



**HS TIMBER
GROUP**

SUSTAINABILITY

REPORT 2024

Executive Summary

INTRODUCTION

Sustainability as a topic increasingly faces challenges in the public debate, but our commitment remains firm. Sustainability is not just a claim for us - it is the very foundation of our business. It shapes our decisions, drives our innovations, and defines our purpose. And we are proud of this.

Our HS Timber Group Sustainability Report 2024 is a reflection of the company's ongoing commitment to environmental stewardship, responsible governance, and social impact.

Since 2018, we have voluntarily reported on our sustainability initiatives. In 2023, we took a proactive step by adopting the European Sustainability Reporting Standards (ESRS), even though we are not required to do so. While we recognize the upcoming regulatory changes introduced during the Omnibus debate, we have chosen to maintain the established reporting structure. The consistency allows us to clearly communicate both our progress and challenges we face on our sustainability journey.

The following pages summarize the key figures, accomplishments and commitments of our Sustainability Report 2024.

Jürgen Bergner, Christian Frühwald, Martin Louda
The Management of HS Timber Group



Key figures, accomplishments and commitments in 2024:

Renewable Energy Generation

- + 91% of total energy consumption comes from renewable sources
- + 87% share of own-produced renewable energy of total energy consumption
- + 4 GWh electricity generated by our photovoltaic plants (Comănești, Kodersdorf)
- + 3 of our sawmills equipped with combined heat and power plants for green power generation

Sustainable Investments

- + 35% of Taxonomy-eligible investments are Taxonomy-aligned contributing to climate change mitigation
- + 4,8 million EUR investments for aligned/environmentally sustainable activities
- + 2nd combined heat and power plant in Kodersdorf in full operation since 2024
- + ongoing investments in electric forklifts and other electric and hybrid vehicles

Greenhouse Gas (GHG) Emissions - our commitment

- + 50% reduction target of GHG emissions related to Scope 1 and 2 by 2030
- + 10% reduction target of GHG emissions related to Scope 3 by 2030 newly established
- + Net-zero emissions target by 2050

Scope 1: Direct emissions from company-owned or controlled sources

Scope 2: Indirect emissions from purchased electricity (market-based)

Scope 3: Other indirect emissions in the value chain

CLIMATE CHANGE

At HS Timber Group, we are proud to work with a truly sustainable resource: wood. By using it efficiently - both in our products and for energy production - we minimize waste and keep the greenhouse gas emissions from our operations comparatively low.

Still, we have established ambitious goals in addressing climate change. Our focus areas are the increase of GHG emission-free electricity in the purchased electricity mix, the further expansion of own renewable energy generation, and the reduction of fossil fuels by efficiency measures and transition of vehicle fleet from fossil fuel powered to full electric vehicles. For 2024, we have calculated our full Corporate Carbon Footprint for the second consecutive year, reinforcing our commitment to climate action.

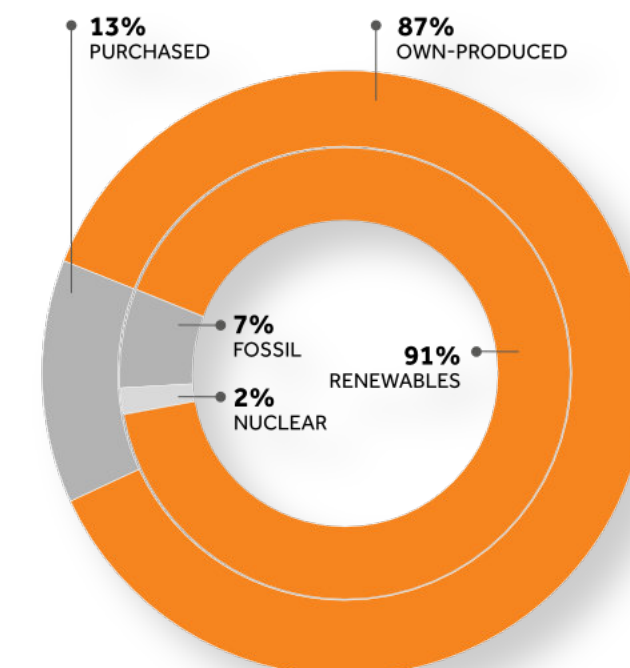
Notably, the share of renewable sources in our total energy consumption increased to 91% in 2024, reducing the proportion of non-renewable energy. Major part of this renewable energy is own-produced through our combined heat and power plants and boilers that are fueled with sustainable biomass.

