarding the used technologies, representatives of recognized NGOs can visit our mills unannounced. In 2021, we received no registrations.

pandemic, we had to follow many restrictions in connection with external visits to our mills. However, we were still able to welcome five media delegations at our site in Kodersdorf, Germany.

The Open Door Policy helps bringing facts and concerns to light, it also encourages the development of ideas of which our company might otherwise not have become aware of, and we transparently demonstrate our efforts to ensure a safe and secure supply chain.

The Open Door Policy also applies to media representatives. In 2021, due to the COVID-19



03

SUSTAINABLE SUPPLY CHAIN

10 SOURCING COUNTRIES FOR ROUNDWOOD EXCLUSIVELY FROM THE EU

0 TIMBER FROM NATIONAL PARKS

80% OF INPUT FROM CERTIFIED FORESTS

572 ON-SITE AUDITS BY HS EXPERTS

24 THIRD-PARTY AUDITS ON SUPPLIERS

REASSOCIATION WITH FSC® ACCOMPLISHED



KEY FIGURES 2021

- + In 2021, HS Timber Group purchased approximately 4.12 million m³ of sawlogs with bark and around 162,000 m³ of sawn timber across all its mills.
- + The three sawmills in Romania alone purchased roundwood from 630 harvest companies and Forest Management Units. 292 of these vendors (46.4%) delivered less than 500 m³ annually, 295 (46.8%) delivered between 500 m³ and 5,000 m³ and only 43 (6.8%) delivered more than 5,000 m³.
- + We have been in long-term partnerships of at least five years with 255 suppliers. Between 2017-2021, these suppliers have made deliveries each year. When we look at companies which have been our suppliers during the four years of the above mentioned period, the number of long-term partnerships increases to 407 suppliers.
- + All sawmills together had 988 roundwood suppliers in 2021.
- + Sawn timber was purchased from 61 suppliers for the mills in Comănești, Siret and Rădăuți.
- + 2,798 transports were further investigated before being accepted to be processed.
- + Five companies were suspended as suppliers in 2021, as a result of internal investigations which found them in breach of HS Timber Group's policies and/or legal requirements.
- + 126,235 bdmt of biomass was purchased exclusively from Romania and used for the cogeneration plants in Romania.

THE SUPPLY CHAIN SECURITY IS ONE OF THE BIGGEST PILLARS OF HS TIMBER GROUP'S SUSTAINABILITY COMMITMENT.

In our company, a responsible supply chain focuses on high-quality sawlogs as the starting point for our sustainable products. As a wood processing company, it is of utmost importance that the materials we buy come from sustainably managed forests. Due 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 in National Parks in Romania and Ukraine. Our system ensures traceability in the supply and production chain.

03

THE FORESTS WE ARE SOURCING FROM

We, at HS Timber Group, are committed to ensure that all our timber is responsibly sourced from sustainably managed forests. Furthermore, we exclude wood from virgin forests and specifically from National Parks in Romania and Ukraine. A strict and widely communicated Timber Sourcing Policy¹⁰ is the backbone of this commitment. Suppliers that are not compliant with our policy are not accepted, respectively expelled. Despite the seriousness with which we reprimand any violation of our timber procurement principles, a good partnership with our suppliers is very important to us. We therefore work with suppliers who share our understanding of a sustainable supply chain and focus on long-term partnerships.

Most of our input is small diameter (21cm on average) sawlogs from coniferous species such as spruce, fir and pine. The forests from which we are sourcing our roundwood are exclusively within the European Union. According to The State of Europe's Forests 2020¹¹, most European forests are expanding, storing carbon and supplying wood on a sustainable basis. Moreover, European forests contribute to biodiversity conservation, employment, and income for rural communities. A framework for forest policy and governance guarantees implementation of sustainable forest management. Still, there are significant threats and challenges, mainly to forest health and economic sustainability, also linked to climate change. Whereas in the middle European countries bark beetle infestations were the prevailing threats, in Romania, it was storms that threatened the forests. Regarding change in the forested area, Romania is in the upper quarter of countries with an increase of 41,000 ha over the last ten years in Europe. Also, growing stock stands at 340 m³/ha, which is well beyond the European average of 169m³/ha¹².

The commitment to source from sustainably managed forest is mirrored by the company's target to only source wood from forests that are certified for a sustainable forest management by 2025. In 2021, the company is estimated¹³ to have already procured 80% of its input according to this criterion. This is an increase of 2% compared to the previous year.

We strongly believe that a responsible timber industry must also support the protection of biodiversity and, in particular, the conservation of the last primeval forests. Starting 2015, HS Timber Group has committed to no longer source from National Parks in Romania, even though this is legally possible. Ever since then, the company continuously improved its control procedures specifically on this issue, to ensure compliance with this commitment.

Since the implementation of SUMAL 2.0, HS Timber Group is able to collect on a weekly basis all available harvesting locations (APVs) in Romania and, therefore, has full coverage of all APVs that are located in National Parks. This strengthened control and compliance with the Zero Timber from National Parks policy in Romania.

Six transports which originated in National Parks were refused in 2021. In 2021, HS Timber Group extended its Zero Timber from National Parks Policy to Ukraine.

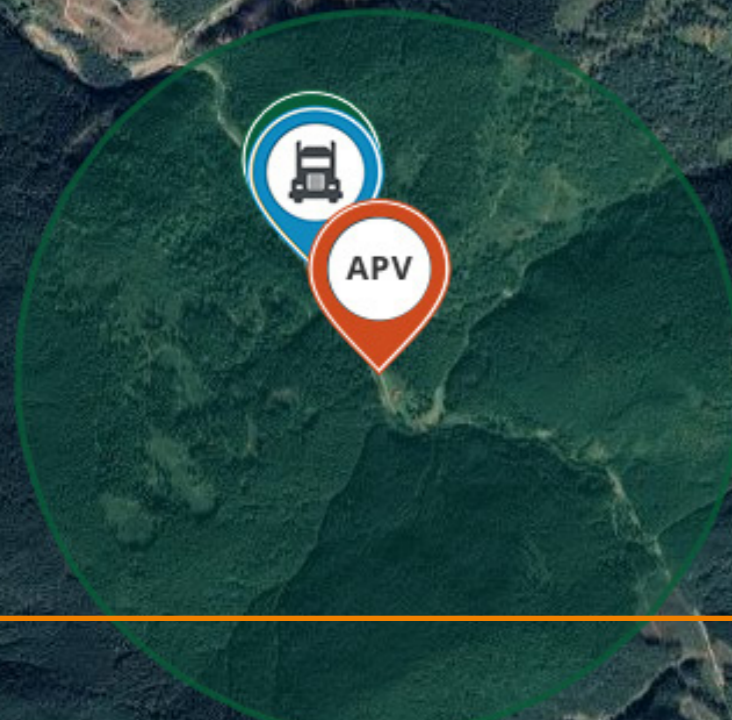
In order to identify deliveries originating in strictly protected areas, or in virgin and quasi-virgin forests, we use dedicated GIS maps. This way we are able to identify and to refuse deliveries from these areas.

Such a case happened in 2021, when we identified and rejected a transport with material sourced from a quasi-virgin forest in Romania. Even though this plot had all the necessary permits¹⁴ to be harvested, HS Timber Group respected its commitment stipulated in the Timber Sourcing Policy and refused the delivery.

We are regularly informing our suppliers on our purchasing criteria and motivations. In stakeholder events – in 2021 it was held online - we present and discuss these criteria to create a common understanding of our needs in timber sourcing.

The fact that we were able to establish long-term relationships with roughly 2/3 of our suppliers shows that they are ready to go this way with us and are committed to sustainability.

Print screen of the internal Timflow map showing protected areas (Natura 2000), exclusion zones (such as National Park and virgin forests) and the loading point of a log delivery.



DUE DILIGENCE SYSTEM

HS Timber Group's Due Diligence System (DDS) was designed and implemented to identify and mitigate the risk of having raw material from uncontrolled or controversial sources in the supply chain, as well as to meet the requirements of different regulatory frameworks, such as the European Timber Regulation (EUTR)¹⁵, the Lacey Act, the Japanese Clean Wood Act as well as different certification schemes. The Due Diligence System also addresses risks related to human rights and occupational health and safety issues. Since HS Timber Group operates primarily in the sawmill industry, most of the input is sawlogs from resinous species such as spruce, fir and pine. In 2021, HS Timber Group only purchased roundwood from within the European Union (EU).

RISK ASSESSMENT AND RISK MITIGATION

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 run a system that is up to date and that addresses all relevant risks regarding supply chain compliance. However, the update of the risk assessment is also done timely, after we become aware of changes of 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 obtain a negligible risk at the level of each delivery. Mitigation measures address suppliers, as well as deliveries. They range from general measures such as the implementation of the Timber Sourcing Policy or the Supplier Code of Conduct, down to very specific supplier on-site audits within an investigation, or the verification of each delivery with Timflow and SUMAL 2.0.

HS Timber Group considers diverse sources to assess all the risks for each country of origin:

- + Corruption Perceptions Index
- + United Nations/European Union sanctions
- + Trade bans
- + War or conflict areas
- + FLEGT status
- + Convention on International Trade in Endangered Species of Wild Fauna and Flora¹⁶ (CITES)
- + Existing Risk assessments (e.g., FSC NRAs)
- + European Union Timber Regulation status reports
- + ILO status
- + FAO reports
- + Specific reports (e.g., from NGOs)

... and seven types of risk are assessed:

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

Regarding specific supply chain risk, we specifically take the following criteria into consideration:

- + Complexity of supply chain – we aim at having very short supply chains
- + Prevalence of logyards in the supply chain – risk of mixing of wood from controversial sources

RISK MITIGATION MEASURES AT HS TIMBER GROUP:

We have a range of customised risk mitigation measures in place. In addition to organisational and contractual measures (the Timber Sourcing Policy or the Supplier Code of Conduct, legal background check) and the detailed documentation of all information collected, the audits of our suppliers play a central role in this system. These controls take place as on-site audits or, if appropriate, as so-called desk-based audits. In the case of on-site audits, we distinguish between pure chain of custody audits, in which documents are verified in the administrative offices of our suppliers, and forest management audits, which usually take place as part of an inspection of a Forest Management Unit (FMU). They specifically verify the legality and accuracy of the forestry undertakings. They range from an on-site verification of documents to an assessment of sustainable and legal forest practices on the ground. We verify, for instance, the approval of management plans, the ownership structure, the proper implementation of measures related to nature conservation in protected areas and, finally, suspended harvesting activities in case of forest litigations. The verifications in the forest are performed to assess the correctness of the harvesting activities in respecting confines of a site, or the identification of a possible damage made during wood removals. Also, compliance with health & safety and fire protection regulations are checked.

The introduction of the SUMAL 2.0 timber trade monitoring system in Romania in 2021 has massively improved the situation regarding the traceability of

timber transports in the country. Besides the fact that all timber deliveries - including biomass deliveries from the forest - can now actually be traced back to the harvesting site, important core elements of Timflow, such as photo documentation of the timber load, GPS coordinates of the loading point and the traceability of the route, have been integrated into the new SUMAL 2.0 and are now publicly provided on Inspectorul Pădurii¹⁷ which is the online interface of SUMAL 2.0. Also, the harvesting sites are referenced for each delivery. This solved a problem repeatedly criticised by environmental groups regarding the traceability of roundwood deliveries through logyards in Romania. Instead of control measures solely based on document verification and on-site audits, deliveries from logyards are now perfectly traceable. We have also adapted our processes internally accordingly. Still, we keep our Timflow system operational, because we believe that providing all delivery information to the public for 12 months is necessary to bring full transparency into the supply chain. We are convinced that transparency is a solution for many problems encountered along the supply chain.

As mentioned above, field audits and on-site verifications – conducted by HS Timber Group directly or by third parties - are one of the of HS Timber Group's most important risk mitigation measures to obtain more detailed information about the supply chain and the risk of mixing wood from various sources.

In 2021, 572 field audits were conducted by HS Timber Group Supply Chain Control and Certification (SCCC) experts:

320

Chain of Custody (CoC) audits

211

plot visits: according to the plan for 2021, we increased the number of field audits

41

forest management audits (in the office of the FMUs)

During these audits, **225 non-conformities** were raised, 66 were addressed by the end of the year. In addition to second party audits performed by HS Timber Group, we have had 24 audits carried out in high-risk countries (such as Ivory Coast or Cameroon) by external expert organisations.

CERTIFICATION

EXAMPLES OF MITIGATION MEASURES

- Legal background check for suppliers: suppliers that are subject to punitive measures or sanctions, are governed by entities or persons who are under different penalties or have a criminal track record - such as for corruption or forest crimes - are excluded. This background check is applied to all suppliers.
- Supplier Code of Conduct: our Supplier Code of Conduct is an integral part of each purchasing contract. Suppliers need to commit to the principles and requirements mentioned, such as respecting anti-corruption and anti-trust norms, and accepting external audits in case of non-compliances.
- Documentation and verification of documents of origin: in Romania, 3,976 APVs were confirmed and registered in HS Timber Group's database. They are used to verify delivery notes and deliveries.
- Traceability verification of suppliers' logyards using Inspectorul Pădurii: based on the registry plates of the suppliers' trucks, HS Timber Group monitors the input to their logyard weekly and checks the photo documentation, as well as its convergence with the stated input volume. Encountered inconsistencies would lead to a further investigation and an on-site audit. Moreover, logyards are regularly audited on site.
- Third party audits assess compliance with the EUTR and certification requirements in high-risk countries in which HS Timber Group staff is not available.
- Media monitoring: daily media reports in high-risk countries such as Romania and Ukraine are monitored against the appearance of HS Timber Group suppliers. Relevant information is further investigated.



RISK MITIGATION MEASURES AT THE LEVEL OF SUPPLIES

Timflow, implemented in April 2017, is an online GPS tracking system to cover the route of the wood transports and provides photo documentation from the loading points to the mills' gates.

Additionally, transaction verification systems such as the ones implemented in Romania (SUMAL 2.0) have also been set up lately in other states such as Bulgaria or even Ukraine. These systems are used to verify the consistency of the information provided by the supplier and to trace back the material to the origin for every single truck. They are significantly increasing the robustness of the documentation and verification.



