



**HS TIMBER
GROUP**

SUSTAINABILITY REPORT 2023



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FOREWORD

Dear Readers,

We are excited to share the HS Timber Group Sustainability Report for 2023 with you. This report is more than just a report - it's a key tool for us to stay transparent about our environmental actions, our commitment to people, and how we aim to lead responsibly. We believe that everyone deserves to see what we're doing, where we're making progress, and how we're working to get better.

Our business is built around a simple idea: using every part of the wood we source responsibly. Wood is a renewable resource, and we take pride in making the most of it by turning every piece into valuable products - from sawn timber to bioenergy made of wood by-products. This "full use" approach is key to what we do, helping us minimize waste, lowering our carbon footprint, and contributing to a healthier planet.

Since 2018, we've reported on our sustainability initiatives voluntarily. This year, in preparation for upcoming European Sustainability Reporting Standards, we're already following the latest guidelines to be fully transparent and ready for what's ahead. We're committed to making this process as straightforward and impactful as possible for everyone.

We thank all our employees, suppliers, customers, and stakeholders who have accompanied us on our journey so far. If you would like to give us feedback on our report and explanations, please feel free to contact us. We look forward to interacting with you.

Getting better every day!

Jürgen Bergner, Christian Frühwald, Martin Louda

The Management of HS Timber Group

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HS Timber Group considers this sustainability report as one of the essential communication tools, aiming to inform all stakeholders and interested parties about its continuous development in the areas of environmental and social matters as well as in the field of corporate governance. HS Timber Group has been voluntarily disclosing sustainability information since 2018, although the Group was not subject to the Non-Financial Reporting Directive (NFRD) or its corresponding Austrian national implementation, the Nachhaltigkeits- und Diversitäts-Verbesserungsgesetz (NaDiVeG). In the past our sustainability report has been prepared according to the standards of the Global Reporting Initiative (GRI). Starting from the reporting year 2025, HS Timber Group will be required to publish its first mandatory non-financial report based on the [Directive \(EU\) 2022/2464](#) Corporate Sustainability Reporting Directive (CSRD) and the [Commission Delegated Regulation \(EU\) 2023/2772](#) European Sustainability Reporting Standards (ESRS) in 2026. In preparation for this new reporting requirements, this sustainability report for the year 2023 is already prepared according to the new standards. By providing this sustainability information according to ESRS disclosure requirements we want to provide transparent and comparable information to our stakeholders already ahead of regulatory requirements. Additionally, it is our aim to prepare our internal processes for future reports to the best extend possible. We explicitly encourage all stakeholders to let us have feedback on this report, and thus foster continuous improvement and mutual learning.¹

This report has been internally reviewed and approved by the Management Board and is currently not subject to an external audit.

1 ESRS 2 BP-2 §15

BASIS FOR PREPARATION

BP-1 - GENERAL BASIS FOR PREPARATION OF THE SUSTAINABILITY STATEMENT

Scope of consolidation

This sustainability report captures the collective information across HS Timber Group and is presented in a consolidated basis.² The report covers the period from January 1, 2023, till December 31, 2023, which equals our financial reporting year.³ Currently, efforts are underway to standardize the consolidation scope of financial and non-financial reporting. The scope of consolidation is not fully consistent to the financial consolidation.⁴

The scope of the consolidation of this sustainability report includes the relevant wood industry and trading companies, specifically the following legal entities:

- + HS Timber Industrieholding GmbH
- + HS Timber Industrieinvest GmbH
- + HS Timber Productions GmbH, HS Timber Services GmbH
- + HS Timber Productions srl
- + HS Timber Productions Reci srl
- + HS Timber Productions Bucuresti srl
- + HS Timber Productions Sebeş srl
- + HS Timber Trading GmbH
- + HS Baco Panels srl
- + Dr. Anna Bauthen GmbH (DABG)
- + Luvia Holding GmbH, Luvian Saha Oy
- + ATA Ventures Holding GmbH, ACON Timber S.A.U.
- + Piniera GmbH
- + Belacon Holding GmbH, HS Belacon LLC.

2 ESRS 2 BP-1 §5a

3 ESRS 2 BP-1 §5b

4 ESRS 2 BP-1 §5b

From the above-mentioned legal entities, two production sites (Acon Timber in Virasoro, Argentina and Belacon in Svisloch, Belarus) were not fully operational in the year 2023, nevertheless both sites are included in this report. The location in Sebeş (HS Timber Production Sebeş srl, Romania) was sold and is therefore accounted for six months only.

Our direct and indirect business relationships in the upstream and downstream value chain were considered in the assessment of material impacts, risks and opportunities. Thus, in the preparation of this sustainability report HS Timber Group's full value chain was included.⁵ HS Timber Group does not use the option to omit information in relation to intellectual property or innovation.⁶ With regards to financial information, we have decided to provide figures exclusively related to investments (CapEx) and to exclude figures on turnover and operating expenses (OpEx).⁷

BP-2 - DISCLOSURES IN RELATION TO SPECIFIC CIRCUMSTANCES

Time horizons

The timeframes outlined in this sustainability report and the corresponding materiality assessment are in correspondence with ESRS 1, section 6.4. Thus, 'short-term' refers to the reporting period of financial statements (one year), 'medium-term' extends from one up to five years, and 'long-term' encompasses periods exceeding five years. The time horizons for our climate risk assessment are different, as the evaluation of climate-related hazards as well as transition risks and opportunities require a more extended perspective. Therefore, we have defined 'short-term' from 2023

until the year 2030, 'medium-term' until 2050, and 'long-term' until 2080 for our climate risk assessment.⁸

Estimations and assumptions

The information and metrics of this report is based on primary data, except for calculation of the greenhouse gas emissions (GHG), which was mainly based on secondary data. Additionally, for the calculation of Scope 3 GHG emissions, certain assumptions were made to avoid excessive complexity.⁹ In the future we will be aiming to increase the level of primary data from our value chain, and therefore expect to be able to calculate Scope 3 emissions with greater precision.¹⁰ More detailed explanations on these assumptions as well as any indications of uncertainties or estimations are noted within the respective disclosure requirements or data point.¹¹

Changes in preparation or presentation of sustainability information

Due to the fact, that the current report is based on the European Sustainability Reporting Standards (ESRS) for the first time and previous sustainability reports were based on the Global Reporting Initiative (GRI), there are several changes in the presentation of sustainability information. This fact limits the possibility to compare the reporting of 2023 with previous years. In case we are comparing annual data in the material disclosures, this issue will be mentioned explicitly.¹²

Disclosures from other legislation or incorporation by reference

The [EU Deforestation Regulation \(EU\) 2023/1115](#) (EUDR) will require us to annually report on due-diligence processes of the wood

supply chain. HS Timber Group has already published a dedicated Supply Chain Control Report for the years 2018 – 2022, while for the year 2023 our previous Supply Chain Control Report is integrated into this sustainability report for the first time. The EUDR requirement to publicly report on our due diligence system will also in the future be integrated in this report.¹³

Additionally, HS Timber Group discloses its shares in taxonomy-eligible and taxonomy-aligned economic activities according to the [Commission Delegated Regulation \(EU\) 2021/2139](#), [Commission Delegated Regulation \(EU\) 2021/2178](#) and the [Commission Delegated Regulation \(EU\) 2020/852](#) in terms of investments (Capital Expenditures) for the first time. Taxonomy-eligible and taxonomy-aligned figures with regards to revenues and operating expenses will be reported starting from 2025.¹⁴

Within this report no disclosure requirements are referenced to other publicly available reports of HS Timber Group.¹⁵

GOVERNANCE

GOV-1 - COMPOSITION OF THE MANAGEMENT BOARD

In HS Timber Group, the highest decision-making authority in the reporting year 2023 was the Management Board. Starting from September 2023 there was a change in the HS Timber Group Management Board, with Christian Frühwald taking over the position as CFO. Further transition processes for the restructuring of the management of HS Timber Group

were ongoing throughout the year 2023 preparing a major change in 2024. If not explicitly mentioned in the report, we refer to the 2023 corporate and governance structure of the company.¹⁶

The following table shows the total number of employees in management positions in 2023 throughout the organization including their distribution by gender. Management roles counted include members of the Management Board, group heads of central functions, local management boards including mill managers, and department leaders.¹⁷

Number of employees in management roles	Female	Male	Total
Number	29	138	167
Percentage	17%	83%	100%

Figures in head count as per 31.12.2023

In 2023, HS Timber Group's employees of our locations in Finland, Germany and Romania have formal representations in works councils, while employees located in Argentina and Austria are not represented by works councils.¹⁸

The management body of HS Timber Group does neither have any non-executive members, nor are there any independent board members in HS Timber Group.¹⁹

Any information related to the role and responsibilities of the Management Board including the governance, specific roles and information communication about sustainability matters is described in the following chapter.²⁰

5 ESRS 2 BP-1 §5c
 6 ESRS 2 BP-1 §5d
 7 ESRS 2 SBM-1 §40b, Taxonomy Regulation

8 ESRS 2 BP-2 §9a, b
 9 ESRS 2 BP-2 §10, §11a, b
 10 ESRS 2 BP-2 §10d
 11 ESRS 2 BP-2 §14
 12 ESRS 2 BP-2 §13

13 ESRS 2 BP-2 §15
 14 ESRS 2 BP-2 §15
 15 ESRS 2 BP-2 §16

16 ESRS 2 GOV-1 §21
 17 ESRS 2 GOV-1 §21a, d
 18 ESRS 2 GOV-1 §21b
 19 ESRS 2 GOV-1 §21a, e
 20 ESRS 2 GOV-1 §22, §23

At the beginning of the year 2024, a new organizational structure was announced for HS Timber Group GmbH. The founder and long-standing managing director Gerald Schweighofer stepped back from his role as Chief Executive Officer (CEO) of the company. Since then, HS Timber Group is led by the newly appointed CEO Jürgen Bergner (CEO & COO), together with Chief Sales Officer (CSO) Martin Louda and Chief Financial Officer (CFO) Christian Frühwald. HS Timber Group is steered with the support of the following committees: Group Executive Committee (GEC), composed of HSTG Board, DABG Management and Evergreen Privatstiftung (EPS) Advisory Board, as well as the Operational Committee Members (OpCo).

HS Timber Group (HSTG) is part of the Evergreen Privatstiftung (EPS) and represents as Business Unit 'Industry' one of five strategic business units within the Evergreen Privatstiftung. Since 2024, the new corporate structure is implemented.

GOV-2 - ROLE AND INFORMATION OF THE MANAGEMENT BOARD RELATED TO SUSTAINABILITY MATTERS

With respect to the governance process of HS Timber Group's impacts, risks and opportunities related to sustainability matters, the ultimate responsible body is the Management Board. The Chief Sustainability and Compliance Officer of HS Timber Group who oversees and steers the sustainability efforts of the company is directly reporting to the CEO and acts also as associate member of the Management Board.²¹

He is informing the Management Board on a regular basis, covering a wide range of environmental, social and governance matters. It is thereby ensured, that key stakeholders are continuously informed and have a profound decision-making basis.²²

As part of the reorganization at HS Timber Group, we have launched a new strategic process that integrates sustainability into our company's core objectives in 2023.

Sustainability is now a fundamental part of our corporate strategy, rather than being parked in a separate sustainability strategy. This strategy is periodically reviewed, and the implementation of related operational measures is closely monitored. Sustainability goals have been embedded within our company targets, and adherence to these goals is regularly assessed by the Management Board to ensure we are meeting our commitments.²³

Also, the process of the identifying HS Timber Group's material impacts, risks and opportunities was established and overseen by two key members of HS Timber Group's Management Board, the CEO and the CFO. The identified material impacts, risks and opportunities were reflected and discussed in the Management Board and ultimately approved by the Board.²⁴ The list of material impacts risks, and opportunities addressed for the reporting period of this report is displayed in the context of the description of the [IRO-1 - Materiality assessment process](#).²⁵

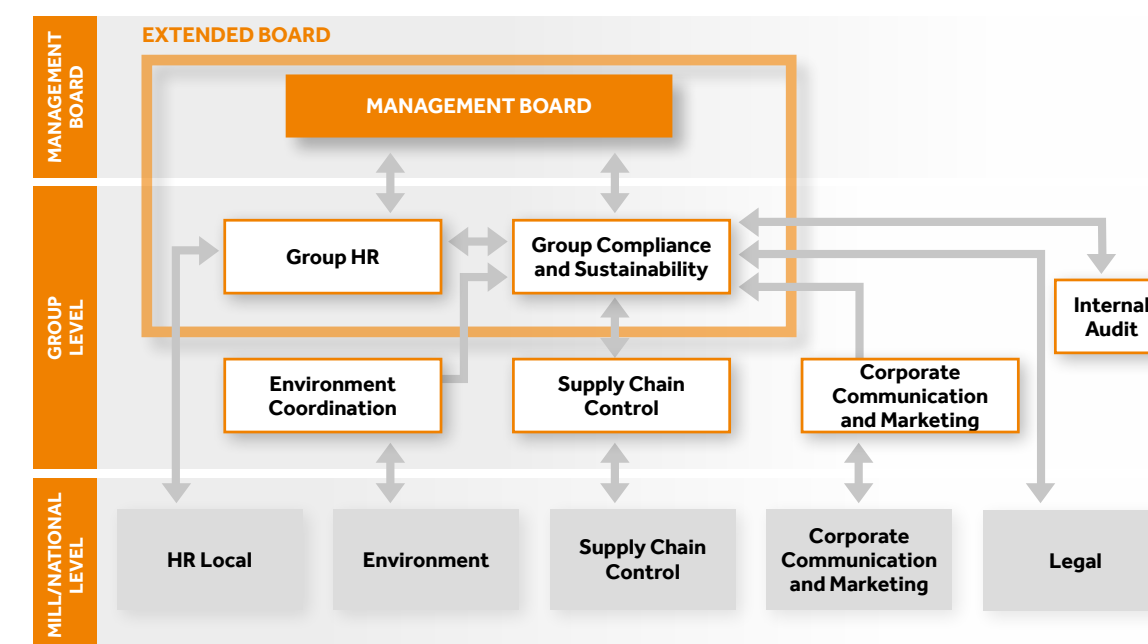
21 ESRS 2 GOV-1 §22a
 22 ESRS 2 GOV-1 §22c, GOV-2 §26a

23 ESRS 2 GOV-1 §22c, d, GOV-2 §26b
 24 ESRS 2 GOV-1 §22a
 25 ESRS 2 GOV-2 §26c

With regards to the skills and expertise to oversee sustainability matters, HS Timber Group relies on three experienced industry professionals in the Management Board.²⁶ Furthermore, our Chief Sustainability and Compliance Officer holds long-standing expertise in industry-specific expertise as well as cross-sectoral sustainability expertise. Various department professionals across the organization interface directly with the Chief Sustainability and Compliance Officer, including environmental specialists, health and safety experts, supply chain control management and compliance staff at group and local level.²⁷

health and safety is regulated by law, requiring the employment of qualified personnel. For environmental management, legally mandated environmental officers are appointed at each site, ensuring proper training and compliance with local legislation. All matters related to compliance and sustainability are managed centrally at the group level of HS Timber Group.²⁸

The following graphic illustrates the information flow and communication channels regarding sustainability-related impacts, risks, and opportunities within HS Timber Group.²⁹



Within HS Timber Group's organizational structure, relevant units have been established and equipped with specific job descriptions. Expert positions within these units are filled based on the required expertise and responsibilities. Special attention is given to selecting department heads with the necessary skills. In particular, the area of

GOV-3 - SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES

Within the strategy process in 2023, a target map has been designed for the year 2024 that is clustered according to the main values of

26 ESRS 2 GOV-1 §21c
 27 ESRS 2 GOV-1 §23, GOV-2 §26a

28 ESRS 2 GOV-1 §23
 29 ESRS 2 GOV-2 §26

HS Timber Group and mirrored also in our Mission Statement: Employees, Sustainability, Passion and Partnerships. Within this target map, sustainability-related targets are incorporated. For the year 2024 the achievement of these goals will be tracked in dedicated target map evaluation sheets, with Key Performance Indicators on operational level. While performance of the Management Board is being assessed against the achievement of these targets, there are currently no monetary incentive schemes or remuneration policies in place, addressing sustainability or climate-related performance.³⁰

GOV-4 - STATEMENT ON DUE DILIGENCE

HS Timber Group has developed robust due diligence procedures covering relevant areas such as supply chain, business partnerships, internal business conduct and legal compliance.

Our core principles on proper ethical and legal behaviour within our business environment are anchored in our Mission Statement, our Code of Conduct for employees, our Code of Conduct for Business Partners and our Timber Sourcing Policy, a topical policy governing our most important value stream.

The adherence to our principles is overseen by our robust compliance management system, that has been developed over the past years. Our compliance management is centralized at the Group level and thereby ensures consistency throughout the company. Our compliance management system is designed to mitigate legal and business compliance risks. Systematic compliance risk assessments are at the core of our due diligence procedures. Our due diligence procedures are enabling us to minimize risks, proactively address identified concerns and make well-informed decisions.³¹

More details about our policies, our governance procedures and our measures for detection of corruption and bribery can be found in chapter [G1 Business Conduct](#).

Detailed information about our comprehensive supply chain Due Diligence System (DDS) and our Supply Chain Control and Certification (SCCC) are described in chapter [Sustainable Sourcing Practices and Traceability](#).

Our due diligence approach related to the health and safety of our workforce is disclosed in the respective chapter [S1 Own Workforce](#).³²

GOV-5 - RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING

In HS Timber Group we have implemented three different types of risk management approaches in a formalized way: compliance risk management, risk management in connection with supply chain control and finally sustainability risk management connected to all ESG relevant topics within the Materiality Assessment as described in this report.³³

Our risk management and internal controls over sustainability reporting are fully integrated in the overall risk management approach of our company. Main findings collected during the internal risk management are reported immediately upon identification of the risk and at least annually reported to the Management Board.³⁴ To minimize risks related to data integrity and human errors, the data collection process for the sustainability report adheres to the principle of dual verification. Since 2023, we implemented an electronic tool to support this process. The responsible data reporter inserts the data into an electronic tool, having undergone prior training on the system and the relevant metrics to minimize errors. Subsequently, a second

person conducts a thorough check for plausibility. Detailed descriptions accompany all reported data points to mitigate misunderstandings and address country-specific variations. The Group Office for Compliance and Sustainability collects the gathered data and texts from various departments, compiling them into a comprehensive report. This report undergoes multiple feedback rounds by experienced employees from different departments and the Management Board to ensure completeness and accuracy of the disclosed information.³⁵

In the coming years, HS Timber Group intends to embed sustainability reporting metrics within its internal control framework and to increase the automation of data collection. This way the company will have better control in progressing on the sustainability targets.

STRATEGY

SBM-1 - STRATEGY, BUSINESS MODEL AND VALUE CHAIN

HS Timber Group is a long-established wood processing company with Austrian origin and a strong international presence. We specialize in the sustainable processing of coniferous roundwood at our facilities in Europe and South America. Our focus is on using wood as a renewable resource through a comprehensive circular economy approach, where we aim to maximize the utilization of purchased roundwood to produce sawn timber, pellets, and bioenergy. During all our business operations we remain committed to constant improvement, innovation, and collaboration.³⁶

We are committed to delivering high-quality products to our customers while making a positive environmental impact. Remarkably, each cubic meter of sawn timber used in long-term

applications, stores roughly one ton of CO₂. Creating value for our customers and customer satisfaction are embedded at the core of our corporate strategy. Long-lasting and reliable business relationships are key to the sustainable development of the company. At the same time we are dedicated to play an active role to mitigate our impact on society and the environment.³⁷

Safeguarding a sustainable supply of raw materials is one of our top priorities. Our basic principle is that we source wood exclusively from sustainably managed, legal sources. By actively supporting the certification of forests, we are fostering a culture of responsible wood sourcing and contributing to the preservation of healthy ecosystems.³⁸

We are intensifying efforts to enhance energy efficiency, aiming to both reduce our carbon footprint and establish energy-efficient production processes that support our environmental goals. Our decarbonization approach focuses on key areas, including transitioning from fossil fuels to fossil-free energy sources, particularly in our electricity mix; electrifying our vehicles and forklifts; expanding the use of renewable energy; and implementing energy efficiency measures. By prioritizing renewable energy, HS Timber Group seeks to lower greenhouse gas emissions and reduce dependence on fossil fuels.³⁹

All our suppliers, customers and other business partners are requested to adhere to our Code of Conduct for business partners, in which we address ethical behaviour, environmental protection, respect of human rights and compliance with occupational health and safety standards. With this Code of Conduct for Business Partner we also request our suppliers to communicate our principles to all further actors in the supply chain to strengthen sustainable business practices and compliance.⁴⁰

30 ESRS 2 GOV-3 §29, ESRS E-1 §13
 31 ESRS 2 GOV-4 §30, 32

32 ESRS 2 GOV-4 §30, 32
 33 ESRS 2 GOV-5 §36a, b
 34 ESRS 2 GOV-5 §36d, e

35 ESRS 2 GOV-5 §36c
 36 ESRS 2 SBM-1 §40e, g

37 ESRS 2 SBM-1 §42b
 38 ESRS 2 SBM-1 §42c
 39 ESRS 2 SBM-1 §40f
 40 ESRS 2 SBM-1 §40e

Expanding our network of relationships with suppliers, customers, associations and other internal and external stakeholders is a cornerstone of our strategy. We actively promote collaboration, ensuring that diverse perspectives contribute to continuous development. Dialogue with the general public and transparency are priorities for us.⁴¹ The Open Doors Policy aimed at enhancing transparency, particularly for NGOs and the media, has been a key trust-building measure that we have maintained for the past six years.

