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# Introduction

Dear reader,

Wood is a sustainable and eminently likeable material. It is wood that has made our company what it is today. We are thankful for this.

Ever since the foundation of Holzindustrie Schweighofer, our company has undergone continuous change. Today, we are a successful, internationally renowned company. 2017 was a challenging year for the industry and for us, but we rose to these challenges.

Sustainability is part of our success. For us, this also involves responding to criticism of our company and using it as an incentive to continue improving processes in the long term. What we have achieved in the last two years in relation to our security system for wood deliveries in Romania is impressive and is already seen and recognised from different sides. This is something we can be proud of as a team.

Our motto "getting better every day" means that good performance can never be a final state, as there is always room for improvement: opportunities that we intend to exploit - for our products as well as for our supply chain.

In publishing our first sustainability report we aim to show what we have already achieved, but also deliver on our promise of maximum transparency. As a privately owned company, we are doing this voluntarily. With this report we are also reiterating our invitation to anyone who is interested in our company's activities in one way or another to enter into dialogue with us.

We would like to thank all of our staff for their commitment. One thing is for sure: only together can we successfully continue the course of sustainability on which we have embarked.

Dan Banacu      Jürgen Bergner      Christian Hörburger  
Martin Louda    Otmar Mittermüller    Gerald Schweighofer

*Management Board*

# Our first sustainability report

Our goal is to get better each day – especially when it comes to sustainability. However, big changes can only be achieved with the help of our employees and stakeholders. Mutual trust is crucial here and requires, in particular, information and transparency – something which Holzindustrie Schweighofer aims to provide in this, our first-ever sustainability report.

This report contains information about our principles, our mission statement and our approach to sustainability and discusses achievements and developments from recent years.

## GRI STANDARDS

The content, information and figures are selected and presented in compliance with the standards of the Global Reporting Initiative (GRI Standards). GRI, the international stakeholder initiative, has developed accepted guidelines for sustainability reporting that ensure transparency and comparability. This report meets the requirements of the “Core option”. GRI indicators discussed in the report are noted in the margins and compiled in a table starting on page 66. External verification of conformity with the GRI Standards is planned for the next sustainability report.

## REPORT BOUNDARY

The content and key performance indicators (KPIs) presented mainly relate to the years 2015 to 2017<sup>1</sup>. Measures and projects from the first half of 2018 are also included and described to ensure that the report is up to date.

The principal subject of the report is the timber-processing arm of the Schweighofer Group (Holzindustrie Schweighofer). Changes in the delimitation of data or KPIs,

for example when the entire Group is considered, are indicated at the appropriate point. Besides this sustainability report, Holzindustrie Schweighofer also provides information about its corporate responsibility on its website ([www.schweighofer.at](http://www.schweighofer.at)).

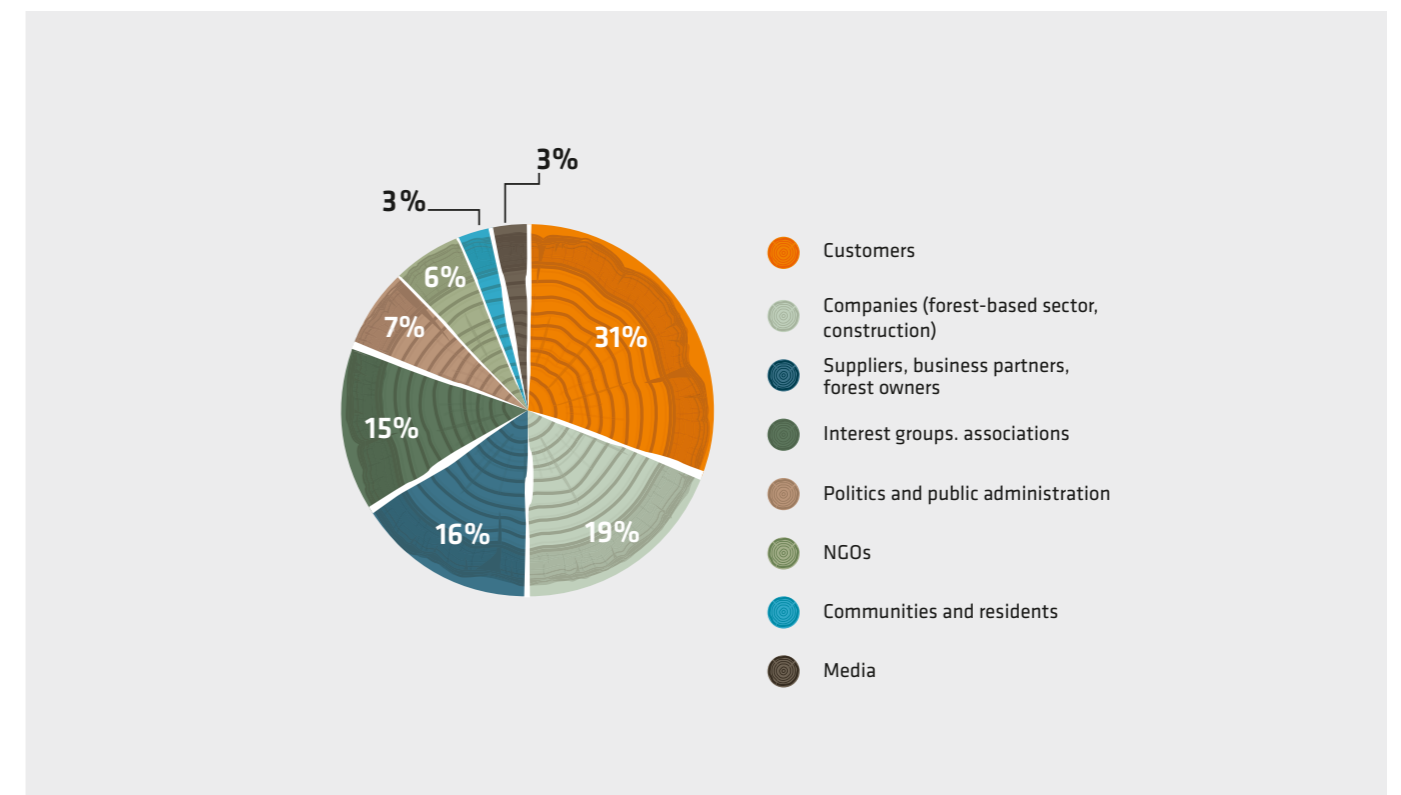
## OUR SUSTAINABILITY PROCESS

What does sustainability mean for Holzindustrie Schweighofer? What is the impact of our company's business activity in terms of the environment, social justice and sustainable social development? And in which areas can we make a significant contribution? All of these questions were asked at the start of the sustainability process that the company initiated in mid-2017. In advance of this process, a mission statement was drawn up. This is intended to be a vision of the future for the organisation, to provide orientation and to create enthusiasm among employees for the course chosen and get them on board.

To identify the most important topics and areas of activity in the field of sustainability, we first asked our stakeholders for their opinions and concerns. A total of 88 stakeholders took part in an online survey in autumn 2017, including customers, business partners and suppliers, NGOs, interest groups and representatives from politics and (regional) administration. Most of the participants came from Romania, followed by Austria and Germany; some were international customers, business partners and members of different institutions.

<sup>1</sup> The report does not include figures for the pulpmill in Hallein (Schweighofer Fiber), as this was sold in 2017.

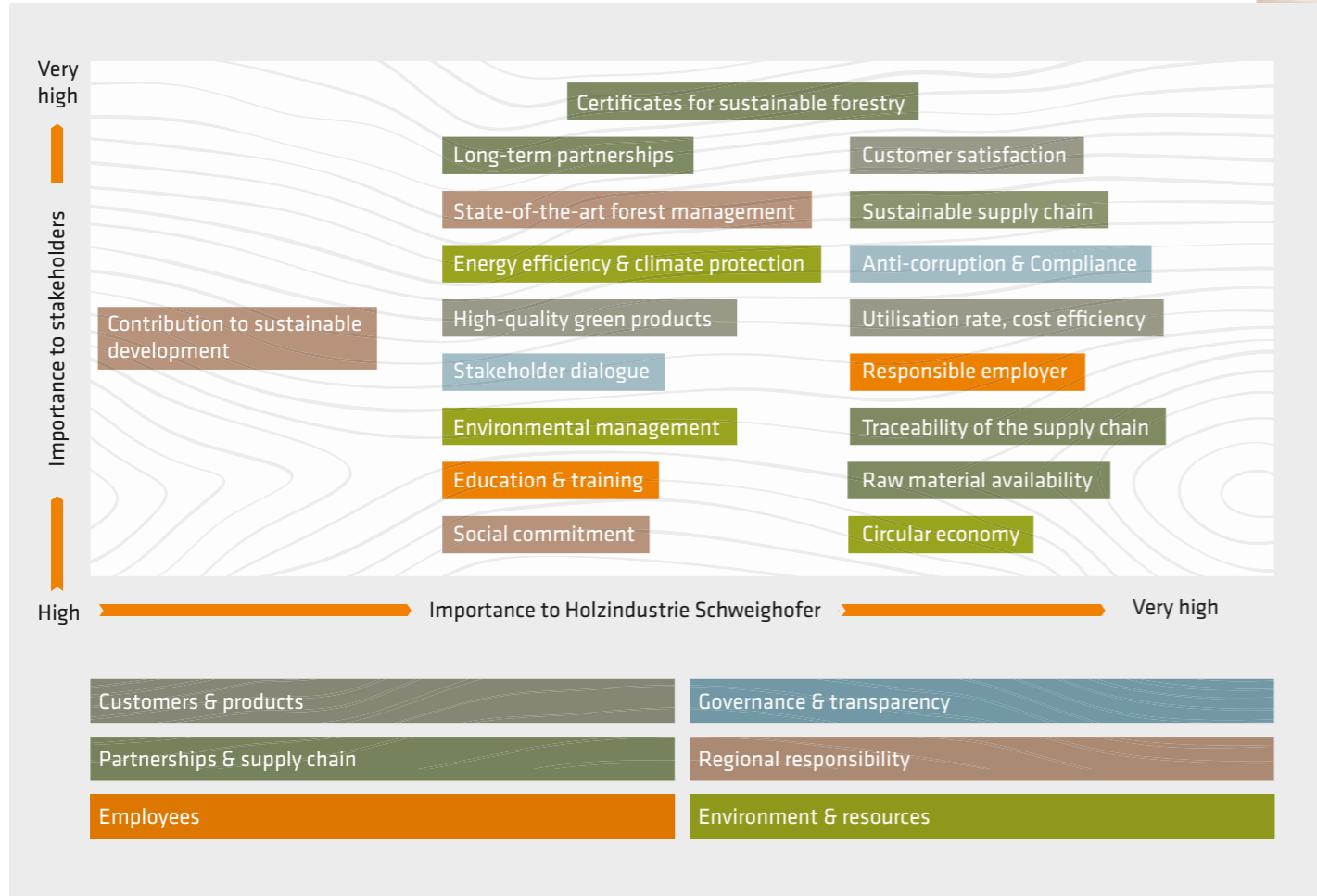
## STAKEHOLDER GROUPS SURVEY 2017



These stakeholders were not only asked about the most important sustainability issues for Holzindustrie Schweighofer as a large, international wood processing company, but also to assess the degree to which we had implemented them in these areas. So if an issue is classified as important and the performance of Holzindustrie Schweighofer is rated as rather poor, this means we will have to concentrate more on this area in the future.

Next, we held several workshops and round-tables with managers and company experts to concretise the structure and prioritise the area of activity and issues. This led to the creation of a materiality matrix that provides the basis for the contents of this report and the sustainability program for the coming years. It will be regularly overhauled and further refined.

### MATERIALITY MATRIX BY HOLZINDUSTRIE SCHWEIGHOFER



The matrix shows issues based on their significance for external stakeholders and their importance for the company and aggregates them in five subject areas. Both groups put customer satisfaction and anti-corruption & compliance as well as a sustainable supply chain at the top. Long-term partnerships are mainly expected by customers and business partners, whereas energy efficiency & climate protection and certificates for sustainable forestry are priorities for the general public and NGOs, which is why they are also right at the top of Holzindustrie Schweighofer's agenda. Our contribution to sustainable development and the establishment of state-of-the-art forest management are of high importance,

especially for the regions in which we operate. In addition, Holzindustrie Schweighofer puts emphasis on cost efficiency and a high utilisation rate of the raw materials used. We also aim to be a responsible employer for our employees.

A total of 18 action areas have been defined as relevant for Holzindustrie Schweighofer. On the following pages you will find out more about these issues, especially about our approach, our objectives and specific measures. Further planned measures are also described.





# Introducing Holzindustrie Schweighofer

## SUSTAINABILITY, PASSION, PARTNERSHIP

Holzindustrie Schweighofer is a traditional company with Austrian roots. We have a strong presence in Central and Eastern Europe, particularly in Romania. With over 3,100 employees in Austria, Germany and Romania, we produce wood products and supply - via wholesalers - primarily industrial customers all over the world.

We develop individualised, tailor-made solutions for our customers, from glued wood products for housing construction in Japan and light blockboards for American caravans and mobile homes to wooden panels sold in do-it-yourself stores all over Europe.

Holzindustrie Schweighofer relies on a global presence with a strong regional foothold. We take our responsibility to society seriously and support sustainable forestry. Our goal is to continue to grow in a sustainable manner and expand with the best employees in the industry. We are continually investing in particular in the expansion of our core competences, sawmilling and industrial timber processing, and in the diversification of our business.

## HISTORY OF HOLZINDUSTRIE SCHWEIGHOFER

Holzindustrie Schweighofer has its origins in a traditional Austrian company. We have more than 400 years of experience in wood processing. The foundations for the company's current size were laid in the 20<sup>th</sup> century. The company was then already striking out in new directions and setting standards in the wood processing industry. Today, the Schweighofer Group, with its head office in Vienna, is a strong company with five production sites in Romania and one in Germany. The pioneering spirit, passion and pursuit of perfection have continued unabated.

## CORPORATE STRUCTURE AND PRODUCTION SITES

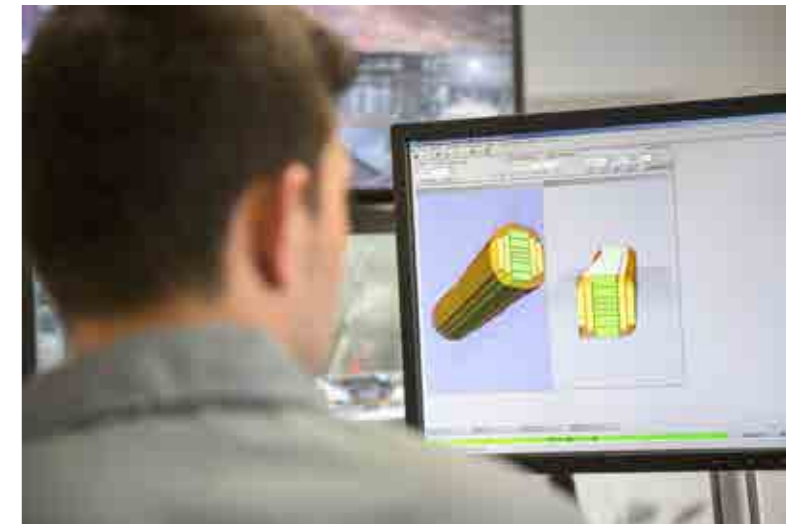
Today, the Schweighofer Group is organised as a holding company (SPB Beteiligungsverwaltung GmbH, headquartered in Vienna). Most of its approximately 3,100 employees work in the wood processing industry, but also in lumber trading, forestry, bioenergy production and real estate.<sup>1</sup>

The Group has had a strong presence in Romania for many years. In 2003, we opened our first sawmill in Sebeş in Alba County, Transylvania. Holzindustrie Schweighofer now operates three sawmills with secondary processing in Reci, Rădăuți and Sebeş, a blockboard factory in Comănești and a factory for the production of edge-glued panels in Siret. In October 2015, a sawmill in Kodersdorf, Saxony/Germany, was added to the Group. Our products are sold to around 70 countries across the world.