HS Timber Group remains committed to environmental protection through the implementation of an Environmental Management System (EMS) that promotes recycling, energy efficiency, and sustainable resource use.

HS Timber Group Environmental Policy



ENERGY CONSUMPTION MIX AND SOURCES 2024



% Shares of total energy consumption
% of nuclear sources from purchased electricity mix

Key figures, accomplishments and commitments in 2024:

Full Utilization of Material

- + 100% utilization of processed sawlogs
- + 100% of by-products are re-purposed for further industry use, pellets or bioenergy
- + Cascading use of wood ensures resource efficiency and high value added

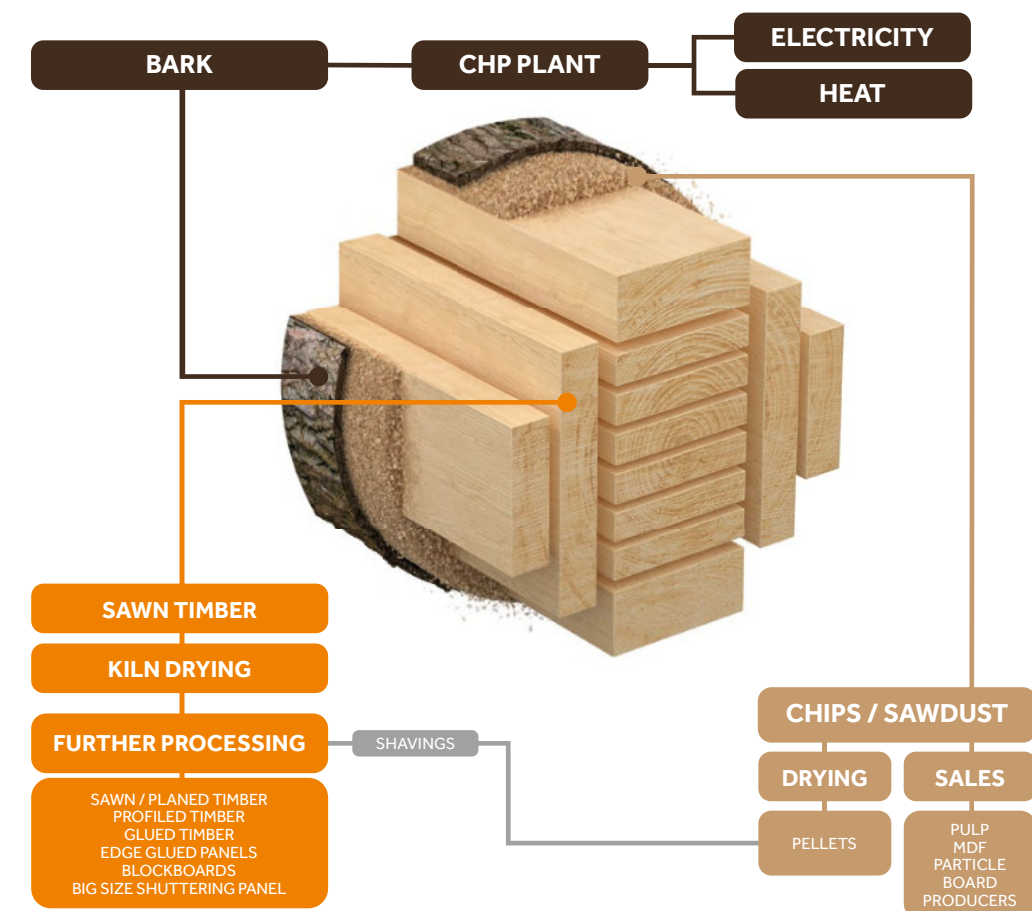
Circular Economy

- + 76% share of recyclable materials of products sold
- + 1 m³ wood stores 1 ton of CO₂
- + Long-term carbon storage in products used in long-term applications
- + WoodComp3D research project to develop new uses of by-products ongoing
- + 10 million EUR total research budget with about one-third provided by HS Timber Group