In our ongoing commitment to the well-being of our workforce, we are dedicated to improving health and safety conditions. By reducing work-related illnesses, providing safe work equipment, and offering comprehensive training programs, we aim to foster a workplace environment that prioritizes the health, safety, and overall well-being of our valued employees.⁴²

With regards to the current and anticipated financial effects of our material risk and opportunities, our strategy reflects a holistic view that balances costs with future benefits, illustrating a forward-thinking approach to both environmental responsibility and financial prudence. The continuous optimization of our production processes, financial investments in modernizing production facilities and expanding green energy production infrastructure, equally aim in generating economic and ecological benefits.⁴³

Our strategy involves global expansion while maintaining strong regional roots. Geographical diversification and the locations of our sawmills in various regions enhance the resilience of HS Timber Groups business model. The diversified locations of our production

facilities allow us to tap into diverse markets and broadens our raw material sourcing, strengthening overall stability. Simultaneously we are getting more resilient to potential negative effects of climate change on our traditional sourcing areas. By supplying various markets on a global scale, we mitigate risks associated with regional economic fluctuations and geopolitical instability. This approach not only strengthens our ability to withstand challenges but also fosters long-term sustainability and growth.⁴⁴

Input and Raw Material Sourcing

The most important raw material for HS Timber Group's production processes is coniferous roundwood from sustainably managed forests. The roundwood is sourced from eight countries in the European Union, which include Austria, Czech Republic, Germany, Poland, Romania, Slovakia, Finland and Sweden, and one non-EU country (Argentina). The main input consists of small to medium diameter sawlogs from coniferous species like spruce, fir, and pine. Beside roundwood, sawn timber is sourced for the blockboard factory or the sawmills and their post & beams production. HS Timber Group has implemented a robust Due Diligence System (DDS) for all mills and production locations to mitigate risks of purchasing and using wood from illegal or controversial sources. Public attention and stakeholder concerns have helped us to develop and continuously improve our Due Diligence System and we remain open and attentive to addressing potential issues of concern. Detailed information on HS Timber Group's sourcing practices, purchased roundwood and other materials and their suppliers can be found in chapter [Sustainable Sourcing Practices and Traceability](#). Detailed information about our material inflow including energy and mobility

41 ESRS 2 SBM-1 §40e
 42 ESRS 2 SBM-1 §42
 43 ESRS 2 SBM-3 §48d, e

44 ESRS 2 SBM-1 §40e, g

and their quantities is displayed in section [E5-4 - Resource inflows](#) of chapter [E5 Resource Use and Circular Economy](#).

Product Groups

Our diverse portfolio leverages on wood as a renewable raw material. Additionally, the eco-friendly nature of solid wood products is highlighted by its long-term carbon storage capacity. Our customers benefit from these attributes in their choice of an environmentally friendly wood product.⁴⁵

The following illustration shows the core products of HS Timber Group:⁴⁶



Within HS Timber Group we have a collection of various brands to deliberately meet our different customer's needs. The following brands are bundled in HS Timber Group: HS Timber, Luvia, Piniera, HS Baco Panels and the brand of our trading company DABG.

Our core product range includes sawn timber, planed timber, glued timber (post & beams), profiled timber, blockboards, big-size shuttering panels, edge-glued panels and pellets. In our blockboard factory, we produce different kinds of blockboards such as 5-layer blockboards, 3-layer blockboards or big size

shuttering panels. For our pellets production we exclusively use by-products of the wood processing, such as sawdust and shavings. This is an important measure to ensure optimal burning quality with limited ash production, and a smooth transport of the product from the end-client's storage to the boiler.⁴⁷

Next to our specialization to produce and sell solid lumber for various applications we also sell by-products to the paper, pulp and particle board industries.

Detailed information about the role of our products and our sustainability-related goals are described in chapter [E5 Resource Use and Circular Economy](#).

Additionally, our sustainability-related actions and targets described in chapter [E1 Climate Change](#), will have impact on the reduction of Greenhouse Gas emissions per product. Both chapters also explain the role of bark and other biomass and its usage to produce heat and electricity in our combined heat and power plants (CHPs) and boilers.⁴⁸

45 ESRS 2 SBM-1 §42b
 46 ESRS 2 SBM-1 §40 a i)

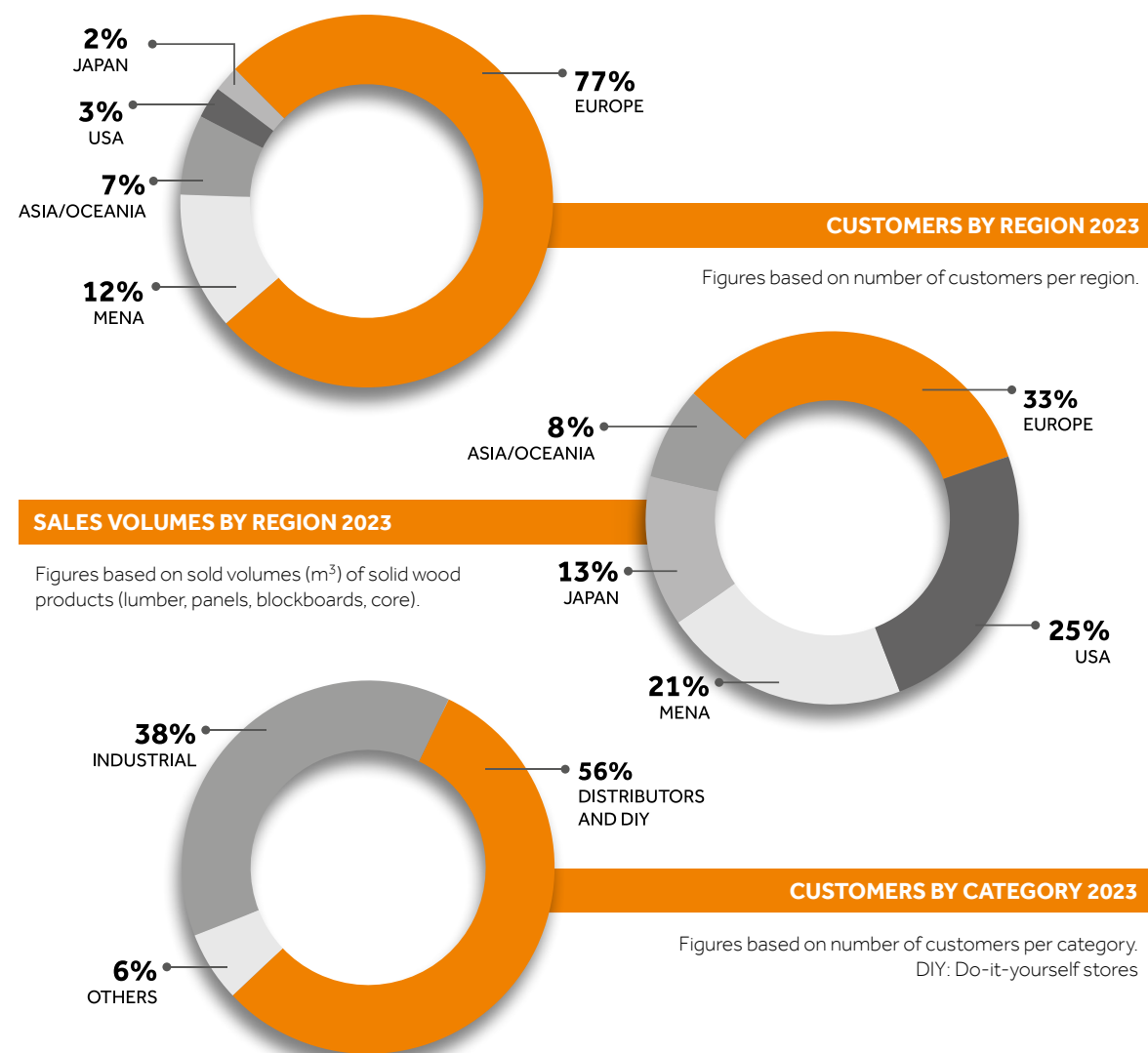
47 ESRS 2 SBM-1 42b
 48 ESRS 2 SBM-1 §40e, f

HS Timber Group is not active in the following areas: fossil fuels (coal, oil and gas), chemical production, controversial weapons, cultivation of products and tobacco. HS Timber Group is not involved in and does not derive revenue from any of these areas.⁴⁹

HS Timber Group's undertakings are in compliance with any sanctions and trade restriction. Due to its exposure HS Timber Group has established a specific sanctions compliance program. Detailed information about the relevant sanctions respected by HSTG is displayed in chapter [Sustainable Sourcing Practices and Traceability](#) - Disclaimer Sanctions.⁵⁰

Customer Groups

HS Timber Group supplies customers around the globe. In the year 2023 HS Timber Group has served 1.335 customers, of which 77% are located in Europe. Additionally, Japan, USA and Middle East and North Africa (MENA), serviced by DABG, are key export markets for our company. Our most significant customers groups are distributors, industrial companies from the construction and furniture industry, as well as Do-it-Yourself stores that sell directly to consumers. The following illustration shows the customer distribution by regions, based on the number of customers as well as market volumes:⁵¹



49 ESRs 2 SBM-1 §40d
50 ESRs 2 SBM-1 40 a iv)

51 ESRs 2 SBM-1 §40a ii)

More detailed information on our business conduct and strategy in relation to our customers can be found in the dedicated chapter [Customer Satisfaction](#).

Locations and Employees

At the end of the reporting period 2023 HS Timber Group had in total seven production sites located in Romania, Finland, Germany, Belarus and Argentina. In Romania we operate a sawmill in Reci, a post and beams production in Rădăuți and a blockboard factory in Comănești. Another sawmill located in Sebeș, Romania, was sold within the year 2023. Furthermore,

HS Timber Group's locations include our sawmills in Kodersdorf, Germany, and Luvia, Finland.

In the end of 2023, two additional locations were in the final construction phase. In Argentina, HS Timber Group has built a new sawmill - Acon Timber - in Virasoro, Argentina. The construction phase has started in the beginning of 2022 and trial operation started in December 2023. Additionally, HS Timber Group, through its subsidiary HS Belacon LLC, has been building a sawmill in Svisloch, Belarus.



HS Timber Groups location also include the head office in Vienna, Austria, a technical office in Ybbs, Austria and an administrative office in Bucharest, Romania.

The total number of employees across all locations was 2.523 (headcount) at the end of the reporting year 2023. The detailed information on the number of employees by geographical area can be found in chapter [S1-6 Characteristics of the undertaking's employees](#).⁵²

SBM-2 - INTERESTS AND VIEWS OF STAKEHOLDERS

At HS Timber Group, we are aware of the impact which our business conduct may have on a diverse range of stakeholders. These stakeholders include specifically our own employees, our customers, wood suppliers and other business partners, authorities, media and communities surrounding our production sites. We highly value the insights shared by NGOs, civil society organizations and representatives from various stakeholder groups. Recognizing and understanding the needs and expectations of these stakeholders through continuous and meaningful interaction is of utmost importance to us.⁵³

To effectively connect with our stakeholders, we employ a range of tailored communication methods to ensure that each stakeholder group is approached in a manner that is fitting. This approach allows us to recognize and understand their needs. By maintaining an open and ongoing dialogue, we aim to align expectations, find common ground, and develop collaborative solutions.

The input we receive from stakeholders is highly valuable to us, as it brings forth important facts, social and environmental concerns, and

innovative ideas that may otherwise remain unnoticed. We believe that engaging in constructive dialogue and actively addressing our stakeholders' concerns will ultimately enhance our business and sustainability performance.⁵⁴

The following figure provides an overview of HS Timber Group's different stakeholder groups and our selected communications forms:⁵⁵

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 trough associates
	INTERNATIONAL (e.G. European Parliament)	Direct contact, contact trough associates
EMPLOYEES	CURRENT EMPLOYEES	International communication (including internal communication app)
	FUTURE EMPLOYEES	Public relations, employer, branding measures
BUSINESS PARTNERS	CUSTOMERS	Personalised customer support, newsletter, website
	SUPPLIERS WOOD & OTHER	Regional stakeholder meetings, direct contact
	FOREST ADMINISTRATION	Regional stakeholder meetings, direct contact
	FOREST OWNERS	Regional stakeholder meetings, direct contact
SOCIETAL STAKEHOLDERS	MEDIA	Public reations, website, social media, local press trips
	ENVIRONMENTAL NGOS	Newsletter, direct contact
	SOCIAL NGOS	Newsletter, direct contact
	INTEREST GROUPS, ASSOCIATIONS	Attendance at events, direct contact
	RESEARCH AND EDUCATION	Attendance at events, direct contact
	UNION REPRESENTATIVES	Direct contact
	INTERESTED PUBLIC	Public relations work, website, social media

GENERAL

ENVIRONMENT

SOCIAL

GOVERNANCE

ENTITY-SPECIFIC

This present sustainability report reflects our commitment to transparency and accountability. We aim at providing a comprehensive overview of our environmental, social and economic impact and thereby facilitate informed decision-making and foster trust among our stakeholders.

More information on our approach to addressing the interest and views of our stakeholders are described in our dedicated chapter [Stakeholder-Engagement and Communication](#). This chapter not only reveals information about our Open Doors Policy for NGOs and media, but also informs about our yearly stakeholder consultation in Romania and other stakeholder engagements throughout the year 2023.

Notably, the results of our stakeholder communications are considered in the development of our ethical business conduct. Specifically, our state-of-the-art supply chain due diligence and supply chain control mechanisms have been developed to address severe stakeholder's concerns. Also our Zero Timber from National Parks Policy, which we have committed to implement in Romania and Ukraine, was the result of intense discussions with concerned stakeholders. The wish of some stakeholders to implement a "log to board" traceability mechanism has not yet been implemented. With the implementation of the EU Deforestation Regulation (EUDR) this topic is gaining momentum. With current technological methodologies the implementation of such process might theoretically be possible. However, the solutions are not cost-effective, and risks associated with product traceability can be addressed effectively with our strong due diligence measures.⁵⁶ However, we continue to explore possibilities to go in this direction.

HS Timber Group's Management Board is directly informed about the views and interests of stakeholders, according to the information flow described earlier in chapter [GOV-2 - Role and information of the management board related to sustainability matters](#).⁵⁷

52 ESRS 2 SBM-1 §40a iii)
53 ESRS 2 SBM-2 §45b

54 ESRS 2 SBM-2 §45a iv), b
55 ESRS 2 SBM-2 §45a

56 ESRS 2 SBM-2 §45a v)
57 ESRS 2 SBM-2 §45d

SBM-3 - MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

HS Timber Group has identified its material impacts, risk and opportunities within the process of the materiality assessment as described in chapter [IRO-1 - Materiality assessement process](#).

The process included the identification of our impacts on people and the environment, as well as current and anticipated financial effects.⁵⁸

When looking at the identified impacts, risk and opportunities we see a concentration of the identified topics in the aeras of Environment and Governance. In the area of Environment, we consider according to ESRS three topics or subtopics as material for us – Climate Change, Resource Inflows and Resource Outflows. In the area of Governance in total four topics or sub-topics were identified as having material impacts, risks and opportunities – Corporate culture, Corruption and bribery, Supplier management and Protection of whistleblowers.⁵⁹

Our material impacts, risks, and opportunities are primarily concentrated within our value chain, spanning both upstream and downstream activities. This focus is evident in three entity-specific topics: Sustainable Sourcing Practices and Traceability, Stakeholder-Engagement and Communication and Customer satisfaction. Delivering high-quality products that are creating economic and sustainable value for our customers is key to our business processes. The management of the impacts related to these company-specific impacts is integral to HS Timber Group's strategy and business model.⁶⁰

When looking at the highly relevant topic of Governance, the material impacts, risks and opportunities to a large extend refer to our upstream value chain and our wood sourcing practices as well as internal corporate governance to supervise those practices.⁶¹

Apart from the fact, that most of our material topics concentrate on our value chain, the topic of Health and Safety clearly relates to our own operations, highlighting the importance of a safe and healthy work environment for our employees.

ENVIRONMENTAL INFORMATION	ESRS E1 ESRS E5	Climate change Resource and circular economy Resource inflow Resource outflow
SOCIAL INFORMATION	ESRS S1	Own workplace Health and safety
GOVERNANCE INFORMATION	ESRS G1	Business conduct Corporate culture Protection of whistle-blowers Management of relationship with suppliers including payment practices Corruption and bribery
ENTITY-SPECIFIC INORMATION		Sustainable sourcing practices and traceability
		Customer satisfaction
		Stakeholder-engagement and communication

58 ESRS 2 SBM-2 §48c, d, e

59 ESRS 2 SBM-3 §48a

60 ESRS 2 SBM-3 §48a, c ii), h

61 ESRS 2 SBM-3 §48a

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

IRO-1 - MATERIALITY ASSESSMENT PROCESS

The materiality assessment, which builds the foundation for the topical disclosures of this report, was following the methodology outlined by the European Sustainability Reporting Standards (ESRS). Specifically, guidelines outlined in point 3. 'Double materiality as the basis for sustainability disclosures' of ESRS 1 General Requirements were followed. Additionally, the EFRAG publications 'Implementation guidance for value chain (VCIG)' and 'Implementation guidance for materiality assessment' were used as guiding principles.⁶⁶ This materiality assessment is based on the concept of double materiality, incorporating a financial assessment of risks and opportunities for the first time. The result of this new materiality assessment replaces the materiality assessment of previous years. It represents the first assessment according to CSRD requirements and will as such serve as a basis for future comparisons. The materiality assessment will be revised on an annual basis.⁶⁷

A detailed description of the identified material impacts, risks and opportunities and their actual and potential effects on the environment and/or people as well as financial risks and opportunities are outlined in the respective topical chapter of each material topic. Our responses and actions on how we address material impacts, risks or opportunities within our strategy and business model are also described in the respective chapters on the specific material topic.⁶² The complete list of impact, risk and opportunities presented in the topical chapters of this report will cover ESRS disclosure requirements as well as entity-specific disclosures. Chapters on entity-specific disclosures are marked as such.⁶³

With the incorporation of material impacts, risks and opportunities into our strategy and business model, we see ourselves resilient and capable of adequately addressing these topics. Details about our strategy are outlined in chapter [SBM-1 - Strategy, business model and value chain](#). HS Timber Group's resilience analysis in relation to climate change is described in detail in chapter [Identification and assessment of climate-related impacts, risks and opportunities \(E1.IRO-1\) - Climate Risk Assessment](#) of these General Disclosures.⁶⁴

Though HS Timber Group has been publishing its sustainability report on the basis of a profound materiality assessment already in the past, this present report for the year 2023 has been built on the guidelines of the materiality assessment outlined in the ESRS for the first time. Thus, we are currently not pointing out any changes to the material impacts, risks and opportunities compared to the previous reporting period.⁶⁵

62 ESRS 2 SBM-3 §48b, c, d, e

63 ESRS 2 SBM-3 §48h

64 ESRS 2 SBM-3 §48f

65 ESRS 2 SBM-3 §48g

66 ESRS 2 IRO-1 §53a

67 ESRS 2 IRO-1 §53h

In addition to the new materiality assessment, a climate resilience analysis to identify material physical climate-related risk and transition risks was conducted for the first time in the year 2023. The results of this climate risk analysis have been integrated in the materiality assessment of the financial materiality. Details of the climate risk assessment are described in the chapter [Identification and assessment of climate-related impacts, risks and opportunities \(E1.IRO-1\) - Climate Risk Assessment](#).

Identification of impacts, risks and opportunities

Within the process of identifying, assessing, and prioritising HS Timber Group's potential and actual impacts on people and the environment, our whole value chain was considered. As the main resource used in our productions plants is roundwood and sawn timber, a special focus was given to the sourcing of our raw material. In this sense, our upstream value chain starts from the harvesting of wood in the forests up to its delivery to our mills and production plants. Our downstream value chain refers to the transport and distribution of products to our customers.⁶⁸ Furthermore we have not only considered impacts in which HS Timber Group is involved through our own operations, but also actual or potential impacts resulting from our business relationships.⁶⁹ Our due diligence processes are reflecting our efforts in minimizing negative impacts resulting from business relationships.