»As a long-standing customer and business partner, we welcome the fact that Holzindustrie Schweighofer is publishing a sustainability report. Clear answers are important to us and ensure the necessary security and reliability, so we appreciate that Holzindustrie Schweighofer regularly and pro-actively informs us about all company developments and aims to create transparency for all stakeholders, even critical ones. This increases confidence in our products, which is very important to us.«

**Eiji Sahara, head of the Lumber Section, Hanwa Co., Ltd.**

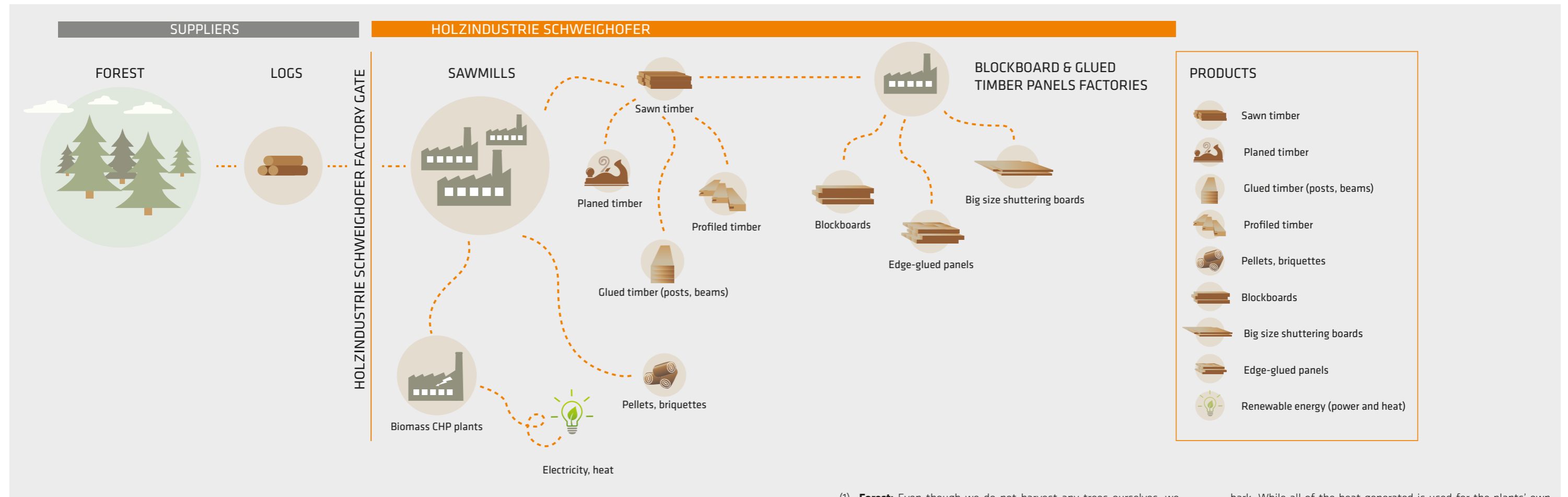


The regions we work in are the basis for our success. We therefore respect and value them. Holzindustrie Schweighofer has demonstrated social commitment for many years and supports charitable projects in education, social services and health care. Our state-of-the-art plants generate around 3,100 jobs, many of which are based in economically disadvantaged rural regions. In Romania alone, another 4,000 or so jobs have been created in upstream and downstream industries<sup>2</sup>. For more information please see "Regional responsibility" on page 60.

<sup>1</sup> The area reported on solely comprises the wood processing arm of the Schweighofer Group.

<sup>2</sup> Economic impact of the wood industry in Romania, PwC, 2016

## LOCATION-BASED VALUE CHAIN OF HOLZINDUSTRIE SCHWEIGHOFER



### PRODUCTS AND VALUE CHAIN

We utilise 100 per cent of the raw material. All by-products are processed or used to generate renewable energy.

In addition to high-quality sawn timber, we manufacture high value-added products at our processing facilities such as our glued wood products that are exported to Japan for use in housing construction. Our light-weight yet sturdy blockboards are used for high-end furniture. We produce shuttering panels for prefabricated concrete construction. Do-it-yourself enthusiasts will find our tongue and groove boards and edge-glued panels in home improvement stores. Pellets and briquettes made from our sawdust and shavings are a high-quality, eco-friendly source of energy.

We select our raw materials according to the strictest environmental criteria, develop solutions for the most demanding customers and manufacture our products with the

greatest precision. Our wood products can be found all over the world, directly or indirectly. Perfection in the production chain starts with selecting logs from sustainable forestry, continues in a strictly controlled supply chain and culminates in high-tech manufacturing and processing. Highly automated, innovative production facilities ensure extremely precise manufacturing. Each year, over 60 million boards are produced, sorted and individually assessed at each of our sawmills, allowing us to cater minutely to the needs of our customers. Continuous checks during the process safeguard the highest levels of quality.

In 2017 the turnover of Holzindustrie Schweighofer amounted to € 557.621 million. From 2010 to 2017 we provided sponsorship in Romania to the tune of approximately € 5.8 million.

(1) **Forest:** Even though we do not harvest any trees ourselves, we support conservation of natural forests and the fight against illegal logging. With our action plan for a sustainable wood processing industry, we have drawn up a range of measures that by far surpass all legal requirements. (See also page 34.)

(2) **Logs:** A strict due diligence system ensures that the purchased wood material exclusively originates from sustainably managed forests and that the origin of the wood can be traced back to the forest.

(3) In 2017 a total of 3,044 million m<sup>3</sup> of logs were processed in the **sawmills in Reci, Rădăuți, Sebeș and Kodersdorf**. The plant in **Comanesti** is the world's biggest **blockboard plant** at a single location. At the **Siret panels factory** sawn timber is processed into edge-glued panels. Pellets and briquettes are also produced at the plants in Romania.

(4) The state-of-the-art **combined heat and power plants (CHP) at the sawmills** in Reci, Rădăuți and Sebeș generate renewable energy (capacity of electricity production: 41 MW<sub>e</sub>) from biomass and

bark. While all of the heat generated is used for the plants' own production processes (especially kiln drying), the excess green power is fed into the national power grid. (See also page 52.)

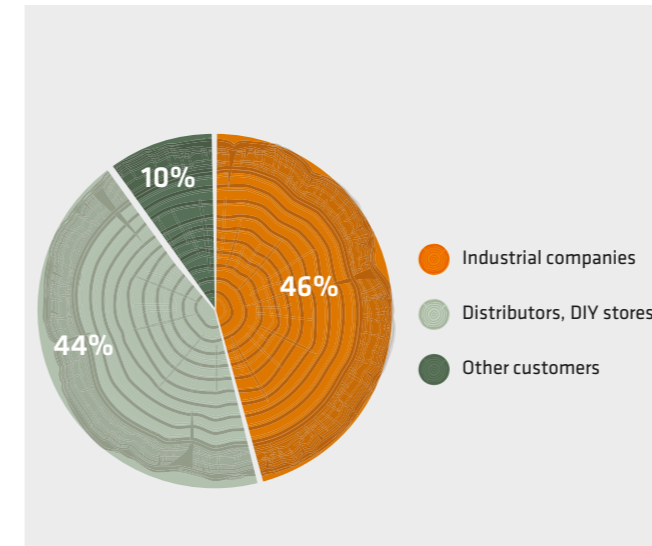
#### (5) Overview of Holzindustrie Schweighofer products and by-products

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

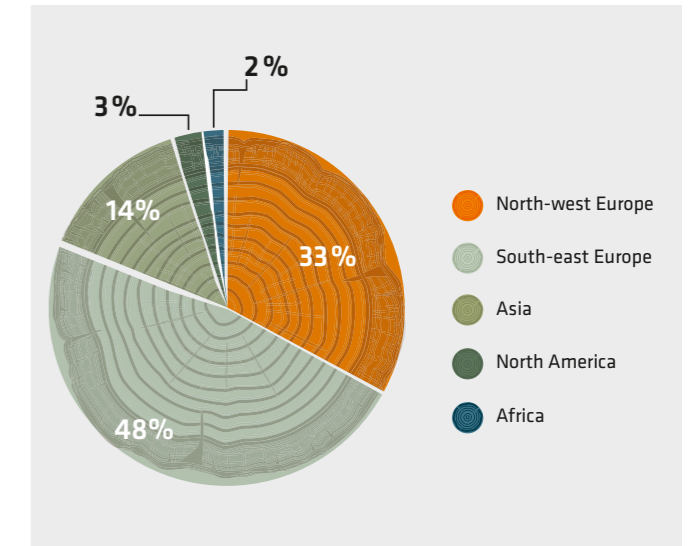




**Customers of Holzindustrie Schweighofer 2016 to 2017 (categories by number)**



**Customers by region by number 2016 to 2017**



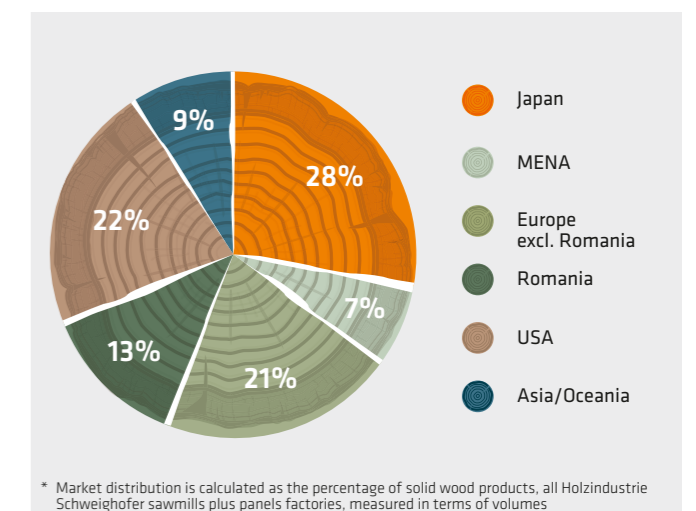
**PRIORITISING CUSTOMERS**

From large construction companies to mid-sized furniture factories to 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.

Holzindustrie Schweighofer supplies customers around the globe and sells its products to around 70 countries. The majority of our customers, over 80 per cent, are based in Europe. However, the distribution by volumes sold is different (see chart). Japan in particular is a key export market for our company. Our main customers are industrial companies from the construction and furniture industries, distributors and do-it-yourself stores.

We are particularly proud of the fact that many of our customers have remained loyal to Holzindustrie Schweighofer for many years. We have a long-standing partnership with around half of our customers. This, too, is proof of our professionalism and tailor-made approach to our customers.

**Most important markets\* of Holzindustrie Schweighofer 2017 (volumes)**



\* Market distribution is calculated as the percentage of solid wood products, all Holzindustrie Schweighofer sawmills plus panels factories, measured in terms of volumes



The winners of the Schweighofer Prize 2017

Festive award ceremony at Vienna City Hall



## THE SCHWEIGHOFER PRIZE – INNOVATION & NEW TECHNOLOGIES

The “Schweighofer Prize” rewarded innovative ideas, technologies, products and services throughout the timber value chain. Its objective was to increase knowledge and social acceptance of wood as a renewable raw material and to strengthen the competitiveness of the European forestry and timber industry.

The award, which was endowed with total prize money of € 300,000, was initiated in 2003. It was presented every second year at a gala event in Vienna and was divided into a main prize and several innovation prizes. A “Student Award” was also conferred in 2017. From 2019, a realignment of the Schweighofer Prize with a focus on students is planned.

The winners of the main prize in 2017 were timber engineer Hermann Blumer and architect Shigeru Ban. Together, the two men developed the intricate support structure for the Yeosu Golf Club in South Korea and the Centre Pompidou in Metz (France). Currently, they are working together on renovating the Swatch company headquarters in Biel, Switzerland.

The four innovation prizes went to Thomas Wehrle and his team from ERNE AG (Switzerland) for developing the ERNE Portalroboter, to Kristina Säfsten (Sweden) for the Pro-Wood project, to Wolfgang Fellner from fellner engineering (Austria) for his “CSM Heartbeat” development and to Mikael Rönnqvist from Skogforsk (Sweden) for the “Calibrated Route Finder” project.

The Student Award decided in online voting went to Felipe Hideyoshi Iimoto (Brazil) and Achmad Solikhin (Japan).

See [www.schweighofer-prize.org](http://www.schweighofer-prize.org) for more information about the prize and a look back at all previous prize-winners and winning projects.



Centre Pompidou in Metz developed by the main prize-winners engineer Hermann Blumer and architect Shigeru Ban



Gerald Schweighofer at the students' workshops





# Responsible corporate governance

**AT HOLZINDUSTRIE SCHWEIGHOFER, RESPONSIBLE CORPORATE GOVERNANCE MEANS EFFECTIVE STRUCTURES, CLEAR RULES AND TRANSPARENT COMMUNICATION.**

» Our internal organisation is well structured with clear rules and is understood by all of our employees. Decisions are made fast. We strive for an appropriate level of involvement and personal responsibility. Lean structures and open communication throughout the Group are our hallmarks. «

**Excerpt from the Holzindustrie Schweighofer mission statement**

At Holzindustrie Schweighofer, responsibility means that our entrepreneurial thinking is geared towards sustainability principles on a long-term basis. To make that a reality, we need clear guiding principles and internal guidelines, effective management and supervisory mechanisms within the company, 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.

As an international company with strong ties to Romania, we operate in a difficult environment. Nevertheless, we

firmly believe that transparency is the best way to tackle corruption. We therefore 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 a similar approach. We place particular emphasis on a transparent wood supply chain and support for sustainable forestry. To find out more about our approach to supplier management, our exemplary due diligence system and our action plan for a sustainable forestry industry in Romania, please visit page 24.



## OUR GOALS

- 1 Play a pioneering role in transparency and open communication
- 2 Ensure that our compliance management activities are continuously developed
- 3 Implement a Group-wide Code of Conduct for employees and suppliers
- 4 Intensify our activities with the International Anti-Corruption Academy (IACA)
- 5 Strengthen collaboration with NGOs

## OUR MISSION STATEMENT<sup>1</sup>: PERFECTION IN TIMBER

The Holzindustrie Schweighofer 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. The mission statement was developed by the Management Board in 2017 and has been disseminated not only throughout the Schweighofer Group but also externally<sup>1</sup>.

<sup>1</sup> <https://www.schweighofer.at/en/company/our-model.html>

»» In recent years, Agent Green has often criticised Holzindustrie Schweighofer for wrongdoings in national parks and primeval forests; nonetheless, our criticism has a constructive purpose – to improve policies, transparency and traceability. This is the reason we kept talking to the senior management of the company and we will continue this dialogue as long as significant improvement is apparent and all weaknesses and risks in the company's supply chain are addressed. For the past four years, these discussions have led to several improvements on the Holzindustrie Schweighofer side, resulting in a more structured dialogue starting in 2017. From that point on, the company revised its own internal guidelines and continued to address weaknesses indicated by Agent Green and minimise the risk of processing illegal wood as well as wood from national parks and primeval forests.

In my opinion, there is no doubt that Holzindustrie Schweighofer has made remarkable progress with regard to direct deliveries from forests; I also appreciate the company taking our advice to implement the pilot projects targeting physical traceability of wood through log yards with the aim of implementing this at Holzindustrie Schweighofer suppliers in the long run. Given its leading position in coniferous wood processing in Romania, Holzindustrie Schweighofer could now take the next step and start to play a leading role in further minimising the risk of illegal wood and wood from national parks and virgin forests entering the supply chain. This would raise standards throughout the timber industry. Specifically, we are asking the company to only supply wood directly from forests or, if this is not possible, to only choose log yards that do not accept wood extracted from logging concessions located in national parks and primeval forests. ««

**Gabriel Paun, President of Romanian NGO Agent Green**



## COMPLIANCE AND SUSTAINABILITY

The main pillars of the Holzindustrie Schweighofer corporate philosophy are fair competition, ethical conduct and mutual respect. At Holzindustrie Schweighofer, compliance involves more than just adhering to applicable legislation and internal guidelines. It means treating business partners and colleagues fairly and includes appropriate conduct in interaction with relevant authorities. To meet those goals, Holzindustrie Schweighofer has introduced clear internal guidelines which apply to everyone at the company.

The Chief Compliance Officer (CCO) is in charge of compliance within the Schweighofer Group. His core tasks include monitoring compliance with all relevant legislation and internal rules, with particular emphasis on anti-corruption and sustainable, transparent wood procurement. The CCO engages in dialogue with employees, representatives from civil society organisations and other external stakeholders, evaluates internal standards and activities on an ongoing basis and develops methods for improvement. Challenges

which relate to the international context play an important role. The CCO reports directly to the Management Board of the Schweighofer Group. He works closely with the Supply Chain Control & Certification department, the Legal department and other relevant departments.

Internal and external sustainability management is also closely linked to our compliance agenda and is coordinated by the CCO. He receives support from a full-time CSR manager in a corporate function. In addition, since April 2018, an internal auditor has been working with the compliance team at Holzindustrie Schweighofer in Romania; his main task is to improve, fine-tune and monitor internal processes.

## CODE OF CONDUCT FOR ALL EMPLOYEES

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 interpersonal interaction and mutual respect.

Once completed, the Code of Conduct will be introduced via a campaign at all mills. It will also be integrated into a mandatory on-boarding process for new employees. The Code of Conduct will be audited internally on a regular basis.

In addition to the internal Code of Conduct, in 2018 Holzindustrie Schweighofer will also issue a Supplier Code of Conduct. This will set forth ethical business practices with which all raw material suppliers must comply and will be incorporated by reference into all Holzindustrie Schweighofer purchase agreements. For more information about the Supplier Code of Conduct, see page 35.

## ANTI-CORRUPTION TRAINING COURSES

In 2017, Holzindustrie Schweighofer began a collaboration with the International Anti-Corruption Academy (IACA). The Academy is the first global institution of its kind to focus on ways to tackle shortcomings in expertise and practice in the field of anti-corruption. The IACA has observer status in the UN General Assembly, the Council of Europe's Group of States against Corruption, the United Nations Economic and Social Council and the International Organization for Migration and has been explicitly mentioned via various international resolutions.

For Schweighofer, the IACA has run tailored anti-corruption training courses for purchasing and sales employees, the Legal department and the Supply Chain Control & Certification team, as well as for the entire Management Board. In total, 91 employees and 23 members of senior and middle

management have undergone such training. We intend to continue with this collaboration in the future.