It is a basic requirement for the timber industry to source wood from sustainable forestry. Only if this is fulfilled the industry can claim to be sustainable. We are convinced that forest certification makes a big contribution to sustainable forest management. Therefore, we commit to source exclusively from certified forests by 2025. HS Timber Group maintains six single site certificates from PEFC, five in Romania and one in Germany. HS Timber Group sells all its wood products with the minimum claim of PEFC Controlled Sources – a sign that all input meets PEFC Controlled Sources requirements. With this measure, we address the compliance with human rights and occupational health and safety requirements in our supply chain. Moreover, HS Timber Group is the first solid wood lumber company approved to use the Sustainable Forestry Initiative (SFI®) Label Recognizing Global Standards, which recognises PEFC Chain of Custody (CoC) certified wood products outside of North America. A precondition to use the SFI Label Recognizing Global Standards is to have a PEFC CoC Certification. HS Timber Group got certified with the PEFC CoC standard in 2014. SFI advances

sustainability through forest-focused collaborations. By using the SFI Label, HS Timber Group is helping to educate the market about sustainable sourced forest products and giving consumers information to make responsible purchasing decisions.

As regards the Forest Stewardship Council (FSC), the board of FSC announced on 2 November 2021 its decision to end the disassociation with HS Timber Group. This decision was based on the results of the stakeholder consultation and the independent third-party verification of the correct implementation of the FSC Conditions Framework. HS Baco Panels is the first factory of HS Timber Group to receive a new FSC CoC certificate, issued on 11 January 2022.

For its mill in Siret, HS Timber Group additionally held an ISO 38200:2018 certificate. Due to the closure of the mill in Siret in 2022, HS Timber Group will not continue to keep the ISO 38200 on demand. However, the DDS of HS Timber Group is maintained and structured in a way that it can be certified again, upon customer request.

CLAIMS FOR NON-COMPLIANCES WITH THE TIMBER SOURCING POLICY

Part of HS Timber Group's DDS is a reporting channel and a system for the investigation of breaches of our Timber Sourcing Policy. The SCCC staff registered 34 new cases in 2021, most of them internally collected and reported from media monitoring or from information received during on-site audits, but also from external sources. Five companies were suspended in 2021. Seven other companies - which were not HS Timber Group suppliers but were active in harvesting operations in the areas the company was sourcing from - were flagged with high risks of non-

compliance. In the event of a planned establishment of a contract, these contractual partners would be subjected to an in-depth legal Due Diligence. Based on the information available, they would not be able to supply to HS Timber Group.

11 cases were closed as unsubstantiated, and the remaining ones were subject to different measures, such as raising a corrective action, or in the form of an oral or written reprimand.

“ To ensure the safety of our products, we have to prove that our wood comes from sustainably managed forests. Traceability and transparency are essential values that help us improve the safety of our supply chain. Continuous collaboration with our suppliers to raise awareness and train them is also crucial. ”

Veronica Beța, Supply Chain Control Officer, Comănești

04

ENVIRONMENT, CLIMATE PROTECTION & ENERGY

100% UTILIZATION OF THE DELIVERED SAWLOGS

20% REDUCTION OF GHG EMISSIONS PER PRODUCED UNIT

3.3% REDUCTION OF MWH OF ELECTRICAL & THERMAL ENERGY USED PER FULLY PROCESSED WOOD EQUIVALENT

75% OF ASH IS FURTHER UTILIZED IN EXTERNAL PROCESSES

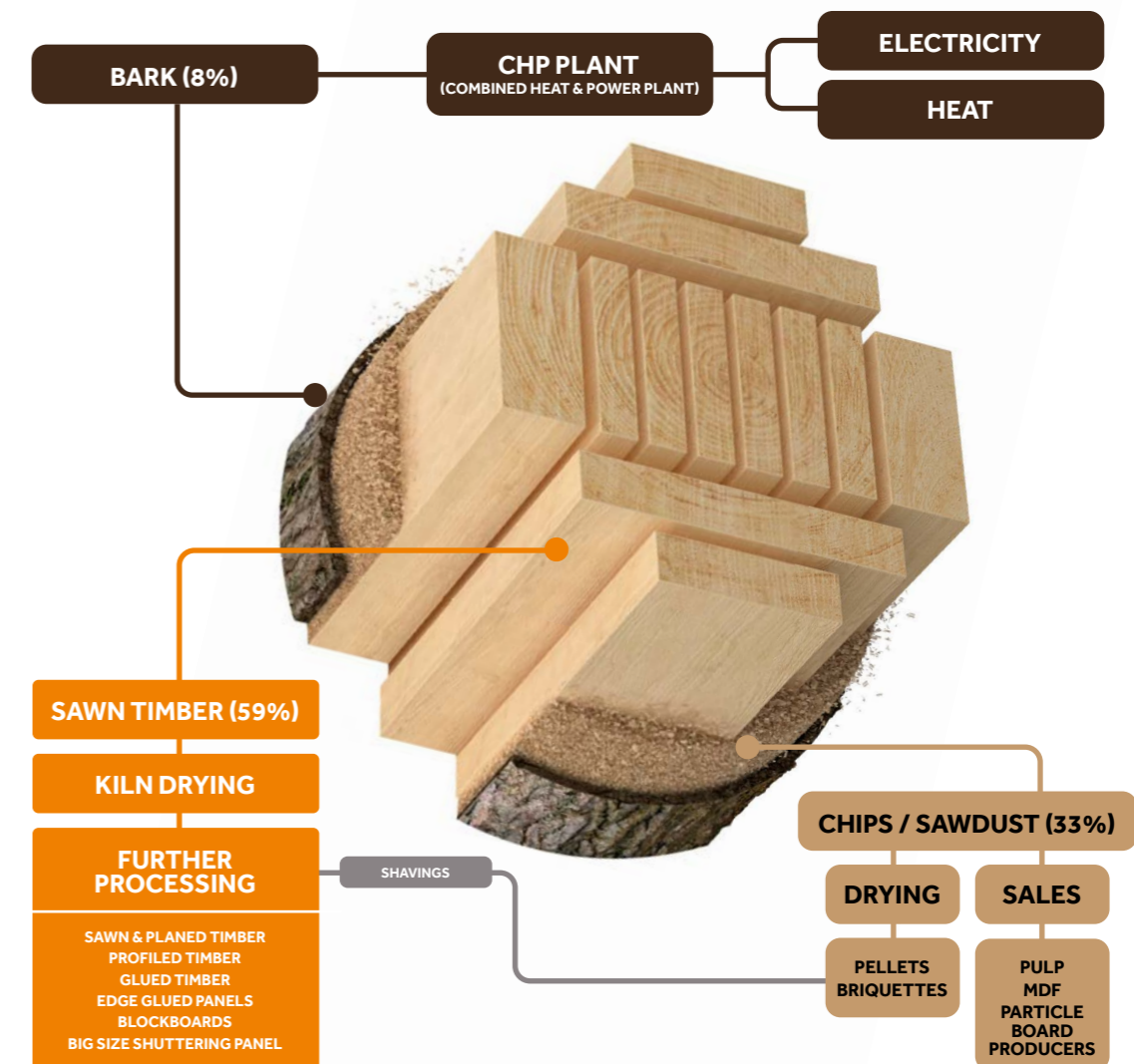
98% OF ALL WASTE RECOVERED



It is in our mission that as a wood processing company, we strive to grow globally and sustainably while respecting the environment. Therefore, for HS Timber Group, it is crucial that the forest from which the wood is harvested is managed sustainably, as only intact forest ecosystems can rejuvenate and thus close the natural CO₂ cycle. We are privileged to work in our core business with a sustainable, renewable resource. With our long living products, we build the basis for long term sequestration of carbon in wooden construction. As a company, we are part of the solution in fighting the climate crisis, and we are proud of this.

Our sawmills are designed to ensure 100% utilization of the logs delivered. By-products such as sawdust, wood chips and wood shavings are processed into pellets and briquettes for green energy production, or are processed further by our customers into pulp, paper, or particle boards. In terms of energy, we are almost self-sufficient. The state-of-the-art combined heat and power plants at our sawmills generate green energy from renewable sources. We use all bark of the sawlogs that are delivered to us and external purchased biomass, which in most cases is wooden waste from other wood processors.

Zero waste – 100% use of raw material at HS Timber Group



Typical yield of products based on a freshly harvested sawlog with bark.

ENVIRONMENT MANAGEMENT & PERFORMANCE

HS Timber Group is implementing a company-wide environment management system (EMS), to reduce the environmental impact of our activity and to improve our environmental performance:

- +** Assuring legal compliance, by monitoring legal requirements supported by internal and external audits and newly set procedures
- +** Qualitative and quantitative improvement of the waste and water management, through reduction of the amount of disposed waste through higher recycling and recovery rates
- +** Reducing environmental impact of operations, for example the recovery of waste, reducing the carbon footprint of our products, and increasing energy efficiency of our production

Part of the EMS is a specific annual environmental programme, consisting of concrete investments into energy efficiency and environment protection measures. The company-wide EMS started with the certification with the ISO:14001 standard, first achieved by the blockboard factory in Comănești in 2011 and followed by the Reci sawmill in 2018. The Reci sawmill was successfully recertified in 2021. What is more, in 2021 we transferred and adopted the environment management system to the other mills in Romania as well. By the end of 2022, we will have a unified environment management system across all our plants. The decision as to whether the respective location will be ISO:14001 certified is at the discretion of the local management.

In 2021, a special focus was put on the further development of our environment management systems for the production sites in Romania, by increasing the professional qualification of the environment team through capacity building and numerous trainings. At mill level, specialised staff is managing environment-related aspects and supporting full compliance with the relevant environment regulations and laws. Our environment specialists are surveying and documenting environment

compliance, monitoring environmental parameters such as emissions, auditing the sites on proper waste separation and training our staff regarding awareness on environmental matters. The team of specialists is coordinated by an environmental expert located in Romania and steered by the Chief Sustainability officer at the Group level.

HS Timber Group's operations are consuming significant quantities of energy and wood. In 2021, approximately 4.12 million solid m³ of logs passed through the gates of HS Timber Group's mills. Around 227 GWh of electricity and 818 GWh of heat were needed to produce the high-quality wood products. This energy is mainly generated by means of combined heat and power (CHP), in the state-of-the-art biomass power plants at the sawmills in Romania and Germany. The plants use by-products and wooden 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 Germany, all electricity produced is fed into the national grid.

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

As a result, around 36% of the company's total electricity requirements are purchased externally. Therefore, HS Timber Group's self-sufficiency rate with green electricity stood at 64% in 2021, even though we could cover physically all consumed electrical energy by own production.

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 Policy¹⁸.



“Energy is a precious good. To reach Perfection in Timber, we aim at efficiently and responsibly operating the machinery in our factories. The technical team continuously checks the operating status of machinery to optimise the fuel and energy use. Our guidelines aim at the lowest possible load changes. Drives are to be arranged in such way that the greatest possible self-cooling is achieved. It is important for us to increasingly use electric motors with energy efficiency class IE4 which is Super Premium Efficiency, to install LED technology for lightning, and to operate unoccupied conveyors or system parts with an automatic stop function.”

Hubert Hortschitz, Technical Director, HS Timber Group

MEASURING OUR PROGRESS

In 2018, HS Timber Group set ambitious goals for itself in relation to climate change and energy efficiency: by 2025 we intend to lower CO₂ emissions company-wide by 25% per final product unit and the energy consumption by 30% per final product unit.

The company implemented technical and organisational measures at distinct levels, with the intention of reaching these ambitious targets. Examples of these measures are ranging from the installation of heat recovering units for the belt-dryers, the changing to led lights at production sites inside as well as outside, to exchanging old diesel forklifts with new electrical forklifts or just increasing production efficiency through optimising the production process and flow and, most importantly, increasing the share of self-produced green electricity in the energy consumption.

The heterogeneousness of the resulting products, as well as the production processes with various levels of energy intensity within the company, make it challenging to develop a KPI which is referencing to a "final product unit" as intended and communicated in the Sustainability Report from 2018. However, at Group level, the biggest share of CO₂ emissions (77%) and thermal and electric energy consumption (87%) can be attributed to the four 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.

The KPI is based on the used wood input quantity stated in "fully processed wood equivalents" that is necessary to produce our sawn wood products and our pellets. This number is created by deducting the quantity of sold or burnt by-products (chips or sawdust) from the quantity of processed logs. The calculated corrected wooden input quantity thereby reflects the total raw material quantity which is used for pellets and timber production. This figure is our reference value, which we put in relation to our GHG emissions, or the energy use from our sawmills. We thereby achieve a specific KPI reflecting the energy/GHG intensity of our production process.

KPI

Compared to the reference year 2017, the total GHG emission of the four sawmills increased by only 5% (49,607 tCO₂e vs. 47,201 tCO₂e) in 2021, although the production volume was increased in the same period by 29% - which is a significant increase. This is the reason why our self-defined KPI "GHG per fully processed wood equivalents" shows a reduction of 20% of GHG emissions for 1 m³ fully processed wood equivalent. The reduction is mainly resulting from an increased consumption of self-produced green electricity and the implemented energy efficiency measures in the mills.

The total energy consumption of the sawmills went up 27%, which is strongly related to the mentioned production increase of 29%, vis-a-vis the reference year 2017 (994,382 MWh vs. 782,768 MWh), however, the KPI "MWh used thermal and electrical energy per fully processed wood equivalent" shows a reduction of 3.3%. The positive impact was mainly achieved through the reduction in electricity consumption of 11.7%, whereas the reduction in thermal energy use was only 1.1% for the same period. The reduction in electricity consumption related to 1 m³ fully processed wood was achieved mainly through a higher utilisation rate of the machines, better aligned processes, and the implemented energy efficiency action plan.

FUTURE

Even though we are on track regarding our carbon emissions reduction target, we acknowledge that it will be difficult to reach our energy efficiency targets for 2025. In our state-of-the-art mills it is hard to identify further possible technological or organisational measures which would have big saving impacts on our energy consumption, while still having an increased production. Nevertheless, saving potentials and modern technologies are continuously checked and evaluated by HS Timber Group. Furthermore, the implementation of a Product Carbon Footprint (PCF), referencing a final product unit, for our heterogeneous product range will be investigated, to be able to provide this additional information to our stakeholders in the future. In addition, the company is currently setting up more detailed energy measurement systems, which will help to make more accurate statements on energy efficiency and GHG savings in the future.