Waste

- + 74% recovery rate of ash (generated by our biomass power plants)
- + 5% reduction of total non-hazardous waste
- + Continuous exploration of additional ash recovery solutions
- + Optimization of packaging material use and waste reduction programs

Typical cutting pattern with products and by-products obtained from a freshly harvested sawlog with bark



RESOURCE USE AND CIRCULAR ECONOMY

HS Timber Group's operations are an integrative part of a bio-based circular economy.

HS Timber Group's primary product - wood - does not only play a crucial role in climate change mitigation by storing carbon dioxide throughout their lifespan but is most importantly a renewable resource. By maximizing material efficiency and enabling the reuse, recycling and repurposing of wood products, we are reducing waste and conserving natural resources.

We are fundamentally committed to the consecutive and cascading use of resources, always prioritizing product utilization which creates the highest value added in circular economy practices. We don't just produce solid wood. Our production process also generates valuable by-products, which we supply to the further processing industry or use in pellet production for both industrial and end customers.

HS Timber Group's target is to specifically focus on the efficient use and sustainable sourcing of raw materials.

In the long run, we believe wood is far too valuable to be simply burned. That's why, together with our partner, the Technical University of Vienna, we are investing in the large-scale research project **Woodcomp3D** to develop a new wood-based material from by-products, one that could be used in the construction of the future.



OWN WORKFORCE

Our people are our most important asset. HS Timber Group is therefore firmly committed to safeguarding the health, safety, and well-being of its workforce. Through ongoing improvements to working conditions, provision of safe equipment, and comprehensive training programs, we strive to create a safe work environment, which is specifically a topic for our industry.

Better safe than sorry! This core principle is guiding us to achieve zero serious accidents within our Zero Accidents Policy. These principles are upheld through regular training and clear communication of safety expectations.

HS Timber Group Health and Safety Policy

Key figures, accomplishments and commitments in 2024:

Our Workforce

- + 2.700 employees at the end of 2024
- + 97% of employees with permanent contracts
- + 95% of employees employed in production sites

Health & Safety

- + 100% of our workforce covered by our health and safety management
- + 11% reduction in rate of recordable accidents
- + 0 work-related fatalities in 2024





BUSINESS CONDUCT

HS Timber Group ensures strong governance through a structured compliance framework. We are aware that our commitment to fair and ethical business conduct is most important to our stakeholders. This commitment is upright and reflected in several key components of our governance model: well-defined guiding principles and internal procedures, effective management and supervisory mechanisms, a powerful Mission Statement, robust compliance management and a clear Code of Conduct for employees and for all business partners.

The company focuses specifically on a state-of-the-art due diligence system in supply chain management, on risk management, and anti-corruption and anti-bribery. Creating internal awareness and a real culture of integrity is of utmost importance to us.

We expect our suppliers to share our values and uphold the highest standards of integrity and compliance. If we have any doubts about this, we are prepared to take action - and we do.

HS Timber Group Code of Conduct



Key figures, accomplishments and commitments in 2024:

Corporate Culture

- + 100% of employees accept our Code of Conduct
- + Ethical business practices reinforced in online and personal trainings
- + Zero-tolerance policy on corruption and bribery

Compliance Management and Anti-Corruption

- + Annual training on anti-corruption for exposed staff
- + Annual compliance risk assessment
- + New whistleblower tool guaranteeing full anonymity

Management of Relationship with Suppliers

- + Code of Conduct for all business partners
- + Sustainable supply chain management and advanced Due Diligence System as key focus for HS Timber Group
- + Particularly short payment terms for roundwood purchases