Our process to identify and assess material impacts includes consultations with affected stakeholders to understand how they may be impacted. Those inputs rely on stakeholder consultations that we have conducted earlier through various formats and groups in accordance with the GRI standards throughout the

years 2019 till 2022. Those stakeholder consultations include an online survey in the year 2019 with a total number of 78 stakeholders, including employees, media representatives, and academia. In 2021 we have interviewed NGOs, public authorities, competitors, and business partners to assess sustainability issues related to our supply chain. Additionally, the inputs of a customer survey in the year 2022 were included in the understanding of our environmental and social impact.⁷⁰

For us, providing this report in the new format serves as a foundation for a stakeholder input. We explicitly want to ask our stakeholders, when reviewing this report, if we have covered the essential areas, to verify and ensure that the report is comprehensive. We see the report itself as part of our stakeholder engagement process.⁷¹

For the identification of HS Timber Group's impacts, risks and opportunities internal expert workshops were conducted. As a starting point, all topics, sub-topics and sub-sub-topics as outlined in ESRS 1 AR 16 were screened and examined. For identifying the impacts, risks and opportunities related to our own workforce, the social and human rights matters mentioned in Appendix A.1 of ESRS S1 - Own Workforce were considered. In order to ensure a holistic analysis that goes beyond predefined topics, also entity-specific aspects were collected. For the completion of a comprehensive long-list of sustainability related topics, not only internal documents were screened, but also external sources such as [ENCORE](#) and [WWF Risk Filter Suite](#).⁷²

In the course of the internal expert workshops all collected topics of the long list were examined. It was identified whether HS Timber

Group has actual or potential impacts (positive or negative) on these aspects (inside-out perspective/impact assessment), as well as whether risks or opportunities for HS Timber Group arise from these aspects (outside-in perspective/financial assessment). Internal experts from the different departments such as Sustainability and Compliance, Human Resources and Finance Department were part of this expert group, as well as Environmental Specialists.

Assessment of impacts, risks and opportunities

The thereby collected topics of the long-list and its identified actual and potential impacts of HS Timber Group on people and environment were assessed considering the criteria of chapter 3.4 Materiality of impacts of ESRS 1 - General Requirements.

In alignment with the ESRS 1 HS Timber Group has used the criteria of 'severity' (actual and potential impacts) and 'likelihood' (potential impacts). 'Severity' is based on the factors 'scale', 'scope' and 'irremediable character' for negative impacts and 'scale' and 'scope' for positive impacts.⁷³

For the assessment of risks and opportunities (financial assessment), the factors 'magnitude of financial impact' and 'likelihood' of risks and opportunities arising from the external environment were used. The 'magnitude of financial impact' was assessed according to the potential impact of the annual revenue.⁷⁴

HS Timber Group has developed a specific evaluation scheme on how to apply the evaluation criteria outlined by ESRS 1. This evaluation scheme is strongly oriented to the 'Implementation guidance for materiality assessment'

published by the EFRAG. In our internal guiding document on the materiality assessment procedure, we have set definitions on how to understand these terms, in order to ensure the same understanding within the expert group and in the following years. In our guiding document on the materiality assessment, we have also defined the interrelations between the different criteria. The final evaluation of the impact materiality may range from very low impact materiality to very high impact materiality, with a total of five different levels (1 - very low; 2 - low; 3 - medium; 4 - high; 5 - very high).

Equally the assessment of the financial materiality is ranging from very low financial materiality to very high financial materiality in five stages.

The following illustration provides a comprehensive overview of the materiality assessment process for the year 2023:⁷⁵

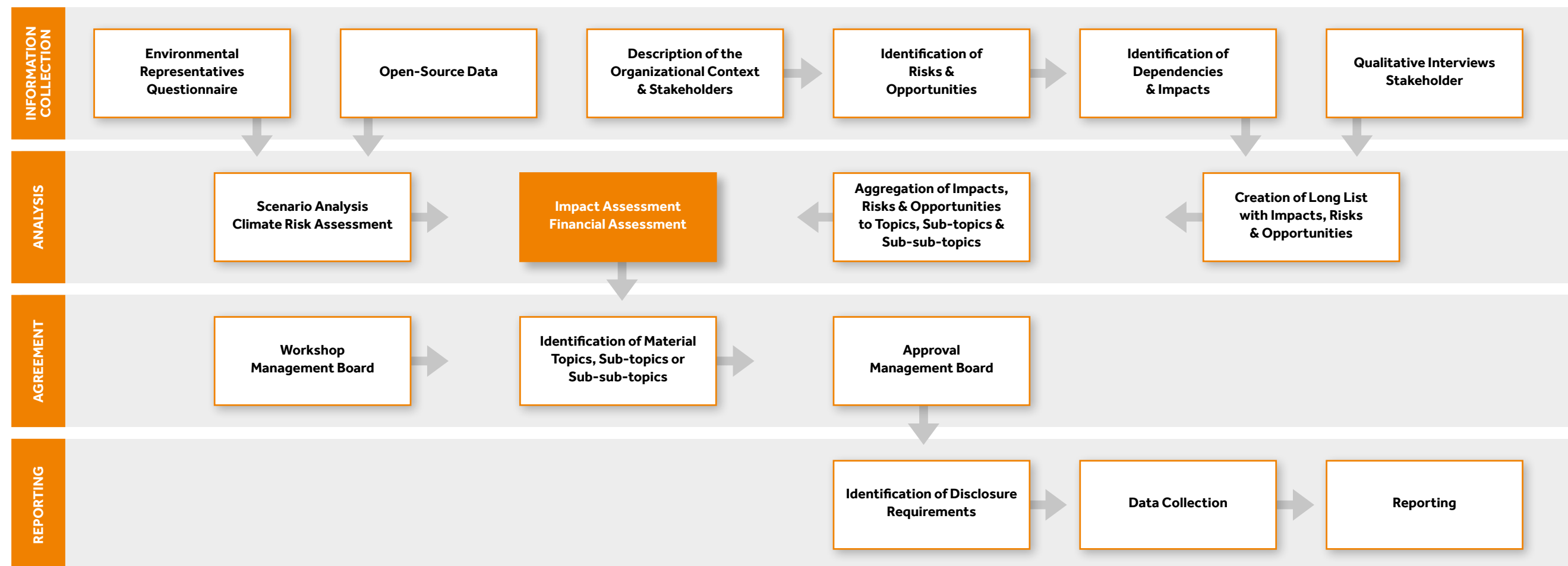
68 ESRS 2 IRO-1 §53b i)
 69 ESRS 2 IRO-1 §53b ii)

70 ESRS 2 IRO-1 §53b iii)
 71 ESRS 2 IRO-1 §53b iii)
 72 ESRS 2 IRO-1 §53g

73 ESRS 2 IRO-1 §53b iv)
 74 ESRS 2 IRO-1 §53c ii)

75 ESRS 2 IRO-1 §53a, b, c, d, g

IRO-1 Materiality Assessment Process



In addition to hereby described decision-making process in the identification and assessment of material impacts, risks and opportunities, the related internal control procedures as described in chapter [GOV-2 - Role and information of the management board related to sustainability matters apply](#).⁷⁶ Also information on how the process on the assessment and management of material impact, risks and opportunities is integrated into HS Timber Group's management process and strategy, can be found in chapter [GOV-2](#).⁷⁷ HS Timber Group has established various risk management tools to manage risk in the upstream and downstream value chain, as well as within

its own operations. Our sustainability-related impacts, risks and opportunities are not seen are entirely integrated in our overall risk management approaches as outlined in [GOV-4 - Statement on due diligence](#) and in respective topical disclosures.⁷⁸

Identification and assessment of climate-related impacts, risks and opportunities (E1.IRO-1) - Climate Risk Assessment

In the year 2023 HS Timber Group conducted a climate risk assessment as well as a resilience analysis as required by the ESRS and Taxonomy Regulation (EU) 2021/2139.

Following the regulations, climate-related risks (chronic and acute) and climate-related transition events and their risk for our business operations were evaluated. The procedure for the climate risk assessment is described in the following chapter.

The climate risk assessment involves conducting an analysis of chronic and acute physical climate risks. The 'Current Policies' climate scenario from the [Network for Greening the Financial System](#) (NGFS) was chosen to assess acute and chronic physical risks. In this scenario, it is assumed that current policies will continue, high levels of greenhouse gas emissions

will persist, leading to high physical risks but low transitional risks. This scenario results in a global warming of 3°C by 2080, causing irreversible damages such as sea level rise.⁷⁹ In this evaluation, short-term risks are considered from 2023 until 2030, medium-term risks until 2050, and long-term risks until 2080.

For the identification of climate related hazards, the list as outlined in ESRS E1⁸⁰ was used. Out of the list the hazards of permafrost thawing, ocean acidification, saline intrusion, glacial lake outburst, and avalanche are considered not relevant for the activities of HS Timber Group and are therefore not included

⁷⁶ ESRS 2 IRO-1 §53d
⁷⁷ ESRS 2 IRO-1 §53e, f

⁷⁸ ESRS 2 IRO-1 §53c iii), e

⁷⁹ ESRS E1.IRO-1 §20b
⁸⁰ ESRS E1.IRO-1 §AR 11d

in the assessment. The assessment of the remaining identified physical risks was performed separately for each location of HS Timber Group.⁸¹

For the assessment a combination of open-source data, expertise from local environment specialists and the specific characteristics of the geographical location of each mill was considered. In addition, the [AR6 Synthesis Report Climate Change 2023](#) of the Intergovernmental Panel on Climate Change (IPCC) was used to assess the future development of climate hazards.⁸²

The assessment of the climate-related transition was performed on a group-wide level of HS Timber Group. For assessing climate-related transition risks and opportunities the NGFS scenario 'Net Zero 2050' was chosen. In the 'Net Zero 2050' scenario global warming is limited to 1.5°C through immediate stringent

climate policies and innovations. In this scenario, physical risks are relatively low and transition risks are high. Short-term risks are considered from 2023 until 2030, medium-term risks until 2050, and long-term risks until 2080. In the assessment of the climate-related transition risk special focus was given to risks and opportunities, arising from the transition of fossil energy to renewable energy.⁸³

The risks and opportunities were assessed in an internal expert workshop. In the analysis, the examples of climate-related transition events as outlined in ESRS E1⁸⁴ were used as a basis for the assessment. In addition, the [World Energy Outlook 2023](#) by the International Energy Agency was used to define possible future transition risks.

The physical risks (chronic and acute) related to climate change adaption identified for HS Timber Group were the following:⁸⁵

Chronic Risk	Changing Temperature	Rising temperatures could lead to reduced wood availability, as some species may struggle to adapt to changing conditions or face risks from pests and altered pollination patterns. This could result in increased raw material costs or capacity reductions in plants, particularly as higher temperatures and increased dryness suppress spruce growth and plant health.
		Changing temperature could lead to reduced wood quality, as some species are not well adapting to outside temperature or due to increasing risk of pests, changes in pollination, resulting in lower product quality and subsequent loss in revenue.
	Heat Stress	Rising temperatures and heat waves can lead to heat stress for employees in the offices as well as in the sawmills. This could impact workplace productivity and employee well-being. This could also affect indoor and outdoor operating machinery and may necessitate the implementation of improved ventilation, cooling systems or flexible working arrangements during heat events or increased energy consumption for cooling during hotter periods.
	Changing Precipitation	Changing precipitations patterns and types, extreme weather events could cause infrastructural damages and result into higher insurance costs as well as the need for the adaption of the existing infrastructure.
Acute Risk	Heavy Precipitation, Storms	Extreme weather events could make forestry work more difficult and unpredictable, resulting in reduced availability of roundwood.
	Heavy Precipitation	Heavy precipitation could lead to flooding at the mill, disrupting production and rising need for adaptations such as improved drainage systems and increased rainwater management, including enhancing the overload capacity of the sedimentation basin.

81 ESRS E1.IRO-1 §20b
 82 ESRS E1.IRO-1 §20b ii)

83 ESRS E1.IRO-1 §20c i)
 84 ESRS E1.IRO-1 §AR 12d
 85 ESRS E1.SBM-3 §19c

The main risks identified in a high emission scenario are linked with changing temperature and heat stress, as well as water-related hazards, such as water stress, changing precipitation patterns, heavy precipitation, and floods.

As HS Timber Group relies strongly on the natural resource wood and therefore on a healthy forest and ecosystem, temperature-, and water-related hazards are a strong risk when it comes to our main resource. The increase of temperature as well as dry conditions facilitate the occurrence of wildfires or droughts, which could have a severe impact on the availability and price of wood. Climate-related changes can also have a severe impact on our supply chain, making forest work more difficult of impacting transport routes. Heavy precipitation, storms and floods could cause damage to our own and public infrastructure, leading to potential financial loss.

HS Timber Group strategically positions itself to mitigate these risks by leveraging renewable energy sources, including photovoltaic and combined heat and power (CHP) plants.

This group-wide reliance on renewable energy not only enhances resilience against potential power disruptions but also aligns with sustainability goals. The integration of adaptive measures, such as enhanced cooling systems, improved ventilation and flood preparedness, help us to ensure continued successful operations in the face of evolving climate hazards.

Ongoing monitoring of climate trends and strategic planning remain crucial for us to navigate the complexities of climate risks and opportunities on a global scale.⁸⁶

86 ESRS E1.SBM-3 §19c, §20b

The identified short-, medium-, and long-term climate-related transition risks and opportunities as well as physical climate risks were included and assessed within the process of the materiality assessment.

IRO-2 - MATERIAL TOPICS AND DISCLOSURE REQUIREMENTS

The threshold for the disclosure of the topical information in this report is a rating with '5 - very high'. Thus, a topic with very high impact materiality of very high financial materiality is considered as a material topic for HS Timber Group. The highest rated impact, risk or opportunity per sub-sub-topic, sub-topic or topic is decisive for the materiality of the topic. Thus, topics that are rated with an impact or financial materiality from '1- very low' to '4 - high' are thus deemed as non-material for the disclosure in this report.⁸⁷

The following table gives detailed information of all sustainability related topics identified and assessed, including the result of the impact assessment and financial assessment:⁸⁸

87 ESRS 2 IRO-2 §59
 88 ESRS 2 GOV-2 §26c

MATERIALITY ASSESSMENT

TOPICAL ESRS	TOPIC	IDENTIFIED RELEVANT SUB-TOPICS AND SUB-SUB-TOPICS	IMPACT					FINANCIAL				
			very high	high	medium	low	very low	very low	low	medium	high	very high
ESRS E1	Climate change	Climate change adaption										
ESRS E1	Climate change	Climate change mitigation										
ESRS E1	Climate change	Energy										
ESRS E2	Pollution	Pollution of air										
ESRS E2	Pollution	Pollution of water										
ESRS E2	Pollution	Polution of soil										
ESRS E2	Pollution	Substances of very high concern										
ESRS E2	Pollution	Microplastics										
ESRS E3	Water and marine resources	Water withdrawals										
ESRS E3	Water and marine resources	Water consumption										
ESRS E3	Water and marine resources	Water discharges										
ESRS E4	Biodiversity and ecosystems	Pollution										
ESRS E4	Biodiversity and ecosystems	Impacts on the state of species										
ESRS E4	Biodiversity and ecosystems	Impacts on the extent and condition of ecosystems										
ESRS E5	Circular economy	Resources inflows, including resource use										
ESRS E5	Circular economy	Resource outflows related to products and services										
ESRS E5	Circular economy	Waste										
ESRS S1	Own workforce	Secure employment										
ESRS S1	Own workforce	Working time										
ESRS S1	Own workforce	Adequate wages										
ESRS S1	Own workforce	Social dialogue										
ESRS S1	Own workforce	Freedom of association, the existence of works councils and the information, consultation and patricipation rights of works										
ESRS S1	Own workforce	Collective bargaining										
ESRS S1	Own workforce	Work life balance										
ESRS S1	Own workforce	Health & safety										
ESRS S1	Own workforce	Gender equality and equal pay										
ESRS S1	Own workforce	Training and skills development										
ESRS S1	Own workforce	Employment and inclusion of persons with disabilities, Diversity										
ESRS S1	Own workforce	Measures against violence and harassment in the workplace										
ESRS S1	Own workforce	Child labour										
ESRS S1	Own workforce	Privacy										
Entity-specific	Own workforce	Employee satisfaction and retainment										
ESRS S2	Workers in the value chain	Secure employment										
ESRS S2	Workers in the value chain	Working time										
ESRS S2	Workers in the value chain	Adequate wages										

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TOPICAL ESRS	TOPIC	IDENTIFIED RELEVANT SUB-TOPICS AND SUB-SUB-TOPICS	IMPACT					FINANCIAL				
			very high	high	medium	low	very low	very low	low	medium	high	very high
ESRS S2	Workers in the value chain	Social dialogue										
ESRS S2	Workers in the value chain	Freedom of association, the existence of works councils and the information, consultation and patricipation rights of works										
ESRS S2	Workers in the value chain	Collective bargaining										
ESRS S2	Workers in the value chain	Work-life balance										
ESRS S2	Workers in the value chain	Health & Safety										
ESRS S2	Workers in the value chain	Gender equality and equal pay for work of equal value										
ESRS S2	Workers in the value chain	Training and skills development										
ESRS S2	Workers in the value chain	Employment and inclusion of persons with disabilities										
ESRS S2	Workers in the value chain	Measures against violence and harassment in the workplace										
ESRS S2	Workers in the value chain	Diversity										
ESRS S2	Workers in the value chain	Child labour										
ESRS S2	Workers in the value chain	Forced labour										
ESRS S2	Workers in the value chain	Adequate housing										
ESRS S2	Workers in the value chain	Water and sanitation										
ESRS S2	Workers in the value chain	Privacy										
ESRS S3	Affected communities	Communities’ economic, social and cultural rights										
ESRS S3	Affected communities	Rights of indigenous people										
ESRS G1	Business conduct	Corporate culture										
ESRS G1	Business conduct	Protection of whistleblowers										
ESRS G1	Business conduct	Corruption and bribery prevention & detection including training										
ESRS G1	Business conduct	Corruption and bribery incidents										
ESRS G1	Business conduct	Political engagement										
ESRS G1	Business conduct	Management of relationships with suppliers including payment practices										
Entity-specific	Sustainable sourcing pratices & traceability											
Entity-specific	Research & development & education											
Entity-specific	Customer satisfaction											
Entity-specific	Stakeholder-engagement & communication											
Entity-specific	Quality management, certification & audit											

When disclosing information on the sustainability matters identified as material, we follow the disclosure requirements listed in respective ESRS topical standards. For company-specific material topics we follow the Minimum Disclosure Requirement outlined in ESRS 2 and

apply the structure to disclose information on Policies, Actions and Resources, and Metrics and Targets. Additionally, we consider whether disclose information can be deemed useful and relevant for our stakeholder's interest.⁸⁹

89 ESRS 2 IRO-2 §59

For information to where the respective disclosure in this sustainability report is located the content index, which precedes this report shall be referred to. The disclosure of the list of data points that derive from other EU legislation and information on their location in

the sustainability statement can be found in the appendix to this report - List of datapoints in cross-cutting and topical standards that derive from other EU legislation.⁹⁰

90 ESRS 2 IRO-2 §56



TAXONOMY DISCLOSURE

- + 21,2 million EUR investments for environmentally sustainable activities
- + 26 % of all investments in HSTG companies were eligible under taxonomy
- + 66 % of taxonomy eligible investments are aligned

HS Timber Group regards sustainability as an integral part of its business activities and aims to make a positive contribution to the environment and society. In this context, compliance with the EU Taxonomy Regulation plays a central role in our commitment to a sustainable future. The EU Taxonomy Regulation provides a unified classification system that evaluates and transparently presents economic activities based on their sustainability.

In this chapter, we aim to detail HS Timber Group's compliance with the taxonomy criteria and demonstrate how our business activities align with the principles of environmental sustainability. Furthermore, we will outline the steps the company is taking to minimize environmental impacts while optimizing social and economic outcomes. Our objective is to build trust through transparent reporting and a consistent alignment with the EU's sustainability goals, actively contributing to the protection of our natural resources.

Since we are still voluntarily reporting in accordance with the European Sustainability Reporting Standards (ESRS), including the Taxonomy, we have decided to provide figures exclusively related to investments (CapEx) and to exclude figures on turnover and operating expenses (OpEx).

ACCOUNTING PRINCIPLES

The total CapEx is the Group's total capital expenditures in 2023 as consolidated in the – not disclosed – financial statement. The Taxonomy-eligible CapEx are the investments related to the assets or processes associated with the respective economic activities. Double accounting is avoided by a clear project-based

reporting structure related to the investments done in 2023. CapEx contributing to more than one environmental objective were assessed against the technical screening criteria. In the reporting they are allocated to one priority objective only.

TAXONOMY ELIGIBLE AND ALIGNED ACTIVITIES

In a scoping, which preceded the assessment, the company has identified 14 economic activities which are generally eligible for a CapEx reporting according to the Taxonomy regulation. Methodologically we processed the information in accordance with the guidelines provided by the European Commission.

CC 4.1 Electricity generation using solar photovoltaic technology

The sawmill in Kodersdorf, Germany, and the blockboard mill in Comănești, Romania, have been equipped with photovoltaic power plants. All in all, a peak capacity of 5,4 MW peak was installed at both sites. The panels have been mounted on the rooftops of the factories thereby not using any additional land. The investments have been assessed to be aligned.