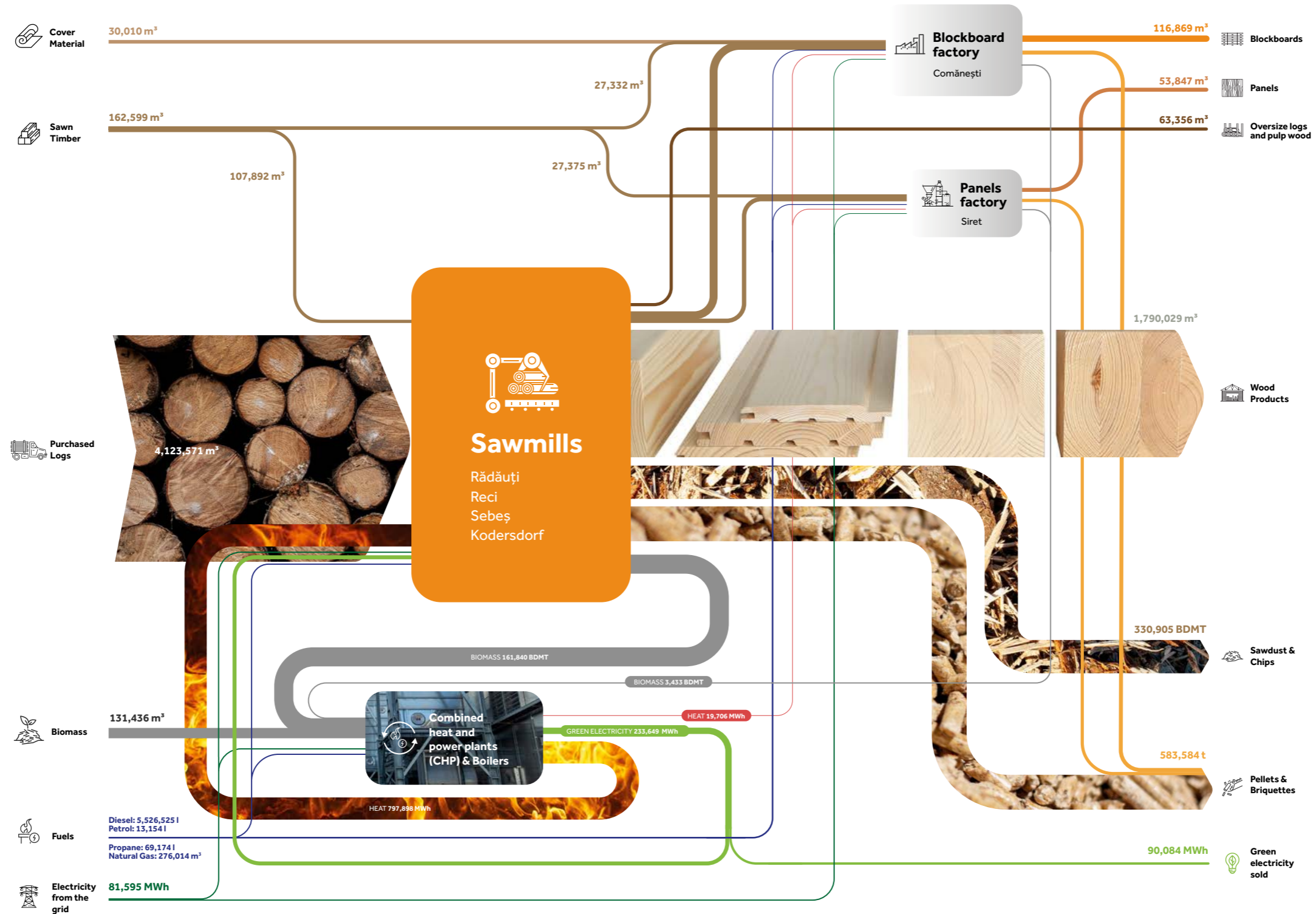
TABLE 1.

KPI FOR SAWMILLS TO MEASURE THE PROGRESS	Total Sawmills 2017	Total Sawmills 2020	Total Sawmills 2021	% Change to 2017
KgCO ₂ e generated / fully processed wood equivalent at the sawmills (m ³)	20.62	15.94	16.49	-20.00%
Total used energy at sawmills (MWh)/fully processed wood equivalent (m ³)	0.34	0.29	0.33	-3.3%
Total used thermal energy (MWh)/fully processed wood equivalent (m ³)	0.268	0.234	0.265	-1.1%
Total used electrical energy (MWh)/fully processed wood equivalent (m ³)	0.074	0.060	0.065	-11.7%



MATERIAL & ENERGY FLOW DIAGRAM (SANKEY DIAGRAM)

This diagram shows the most important material and energy flows of the production facilities of the company. In order 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)

TABLE 2.

INPUT	UNIT	2020	2021	% change from 2020 to 2021
Purchased logs with bark ¹	m ³	3,798,056 ^a	4,123,571	8.57%
Processed logs without bark ¹	m ³	3,594,118	3,780,829	5.19%
Purchased sawn timber	m ³	197,908	162,599	-17.84%
Sawn timber from intra-group companies received	m ³	312,974 ^b	343,735	9.83%
Purchased cover and core material (Comănești)	m ³	31,023	35,257	13.65%
Burned biomass (infeed)	BDMT ²	250,033	296,709	18.67%
Biomass from external sources	BDMT	72,293	131,436	81.81%
Biomass from intra-group sources	BDMT	477	1,118	134.49%
Purchased starch	BDMT	2,366	3,744	58.22%
Purchased flour	t	1,898	2,085	9.83%
Purchased lubricating oil	t	657	705	7.35%
Purchased hydraulic oil	t	91	111	22.06%
Purchased glue (free of formaldehyde)	t	2,210	2,244	1.54%
Purchased glue (with formaldehyde)	t	2,339	2,481	6.09%
Consumed electricity from own CHP	MWh	131,835 ^c	144,851	9.87%
Purchased electricity	MWh	70,327 ^d	81,725	16.21%
Thermal energy consumed	MWh	693,861 ^e	817,605	17.83%
Thermal energy produced from biomass	MWh	775,195 ^f	871,516	12.43%
Thermal energy produced from natural gas	MWh	2,351 ^g	2,992	27.24%
Purchased natural gas	m ³	223,936	276,014	23.26%
Petrol purchased for internal use	l	1,257	406	-67.70%
Diesel purchased for internal use	l	4,901,515	5,346,557	9.08%
Petrol purchased for vehicles outside the mill	l	26,610	15,427	-42.03%
Diesel purchased for vehicles outside the mill	l	182,672	236,839	29.65%
Employee air travel	km	457,715	633,751	38.46%
Water consumption (from public water grid)	m ³	167,318 ^h	179,645	7.37%

^a In the 2020 Sustainability Report, purchased logs were reported without bark (3,751,050 m³)

^b 2020 Sawn timber from intra-group companies received - data correction 315,608 m³ to 312,974 m³

^c 2020 Consumed electricity from own CHP - data correction 149,707 MWh to 131,835 MWh

^d 2020 Purchased electricity - data correction 70,368 MWh to 70,327 MWh

^e 2020 Thermal energy consumed - data correction 709,484 MWh to 693,861 MWh

^f 2020 Thermal energy produced from biomass - data correction 774,846 MWh to 775,195 MWh

^g 2020 Thermal energy produced from natural gas - data correction 3,436 MWh to 2,351 MWh

^h 2020 Water consumption (from public grid) - data correction 166,918 m³ to 167,318 m³

TABLE 3.

OUTPUT	UNIT	2020	2021	% change from 2020 to 2021
Timber sold ³	m ³	1,881,605 ^a	1,795,813	-4.56%
Quantity of panels sold (Siret)	m ³	59,943 ^b	53,847	-10.17%
Quantity of boards sold (Comanesti)	m ³	101,657	116,869	14.96%
Quantity of core sold (Comanesti)	m ³	4,071	1,123	-72.41%
Sawdust and wood chips sold	BDMT	317,824	330,969	4.14%
Pellets and briquettes sold	t	476,877	583,584	22.38%
Logs sold	m ³	50,049	63,356	26.59%
Electricity sold	MWh	75,083 ^c	90,084	19.98%
Total non-hazardous waste generated on site without bark, sawdust, and chips from own production	t	20,060	25,927	29.25%
From which ash generated from Boiler and CHP	t	16,468	23,063	40.05%
From which landfilled household waste generated	t	232	199	-14.56%
Total Hazardous waste generated on site	t	432	498	15.26%
Recovered ⁴ waste per definition including bark, sawdust, and chips	t	432,884	395,350	-8.67%
Recovered ⁴ ash	t	5,864	17,341	195.71%
Share of total recovered ⁴ waste	%	97%	98%	0.35%
Share of recovered ash	%	36%	75%	111.16%

^a 2020 Timber sold - data correction 2,039,301 m³ to 1,881,605 m³

^b 2020 Quantity of panels sold - data correction 65,853 m³ to 59,943 m³

^c 2020 Electricity sold - data correction 75,066 MWh to 75,083 MWh

¹ Volumes presented in the Sustainability Report will be reported following ÖNORM L 1021:2015 (Huber measurement).

Figures presented in the Sustainability Report may differ from official report in Romania because of different reference methods applied.

² BDMT - Bone Dry Metric Tonnes, the unit of measurement for the weight of one tonne of absolutely dry wood mass

³ Timber sold to third parties. Reflects invoiced volumes according to the contractual specifications.

⁴ Waste related activities are classed as recovery (R), or disposal (D) as defined in the EU Waste Framework Directive 2008/98.

GREENHOUSE GAS BALANCE

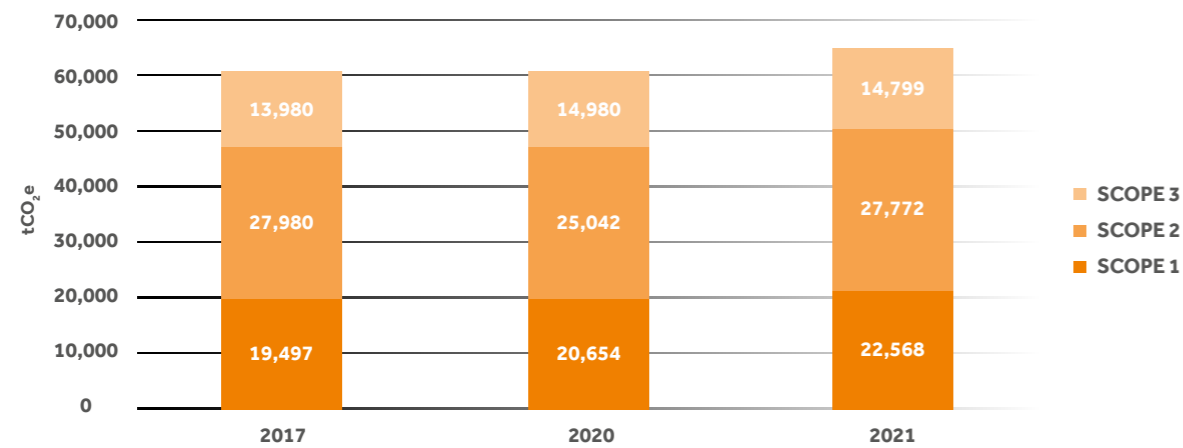
The greenhouse gas (GHG) balance covers all the company's principal sites and activities in Romania, Germany, and Austria¹⁹. The emission sources included are differentiated according to the three scopes of the Greenhouse Gas Protocol.

In 2021, greenhouse gas emissions from purchased electricity (53%; referred to location based method), the company's diesel fleet (27%) and biomass combustion (18%) make up 98% of the balance. The remaining GHG emissions arose from purchased natural gas, the petrol and propane fleet, district heating and air travel. For the calculation of emissions from air travel, a split between scheduled and charter flights was made, which lead to changes in earlier calculations. However, the changes are not noticeable in the overall GHG balance because air travel is not a relevant emission. Further changes that have been made compared to the previous years are as follows: Purchased electricity is dually reported (location based and market based); biomass is divided into own and external biomass, whereby the latter is also accounted for in Scope 3 (see below for explanation).

The emission factors for indirect emissions from electricity reported under Scope 2 and Scope 3 are taken from IEA (2021)²⁰. These conversion factors include the greenhouse gases CO₂, CH₄ and N₂O. All other emission factors for direct emissions (Scope 1) related to fuel combustion are taken from Umweltbundesamt (Environment Agency Austria) (2021)²¹ and include all seven Kyoto gases.

In Scope 3, only fuel- and energy-related activities and the emissions from air travel are considered. Fuel- and energy-related activities include the supply chain of fuels for process heat and transport. For biomass, no Scope 3 emissions are accounted for when wood waste from HS Timber plants is used for energy production. In this case, emissions from the provision of this biomass (sawmill, transport, etc.) are already included in Scope 1. For biomass purchased from external sources, however, Scope 3 emissions are considered. The supply chain (including transmission losses) of electricity is also accounted for. These emissions are closely connected to the company's energy use. Therefore, the influence of the company on these emissions is considered as strong. Also, the amount of air travel is under direct control of the company and therefore reported.

CORPORATE CARBON FOOTPRINT 2017-2021 (BY SCOPE, LOCATION BASED)



The figure above compares the years 2017, 2020 and 2021 in which a greenhouse gas balance was calculated for HS Timber. A comparison of all years is only possible via the location-based approach, as there is no market-based data available for 2017.

TABLE 4.

	2017	2020	2021	% change from 2020 to 2021
	t CO ₂ e	t CO ₂ e	t CO ₂ e	
Scope 1 (Direct emissions from own production)				
Petrol fleet	54	59	36	-39%
Diesel fleet	12,395	12,497	13,931	11%
Propane	-	132	110	-17%
Energy from biomass	6,333	7,501	7,912	5%
Energy from gas	715	465	578	24%
Total Scope 1	19,497	20,654	22,568	9%
Scope 2 (Indirect emissions from purchased energy)				
Purchased electricity (located based)	27,343	25,039	27,720	11%
Purchased electricity (market based)	n.a.	19,024	28,344	49%
Purchased district heating	-	3	2	-20%
Total Scope 2 (location based)	27,343	25,042	27,722	11%
Total Scope 2 (market based)	n.a.	19,026	28,346	49%
Scope 3 (Indirect emissions from purchased energy)				
Petrol	15	16	10	-42%
Diesel	3,247	3,254	3,585	10%
Propane	-	48	39	-19%
Biomass (from external sources)	3,608	5,061	3,651	-28%
Natural gas	347	164	195	19%
Electricity (location based)	6,178	5,683	6,718	18%
Scheduled/chartered flights	494	281	601	114%
District heating	-	-	1	100%
Total Scope 3	13,890	14,506	14,799	2%
Total tCO₂e (location based)	60,730	60,202	65,089	8,1%
Total tCO₂e (market based)	n.a.	54,187	65,712	21,3%

INTERNAL MOBILITY AND LOGISTICS

ENERGY EFFICIENCY MATTERS

Efficient use of energy and resources is primordial for HS Timber Group's production chain. We aim at using only state-of-the-art machines and vehicles at our plants, to guarantee compliance with high environmental standards and low emissions.

At the end of 2020, an internal expert group started working on mid-term review of these targets. The internal group was identifying energy saving potentials throughout the entire operations, which were collected in the annual environment programme. The measures are being implemented in the years 2021 and 2022.