Key figures, accomplishments and commitments in 2024:

Due Diligence System

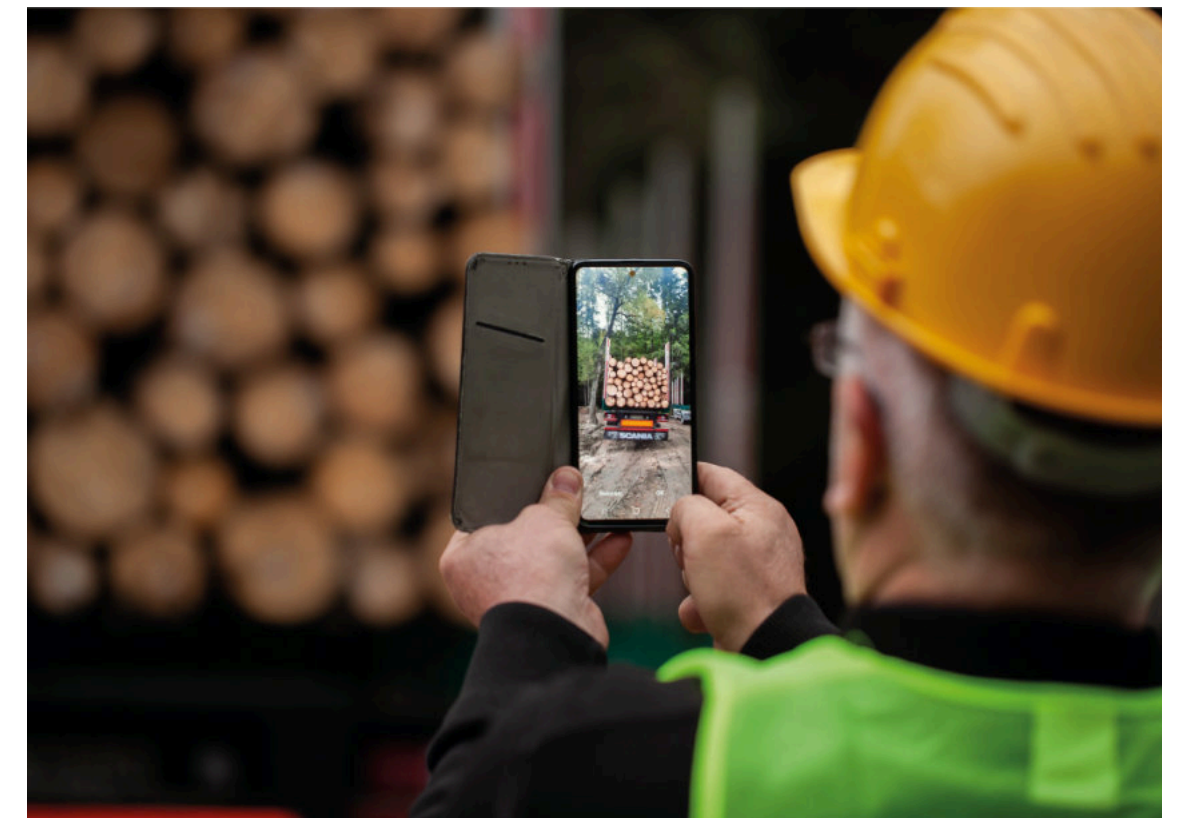
- + 100% of wood material input covered by our advanced Due Diligence System since 2018
- + 100% compliance with Timber Sourcing Policy
- + 100% compliance with Zero Timber from National Parks Policy for Romania and Ukraine
- + 441 on-site audits (suppliers and forest plots) conducted by HS Timber Group's compliance experts

Traceability

- + 100% of roundwood input in Romania covered by own developed traceability system - Timflow
- + 100% roundwood sourcing for European mills from EU countries
- + 8 roundwood sourcing countries in total in 2024
- + 3rd parties may access our publicly available **Timflow** web portal – getting 100% information of all roundwood deliveries from Romania