CC 4.20 Cogeneration of heat/cool and power from bioenergy

HS Timber Group is running combined heat and power plants (CHP) at its sawmills to produce heat and energy for own production and/or for the local grids. The plants are fueled primarily with bark and wood residues from the own production. Purchased biomass is coming from sustainable forestry. At the mill in Kodersdorf we have constructed a new second CHP to substitute the old biomass boiler with a new state-of-the-art energy production facility.

Additionally, there has been a smaller investment in the existing plant in Reci, Romania. All investments have been assessed to comply with the alignment criteria for this activity.

CC 6.14 Infrastructure for rail transport

Rail connectivity to our sites is of utmost importance. Overseas transports and roundwood imports are largely operated by train. To keep up this connectivity is also important from a decarbonization perspective as train transports are coming with significantly lower carbon emissions than trucks. In the mill in Reci we installed a loading infrastructure for containers and invested in the repair of some tracks on site. The activity is eligible and meets the technical screening criteria for alignment.

CC 6.5 Transport by motorbikes, passenger cars and light commercial vehicles

For the fleet the company purchased some new cars. Part of the investments met the technical screening criteria and is therefore aligned, part of this investment did not meet the technical screening criteria.

CC 4.24 Production of heat/cool from bioenergy

The reported CapEx concern the new production sites in Virasoro, Argentina, and Svisloch, Belarus, which were equipped with boilers for process-heat production. The boilers are feed with bark and wood residues from the own production. This eligible activity did not meet the technical screening criteria.

CC 4.9 Transmission and distribution of electricity

This investment refers to the installation of electricity infrastructure and electrical equipment in the new production site in

Virasoro. This eligible activity did not meet the technical screening criteria and is therefore not aligned.

CC 5.1 Construction, extension and operation of water collection, treatment and supply systems

The reported CapEx concern the installation of pump stations, fire tanks, water drainages, and sprinkling systems in the new production sites in Virasoro and Svisloch. The technical screening criteria has not been met for these investments.

CC 5.2 Renewal of water collection, treatment and supply systems

The mentioned CapEx under this activity is concerning the installation of a water filtering and treatment station for the internal industrial water network. The activity has been assessed to be eligible but does not meet the technical screening criteria.

CC 5.3 Construction, extension and operation of waste water collection and treatment

In our new production site in Virasoro, a sewage water treatment plant and sewage drainage have been installed. For this investment the technical screening criteria is not met.

CC 7.2 Renovation of existing buildings

In several sites there have been investments into the renovation of existing buildings, however the technical screening criteria for taxonomy alignment have not been met.

CC 7.3 Installation, maintenance and repair of energy efficiency equipment

The capital expenditures (CapEx) for the installation, maintenance, and repair of energy efficiency equipment were primarily focused on

improving the energy efficiency of the drying process. To this end, the company installed frequency converters at its mills in Reci, Romania, and Luvia, Finland, with an additional heat recovery system implemented at the Luvia site for the drying kilns. Similar upgrades had been carried out at other mills in previous years. The frequency converters and heat recovery systems play a key role in optimizing energy consumption in this critical stage of production. However, the technical screening criteria for alignment have not been met.

CC 7.6 Installation, maintenance and repair of renewable energy technologies

There was just one singular activity und this category linked to the repair of the biomass boiler in the mill in Comănești, Romania. The technical screening criteria for alignment have not been met.

CC 8.1 Data processing, hosting and related activities

CapEx related to this activity concerned basically the installation of IT systems for tracking of production data. The technical screening criteria for alignment have not been met.

CE 3.5 Use of concrete in civil-engineering

At the mill in Rădăuți, Romania, there was extended repair and refurbishment works for the concrete platforms at the mill. The technical screening criteria for alignment have not been met.

MINIMUM SAFEGUARDS

Minimum safeguards are carried out by HS Timber Group to ensure that specific social guidelines and agreements are followed.

These include the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the fundamental principles and rights derived from the core labor standards of the International Labor Organization (ILO) and the International Bill of Human Rights. We have assessed our approach at the group level to ensure consistent implementation. The core aspects of the management system are covered by internal control standards. See more on these aspects specifically in the chapters [G1 Business Conduct](#) and [Sustainable Sourcing Practices and Traceability](#).

				Substantial Contribution Criteria						DNSH criteria (,Does Not Significantly Harm')									
Economic Activities	Code	CapEx	Proportion of CapEx	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity and ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Taxonomy aligned proportion of total CapEx	Category enabling activity	Category transitional activity
		million EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation using solar photovoltaic technology	CC-4.1	1,4	1,1%	100%	0%	0%	0%	0%	0%	-	Y	N/A	N/A	Y	Y	Y	1%		
Cogeneration of heat/cool and power from bioenergy	CC-4.20	19,5	15,8%	100%	0%	0%	0%	0%	0%	-	Y	Y	Y	N/A	Y	Y	16%		
Infrastructure for rail transport	CC-6.14	0,2	0,2%	100%	0%	0%	0%	0%	0%	-	Y	Y	Y	Y	Y	Y	0%	E	
Transport by motorbikes, passenger cars and light commercial vehicles	CC-6.5	0,1	0,1%	100%	0%	0%	0%	0%	0%	-	Y	N/A	Y	Y	N/A	Y	0%		T
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		21,2	17%	17%	0%	0%	0%	0%	0%	-	-	-	-	-	-	-	17%	0,2%	0,1%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Production of heat/cool from bioenergy	CC-4.24	2,6	2,075%																
Transmission and distribution of electricity	CC-4.9	1,4	1,163%																
Construction, extension and operation of water collection, treatment and supply systems	CC-5.1	0,9	0,745%																
Renewal of water collection, treatment and supply systems	CC-5.2	0,1	0,065%																
Construction, extension and operation of waste water collection and treatment	CC-5.3	0,1	0,047%																
Transport by motorbikes, passenger cars and light commercial vehicles	CC-6.5	0,0	0,030%																
Renovation of existing buildings	CC-7.2	0,7	0,604%																
Installation, maintenance and repair of energy efficiency equipment	CC-7.3	0,9	0,760%																
Installation, maintenance and repair of renewable energy technologies	CC-7.6	0,1	0,062%																
Data processing, hosting and related activities	CC-8.1	0,0	0,003%																
Use of concrete in civil engineering	CE-3.5	4,2	3,417%																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		11,1	9%																
A. Total CapEx of Taxonomy-eligible activities (A.1+A.2)		32,3	26%																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Capex of Taxonomy-non-eligible activities		91,4	74%	The capital expenditures referring to the production site in Sebeș, Romania, have been included in the total CapEx, but have not been assessed for their Taxonomy eligibility / alignment. The Sebeș mill was sold within the year 2023.															
TOTAL (A+B)		123,7	100%																

The capital expenditures referring to the production site in Sebeş, Romania, have been included in the total CapEx, but have not been assessed for their Taxonomy eligibility / alignment. The Sebeş mill was sold within the year 2023.



E1 CLIMATE CHANGE

[holzistgenial.at](https://www.holzistgenial.at)

- + 21,2 million EUR investments substantially contributing to climate change mitigation
- + New photovoltaic plants in Comănești and Kodersdorf
- + New combined heat and power plant in Kodersdorf
- + 90% share of renewable sources in total energy consumption
- + 86% share of own produced renewable energy to total energy consumption
- + 50% target reduction of GHG emissions related to Scope 1 and Scope 2 by 2030
- + First comprehensive report on Scope 1, 2, and 3 GHG emission

Following the process of our materiality assessment climate change has been identified as a material topic for HS Timber Group.

HS Timber Group recognizes the fact that the primary product wood plays a vital role in carbon storage throughout its lifespan and is thereby contributing to climate change mitigation and supporting the transition to a

low-carbon economy, provided that the raw material is sustainably sourced as described in the chapter [Sustainable Sourcing Practices and Traceability](#).

HS Timber Group's approach to climate change adaptation involves proactive identification and management of risks associated with climate impacts.

Impacts		Risks or Opportunities	
Climate change mitigation			
↓	Direct carbon emissions (Scope 1) and indirect carbon emissions (Scope 2 and 3) from all operating entities, particularly those resulting from the use of fossil fuels such as petrol, diesel, propane, gas, and purchased electricity, contribute to global warming.	↓	To achieve net zero by 2050, a transition plan with targeted measures and significant investments are needed, including costs for compensating residual emissions through certificates.
Climate change adaption			
		↓	Increased direct and indirect operating costs may arise from emission certification schemes and other market-based instruments, leading to higher expenses for internal and external transport (upstream and downstream). Additionally, higher prices for fossil fuels due to tax increases (petrol, diesel, gas), certification schemes or restrictions on fossil fuels, along with the need to substitute fossil fuels with green energy, could result in higher OpEx and/or CapEx. Due to high share of own produced renewable energy in the total energy consumption (86%) this risk is limited.
		↑	Diversifying product portfolio towards climate-resilient species could open new markets and therefore increase revenue.
Energy			
↑	Cogeneration of renewable energy at sites by feeding renewable energy into the grid, like in our site in Kodersdorf, increases the availability of green energy for purchasers, positively impacts climate change, and promotes the phase-out of fossil fuels.	↑	Changes in the global energy mix and rising demand for green energy create better market opportunities for pellets and green energy sources, like CHP and photovoltaics. Higher carbon taxes on fossils resulting also in increased demand and potentially higher prices for own sold renewable energy and therefore increased revenue. There are also market opportunities linked to carbon storage solutions.

↑ Positive impact (potential/actual) on people and the environment or opportunity for HSTG's business
 ↓ Negative impact (potential/actual) on people and the environment or risk for HSTG's business

Within the process of the materiality assessment, conducted as described earlier, our climate-related impacts were considered. With the view on HS Timber Group's total greenhouse gas emissions, we acknowledge our impact through direct carbon emissions (Scope 1) and indirect carbon emissions (Scope 2 and 3) from all operating entities, especially caused by the usage of fossil fuels and purchased energy-mix.⁹¹

GOVERNANCE

E1.GOV-3 - INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES

Currently, there are no incentive schemes addressing climate-related considerations in HS Timber Group.⁹²

STRATEGY

E1-1 - TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION

In HS Timber Group we have established ambitious goals in addressing climate change since 2018 and have implemented a range of technical and organizational measures at various levels to reach our goals. Though we do not have a final and complete transition plan for climate change mitigation we have a comprehensive concept of measures that will continuously minimize our impact on climate change.⁹³

Our targets are embedded in the corporate strategy and are approved by the Management Board. The corresponding investment measures are adopted as part of the budget process and require approval from the owners' representatives.⁹⁴ In 2023, we merged the sustainability process with the overall company strategy process. This way we were able to integrate our sustainability goals into our company strategy, setting a goal to achieve a 50% GHG reduction in Scope 1 and Scope 2 by 2023. Our company is not excluded from the EU Paris-aligned benchmarks⁹⁵.

In 2023 we have extended the data collection of our greenhouse gas emissions from Scope 1 and 2 to Scope 3 emissions. This way we will better understand the full scope of our greenhouse gas emissions and will be able to set a goal also on Scope 3 emission reduction in 2024. While we do not plan to seek validation through the Science Based Targets initiative (SBTi) for our reduction targets, they are set to be aligned with and aiming to exceed industry standards.⁹⁶ We are committed that our GHG emission reduction targets are aligned with the goal of limiting global warming to 1.5°C, in accordance with the Paris Agreement.⁹⁷

Our decarbonization strategy focuses on several key levers, which are integral to our commitment to combating climate change: transitioning from fossil fuels to fossil-free energy, particularly in our electricity mix, electrification of our vehicles and forklifts, expanding renewable energy deployment and implementing energy efficiency measures. By prioritizing the use of renewable energy sources in our operations, we aim not only to reduce our

greenhouse gas emissions but also to reduce dependency on fossil fuels.

As part of a broader effort to enhance the sustainability and resilience of our company, we have established our own research and development department dedicated to addressing issues of decarbonization and improved resource utilization in 2024.⁹⁸

CLIMATE RISK ASSESSMENT AND CLIMATE RELATED RISKS

Regarding our evaluation of how our business model withstands climate change, we conducted a comprehensive climate risk assessment.⁹⁹ This assessment identified specific climate-related risks by analyzing the incidence of physical hazards, using publicly available data for the regions in which we operate our mills and insights from local environmental experts. We included both chronic and acute climate-related hazards in our review. The physical climate-related risks identified for HS Timber Group were integrated into our financial risk assessment within this materiality process. This approach ensures that all relevant climate impacts, risks, and opportunities are thoroughly addressed in our materiality assessment.¹⁰⁰

The earlier described climate-related risks within our material impacts, risks and opportunities are considered climate-related transition risks.¹⁰¹

The full process of the climate risk assessment including the results of our identified climate-related physical risks is described in the

General Disclosures of this report, in chapter [Identification and assessment of climate-related impacts, risks and opportunities \(E1.IRO-1\) - Climate Risk Assessment](#).¹⁰²

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

E1-2 - POLICIES RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION

With regards to climate change mitigation and adaption our Environmental Policy and our Timber Sourcing Policy play a key role.

In our **Environmental Policy** we are committed to promoting a corporate culture in which responsible use of our resource and effective environmental management are an integral part of our economic activities. We are working in full compliance with national and international environmental requirements while at the same time striving to go beyond these requirements and thus moving towards a higher level of environmental protection. In our Environmental Policy we are committed to the reduction of electrical and thermal energy as well as the reduction of our GHG emissions. Additionally, it is our commitment to contribute to the protection of biodiversity and actively engage in forest restoration actions.¹⁰³

With our **Timber Sourcing Policy** we are committed to ensuring that all our timber is responsibly sourced from sustainably managed forests. We purchase timber only from

91 ESRs E1.IRO-1 §20a
 92 ESRs 2 GOV-3 §29, E1-1 §13
 93 ESRs E1-1 §17

94 ESRs E1-1 §16h,j
 95 ESRs E1-1 §16g
 96 ESRs E1-1 §15,16i
 97 ESRs E1-1 §16a

98 ESRs E1-1 §16b
 99 ESRs E1.SBM-3, E1.IRO-1
 100 ESRs E1.SBM-3 §19, E1.IRO-1 §20b
 101 ESRs E1.SBM-3 §18

102 ESRs E1.SBM-3 §19a, b, E1.IRO-1 §20b
 103 ESRs E1-2 §25c

non-controversial sources and are explicitly committed to excluding material sourced from virgin forests or national parks in Romania and Ukraine.

Both our policies, our Environmental Policy and our Timber Sourcing Policy, incorporate the target to source 100% of our timber from forests certified to PEFC and/or FSC® forest certifications schemes and thus actively promote sustainable forest management as means of climate change mitigation.¹⁰⁴

The principles of environmental protection are also incorporated in our **Code of Conduct for Business Partners**, where we require all suppliers and vendors to demonstrate compliance with all environmental laws and regulations as well as our own policies.¹⁰⁵

It is planned to review our Environmental Policy, our Timber Sourcing Policy and or Code of Conduct for Business Partners with the year 2024, to reflect and manage even more specifically our material impacts, risks and opportunities related to climate change mitigation and adaption, and adapt new insights and targets connected to the first time-evaluation of the full corporate carbon footprint including Scope 3.

E1-3 - ACTIONS AND RESOURCES IN RELATION TO CLIMATE CHANGE POLICIES

Already in the past years HS Timber Group has committed to significant climate change mitigation and adaptation actions, with resources allocated to achieve these goals. The following key measures and achievements have been realized throughout the years until 2023:¹⁰⁶

The sawmills located in Reci, Rădăuți and Kodersdorf are equipped with advanced combined heat and power plants (CHP) that utilize

biomass and bark to generate renewable energy. These state-of-the-art facilities prioritize the efficient utilization of heat and electricity for the sawmills' internal production processes, particularly for the kiln drying process. Our excess green power produced by CHP plants is supplied into the respective public power grid. This contributes to the increase of the share of renewable energy availability and reduces dependence on non-renewable sources.

At HS Baco Panels in Comănești, Romania, numerous measures were implemented to improve energy efficiency. The initiatives include the full conversion to LED lighting in the plant, the replacement of obsolete machinery, the installation of two reactive energy compensation systems, the installation of frequency converters on the pressing line to reduce energy consumption, and the installation of electric motors on the filter station coolers to achieve optimal efficiency.

In Kodersdorf, Germany, a new and highly energy efficient VALUTEC channel dryer is used for wood drying in the plant. Additionally, the certification of the energy management system in Kodersdorf according to ISO 50001 was a crucial organizational step, accompanied by revisions to our machinery purchasing guidelines.

In our location in Luvia, Finland, investments to enhance the energy efficiency were made. Additionally, LED lamps have been installed throughout the buildings.

Across all locations, HS Timber Group has made strategic choices to invest in electrical forklifts for its premises and explicitly chose to buy vehicles that are rated best-in-class in their respective categories. This strategic choice enables us to further decrease our reliance on fossil fuels, since these forklifts are powered by green electricity, in many

locations sourced from our own combined heat and power plants. To further reduce fuel consumption, we provide regular fuel-saving trainings for drivers at all our plants. Additionally, our machinery purchasing guidelines are outlining minimum criteria for energy efficiency for motors. We thereby ensure that the most efficient state of the art machinery is installed whenever replacing old machinery. As one of the key requirements, electric motors may only be purchased with a minimum energy efficiency class of IE4. Another key requirement for new machinery purchases is the feature of automatic shut-off when not in use.

Our Energy Efficiency Action Plan, which started in 2019, has continuously identified and implemented measures to reduce our energy consumption and enhance energy efficiency. Throughout 2023, the Energy Efficiency Action Plan has continually tackled the identification and execution of opportunities to further optimize our energy usage.

Notably, during the year 2023 HS Timber Group has made significant investments to pursue the commitment to utilize advanced technologies and renewable energy sources in our operations. Over EUR 21,2 million have been invested for environmentally sustainable activities during the year 2023 split into the following major projects:¹⁰⁷

+ Kodersdorf, Germany: A new, second combined heat and power plant (CHP) has been built in our site in Kodersdorf, which came into operation in 2024. This major investment of more than EUR 19,5 million contributes significantly to the co-generation of heating, cooling and power from bioenergy. Additionally, a photovoltaic plant with a capacity of 1,4 MW peak was established at the site.

+ HS Baco Panels in Comănești, Romania: A photovoltaic park with a capacity of 4 MW peak was installed on the roof of the blockboard factory and went into operation in 2023. This significant investment of approximately EUR 1 million enables renewable electricity generation using solar photovoltaic technology and improving the renewable energy share for electricity at the site.

+ Across all mills, we have invested in the gradual and continuous electrification of vehicles and infrastructure for rail transport, aiming to transition from fossil fuel-based transport to more sustainable logistics solutions.

Further information on the Capital Expenditures of environmentally sustainable activities (taxonomy-aligned activities) can be found in chapter [Taxonomy Disclosure](#) of this report.

The following table displays the most important decarbonization levers in Scope 1 and 2 identified by HSTG and their corresponding actions in the year 2023:¹⁰⁸

104 ESRs E1-2 §25a
 105 ESRs E1-2 §25a
 106 ESRs E1-3 §28

107 ESRs E1-3 §29c

108 ESRs E1-3 §29a

Decarbonization levers Scope 1 and 2	Actions by decarbonization levers in 2023
Change of electricity purchases from grey power to green power	Use own produced green electricity (CHP, Photovoltaic) wherever possible
Gradual electrification of our vehicle fleet (company cars and machinery fleet)	Purchase of electrical forklifts for mills Prioritizing of zero- and low-emission company vehicles according to HSTG Group Car Policy
Further adoption of renewable energy solutions (CHPs, Photovoltaic plants at our sites)	Investments in CHPs and photovoltaic parks, such as in 2023 in Kodersdorf and Comănești Boilers for green heat production in Virasoro and Svisloch
Implementation of energy management system in all mills	Certified energy management system according to ISO 50001 certifications in Kodersdorf Ongoing digitalization of energy data
Energy efficiency	Implementation of Energy Efficiency Action Plan Measures State-of-the-art energy-efficient technologies and practices including continuous substitution of old machinery with high energy efficient new machinery according to HSTG Machinery Purchasing Guidelines

METRICS AND TARGETS

E1-4 - TARGETS RELATED TO CLIMATE CHANGE MITIGATION AND ADAPTATION

Greenhouse Gas Emission Reduction Targets¹⁰⁹

- + Reduction of GHG emissions by 50% by 2030 related to Scope 1 and Scope 2
- + Achieve net-zero GHG emissions by 2050

Energy Efficiency Targets

- + Achieve a 30% reduction in electrical and thermal energy consumption (per final product unit) by 2025 (base year 2017)

In 2023 HSTG has been collecting data for Scope 3 emissions for the first time, thus this is the first year, where we have a full GHG emission table. So far, our base year was 2017 for Scope 1 and Scope 2, and we had limited reporting for Scope 3, focusing only on fuel- and energy-related activities and emissions from air travel. Due to the new insights of having the full scope the new base year for our GHG emissions reduction targets is set as 2023.¹¹⁰ Furthermore, we will use the new comprehensive view on the full scope of our GHG emissions to develop targets for GHG emission reductions for Scope 3 emissions in 2024.