EXAMPLES OF THE ENERGY EFFICIENCY MEASURES:

- + Installation of timed valves for the compressed air
- + Acquisition of electrical forklifts
- + Installation of frequency converters
- + Changing to led lighting
- + Replacement of old transformers by new ones which compensate the reactive energy
- + Digitalisation of the energy measuring systems

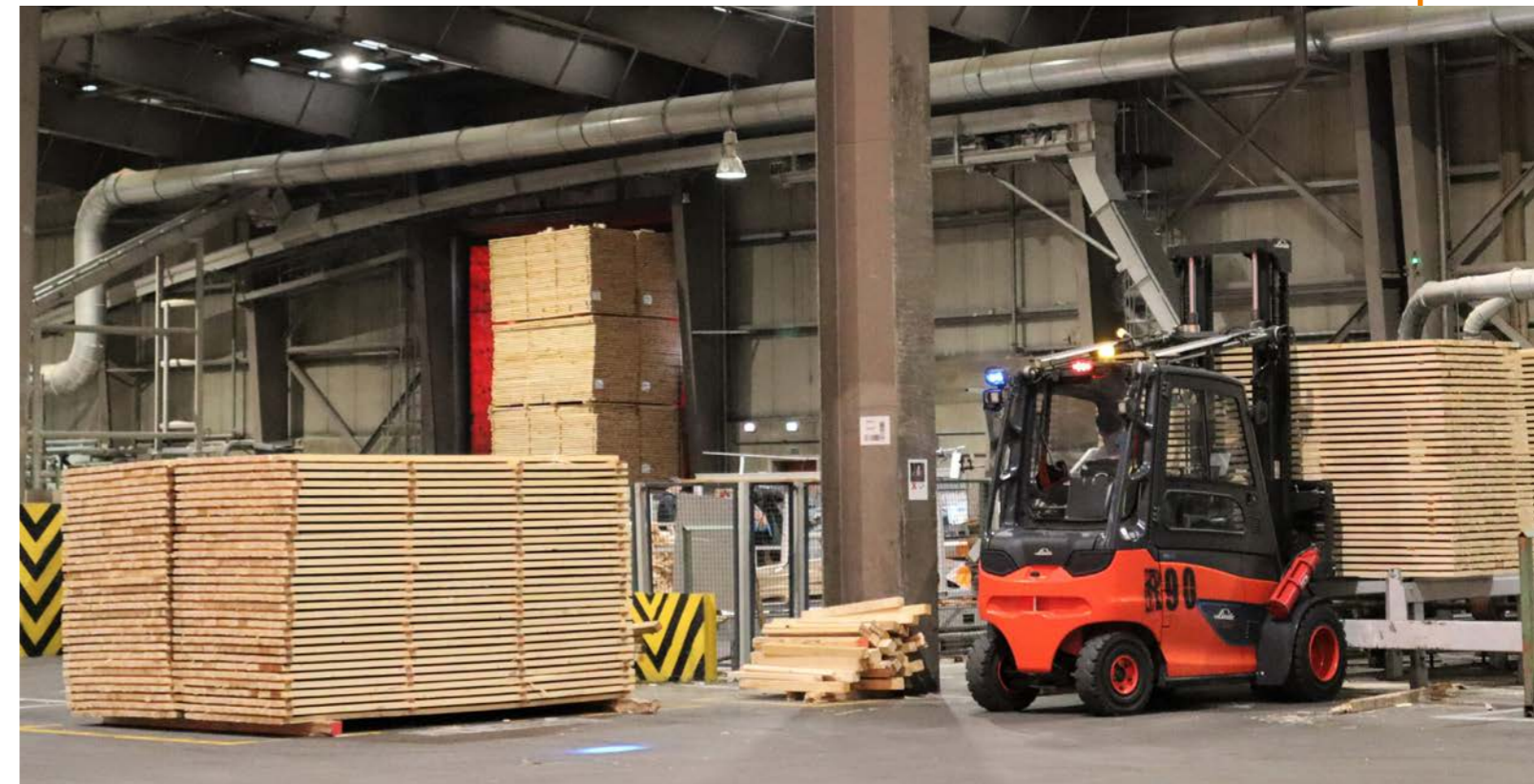
“Starting 2022 we will install, on the roof of our blockboard factory buildings, a photovoltaic park with monocrystalline photovoltaic modules, with a 4MW capacity. Thus, we will reduce the consumption of electricity from the public grid and the amount of energy produced will be used internally. Through this project we will protect the environment and generate 1,000 tonnes less CO₂ emissions.”

Alexandru Agache, Administrative Mill Manager, HS Baco Panels, Comănești, Romania

To further optimise the energy use, our capacity management ensures that devices, machines, or lighting that are not in use are automatically switched off. We constantly monitor and evaluate technical developments that can help us leverage energy-saving potential.

The vehicles used by HS Timber Group consumed approximately 5.6 million litres of diesel and 16,000 litres of petrol in 2021. Most of the fuel (95%) is consumed on the factory premises, for logistics purposes, in the large log and sawn timber yards at the sawmills.

HS Timber Group continued to buy vehicles in 2021 that are rated “best in class” in their respective categories and ordered electrical forklifts for its premises. To further reduce fuel consumption, regular fuel-saving driver training is provided at all plants. Using the vehicle data in connection with GPS Timber, vehicle-specific fuel consumption is analysed and optimized. This way we prevent unnecessary consumption.



In 2021, we acquired 16 electrical forklifts to be used indoors in the further processing facilities. This further reduces our fossil fuel consumption, as the forklifts are charged with green electricity from our own CHPs.

At the logyard, we partially use biodegradable lubricants. Through the replacement of conventional oils in vehicles with special long-life oils, the oil change intervals have been extended many times over. Not only does this reduce oil consumption, but it also reduces the cost of disposing of waste oil. Disposal is performed exclusively by specialised companies.

As regards to internal travel activities, we were still affected by the COVID -19 pandemic in 2021. However, the experience that many meetings can be replaced by online conferences was a key experience within the company. The increase of flight kilometres compared to 2020 is caused mainly by the growth strategy of the company. But, despite the company's wider geographical reach, the number of air travel kilometres has not increased to the level of 2017. We also expect the number of business trips not to increase too much over time, a development we intend to monitor in the future.

RESOURCE EFFICIENCY, REUSE, RECYCLING



While our most important raw material – wood – is 100% utilised, several types of waste are generated during production, which are professionally separated locally and then passed on to specialised companies. The share of the total recovered waste group-wise is 98%, including wooden by-products. Technically speaking, wooden by-products are categorised as “waste”. However, all this material is recovered internally.

At the end of 2021, we performed together with an external consultant a waste management audit in all the mills in Romania. As a result, we gathered a comprehensive overview about potential environmental risks and aspects to be improved. All findings were taken over in the correction action plan and will be implemented in 2022.

In 2021, 25,927 tonnes of non-hazardous waste (excluding bark, sawdust, and chips from our own production) and

498 tonnes of hazardous waste (such as waste oils) were generated. We ensure that hazardous waste is disposed of safely at suitable facilities, as stipulated by contracts.

The largest share of non-hazardous waste is represented by wood ash. Our biomass power plants produce large quantities of ash as waste of the combustion process – 23,063 tonnes in 2021. In our factories in Reci and Sebeş we almost recover 100% of the ash, while in Rădăuți, Siret, Comănești and Kodersdorf, because of missing alternative solutions in the respective area, some of the volume of ash is still deposited in landfills. Group-wide, 75% of the generated ash is recovered. Further applications for the reuse of this ash are constantly explored, such as in the cement industry (ash to be used as an auxiliary material in cement production), the fertiliser industry or the metal industry.

BELT DRYER “BTU RECU-DRY”

SUCCESSFUL REDUCTION OF ENERGY CONSUMPTION THROUGH INNOVATIVE TECHNOLOGY

Utilising 100% of the raw material input makes sense not only ecologically but also economically. Therefore, HS Timber Group is producing pellets from wood residues generated by the main production processes at all its Romanian sawmill sites and in its blockboard factory in Comănești. We want to highlight that we do not use fresh fibres for pellets production at any of our sites. In the sawmill in Kodersdorf, Saxony, the company has begun to invest in pellets production over the last years as well. In 2021, the focus in the area of pellets production was put on resource and energy efficient technology. We invested in the low-temperature belt dryer “BTU Recu-Dry” with integrated heat recovery system. This system reduces the thermal energy input by up to 30% compared to other belt dryer technologies, by reusing the saturated exhaust air from the belt dryer.



WOODCOMP3D

AMBITIOUS RESEARCH PROJECT: NEW MATERIALS MADE FROM WOOD PARTICLES

HS Timber Group promotes innovation in the forestry and timber sector. In this respect, in 2021, the Group has entered into a research partnership with Technische Universität Wien (TU Wien), with the aim of using wood particles to develop new sustainable materials that are also suitable for 3D printing.

When tree trunks are processed in sawmills, around half of the material ends up as by-products of the wood processing; among these are chips and other small wood particles. TU Wien and HS Timber Group are searching for high-quality applications for those by-products. The objective of the ‘WoodComp3D’ project is to develop a process for converting wood particles into a high-quality bio composite material. This special wood-based material needs to have high stability and load-bearing capacity, so that it can also be used in the construction industry. It may also be suitable for producing tailored objects in 3D printers. The researchers’ interest involves extracting some of the lignin from the wood particles. The wood components are then bonded again under pressure and heat. The material shall not be glued together with artificial adhesives. Rather, its natural components should be recombined in a special process to produce a new, stable material. This way it may also be possible to manufacture tailored construction materials with perfect product properties – more capable than concrete, more sustainable than plastic, and malleable like polymers. The ‘WoodComp3D’ is an interdisciplinary project involving several research groups. If successful, wood particles may be suitable for use as innovative materials rather than biofuel. This way it would make another contribution in the long-term storage of carbon.



05

EMPLOYEES

3,600 EMPLOYEES IN 2021

IMPROVED INTERNAL COMMUNICATION WITH DEDICATED APP

AWARENESS CAMPAIGN ON HEALTH AND SAFETY

COVID-19 VACCINATION CAMPAIGN

CONTINUATION OF KAIZEN IMPLEMENTATION

INCREASED TRAINING INTENSITY OF STAFF



MyHSTimberGroup, a mobile and desktop application, was implemented in Romania to provide direct and instant access to information to all our employees, from blue collars to top management. Just one click away, this internal communication tool has increased the degree of transparency and given employees the opportunity to connect and interact.

HS TIMBER GROUP AS AN EMPLOYER

It is in our mission to support our employees' development, to strive for their satisfaction, and to value them. Keeping up with ever-changing customer demands means working with the best employees in the industry. Therefore, we focus on constant development. We are a strong unity, direct and hands-on. Teamwork is the cornerstone for our success – we remain strong by actively working together. In 2021 around 3,600 people worked for HS Timber Group, with the majority – around 85% – being employed in our factories in Romania.

At HS Timber Group, we put emphasis on having an open and diverse culture which is reflected in the great cultural diversity of our employees. Currently we are employing people from Austria, Argentina, Bangladesh, Belarus, Bulgaria, Croatia, Czech Republic, Finland, Germany, Hungary, India, Japan,

Lithuania, Poland, Portugal, Romania, Russia, Slovakia, Spain, Sri Lanka, Switzerland, and Ukraine. Together, we strive to get better every day.

For HS Timber Group, it is important that our locations are a good place to work in and that this effort is widely promoted. Our Employer Branding strategy - with the focus on key employee retention - is aiming at building a loyal community of best qualified employees, in terms of both technical and soft skills.

Furthermore, we invest in initial skills of young people through apprentice programmes in all our mills. We train apprentices in a variety of professions, ranging from woodworking mechanics to electronic technicians, industrial mechanics, agricultural and construction machinery mechatronic technicians, and industrial clerks.

KNOWLEDGE IS POWER.

SHAPING THE FUTURE THROUGH EMPLOYEE DEVELOPMENT

“In 2021, we put people’s relation into focus. Especially in the unpredictable times which we all went through, HS Timber Group focused on its employees as one of the most important strategic pillars. Through transparent internal communication about goals and achievements, fostering exchange between locations, and sharing best practices plus initiating bidirectional feedback opportunities, we shape our successful future together!”

Harald Mayer, Head of Human Resources, HS Timber Group Group

BECAUSE EDUCATION IS THE FOUNDATION

Education and Training is something we continuously invest in, so that our employees can expand their own capabilities and become highly qualified and specialised. So, we all aim together at Perfection in Timber.

Part of the company’s goals assumed for 2021 are the development of organisational culture and personalised leadership skills. HS Timber Group’s success is characterised not only by competent, well-trained staff, but also by strong teams that understand that they are working together for the same great goal.

Therefore, we have introduced in 2021 the leadership programme addressed to the entire middle management. Two years ago, the managers of the Romanian factories and the heads of departments for the central functions participated in a training programme for the development of leadership skills. The second stage of this programme began in 2021, focusing on the heads of the production departments. Approximately 60 managers from all factories in Romania were involved in this programme. They interacted in dynamic courses with an emphasis on a lot of practice and subsequent projects to be developed in teams. Also, in our factory in Kodersdorf, 18 managers and team leaders from the areas of production, maintenance and administration attended the leadership training programme in 2020/2021. Group and individual coaching sessions have been performed there as well.

In all our efforts, we focus on a better relationship between colleagues from other locations, as well

as on sharing best practices. This should enable us to speak a common language in leadership and a consistent and encouraging leadership style through several hierarchy levels. “Only qualified employees guarantee that all rules are respected.” This sentence from our Mission Statement is specifically implemented by special trainings and campaigns on compliance and IT security issues. IT security becomes increasingly important, as cyber-attacks and many problems with scams that lead to frauds arise nowadays. Therefore, at the end of 2021 we launched informative and interactive IT Security Awareness trainings, mandatory for all employees. It started with the most important themes such as general information security, not limited to IT and email security. In the future, this will be continued with comprehensive themes, such as becoming sensible to social engineering.

For the fourth year in a row, our partnership with the International Anti-Corruption Academy (IACA), based in Laxenburg, near Vienna continued. More than 55 colleagues in the departments of management, sales, wood supply and technical procurement participated in anti-corruption and competition trainings, to navigate a highly challenging regulatory environment and to be well protected. On top of this, we had personal compliance-related trainings by in-house experts or external specialists. All together, we provided these trainings to 147 risk-exposed staff in 2021. (See more in chapter 2 Responsible Corporate Governance and Compliance)

HEALTH & SAFETY – A CORNERSTONE OF WORK SATISFACTION

Occupational Health and Safety remains an ongoing high priority project for HS Timber Group. Throughout the entire year, we put measures in place that aim at reducing the number of accidents. We were carrying out factory inspections with the help of the iAuditor application, a digital tool used for audits, as well as organising training and information campaigns. Large-size posters, meetings, info-monitors, and the internal mobile application were used to disseminate the information among employees. In addition, defibrillators were purchased, employees were trained, and first aid courses were held. We also care for the safety and comfort of our employees. That is why we standardised the work equipment and opted for high quality protective clothing and shoes.

