

Holzindustrie Schweighofer implements new measures for a sustainable forest management in Romania

Sustainable and transparent sourcing is one of Holzindustrie Schweighofer's (HS) key principles. Fighting unlawful logging in Romania and the clear commitment to a constructive dialogue with relevant non-governmental organizations and other stakeholders will therefore remain to be HS' primary focus. Transparent communications and an overall enhanced control system are key elements for the improved company policy to ensure a more sustainable and comprehensible supply chain. In the following HS presents its new control system, which is unmatched in Romania's forestry industry and surpasses all regulatory requirements.

FSC-Bonus

1. Support the establishment of FSC in Romania with €1,04m

HS supported the establishment of an FSC-compliant chain of custody in Romania with more than one million Euros and it keeps on convincing forest owners, harvesting companies and suppliers to get certified. 2012 HS started to support the establishment of a FSC CoC-certified supply chain in Romania by paying a bonus of 5 RON/m³ for FSC-certified saw logs. This bonus was doubled to 10 RON/m³ in 2016. Since 2012, HS has paid a total of 4.77m RON (€1.04m) for this FSC-bonus.

Change in company policy

2. GPS-tracking – Transparency for the supply chain

HS is currently developing and implementing a GPS tracking system for its direct timber deliveries. The System will be operated by one of Romania's major mobile network providers. In December 2016 HS started to equip all trucks delivering logs to HS' saw mill and collecting sites (log yards) with GPS devices. Suppliers and transporting companies will have to present the route taken by the trucks in addition to all documents requested by law/regulations/standards. The GPS track will be investigated thoroughly. This makes sure that (a) the truck really originates from the site specified in the documents and (b) that the transporters can't make detours and abuse documents issued for HS to deliver illegal timber to other processors. HS did receive the written approval for realizing GPS tracking from the data protection authority by mid of October 2016.

The datasets for each arriving load will be published on the website www.timflow.com once the system is fully operational (scheduled for Q1/17)). This includes not only the GPS tracks but also information about the waybill and the document of origin and pictures of the load. The public will have access to this data and will be able to also retrieve scans of the documents. Users will also be able to report findings or suspicious facts to HS via a contact function. HS will immediately investigate these findings and respond to the claimant if the findings can be confirmed, if the case was handed over to the authorities or if there is no evidence for violations. At the moment, more than 125 trucks are already equipped with the Timflow-GPS tracker. At the end of the first quarter 2017, it will be more than 400.

3. Electronic volume verification

In March 2016, HS again tightened its take-over process in Romania by comparing the timber volume stated on the waybill (Aviz) with the objectively three dimensional electronically measured volume. A calibrated state-of-the-art laser scanner system automatically separates logs that exceed the volume stated on the Aviz. HS has made additional investments to adapt its scanning system as to fully comply with the strict technical requirements existing in the Romanian legislation regarding the measuring of logs.

These technical modifications were duly submitted to verification of and authorized by the Romanian Bureau of Metrology for two of three saw mills.

Due to a zero tolerance policy of the Romanian legislation, volumes exceeding the Aviz have to be considered as illegal although they might have been legally harvested. Every forester knows that a volume measured by hand with a caliper in the forest cannot correspond to the perfect laser measurement. Every week, the authorities are noticed of Aviz-exceeding deliveries by HS.

In connection with the thorough standard take-over procedure, HS is confident to apply the strictest gate controls for saw logs in Romania. And they will be considerably strengthened once the GPS-tracking system is implemented (s. below).

4. Improved stakeholder consultation

In the past two years HS improved its stakeholder consultation process. Additional to on-site audits this stakeholder consultation procedure considers third-party-opinions (from NGOs, local citizens, representatives of nature reserves) about the purchase area, environmental or social impacts, and HS' business partners. Feedback from relevant stakeholders is documented and the results are binding for purchase activities in the region.

5. New purchasing policy

In 2016 HS issued its policy for the sourcing of wood raw materials in eight languages. This commitment for legal sourcing was distributed among all suppliers and published on the company's [website](#).

It states that HS bans illegal timber and genetically modified trees from its supply chain and embraces traditional and civil rights, high conservation values, natural forestry, as well as the conventions of the International Labor Organization.

6. Indufor-audit

When assessing its due diligence process, HS did not only rely on internal audits and obedience to certification schemes. In January 2016, forest sustainability experts from the Finnish consulting firm Indufor were hired to find shortcomings in the processes. Their report, however, confirmed HS's due diligence to exceed statutory provisions and to fully comply with the main certification schemes. This assessment of independent and international recognized auditors will be a constant pillar of improvements for the future. HS will have a full review of its sourcing structures and processes done each year by external experts and will publicly announce the findings.