In addition, Holzindustrie Schweighofer has implemented a special IT solution for e-learning in the field of compliance and business ethics. This IT solution has been used to provide training to all relevant employees on a regular basis.

## DIALOGUE AND COMMUNICATION WITH STAKEHOLDERS

We are well aware that our corporate decision-making has a significant impact on various interest groups. They include our customers, employees and business partners as well as the regions in which our production sites are located and which supply us with our most important resource, renewable wood.

It is important for us to acknowledge and understand the needs and requirements of our stakeholders through regular mutual interaction with them. Open, ongoing dialogue will be the key to aligning our expectations and relative positions and successfully developing joint solutions.

The input we receive from these stakeholders is very valuable to us. It can help to bring facts and concerns to light, and it can also encourage the development of ideas of which our company might not otherwise become aware. Holzindustrie Schweighofer is convinced that constructive dialogue with stakeholders, and a willingness to address their concerns, will help improve performance in sustainability.

As a major player in the international wood market, Holzindustrie Schweighofer maintains a broad network of stakeholders and service providers. We are in regular contact with customers, suppliers and business partners, authorities, NGOs and representatives of interest groups, and our own employees. Depending on the stakeholder group, different forms of communication are used.

## OVERVIEW – 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
GESCHÄFTSPARTNER	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	Action plan consultation process, newsletter, direct contact
	Social NGOs	Action plan consultation process, 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

To communicate with local stakeholders in particular, Holzindustrie Schweighofer organises regular meetings. At these meetings, information is provided via in-person conversations, industry topics are discussed and input and feedback about measures taken by Holzindustrie Schweighofer are provided.

With international stakeholders, Holzindustrie Schweighofer interacts via structured dialogue. This takes place via regular in-person meetings or via exchanges of information involving other interest groups.

We also emphatically support multilateral initiatives, e.g. the Romanian NGO/Industry Round Table which has already

been established. Formats of this kind improve communication between Holzindustrie Schweighofer and individual stakeholders; they are also a means of building trust and relationships and of encouraging mutual understanding of general problems in the industry as a whole.

Stakeholders play an important role in, for example, the certification of standards, e.g. for sustainable forest management. We consider external input to be an integral part of our risk management activities. Moreover, when conducting on-site audits at its suppliers, Holzindustrie Schweighofer proactively consults local stakeholders and requests information about the supply chains of these suppliers.



Public consultation process

Our wood tracking system Timflow is designed specifically for interaction with stakeholders. On [www.timflow.com](http://www.timflow.com), Holzindustrie Schweighofer publishes all details regarding shipments of wood in Romania which have been delivered by truck, e.g. images of loaded trucks or GPS-based information about the origin of the wood. Any stakeholders or any users among the general public can contact us via the website if there are any perceived irregularities or anything is unclear. Timflow was implemented in all of Holzindustrie Schweighofer's Romanian sawmills in April 2017 and, one month later, its scope was broadened to include all wood collection points owned by the company. For more information about Timflow, see page 28.

In autumn 2018, Holzindustrie Schweighofer's stakeholder information portal will go online. All relevant information and reports will be published via the portal and a personal contact will be available to facilitate exchange of information with stakeholders.

### OPEN DOOR POLICY REGARDING NGOs

In line with its commitment to transparent communication, Holzindustrie Schweighofer 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 technologies used, representatives of recognised NGOs can visit our mills unannounced. Our goal is to transparently demonstrate our efforts to ensure a secure supply chain.

# Sustainable supply chain

## AT HOLZINDUSTRIE SCHWEIGHOFER, A SUSTAINABLE SUPPLY CHAIN MEANS HONESTY, LONG-TERM PARTNERSHIPS AND RIGOROUS CONTROLS

»» Our suppliers and customers are the economic foundation of our business. We offer them reliability and long-term partnerships. We demand honesty and compliance with rules and regulations as well as a commitment to continuous improvement – both from ourselves and our partners. ««

Excerpt from the Holzindustrie Schweighofer mission statement

Wood is a unique, versatile raw material and, at the same time, a renewable resource. As trees grow, wood absorbs the carbon dioxide (CO<sub>2</sub>) responsible for climate change. Through its activities, the company has been closely associated with this valuable material for generations. Then as now, the availability of high-quality wood is essential.

Only a forest that is managed sustainably can meet industry demand and also supply future generations. Preserving and fostering this natural resource is one of our uppermost concerns. This is why we rely on sophisticated supplier management and rigorous due diligence. We only purchase coniferous wood from verified, non-controversial sources. In addition, we undergo regular voluntary checks by international institutions.

We insist on careful use of environmental resources and effective environmental management as integral parts of our economic activity. This fosters innovation and success while ensuring the protection of forests.

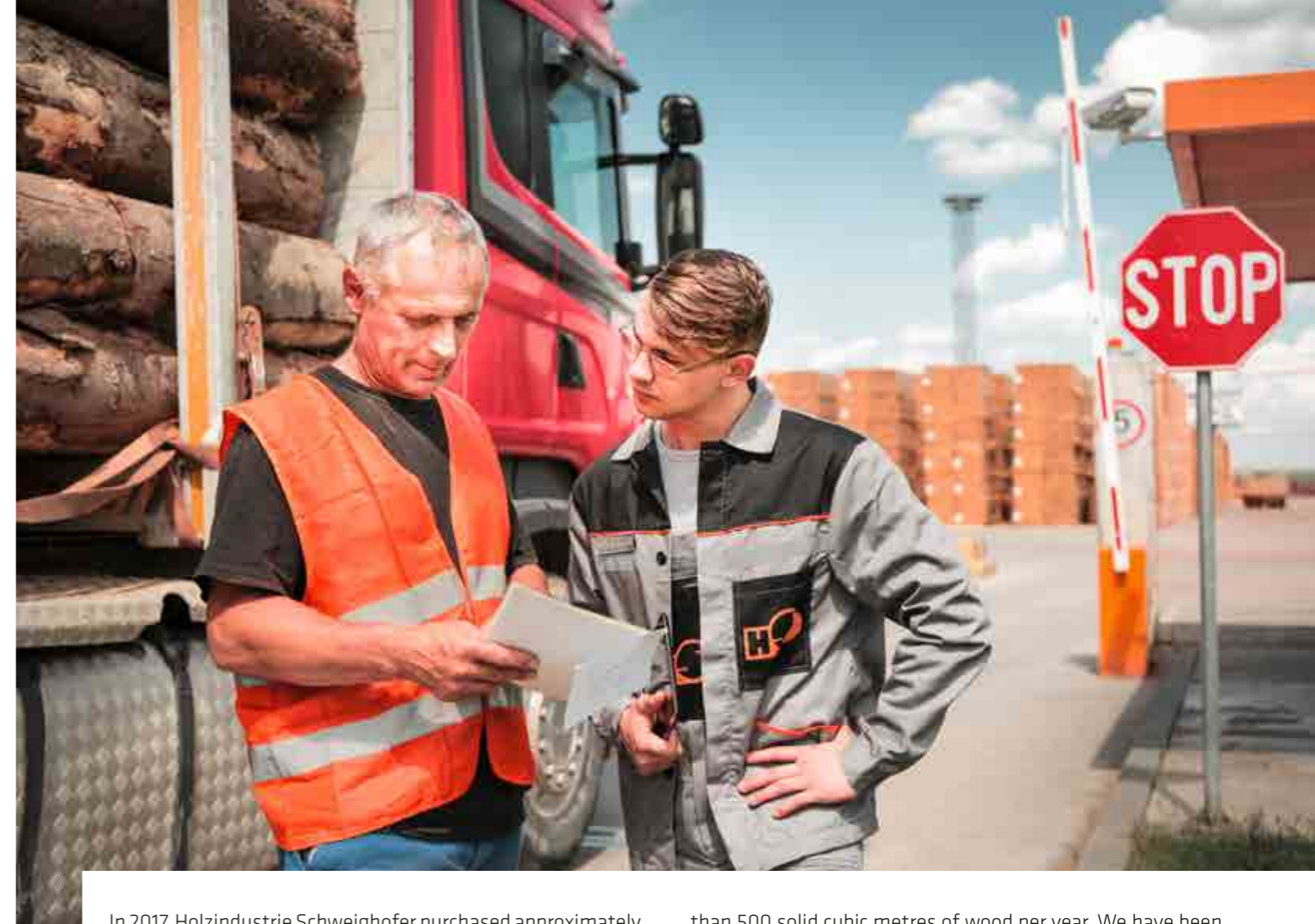
### OUR GOALS

- Ensure a sustainable supply chain
- No wood originating from virgin forests or national parks in Romania
- From 2025: purchase of 100 per cent certified wood
- Renewed association with the FSC®
- Certification of all individual sites to PEFC™ (instead of multi-site certification)<sup>1</sup>
- Implementation of a Code of Conduct for suppliers<sup>2</sup>
- Continued work on and research into methods for physical traceability of the origin of wood<sup>3</sup> – for each trunk down to the growing area

<sup>1</sup> Completed in July 2018

<sup>2</sup> By the end of 2018 at the latest

<sup>3</sup> For more information, please refer to page 42 of this report



In 2017, Holzindustrie Schweighofer purchased approximately 3.3 million solid cubic metres of sawlogs and around 160,000 cubic metres of sawn timber to manufacture high-quality wood products. This was coniferous wood from spruce, fir or pine trees. We only use hardwood in very small quantities for panel production, e.g. as veneers.

We have a diverse supplier structure. Last year (2017), the three sawmills in Romania alone purchased wood from 825 merchants and forestry companies. Around 95 per cent of these vendors are small businesses that supply no more

than 500 solid cubic metres of wood per year. We have been in partnership with 233 suppliers for at least nine years.

The same standards and Holzindustrie Schweighofer's strict purchasing policy apply to all wood suppliers, from international timber merchants to silviculturists (see box on page 26). However, the large number of suppliers also makes one thing clear: only a far-reaching, effective due diligence system using cutting-edge technology can ensure a sustainable supply chain.

»» Our long-standing cooperation with Holzindustrie Schweighofer is based on mutual trust, transparency and a commitment to honesty and careful use of resources – on both sides. We support the initiatives of Holzindustrie Schweighofer and meet all of the company's stringent requirements as part of our efforts to support the fight against illegal logging in Romania. ««

**Ciprian Petru Juravle, CEO Exiforest SRL  
(supplier of wood to Holzindustrie Schweighofer)**





## RESPONSIBLE SOURCING – HOLZINDUSTRIE SCHWEIGHOFER'S TIMBER SOURCING POLICY

2018

Sustainably managed forests have the highest priority for Holzindustrie Schweighofer. 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 staff in similar functions have 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 per cent 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 a responsible wood industry.

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

Dan Banacu      Jürgen Bergner      Christian Hörburger  
Martin Louda    Otmar Mittermüller    Gerald Schweighofer

*Management Board*

### EXCURSUS: THE FORESTRY INDUSTRY IN ROMANIA

In terms of the absolute acreage of its forests, Romania ranks in the upper mid-range of all European countries. According to the national forestry statistics, around 6.6 million hectares<sup>4</sup>, or 27.5 per cent of the national territory, are covered by forest. With 2.6 solid cubic metres per hectare of wood being removed per year and forest regeneration of 7.8 solid cubic metres per hectare<sup>5</sup>, forests in Romania are growing at around twice the EU average.

Two-thirds of woodland in Romania are in public ownership. Of this, 53 per cent<sup>6</sup> is in nature reserves, where forestry is possible only to a limited extent or prohibited entirely. Rom-silva (National Forest Administration) is responsible for the management of state forests, but also for the supervision of privately owned forestland.

Romania has strict forestry legislation. For example, all timber harvesting measures, even thinning, need to be approved by the forestry commission offices. Forestry companies need a state permit. All harvested areas are subject to a reforestation obligation, which can be achieved through natural regeneration or active planting. Timber consignments are recorded by the state SUMAL system. Introduced in 2008, this computerised online system requires every forestry enterprise to meticulously register its felling data, every transport company its transport volumes and every wood processing company its processing quantities. All parties involved in the value chain are regularly inspected by the forestry authority.

Despite the wide range of measures implemented by the Romanian government, there is still a risk of illegal logging. Environmental protection organisations rightly call for reinforced measures to protect forests. The national catalogue of virgin forests includes approximately 20,500 hectares of primeval forest (as of March 2018). However, this catalogue is still a work in progress. Holzindustrie Schweighofer emphatically supports the rapid completion of this catalogue, a strong demand from Romania's environmental associations.

<sup>4</sup> National Statistics Institute, [http://www.insse.ro/cms/sites/default/files/com\\_presa/com\\_pdf/silvicultura\\_r2017.pdf](http://www.insse.ro/cms/sites/default/files/com_presa/com_pdf/silvicultura_r2017.pdf)

<sup>5</sup> [http://www.mmediu.ro/app/webroot/uploads/files/2016-12-16\\_Raport\\_Starea\\_padurilor\\_2015.pdf](http://www.mmediu.ro/app/webroot/uploads/files/2016-12-16_Raport_Starea_padurilor_2015.pdf) – considers acreage of forest land. A project is currently under way to take stock of the national forest cover. Informal figures indicate significantly higher annual growth.

<sup>6</sup> [http://www.mmediu.ro/app/webroot/uploads/files/2016-12-16\\_Raport\\_Starea\\_padurilor\\_2015.pdf](http://www.mmediu.ro/app/webroot/uploads/files/2016-12-16_Raport_Starea_padurilor_2015.pdf) (Romanian Environment Ministry)





Exact wood tracking by Timflow



## OUR DUE DILIGENCE SYSTEM IN ROMANIA

In 2017, Holzindustrie Schweighofer's sawmills in Romania purchased around 50 per cent<sup>7</sup> of their sawlogs in Romania. There they operate in a challenging business environment. In the past, the media reported on irregularities in the Romanian supply chain, one of the main criticisms being that Holzindustrie Schweighofer relied excessively on document control and failed to communicate adequately with stakeholders. We acknowledged this weakness and introduced a targeted comprehensive range of measures – the action plan for a sustainable timber industry in Romania. This plan, which is unique in Europe, by far surpasses the strict legal requirements in Romania.

To ensure that the softwood purchased comes from sustainable forestry, we implemented an innovative supplier

management system and improved our due diligence system. In addition to rigorous controls and high standards, cooperation and the development of long-term partnerships, especially with our suppliers and customers, are paramount. Our goal is to do everything in our power to fight illegal logging from the starting point of the supply chain.

We audit each new supplier to ensure compliance with our timber sourcing policy. There is also an annual audit program in which suppliers are audited on a random basis.

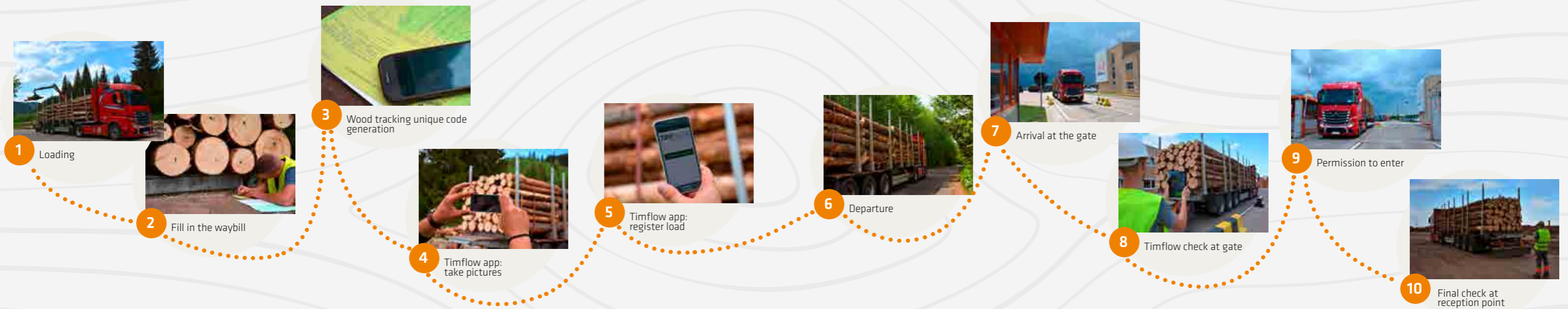
Before the wood delivered is processed, it undergoes careful controls with respect to quality and origin. Every logging

<sup>7</sup> For 2018, this share will shift in the direction of 40 per cent.

truck is screened at the gates of our sawmills on the basis of the freight papers and database queries. If we encounter irregularities in the supply chain, we take immediate action and contact the authorities. We do not do business with suppliers convicted of illegal logging or corruption.

The GPS-based wood tracking system "Timflow" shows the origin of each truckload. This is something that is unique in the European timber industry. All data on all Romanian truck deliveries is available to the general public at [www.timflow.com](http://www.timflow.com). An electronic 3D measurement system also ensures that the delivery volume stated in the consignment note is not exceeded. This impedes "laundering" of illegal surpluses.