The core task of this function is to better connect the responsible staff at the sites, to share experiences and to jointly upscale our efforts in ensuring occupational health and safety in our workplaces.

In 2021 we implemented a comprehensive Health and Safety strategy for our employees. Three major pillars underpin this approach:

1. Redefined internal structure. A Health and Safety coordinator position has been established in Romania.

2. Awareness campaign. The campaign aimed at raising employees’ awareness of the risks and prevention of accidents at work. On a monthly basis, health and safety messages were circulated to employees on digital and printed materials, internal contests with prizes were organised and billboards with the monitoring of the number of days without accidents were installed in the factories in Romania.

3. Continuous improvement measures for safety at work, to eliminate hazards and minimize risks. Major activities included: a general upscaling and update of all health and safety related labels, markings, and warnings, the purchase of defibrillators for each factory, the installation of warning systems for heavy vehicles, the marking of access roads, the standardisation of protective equipment for employees and weekly audits in factories to ensure compliance.

TOGETHER, WE ARE RESPONSIBLE: COVID-19 IN THE SPOTLIGHT

Although the Coronavirus was still a challenge in 2021 and we experienced sorrowful fates around our employees and their communities, we managed to bring solutions closer to our employees. In the first stage, HS Timber Group ran partnerships with local authorities and authorised medical personnel to facilitate vaccination days in our factories in Romania. Additionally, during the year, the company organised transport for employees to the closest vaccination centres in our communities.

We have continuously shown our care and interest for the health of our colleagues. This also included awareness campaigns in our factories about the benefits of vaccination. Motivational contests and a raffle with substantial prizes - such as a car for each mill in Romania - were organised.

To follow COVID-19 restrictions in Germany, we were strongly encouraging our staff to get the vaccination. To address the business-related risks, we used temporary agency workers to compensate for employee absence due to COVID-19 illness.

GETTING PEOPLE IN THE SAME BOAT – JOINT PLANNING AND TRANSPARENT TARGETS

HEALTH & SAFETY – A CORNERSTONE OF WORK SATISFACTION

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

In February 2021, HS Timber Group introduced the Kaizen approach in the three sawmills in Romania. The aim is to improve working conditions, reduce resource loss, streamline production and, most importantly, train our employees.

The Kaizen culture is based on the involvement of all people - from workers to top management - to continuously achieve incremental improvements. For the implementation of the approach, we have a responsible project manager, and, in each factory, we appointed Kaizen teams, which consist of department leaders as well as subordinates. During 2021, a total of 558 Kaizen workshops were organised. They were covering the following topics: 5S principles (Sort, Set in order, Shine, Standardise, and Sustain), workshops to reduce the time to change the product, a mapping of processes and their improvement, project management techniques, total quality management.



Approximately 680 employees were trained within this project, about 300 of them physically participated in the workshops. The fantastic continuous improvement tools of Kaizen have led to a variety of benefits for both the people and the organisation.

NOTEWORTHY OUTCOMES:

- + Improved visual management and a cleaner working environment in the mills
- + Over 200 visual and operational standards were generated, contributing to training and the reduction of production defects
- + Improvement of health and safety conditions at the workplace (see Table 6)
- + Our employees were trained in management techniques (daily planning based on objectives and data, focus on losses and root cause identification)
- + Overall better employee training
- + Continuous generation of internal improvement ideas and employee participation with positive feedback
- + Raising awareness among employees about the functionality of machines and identifying defects
- + Improved motivation and morale of employees as they are working with clear objectives and known techniques

Initial experiences in the implementation of Kaizen showed that the process is a catalyst not only for the achievement of production targets, but also for the implementation of environmental and social issues, such as occupational safety. These topics also benefit in particular from the improved communication between the departments that resulted from the introduction of the Kaizen approach. Due to the extremely positive impact on the organisation, Kaizen workshops will continue in 2022.

In order to increase transparency on the company's targets and directions, the Group Management launched an integrated planning process. The result of this process was a Target Map that was widely communicated internally. This strategic tool was developed together with various leadership positions within HS Timber Group. It covers strategic objectives and highlights our strategic pillars: sustainability, passion, partnership, and employees. However, it does not just contain values but also concrete projects the different departments took on their 2021 implementation plan. A midterm review and status report and a final review led into the planning circle for 2022.

To verify whether the Target Map has been correctly implemented and whether there is a corresponding benefit, a pulse check was done by Integrated Consulting Group as an online survey, with all key leaders within the group, shortly before summer 2021. The survey showed a highly positive response to the implementation of the tool. Most of the leaders responded that they align their decisions with the strategy, that the strategy is clear and that they feel committed. In terms of implementation, the sustainability related aspects got the highest score. It was also noted that we need to continue to put more emphasis on our employees. Therefore, there will also be further initiatives in this thematic area.

TABLE 5.

KEY EMPLOYEE FIGURES OF HS TIMBER GROUP	Unit	2019	2020	2021	Change 2020 to 2021
Total number of employees	Number	3,203	3,517	3,651	3.81%
Number of female employees	Number	810	896	960	7.14%
Percentage of female employees	%	25	25	26	
Number of male employees	Number	2,393	2,621	2,691	2.67%
Percentage of male employees	%	75	75	74	
Total number of employees in management positions*	Number	145	154	189	22.73%
Number of female employees in management positions	Number	22	22	41	86.36%
Number of male employees in management positions	Number	123	132	148	12.12%
Permanent contract	Number	3,130	3,470	3,559	2.56%
Temporary contract	Number	73	41	92	124.39%
Full time	Number	3,160	3,470	3,612	4.09%
Part time	Number	43	47	39	-17.02%
Average hours of training per employee**	Number	31	24	31	29.17%
Employees covered by collective agreements or company agreements	%	100	100	100	0%
Senior management hired from the local community (country)	%	100	97	93	-4.12%
LTIFR - Lost Time Injury Frequency Rate	Number	Not reported	Not reported	7.82	N/A

* 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.

We have invested our efforts in implementing health and safety measures and we organised training for staff. All workers are regularly trained on how to comply with the health and safety rules. Thereby, in 2021, we have registered less work-related accidents than in 2020: we reduced the number of work-related accidents from 100²² in 2020 to 73 in 2021. This is an improvement of 27%. In 2021, 49 out of the 73 accidents resulted in lost time injuries. The Lost Time Injury Frequency rate represents the number of lost

time injuries - injuries that occurred in the workplace that resulted in an employee's inability to work the next full workday - relative to the total number of hours worked in the reporting period, per one million hours worked. The calculation considers all accidents that result in lost working time of more than one day. To emphasize our focus on health and safety, we will report LTIFR from 2021 onwards to track progress in this field. In 2021 the LTIFR for HS Timber Group stood at 7.82.

06

REGIONAL & CORPORATE SOCIAL RESPONSIBILITY

OVER 4.8 MILLION EURO IN CSR CONTRIBUTIONS IN 2021 IN ROMANIA

CONTRIBUTIONS FOR COMMUNITY HEALTHCARE, NATURE PROTECTION AND EDUCATION

CONTINUATION OF REFORESTATION ACTIVITIES TOGETHER WITH THE TOMORROW'S FOREST FOUNDATION

30 STUDENTS ATTENDING EVERGREEN LECTURES



Corporate Social Responsibility for HS Timber Group includes looking at what we can improve internally, so as not to waste any wood, add the most value to it, reduce our environmental footprint and act as a responsible employer, thereby creating safe and meaningful jobs. At HS Timber Group, taking regional responsibility means showing respect for the community and people. We are committed to our employees, as well as to their communities and the surrounding regions.

After all, it is not only our employees, but also our regional suppliers and business partners who make our economic success possible. Nevertheless, our social responsibility is also global. By supporting educational projects in India and Ethiopia we are contributing to addressing specific challenges for people who are in need, more than ever.

A STRONG FOCUS ON SUPPORTING REGIONAL COMMUNITIES AND DEVELOPMENT

For HS Timber Group, complying with all legal requirements and contributing to the community with our taxes and duties is a given. We are also keen on actively promoting the sustainable development of the communities and regions in which we operate. Providing support for social and healthcare facilities, as well as for schools and education programmes, is especially important to us. We attach great importance to making sure that the softwood we work with comes from sustainable forestry. What that means to us, as we are not doing any harvesting ourselves, is that we need to actively maintain and improve a system that ensures that our input comes from responsibly managed forests

and legal harvest sites. Illegal logging is depriving the development potential of forest owners, regions, and states. We therefore make a great effort to collaborate exclusively with suppliers which show a high degree of integrity and are able to ensure the legality of the wood we purchase. We screen our supply chain to exclude wood from National Parks and virgin forests and ensure with additional screening measures that our wood does not come from old growth forests or biodiversity hotspots (even though we do not process large diameter logs). By supporting the Tomorrow's Forest Foundation, we also engage in extensive reforestation projects supporting local communities.

CSR STRATEGY

Corporate Social Responsibility is an integral part of how HS Timber Group does business. As we are working with wood, a sustainable raw material in our core business, our economic success depends on sustainably managed forests, and we are fully committed to protecting biodiversity. Furthermore, Corporate Social Responsibility also means the waste-free utilisation of this raw material, adding more value to our products, reducing our environmental footprint and acting as a

responsible employer by securing safe and meaningful jobs. Furthermore, our local engagement in CSR programmes in the regions where we operate initiates and supports economic development and always respects the environment. The way we do things is to make sure that we advance in a sustainable manner: ourselves, our employees and partners, and our local communities. We are strongly committed to our responsibility towards our stakeholders and a sustainable timber industry.

REGIONAL RESPONSIBILITY & ECONOMIC IMPACT

The company is among the biggest lumber producers worldwide. With export destinations of more than 70 countries worldwide, HS Timber Group remains a stable partner for the areas in which it is operating. Our supply chains are usually regional²³ and our employees are mostly coming from the areas in which we are operating. This is of particular importance, as we are mostly operating in rural areas, far away from the big industrial centres. Through our activities in Romania, we have created approximately 4,000 jobs in related upstream and downstream sectors in addition to the over 3,000 direct employments we created in the country. In Kodersdorf, Germany, the company also provides around 400 secure jobs in a region that is heavily affected by emigration.

4.8 million Euro of sponsorships for Romanian charity projects. On top of that, our activities led to indirect and induced taxes in the country. HS Timber Group continuously invests in its production sites. In 2021, the group invested more than 21 million Euro in its factories in Romania. The investments in Kodersdorf in 2021 were even higher (31.5 million Euro) as projects such as a new glulam production line and the extension of the pellets production, including a highly energy efficient belt dryer system, were realized. The investments will become operational in 2022.

The regions in which we operate are also relevant markets especially for products such as pellets. Being confronted with an ever-increasing demand for green fuel, we are committed to serve the local markets and assist the regions in their transition to a more climate friendly heating energy system. We are convinced that the long-term collaboration with local business partners is central to our stability and our success.

In 2021, HS Timber Group had employee-related expenses of around 48 million Euro in Romania. This includes social security contributions and employees' income tax. Furthermore, the groups companies paid around 21 million Euro in Corporate Income Tax and

CSR HIGHLIGHTS - TOGETHER WE ARE RESPONSIBLE

When it comes to CSR projects, we aim at supporting initiatives that have a social, environmental and/or forward-looking focus. Furthermore, an emphasis is put on regions where HS Timber Group is actively doing business.

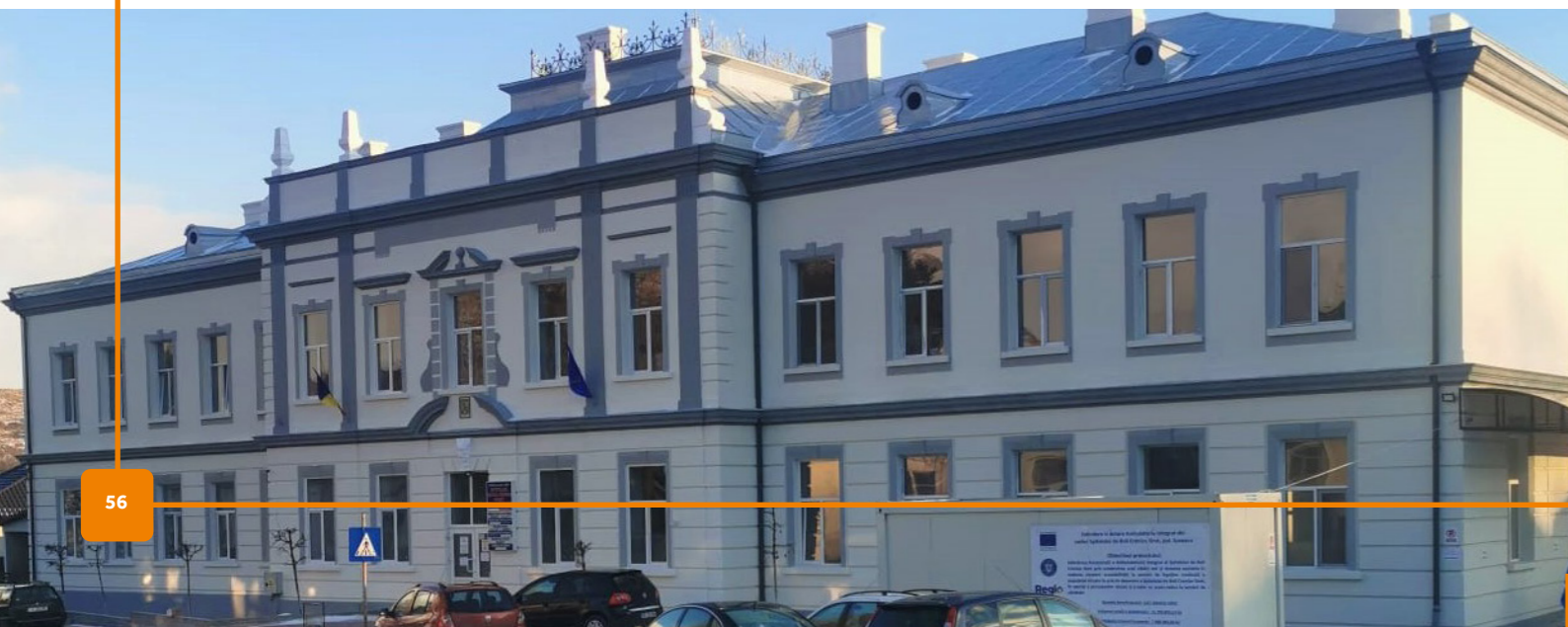
The year 2021 has continued to be a challenging one in all sectors due to the persisting worldwide COVID-19 pandemic. We paid increased attention to the health protection of our employees and offered financial and material support to local communities, aiming to make the difference where there was need for help in social, environmental, and forward-looking projects. Many projects in 2021 were linked to the support of basic healthcare infrastructure, educational projects and to the support of forest communities. HS Timber Group's CSR contributions in 2021 were 4.8 million Euro.