Certification

- + 100% of our mills hold PEFC Chain of Custody certification
- + FSC® certificates in Comănești and Luvia
- + 100% sourcing target of timber from forests certified to PEFC and/or FSC® forest certification schemes by 2030
- + 75% of roundwood from certified forests in 2024 (new sourcing areas in Argentina were under the certification process but not yet certified)
- + 3 mills certified according to SURE - SUSTAINABLE RESOURCES Verification Scheme



SUSTAINABLE SOURCING PRACTICES AND TRACEABILITY

Sustainable sourcing is essential to maximizing the sustainability value of wood as a renewable resource. A core concern for the company is here to ensure the legality of all its input. Over the years, HS Timber Group has developed and implemented an advanced and robust Due Diligence System (DDS) for all mills, allowing the company to monitor and manage risks in its supply chain. Additionally, certifications for sustainable forest management plays a key role in the commitment to responsible forest practices.

We are committed to purchase all our material from certified forest areas by 2030.

Since 2017, our own developed GPS-based **Timflow** system has ensured full physical traceability across the Romanian supply chain, setting a benchmark for transparency and accountability in the wood industry. Now, with the new regulatory requirements resulting from EUDR (EU Deforestation Regulation) we modernize and update our digital infrastructure to stay well ahead of pure compliance but really to make the difference.

HS Timber Group Timber Sourcing Policy





CUSTOMER SATISFACTION

For HS Timber Group, customer orientation is central to our success, forming one of the pillars of our Mission Statement and a core company value. We are dedicated to delivering sustainable, high-quality products at the best price-performance ratio, supported by open communication and responsive, reliable customer service. We remain committed to long-standing partnerships and seek continuous improvement towards our goal of a zero-claims rate for customers.

Key figures, accomplishments and commitments in 2024:

- + 71% of established production sites' turnover with long-standing partners
- + 20% reduction in customer claim rate keeping customer satisfaction high
- + Customer satisfaction and sustainability survey actively seeking feedback in 2024





STAKEHOLDER ENGAGEMENT AND COMMUNICATION

At HS Timber Group we acknowledge the importance of our impact on various stakeholders, including employees, business partners, local communities, authorities, NGOs, and media.