To achieve GHG emission reduction targets in Scope 1 and Scope 2, we see the following decarbonization levers:¹¹¹

109 ESRS E1-4 §34

110 ESRS E1-4 §AR 25b

111 ESRS E1-4 §34f, §AR 30

- + Changing electricity purchases from grey power to green power
- + Gradual electrification of our vehicle fleet (company cars and machinery fleet)
- + Further adoption of renewable energy solutions (CHPs, photovoltaic plants at our sites)
- + Implementation of energy management system in all mills to ensure continuous improvement and regulatory compliance in environmental performance.
- + Energy efficiency measures including state-of-the-art energy-efficient technologies and practices.

As we are setting the year 2023 as our new base year for GHG emissions reporting, achieved and expected GHG emission reduction connected to our actions will be reported in the upcoming years.¹¹²

HS Timber Group is aiming to set its GHG emissions reduction targets in alignment to the principles of the Science Based Targets Initiative (SBTi) or other cross-sector or sector-specific emission pathways compatible with limiting global warming to 1.5°C, when available. HS Timber Group, however, is not aiming to get a formal validation by the Science Based Targets initiative.¹¹³

A first analysis of the most important Scope 3 categories can be found later in this chapter in [E1-6 - Gross Scopes 1, 2, 3 and total GHG emissions](#).

Looking at the total GHG missions, we expect an increase in the absolute emission figures for 2024 due to the full implementation of the new mills in Svisloch and Virasoro.

112 ESRS E1-3 §29b

113 ESRS E1-4 §34e, §AR 26

Fully processed wood equivalent

Since the year 2021 we have been reporting on our internally developed KPI “fully processed wood equivalent”, in order to measure our progress in energy efficiency in the sawmills. The KPI was derived from the total raw material used for timber and pellet production compared with our greenhouse gas (GHG) emissions and energy usage of our sawmills. Through this approach, we obtained a specific KPI that reflects the energy and GHG intensity of our production process. In the year 2022 we have reached a reduction of 21.7% in GHG emissions for one cubic meter of fully processed wood equivalent.

However, we have decided to discontinue the use of this KPI as the model shows some imprecision, such as changing emission factors, and results over time were only partially comparable. Consequently, we are not reporting on our previous goal of reducing GHG emissions intensity by 25% by 2025, as measured by this KPI, and we will adopt new KPIs and calculation models aligned with the GHG Protocol and ESRS reporting standards.

E1-5 - ENERGY CONSUMPTION AND MIX

The following table shows the total energy consumption of HS Timber Group in MWh in the year 2023.¹¹⁴

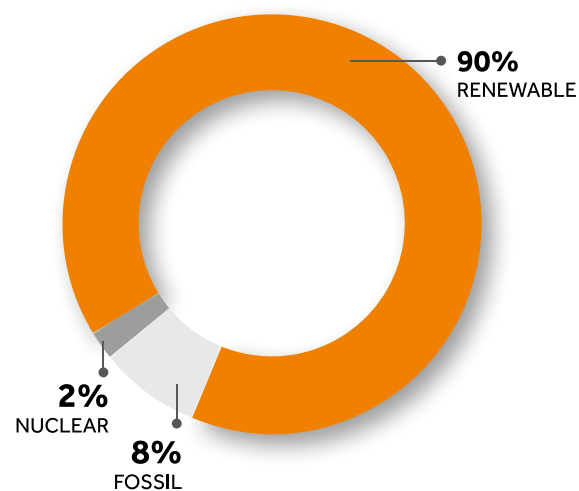
114 ESRS E1-5 §37a, b, c, §38a, b, c, d, e, §AR34

Energy consumption and mix	Year 2023
Fuel consumption from natural gas (MWh)	2.302
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	55.147
Total fossil energy consumption (MWh)	57.449
Share of fossil sources in total energy consumption (%)	8%
Consumption from nuclear sources (MWh) from purchased electricity mix	17.065
Share of nuclear sources in total energy consumption (%)	2%
Consumption of self-generated renewable energy from biomass (MWh)	630.710
Consumption of purchased or acquired electricity from renewable sources (MWh)	26.070
Consumption of self-generated renewable energy from photovoltaic plant (MWh)	53
Total renewable energy consumption (MWh)	656.833
Share of renewable sources in total energy consumption (%)	90%
Total energy consumption (MWh)	731.348

MWh: Megawatt hour

Notably, 90 % of our energy consumption come from renewable sources. This renewable energy is mainly own produced energy in our state-of-the-art combined heat and power plants (CHP) in our sawmills in Reci, Rădăuți and Kodersdorf as well as our biomass boilers. The CHP plants use primarily bark from production or other externally purchased biomass. Biomass that is purchased externally must meet strict sustainability criteria. For our CHPs this is verified by the third-party certification scheme [SURE - SUSTAINABLE RESOURCES Verification Scheme](#).

Energy consumption mix 2023



With regards to our own energy production, all our energy production classifies as renewable energy production.¹¹⁵

Own produced energy	MWh
Non-renewable energy production	-
Renewable energy production	713.836

Our share of own produced energy consumption from renewable sources to total energy consumption lies at 86%.

HS Timber Group is not associated with activities in high climate impact sectors.¹¹⁶

E1-6 - GROSS SCOPES 1, 2, 3 AND TOTAL GHG EMISSIONS

Since 2017 we have reported on Scope 1 and 2 emissions, with limited reporting on Scope 3 emissions, focusing only on fuel- and energy-related activities and emissions from air travel in Scope 3. For the year 2023, we have

¹¹⁵ ESRS E1-5 §39

¹¹⁶ ESRS E1-5 §40-43

established for the first time a full Corporate Carbon Footprint calculated according to the GHG protocol, including Scope 1, 2 and full Scope 3.

HS Timber Group's GHG emissions in tons of CO₂ equivalent (tCO₂e) are shown in the following table:¹¹⁷

months only due to sale of the mill in the third quarter of 2023. Furthermore, the two new mills under construction in Virasoro, Argentina and Svisloch, Belarus, are included in the total GHG emissions. Furthermore, the GHG emissions of our offices in Vienna, Ybbs and Bucharest are captured.¹¹⁸

GHG Emissions	2023	Share of total emissions 2023
Scope 1 GHG emissions (tCO₂e)	22.001	3%
Scope 2 GHG emissions (location-based) (tCO ₂ e)	26.816	-
Scope 2 GHG emissions (market-based) (tCO₂e)	42.569	6%
Scope 1 and 2 GHG emissions (location-based) (tCO ₂ e)	48.817	-
Scope 1 and 2 GHG emissions (market-based) (tCO ₂ e)	64.570	-
Scope 3 GHG emissions (tCO₂e)	621.147	91%
Purchased goods and services	103.166	15,0%
Capital goods	36.764	5,4%
Fuel and energy-related activities	14.705	2,1%
Upstream transportation and distribution	211.151	30,8%
Waste generated in operations	5.262	0,8%
Business traveling	2.070	0,3%
Employee commuting	3.414	0,5%
Downstream transportation	52.409	7,6%
Processing of sold products	97.098	14,2%
Use of sold products	24.304	3,5%
End-of-life treatment of sold products	70.805	10,3%
Total GHG emissions (location-based) (tCO ₂ e)	669.964	-
Total GHG emissions (market-based) (tCO₂e)	685.716	100%

tCO₂e: tons of carbon dioxide equivalent

Total GHG emissions include production sites in Rădăuți, Reci, Comănești and Sebeș in Romania, Kodersdorf in Germany and Luvia in Finland. Data for Sebeș mill is accounted for 6

The following table shows the total GHG emissions of HS Timber Group by operating units:¹¹⁹

¹¹⁷ ESRS E1-6 §44a-d, 48a, 49a, b, 52a, b, 51, 52a, b, AR46 i)

¹¹⁸ ESRS E1-6 §AR39b

¹¹⁹ ESRS E1-6 §AR41

GHG Emissions by Operating Unit	Kodersdorf	Sebeș	Rădăuți	Recl	Comănești	Luvia	Virasoro	Svisloch	Office Locations	Total 2023
Scope 1 GHG emissions (tCO₂e)	7.314	2.899	816	7.347	986	2.001	283	226	130	22.001
Scope 2 GHG emissions (location-based) (tCO ₂ e)	16.665	667	2.177	983	4.355	1.636	264	27	43	26.816
Scope 2 GHG emissions (market-based) (tCO₂e)	22.820	1.003	2.489	1.479	6.548	7.873	280	32	43	42.569
Scope 3 GHG emissions (tCO₂e)	175.074	71.622	26.285	138.711	76.878	81.046	22.156	4.826	24.549	621.147
Total GHG emissions (location-based) (tCO ₂ e)	199.052	75.188	29.278	147.041	82.219	84.683	22.704	5.079	24.722	669.964
Total GHG emissions (market-based) (tCO₂e)	205.208	75.524	29.590	147.536	84.412	90.920	22.720	5.084	24.722	685.716

Office locations include our offices in Vienna (AT), Ybbs (AT) and Bucharest (RO)
Data for Sebeș mill accounted for 6 months only due to sale of the mill in the third quarter of 2023

METHODOLOGY

The calculation methodology of the greenhouse gas emissions is based on the GHG Protocol Corporate Accounting and Reporting Standard. Data was collected from internal sources and converted to carbon dioxide equivalent (CO₂e) using different emission factors. For direct emissions (Scope 1) the emission factors are obtained from Umweltbundesamt (UBA, Environment Agency Austria 2023).

The emission factors for indirect emissions from electricity, as reported in Scope 2 and Scope 3, are sourced from the International Energy Agency (IEA 2023) and Ecoinvent Version 3.10 (2023). The stated sources of Umweltbundesamt (2023), IEA 2023 and Ecoinvent Version 3.10 (2023) were also used for other Scope 3

mission categories, additionally for Scope 3 data of buildings and equipment, emission conversion factors of the UK Department for Environment, Food and Rural Affairs (DEFRA) were used.¹²⁰

HS Timber Group's corporate carbon footprint (CCF) for the year 2023 was calculated by HS Timber Group with the support of EY denkstatt. EY denkstatt's role was to ensure the quality of the calculation and the choice of emission factors, validating the methodology and checking the plausibility of the CCF results. The completeness and accuracy of the underlying data and the calculation is the responsibility of HS Timber Group.¹²¹ The full corporate carbon footprint of the year

120 ESRS E1-6 §AR39b
121 ESRS E1-6 §AR39b

2023 is defined to serve as the new base year for reference of comparison of future emissions.

For GHG reporting purposes, HSTG defines its organizational boundary on an operational control basis, i.e. we account for 100% of such emissions from operations over which HSTG or one of its subsidiaries has operational control, but not for emissions from operations in which HSTG owns an interest but does not have operational control. HSTG reports Scope 1, 2 and 3 for all companies included in the consolidated financial statement. For the calculation of Scope 3 GHG emissions all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including upstream and downstream emissions were included.¹²² No primary data (data from value chain partners) was used to calculate Scope 3 emissions.¹²³

For the selection of the emission categories of Scope 3 GHG to be reported the full list of Scope 3 categories were screened in an internal assessment for their relevance and in total 11 out of 15 Scope 3 categories were selected for reporting, as displayed in above GHG emission table.¹²⁴

The following emission categories are excluded from the Scope 3 reporting:¹²⁵

- + Upstream leased assets: not relevant for HSTG, we have a few leased cars which are partially covered in Scope 1 and 3 by fuel consumption.
- + Downstream leased assets: not applicable
- + Franchise: not applicable
- + Investments: not applicable

122 ESRS E1-6 §AR39b, AR46h
123 ESRS E1-6 §AR46g
124 ESRS E1-6 §AR46i
125 ESRS E1-6 §AR46i

For the calculation of our most relevant Scope 3 emission categories, we apply the following calculation methodologies:¹²⁶

- + Purchased goods and services: To identify relevant purchase goods and services a screening of financial data was conducted, focusing on positions exceeding 3% of total expenses or deemed critical through expert interviews. For materials weight data, mass data were extracted from our internal ERP system.
- + Upstream transportation and distribution: As there are no accurate distance evidence in our documentation, transportation distances were estimated per country of origin to each mill, based on expert interviews with the purchasing department.
- + Processing of sold products: we make the methodological assumption, that the full quantity of each product category is used within one industry. This is due to the big variety of products and further usage possibilities (timber, boards are intermediate products) and the impossibility to trace and calculate exact emission for processing of sold products. The applied assumption is as follows:¹²⁷
 - All sold timber is used in construction industry
 - All sold blockboards are used in the furniture industry
 - All sold by-products are used in the chipboard industry¹²⁸
- + Sold Pellets: As pellets are sold as final product without any further processing, this product group is not reflected in the Scope 3 emission category of Processing of sold products but is reflected in the emission category of End-of-life treatment of sold products.

126 ESRS E1-6 §AR39b, AR46h
127 ESRS E1-6 §AR39b, AR46h
128 ESRS E1-6 §AR39b, AR46h

The following table separately shows the biogenic emissions of CO₂ assignable in Scope 1, 2 and Scope 3 Emissions of other types of greenhouse gases have been included in above table of total GHG emissions:¹²⁹

Biogenic emissions of CO ₂	2023
assignable to Scope 1 (tCO ₂)	97.044
assignable to Scope 2 (location-based) (tCO ₂)	5.359
assignable to Scope 2 (market-based) (tCO ₂)	2.946
assignable to Scope 3 (tCO ₂)	618.898

tCO₂: tons of carbon dioxide

Total GHG emissions per net revenue:¹³⁰

GHG intensity per net revenue	tCO ₂ e / tEUR
GHG emissions intensity (location-based)	1,02
GHG emissions intensity (market-based)	1,04

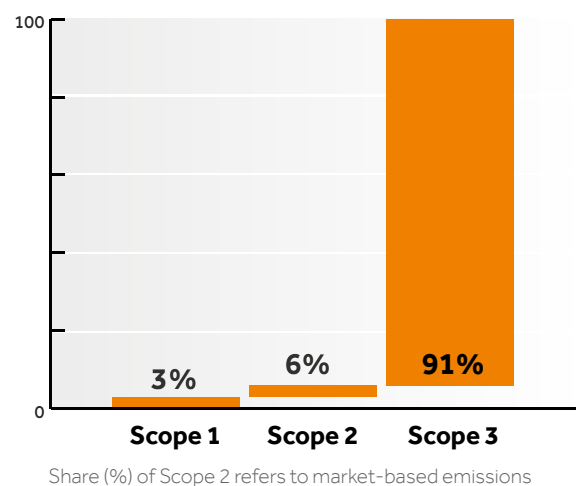
tCO₂e / tEUR: tons of carbon dioxide equivalent per thousand Euro

HS Timber Group is not part of regulated emission trading regimes and thus has no percentage of Scope 1 GHG emission from regulated emission trading schemes.¹³¹ Within our Scope 2 GHG emissions we have no share of contractual instruments used for the sale and purchase of energy bundled with attributes about the energy generation or for unbundled energy attribute claims.¹³² Furthermore HS Timber Group is not engaging in GHG removals and storage activities or uses carbon credits.¹³³ Also, no internal carbon pricing scheme is applied in HS Timber Group.¹³⁴

HS TIMBER GROUP'S GHG EMISSIONS

As already mentioned, we have calculated HS Timber Groups total GHG Emission including

all Scopes (Scope 1, 2 and Scope 3) in the year 2023 for the first time. This enables us for the first time to evaluate the percentage distribution of our scopes and it becomes evident, that our emissions in Scope 1 (accounting for 3%) and in Scope 2 (accounting for 6%) are relatively low in relation to Scope 3, which account for 91% of the Total GHG emissions. This proportion of total only 9% of Scope 1 and 2 is due to the high share of renewable energy already used in our operations. With reference to further emissions reductions, we see the reductions in Scope 2 as key action point for and our biggest reduction lever by switching to green electricity wherever possible.



With regards to our Scope 2 GHG emissions, the following particularity can be highlighted. From our location in Kodersdorf, Germany, all produced green electricity is provided to the public grid in compliance with the German EEG law (Erneuerbare-Energien-Gesetz). Thus, it is not directly available for internal consumption. Consequently, the Kodersdorf mill needs to purchase electricity from the market to cover the consumption in its own operations. This purchased electricity had a high share of fossil energy source of 82,7% in the reporting period. The Scope 2 GHG emissions in Kodersdorf are

therefore affected (increased) by the energy mix of the market-based Scope 2 GHG emissions calculation method.

The calculation of Scope 3 emissions revealed that our biggest proportion of emission are in our upstream supply chain. The emission categories Purchased Goods and services (15%) and Upstream transportation and distribution (30,8%) account for the biggest positions. The percentage share of both positions sums up to approximately 46% of our total GHG emissions and thus shows, that our big purchase volumes (logs, timber, cover material) and their transportation highly impact our emissions. For the calculation of emissions of the category of Upstream transportation and distribution the definition of the GHG protocol was applied, which includes all upstream transportation of product inflow to our production sites as well as downstream distribution of product performed on behalf of and paid by HS Timber Group. Other main positions within our Scope 3 emissions are the category Processing of sold products (14,2%) and End-of-life treatment of sold products (10,3%). We are going to have a more precise elaboration on our Scope 3 emissions within next year, including an evaluation of our potential sphere of influence and potential targets and measures.

E1-9 - ANTICIPATED FINANCIAL EFFECTS FROM MATERIAL PHYSICAL AND TRANSITION RISKS AND POTENTIAL CLIMATE-RELATED OPPORTUNITIES

HS Timber Group faces significant risks related to resource use, primarily due to the reliance on roundwood procurement. The company acknowledges the risks in roundwood supply, particularly with the potential impact of climate

change on forests and the prevalence of coniferous species, specifically spruce. The changing conditions in the roundwood markets necessitate the exploration of other geographical regions such as Finland and Argentina to secure a stable supply chain and operability in the future. This broad geographical distribution mitigates risks associated with local resource depletion or climatic events impacting specific regions.

The financial effects of these risks could be material over the short, medium, and long term. Short-term effects may include increased costs associated with sourcing roundwood from new regions, while medium and long-term effects could involve substantial investments in new supply chain infrastructure and potential disruptions during the transition period. Currently these risks have been assessed with medium financial materiality and will be continuously evaluated.¹³⁵

¹²⁹ ESRS E1-6 §AR43c, AR45e, AR 46j

¹³⁰ ESRS E1-6 §53

¹³¹ ESRS E1-6 §AR48b

¹³² ESRS E1-6 §AR45d

¹³³ ESRS E1-7 §56, 58, 59

¹³⁴ ESRS E1-8 §63

¹³⁵ ESRS E1-9 §64a, b, c



E5 RESOURCE USE AND CIRCULAR ECONOMY

- + Full utilization of processed sawlogs
- + Long-term carbon storage in products used in long-term applications
- + Our production facilities are an integral part of a circular economy system
- + Cascading use of wood ensures resource efficiency and high value added
- + Research project WoodComp3D

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The material impacts, risks and opportunities related to resource use and circular economy have been identified in our double materiality assessment. Following our methodology, to consider topics with very high materiality as material topics for HS Timber Group, we have identified the sub-topics of Resources inflows, including resource use and Resource outflows related to products and services as material for us.¹³⁶

Within our impact and financial assessment, the generation of hazardous and non-hazardous waste within our production processes was carefully evaluated. The topic of waste was classified as having a high level of materiality for HS Timber Group, however, since we defined our threshold to report on topics classified with very high materiality only, the sub-topic of waste is not included as material topic in this report. Waste-related information and figures will be displayed only when considered relevant for HSTG.

Impacts		Risks or Opportunities	
Resources inflows, including resource use			
↑	Efficient use of our primary resource wood, which is renewable and sustainably sourced, supports the circular economy by ensuring 100% utilization of input raw materials, including by-products.	↓	Increased purchase prices cannot be passed on to our customers and thereby reduce the profit margins of our products.
		↑	Better use of by-products in a circular economy concept by creating new products that have a higher life expectation rather than producing pellets for heating.
↓	The resource inflow and use of non-renewable fossil fuels, especially diesel and fossil energy used to produce electricity, has direct negative impact on climate change.	↓	<p>The need to substitute fossil fuels in our energy mix with green energy, could result in higher OpEx and/or CapEx.</p> <p>Due to high share of own produced renewable energy in the total energy consumption (86%) this risk is limited.</p>
Resource outflows related to products and services			
↑	It is the core of our business to produce products from renewable sources. Our products are made to have long durability and are generally recyclable. Used in long term applications our products store carbon.	↑	Increased demand for renewable materials and renewable energy offer business opportunities for HSTG.

↑ Positive impact (potential/actual) on people and the environment or opportunity for HSTG's business
 ↓ Negative impact (potential/actual) on people and the environment or risk for HSTG's business

136 ESRS E5.IRO-1 §11

HS Timber Group's primary product - wood - does not only play a vital role in the mitigation of climate change by the storage of carbon dioxide in the products throughout their lifespan, but also promotes circular economy principles. By utilizing renewable resources, maximizing material efficiency, and the fact that wood products can be reused, recycled, or repurposed we are reducing waste and conserving natural resources.