TAKING CARE OF OUR COMMUNITIES' HEALTH

In Alba-Iulia in Alba county in the central-west part of Romania, HS Timber Group provided support to set up and equip a special therapy room for a 'Different Kind of Hospital' - the first National Paediatric Centre in Romania. The place will be an oasis for children with cerebral palsy, neuromotor disorders and trauma, but also for their parents, who will have more hope and confidence in a peaceful future. HS Timber Group had already helped with wood products in previous years.

At the Centre for Recreation and Recovery through horse therapy in Leorinț, in Alba county approximately 50 km away from Sebeș, HS Timber Group provided sawdust for horses' bedding in 2021. In this institution, children with various ailments and disabilities can enjoy the best possible help for their health and benefit from medical care and recovery.

Furthermore, HS Timber contributed to the equipment and modernisation of the kitchen at the Municipal Hospital in Târgu Secuiesc from Covasna county in 2021. The new kitchen equipment includes tools for cooking food, but also for storing it, processing and properly preparing it for patients. The Group supports extensive renovation works of the Ioan Lascăr City Hospital in Comănești, to increase the energy efficiency of the building. The high-quality services provided by medical institutions are a priority for a healthy community, along with education and social services.



HS Timber Group helped the Hospital for Chronic Diseases in Siret to renovate the central pavilion, including the roof and the facade, which, due to the passage of time, questioned the safety of patients and passers-by. With this renovation, which respected the same architecture as the previous construction, the conditions offered to patients were improved. At the same time, the architectural landscape has been beautified and the safety of passers-by is no longer in danger.

In another initiative in Siret, the Group supported the renovation and modernisation works of "Ingvar Kamprad" Social Assistance Centre and thus, the residents of the centre – social cases, people without a next of kin and possibilities, people with disabilities and at risk, or grandparents left alone - will continue to have decent and safe conditions for a comfortable living at an old age.

In 2021, HS Timber Group financially supported the Home Care Service run by DAS, in Siret. The special project gives an extra helping hand to elders who live alone, have dire financial possibilities, cannot help themselves, as well as to adults with disabilities who live in the community and who are at risk. The DAS team travelled daily, providing social services to those in need, to improve their material, psycho-social and physical situation. Our support contributed to the dream of the DAS team in Siret: not to leave anyone alone, without any support and care. This prevents separation and loneliness, preserves the quality of life by reducing the risk of infection with various diseases, increases the sense of security, and makes the community aware of the challenges and risks of the implications of the elders and people with disabilities who are alone.

BECAUSE EDUCATION IS THE FOUNDATION

The students at the Sebeș Technological High School, an important education centre for the local community, now benefit, thanks to the company's support, of a new combined machine for carpentry. Thus, the students at the vocational school enrolled under the universal carpenter qualification, have the possibility of practical training at school, where they will acquire skills and knowledge necessary for their insertion in the labour market, under the careful coordination of the teachers of practical training.

In Valea Mare, Covasna county, the Group sponsored the installation of a playground for children, while three schools from the rural area in the county were equipped with interactive whiteboards. It is now a tradition, since opening the sawmill in Reci, to support the afterschool programme, to the benefit of the children in the village.

QR Code to the afterschool movie



<https://youtu.be/BevtQGUN2rY>

In Bacău county, HS Timber Group contributes to the endowment of electrical and mechanical laboratories and other facilities for students, which will prepare them for the future. Also, the blockboard manufactured at our factory will be used for furniture and modernisation of interior spaces.

Additionally, we support our local communities with wood products, such as blockboards and solid wood products for school and kindergarten furniture. Moreover, HS Timber Group also helps financing renovation and maintenance work and is providing pellets for hospitals and social centres.

06

MAJOR PROJECTS INTO THE SPOTLIGHT WITH THE FULL CONTRIBUTION OF HS TIMBER GROUP

SUCCESSFUL COOPERATION WITH TOMORROW'S FOREST FOUNDATION IN ROMANIA

Tomorrow's Forest Foundation was established in 2019 to grow the scope of the reforestation programme started in 2017 under the same name, and to develop new programmes in support of sustainable forestry, community development, and educational projects. The first common target, to plant one million trees, was accomplished in spring 2022. The original project was launched by the Association of Forest Administrators²⁴ together with the Stefan Cel Mare University of Suceava, with support from HS Timber Group.

To implement social and environmental projects that promote the sustainable development of forests in Romania, HS Timber Group has a strategic partnership with the Tomorrow's Forest Foundation, which is also benefiting local communities e.g., by supporting the reforestation of areas that would hardly rejuvenate without our support. We support small forest owners, associations and townhalls in their efforts to effectively bring back their forests, to restore their production capacity, including other ecosystem services, as well as the adaptation to climate change. In total, HS Timber Group supported Tomorrow's Forest Foundation with over 4 million Euro in 2021 to develop and implement the Foundation's Programmes and to implement projects focusing on biodiversity protection, reforestation, and the development of local communities that strongly depend on their forestry resources. The Foundation runs four programmes:



+ THE REFORESTATION PROGRAMME



+ THE COMMUNITY DEVELOPMENT PROGRAMME



+ THE RESPONSIBLE FOREST MANAGEMENT PROGRAMME



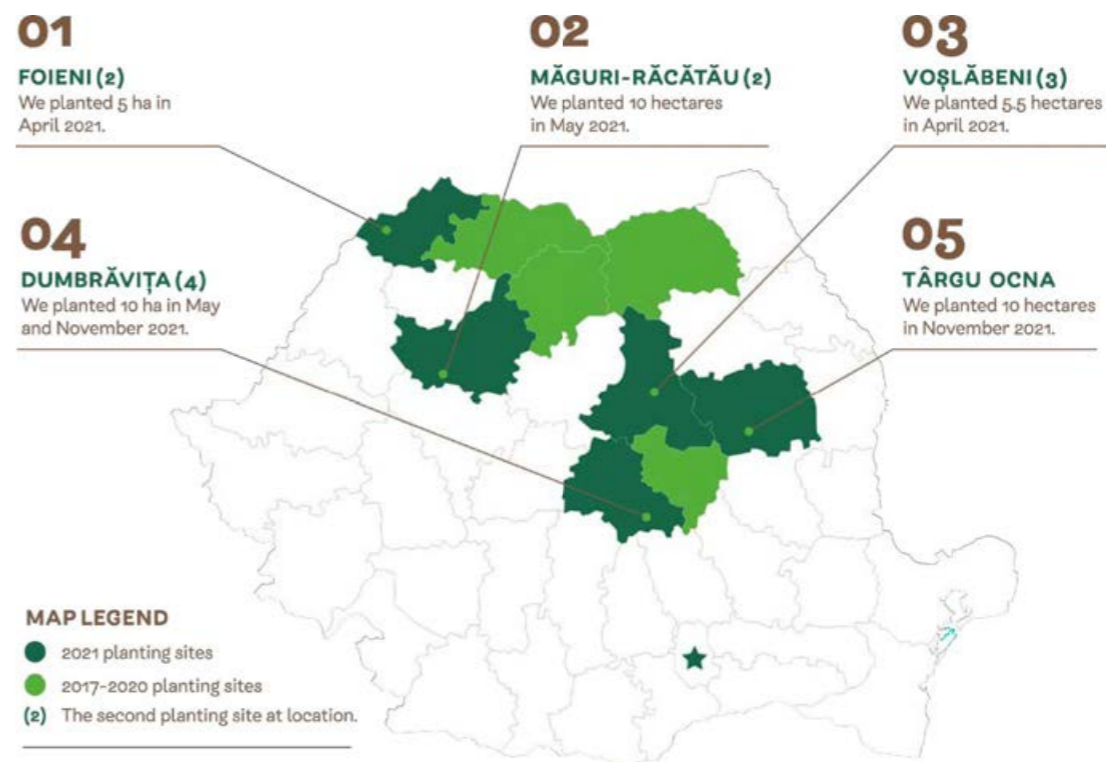
+ THE EDUCATION PROGRAMME

THE REFORESTATION PROGRAMME:



+ 1 MILLION TREES TO BE PLANTED IN ROMANIA

The Foundation's Reforestation Programme aims at planting one million trees on private and community-owned forest areas. Since the launch of the Tomorrow's Forest project in 2017, 797,000 seedlings have been planted on 186 ha of forest land in nine counties with the financial contribution of HS Timber Group. Forest maintenance and monitoring activities will continue for at least three years on each plantation, to ensure that the young forest vegetation grows healthy and strong. The Reforestation Programme helps owners of forest areas with regeneration difficulties that do not have the resources needed for reforestation.



MAJOR PROJECTS INTO THE SPOTLIGHT WITH THE FULL CONTRIBUTION OF HS TIMBER GROUP

COMMUNITY DEVELOPMENT PROGRAMME:



+ TOGETHER, WE CONTRIBUTE TO COMMUNITIES' DEVELOPMENT

The Community Development Programme supports projects and initiatives that bring improvements in community services – kindergartens, schools, institutions and housing for underprivileged people, institutions for the elderly, emergency services, medical institutions, public buildings as well as community events. In 2021, the Foundation continued the maintenance of the beautiful 2 ha arboretum located at the Ciprian Porumbescu Museum located in Suceava county. So far, 117 trees were planted, of high decorative value, and the infrastructure of the arboretum was repaired or renewed. Also in 2021, a new project started together with the Forestry Faculty of the University of Suceava to create a botanical garden in the new university campus.

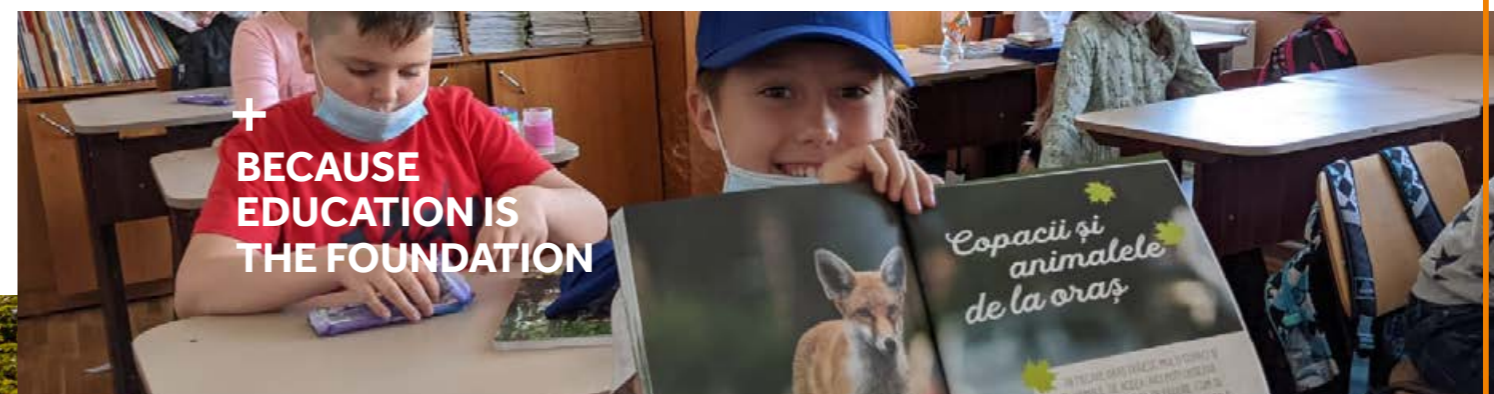
THE RESPONSIBLE FOREST MANAGEMENT PROGRAMME:



+ MODULAR BRIDGE FOR STREAM CROSSING

Tomorrow's Forest is about more things than reforestations. For our common future, we need to protect existing forests and the communities who depend on the nature's benefits – air, waters, biodiversity, and the timber from the trees as well. The first project in the sustainable forestry programme of the Foundation is a mobile, modular bridge, designed to improve forest infrastructure and to protect mountain waters. The bridge was developed to protect watercourses and biodiversity, but also, we support forest owners and managers, as well as forestry companies who aim to reduce their environmental impact when performing various forest services. Designed by specialists at the Transylvania University of Braşov and built using local workforce and materials, the first prototypes are already in operation in Harghita county.

THE EDUCATION PROGRAMME:



+ BECAUSE EDUCATION IS THE FOUNDATION

The Education Programme focuses on young students, aiming to instil in them a love and respect for nature and forests, based on knowledge of plant biology and ecology. In 2021, together with the professors of the Forestry Faculty from the University of Suceava, the Foundation piloted a new planting workshop for elementary schools and produced a booklet (*Semi's Story*, published with the University of Suceava Press) which will be used in future workshops.

The Foundation also sponsored the first Romanian edition of *The Man Who Planted Trees* by Jean Giono (Carusel Books, 2021), the brilliant story of the lone shepherd who single-handedly reforested and thus revived a barren, desolate valley in the French Alps. The book is illustrated with the original artwork of Frédéric Back, who won the Academy Award in 1988 with the adaptation of the story.

Another project with a strong educational component aims at improving spruce forests' resilience in Harghita-Madaras Mountains with the help of stone pines (*Pinus Cembra*). Native to high-altitude Carpathians and Alps, the stone pine can mitigate extreme weather effects and will increase the resistance of spruce against windfall. The first experimental plantations were performed and are being monitored with the help of forestry students from Harghita and Braşov.

SUCCESSFUL PARTNERSHIP TO THE BENEFIT OF THE ENVIRONMENT & LOCAL COMMUNITIES

“ In addition to the reforestation programme, HS Timber Group's initial commitment, where we exceeded the milestone of 80% of the 1 million seedlings in 2021, we have made considerable progress together in the responsible forestry programme as well. Through this successful partnership, we completed the first prototypes of the mobile forest bridge, an essential technology for the protection of watercourses in mountain areas with forest operations. The project best embodies our shared vision - that sustainably managed forests have substantial benefits for both the environment and local communities. ”

Mihail Caradaică, Executive Director, Tomorrow's Forest Foundation

EVERGREEN PRIVATSTIFTUNG - INNOVATION AND FINANCIAL ASSISTANCE WORLDWIDE

Together with Evergreen Privatstiftung, which is the global, parent institution of HS Timber Group and other Group's companies, we are also committed to supporting charitable activities globally - such as educational projects in India and Ethiopia, or to the support of charities in Austria. Evergreen Privatstiftung aims to promote innovation in the forestry and timber industry and to support other non-profit and charitable causes. A special focus is on projects that support education and an open mindset for thinking out of the box and finding new solutions. The projects of Evergreen Privatstiftung focus on the most vulnerable groups, such as children and refugees.