## THE SUPPLY CHAIN



### THOROUGH CHECK OF ALL SUPPLIERS

Our suppliers are contractually required to design the supply chain in a transparent and traceable manner. Prior to conclusion of a new timber contract or renewal of an existing one, suppliers receive a questionnaire, known as the supplier declaration. This enables us to collect information about the company, the origin of the wood sold and the supply chain in between. Holzindustrie Schweighofer performs a risk analysis based on the data collected. If we discover that certain requirements are not being met or the origin of the deliveries cannot be clearly traced, we take further steps such as carrying out on-site inspections. We suspend the business relationship until the inconsistencies have been cleared up. The results of ongoing media coverage are also factored into the risk assessment on a country-specific basis.

In addition to direct contact with the suppliers, Holzindustrie Schweighofer engages in regular dialogue with stakeholders. This takes place on multiple levels so as to receive input from all sides and identify grievances at an early stage. The channels for stakeholder communication include semi-annual public consultations, direct correspondence and regular meetings, as well as targeted discussions with NGOs, relevant market participants, municipalities and authorities and other interested stakeholders.

The effectiveness of the security system has also been confirmed by the authorities. Over the past two years, state authorities have carried out ten checks to ensure compliance with the EU Timber Regulation (EUTR). This stipulates that only legally harvested timber can be placed on the EU market. All ten EUTR checks took place without objections.

### HUNDREDS OF SITE INSPECTIONS

Our control and due diligence system is based on much more than just documents. It requires an audit for each new supplier. Suppliers with timber yards have an increased risk along the supply chain and are therefore also audited on site. Due to the large number of suppliers (we purchased wood from 825 merchants and forestry companies in Romania in 2017), this means hundreds of inspections each quarter. We focus on the local forestry companies in order to get a picture of where the wood delivered actually comes from. Site visits are, of course, carried out in all risk countries from which we source wood. In Romania alone, 491 companies were visited in 2017 and 27 forestry companies were inspected.

### EXTERNAL REVIEWS BY EXPERTS

In 2016 the renowned international Helsinki-based forestry consulting firm Indufor reviewed our due diligence system in an independent, voluntary audit. Following an on-site visit, the experts confirmed the effectiveness of the extensive, rigorous testing mechanisms in use at Holzindustrie Schweighofer. In its report, Indufor certified a seamless monitoring system that guarantees the legal origin of the wood delivered, also based on the extensive documentation. Last year, many customers also saw for themselves how our security system works.



## EXCURSUS: CERTIFICATION OF SUSTAINABLE FORESTRY

Holzindustrie Schweighofer only purchases and processes coniferous wood from strictly controlled, non-controversial sources to ensure it originates from sustainably managed forests. In order to guarantee this, the company relies on recognised certification systems and undergoes regular checks by international institutions.

### PROGRAMME FOR THE ENDORSEMENT OF FOREST CERTIFICATION - PEFC™

Holzindustrie Schweighofer holds the PEFC Chain of Custody Certificate. A PEFC CoC certificate safeguards the integrity of the supply chain from forest to product. The certification from this internationally recognised organisation demonstrates that Holzindustrie Schweighofer purchases and processes wood from certified, controlled, undisputed sources. In order to ensure this consistently, the company is audited externally once per year. For certification to be successful, all stages of the value chain must follow these rules, from the forest to the sawmill and all the way to the final product.

### FOREST STEWARDSHIP COUNCIL® - FSC®

The FSC chain of custody (CoC) is the path taken by products from the forest or, in the case of recycled materials, from the moment when the material is reclaimed, to the point where the product is sold with an FSC claim and/or it is finished and FSC labelled.

FSC chain of custody certification verifies that FSC-certified material has been identified and separated from non-certified and non-controlled material as it makes its way along the supply chain. To achieve chain of custody certification, businesses must meet the requirements stipulated in the

FSC Standard for “Chain of Custody Certification” (FSC-STD-40-004 V3-0). If a company demonstrates compliance with these requirements, a certificate (FSC chain of custody certificate) will be issued by an accredited certification body.

Businesses’ compliance with the requirements stipulated in the FSC Standard for Chain of Custody Certification are verified through independent audits conducted by the certification body, which take place at least annually. If no major issues are identified through the audit cycle, the certificate remains valid for a period of five years. However, if issues are identified during the audit process, the certificates may be suspended or terminated by the certification body until the identified issues are corrected.

Due to tip-offs about supposed irregularities and media reports about alleged illegal activities within Holzindustrie Schweighofer’s supply chain made in 2016, and given an official complaint filed by WWF Germany, FSC decided in 2016 to appoint an independent – and chamber-balanced – complaints panel to investigate the allegations raised in the complaint. The investigation was conducted in line with the FSC procedure “Processing Policy for Association Complaints in the FSC Certification Scheme” (FSC-PRO-01-009). The independent complaints panel investigation was initiated in April 2016 and completed in October 2016.

As a result of the investigation, the complaints panel reported that there was “clear and convincing evidence” that the Schweighofer Group had been involved in significant irregularities and illegalities in its timber trade operations in Romania and in the harvesting of timber from forest land that was purchased under a dubious legal framework. The investigation led the complaints panel to conclude that the Schweighofer Group had violated FSC’s Policy for Association (FSC-POL-01-004).

At the same time, FSC also acknowledged that there were important issues related to legality and sustainability in Romania’s forestry sector. Finding solutions to these issues required joint efforts by industry and civil society in the country, and FSC was keen to explore how it could play a constructive role as a robust certification scheme and a dialogue platform in helping stakeholders find long-term solutions to the challenges identified.

The FSC Board firmly believed that the most effective way to ensure that the Schweighofer Group engaged in actions to fully address any involvement in irregularities and illegalities in its timber trade operations and in illegal logging by its Romanian forest enterprise was to put the company under ‘probation’ for a time under a set of strict conditions. For Holzindustrie Schweighofer to maintain its “probationary status”, it had to present the FSC with sufficient evidence demonstrating that these conditions had been satisfactorily met, by February 2017.

However, in January 2017, additional allegations were made that Holzindustrie Schweighofer had possibly violated timber measurement standards, which required a further Policy for Association investigation to determine scope and impact. The FSC Board decided in February 2017 that initiating an additional investigation was not compatible with maintaining the probationary status of the company. This led to the ending of the company’s “probationary status” and consequential disassociation. The second Policy for Association investigation came to the conclusion that based on the information and evidence reviewed, the analysis conducted and the interpretation and conclusions drawn by the Investigation Panel (IP) between March and September 2017 as detailed in this second report, no indications of further violations of the FSC PfA by Holzindustrie Schweighofer were identified.

The disassociation status remains valid as of today.

In 2017, FSC also entered into dialogue with the Schweighofer Group with a view to developing a roadmap aimed at ending the disassociation. Through a structured stakeholder engagement process, FSC developed the FSC Conditions Framework as one of the main deliverables of this roadmap process. This framework stipulates the conditions that must be fulfilled by the Schweighofer Group to correct the shortcomings and wrongdoings identified, compensate for the environmental and social damage resulting therefrom and prevent the recurrence of any previously identified – or ongoing – wrongdoing and/or violations of the FSC’s Policy for Association for FSC to consider ending its disassociation from Holzindustrie Schweighofer. FSC published its final version of the FSC Conditions Framework in April 2018.

The next step in the roadmap process towards ending the disassociation is for Holzindustrie Schweighofer to develop an action plan – in line with the conditions set by FSC – describing the measures Holzindustrie Schweighofer intends to implement in order to comply with the FSC’s conditions and requirements. Independent verification of satisfactory fulfilment of the conditions in the FSC Conditions Framework will be the basis for the FSC Board to consider an end to the disassociation status.

The disassociation is motivating us to work even harder on optimising our supply chain security measures and on implementing a sustainable timber industry in Romania. Our action plan aims to ensure a transparent supply chain and controls that go beyond all legal requirements for a sustainable timber industry in Romania.

As a concrete next step, an updated action plan was published in May 2018. With this, the company aims to fulfil the FSC’s conditions to the best of its knowledge and in accordance with legal and technical practicability in order to ensure a sustainable wood industry in Romania.



## ACTION PLAN FOR A SUSTAINABLE TIMBER INDUSTRY IN ROMANIA

As a company that is now well established in Romania, we work with our partners and suppliers to achieve sustainable, forward-looking forestry. The fight against illegal logging and the conservation of valuable forest ecosystems are of particular concern to us.

We are implementing a wide range of measures to eradicate the risk of processing illegally harvested wood. Our precautionary timber purchasing measures are among the most extensive in the whole of Europe

### GPS TRACKING FOR COMPLETE TRANSPARENCY IN THE SUPPLY CHAIN

As a private company, we cannot and do not wish to assume any government's function, but we will do everything in our power within our sphere of influence to support the fight against illegal harvesting of trees. The core measure is the publicly accessible GPS system Timflow, which was developed and implemented by Holzindustrie Schweighofer together with a Romanian mobile operator.

Timflow allows us to track the precise origins of the roundwood that trucks deliver to the sawmills. It consists of:

- a GPS tracker integrated into the truck's circuit (trucks delivering logs without a Timflow GPS tracker are generally turned back at the factory gate);
- an application (app) for the truck driver's mobile phone;
- an internal portal for goods receipt at the sawmills; and
- a website on which all data is published transparently and can be viewed by anybody.

The procedure is simple. After the truck is loaded, the load is registered with the mobile Timflow application, photographed, and the data uploaded to the cloud server. During the trip to the sawmill, the GPS tracker sends the truck's position to the same server. When the truck arrives at the mill, the digital data can then be used to check whether the truck's origin matches the transport documents, whether the truck took a comprehensible route and (based on the photographs) whether the load that arrived is the same as the one that left the forest.

Holzindustrie Schweighofer publishes all Timflow data transparently on [www.timflow.com](http://www.timflow.com). Interested parties can study the origin and the photos of all loads and request additional information. We published data on over 25,000 consignments in the first year.

The Timflow system will be continuously updated and improved, for example by adding a check as to whether trucks come from exclusion zones (forests and national parks that are world heritage sites) or from potential tracts of virgin forest<sup>8</sup>. Timflow is also attracting attention internationally and was presented to an international audience at the FORMEC Forest Symposium in Braşov (Romania) in September 2017 and at the PEFC™ Stakeholder Dialogue in Helsinki in November 2017.

### CODE OF CONDUCT FOR EMPLOYEES AND SUPPLIERS

Promoting ethical conduct among employees and business partners is particularly important in a challenging business environment. Holzindustrie Schweighofer is introducing a Code of Conduct for its own employees not only to avert damage caused by possible corruption and bribery. We are

also currently establishing a Code of Conduct for suppliers as a reference system for ethical business conduct within the relevant company and along the supply chain. Encouraging our suppliers to follow this path together with us is one of the goals of the Schweighofer Group's mission statement. All future log purchasing agreements will also reference this Supplier Code of Conduct.

The Code of Conduct is not just a set of rules, but also a guide for employees that should give advice on how to deal with critical situations.

Violations of the Code of Conduct are punished in accordance with the specifications of the compliance management system. A case management system that collects internal and external input enables the head of the company's Supply Chain Control & Certification department and the Compliance Office to deal with and document violations in a structured manner. In addition, the points mentioned in the Code of Conduct are incorporated into an internal audit program.

<sup>8</sup> I.-A. Biris & P. Veen, 2005. Inventory and strategy for sustainable management and protection of virgin forests in Romania, 61 pp.



### FSC® BONUS FOR SUPPLIERS

In 2012, Holzindustrie Schweighofer began to support the establishment of an FSC-certified supply chain in Romania with bonuses for FSC-certified logs. This led to the payment of €1.5 million in FSC bonuses from 2012 to June 2018. We expect that forest owners, logging companies and suppliers will continue to be willing to be certified. A corresponding certification program will lead to many more suppliers being certified in the next few years.

### FORWARD-LOOKING PROJECT: TRACKING OF INDIVIDUAL TRUNKS

Our GPS system Timflow tracks every truck that delivers roundwood to the sawmills. Even more precise, however, would be the tracking of every single log from harvesting to processing. This idea prompted Holzindustrie Schweighofer to launch a pilot project in 2017 to examine the possibility of implementing a system for tracking individual trunks. Due to the large number of tree trunks processed (in Romania alone, it is estimated that over 100 million are processed each year), identification of a single tree trunk is a major challenge. The system must be scalable, cost-effective, robust and transparent.

Together with a Romanian NGO and an Austrian chain of custody expert (controlled supply chain), we analysed a number of possible technologies for such a system in 2017. To be able to estimate the system costs of barcode-based trunk identification, we kicked off a pilot project in February 2018 at one of the company's own wood collection points in Leordina. Several pilot projects are currently being implemented in which Holzindustrie Schweighofer, jointly with environmental organisations and scientists, is investigating the tracking of individual trunks and validation of their origin. This could further improve the security system at the wood collection points. The aim is to develop a practical and independently auditable system – something that does not yet exist worldwide at an industrial level. Possible technologies that are currently being tested and implemented in pilot projects are:

- physical individual trunk tracking using artificial trunk identification (barcode, QR code) or biological trunk identification (tree-ring pattern, branch distribution or other biological characteristics);
- origin verification using isotope analyses or NIR (near-infrared spectroscopy) analyses; and
- harvest monitoring by means of drone monitoring

### MAPPING AND MONITORING OF VIRGIN FORESTLAND

In spring 2017, our company commissioned a study to identify whether its own forest holdings in Romania included untouched old-growth forests – otherwise known as semi-virgin forests. Until the beginning of 2018, the Schweighofer Group owned 14,283 hectares of forest in Romania.

The survey of the woodland owned by the Schweighofer Group identified more than 430 hectares of quasi-virgin forest. In addition, 250 hectares of forest with a very high nature conservation value were identified. At the end of 2017, the Schweighofer Group decided to gradually withdraw from its forest investments. Its wholly owned subsidiary Cascade Empire s.r.l. (Cascade Empire) and the associated management unit Ocol Silvic Cascade Empire s.r.l. were sold in March 2018 along with the forestland owned. In addition to the

legal obligation, protection of the natural forests identified was also stipulated to the new owner in a contract.

The study was an important outcome of our structured dialogue with the Romanian non-governmental organisation Agent Green and other Romanian NGOs. It is in line with our corporate policy, which explicitly emphasises our company's role in biodiversity conservation.

In Romania, virgin and semi-virgin forests are protected by law. In practice, this means that the forests are no longer managed and will thus remain untouched for future generations. The basis for this protection status is the national catalogue of virgin and semi-virgin forests. However, work on the catalogue has not yet been completed and NGOs believe there are more areas that are not yet sufficiently protected.



## PROTECTION OF ROMANIAN FORESTS USING SATELLITE-BASED REMOTE SENSING

In Romania, virgin forests are protected by law. However, many of the valuable natural treasures have not yet been recorded or included in a legally binding map (the national catalogue). Some studies conducted in the past – particularly the Pin Matra study<sup>9</sup> – provide a good indication of where these tracts of land could be. However, until the official mapping has been completed, it is difficult to exclude such areas from timber harvesting.

Therefore, we launched a pilot project with GRAS (Global Risk Assessment Services, [www.gras-system.org](http://www.gras-system.org)) to find a methodology for identifying potential tracts of virgin forest in Romania. State-of-the-art satellite analysis tools are able to detect, evaluate and localise changes in the vegetation canopy. The findings will be able to be used to record

potential tracts of virgin forests or to provide information for local mapping.

The methodology was developed with the involvement of stakeholders and is based on validation of the system with verified soil data. The algorithm mainly takes account of land cover changes over the last 30 years, including different types of satellite data.

The next step was to discuss and validate the methodology with experts. Holzindustrie Schweighofer considers this crucial for rapid finalisation of the designation of tracts of virgin forests in Romania.

<sup>9</sup> I.-A. Biris & P. Veen, 2005. Inventory and strategy for sustainable management and protection of virgin forests in Romania, 61pp

## PURCHASING PRINCIPLE: NO WOOD FROM NATIONAL PARKS

Romanian legislation allows for logging in so-called national park buffer zones and in the case of sanitary cuttings. In spite of this, Holzindustrie Schweighofer introduced a strict purchasing principle at the beginning of 2015: “No wood from national parks” in Romania.

To ensure compliance with this principle, we stipulate in purchase agreements that no wood from sections of Romanian national parks will be accepted. Consequently, every wood consignment arriving at Holzindustrie Schweighofer sawmills in Romania is checked for these aspects. This is performed using the GPS tracking system Timflow, through on-site visits and audits of suppliers as well as based on the legally required documentation of origin.

In August 2017, we identified three truckloads originating from the buffer zone of Romania’s Munții Rodnei National Park. An internal investigation concluded that although the timber had been harvested legally, the origin from a national park buffer zone clearly violated the company’s purchasing policy. We immediately suspended the two suppliers. As a result of this incident, we circulated new information material for suppliers to better explain the “No wood from national parks” policy and to draw more attention to the contractual obligations and consequences that a violation of this policy would entail.

# Our due diligence system

Holzindustrie Schweighofer's due diligence system was designed and implemented to mitigate the risk of having raw material from uncontrolled or controversial sources in its supply chain as well as to meet the requirements of the different governmental regulations (e.g. EUTR or Lacey Act) and certification schemes. It also covers our commitment not to accept wood from national parks (even in cases where this has been legally harvested).