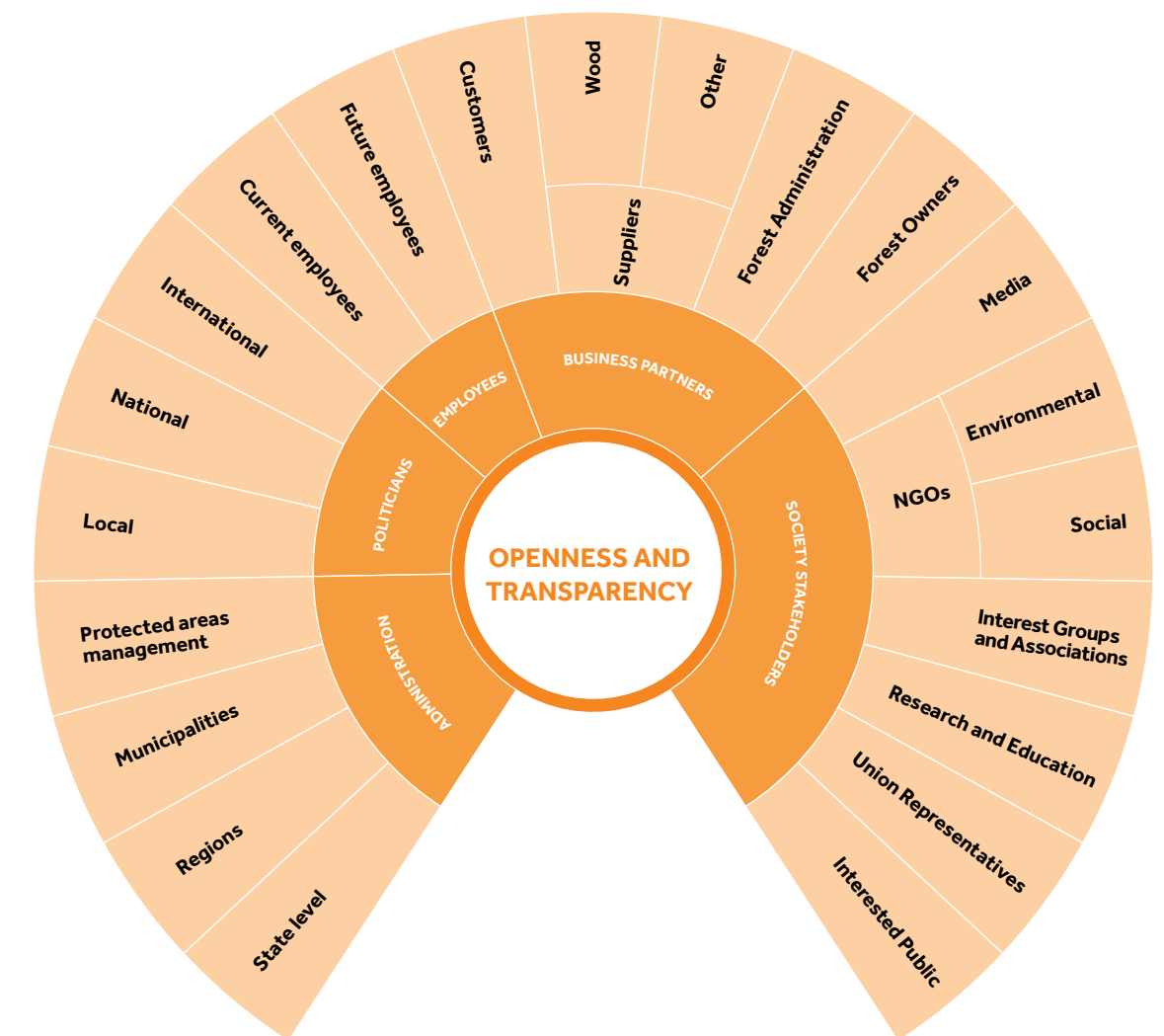
We actively engage stakeholders through structured consultations and open dialogue to address social and environmental concerns, improve transparency, and foster trust. Stakeholder engagement does primarily mean to honestly listen to concerns, but also to actively manage expectations and inform about decisions.

We believe that engaging in constructive dialogue with our stakeholders and actively addressing their concerns is of mutual benefit. Their input received is highly valuable to us, as it brings forth social and environmental concerns and drives us to develop innovative ideas to address these concerns. By maintaining an open and ongoing dialogue, we aim to align and manage expectations, find common ground, develop collaborative solutions and thereby manage risks.

We remain committed to our Open Doors Policy for NGOs and media, allowing unannounced mill visits to ensure transparency, especially regarding supply chain control. Stakeholder engagement is integrated into our Environmental Policy and our Timber Sourcing Policy.

Key figures, accomplishments and commitments in 2024:

- + Annual public consultation in Reci: Focus on research projects in wood-based industries, regulatory changes such as EUDR and voluntary SURE certification
- + Opening of Acon Timber: around 700 national and international guests took part in the opening ceremony on the factory premises, including suppliers, customers and HS Timber employees
- + Forestry Day at Expo Rural in Virasoro
- + Cooperation with civil society organizations to fight illegal logging in Romania through training events and awareness campaigns on timber legality
- + Stakeholder engagement with forest owners of our Finnish sawmill in Luvia



CONCLUSION

HS Timber Group is actively integrating sustainability into its core business strategy. The company is leading the transition toward a low-carbon, circular economy through investments in green energy, responsible sourcing, and material efficiency ensuring specifically also the long-term economic resilience of its operations. With a strong governance framework, clear emission reduction targets, and sustainable resource management, the company is not just well-prepared for the future of responsible forestry and wood processing but aiming to maintain its advanced position in the sector.

As the regulatory landscape evolves, HS Timber Group remains committed to transparency, compliance, and continuous improvement in its sustainability performance.

REQUEST FULL REPORT

For the full report, please send us a request [by following this link](#).