It is an objective of the Evergreen Privatstiftung to give advice and support to its subsidiaries in relation to donations and sponsorship, ensuring that projects are also funded in line with the foundation's aims. Likewise, the Evergreen Privatstiftung can actively initiate projects that are in line with its aims and may encourage its subsidiaries to implement and support them.



EVERGREEN INNOVATION CAMP

Therefore, in 2019, the Evergreen Innovation Camp was introduced as a 48-hour Hackathon. Students and young professionals from different disciplines work together to find the best solution for a specific challenge. The mix of disciplines ensures new and innovative ideas. Due to the COVID-19 pandemic, it was not possible to organise the Evergreen Innovation Camp in 2021. The event was postponed to April 2022, where ten interdisciplinary teams developed ideas on how autonomous technology can revolutionize forestry in the future.

EVERGREEN LECTURES

The Evergreen Lectures are the second student project. Initiated in 2020 as an online course, in 2021 it was possible to conduct it as an in-person event at the Technical University in Vienna. We were able to win Professor Gregory La Blanc from Berkeley Executive Institute again as speaker and thus brought the latest expertise in data science and digital transformation from the Silicon Valley to Vienna. The aim was to empower 30 students from forestry and wood science in gaining excellent knowledge from international top experts and connect them to top performers from other industries or fields of research.

CSR ACTIVITIES IN ETHIOPIA

The trading company DABG, a company of the Evergreen Privatstiftung, has had a close business relationship with Ethiopia for over 25 years. In recent years, Ethiopia has been once again severely shaken by political conflicts, the consequences of which have been borne by the civilian population, families, and children. Therefore, DABG supported two emergency aid projects with a total of 100,000 Euro, to provide not only food but also hygiene articles, blankets and mattresses. The projects were organised together with the association 'Menschen für Menschen' (People for People). In addition, the hospital in the town of Debre Berhan was also supported with medicines and materials to care for the numerous wounded.

Furthermore, a school project in Dogoma Yegot, in Ethiopia, was already started with DABG in 2020. The shell construction of the school building is already in place, but the political conflicts in the country are complicating and delaying the construction project.

FURTHER CSR ACTIVITIES

Also, the Group and its subsidiaries support projects in India and Austria that aim at providing children and teenagers access to education or trainings and pave the way for an independent and self-determined professional career. Support at the right time, especially for young generations, makes the difference. In India, the ZUKI project received support for their apprentice programmes. First-time graduates start their professional careers which would not have been possible without this initiative. Along the same lines, projects in Austria received funding for the support they give to unaccompanied refugees minors for mentoring programmes helping these disadvantaged young people. The association lobby.16 has already been successfully working in this field since 2008 and has already been supported by HS Timber Group for some years.

07

SUSTAINABILITY PROGRAMME

Sustainability is a process. Nevertheless, the context in which a company operates does not change every year. Continuity is particularly important to us in the context of sustainability. Adjustments to our business model, internal changes, but also logical reactions to new requirements need a stable basis. Last but not least, the last few years have also given us more experience in implementing measures. We have learned which measures can be implemented easily and which ones need more boost and effort. It has also become clear to us where we stand in the context of our goals. After an extensive internal data consolidation process, we are now in the position to report for the first time on our energy and climate targets and to compare them with the reference year 2017. Some of them have been achieved, some are well on track. Others are proving difficult to achieve. Based on the above-mentioned considerations, we have decided to further develop and adapt the sustainability programme, the main features of which were drawn up at the beginning of the 2017/18 sustainability process. The materiality analysis supports this approach. In the stakeholder surveys, the topics relevant to us remained virtually the same as in 2017. With the Target Map, we have also succeeded in integrating the sustainability goals into the general corporate goals, coordinating them better, and communicating them broadly and clearly internally.

We are thus renewing important self-commitments, such as only sourcing wood from certified forests by 2025, or not sourcing wood from National Parks in Romania and Ukraine, or further reducing our carbon footprint. At the same time, we are placing our goals in the international context of the Sustainable Development Goals (SDGs), in order to link our material issues with this international framework.

SUSTAINABILITY TARGETS ANALYSIS AND PROGRAMME FOR 2022

01. COMPANY, CUSTOMERS & PRODUCTS

MATERIAL TOPIC:
- High-quality products
- Price-performance ratio of products
- Customer orientation



GOAL	Targets and measures	Detailed description for 2021	Indicator	Achievement in 2021	Status	Outlook for 2022
1. SECURE QUALITY FOR CUSTOMERS			Quality complaint rate:	-0.0%	On track	
	Standardisation and unification of quality management (Database/Benchmarking)	Improvement of internal quality assurance processes have been implemented, regular trainings on quality assessment have been performed, investments in scanning technology have been made	Quality management unified	80%	On track	Continuation of activities
2. KEEP LONG-TERM PARTNERSHIPS			Duration of customer relation: customers with a business relationship of more than five years	47.3%	On track	
	Continuation and maintenance of customer support	Retention of customers in the current volatile market conditions has been achieved			On track	The relaxation of COVID-19 measures allows for increased personal customer contact again; regular presence at various trade fairs
	Market development for new products	Successful establishment of new markets: pellet market in Germany with new production units, homes centre business in the US; investment in post and beams production has been started in Kodersdorf			On track	Adding of new products to the portfolio, expansion of markets such as the UK and Mexico

02. RESPONSIBLE CORPORATE GOVERNANCE & COMPLIANCE

MATERIAL TOPIC:
- Anti-corruption & Compliance
- Transparency & stakeholder dialogue



GOAL	Targets and measures	Detailed description for 2021	Indicator	Achievement in 2021	Status	Outlook for 2022
1. INCREASE THE PERFORMANCE OF OUR COMPLIANCE MANAGEMENT			Legal actions due to violations of anti-corruption legislation (GRI 205-3)	0	On track	
	Certification of Compliance Management System by 2022	A Gap Analysis identified areas of action that need to be addressed to obtain certification. The identified measures are currently under implementation.	Management system certified	N/A	On track	Continuation of activities
	Annual training of 100% of the top management	As in 2020, COVID-19 was again a limiting factor to in-person trainings in 2021, which was also the case for in-person trainings of the top management. Therefore, trainings were mostly performed as online events. The cooperation with IACA (International Anti-Corruption Academy) continued; in addition, special trainings with internal and external experts were performed. In regular broader internal campaigns and quizzes, we kept the level of attention on compliance matters high.	Share of top management having performed annual training (GRI 205-2).	N/A*	On track	Continuation of activities
2. PLAY A PIONEERING ROLE IN TRANSPARENCY AND OPEN COMMUNICATION			Feedback from Stakeholder Consultation	No negative feedback on this topic	On track	
	Open Doors Policy at all sites - 100% granted access by request	The policy was reinstated (it was put on hold due to the COVID-19 pandemic) to allow on-site visits by NGOs and media representatives. In 2021 we had five requests from media representatives and none from NGOs.	Access granted to media or NGOs	100%	On track	Continuation of activities
	Annual Open Doors events at each mill	Due to the COVID-19 pandemic it was practically impossible to hold such events in 2021. We therefore also decided to cancel the target, as stakeholder demand was low	One Open Door event at each mill	N/A*	Not on track	The unpredictability of the COVID-19 pandemic makes planning and organising such large events very difficult. Nevertheless, we keep the possibility for each mill to organise such an event in 2022
	Two local stakeholder events annually in Romania	For the stakeholder meetings, COVID-19 also forced us to move from face-to-face meetings to online events. One event took place in March 2021.	Implementation of events	1/2	partly on track	Organise two stakeholder events online or in-person in Romania

* Due to COVID-19

SUSTAINABILITY TARGETS ANALYSIS AND PROGRAMME FOR 2022

03. SUSTAINABLE SUPPLY CHAIN

MATERIAL TOPIC:

- Deforestation-free supply chain
- Certification and labelling for the product
- Sourcing from sustainably managed forests
- Traceability in the supply & production chain
- Addressing human rights and social issues in the supply chain



Goal	Targets and measures	Detailed description for 2021	Indicator	Achievement in 2021	Status	Outlook for 2022
1. Improve protection of biodiversity in the supply chain						
	Extension of existing Timber Sourcing Policy to exclude wood originating from virgin forests or National Parks to Ukraine and Belarus	In 2021, the policy was extended to Ukraine. For Belarus, a risk assessment for mixing wood with logs from National Parks was carried out and a low risk for purchasing material from areas which are under separate administration was identified.	wood processed from virgin forests/National Parks	0m³	On track	Continue with the Policy
	Introduction of a new biodiversity policy by 2022	Initial discussions have taken place and elements of such a policy are already integrated in some of our risk mitigation measures in the Supply Chain Control and Certification Department.	Introduction of a biodiversity policy	N/A	On track	Introduction of a new biodiversity policy
2. Purchase wood from certified forests						
	100% of wood input purchased from certified forests by 2025	In 2021, already 80% of our roundwood input originated from certified forests.	Wood purchased from certified forests	80%	On track	
	Renewed association with the FSC®	In November 2021, FSC ended the disassociation with HS Timber Group. A comprehensive analysis of HS Timber Group's operations by a team of independent auditors led to this decision.	Association with FSC®	Done	Accomplished	In January 2022, the factory in Comănești was re-certified for the FSC CoC. Observations from the FSC verification have to be addressed
3. Constant improvement of our Due Diligence System to ensure a sustainable supply chain						
	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 wooden input. Even in low-risk countries we commenced to collect data on the origin of the wood	Number of projects	2	On track	
	Extending Timflow to suppliers and other companies	Due to the introduction of SUMAL 2.0 in Romania the SCCC department gets a clear and complete picture of the wood transport situation in Romania. This specifically covers the situation of logyards in Romania, which can now be traced transparently.	N/A	N/A	N/A	

04. ENVIRONMENT, CLIMATE PROTECTION & ENERGY

MATERIAL TOPIC:
- Reducing the carbon footprint of products
- Environmentally friendly operations
- Biodiversity-friendly products



Goal	Targets and measures	Detailed description for 2021	Indicator	Achievement in 2021	Status	Outlook for 2022
1. Reduce GHG within our production						
	Achieve a 25% reduction in GHG emissions (per final product unit) by 2025 (reference year: 2017)	Development of new KPIs to measure our GHG reduction. (See more detailed explanation in chapter 4 on page 36).	Change in CO ₂ e per fully processed wood equivalents (reference year: 2017)	-20%	On track	Constantly evaluate measures to achieve a 25% reduction in GHG emissions measured with the newly defined KPIs by 2025 Start project on improved data availability
	Benchmarking and revision of the programme (Benchmarking against energy efficiency and environmental performance in the sawmilling industry)	Benchmarking is a continuous process; it is obviously difficult to compare the industry as such which is why we opted for a more practical approach: continuous research of new technologies and monitoring of energy saving potentials by the Technical Department.	N/A	N/A	N/A	Continue targeted research and monitoring of technological advancements in the field of energy efficiency and GHG reduction and revision of the annual investment programme. Implement a Technical Procurement Policy that allows for life cycle assessment of planned technical acquisitions.
2. Improve energy efficiency						
	Achieve a 30% reduction in energy consumption (per final product unit) by 2025 (reference year: 2017)	Development of new KPI to measure our reduction in energy consumption. (see more detailed explanation in chapter 4 on page 36). An assessment of the overall energy consumption shows that we accomplished energy saving at the sawmills of 3.3% compared to the reference year 2017. If we compare just the use of electrical energy, we can report a reduction of energy intensity of 11.7%. Our mills are state of the art and energy savings are hard to accomplish at a larger scale. There is a risk that the target cannot be accomplished.	Change in MWh per fully processed wood equivalent (thermal & electrical) (Reference year: 2017)	-3.3%	Not on track	Constantly evaluate measures to achieve a 30% reduction in energy consumption measured with the newly defined KPI In the next years a reassessment on potential investments in energy efficient should be performed
3. Reduce the environmental impact of our activities						
	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	5/6	On track	Roll out of the environmental management system across the entire group by 2022
	Increase the proportion of ash that is recycled/reused rather than landfilled to 100% by 2022	Groupwide, we have already been able to increase to 75% the proportion of ash that is recovered. This is due to the full recovery of ash in two mills. For the remaining production sites, we are constantly investigating alternative recovery methods from other industries (Metal, concrete, fertilisers, ...). However, the trials were not successful due to the fact that the requirements from these industries did not match the parameters of our ash.	Share of recycled/reused ash/landfilled ash	75%	Partially on track	Increase the proportion of ash that is recycled rather than landfilled to 100% by 2022 Continue research of alternative uses for the ash in the mills where it is not yet recovered

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 2021, 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
High quality products	302-5	SDG 12
Price-performance ratio	201-1	
Biodiversity-friendly products	304-2, 308-2	SDG 12, SDG 15
Reducing the carbon footprint of products	305-1, 305-2, 305-3, 305-5	SDG 13
Customer orientation	417-2	
Certification and labelling for the product	304-2, 308-2	SDG 12, SDG 15
Traceability in the supply & production chain	308-2	SDG 12, SDG 15
Addressing human rights and social issues in the supply chain	414-2	SDG 8, SDG 12
Deforestation-free supply chain	304-2, 308-2	SDG 15
Responsible employer	401-2, 403-2, 404-1, 405-1, 406-1	SDG 8
Anti-corruption and compliance	205-1, 205-2, 205-3, 307-1, 419-1	SDG 16
Transparency & stakeholder dialogue	413-1	
Support of local communities	203-1, 203-2	SDG 8
Value creation in the region	203-1, 203-2	SDG 8, SDG 9
Sourcing from sustainably managed forests	304-2, 308-2, 413-1	SDG 12, SDG 15
Supporting afforestation/reforestation activities	203-1, 304-2	SDG 15
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, SDG12, SDG 13

GENERAL DISCLOSURES

CODE	Content in accordance with GRI Standards (Core)	Reference/comments	CODE	Content in accordance with GRI Standards (Core)	Reference/comments
ORGANISATIONAL PROFILE			STAKEHOLDER ENGAGEMENT		
102-1	Name of the organisation	Chapter 1	102-40	List of stakeholder groups	Chapter 2
102-2	Activities, brands, products and services	Chapter 1	102-41	Collective bargaining agreements	Chapter 5
102-3	Location of headquarters	Chapter 1	102-42	Identifying and selecting stakeholders	Chapter 2, About the report
102-4	Location of operations	Chapter 1	102-43	Approach to stakeholder engagement	Chapter 2, About the report
102-5	Ownership and legal form	Chapter 1	102-44	Key topics and concerns raised	Chapter 2, About the report
102-6	Markets served	Chapter 1	REPORTING PRACTICE		
102-7	Scale of the organisation	Chapter 1	102-45	Entities included in the consolidated financial statements	About the report
102-8	Information on employees and other workers	Chapter 5	102-46	Defining report content and topic boundaries	About the report
102-9	Supply chain	Chapter 3	102-47	List of material topics	About the report
102-10	Significant changes to the organisation and its supply chain (since last report)	Chapter 3	102-48	Restatements of information	About the report
102-11	Precautionary principle or approach	Chapter 2	102-49	Changes in reporting	About the report
102-12	External initiatives	Chapter 2, 3	102-50	Reporting period	About the report
102-13	Membership of associations	Chapter 2, 3	102-51	Date of most recent report	About the report
STRATEGY			102-52	Reporting cycle	About the report
102-14	Statement from senior decision-maker	Foreword	102-53	Contact point for questions regarding the report	Editorial
ETHICS AND INTEGRITY			102-54	Claims of reporting in accordance with the GRI Standards	About the report
102-16	Values, principles, standards, and norms of behaviour	Chapter 2	102-55	GRI content index	GRI content index
GOVERNANCE			102-56	External assurance	
102-18	Governance structure	Chapter 2			