## 1. GATHERING INFORMATION – SUPPLIER CONFIRMATION

Before Holzindustrie Schweighofer enters into a contract with a wood supplier, it requires the latter to submit a “supplier confirmation”. The supplier confirmation explicitly specifies the forest management units (in low-risk countries we ask that only the country of origin be declared, whereas in high-risk countries we map the entire supply chain and reach to FMU level) or other intermediaries from which the wood is sourced. The supplier confirmation gives Holzindustrie Schweighofer the right to conduct supplier audits, and with it the supplier confirms that the origin of the wood is known, it is legal and its traceability is documented. If the origin of wood changes, the supplier confirmation is updated.

## 2. RISK ASSESSMENT

Using different sources of information, we assess the risk associated with the wood supply – for example, the mixing of wood from different sources – so that this can be addressed at the level of the wood's origin and in the supply chain. The risk assessment is performed prior to delivery and, in the event of continuous collaboration, once per year. The most important reference here is the country of origin and the corruption perception index as provided by Transparency International.

## 3. RISK MANAGEMENT – RISK MITIGATION

Where the risk assessment indicates a low risk, a desk audit is performed, which entails a document review. This covers material originating from certified forests and material

coming directly from the forest to the mills, in those cases when the forest management has already been audited. For cases where the wood supplied has been identified as “high risk” based on its origin or the supply chain, Holzindustrie Schweighofer has defined a number of different control measures to mitigate the risk and allow the material to be delivered to the mills as “controlled material”.

## 3.1. ON-SITE AUDITING OF SUPPLIERS AND FORESTS

The on-site audit is designed to obtain more detailed information about the supply chain and the risk of mixing wood from different sources. It is one of Holzindustrie Schweighofer's most important risk mitigation measures. Its purpose is also to check the plausibility of the data provided on the supplier confirmation, to verify the legality of required documents and to get a picture of the supplier's operations. It reveals whether there is any controversial activity on the part of the supplier. In the case of high-risk countries, the on-site audit extends to the level of forest management units (exceptions are only possible if the supplying forest holds a valid forest certificate) prior to delivery. All supplying forest management units (FMUs) are included in an annual audit program; in high-risk countries, a sample of FMUs from the total number of FMUs needs to be chosen and audited. Our Supply Chain Control staff checks, for example, management plans and compliance with harvesting permits issued. These checks also cover health and safety of the staff as well as other issues related to proper forest management.

## 3.2. STAKEHOLDER CONSULTATION

Holzindustrie Schweighofer has implemented a stakeholder consultation process to request and collect external information about the planned supply. The opinion of relevant stakeholders is taken into account in sourcing activities and risk mitigation measures.

## 3.3. TIMFLOW WOOD TRACKING – DUE DILIGENCE AT THE LEVEL OF INDIVIDUAL SUPPLIERS

While a due diligence system requirement is to perform an initial check of suppliers and sampling of deliveries, Holzindustrie Schweighofer's due diligence system investigates in detail all incoming trucks in high-risk countries, with a special focus on Romanian supplies.

In Romania Holzindustrie Schweighofer tracks the transport routes of log trucks using GPS technology. The system was introduced for all truck log deliveries in Romania. We know exactly where the truck logs were loaded and what the truck load looked like at origin and we check the route of the truck to the mill. Not all deliveries come directly from the forest; they also come from local depots. With Timflow, we have the certainty that the material comes from legally authorised log yards, which are strictly regulated in Romania. In cases where irregularities are identified after the material's arrival at the mill, this material is stored separately at our log yard and labelled “under investigation”. The material can only be



These logs are under investigation, meaning that Holzindustrie Schweighofer reviews them for possible irregularities. They are processed only if they are cleared of all doubts.

used for production if the case is clarified by the local Supply Chain Control officer. Based on the written self-declaration, the officer asks the supplier to provide additional legal documentation on the delivery, which allows the organisation to either classify the material supplied as of negligible risk or conduct a third-party supplier audit. Deliveries which obviously infringe legal and internal requirements are immediately rejected at the mill gate (e.g. deficient documents, no Timflow system installed, etc.)

## 4. EXCLUSION OF “HIGH RISK” SUPPLIERS

Suppliers which are unable to comply with our strict standards and whose risk cannot be mitigated down to negligible are excluded from our supply chain. This applies specifically to suppliers which were finally convicted for corruption or crimes in connection with forestry or which are not able to prove the legal origin of the material. Suppliers which breach certification rules or are engaged in a scam are also (temporarily) excluded.



**LOG YARDS AND TRACEABILITY**

Log yards are an important part of Romania’s timber industry and are heavily regulated by Romanian forest legislation. At the log yards, wood is sorted, cut into assortments and delivered to various customers, with numerous benefits for the environment, workforce, infrastructure and the overall economy. Operations along forest roads mostly make it impractical or impossible to sort, section wood and build up truck loads that reach customers directly from the forest. This is due either to spatial limitations on forest roads or to precipitation that make the road impassable for large trucks. In addition, log yard operations make construction material and firewood available to the local communities and enterprises.

At the log yards the harvested wood is sorted by species, quality, type of usage (furniture, construction material, pulp-wood) and diameter and cut into segments in line with customer requirements. Some of the wood is processed at log yards and the rest is sold to various customers for different uses, at different prices. This enables the operator to derive the highest added value from the incoming material. Under Romanian law, wood that enters the log yard has to show proof of origin from harvesting activity (be it by companies or individuals) and is only allowed to leave the log yard with the right papers, all recorded in a regulated registry and in the national wood tracking platform (SUMAL). Some

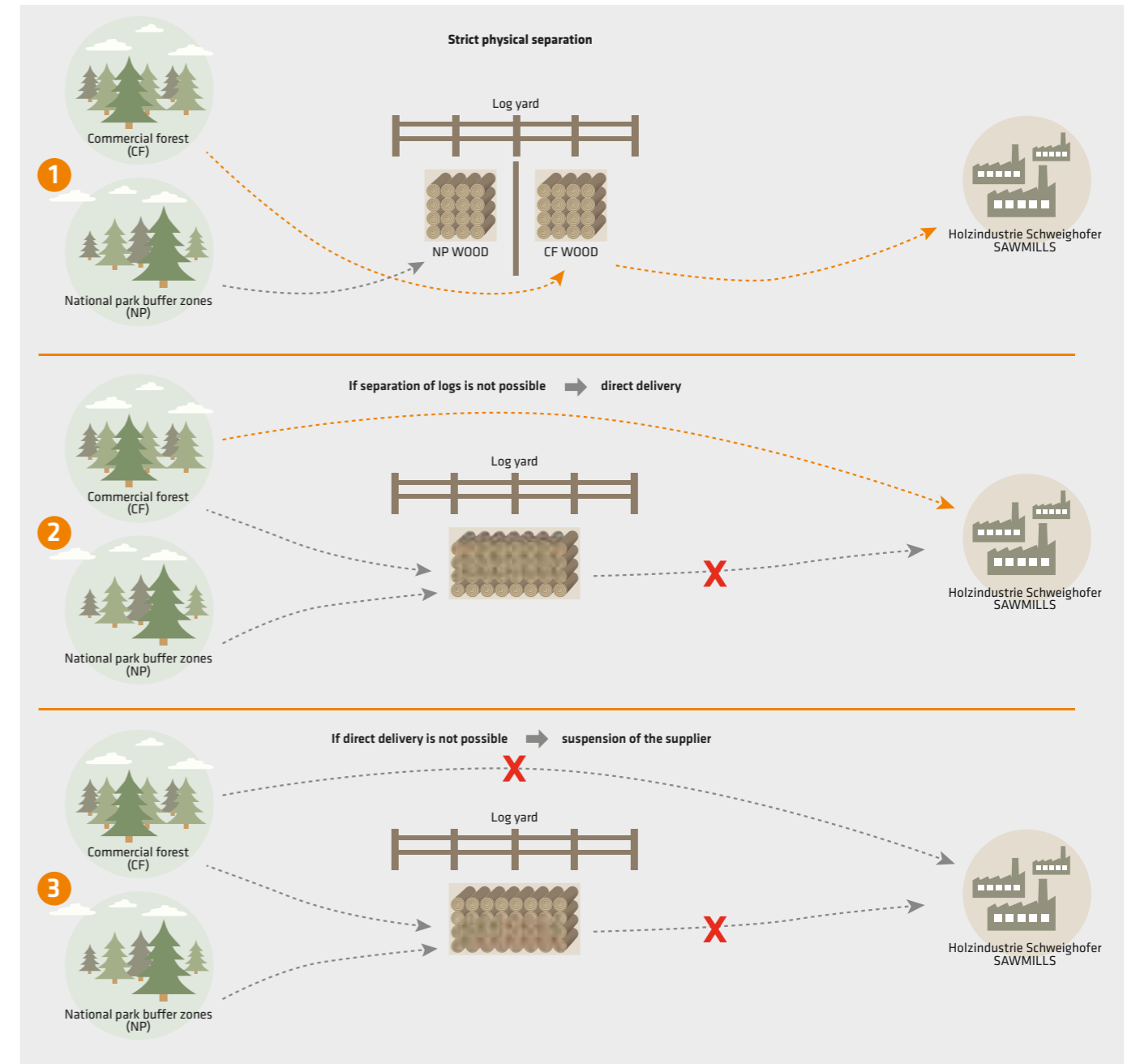
PEFC™- or FSC®-certified log yards would also physically separate several wood categories to ensure an unbroken chain of custody (which also applies to our condition to ensure that wood from national parks is not mixed in with deliveries to our sawmills).

**OUR DUE DILIGENCE SYSTEM FOR LOG YARDS**

Holzindustrie Schweighofer’s Timflow platform safeguards wood traceability and also ensures that wood coming directly from the forest to our mills is legally destined for harvesting and does not originate from national parks. For Holzindustrie Schweighofer it is also important that no wood from national parks be mixed in with wood that our company accepts for processing from log yards, which is why we have a well-designed due diligence system for log yards in place:

- Every supplier must disclose all sources of wood procurement, including the harvesting permit. This means that every supplier has to prove exactly from which forest its incoming loads originate. As soon as Holzindustrie Schweighofer’s Supply Chain Control & Certification officers learn that wood from national parks is traded on a log yard (which is perfectly legal for certain zones of national parks), the company rejects deliveries from this specific log yard unless physical separation is ensured and clearly identified.

**SCHWEIGHOFER SYSTEM FOR LOG YARDS – IMPLEMENTATION OF THE NATIONAL PARK POLICY**



- If physical separation is not ensured, the log yard operator is blocked and can only supply Holzindustrie Schweighofer during this blocking period if it has other harvesting locations outside of national parks and delivers directly from the primary platforms of these sites.
- All the deliveries of logs from a log yard to Holzindustrie Schweighofer’s sawmills are also tracked using Timflow. This ensures that the load is coming from a legally authorised log yard subject to strict legal requirements.

The company’s suppliers are notified that Holzindustrie Schweighofer does not accept wood from national parks. This is clearly stipulated in our timber sourcing policy and in the relevant contracts. Suppliers are constantly checked to ensure compliance with this requirement.



## Tomorrow's Forest: one million trees for degraded forest land in Romania



The "Tomorrow's Forest" reforestation project<sup>10</sup> is an initiative of the private Romanian Forest Administrators' Association (Asociația Administratorilor de Păduri, AAP) together with the Ștefan cel Mare University of Suceava (Faculty of Forestry) and Holzindustrie Schweighofer. This project was initiated in September 2017.

The initiative aims to plant one million trees in private and community forest areas by 2024. This will take place primarily in areas which owing to poor management were affected

<sup>10</sup> [www.padureademaine.ro/en/](http://www.padureademaine.ro/en/)



by soil erosion and a lack of natural regeneration. Conservation and monitoring of reforested forests will continue for at least three years to ensure that the next generation of forests grows well. "Tomorrow's Forest" mainly supports private owners and local communities that lack the necessary funds for appropriate reforestation in accordance with legal obligations, because in Romania owners are required by law to carry out reforestation activities.

"Tomorrow's Forest" will go a long way towards safeguarding the future of forests threatened by erosion and the settlements consequently at risk. The project covers the whole Ro-

manian Carpathian mountain range. The first planting took place in November 2017, followed by another in spring 2018. So far, 39.6 hectares have been reforested, with a total of 163,880 seedlings of different tree species, in coordination with the relevant forest administration. More than € 196,000 was spent on regeneration of these areas, an average of € 5,000 per hectare (including the necessary follow-up costs for the next six to seven years). Holzindustrie Schweighofer has pledged over € 1.3 million for the period 2017 to 2024, which will enable a total of one million trees to be planted.



## PARTNERSHIP

The initiative is a collaboration between the Forest Administrators' Association, scientists and private enterprises. The Faculty of Forestry from the University of Suceava is making its scientific expertise available for the selection of the areas to be planted and for the actual planting. The Forest Administrators' Association is organising the replanting, care and maintenance. Holzindustrie Schweighofer is providing project management, funding and the infrastructure and is encouraging its own employees to participate in the planting. The Forest Administrators' Association is a non-governmental, apolitical, non-profit, public-law organisation with 109 private forest administrations as members. The institution provides training to forest engineers in the areas of forestation, timber harvesting, transport and primary wood processing.

## REFORESTATION AREAS

In addition to containing key information on the project, the methodology and the reforestation areas, the project website also has a section for reporting potential reforestation areas ([www.padureademaine.ro](http://www.padureademaine.ro)).

## SELECTION CRITERIA FOR REFORESTATION AREAS

- Forest land with a lack of natural regeneration
- Privately owned tracts of land (owned by private individuals or associations) or land owned by municipalities and district administrations
- The owner has a management or service contract with a forest administration
- The owner grants the representatives of Tomorrow's Forest access to the relevant woodland, for inspections or to check advances in the project.

## METHODOLOGY - ANALYSIS AND SELECTION

Suitable reforestations are evaluated based on defined criteria and using a scorecard. In this way, a project is defined and implemented - a maximum of 200,000 saplings are used per year.

Planting is carried out according to the natural tree species composition and is documented in detail. In "Natura 2000" areas, national parks, virgin forests or other protected zones, reforestation is only carried out with the approval of the competent authority.

## IMPLEMENTED REFORESTATION PROJECTS

"Tomorrow's Forest" was launched in September 2017, with the first planting taking place in Poieni-Solca, Suceava County, in November 2017. There, 21,210 seedlings (fir, spruce, ash, maple and alder) were planted on a 4.7 hectare area. The forest was cut in the 1990s and, because of the land restitutions, the fragmentation of the property (the large number of owners in the affected area) did not allow proper management of the land. The forest did not naturally recover and the owners lacked the necessary funds for reforestation. Six more reforestation projects were implemented in spring 2018. A total of around 140,000 saplings were planted on 35 hectares of land in Borșa (Maramureș County), Romuli (Bistrița-Năsăud County), Dorna Candrenilor (Suceava County), Merești (Harghita County), Belin (Covasna County) and Dumbrăvița (Brașov County).

## IMPLEMENTED REFORESTATION PROJECTS










Michael Hershman, CEO of the Fairfax Group and Co-Founder of Transparency International, as well as Martin Kreutner, Secretary General of IACA, with leading employees of Schweighofer Group

## OUR GOALS

-  Be a fair, responsible employer for all employees
-  Expand our regional employer branding programme in Romania and Germany
-  Collect data on education and diversity

## OCCUPATIONAL SAFETY AND PROMOTION OF HEALTH

Maintaining employees' good health and productivity is a key concern for us. The paramount goal of our occupational safety and health management activities at Holzindustrie Schweighofer is the prevention of accidents and illnesses related to operations. We have implemented high safety standards at our state-of-the-art production facilities which are regularly monitored in internal and external inspections and audits. Compliance with legal requirements is a good starting point for us to implement further safety and precautionary measures.

In Romania, for example, where the state health system is not the same as in Austria or Germany, we launched a health care programme in 2016. Depending on their length of service with the company, all employees can avail themselves of different private medical services and thus take control of their personal health care.

Take-up of the new programme is high: by the end of 2017, 2,500 employees – i.e. 91 per cent of the workforce in Romania – were already covered by this insurance. During 2017, approximately 520 check-ups were performed and total payments of approximately € 230,000 were made for insurance premiums.

## FAIR WAGES AND SALARIES

Equal opportunity and fair wages are a matter of course at Holzindustrie Schweighofer. Throughout the Group, country-specific works agreements or internal regulations ensure that women and men in the same positions receive the same pay for the same work.

Due to the at times physically strenuous work in the wood processing industry, the share of women in some areas of production is low. Around one-quarter of the Holzindustrie Schweighofer workforce is female.



»»What appeals to me about my workplace is being surrounded by so many expert colleagues. In recent years, our company has taken a lot of heat. From what I can see, it is making an effort to take the criticism to heart and is striving for continuous improvement. We, the employees of Holzindustrie Schweighofer, have the opportunity to change things. To get a little bit better each day.««

**Sorina Rautu, employee Human Resources, Holzindustrie Schweighofer**

## TRAINING AND EDUCATION

Our working world is changing. Globalisation, digitalisation and technology development are advancing rapidly and leading to new markets, customer requirements and product solutions. Highly qualified and specialised workers need to keep pace with these changes and continuously upskill in order to stay abreast of the latest developments. For this reason, Holzindustrie Schweighofer seeks not only to find the best employees and hire them for suitable positions, but also to harness the potential of talented staff who are already part of the workforce and help them expand their capabilities. This is the only way we can remain one of the top players in the industry and be prepared for the challenges of the future.