7. Authenticity checks of documents in areas vulnerable to illegal logging

HS uses a risk mitigation system based on a map (s. right) which is also publicly available in the [website](#) of The Association for Forest Certification¹. Further considered information are maps of national parks, and virgin forests.

If HS intends to source in such areas, its certification officers, responsible for compliance in the chain of custody, have to conduct an enhanced documents check. For example, they scrutinize the presented APV (harvesting plot specification), Aviz (timber waybill) and the forest management plan for authenticity.

8. Strengthened compliance team

A thorough due diligence process needs appropriate human resources. HS hired new certification officers in the recent months. On corporate top level directly linked to the management, a second certification manager is now responsible for supervision and compliance. Currently twelve employees (all with a university degree) are forming the certification division of HS.

¹ The [Association for Forest Certification](#) is an independent, non-governmental and non-profit organization, founded in April 2009 with the support provided by World Wide Fund for Nature Danube—Carpathian Program.

The work load and capital expenditure connected to the company's certification is considerable. In the first half of 2016, HS Romania employees conducted 39 field audits in the forest and 669 verification audits in the offices of suppliers. HS registers labor costs of the certification team, travel expenses and costs for audits of approximately €600,000 per year.

9. Standardized media-monitoring implemented

HS started to consider media reports in its Due Diligence System. A newly introduced procedure in HS' due diligence system defines how relevant media input have to be managed and communicated to stakeholders.

If, for example, a newspaper reports on corruption in a forest authority, HS will collect further information in order to find out if its suppliers are part of the wrongdoings. The procedure includes the consultation of local stakeholders. If necessary, additionally risk mitigation measures are applied or the business relationship with intolerable suppliers is terminated. Case evaluations have to be conducted within 14 days after HS becomes aware of potential issues. All measures taken are filed and protocolled in a central information pool.

10. HS suspended suppliers due to violation of the purchasing policy

If suppliers don't follow HS' purchase policy, the company excludes them from doing business. Most frequent violations that forced HS to cease business were conviction due to illegal logging or fraudulent restitution cases even though these cases were not connected with deliveries to HS or connected with HS activities.

Also in reaction to stakeholder-input or media reports, HS suspends the business relationships with controversial suppliers. Two examples illustrate those actions:

- In July 2016 HS was informed from the management of a local nature reserve about reckless harvesting practices of one of its suppliers. HS's certification officers investigated six harvesting sites and found evidence for poorly built skid roads and damaged trees. Purchases from this supplier were suspended until the company proves that it improved its harvesting methods.
- In September 2016 a YouTube video was aired that showed a supplier of HS acting in an aggressive and rather violent way. This does not fit to HS's principles. Deliveries from this supplier were suspended immediately. No further contract will be signed with these persons.

11. "Zero Timber Transports from National Parks"-Policy

HS implemented a "Zero Timber Transports from National Parks"-Policy in Romania, although the legislation would allow for logging in so called national park buffer zones and in case of sanitary cuttings. But HSR is aware of the controversies caused by processing such timber and clearly stated in its purchase contracts that it wouldn't accept logs coming from within the boundaries of National Parks.

Each log truck arriving at HS' saw mills in Romania is checked for timber delivered from national parks. Basis for identifying such loads is the APV-document which is compared with a list of all APV-numbers from national parks.

12. Compliance and anti-corruption training

HS' Romanian purchasers have to attend regular compliance trainings provided by an international law firm. They have learned how to recognize and cope with situations related or vulnerable to corruption. HS is also in contact with an expert organization in regard to management consulting and building up anti-corruption know-how in the company.

Better Communication

13. To be able to better communicate HS' activities in all aspects of sustainability, the website www.schweighofer-initiative.org was launched. The company uses this platform for publishing statements and reports, often in response to inaccurate media reports. On top of that, communication focusses on the positive consequences of HS's activities, new investments and social contributions. NGO-communication

Since the criticism on HS's operations in Romania began, the company tried to engage in a dialogue with NGOs and concerned citizens. HS established communication to major stakeholders and took part at round tables about improving and developing a sustainable forest based industry in Eastern European Countries.

Research and Development for Romania's forest

14. Satellite-Monitoring

HS is in negotiations with companies that provide satellite monitoring for forests. Satellites provide valuable insights of forest cover loss or gain. HS is convinced that in near future it will be possible to unveil deforestation in monitored areas by satellite within days after if occurred. Such a system could be able to automatically recognize deforestation and create a high risk map. HS is in negotiations about a possible pilot project to integrate such a monitoring system based on high resolution forest satellite image into the timber industry.

15. Log-Tracking with RFID or Indisputable Key

When it comes to illegal timber, one of the key problems is the recognition of single logs in different links of the supply chain. HS is in contact with various companies in order to develop a robust and industrially viable system. Possible technologies would be RFID (chips hammered into the wood) or a unique code that is stamped into the logs.

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