

Vienna, 28 February 2019

Holzindustrie Schweighofer: Update regarding timber imports from Ukraine

- **New questionnaire by the NGO “EarthSight” transparently answered, answers publically available**
- **Business engagement within the framework of all laws and regulations**
- **Going beyond the law: Strict company guidelines for the entire value chain**
- **Ukrainian suppliers under constant examination –zero tolerance policy in case of irregularities**
- **All 12 EUTR checks to date without complaints against Holzindustrie Schweighofer**
- **Constant improvement of security architecture – NGO input welcome**

Holzindustrie Schweighofer, one of Europe’s leading wood processing companies, operating three sawmills and two panel mills in Romania and one sawmill in Germany, wishes to give an update on its wood imports from Ukraine. This update is published on the occasion of a questionnaire sent to the company by the British NGO *EarthSight* requesting a reply by 28 February 2019. Holzindustrie Schweighofer has answered these [questions](#) transparently and has published them on its [website](#) for the general public.

The company wishes to transparently explain the measures it has in place to ensure that wood imports from Ukraine are only carried out within the framework of all laws and regulations. Additionally, Holzindustrie Schweighofer takes this opportunity to reiterate the regulatory framework conditions for wood imports from Ukraine.

Timeframe and legal framework

With the coming into effect of the Ukrainian export moratorium on spruce and fir saw log exports, Holzindustrie Schweighofer ceased its corresponding activities in November 2015. When the export moratorium on pine saw logs from Ukraine came into effect in December 2016, the company also ceased to import these products. Currently, Holzindustrie Schweighofer purchases only coniferous sawn timber from 18 suppliers in Ukraine.

Strict Due Diligence, Dialogue and Continuous Improvement

It is Holzindustrie Schweighofer’s fundamental principle to adhere to all applicable rules and regulations in all its engagements. The company applies a strict control system designed to comply with the requirements of the EUTR (European Timber Regulation) to all its timber purchases. Among other aspects, the EUTR regulates the due diligence to be applied by market participants when they place timber and timber products on the European Single Market for the first time. They are obligated to prove that the timber originates from legal harvests.

12 EUTR controls without complaints

Between 2015 and 2019, Holzindustrie Schweighofer was subjected to 12 EUTR (*European Timber Regulation*) controls, all of which confirmed compliance with all legal due diligence obligations.

Meticulous Monitoring

All in all, 50 Holzindustrie Schweighofer employees (*including internal auditors, supply chain experts and purchasers*) are involved in examining the sources of all purchased timber. Crucial elements of these examinations are: On-site visits to suppliers and the harvesting locations in the forests, intensive checking of the sustainability certifications and company profiles of the suppliers, and verification of the competent responsibility of the forestry administrations. The overall goal of these measures is to check the entire spectrum of the supply chain prior to starting production. After purchase and during delivery, quality, quantity and the respective delivery documentation are closely monitored. In addition to these checks, all Ukrainian suppliers were externally audited in 2018. None of the suppliers had to be suspended due to irregularities. The company has a strict zero tolerance policy in place and does not pardon any irregularities.

Dialogue with NGOs

In addition, Holzindustrie Schweighofer is committed to maintaining a transparent dialogue with the public. The company is convinced that dialogue – alongside continuous internal audits – offers the best opportunity to optimise its security architecture. This applies in particular to countries with challenging social, political and economic environments.

Clearly Defined Responsibilities

How does Holzindustrie Schweighofer view its responsibility in challenging countries like Ukraine in principle? The following areas of responsibility can be discerned:

- compliance with the laws of the respective country along with
- all applicable international laws.
- The ethical aspiration to establish efficient and transparent control systems going beyond the scope of these laws to monitor and protect the entire supply chain.
- The ambition to continuously improve our security architecture in constant dialogue with the public.
- Not to do any business with convicted offenders in the areas of corruption and illegal felling.

If specific problems arise in certain countries (*such as Ukraine*) that fall within the responsibility of the national authorities and must therefore be addressed by those authorities, and that are not or cannot be recognizable even to a circumspect company like Holzindustrie Schweighofer, then the company cannot assume any responsibility for such problems. Private corporations cannot, should not and must not take over the sovereign functions and duties of countries (*like those of the federal prosecution, jurisdiction or executive authorities*). To be made responsible for criminal acts allegedly perpetrated in a country when one may in fact be the victim of those criminal acts must be rejected emphatically.

Background information:

Facts and figures: Holzindustrie Schweighofer in Ukraine

- **Which activities did Holzindustrie Schweighofer undertake in Ukraine from 2012 to 2017?**
From 2012 to 2016 the main focus of HS' activities in Ukraine was the import of coniferous saw logs destined for its timber processing mills in Romania. Following the Ukrainian export ban on spruce and fir saw logs, HS ceased



its spruce and fir saw log imports in November 2015. Following the Ukrainian export ban on pine saw logs, HS ceased the imports of pine saw logs by the end of 2016.