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

E5-1 - POLICIES RELATED TO RESOURCE USE AND CIRCULAR ECONOMY

The responsible use of resources is addressed in HS Timber Group's **Environmental Policy** and **Timber Sourcing Policy**. These policies are integral to the company's broader strategy, which focuses on promoting the efficient use of resources, operational efficiency and minimizing environmental impacts.¹³⁷

HS Timber Group's policies address the entire value chain, including its own operations as well as its upstream and downstream activities. This comprehensive approach ensures that the company's efforts to responsibly manage resources are cascaded beyond its immediate operations to its suppliers and customers. By fostering a culture of sustainability throughout its value chain, HS Timber Group aims to enhance its overall environmental performance and contribute to the global sustainability agenda.¹³⁸

With regards to the efficient use of resources our Environmental Policy addresses efficient use of wood as our main resource. We are committed to limit the use of resources as much as possible by maximizing the use of the full input raw material. This includes the utilization of all by-products either for pellets production, for selling into the paper-, pulp- and particle board industry, or for renewable energy production. Additionally, our Environmental Policy addresses the minimization of waste generated by our operations, the maximization of the recovery of waste and ensuring the most environmentally friendly treatment and disposal of each type of waste, specifically of ash. With regards to the actual negative impact of the use of non-renewable resources, our Environmental Policy addresses the reduction of CO₂ emissions.¹³⁹

The company's Timber Sourcing Policy mandates that all timber must be responsibly sourced from sustainably managed forests. This policy ensures that the timber used in production is not only legally harvested but also contributes to the conservation of biodiversity and the prevention of deforestation. This commitment is evident in HS Timber Group's stringent criteria for non-controversial sources, which exclude timber from illegal harvesting, regions with violated civil rights, conflict zones, or areas with threatened high conservation value forests. Furthermore, we are explicitly committed to excluding material sourced from virgin forests.¹⁴⁰

It is planned to review our Environmental Policy and our Timber Sourcing Policy within the year 2024, to reflect and manage even more specifically our identified impacts, risks an opportunity related to resource inflows, resource use and resource outflows and to take into

account the new requirements specifically from the EUDR (European Union Deforestation Regulation).¹⁴¹

In order to ensure sustainable supply chains also downstream we are practicing due diligence in the customer on-boarding, and we are obliging our customers with our Code of Conduct for Business Partners to adhere to our basic ethical principles. For further information see chapter G1-1 - Business conduct policies and corporate culture.

E5-2 - ACTIONS AND RESOURCES RELATED TO RESOURCE USE AND CIRCULAR ECONOMY

HS Timber Group recognizes the pivotal role of wood, our primary product, in providing a long-term carbon storage solution. The long-term carbon storage of wood-based products that are used in construction and long-term applications, plays a crucial role in achieving a low-carbon economy and combating climate change.

HS Timber Group's sold products are primarily wood-based, which are inherently durable and long-lasting. Thus, the end products by our customers, such as construction materials and furniture, can be used for extended periods and thereby contribute to environmental sustainability. Wood as a raw material can greatly contribute to the circular economy and has high potential for direct recycling as well as reuse of re-claimed wood. At the end of their lifecycle, wood products can be used for energy recovery as a renewable source of energy.¹⁴²

We are committed to the economical use of natural resources and their efficient utilization. We continuously strive to optimize our

processes to minimize material loss and maximize raw material yield.¹⁴³

Our sawmills are designed to fully utilize the potential of purchased logs, resulting in minimal waste. Using state-of-the-art technology, we constantly refine our cutting patterns to enhance efficiency. Currently, the yield of our production process, measured as the ratio of lumber produced to total input materials, is approximately 56%.

By-products, such as sawdust, wood chips and wood shavings, and bark are efficiently used in one of the following ways:

- + Use of all our bark by our combined heat and power plants located at our sawmills to generate green energy from renewable sources. For that, we use all bark from the sawlogs delivered to us, along with externally purchased biomass, predominantly wooden waste from other wood processors.
- + Sale to our customers for further processing these by-products (sawdust, chips, shavings) into pulp, paper, or particle boards.
- + Production and sale of pellets, supporting green energy systems in households throughout Europe.

When looking at the sequential and consecutive use of resources, HS Timber Groups always prioritizes product utilization that creates the highest value added in circular economy practices. Thus, firstly we optimize our cutting patterns to increase the yield of sawn timber. Secondly our by-products are used for pellets production and for further processing in the paper, pulp, and particle board industry. Thirdly, waste that is not suitable for further processing, such as bark, is used for energy generation in our combined heat and power plants.

137 ESRS E5-1 §12
 138 ESRS E5-1 §16

139 ESRS E5-1 §14
 140 ESRS E5-1 §15a, b

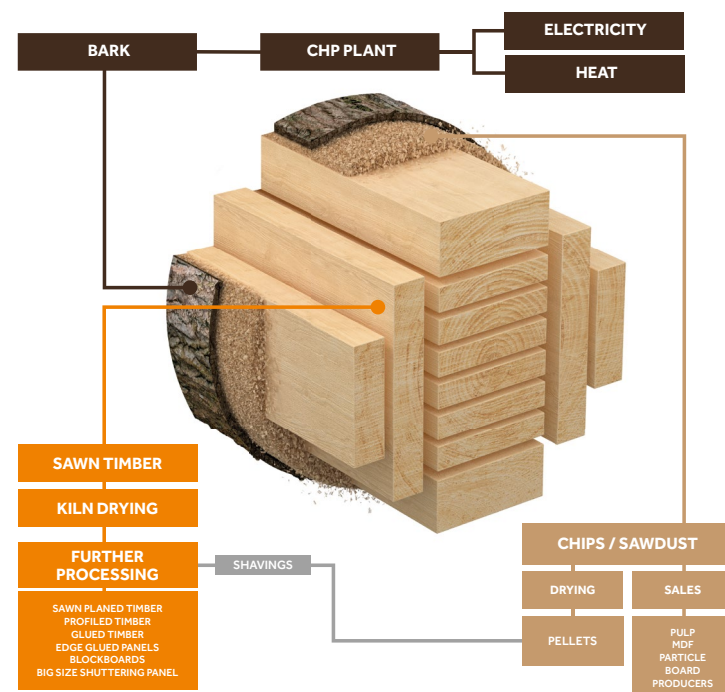
141 ESRS E5-1 §14
 142 ESRS E5-2 §20c, d

143 ESRS E5-2 §17, 20a

It is crucial to note, that for the purpose of energy generation, HS Timber Group exclusively uses materials that cannot be utilized for higher-value applications within the principles of the circular economy. Only materials that cannot be used for applications and products with long durability are used for energy generation.

The above-described practice applied by HS Timber Group supports the circular economy by ensuring that wood resources are fully utilized, and waste is minimized.¹⁴⁴

The following illustration shows a typical cutting pattern with products and by-products produced from a freshly harvested sawlog with bark:



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

With regards to our product outflow, we have a re-use program for the packaging material type of big bags and pallets and thus contribute to the re-use of circulated packaging material. Returned big bags and pallets are used as

much as possible. When pallets are no longer useful, they are chipped and used to produce green energy in our own CHPs and boilers. In our Romanian production sites, we actively encourage our customers to return the empty big bags by guaranteeing the return of the monetary deposit for the big bags.¹⁴⁵

WOODCOMP3D RESEARCH PROJECT

One key-project to strengthen circular economy principles is the research project 'WoodComp3D' at Technical University Vienna. WoodComp3D focuses on solving a key challenge of wood in the context of circularity: a better and more value-added use for chips, sawdust and shavings, the so-called by-products.

WoodComp3D focuses on basic research that aims at a structural utilization of the by-products. The main components of wood (cellulose, hemicellulose, lignin) are also in the tiniest sawdust particles fully intact. The research

team at the Technical University Vienna is looking for chemical-mechanical methods to separate those components, in such a way that the components can be reassembled without any artificial binder. The long-term vision is to even produce large components from sawdust perhaps by means of 3D printing or other additive processing technologies (compression molding, extrusion).

WoodComp3D is a seven-year basic research project under the Austrian "Christian Doppler Laboratory" grant structure. It is financed jointly (50% each), by public funds and HS Timber Group. Visit [woodcomp3d.at](https://www.woodcomp3d.at) to learn more.

METRICS AND TARGETS

E5-3 - TARGETS RELATED TO RESOURCE USE AND CIRCULAR ECONOMY

HS Timber Group's targets are closely related to several key aspects of resource inflows and outflows, specifically focusing on the efficient use and sustainable sourcing of raw materials.

We have the following targets to ensure the sustainable use of renewable resources and support the long-term sustainability of forest ecosystems:¹⁴⁶

- + Source 100% of our timber from forests certified to PEFC and/or FSC® forest certification schemes by 2030
- + Certification according to SURE - SUSTAINABLE RESOURCES Verification Scheme of further mills to ensure sustainable sourcing of biomass

The following target aims to maximize resource use and thus increase the circulation of products with long durability:¹⁴⁷

- + Increase of yield (lumber produced (output) relative to the total input materials) by 2% until 2025

Furthermore, as part of the company strategy, HS Timber Group is committed to:¹⁴⁸

- + Reduction of waste from packaging material: to measure the progress, we have started to collect data on plastic packaging material in the year 2023
- + Analysis of the use of packaging material and packaging waste streams, including the review and optimization of use and identification of alternatives
- + Increase of recycled content within purchased packaging material
- + Increase recovery rate of ash out of total ash generated

Specific targets and performance indicators to measure our progress for these commitments are to be developed.

The specific targets set by HS Timber Group are voluntary and reflect the company's commitment to continuous improvement and environmental stewardship.¹⁴⁹

E5-4 - RESOURCE INFLOWS

For the calculation of HS Timber Group's resource inflow, we have used direct data from our Enterprise Resource Planning systems (ERP). Starting from all resource inflows captured by our ERP, an internal evaluation was conducted to identify the relevant resource inflows. Where applicable and needed, we have used industry-specific conversion factors. Our

144 ESRS E5-2 §19

145 ESRS E5-2 §20c, d

146 ESRS E5-3 §24d

147 ESRS E5-3 §24a

148 ESRS E5-3 §24e

149 ESRS E5-3 §27

resource inflows include all raw materials, all auxiliary materials, and all packaging material, which is considered relevant for production.¹⁵⁰

The following table displays HS Timber Group’s resource inflows for our operations, grouped by production materials, including raw and auxiliary production material, energy generation and mobility.¹⁵¹

INFLOWS	UNIT	2022	2023	% Change 2023 vs 2022
MATERIALS				
Purchased logs with bark	m³	3.966.356	2.930.110	-26%
Processed logs without bark	m³	3.541.102	2.427.595	-31%
Purchased sawn timber	m³	132.752	241.101	82%
Received intra-group sawn timber	m³	230.800	143.909	-38%
Purchased cover and core material	m³	37.370	15.508	-59%
Burned biomass (infeed)	BDMT	291.552	190.753	-35%
Biomass from external sources	BDMT	142.914	97.846	-32%
Biomass from intra-group sources	BDMT	786	465	-41%
Purchased starch	t	3.729	2.342	-37%
Purchased flour	t	2.677	1.291	-52%
Purchased lubricating oil	t	778	402	-48%
Purchased hydraulic oil	t	114	110	-4%
Purchased glue (free of formaldehyde)	t	1.201	862	-28%
Purchased glue (with formaldehyde)	t	2.478	1.898	-23%
Purchase of AdBlue	m³	-	112	-
Purchased urea	t	-	123	-
Purchased packaging material	t	-	6.840	-
ENERGY				
Consumed electricity from own CHP	MWh	123.366	57.434	-53%
Consumed electricity from own PV	MWh	-	53	-
Purchased electricity	MWh	96.935	98.305	1%
Thermal energy consumed from biomass	MWh	823.454	573.276	-30%
Thermal energy produced from biomass	MWh	878.315	597.453	-32%
Thermal energy produced from natural gas	MWh	2.343	2.302	-2%
Purchased natural gas	m³	218.120	211.660	-3%
MOBILITY				
Petrol purchased for internal use	l	481	565	18%
Diesel purchased for internal use	l	4.563.024	3.318.171	-27%
Petrol purchased for vehicles outside the mill	l	15.171	58.654	287%
Diesel purchased for vehicles outside the mill	l	212.483	199.597	-6%

Volumes of purchased logs with bark and processed logs without bark presented in this report are based on ÖNORM L 1021:2015 ("Huber" measurement).
 BDMT Bone Dry Metric Ton: the unit of measurement for the weight of one ton of absolutely dry wood mass.
 Inflows of AdBlue, urea and packaging material has been counted for the first time in 2023.

RESOURCE MATERIAL INFLOW

The material input of purchased logs with bark is clearly the most significant resource for our operations, both in terms of quantity and its importance to our processes.

When comparing the material inflow of 2023 with the previous year 2022, all positions (except purchased sawn timber) show a decrease in material input. This is mainly due to the following two reasons: Firstly, the Romanian mill in Sebeş was sold within 2023 and figures therefore account for six months only. Secondly, HS Timber Group faced – as the global woodworking industry did – an overall challenging market situation, resulting in a decrease of customer requests and thus decrease of resources needed. The amount of purchased sawn timber shows a significant increase of 82% in the year 2023 compared to the previous year. This is due to the fact that purchased volumes of our trading company DABG were not included in total materials inflow in the previous year.¹⁵²

With regards to resource inflow in the mobility category, we have a significant increase of petrol purchased for vehicles outside the mill, which is due to the inclusion of two new sites in Virasoro and Svisloch.

Further information on our wood sourcing can be found in the chapter [Sustainable Sourcing Practices and Traceability](#), where our general wood sourcing principles and sourcing facts of the year 2023 are described.

Additionally, the [Material Flow Diagram](#) illustrates the most important material and energy flows of the production facilities of the company.

BIOLOGICAL AND RECYCLED MATERIALS

Within the material resource inflows HS Timber Group has the following shares of biological and sustainably sourced materials used to manufacture our products:¹⁵³

Share of biological and sustainably sourced material	2023
Biological material	46%
Sustainably sourced material	39%

Figures calculated on total material resource inflow (materials, mobility).
 Industry conversion factors were applied to convert unit measures (m³, BDMT, liter) into tons (t)
 Biological material: proportion of biodiesel is not included in the share of biological material.

For our sustainably sourced material we consider the following certification schemes and cascading principles:¹⁵⁴

- + Purchased logs with bark (roundwood input) sustainably sourced from forests certified by PEFC and/or FSC® forest certification schemes. As not all the wood is coming with a closed Chain of Custody, our data is based on grounded estimation as we have data on the origin of material. For more information see Certification in chapter [Sustainable Sourcing Practices and Traceability](#).¹⁵⁵
- + Purchased sawn timber sustainably sourced with direct certification claim by PEFC and/or FSC®.
- + Biomass from external sources: Our biomass purchased from external sources is originating exclusively from by-products and thus is considered as sustainably sourced in alignment with RED II (Renewable Energies Directive (EU) 2018/2001).

In order to trace the share of recycled content in our packaging material, we have started to collect data on the share of recycled material in our packaging material purchases. In the year 2023 the recycled content of packaging material was 430 tons, accounting for 6% of the total packaging material purchased.¹⁵⁶ For the following reporting periods we seek not

150 ESR5 E5-4 §32
 151 ESR5 E5-4 §31a

152 ESR5 E5-4 §30
 153 ESR5 E5-4 §31b

154 ESR5 E5-4 §31b
 155 ESR5 E5-4 §32
 156 ESR5 E5-4 §31c

only to increase the share of recycled content, but also the availability of data for recycled content.

E5-5 - RESOURCE OUTFLOWS

The following table displays HS Timber Group's resource outflows for our operations, grouped by our products and electricity sold as well as waste.¹⁵⁷

OUTFLOW	UNIT	2022	2023	% Change 2023 vs 2022
PRODUCTS				
Solid wood products sold	m ³	1.908.845	1.640.891	-14%
Panels sold	m ³	14.483	3.408	-76%
Block boards sold	m ³	95.475	77.154	-19%
Core sold	m ³	1.483	210	-86%
Sawdust and wood chips sold	BDMT	262.618	182.396	-31%
Pellets sold	t	556.260	405.063	-27%
Logs sold	m ³	216.015	208.433	-4%
Electricity sold	MWh	82.979	59.172	-29%
WASTE				
Total non-hazardous waste generated on site without bark, sawdust chips and shavings from own production	t	25.385	19.355	-13%
Total Hazardous waste generated on site	t	399	342	-14%

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

Raw materials are used efficiently to maximize output of product with long durability. Our main products include solid lumber for various applications, while all by-products (sawdust, wood chips and shavings) are further processed into pellets or sold to customers in the paper, pulp and particle boards industry. HS Timber Group's undertakings that contribute to circular economy practices by designing our production processes in line with circular economy principles are described earlier in this chapter in [E5-2 - Actions and resources related to resource use and circular economy](#).¹⁵⁸

HS Timber Group's solid wood-products placed on the market are naturally durable, long-lasting and repairable. The precise expected durability of our products used in long-term applications, may vary depending on the type of industry in which our products are used, such as construction industry, furniture industry and chipboard industry.¹⁵⁹

When determining the share of recyclable content in our products and packaging, we consider all our sold products to be recyclable, except for our pellets sold. Additionally, major parts of packaging material are recyclable. The total rate of recyclable content in our products and their packaging is as follows:¹⁶⁰

Share of recyclable material		2023
Recyclable material		76%

Furthermore, within our commitment to value creation, we are aiming for minimizing waste generation. At the operational level, we have

implemented an environmental management system that focuses on waste reduction, re-use, and recycling.¹⁶¹

In 2023, we generated 19.355 tons of non-hazardous waste (excluding bark, sawdust, and chips from our own production) and 342 tons of hazardous waste, such as waste oils, which constitutes a reduction of 14% compared to 2022. We ensure the safe disposal of hazardous waste in accordance with laws and contractual obligations at suitable facilities. Wood ash, which is generated by our biomass power plants as a result of the combustion process, constitutes the largest portion of the total non-hazardous waste (81%). In the light of limiting the disposal of ash to a minimum, we are measuring the recovery rate of ash. On a groupwide level, 88% of the generated ash has been successfully recovered in 2023, which constitutes an increase of approximately 4% compared to 2022.

We continuously explore additional applications for re-using this ash, such as in the cement industry (as an auxiliary material in cement production), the fertilizer industry, or the metal industry.

For our Romanian sites it is required by national legislation to declare the wood by-products (chips, sawdust, shavings) in part (Sebeș, Reci) or in full (Rădăuți) as waste. However, although parts or all wood by-products are technically classified as waste, we ensure their internal recovery as previously described in this chapter.¹⁶²

Within our waste reduction and waste management strategy we have performed the following activities in the year 2023:¹⁶³

- + Continuous evaluation of the optimization of ash recovery solutions to avoid landfill disposal.
- + Internal information campaign to raise awareness of waste separation.
- + Internal audit of the waste collectors and review of the allocation of waste codes to ensure proper treatment of waste materials.