In addition to ongoing and regular training of our specialists, for example when new machines or production processes are being introduced, we develop customised training programmes for our executives and managers in particular. As part of the largest training initiative in the company's history, for several years all managers in Romania, Germany and Austria have been participating in an individualised program of tailor-made training courses. Besides industry know-how, areas of emphasis include communication skills and personal development. Seminars and training courses

are also provided in the areas of anti-corruption and business ethics in particular. In this connection, a partnership with the International Anti-Corruption Academy (IACA) based in Laxenburg near Vienna was started in 2017. The customised training courses have been imparted to the entire senior management of the Schweighofer Group as well as to senior executives at country and plant level. In addition, the Romanian and Austrian Sales and Purchasing staff, staff from the Legal departments and employees from the Supply Chain Control department have received training at events held by high-profile speakers. The collaboration with the IACA will continue in 2018 and will become a permanent fixture of the Schweighofer Group's compliance management system.

# Environmental protection and climate change

## AT HOLZINDUSTRIE SCHWEIGHOFER THIS MEANS SUSTAINABILITY DRIVES OUR DAILY WORK.

» We are committed to sustainable growth throughout our organisation. Our business model is based on sustainably managed woodlands. Sustaining and fostering this natural heritage is crucial. We are fully committed to protecting biodiversity and are making a significant contribution to tackling climate change. The origin of our wood can be traced transparently, making our products among the safest in the industry. Responsible use of resources and effective environmental management are an integral part of our economic activities, supporting innovation and success. Transparent and honest dialogue with our employees, stakeholders and the general public helps to systematically implement and improve our approach. «

**Excerpt from the Holzindustrie Schweighofer mission statement**

Environmental protection and climate change are among the biggest challenges of our time. At the United Nations Climate Change Conference held in Paris in December 2015, 195 nations signed a worldwide agreement on climate change for the first time. This aims to limit the global average temperature rise to well below 2°C in order to mitigate climate change. All countries, regions, companies and individuals are asked to make a contribution within the scope of their capabilities. The fight against climate change is essential for our joint future.

As a wood processing company, Schweighofer has a head start when it comes to tackling climate change: wood is a

renewable raw material that extracts CO<sub>2</sub> from the atmosphere as it grows. It is crucial that the forest from which the wood is harvested is managed sustainably. Only intact forest ecosystems can rejuvenate and thus close the natural CO<sub>2</sub> cycle. For this reason, Schweighofer places strong emphasis on a sustainable and transparent wood supply chain.

The technology used in our sawmills ensures 100 per cent utilisation 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 into pulp, paper or particle boards.

## SYSTEMATIC ENVIRONMENTAL PROTECTION

We are implementing a company-wide environmental management system to record in detail and continuously reduce the impact our activity has on the environment, nature and the climate. This is planned that the system will be rolled out across the entire Group. This will enable us not only to ensure that all legal requirements relating to environmental protection are met or even exceeded, but also to continuously improve our ecological performance.

The first step involved certification of the Rezi sawmill site to the international ISO 14001 standard in 2018. It is planned that the system will be rolled out across the entire Group. We are striving for certification of all sites by 2022 at the latest.

Holzindustrie Schweighofer has set itself ambitious goals especially in relation to climate change and energy efficiency. By 2025 we intend to lower company-wide CO<sub>2</sub> emissions by 25 per cent and reduce our energy consumption by 30 per cent. Our aim is thus to be a role model in the wood processing industry and make a significant contribution to tackling climate change. These goals have been enshrined in our current environmental policy.

## OUR GOALS

- Roll out the environmental management system across the entire Group by 2022
- Achieve a 25 per cent reduction in CO<sub>2</sub> emissions by 2025
- Achieve a 30 per cent reduction in energy consumption by 2025
- Increase the proportion of ash that is recycled rather than deposited in landfills

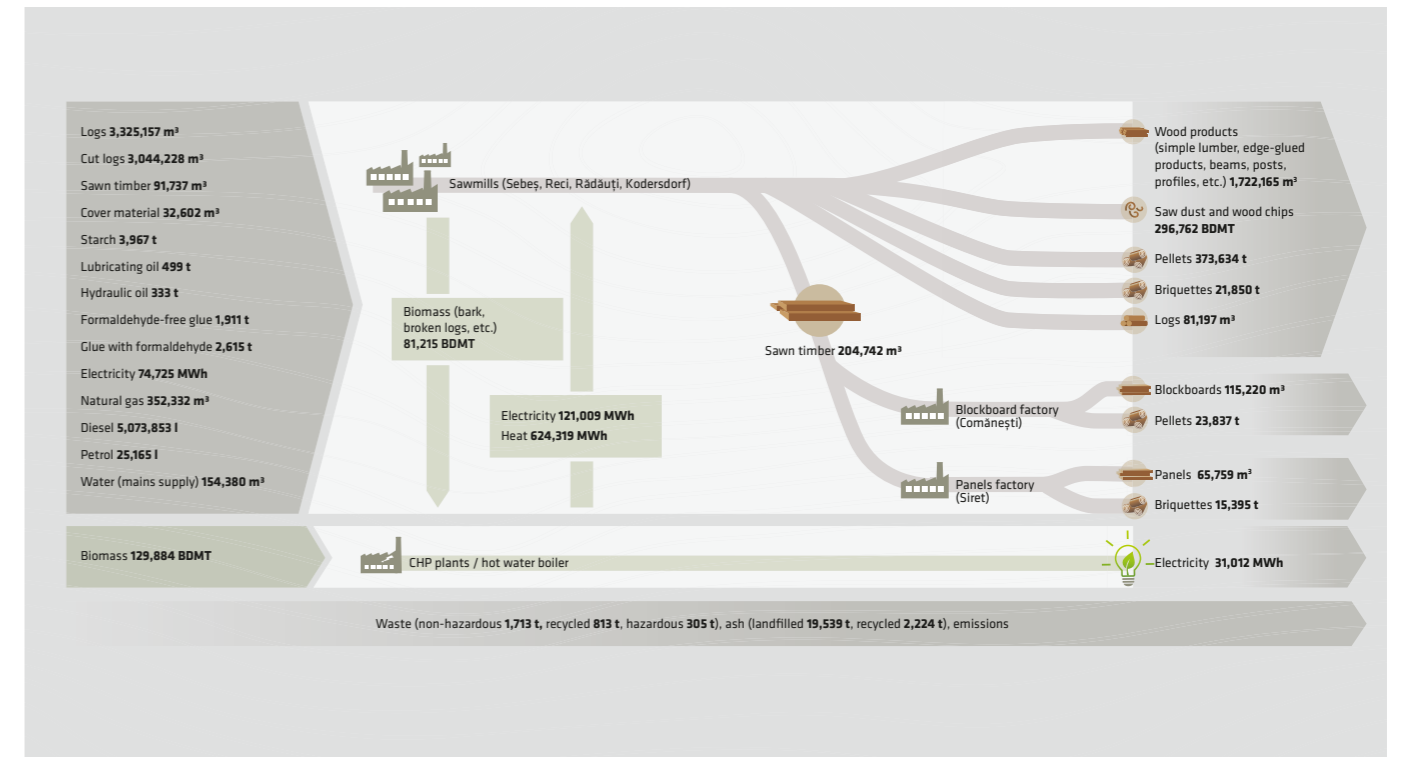


**KEY ENVIRONMENTAL FIGURES OF HOLZINDUSTRIE SCHWEIGHOFER IN ROMANIA AND GERMANY**

INPUT	Unit	2015	2016	2017
<b>Materials</b>				
Purchased logs	m <sup>3</sup>	2,814,944	3,125,887	3,325,157
Cut logs	m <sup>3</sup>	2,473,759	2,923,508	3,044,228
Purchased sawn timber	m <sup>3</sup>	43,887	54,256	91,737
Sawn timber from intra-group sources	m <sup>3</sup>	208,336	334,805	378,119
Purchased cover material for Comănești (veneers)	m <sup>3</sup>	37,733	28,898	32,602
Burned biomass (infeed)	BDMT	220,111	210,348	211,099
Biomass from external sources	BDMT	143,909	108,932	129,884
Biomass from intra-group sources	BDMT	14,195	3,151	3,573
Purchased starch	t	2,563	3,210	3,967
Purchased lubricating oil	t	543	465	499
Purchased hydraulic oil	t	292	298	333
Purchased glue (free of formaldehyde)	t	1,880	2,097	1,911
Purchased glue (with fromaldehyde)	t	2,572	2,413	2,615
<b>Energy</b>				
Consumed electricity from own CHP	MWh	138,573	114,239	121,009
Purchased electricity	MWh	34,182	55,122	74,725
Thermal energy consumed	MWh	613,544	610,706	624,319
Thermal energy produced	MWh	697,156	647,970	669,591
Thermal energy produced from purchased natural gas	MWh	2,241	2,522	2,745
Purchased natural gas	m <sup>3</sup>	280,684	315,947	352,332
<b>Mobility</b>				
Petrol purchased for internal use	l	747	939	1,292
Diesel purchased for internal use	l	4,033,961	4,493,903	4,833,221
Petrol purchased for vehicles outside the mill	l	64,644	47,041	23,873
Diesel purchased for vehicles outside the mill	l	134,992	155,656	240,633
Employee air travel	km	1,045,887	1,399,181	1,129,774
Water consumption (from mains supply)	m <sup>3</sup>	152,839	165,282	154,380
OUTPUT	Unit	2015	2016	2017
<b>Products</b>				
Timber sold (timber which left our mills)	m <sup>3</sup>	1,302,294	1,492,428	1,722,165
Quantity of panels from Siret sold	m <sup>3</sup>	80,046	68,050	65,759
Quantity of main products/boards from Comănești sold	m <sup>3</sup>	111,801	107,639	108,162
Sales core (Comănești)	m <sup>3</sup>	1,250	366	7,058
Sawdust and wood chips sold (waste timber)	BDMT	262,058	367,855	296,762
Briquettes sold	t	26,546	18,139	21,850
Pellets sold	t	354,414	323,420	373,635
Logs sold	m <sup>3</sup>	64,150	50,058	81,197
Electricity sold	MWh	54,067	40,045	31,012
<b>Waste</b>				
Wooden waste <sup>1</sup>	BDMT	1,128	1,071	826
Non-hazardous waste	t	1,588	1,069	1,713
Recycled waste <sup>2</sup>	t	833	752	813
Hazardous waste <sup>3</sup>	t	278	270	305
Landfilled ash	t	19,288	21,574	19,539
Recycled ash	t	-	-	2,224

<sup>1</sup> Further used as biomass within the Schweighofer Group (e.g. pallets): 67 per cent  
Sold to externals for further processing (e.g. chipboard): 33 per cent  
<sup>2</sup> e.g. foils, PET, cardboard boxes  
<sup>3</sup> e.g. oil filter, waste oil, sludge from the oil separator

**MATERIAL FLOW CHART HOLZINDUSTRIE SCHWEIGHOFER 2017**



Comment on the table on page 54: Due to the start-up phase of the newly constructed mill, environment-related KPIs have either not been recorded in a structured manner or are not comparable (e.g. due to the build-up of the operational stock). The Reci mill has therefore only been included in the scope of the report in 2017.

As an international production company, Holzindustrie Schweighofer uses large quantities of energy and resources. In 2017, approximately 3.3 million solid cubic metres of logs passed through the gates of the Schweighofer plants. Around 196 GWh of electricity and 625 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. These plants primarily use by-products and waste products from production (e.g. bark) or other biomass products for generation purposes.

Only around 38 per cent of the company's total electricity requirements are purchased externally. Most of this is destined for factories that do not have electrical power plants of their own (Kodersdorf, Comănești, Siret). In 2017, Holzindustrie Schweighofer's self-sufficiency rate with green electricity was therefore 62 per cent. The company consumes 93 per cent of the thermal energy it produces from renewable raw materials. In addition, around 31 GWh of electricity generated from biomass was fed into the national power grid.

**FOCUS ON ENERGY EFFICIENCY**

Efficient use of energy and resources is primordial for Holzindustrie Schweighofer's production chain. Only state-of-the-art machines and vehicles are used at our plants. This guarantees compliance with high environmental standards and low emissions.

Our capacity management ensures that devices, machines or lighting that are not in use are switched off for the duration. A lot of energy can also be lost if the extensive compressed air system at the plants leaks – even in the case of a minor leak. Here, too, clear internal processes ensure regular controls and rapid resolution of the issue.

The lighting at all plants is continuously updated to the state of the art. Currently, we are progressively replacing conventional lights with LED lights.



### CLIMATE-FRIENDLY MOBILITY

The vehicles used by Holzindustrie Schweighofer consumed approximately 5 million litres of diesel and 25,000 litres of petrol in 2017. Most of the fuel (95 per cent) is consumed on the factory premises, mainly for logistics purposes in the large log and sawn timber yards at the sawmills.

Fuel consumption and emissions are important criteria when purchasing new vehicles. Holzindustrie Schweighofer only buys vehicles that are rated “best in class” in these categories. In order to further reduce fuel consumption, regular fuel-saving driver training is also provided at all plants.

Using the vehicle data in connection with GPS Timber and Abisol<sup>4</sup>, vehicle-specific fuel consumption is analysed and optimised with a focus on the vehicle drivers. Avoiding empty runs or wasted trips prevents unnecessary fuel consumption.

In the future, electric vehicles will be increasingly used for secondary processing (indoors).

We are also taking steps to reduce our oil consumption. At the log yard 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 state-accredited companies.

### STATE-OF-THE-ART EXHAUST GAS PURIFICATION

At Holzindustrie Schweighofer, direct air emissions are primarily caused by the exhaust gases from biomass power plants and gas boilers as well as internal combustion engines of vehicles. These are mainly carbon dioxide (CO<sub>2</sub>), nitrogen oxides (NOx), dust and fine dust.

With regard to its biomass CHP units, which generate both green electricity and heat, the company relies on innovative process technology and state-of-the-art exhaust gas purification systems to minimise air pollutants. Effective control of the multi-stage combustion process not only maximises energy conversion, but also reduces carbon monoxide (CO) and NOx emissions. Dust emissions are almost completely eliminated by means of an electrostatic precipitator.

In Reci, a selective non-catalytic reduction (SNCR) system is also used. The technology is based on the reduction of NOx to nitrogen through a reaction with urea at high temperature. This reduces the NOx concentration in the exhaust air.

A continuous emissions monitoring system monitors the relevant emissions of the CHP units. Immission monitoring is carried out annually by an accredited laboratory to ensure that the air quality in the surrounding nature reserves complies with European environmental legislation.