SUSTAINABILITY TARGETS ANALYSIS AND PROGRAMME FOR 2022

05. EMPLOYEES		MATERIAL TOPIC: - Responsible employer		8 DECENT WORK AND ECONOMIC GROWTH		
Goal	Targets and measures	Detailed description for 2021	Indicator	Achievement in 2021	Status	Outlook for 2022
1. Be a fair, responsible, and attractive employer						
	Further development of employees' competencies; Creation of new training programmes and learning opportunities	In Summer 2021, the position of a Group Head of HR was introduced to centrally manage the strategic and structured development of our staff. Concerning trainings, the issue of leadership was addressed across the company.	Average hour of training/year/employee Increase compared to the previous year	31h/year/employee +29%	On track	Further development of employees' competencies; Creation of new training programmes and learning opportunities
	Introduction of an employee retention programme by 2022	Leadership training for department leaders to strengthen their leadership capabilities as straight forward concept following the "Leadership is my accountability" workshops for the top management. Introduction of a group wide employee feedback talk to gain more feedback, define clearer goals for our employees work and out of that to increase the meaning of purpose in our daily working life Improvements in our on- and offboarding processes with relevant stakeholders for smoother and more transparent processes.	Employee turnover rate (GRI 401-1)		See below	
2. Continuous improvement in Health & Safety						
	Zero severe accidents in the entire group	In 2021, the position of a Health and Safety Coordinator was created in Romania, which improved the quality of occupational health and safety management in all Romanian entities. There were no lethal accidents in 2021.	Number of lethal accidents	0	On track	Zero severe accidents in the entire group
	Implementation and certification of a Health & Safety Management System	In 2019, HS Baco Panels was certified for ISO 45001. In 2021, the factory in Comănești successfully passed the second year of surveillance audits for the standard.	LTIFR -Loss time injury frequency rate (GRI 403-2)	7.82	On track	

06. REGIONAL & CORPORATE SOCIAL RESPONSIBILITY		MATERIAL TOPIC: - Supporting afforestation/reforestation activities - Value creation in the region - Support of local communities		13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS		
Goal	Targets and measures	Detailed description for 2021	Indicator	Achievement in 2021	Status	Outlook for 2022
1. Supporting low impact forestry in Romania						
	Conduct a low impact forestry programme together with partners (Tomorrow's Forest Foundation)	The programme is under continuous implementation: in 2021 the pilot project "mobile bridge" was implemented.	Project implementation	80%	On track	
	Continue strategic collaboration with the Tomorrow's Forest Foundation	The collaboration has been extended in 2021. The foundation is also implementing a funding line for social and environmental projects promoting responsible development of forests and forest-based communities in Romania.	Collaboration with Tomorrow's Forest Foundation	Yes	On track	
2. Strengthen the regional development in the areas of our production sites						
	Increase the amount invested in regional CSR programmes	In 2021, the amount spent on regional CSR projects in the vicinity of the mills in Romania was increased to over 700,000 Euro.	Contribution (including in-kind contribution) to regional CSR programmes	700,000 Euro	On track	

MANAGEMENT APPROACHES AND PERFORMANCE INDICATORS

AREA FOR ACTION 1: HIGH QUALITY PRODUCTS

GRI Topic	Code	Content according to GRI Standards (core)	Reference/ comments
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	Reductions in energy requirements of products and services	Chapter 4

AREA FOR ACTION 2: PRICE-PERFORMANCE RATIO

GRI Topic	Code	Content according to GRI Standards (core)	Reference/ comments
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 (core)	Reference/ comments
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	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 (core)	Reference/ comments
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) 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

AREA FOR ACTION 5: CUSTOMER ORIENTATION

GRI Topic	Code	Content according to GRI Standards (core)	Reference/ comments
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 (core)	Reference/ comments
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	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 & PRODUCTION CHAIN

GRI Topic	Code	Content according to GRI Standards (core)	Reference/ comments
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 (core)	Reference/ comments
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 (core)	Reference/ comments
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	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 (core)	Reference/ comments
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	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	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	No incidents in the reporting period

AREA FOR ACTION 11: ANTI-CORRUPTION AND COMPLIANCE

GRI Topic	Code	Content according to GRI Standards (core)	Reference/ comments
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
	205-3	Confirmed incidents of corruption and actions taken	No incidents in the reporting period
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	1 ²⁵

AREA FOR ACTION 12: TRANSPARENCY & STAKEHOLDER DIALOGUE

GRI Topic	Code	Content according to GRI Standards (core)	Reference/ comments
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
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 (core)	Reference/ comments
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 (core)	Reference/ comments
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 (core)	Reference/ comments
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 (core)	Reference/ comments
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 (core)	Reference/ comments
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
	302-1	Energy consumption within the organisation (Scope 1 and 2)	Chapter 4
Energy	302-2	Energy consumption outside of the organisation (Scope 3)	Chapter 4
	302-4	Reduction of energy consumption	
	305-1	Direct (Scope 1) Greenhouse Gas Emissions	Chapter 4
Emission	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

CRITICAL REVIEW STATEMENT



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Critical review on the sustainability report 2022 of HS Timber Group (draft version from 11.07.2022 and layout draft version from 21.10.2022) by Umweltbundesamt GmbH

Umweltbundesamt GmbH (Environment Agency Austria) was engaged by the management of HS Timber Group to perform a critical review of their sustainability report 2022 and an ex-post critical review on the GHG-accounting part of the reporting process.

The critical review of the sustainability report has been conducted on the basis of GRI Sustainability Reporting Standards and the International Standard ISO/FDIS 14016 "Environmental management – Guidelines on the assurance of environmental reports".

Subject of the review were two draft versions of the sustainability report (from 11.07.2022 and 21.10.2022). In the course of the critical review, suggestions for improvement were noted to accompany the finalization of the report.

The content of the report was reviewed primarily on the basis of the defined criteria:

- materiality
- completeness
- reliability / accuracy / traceability
- transparency

The review of the communicative quality was based on the evaluation of:

- design / layout
- graphic design
- balance of texts and from texts to graphics
- intelligibility

The critical review of the sustainability report focused exclusively on the above mentioned criteria and not on the truthfulness or correctness of the text content

1/2

Umweltbundesamt GmbH, Sitz: Wien/Österreich, Handelsgericht Wien, FN 187010; DVR 0492221;
UID-Nummer/VAT Reg No: ATU45908200; IBAN: AT74201182213332800, BIC: GIBAATWWXXX;

and data. Some graphics and charts were not yet included or not included in the final version in the draft report and were therefore not part of this critical review.

Our work did not include any physical inspections of HS Timber Group's operational facilities or the reviewing of other documents (included web-links) in addition to the sustainability report.

Our service has not considered the interests of specific third parties, it therefore only serves our customer and only for his purposes.

Thus, the review was not an official validation of the report to confirm compliance with the GRI or ISO/FDIS 14016 criteria.

Our responsibility was to independently express conclusions and suggestions for improvement on the subject as defined with our client HS Timber Group, while the further handling of these comments is in the sole responsibility of HS Timber Group.

The critical review panel found the overall quality of the sustainability report, especially regarding materiality, inclusion of stakeholders, completeness and readability to be high and adequate for the purpose of the report. The data listed are comprehensible and comprehensive. The report describes a clear strategy and according goals and measures where HS Timber Group is going and wants to go further regarding sustainability. Furthermore, the report gives the impression that HS Timber Group is very ambitious and innovative in its approach to sustainability, that it is very aware of the importance of sustainability for the company and the society, and that it wants to communicate this to its stakeholders accordingly.

The critical review panel identified a number of suggestions for improvement of the sustainability report, mainly to further increase information content and clarity.


HS Timber Group received a documentation from the reviewers containing these comments and suggestions for further processing.

Regarding the critical review of GHG-Accounting virtual exchange took place regarding the system boundaries for the assessment, input data, applied emission factors and results of the GHG-emissions profile. The proposed changes made by the reviewers have been taken into account in an inclusive manner.

2/2

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MISSION STATEMENT



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



Timber Sourcing Policy

Responsible Sourcing
The HS Timber Group's Timber Sourcing Policy

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.

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.



Dan Bănuțu, Jürgen Bergner, Christian Hörburger,
Martin Louda, Gerald Schweighofer

ENVIRONMENTAL POLICY



HS Timber Group Environmental Policy

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 certified material 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;
- a target of a 25% reduction in CO₂ emissions by 2025;
- minimizing the volume of waste generated by our operations;
- maximizing 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.

Implementation

In order to achieve the principles and goals presented and to ensure continuous improvement, we apply the requirements 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 ISO 14001:2015 certification of all our mills by 2022 at the latest.

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.



Dan Bănașcu, Jürgen Bergner, Christian Hörburger,
Martin Louda, Gerald Schweighofer

FOOTNOTES

ABBREVIATIONS

- APV** – Act de Punere în Valoare (Romanian document of origin, inventory/details of trees for harvesting plots)
- BDMT** – Bone Dry Metric Ton
- CHP** – Combined Heat and Power plant
- CITES** – Convention on International Trade in Endangered Species of Wild Fauna and Flora
- CMS** – Compliance Management System
- CoC** – Chain of Custody
- CSR** – Corporate Social Responsibility
- DDS** – Due Diligence System
- DIY** – Do-It-Yourself
- EMS** – Environment Management System
- EUTR** – European Union Timber Regulation
- FAO** – Food and Agriculture Organization (United Nations)
- FLEGT** – Forest Law Enforcement, Governance and Trade
- FMU** – Forest Management Unit
- FSC®** – Forest Stewardship Council
- GHG** – Greenhouse Gas Emissions
- GPS** – Global Positioning System
- GRI** – Global Reporting Initiative
- HS** – HS Timber Group
- HS DDS Hub** – HS Due Diligence Hub, internal web platform covering information of the entire supply chain
- IACA** – International Anti-Corruption Academy
- IEA** – International Energy Agency
- ILO** – International Labour Organisation
- ISO** – International Organisation for Standardisation
- KPI** – Key Performance Indicator
- MENA** – Middle East and North Africa
- NGO** – Non-Government 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)

- ⁰¹ The 17 GOALS | Sustainable Development / <https://sdgs.un.org/goals>
- ⁰² The Group's scope of full consolidation includes 21 companies in Austria, Germany, Romania, Belarus, and Argentina, including solar glass production (Glasmanufaktur Brandenburg - GMB). Its scope is therefore larger than the scope of the non-financial figures reported in this report.
- ⁰³ The edge-glued panels factory in Siret, which processed sawn timber from the Rădăuți sawmill, was closed entirely in 2022.
- ⁰⁴ The project is of course affected by the current geopolitical situation, especially by the sanctions levied against Russia and Belarus, because of the Russia-Ukraine conflict. The project is currently on hold. At the time of publication of this report, the further procedure has not been clarified yet.
- ⁰⁵ In July 2022, the scope of the Code of Conduct was extended to all business partners. This includes suppliers, customers, and other business partners.
- ⁰⁶ Compliance Management Systems, published on 13 April, 2021
- ⁰⁷ EOS - European Organisation of the Sawmill Industry / https://www.eos-oes.eu/en/about_eos.php
- ⁰⁸ Prolemn / <http://pro-lemn.ro/en/home/>
- ⁰⁹ DeSH / <https://www.saegeindustrie.de/>
- ¹⁰ Timber Sourcing Policy / <https://hs.at/en/responsibility/what-we-do/timber-sourcing-policy.html>
- ¹¹ FOREST EUROPE, 2020: State of Europe's Forests 2020; Ministerial Conference on the Protection of Forests in Europe
- ¹² FOREST EUROPE, 2020: State of Europe's Forests 2020; Ministerial Conference on the Protection of Forests in Europe
- ¹³ See details in our Supply Chain Report 2021
<https://hs.at/en/responsibility/a-responsible-supply-chain/supply-chain-control-report.html>
- ¹⁴ The quasi-virgin forest concerned was affected by windfall and therefore, management plans were officially amended to allow for interventions in integral protection areas in this forest. The supplier was not suspended. The delivery was rejected.
- ¹⁵ Regulation (EU) No 995/2010 of the European Parliament and of the Council, of 20 October 2010, laying down the obligations of operators who place timber and timber products on the market.
<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32010R0995>
- ¹⁶ CITES / <https://cites.org/eng>
- ¹⁷ Inspectorul Pădurii / <https://www.inspectorulpadurii.ro/>
- ¹⁸ Environmental Policy / <https://hs.at/en/responsibility/what-we-do/environmental-policy.html>
- ¹⁹ Production sites in Reci, Rădăuți, Sebeș Comănești and Siret in Romania and Kodersdorf in Germany; the head offices in Vienna including the technical office in Ybbs and Bucharest are also included
- ²⁰ Emission Factors 2021 - IEA <https://www.iea.org/data-and-statistics/data-product/emissions-factors-2021>
- ²¹ Umweltbundesamt 2021
https://www.umweltbundesamt.at/fileadmin/site/themen/mobilitaet/daten/ekz_pkm_tkm_verkehrsmittel.pdf
- ²² This number differs from the reported work-related accidents in the 2020 Sustainability Report, as there were inconsistencies for the Romanian numbers. The number was revised for this report.
- ²³ In 2021, HS Timber Group's companies in Romania were sourcing roughly 50% of their wood from Romania. The complementing imports were coming exclusively from EU countries. See more on our Supply Chain Report 2021
<https://hs.at/en/responsibility/a-responsible-supply-chain/supply-chain-control-report.html>
- ²⁴ Asociația Administratorilor de Paduri (ocoalesilvice.ro) / <https://ocoalesilvice.ro>
- ²⁵ HS Timber Productions' statement on the results of the Competition Council investigation
<https://hs.at/en/press/news/detail/hs-timber-productions-statement-on-the-results-of-the-competition-council-investigation.html>

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