E5-6 - ANTICIPATED FINANCIAL EFFECTS FROM MATERIAL RESOURCE USE AND CIRCULAR ECONOMY-RELATED RISKS AND OPPORTUNITIES

HS Timber Group also identifies significant opportunities related to resource use and the circular economy. Wood is a sustainable raw material, and the company's business model revolves around the efficient utilization of this resource. By improving the valorization of our products, by diversifying markets and product ranges, the company is able to adapt to market volatilities and simultaneously optimizes resource utilization. This flexibility ensures that all parts of the raw material are used effectively, aligning with circular economy principles, and enhancing profitability. These opportunities can positively impact the company's financial performance. Over the short term, financial benefits include immediate revenue from by-products sold to other industries. In the medium to long term, continued improvement in resource utilization and market adaptation strategies can lead to sustained profitability and resilience against market fluctuations. In order to extend the future product portfolio HS Timber Group is investing into research and development.¹⁶⁴

157 ESRS E5-5 §30
 158 ESRS E5-5 §34a

159 ESRS E5-5 §36a, b
 160 ESRS E5-5 §36c

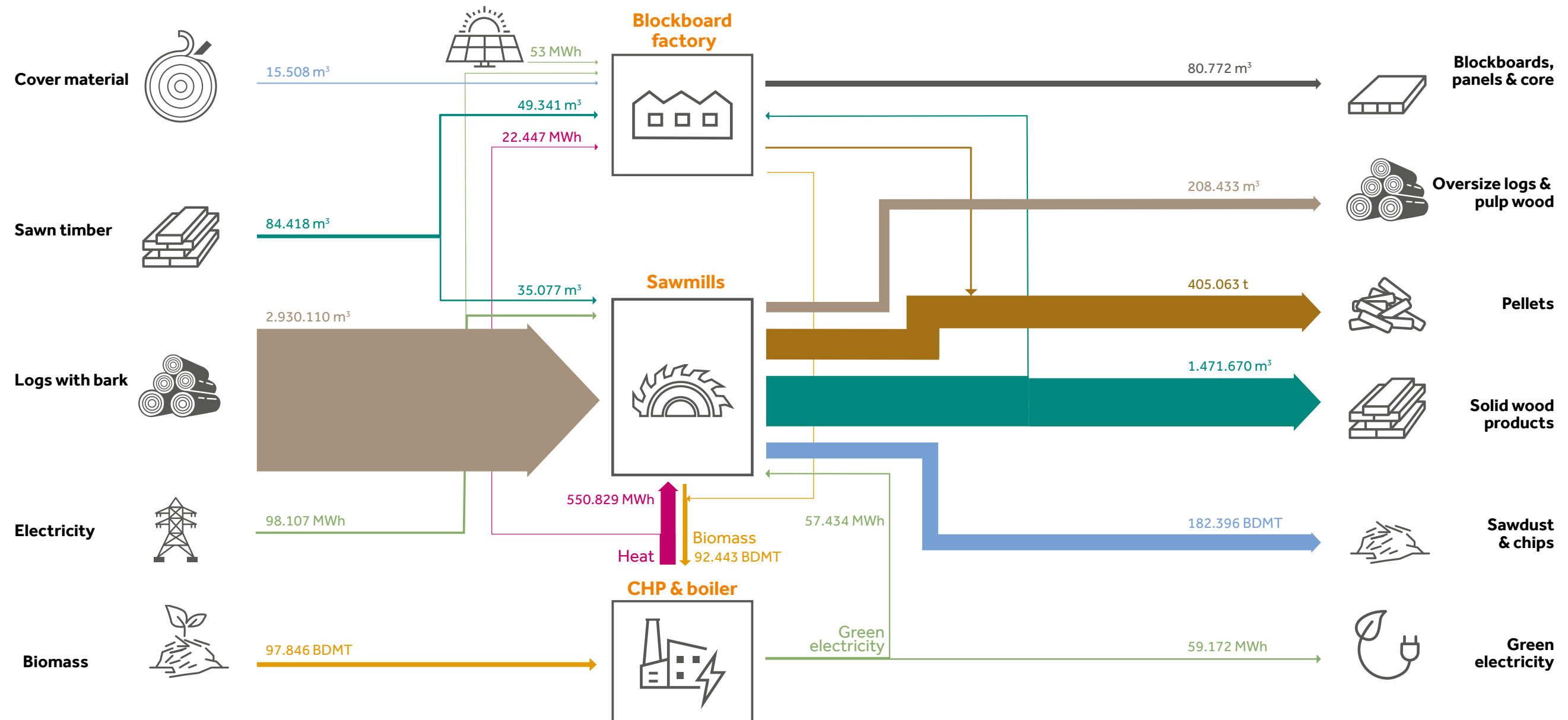
161 ESRS E5-4 §31b
 162 ESRS E5-5 §34b
 163 ESRS E5-5 §34a, b


164 ESRS E5-6 §42b

The Material Flow Diagram illustrates the most important material and energy flows of the production facilities of the company.

INFLOW

OUTFLOW





S1 OWN

WORKFORCE

+

No work-related fatalities in 2023

+

Zero Accidents Policy

+

100% of our workforce covered by our health and safety management

The material impacts, risks and opportunities related to the company's own workforce have been identified in our double materiality assessment as described in the General Disclosures of this report.

As a result of our double materiality assessment, out of all topical matter of ESRS S1 Own Workforce we have identified the sub-sub-topic of Health and safety as a matter with very high impact materiality for HS Timber Group. We are structure our disclosures around this sub-topic.

STRATEGY

S1.SBM-2 - INTEREST AND VIEWS OF STAKEHOLDERS

Acknowledging and understanding the needs and expectations of our stakeholders through ongoing and meaningful interaction is of utmost importance to us. The interest, views and rights of our own workforce are incorporated in our general stakeholder dialogue, where our employees represent one of the key stakeholder groups.¹⁶⁵ For detailed information about our stakeholder engagement see our dedicated chapter on [Stakeholder-Engagement and Communications](#) and [SBM-2 - Interests and views of stakeholders](#).

Impacts		Risks or Opportunities	
Health and safety			
↓	Minor and/or major work-related injuries and accidents in the mills have a significant negative impact on our employees' health and well-being.	↓	The risk of inconsistent implementation of group health and safety standards could lead to accidents and result in liabilities for the company and its managers.
↓	Work-related fatalities involving our employees or external workforce are irremediable and a strong negative impact on their families, and the wider community.		
↓	Inhalable wood dust emissions within the plant, particularly in the cutting and sorting lines and the CHP area, pose potential health risks to exposed employees.	↑	Prioritizing health and safety at the top of the agenda demonstrates a genuine commitment to addressing employee concerns and is likely to foster increased employee loyalty.
↓	Noise emissions in the mills can negatively affect the health of exposed employees.		

↑ Positive impact (potential/actual) on people and the environment or opportunity for HSTG's business
 ↓ Negative impact (potential/actual) on people and the environment or risk for HSTG's business

165 ESRS S1.SBM-3 §12

S1.SBM-3 - MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

In total HS Timber Group employed a total of 2.523 employees at the end of 2023, distributed over six countries: Argentina, Austria, Belarus, Finland, Germany and Romania. The majority of employees is located in one of our production sites (95%), whereas a small proportion of 5% is located in offices (in Austria and Bucharest, Romania).¹⁶⁶

With regards to the actual and potential negative impacts identified as material for HS Timber Group, especially our employees in the production sites are concerned. Our workers in the mills exposed to the identified potential impacts such as inhalable wood dust, noise emissions or work-related injuries. Additionally, individuals working on behalf of third parties, such as logistics partners, drivers, and maintenance staff, who operate within HS Timber Group's production sites, are also potentially affected by identified health and safety risks.¹⁶⁷ Our identified material negative impacts are related to individual incidents.¹⁶⁸

Our health and safety management system is designed to cover all our workforce equally, not differentiating between employees, non-employees or other third-party personnel. In order to identify particular needs of specific working groups, we have conducted workplace risk assessment, fully in line with legal requirements.

Following the workplace risk assessment, we are ensuring that measures and instructions are tailored to the specific work environment and activities being performed.¹⁶⁹

In our ongoing commitment to the well-being of our workforce, we are dedicated to improving health and safety conditions. By reducing work-related illnesses, providing safe work equipment, and offering comprehensive training programs, we aim to foster a workplace environment that prioritizes the health, safety, and overall well-being of our employees. We are aware that genuine commitment to the health and safety of our employees constitutes an opportunity to increase employee loyalty resulting in noticeable financial success in the middle- and long-term.¹⁷⁰

IMPACT, RISK AND OPPORTUNITIES MANAGEMENT

S1-1 - POLICIES RELATED TO OWN WORKFORCE

In our **Health and Safety Policy** HS Timber Group is deeply committed to ensuring the health and safety of its workforce. The company's Health and Safety Policy, which emphasizes "better safe than sorry," outlines the goal of zero grave accidents and highlights the importance of safe working conditions. This policy is grounded in legal requirements for occupational health and safety and is supported by clear internal rules and procedures designed to prevent accidents and illnesses in the workplace.¹⁷¹ The commitment to healthy and safe working conditions for our employees is integrated into HS Timber Group's **Mission Statement**.¹⁷²

Furthermore, our **Compliance Statement adhering to the International Labour Organization (ILO) Core Conventions** encompass fundamental principles and rights at work and

¹⁶⁶ ESRS S1.SBM-3 §14a
¹⁶⁷ ESRS S1.SBM-3 §14a
¹⁶⁸ ESRS S1.SBM-3 §14b
¹⁶⁹ ESRS S1.SBM-3 §15, S1-4 §41

¹⁷⁰ ESRS S1.SBM-3 §14 d, §16
¹⁷¹ ESRS S1-1 §19, §23
¹⁷² ESRS S1-1 §19

HS Timber Group is fully committed to upholding the ILO Core Conventions. While not specifically focused on occupational health and safety, the principles relate to it indirectly by promoting basic labour rights that influence the working conditions and overall safety of workers. The ILO core conventions cover fundamental principles of workers' rights that are integral to creating safe and healthy work environments.¹⁷³

S1-2 - PROCESSES FOR ENGAGING WITH OWN WORKFORCE

As HS Timber Group we strive for a corporate culture that underlines the importance of safety in the workplace. It is expressly desired, that our employees point out the problems, risks and measures that must be taken to ensure health and safety standards at the workplace.¹⁷⁴

Engagement about health and safety measures and targets is primarily done directly with our workforce.¹⁷⁵ Everyone who has access to the plant receives a safety instruction, regardless of whether this person is an employee of HS Timber Group or not.

Engagement with employees may also happen via external experts, for example community fire departments for trainings on fire prevention, or nursing service at the plant in Virasoro, Argentina.

Trained health and safety professionals are present in all plants, ensuring legal compliance with occupational safety regulations. These professionals are responsible for implementing the Health and Safety Policy and for continuous monitoring and improvement of safety standards as well as performing the required

regular trainings to our own workforce. All our mills have dedicated and trained health and safety experts.¹⁷⁶

Our companies' principles on health and safety are reinforced through regular training and clear communication of safety procedures and expectations. We use various types of engagement with our workforce, such as regular trainings, information campaigns, large-size posters, info-monitors and our internal communication mobile application to effectively disseminate information among employees.¹⁷⁷

In the first half of 2023 our production site in Comănești, Romania, ran a dedicated health and safety quiz contest on the internal app, which was open to all workers and the opportunity to win cash prizes.

In our site in Luvia, Finland, workplace surveys are conducted annually, to explore on the exposures at the workplace such as noise, dust, vibration or working positions. In 2023 a workplace survey was conducted in the sticking and stacking department, particularly focusing on the conditions after changed conditions and notable improvements were implemented.¹⁷⁸

Additionally, in Luvia monthly newsletters for employees on occupational health and safety issues with changing focus themes are sent out.

To keep engagement in health and safety topics among workers high, daily 5-minute safety talks before starting activities were implemented in our site in Virasoro.

¹⁷³ ESRS S1-1 §19
¹⁷⁴ ESRS S1-2 §25
¹⁷⁵ ESRS S1-2 §27a

¹⁷⁶ ESRS S1-2 §27a, S1-4 §39, §43
¹⁷⁷ ESRS S1-2 §27b
¹⁷⁸ ESRS S1-2 §28

The responsibility for the implementation of our Health and Safety Guideline lies with the management of the HS Timber Group's production companies.¹⁷⁹

S1-3 - PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR OWN WORKFORCE TO RAISE CONCERNS

All our employees are covered by national mandatory state insurance to cover work-related incidence, furthermore our employees in Romania are additionally covered by a supplementary insurance.¹⁸⁰

Within our health and safety management system we have an established procedure for root causa analysis and ensure that each incident is effectively investigated, and improvements are implemented. We are leveraging on the exchange of experiences within the group to enhance improvements and the learning process.¹⁸¹

Concerns about health and safety topics can be directly raised with the local management and with the dedicated experts for health and safety in the production sites. Additionally, any question of concern may be raised or reported to the Group Compliance Office. All employees are explicitly encouraged to raise any concern and to report any risks and measures needed to maintain a safe workplace.¹⁸²

More information on the assessment on our channel available to all workforce to raise concerns can be found in chapter [G1 Business Conduct](#).¹⁸³

S1-4 - TAKING ACTION ON MATERIAL IMPACTS

HS Timber Group's health and safety management system is designed to ensure compliance with legal requirements. We have implemented a comprehensive health and safety strategy in 2021, which we continue to pursue and optimize.¹⁸⁴ In our production plant in Comănești the system is certified according to occupational health and safety management standard ISO 45001.

In Romania, all plants operate under a unified management system to ensure consistent health and safety standards across the board. Trained health and safety professionals are present in all plants, ensuring compliance with occupational safety regulations. Adhering to our Health and Safety Policy is primarily the responsibility of local management, but it is also a fundamental duty shared by all employees and workers. Health and safety professionals are tasked with supporting the implementation of this policy, as well as continuously monitoring and enhancing our safety standards.¹⁸⁵

All other production plants have dedicated experts on health and safety and are running their health and safety management systems directly.

While our health and safety management system is currently preparing for internal and external auditing, we have proactively implemented factory inspections using the iAuditor application for the local health and safety experts, a state-of-the-art digital audit tool, to ensure ongoing compliance and safety in our operations.¹⁸⁶

To promote a health and safety culture locally, the Compliance and Internal Audit department regularly conducts informal visits. These visits concentrate on assessing health and safety risks and the effectiveness of implemented measures. Opportunities for corrective action and improvement are identified and collaboratively discussed with mill managers and responsible staff.¹⁸⁷

We continuously implement measures to reduce the number of accidents and increase our health and safety standards at the workplace.

Actions taken in 2023 in our production sites include:¹⁸⁸

- + periodic trainings on health & safety rules, emergency situations and fire prevention
- + trainings for shift and department leaders on how to conduct periodic health and safety trainings for their own workers
- + first aid trainings for employees
- + revision of Occupational Health and Safety instructions
- + renewal and adaptation of safety signs on the equipment and machinery
- + measurements of noxious substances, air emissions, noise level, lighting, industrial microclimate
- + dedicated trainings for forklift operators and crane operators
- + implementation and revision of the marking of pedestrian routes and machinery traffic lanes
- + engagement campaigns such as monthly newsletters, workplace survey or health and safety quiz contest

In 2023, a comprehensive health and safety concept was created in our new mill in Virasoro, Argentina, establishing the basic standards for the health and safety management system. This included numerous health and safety programs during the construction phase of the Virasoro mill to ensure a safe working environment for all own and third-party construction personnel. Key actions to enhance safety included establishing procedures, providing general and risk-specific training, and holding daily safety talks. The company formed a health and safety committee, developed work procedures for critical tasks, and introduced a work permit system. Additionally, management created an operational health and safety committee with personnel from both, the own staff and contractor's managers, and developed a comprehensive site safety program for all personnel, including in-house employees and contractors.

METRICS AND TARGETS

S1-5 - TARGETS RELATED TO MANAGING IMPACTS, RISKS AND OPPORTUNITIES

The company is committed to preventing workplace accidents and illnesses, striving for zero fatalities and reducing incidents of work-related injuries and ill health. HS Timber Group's vision is not to even have a single occupational accident at the workplace.¹⁸⁹

179 ESRS S1-2 §27c

180 ESRS S1-2 §32a

181 ESRS S1-2 §32a, §33

182 ESRS S1-3 §32b, c

183 ESRS S1-3 §33

184 ESRS S1-3 §40a, b

185 ESRS S1-4 §36a

186 ESRS S1-2 §27e, §38d, §41

187 ESRS S1-4 §38d

188 ESRS S1-4 §40a

189 ESRS S1-5 §44a

In all our locations the mill managers are strongly encouraged to interact with their workforce and specifically engage with the health and safety responsables. Within these interactions checks on site shall be performed as well as advice and feedback for improvements.¹⁹⁰

Additionally, it is planned to perform an assessment of the training materials on health and safety topics by external experts within 2024.¹⁹¹

S1-6 - CHARACTERISTICS OF THE UNDERTAKING’S EMPLOYEES

The following tables show the compositions of HS Timber Group’s total number of employees and their breakdown by gender, by country and by contract type.¹⁹² The number of employees is reported in headcount at the end of the reporting year 2023.¹⁹³

Gender	Number of employees (head count)
Male	1.906
Female	617
Total Employees	2.523

Head Count	Female	Male	Total
Total Number of employees	617	1.906	2.523
Number of permanent employees	575	1.758	2.333
Number of temporary employees	42	145	187
Number of non-guaranteed hours employees	-	3	3

Head Count	Argentina	Austria	Belarus	Finland	Germany	Romania	Total
Total Number of employees	240	79	107	134	465	1.498	2.523
Number of permanent employees	238	79	-	131	392	1.493	2.333
Number of temporary employees	2	-	107	-	73	5	187
Number of non-guaranteed hours employees	-	-	-	3	-	-	3

190 ESRS S1-5 §47
 191 ESRS S1-5 §44
 192 ESRS S1-6 §50a, b
 193 ESRS S1-6 §50d

In the reporting year 2023 a total number of 592 employees have left the company. This number includes voluntary leaves, dismissals, and retirements. The rate of employee’s turnover in the reporting period is 23,5%, calculated on the total head count at the end of 2023. Our global turnover rate in 2023 was mainly influenced by three events in Romania: a take-back of the production of the glulam plant in Rădăuți, the restructuring of the office in Bucharest, and a structural termination by employees for seasonal work abroad.¹⁹⁴

Country	Number of employees (head count)
Argentina	240
Austria	79
Belarus	107
Finland	134
Germany	465
Romania	1.498
Total Employees	2.523

194 ESRS S1-6 §50c

S1-7 - CHARACTERISTICS OF NON-EMPLOYEES IN THE UNDERTAKING’S OWN WORKFORCE

In addition to the number of employees HS Timber Group had a total number of 116 non-employees (headcount) in the workforce at the end of the reporting year 2023.¹⁹⁵ This number of non-employees accounts for less than 4,4% of our workforce, of which the majority were subcontracted blue-collar workers (98,3%).¹⁹⁶

In the application of our health and safety management system we do not differentiate between employees and non-employees in our workforce.

S1-14 - HEALTH AND SAFETY METRICS

HS Timber Group’s health and safety management system is designed to cover the entire workforce of our company, thus, the percentage of people in HS Timber Group’s workforce covered by out health and safety management system is 100%.¹⁹⁷

The specific numbers of work-related injuries, ill health, and fatalities, both for the company’s own workforce and other workers on its sites, are documented and monitored. In 2023 there have been no work-related fa talities, neither within other workers working in our operating sites.¹⁹⁸

The following table displays HS Timber Groups metrics on health and safety, broken down between employees and non-employees:¹⁹⁹

Health and Safety Metrics	Employees	Non-employees
Number of fatalities as result of work-related injuries and work-related ill health	0	0
Number of recordable work-related accidents*	54	12
Rate of recordable work-related accidents**	14	86
Number of recordable work-related ill health (cases)	0	n/a
Number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health	1.232	n/a

* In case of insufficient data to clearly determine the nature of an accident involving non-employees, it is classified as a recordable work-related accident by default.
 ** Rate of recordable work-related accidents represents the number of cases per 1 million hours worked.²⁰⁰

195 ESRS S1-7 §55a
 196 ESRS S1-7 §55c
 197 ESRS S1-14 §88a
 198 ESRS S1-14 §88b
 199 ESRS S1-14 §88a, b, c, d, e
 200 ESRS S1-14 §AR89



- + Readiness check for compliance management system for certification
- + Code of Conduct accepted by all employees
- + Code of Conduct for all Business Partners
- + Short payment terms for roundwood purchases

Our governance approach to ensure a fair and ethical business conduct encompasses several key elements, including 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 both employees and all business partners. All of these elements are crucial in the identification, analysis and management of impacts, risks and opportunities related to governance and corporate culture.

Within the topic of business conduct, we have identified the following sub-topics as material for HS Timber Group in our double materiality assessment: Corporate culture, Corruption and bribery, Management of relationships with suppliers and Protection of whistle-blowers. Our process to identify and assess material impacts, risks and opportunities is described in the General Disclosures of this report.

Impacts		Risks or Opportunities	
Corporate culture			
↑	Ensuring ethical business practices through company policies and values, such as the Mission Statement, guaranteeing trustworthy activities both upstream and downstream. The Code of Conduct for Business Partners reinforces these standards, with business relationships being terminated if they fail to align with these principles.	↓	The risk of reputational damage and substantial fines arises from unethical business practices.
Corruption and bribery			
↑	Annual training on anti-corruption and anti-bribery is conducted to ensure fair and ethical business practices, supported by a compliance management system designed to prevent corruption and bribery throughout the entire value chain.	↓	The risk of reputational damage and substantial fines arises from unethical business practices.
↓	A single case of corruption can significantly undermine fair business practices and customer trust. Early identification of process steps prone to corruption and taking preventive action can reduce the negative impact for business activities.		
Management of relationships with suppliers			
↑	Through HSTG's procurement processes in place we ensure a well-managed and reliable supply chain.	↑	Strengthening supplier relationships and securing long-term partnerships by serving as a reliable business partner with prompt payment terms increases our business opportunities.
↑	Fast and reliable payment of suppliers is a core principle in our collaboration with business partners.		
↑	By our support of long-term partnerships, we seek to have positive impact on our suppliers.		
Protection of whistle-blowers			
↑	Our whistleblower channel and the guideline in force positively contributes to fostering ethical business conduct.	↓	The risk of taking inappropriate measures in cases of non-compliance is mitigated by a robust compliance management system.