<sup>4</sup> Technologies for improving logistics at the log yards and on the sites

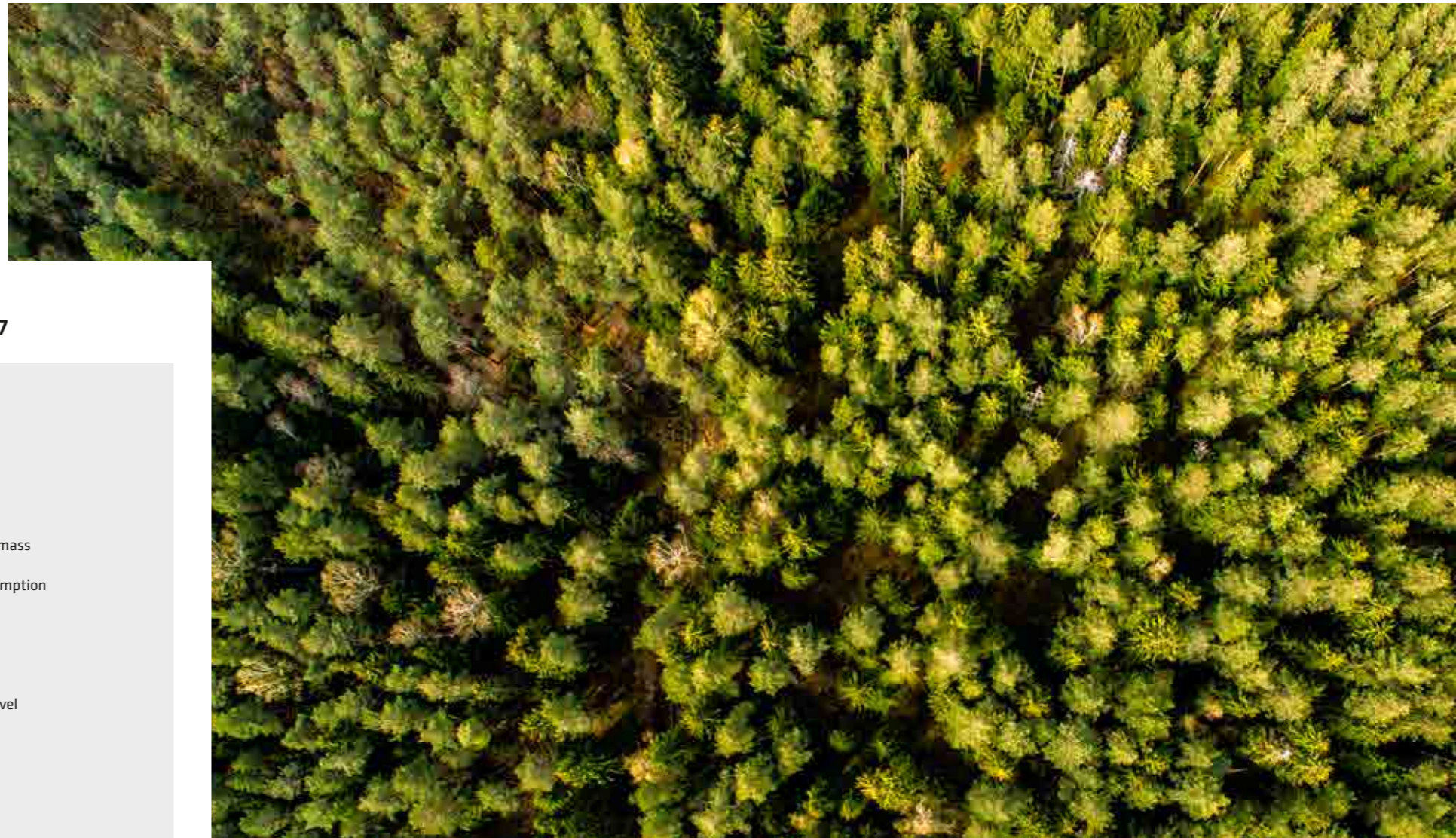
### HOLZINDUSTRIE SCHWEIGHOFER'S GREENHOUSE GAS BALANCE

#### Carbon emissions by Holzindustrie Schweighofer in 2017

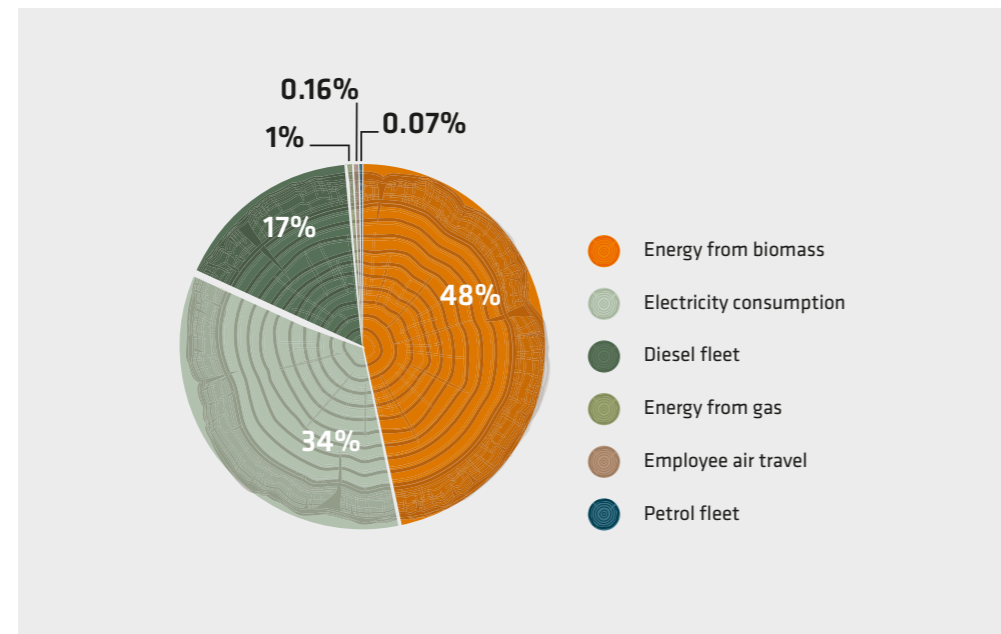
Scope 1 (Direct emissions from own operations)		
Energy from biomass	tCO <sub>2</sub> eq	45,544.18
Energy from gas	tCO <sub>2</sub> eq	858.63
Petrol fleet	tCO <sub>2</sub> eq	69.41
Diesel fleet	tCO <sub>2</sub> eq	15,678.21
Scope 2 (Indirect emissions from purchased energy)		
Electricity consumption	tCO <sub>2</sub> eq	32,532.42
Scope 3 (Other indirect emissions from operations)		
Employee air travel	tCO <sub>2</sub> eq	146.85
<b>Total</b>	tCO <sub>2</sub> eq	<b>94,829.71</b>

(Source of the emission factors: Ecoinvent 3.4/Federal Environmental Agency - October 2017)

To measure and control our progress in reducing carbon emissions and tackling climate change, the company's first-ever Group-wide greenhouse gas balance was prepared for 2017. This covers all of the company's principal sites and activities in Romania, Germany and Austria. The balance focuses primarily on energy consumption, but will be developed further in the years to come. The emission sources included are differentiated according to the three scopes of the GHG Protocol (Greenhouse Gas Protocol) (see table to the left).



### HOLZINDUSTRIE SCHWEIGHOFER CO<sub>2</sub> EMISSIONS IN 2017



Although biomass combustion produces approximately ten times less greenhouse gas than fossil fuel combustion, carbon emissions from biomass plants or boilers represent the largest factor in the greenhouse gas balance at 48 per cent. In 2017, 31 GWh of green electricity was fed into the national power grid. Further CO<sub>2</sub> emissions arose from the generation of the purchased electricity (34 per cent), fuels for the vehicle fleet (diesel: 17 per cent, petrol: 0.07 per cent) and employee air travel (0.16 per cent).

#### REUSE AND RECYCLING

While our most important raw material – wood – is utilised 100 per cent, different types of waste are generated during production. These are professionally separated and reused or recycled where possible.

In 2017, 1,713 tonnes of non-hazardous and 305 tonnes of hazardous waste (such as waste oils) were generated in addition to wood ash, which produced the largest quantities of

waste. 22 per cent of non-hazardous waste such as paper, plastics and metals is usually delivered to other industrial companies for recycling. All waste is disposed of professionally by the appropriate companies. In particular, we ensure that hazardous waste is disposed of safely at suitable facilities or licensed incineration plants as stipulated by contract.

Our biomass power plants produce large quantities of ash as a product of combustion. In 2017, the figure was 21,800 tonnes. Most of this ash is currently still deposited in landfills, but 10 per cent is already being recycled by the cement industry. Further applications for the reuse of this ash are planned for the future.

#### WATER AND WASTEWATER MANAGEMENT

In the state-of-the-art CHP units, water is used in the steam cycle to operate the turbine. Only a small quantity of fresh water needs to be fed back into the system.

Wastewater management aims to ensure that no contaminated wastewater can enter water bodies or receiving water. If necessary, wastewater is pre-treated by an oil separator system and either treated in the company's own sewage treatment plants or discharged into the public sewer system, where it is then treated in the local water treatment plant. It goes without saying that the wastewater quality is regularly monitored by accredited laboratories. In this way we ensure that our wastewater<sup>5</sup> is environmentally safe and meets all legal requirements.

<sup>5</sup> As the quantities of wastewater are currently not recorded uniformly, a comparative presentation of the quantities is not possible at the present time.



# Regional responsibility

## AT HOLZINDUSTRIE SCHWEIGHOFER, TAKING REGIONAL RESPONSIBILITY MEANS SHOWING RESPECT FOR THE COMMUNITY AND PEOPLE

» 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 for the long term. «

Excerpt from the Holzindustrie Schweighofer mission statement

As one of Europe's leading timber product manufacturers, Holzindustrie Schweighofer had 325 employees at its Kodersdorf site in Germany in 2017 in addition to 2,750 employees at its five plants in Romania (Comănești, Rădăuți, Reci, Sebeș and Siret). We are committed to these people, 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.

Holzindustrie Schweighofer sees itself as a responsible employer and an economic driving force, particularly in economically disadvantaged areas. In Romania, we are one of the largest and best-performing companies in the forestry and wood processing industries. We buy around 6.5 per cent (2017) of the felled wood available on the market in Romania. Through our activities in Romania alone we have created approximately 4,000 more jobs in upstream and downstream sectors<sup>1</sup>.

For Holzindustrie Schweighofer, complying with all legal requirements and contributing to the community with our taxes and duties is a given. We are also keen to actively promote the sustainable development of the communities and regions in which we operate. Providing support for social and health care facilities as well as for schools and education programmes is especially important to us.

<sup>1</sup> Economic impact of the wood industry in Romania, PwC, 2016



### COMMITMENT TO SOCIETY

Corporate social responsibility at Holzindustrie Schweighofer means looking first 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. With the help of our stakeholders we implement a continuous process to improve our procedures, i.e., the way we do things to make sure the wood we process is legal and harvested from sustainably managed forests. In doing so, we strive to be an industry leader, driving systemic change in wood traceability, for instance. We are aware of the social and economic realities in the communities around our sawmills and panels factories and sponsor a variety of projects to improve their access to adequate social, education and health care services. From 2010 to 2017 Holzindustrie Schweighofer provided sponsorship in Romania to the tune of approximately €5.8 million.

### CONTRIBUTION TO ECONOMIC DEVELOPMENT

A study by the management consulting firm PwC took a closer look at the economic and social effects of Holzindustrie Schweighofer's business activities in Romania and yielded some interesting results.

Holzindustrie Schweighofer increased its value in Romania by € 145 million in 2016 through the direct and indirect effects of its operations. This corresponds to 0.09 per cent of the country's gross domestic product. Holzindustrie Schweighofer's presence in Romania alone created a total of 6,944 new jobs (including indirect and induced jobs) and generated total gross wages of €48 million - through payments to our employees and as induced payments in upstream and downstream sectors. Holzindustrie Schweighofer also contributed €48 million to the Romanian national budget in the same period through directly paid taxes as well as indirect and induced taxes.

Holzindustrie Schweighofer continuously invested in production equipment, spending € 302 million in Romania between 2010 and 2015. Since its entry into the Romanian market in 2002, the company's total capital expenditure has exceeded € 800 million.

### OUR AREAS OF CSR INTERVENTION ARE SOCIAL, ENVIRONMENTAL AND FORWARD-LOOKING.

- **Social**  
We support projects and initiatives in the communities and regions in which we operate that improve community services - in kindergartens, schools, housing for disadvantaged people, facilities for the poor and elderly, emergency services, public buildings as well as community events.
- **Environmental**  
We support and develop projects and initiatives that contribute to sustainable forest management (including forest certification), wood traceability, reforestation and protection of biodiversity-rich areas.
- **Forward-looking**  
We support education, research, development and innovation in forestry and the wood industry by means of scholarships (at universities and technical colleges), endowment of laboratories, projects and events.



Students of the scholarship programme



Opening of Maria Ward social centre in Rădăuți

### SCHOLARSHIPS FOR FORESTRY AND WOOD ENGINEERING STUDENTS

Since 2015, Holzindustrie Schweighofer's scholarship programme has provided financial aid to forestry and wood engineering students who have attained exceptional achievements. The aim of this initiative is to specifically encourage the development of future experts in the timber industry.

The company is a partner of several Romanian educational institutions and in the 2017-2018 academic year granted 24 scholarships to students from faculties in three universities: Braşov, Suceava and Cluj-Napoca. The total value of each scholarship is RON 8,000 for the entire academic year. The winners of the scholarships are selected following a competition that includes a theoretical exam and a practical test.

Holzindustrie Schweighofer has also been supporting a vocational class at the Grigore Cobălcescu Technical Col-

lege in Moineşti, Bacău County, since the 2016/2017 school year. In this class, 14 students are trained to be locksmiths and another 14 students are trained to be electricians. Students receive a monthly grant from the company and also have the opportunity to carry out paid internships at Holzindustrie Schweighofer's Romanian factories. In addition, we have sponsored state-of-the-art laboratory equipment at the college and the renovation of its facilities.

### FUNDING OF THE MARIA WARD SOCIAL CENTRE IN RĂDĂUȚI

Children of disadvantaged families often do not have access to education, yet this is an important basis for social advancement. The Maria Ward Social Centre in Rădăuți in the historical region of Bukovina in north-east Romania addresses this issue. The centre, which belongs to the NGO I.S.E.A. (Asociația Informare, Suport, Educație și Ajutor) and is run

by the Sisters of the Sacred Heart, accommodates around 50 children. The children can take part in creative and social activities and receive psychological support, speech therapy and homework assistance, but also regular meals and hygiene education. Employment advice and other services are provided to their parents.

The Maria Ward Centre has been in operation since 1994. However, the facilities were no longer adequate, so the house was rebuilt and modernised in autumn 2014 with funding from Holzindustrie Schweighofer.

### A NEW HOME FOR SENIOR CITIZENS IN RĂDĂUȚI

Holzindustrie Schweighofer has financed the construction of a new home for the elderly in Rădăuți which was inaugurated in October 2017.

The contemporary 20-room building gives 40 senior citizens a new home. They are looked after around the clock by trained personnel. In addition to the brightly decorated rooms, the building has a dining area, a fully equipped kitchen and offices for the medical staff.

Holzindustrie Schweighofer invested €733,000 in the construction of the building, while furniture and beds were kindly donated by the Wilhelminenspital and Kardinal Schwarzenberg Klinikum, two Austrian hospitals. The equipment was transported to Romania free of charge by the logistics company DB Schenker.

### THE AFTERSCHOOL PROGRAMME IN RECI

Since 2013, Holzindustrie Schweighofer has funded an afterschool programme for children in Reci. Around 50 children from socially disadvantaged families receive homework assistance at the facility, a hot meal and leisure time activities under the supervision of trained professionals.

The afterschool programme is housed in a historic building not far from the school that was renovated by Schweighofer in 2013 with the support of the local community. Holzindustrie Schweighofer also assumes the cost of the meals and salaries for staff.



Afterschool programme in Reci



»We value Holzindustrie Schweighofer as a reliable partner. The over 450 jobs that have so far been created at the plant have given our people the chance to find work locally, which in turn has reduced migration. Of course, the local community also benefits from the tax revenues of a company of this size – these funds are used to improve infrastructure and modernise the region. In addition to the taxes it is required to pay, Holzindustrie Schweighofer also makes a significant voluntary contribution to the community by funding afterschool activities for school children and the local orchestra. Holzindustrie Schweighofer understands how important people are and takes its responsibility to society seriously – not only on paper.«

**Lehel Dombora, Mayor of Reci**

# Annex

## Sustainability goals of Holzindustrie Schweighofer

We see sustainability as a continuous process in which we develop and improve step by step. In our sustainability programme we define binding goals and actions for the different areas of activity in the company:

### RESPONSIBLE CORPORATE GOVERNANCE

- Play a pioneering role in transparency and open communication
- Ensure that our compliance management activities are continuously developed
- Implement a Group-wide Code of Conduct for employees and suppliers
- Increase our activities with the International Anti-Corruption Academy (IACA)
- Step up collaboration with NGOs
- External validation of the next sustainability report envisaged

### SUSTAINABLE SUPPLY CHAIN

- Ensure a sustainable supply chain
- No wood originating from virgin forests or national parks in Romania
- From 2025: purchase of 100 per cent certified wood
- Renewed association with the FSC®
- Certify all individual sites to PEFC™
- Implement a Code of Conduct for suppliers
- Continue to work on and research methods for physical traceability of the origin of wood – for each tree trunk down to the growing area

### EMPLOYEES

- Be a fair, responsible employer for all employees
- Expand our regional employer branding programme in Romania and Germany
- Collect data on education and diversity

### ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

- Roll out the environmental management system across the entire Group by 2022

- Achieve a 25 per cent reduction in CO<sub>2</sub> emissions by 2025
- Achieve a 30 per cent reduction in energy consumption by 2025
- Increase the proportion of ash that is recycled rather than deposited in landfills



# Holzindustrie Schweighofer GRI content index

## IN ACCORDANCE WITH GRI STANDARDS; CORE OPTION

Holzindustrie Schweighofer aspires to measure and evaluate its own performance continually based on sustainable criteria. To prepare the data in a way that is transparent and allows comparisons, the company uses the standards of the **Global Reporting Initiative (GRI)** as a guide. This report has been drawn up in compliance with the GRI Standards in accordance with the **“Core option”**. The findings relate to the Austrian market.