With full respect for the framework of applicable laws and regulations HS continued to purchase sawn timber from Ukrainian producers in order to better utilize its Romanian further processing capacity. Since 2012 HS imported: (i) 3.5m cubic meters of coniferous saw logs, (ii) approximately 95,000 cubic meters of coniferous lumber and (iii) approximately 5,000 BDT (*bone dry metric tons*) of firewood from Ukraine. HS' imports from Ukraine decreased in 2017 to 49,000 cubic meters of lumber and 5,000 BDT of firewood.

- **Does Holzindustrie Schweighofer purchase wood from individuals or companies that have been legally convicted?**

As a matter of principle, HS does not source wooden raw materials for a period of at least three years from companies or individuals who have been legally convicted for offenses against forestry and/or corruption laws for at least three years.

- **How does Holzindustrie Schweighofer deal with potential breaches in its upstream supply chain?**

HS acknowledges its responsibility to assess relevant information about potential wrong-doings in its supply chain even before there is a legally valid verdict. The company is committed to a zero tolerance policy in case of irregularities in the supply chain.

- **What is the EUTR?**

When sourcing timber in Ukraine the EU Timber Regulation (EUTR)¹ is a key legislation. The European Union introduced the EUTR in order to minimize the risk of illegally harvested timber and timber products entering the EU market. HS believes that the EUTR as such and responsible importers who respect the EUTR are significant contributors and can serve as examples for sustainable forestry in Ukraine.

- **“Holzindustrie Schweighofer follows the rules laid down by the EUTR” – What exactly does that mean?**

When importing from Ukraine, HS acts as *operator* under the EUTR. As such the company always applies due diligence when it places timber products on the EU market for the first time. Regardless of who supplied this timber—be it FSC-certified state forest entities or private companies headquartered in EU or Ukraine— HS respects its obligation as operator under the EUTR.

- **What is compliance with the EUTR? What are the due diligence requirements?**

HS' due diligence processes surpass the EUTR requirements. HS collects and audits a range of verifiable information including: (i) product specifications, (ii) timber species, (iii) certificates of origin, (iv) phytosanitary certificates, (v) quantity, (vi) names and address of suppliers, (vii) origin of the timber back to the forest management unit, and others. All suppliers are subject to our on-site verification programme.

- **How do the due diligence systems of Holzindustrie Schweighofer work in this context?**

HS' EUTR compliant due diligence systems thoroughly check all deliveries from Ukrainian suppliers and sub-suppliers instead of solely relying on the suppliers' own systems. The stringent application of the EUTR enables a transfer of know-how about effective due diligence to Ukrainian forest enterprises. In other words: The EUTR and European companies help the Ukrainian timber industry on its way towards a more sustainable and compliant future.

- **How can HS' compliance with the EUTR rules be measured?**

Between 2015 and 2019 HS Romanian subsidiary underwent 12 comprehensive EUTR-inspections by the competent authorities. These controls included also a check of our Ukrainian imports. None of them unveiled any non-conformance with the requirements of the EUTR.

HS is committed to constantly improving its security architecture. In order to bring in expert views in the development of its Due Diligence System, HS asked in 2016 the internationally renowned Indufor Group to assess and improve the security systems of the company. Already then Indufor concluded that the established security systems (due diligence) surpassed all legal requirements.

- **How many suppliers from Ukraine are currently supplying HS?**

Currently, HS purchases sawn timber from 18 suppliers from Ukraine. All 18 suppliers are currently being subjected to a special audit. An external investigation focusing on the legal status of the companies was conducted in 2018. In particular, the legal status of the companies or their directors regarding convictions for illegal logging or corruption is relevant. The result of investigation showed that none of our suppliers or their directors were convicted for illegal logging and/or corruption.

- **Were the saw log deliveries that HS received from Ukraine FSC-certified?**

In 2018, HS did not buy any round wood from Ukraine. Of the saw log deliveries of previous years, around 28% were FSC-certified.

About the Schweighofer Group

¹ Regulation No 995/2010 of the European Parliament and of the Council of 20 October 2010



Holzindustrie **Schweighofer**

The Schweighofer Group has its roots in a traditional Austrian family company with over 400 years of experience in wood processing. Today, the Group is primarily active in the wood processing industry, forest management, bioenergy production and real estate. The industry division of the Schweighofer Group operates three sawmills and two wooden panel productions in Romania and one saw mill in Germany. It takes a leading role in the European timber-processing industry, currently employing around 3,100 employees. Holzindustrie Schweighofer exports products to over 70 countries worldwide

For further information please contact:

Thomas Huemer

Head of Corporate Communications

Tel: +43 1 585 68 62 – 24

e-mail: thomas.huemer@schweighofer.at