### GENERAL STANDARDS (GRI 102)

Code	Content in accordance with GRI Standards (Core)	Reference/comments
<b>Organisational profile</b>		
102-1	Name of the organisation	p. 72
102-2	Activities, brands, products and services	pp. 10-13
102-3	Location of headquarters	p. 9
102-4	Location of operations	pp. 9, 13
102-5	Ownership and legal form	p. 9
102-6	Markets served	p. 13
102-7	Scale of the organisation	p. 9
102-8	Information on employees and other workers	p. 49
102-9	Supply chain	pp. 10-11, 30-31
102-10	Significant changes to the organisation and its supply chain (since last report)	First report
102-11	Precautionary principle or approach	pp. 18-21
102-12	External initiatives	pp. 21-23, 32-33, 60-63
102-13	Membership of associations	pp. 22-23
<b>Strategy</b>		
102-14	Statement from senior decision-maker	p. 3
<b>Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	pp. 18-21, 26
<b>Governance</b>		
102-18	Governance structure	pp. 18-21

### GENERAL STANDARDS (GRI 102)

<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	pp. 5, 22
102-41	Collective bargaining agreements	p. 49
102-42	Identifying and selecting stakeholders	pp. 4-5
102-43	Approach to stakeholder engagement	pp. 4-6
102-44	Key topics and concerns raised	p. 6
<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements	p. 4
102-46	Defining report content and topic boundaries	p. 4
102-47	List of material topics	p. 6
102-48	Restatements of information	First report
102-49	Changes in reporting	First report
102-50	Reporting period	p. 4
102-51	Date of most recent report	First report
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	p. 72
102-54	Claims of reporting in accordance with the GRI Standards	Core option
102-55	GRI content index	p. 66
102-56	External assurance	Envisaged for the next sustainability report

### TOPIC-SPECIFIC STANDARDS (INCLUDING MANAGEMENT APPROACHES)

#### Economic standards (GRI 201 to 206)

Topic		Aspects (Core)	Reference/comments
Economic performance	103	Management approach “Economic Performance”	pp. 8-13
	201-1	Direct economic value generated and distributed	pp. 10-11
	202-2	Proportion of senior management hired from the local community	pp. 49
Indirect economic impacts	103	Management approach “Indirect Economic Impacts”	pp. 60-61
	203-1	Infrastructure investments and services supported	pp. 60-61
	203-2	Significant indirect economic impacts	pp. 60-61
Anti-corruption	103	Management approach “Anti-corruption”	pp. 18-21
	205-1	Operations assessed for risks related to corruption	No incidents in the reporting period
	205-2	Communication and training about anti-corruption policies and procedures	p. 21
	205-3	Confirmed incidents of corruption and actions taken	No incidents in the reporting period

**Environmental standards (GRI 301 to 308)**

Topic		Aspects (Core)	Reference/comments
Materials	103	Management approach "Materials"	pp. 52-55, 69
	301-1	Materials used by weight or volume	pp. 54-55
Energy	103	Management approach "Energy"	pp. 52-56, 69
	302-1	Energy consumption within the organisation (Scope 1 and 2)	pp. 54-55
	302-2	Energy consumption outside of the organisation (Scope 3)	pp. 54-55
	302-4	Reduction of energy consumption	pp. 55-56
Biodiversity	103	Management approach "Biodiversity"	pp. 26, 52-53, 69
	304-2	Significant impacts of activities, products, and services	pp. 34-38, 44-47
Emissions	103	Management approach "Emissions"	pp. 52-53, 56-58, 69
	305-1	Direct (Scope 1) greenhouse gas emissions	p. 57
	305-2	Indirect greenhouse gas emissions energy-related (Scope 2)	p. 57
	305-3	Other indirect (Scope 3) greenhouse gas emissions	p. 57
	305-5	Reduction of greenhouse gas emissions	pp. 52-58
Effluents and waste	103	Management approach "Effluents and Waste"	pp. 52-53, 58-59, 69
	306-2	Waste by type and disposal method	p. 54
Environmental compliance	103	Management approach "Environmental Compliance"	pp. 52-53, 69
	307-1	Non-compliance with environmental laws and regulations	No incidents in the reporting period
Supplier environmental assessment	103	Management approach "Supplier Environmental Assessment"	pp. 24-26, 69
	308-2	Negative environmental impacts in the supply chain and actions taken	pp. 28-43

**Social standards (GRI 401 to 419)**

Topic		Aspects (Core)	Reference/comments
Employment	103	Management approach "Employment"	pp. 48-49
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	pp. 48-51
Occupational health and safety	103	Management approach "Occupational Health and Safety"	p. 50
	403-1	Workers representation in formal joint management-worker health and safety committees	In compliance with the legal requirements in the individual countries
Training and education	103	Management approach "Training and Education"	p. 51
	404-3	Percentage of employees receiving regular performance and career development reviews	p. 51
Diversity and equal opportunity	103	Management approach "Diversity and Equal Opportunity"	pp. 48-51
Non-discrimination	103	Management approach "Non-discrimination"	pp. 48-51
	406-1	Incidents of discrimination and corrective actions taken	No incidents in the reporting period
Local communities	103	Management approach "Local Communities"	pp. 60-63
	413-1	Operations with local community engagement, impact assessments and development programmes	pp. 62-63
Marketing and labelling	103	Management approach "Marketing and Labelling"	p. 26
	417-2	Incidents of non-compliance concerning product and service information and labelling	No incidents in the reporting period
Socioeconomic compliance	103	Management approach "Socioeconomic Compliance"	pp. 18-21
	419-1	Non-compliance with laws and regulations in the social and economic area	In the reporting period Holzindustrie Schweighofer S.R.L. was under investigation by the fiscal authorities and obliged to pay penalties

**HOLZINDUSTRIE SCHWEIGHOFER'S ENVIRONMENTAL POLICY**

August 2018

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 per cent reduction in electrical and thermal energy by 2025;
- a target of a 25 per cent reduction in CO<sub>2</sub> emissions by 2025;

- minimising the volume of waste generated by our operations;
- maximising the re-use of waste;
- ensuring the most environmentally friendly treatment and disposal of each type of waste;
- establishing, maintaining and intensifying dialogue with stakeholders and employees to ensure and achieve our environmental objectives and goals through continuous improvement.

**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.

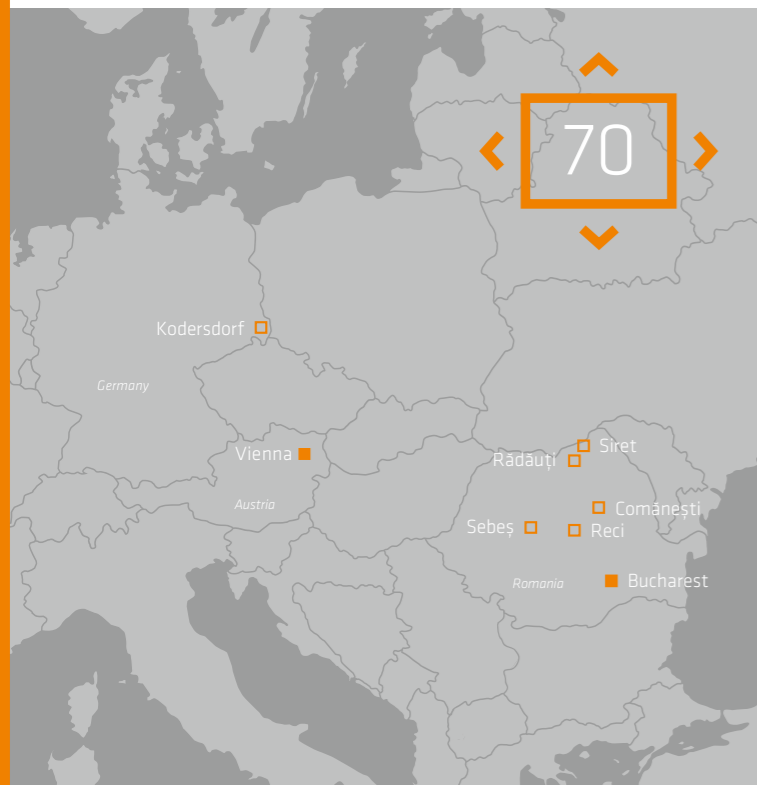
Dan Banacu      Jürgen Bergner      Christian Hörburger  
 Martin Louda      Otmar Mittermüller      Gerald Schweighofer

*Management Board*

# OVERVIEW OF HOLZINDUSTRIE SCHWEIGHOFER

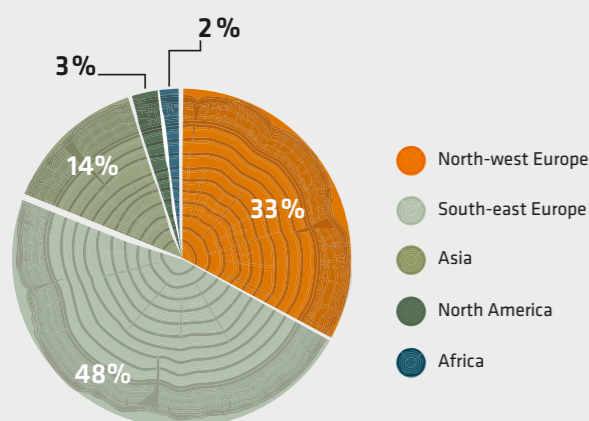
## COMPANY

We operate three sawmills and two panels factories in Romania, plus one sawmill in Germany.



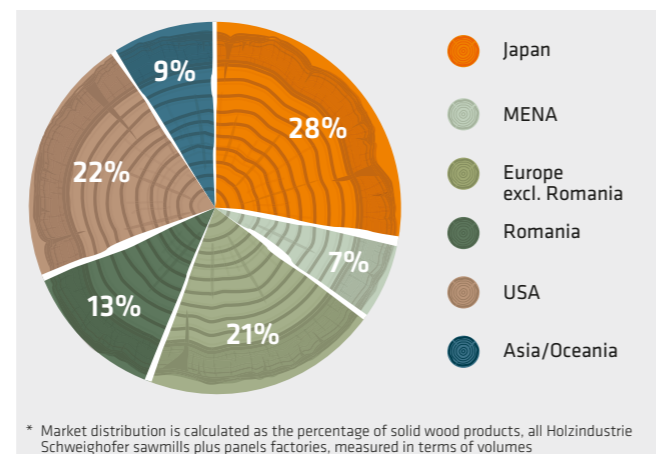
With over **3,100 employees** in Austria, Germany and Romania, we produce wood products and supply **customers in around 70 countries**.

Customers by region (number) 2016 to 2017



**Japan is our most important product destination** (28 per cent), followed by the United States (22 per cent). Overall, 34 per cent of the sales volume was sold to countries in Europe.

Most important markets\* of Holzindustrie Schweighofer 2017 (volumes)



\* Market distribution is calculated as the percentage of solid wood products, all Holzindustrie Schweighofer sawmills plus panels factories, measured in terms of volumes

## SUSTAINABLE SUPPLY CHAIN

We **do not harvest any trees ourselves**, but buy wood to be delivered "free sawmill". We **only process coniferous wood** (spruce, fir, pine). The logs have an **average diameter** at the centre of the log of **23 centimetres**.

In 2017, we **purchased approximately 3.3 million solid cubic metres of sawlogs** and around 160,000 cubic metres of sawn timber for our production activities.

Most of the wood is **processed in Romania** – around 2.4 million cubic metres in 2017. In fact, approximately **half of this quantity originates from Romania** and represents around **6.5 per cent of all the wood harvested in this country** (2017: 18.3 million cubic metres).

We have a diverse supplier structure. In 2017, our sawmills in Romania alone purchased wood from **825 merchants and forestry companies**; around **95 per cent of these vendors are small businesses**.

Our extensive supplier management and due diligence system **ensures** that the softwood purchased has been **legally harvested**.

By increasing the share of **deliveries of certified wood**, we aim to increase the share of wood that has been proven to originate from sustainable forestry **to 100 per cent in the future**.

We adhere to a strict purchasing principle: **"No wood from national parks in Romania"**.

In order to get a picture of where the wood delivered actually comes from, we audit the forestry companies on site. In 2017 alone, we **visited 491 companies and audited 27 forestry enterprises in Romania**.

Our state-of-the-art, publicly accessible **GPS system Timflow (www.timflow.com)** tracks every truck that delivers **Romanian wood to our mills**. This is something that is unique in the European timber industry.



## EMPLOYEES

It goes without saying that we comply with the industry's collective agreements. Our employees' **salaries are also well above the industry average**.

Our employees receive an **attractive range of fringe benefits**, including **top-up health insurance**.

## ANTI-CORRUPTION

We strictly observe laws and regulations; and we train our employees accordingly.

**In cooperation with the International Anti-Corruption Academy (IACA)**, we conduct tailor-made anti-corruption training seminars for our key personnel, with 91 employees and 23 members of management receiving training in 2017.

## STAKEHOLDER COMMUNICATION

On our **stakeholder information portal** we disclose all relevant information and reports and foster dialogue with our stakeholders.

The **Schweighofer Prize**, which awarded a total of **€300,000**, was presented every second year for innovative ideas along the wood supply chain.

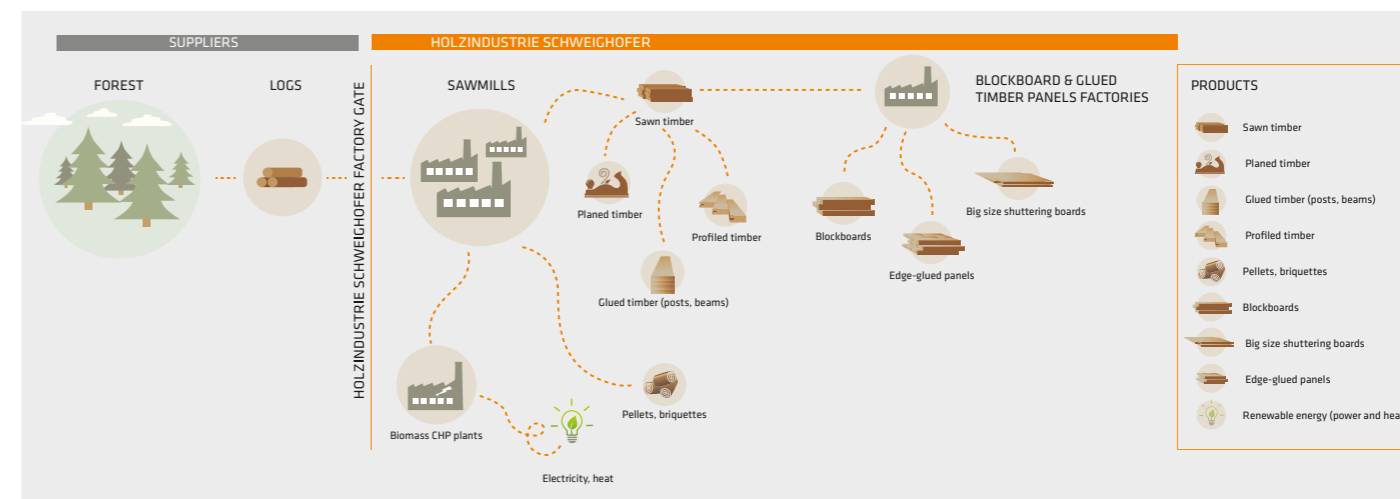
## ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

The first step we took was to certify the Reci sawmill site to the international standard ISO 14001 in 2018. **We are striving for certification of all sites by 2022 at the latest**.

We **utilise 100 per cent of our raw material** – wood. **All by-products are processed or used to generate renewable energy**.

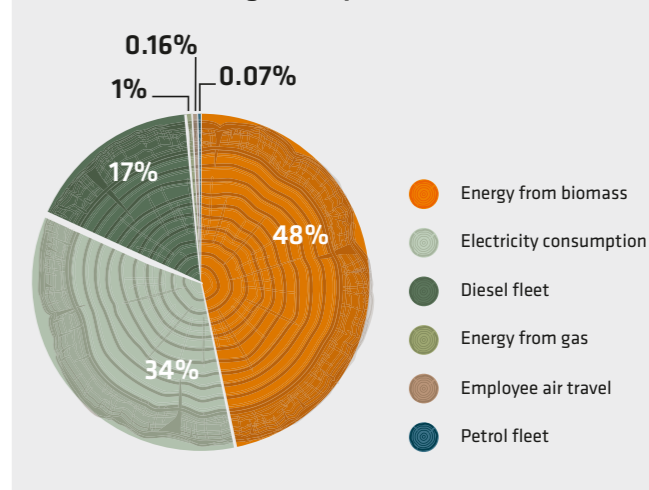
In 2017, around 196 GWh of electricity and 625 GWh of heat were needed to produce the high-quality wood products. This **energy is mainly generated by means of combined heat and power (CHP) in the state-of-the-art biomass power plants at the sawmills**.

## LOCATION-BASED VALUE CHAIN OF HOLZINDUSTRIE SCHWEIGHOFER



To measure and control our progress in reducing carbon emissions and tackling climate change, the company's first-ever Group-wide greenhouse gas balance was prepared for 2017.

Holzindustrie Schweighofer CO<sub>2</sub> emissions in 2017



By 2025, we will **reduce company-wide CO<sub>2</sub> emissions by 25 per cent**. **Energy consumption is to be reduced by 30 per cent** in the same period.

## REGIONAL RESPONSIBILITY

Since entering the market in 2002, we have **invested around €800 million** in our Romanian sites.

A study carried out by PwC in 2016 showed that through our presence in Romania we have **created a total of 6,944 jobs**.

We support social and health care institutions as well as universities, schools and training institutions in the regions where we have a presence. Over the past seven years, we have furnished around **€5.6 million** for this purpose.

As part of the Tomorrow's Forest project, which we initiated together with our partners in Romania, **one million trees will be planted in Romania by 2024**.

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### Translation and language services:

ASI GmbH – Austria Sprachendienst International, Vienna, Austria

### Photography:

p.2 shutterstock, pp.14/15 Krewenka, p. 15 Didier Boy de la Tour, p. 16/17 shutterstock, pp. 30/31 shutterstock, pp. 32/33 shutterstock, pp.36/37 shutterstock, p.59 shutterstock

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