↑ Positive impact (potential/actual) on people and the environment or opportunity for HSTG's business
 ↓ Negative impact (potential/actual) on people and the environment or risk for HSTG's business

GOVERNANCE

G1.GOV-1 - THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES RELATED TO BUSINESS CONDUCT

HS Timber Group places a high priority on business conduct, with a clear emphasis on compliance and integrity, which are key factors for its successful operations. This commitment is incorporated in the company's Mission Statement, which highlights respect, integrity, and teamwork as core values. The Mission Statement articulates the company's dedication to honesty and adherence to laws as well as expectations to both employees and partners.²⁰¹ All governance documents relevant to the company, including the Code of Conduct, are approved by the Management Board. The Management Board is responsible for setting the strategic direction and ensuring the operational effectiveness of the company. HS Timber Group has implemented an internal control system and an internal audit structure to create a standard environment that supports regulatory compliance and risk management. Additionally, organizational measures have been put in place for supply chain control. The supply chain control has been organized in an own department separated from operational procurement, to guarantee independency and enhance oversight and accountability.²⁰²

As part of the company's five-year strategy, integrity and compliance have been established as core values, with a strategic goal to further embed these principles within the organizational structure by 2030. This strategic objective underscores the importance of integrating integrity as a key metric in the company's operations and decision-making processes.²⁰³

HS Timber Group's commitment into integrity is reinforced by the role of the Chief Sustainability and Compliance Officer, who is an associated member (advising member) of the Management Board and a certified compliance officer. He oversees the compliance activities across the organization and leverages the resources of subsidiary companies to maintain a cohesive and effective compliance management system.²⁰⁴

Within the organization, compliance responsibilities are distributed to ensure that each entity adheres to the same high standards. Where legal departments exist, compliance officers are part of these departments. In locations without dedicated legal departments, the responsibility for legal compliance lies with the mill managers. This decentralized approach ensures that compliance is taken seriously among all operational units, while maintaining a unified standard of integrity and legal adherence throughout the company.²⁰⁵

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

G1-1 - BUSINESS CONDUCT POLICIES AND CORPORATE CULTURE

The HS Timber Group's **Code of Conduct** for employees is one of the cornerstones of the company, which lays the baseline of how we do business. It is a concise and accessible document designed to be easily understood. It is mandatory for all employees and serves as a foundational guide for ethical behavior and decision-making within the company. This Code of Conduct applies to all employees of HS Timber Group, including all subsidiary companies of HS Timber Group GmbH.²⁰⁶

201 ESRs G1.GOV-1 §5
 202 ESRs G1.GOV-1 §5a
 203 ESRs G1.GOV-1 §5a

204 ESRs G1.GOV-1 §5b
 205 ESRs G1.GOV-1 §5a, b
 206 ESRs G1-1 §7, §9

The Code of Conduct addresses several key points:

- + We treat people with respect.
- + We abide by the law.
- + We stand for fair competition.
- + We do not tolerate any form of corruption or bribery.
- + We do not accept or give gifts of value.
- + We handle our finances ethically and accurately.
- + We combat fraud.
- + We avoid conflicts of interest.
- + We support the local community and charitable organizations.
- + We voice our concerns transparently and publicly.
- + We protect our physical assets and intellectual property.
- + We handle personal data with care.

The responsibility for upholding and enforcing the Code of Conduct is assigned to the senior management team, ensuring accountability at the highest levels of the organization. This Code of Conduct shall be considered in every business decision, and employees are supported by their superiors in terms of compliance. Each employee is encouraged to seek advice and support from their direct superior or, if they deem it necessary, from the responsible compliance officer or the group's Compliance Office.²⁰⁷

All our employees commit to the Code of Conduct and all employees are encouraged to report if they become aware of a violation. The first point of contact for reporting is the direct superior. However, one can also turn to local management and/or local compliance officers or the group's Compliance Office. For this purpose, HS Timber Group has set up its own confidential reporting channel.²⁰⁸ The group's

207 ESRs G1-1 §7, §9
 208 ESRs G1-1 §10a

Compliance Office is conducting regular trainings on the Code of Conduct and monitor its compliance.²⁰⁹

Additionally, we have implemented a **Code of Conduct for all Business Partners**, such as suppliers, customers, and other business partner. It aims to convey our standards to the supply chain as well as to all further business partners of HS Timber Group, including business partners of all its subsidiaries. We request our business partners to accept requests for additional information and/or in-depth audits conducted by HS Timber Group - or through a third party - to verify the implementation of, and compliance with this Code of Conduct for Business Partners. Any suspicion or report of a violation of the principles and requirements stipulated by this Code of Conduct for Business Partners may trigger verifications by HS Timber Group and, if confirmed, may result in a suspension or termination of the business relationship.²¹⁰

Our Timber Sourcing Policy is specifically addressing our sourcing principles for round wood, lumber and biomass. With reference to business conduct, the Timber Sourcing Policy prohibits engagements with companies convicted of corruption.²¹¹

Our reporting channel for complaints or concerns is currently available as a dedicated mailbox: compliance@hs.at. Our reporting channel is open to all employees and external stakeholders, providing a safe and confidential space to report any suspected breaches or illicit behavior involving our employees or business partners. We encourage anyone to speak up if they observe any misconduct.²¹²

Information on HS Timber Groups undertaking to protect whistleblowers and more detailed

209 ESRs G1-1 §10g
 210 ESRs G1-1 §10a
 211 ESRs G1-3 §18a
 212 ESRs G1-1 §10a

information on our mechanisms for identifying reporting and investigating concerns about unlawful behavior or in contradiction with our Code of Conduct is described later in this report in the chapter [G1-3 - Prevention and detection of corruption and bribery](#).²¹³

The staff functions within HS Timber Group most exposed to risks of corruption and bribery are those with frequent interactions with external business partners, such as Purchasing, Sales, and Logistics, along with all management positions. In addition, Finance and internal control roles, such as Internal Audit, Supply Chain Control, and ESG Reporting, are also considered high-risk. These functions are therefore specifically targeted by our anti-corruption training programs to mitigate such risks.²¹⁴ HS Timber Group's procedures for investigating actual and potential incidents of corruption and bribery are described in the manual for the Group's Compliance Management System.²¹⁵

G1-2 - MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS

HS Timber Group places a significant emphasis on the management of its relationships with suppliers and the impacts on its supply chain. HS Timber Group has a comprehensive approach to manage the supplier's relationships, considering both the risks related to its supply chain and the impacts on sustainability matters.

The company distinguishes between raw material suppliers (specifically roundwood, lumber and biomass suppliers) and other types of suppliers. HS Timber Group is a key partner for timber suppliers in the regions where it

operates, and it takes this responsibility seriously. The company is known for its reliability and timely payments, which strengthen its partnerships with local suppliers. All suppliers are required to adhere to the Code of Conduct for Business Partners, which outlines fundamental principles that must be followed. This Code of Conduct for Business Partners is the foundation for all contracts, stipulating audit rights and the right to suspend suppliers for non-compliance with the code.²¹⁶

Sustainable supply chain management has long been a key focus for HS Timber Group in sourcing raw materials. We have continually improved our practices over time. The details of our management and due diligence processes in raw material sourcing are outlined in the chapter on [Sustainable Sourcing Practices and Traceability](#), highlighting the efforts to manage risks and promote sustainable sourcing.²¹⁷

HS Timber Group takes social and environmental criteria into account when selecting suppliers. While there is no specific standalone policy for this, the company's adherence to the PEFC Chain of Custody certification ensures that core criteria for PEFC controlled sources are met, which basically means there is no wood material within our wood supply chain which is not subject to our due diligence system. The PEFC Chain of Custody certification requires suppliers to comply with stringent legal, social and environmental standards, ensuring that HS Timber Group's supply chain supports sustainable and ethical practices.²¹⁸

Although HS Timber Group does not have an official policy specifically aimed at preventing late payments, it follows a directive to process invoices quickly. HS Timber Group is ensuring

that suppliers, including small and medium enterprises (SMEs), receive their payments promptly and reliably. We view this practice as a core pillar in establishing ourselves as a reliable, long-term business partner. Further details are displayed in [G1 - 6 Payment Practices](#).²¹⁹

G1-3 - PREVENTION AND DETECTION OF CORRUPTION AND BRIBERY

HS Timber Group has established procedures across the organization for preventing and addressing corruption and bribery, ensuring these processes are in place company wide.²²⁰

Our comprehensive Code of Conduct for employees and Code of Conduct for Business Partners govern our approach to prevent and detect corruption and bribery. The Code of Conduct is written in straightforward language and is easily accessible for all employees on our website and internal platforms. All employees need to commit personally to the Code of Conduct.²²¹ This policy underlines the company's commitment to a high level of integrity at all stages.

To ensure the implementation and adherence of our Code of Conduct we have established a state-of-the-art compliance management system. Our compliance management system includes a comprehensive compliance manual that covers annual compliance risk assessments, internal investigations, whistleblower reporting channels, and stakeholder engagement.²²²

Based on a yearly risk assessment, we develop and implement a compliance program. Internal training programs and awareness programs are integral parts of our compliance program.

We provide structured, in-depth trainings on the topics of anti-corruption and competition law during the onboarding process for new employees. All employees in functions-at-risk are required to undergo these trainings on anti-corruption at least as e-learning on a yearly basis.²²³ The understanding and thus the effectiveness is verified in a test at the end of the training. Furthermore, annual training and awareness sessions are conducted for high-risk target groups.²²⁴

Additionally, we have a compliance onboarding (e-learning) for all new administrative employees. The online training sessions are designed in such way, that employees can understand and effectively apply the Code of Conduct in their daily roles.²²⁵

Given recent tightening of sanctions regulations for Belarus, we are updating our sanctions-related compliance trainings regularly.²²⁶ We also offer personalized training for top management levels. For instance, we conducted a management discussion forum with the anti-corruption expert Martin Kreutner (former Dean of the International Anti-Corruption Academy) and the anti-trust expert Theodor Thanner (former Head of the Federal Competition Authority in Austria), along with in-person compliance training sessions.²²⁷

The compliance management system is managed centrally by the Group Compliance Office. This office also addresses employee inquiries and provides compliance support across the organization.²²⁸

²¹³ ESRS G1-1 §10a, c
²¹⁴ ESRS G1-1 §10h
²¹⁵ ESRS G1-1 §10e

²¹⁶ ESRS G1-2 §15a
²¹⁷ ESRS G1-2 §15a
²¹⁸ ESRS G1-2 §15b

²¹⁹ ESRS G1-2 §14
²²⁰ ESRS G1-3 §19
²²¹ ESRS G1-3 §20
²²² ESRS G1-3 §18a

²²³ ESRS G1-3 §21b
²²⁴ ESRS G1-3 §18a, 21a
²²⁵ ESRS G1-3 §20
²²⁶ ESRS G1-3 §21a
²²⁷ ESRS G1-3 §21c
²²⁸ ESRS G1-3 §18a

To evaluate the effectiveness of our compliance management system, a gap analysis was performed in 2023 by external experts. One of the goals and results of this external evaluation was to ensure its certification readiness for Compliance Management System according to ISO 37301:2021.

Already now HSTG management is fully committed to ensure that any internal investigation is always conducted in full respect of the rights of whistleblowers and that the involvement of individuals, even from the top management, in investigations is always kept to the minimum necessary.²²⁹

All investigations are carried out by the Group Compliance Office, involving management on a need-to-know basis only.²³⁰ The Chief Compliance Officer, an advisory member of the Management Board, regularly reports on compliance matters to this committee.²³¹

To prevent and detect potential corruption and bribery in an early stage we have implemented procedures to mitigate legal risks such as money laundering or engagement with entities facing international sanctions. We have implemented business partner onboarding processes for customers and our suppliers, with clear guidelines about the acceptance, rejection or the monitoring of a business partner.

For supply chain control, we have established a separate organizational unit, independent of the procurement function, reporting directly to a board member, ensuring operational independence.²³²

As outlined by our Timber Sourcing Policy, we do business only with partners whom we have reason to trust as acting with due diligence and professional prudence. We have

established a due diligence procedure for the detection of corruption and bribery within our sourcing partners. Where executive managers or staffs 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.²³³

METRICS AND TARGETS

In order to ensure and track effectiveness of our measures for prevention and detection of corruption and bribery we have established the following Key Performance Indicators:

Course completion rates of annual trainings for exposed staff		2023
Course completion rate of annual anti-corruption training		63%
Course completion rate of annual competition law training		51%

G1-4 - INCIDENTS OF CORRUPTION OR BRIBERY

On the whistleblower channel there were two reported allegations of corruptive practices in the company. The allegations were seriously investigated according to the internal processes and were not to be substantiated. Still the management decided to take additional corrective action which were related to trainings and awareness raising measures.²³⁴

In the year 2023, we received a total of seven reports through our official compliance (whistleblower) reporting line. The Group Compliance Office conducted investigations in eight cases in 2023, as one report was already under investigation end of 2022. All of them have been investigated according to the internal procedures and corrective action has been taken, even if the cases were not to be substantiated. One of the cases was a serious case of fraud in which a false company pretended to sell our products (pellets).

There have been no convictions or fines for violation of anti-corruption and anti-bribery laws in 2023.²³⁵

G1-6 - PAYMENT PRACTICES

HS Timber Group has established procedures to ensure that all suppliers, including small and medium enterprises (SMEs), receive their payments promptly and reliably.

Our payment terms with suppliers vary according to the type of purchase contract and is subject to contractual agreement of HS Timber Group and the respective supplier.²³⁶

We seek to have short payment terms with suppliers not to risk the operability of our suppliers. The largest share of our turnover with suppliers is attributable to our suppliers of roundwood. Within this supplier category we had an average of credit days of 12 days, whereas our effective actual payment days was 10 days in the reporting period 2023.²³⁷

The average of credit days refers to the contractual payment terms reflected also in our master data. The average of actual payment days reflects effective payment days, weighted for supplier's turnover within one purchasing category. The data reported reflect a consolidated information of HS Timber Group's Romanian plants.²³⁸

There were no legal proceedings outstanding for late payments as of 31.12.2023.²³⁹

229 ESRS G1-1 §10c
 230 ESRS G1-3 §18b
 231 ESRS G1-3 §18c
 232 ESRS G1-3 §18b

233 ESRS G1-3 §18a
 234 ESRS G1-4 §24b

235 ESRS G1-4 §24a
 236 ESRS G1-6 §33b

237 ESRS G1-6 §33a, b
 238 ESRS G1-6 §33d
 239 ESRS G1-6 §33c



SUSTAINABLE SOURCING PRACTICES AND TRACEABILITY

- + 100% of raw material input covered by HSTG Due Diligence System since 2018
- + 84% of roundwood from certified forests
- + 60% of sourced sawn timber with direct certification claim by PEFC and/or FSC®
- + Roundwood sourcing for European mills exclusively from EU-countries
- + Zero Timber from National Parks Policy
- + 412 on-site audits conducted by HS Timber Group's compliance experts

Sustainable supply chain management has been a key focus area for HS Timber Group throughout the past and we have been continuously developing and improving our sourcing practices. Within the process of the new materiality assessment, sustainable sourcing practices and traceability has been identified to remain a material topic for HS Timber Group with very high impact.

GOVERNANCE

Since 2018, we have comprehensively restructured our internal compliance organization. The separation of procurement and certification functions in 2016 was a strategic move to eliminate an inherent conflict of interest in supplier audits, particularly in high-risk countries. Subsequently, the entire Supply Chain

Impacts		Risks or Opportunities	
Sustainable sourcing practices and traceability			
↑	Our implemented state of the art due diligence system, including the usage of Timflow in Romania, ensures sourcing of legally harvested wood, and prevents illegal logging and sourcing of conflict timber. This way HSTG is supporting ethical business practices.	↓	HSTG acknowledges the risk of potentially receiving illegally or unsustainably harvested wood. This poses a legal risk as well as a reputational risk. With our state-of-the-art due diligence system, that thoroughly analyses risks and implements effective risk mitigation measures, we consider this risk as negligible.
↑	HSTG is addressing sustainable sourcing practices in a broader context and actively support low impact forestry. Additionally, HSTG is actively supporting initiatives like ACTIV.	↑	A state-of-the-art due diligence system that goes far beyond legal requirements is giving us a competitive advantage by being able to source material from high-risk areas sustainably, by effectively mitigating risks.

↑ Positive impact (potential/actual) on people and the environment or opportunity for HSTG's business
 ↓ Negative impact (potential/actual) on people and the environment or risk for HSTG's business

Since 2019 we have voluntarily published information on our sourcing practices and the specifics of our wood supply chain through a dedicated annual Supply Chain Report. With the introduction of the EUDR ([EU Deforestation Regulation \(EU\) 2023/1115](#)), large companies will be required to provide annual reports on their due diligence systems. Anticipating this requirement and recognizing the possibility of its integration into the CSRD reporting, we are proactively incorporating our detailed supply chain information into this report already now.

Control and Certification department has been integrated into the Group Compliance Office, with the Chief Compliance and Sustainability Officer reporting directly to the Management Board. We have implemented a group-wide Due Diligence System, coordinated by a Group Head of Supply Chain Control and Certification. In Romania, a national head manages the same function. With this approach we ensure a high degree of consistency in the implementation of our group's purchasing policies and due diligence practices.

STRATEGY

For HS Timber Group it is essential that the produced products are sourced from sustainably managed forests. Only wood from such forests can truly be considered sustainable, helping to tackle key challenges like climate change and biodiversity loss. While we do not largely engage in wood harvesting ourselves, we actively support sustainable forest management practices, the conservation of virgin forests and the fight against illegal logging. Our action plan for a sustainable wood supply chain goes beyond legal requirements, outlining a comprehensive set of measures to ensure responsible sourcing practices.

To uphold the highest sustainability standards and ensure full compliance throughout our supply chain, we have implemented an advanced management and due diligence system which covers 100% of our material input, no matter whether certified or not. This means that all of our input is subject to the same strict due diligence process, thus the sustainability credentials of all our sold

products, including pellets, are ensured. This system includes a wide range of policies, actions, and controls designed to maintain a legally compliant and deforestation-free supply chain. Our supply chain management relies on excluding controversial materials and ensures, that none of our wood comes from virgin forests or national parks in Romania and Ukraine. Through our own developed GPS based supply chain security system Timflow we guarantee physical traceability throughout the Romanian supply chain. Additionally, we are dedicated to sourcing 100% of our raw materials from forests certified by reputable forest certification schemes.

Our suppliers play a critical role in maintaining these standards, and we prioritize long-term partnerships with those who share our values and commitment to compliance. To support this, we have extensive supplier engagement programs, including direct discussions and annual stakeholder meetings, where we share information, provide procedural guidance, and reinforce the commitments outlined in our policies.

Forests – A source of raw materials

Europe's forest resources continue to be of major importance to HS Timber Group. In 2023, all roundwood purchased for our European mills was sourced from European Union countries. In recent years, public attention has increasingly focused on forest management and the legality of harvesting practices globally. However, Europe's forests are generally well-managed and governed by robust forest management systems.

Forests in Eastern Europe have a long history of documented forest management, with strong centralized planning. Over the centuries, there has been significant human intervention, resulting in the replacement of beech with conifers, primarily spruce, especially at lower altitudes. Forest management practices in Europe have typically created even-aged stands dominated by a single tree species. However, in recent decades, there has been a shift towards sustainable forest management policies aimed at maintaining a balance between harvesting and regrowth. This trend is also gaining momentum in the context of increasing climate risks. Biodiverse forests appear to be more resilient in terms of climate

adaptation, also young forests are more resilient. Improving tree species' resilience to climate change may involve assisted migration strategies, such as introducing species from lower altitudes that are more tolerant of heat and drought, and thereby strengthening the ecosystem's ability to adapt to shifting climate conditions. A shift to oak instead of spruce, for example, has already started. The role of active forest management to address climate change challenges is widely recognized.

Climate change has had a profound impact on forests, particularly through an increase in disturbances. The accumulation of wood in coniferous monocultures, combined with shifting climate conditions, has contributed to a rise in natural disruptions, such as the recent bark beetle outbreaks in countries like the Czech Republic, Austria, and Germany. These infestations require active human intervention, including the removal of old and dead trees and replanting with species better adapted to withstand droughts. While a non-intervention policy may seem appealing from a public perspective, it would take significantly longer – potentially centuries – for forests to naturally regenerate and restore their ecosystem potential, especially in terms of carbon sequestration. As a result, this approach may be justified in limited areas but is not suitable for widespread application across all forests.

Forest disturbances can result from human activities, fire, wind, or the natural aging of trees. In response, many countries' national forest legislations are increasingly adopting smaller-scale harvest operations to align more closely with natural patterns and mimic biological processes. Each EU country has detailed forest regulations that limit harvest plot sizes as a key measure to reduce ecological impact. These smaller harvesting operations are designed to maintain healthy forest ecosystems with a balanced mix of young, middle-aged, and old trees, supporting overall forest resilience and biodiversity. Properly managed harvests create diverse conditions in terms of light availability and forest structure. These varying conditions help establish ecological niches that support a wide range of organisms, contributing to a more dynamic and resilient forest ecosystem as well as an increase of biodiversity. Overall, forest biodiversity has remained relatively stable over the past 30 years.

Additionally, the increase of the growing stock and the reduction of annual removals has been a key policy in the countries of the European Union (EU). This approach has resulted in a consistent increase in forest cover and standing timber within the EU over the past three decades (1990 to 2020). Statistics indicate a steady rise in both forest area and standing timber volume, with forest cover expanding by 10% and the growing stock increasing by 48.5%. However, there are natural limits to this policy, as older trees become more vulnerable to pests and diseases and may face challenges in adapting to changing climate conditions.

In the future, European forest policies are expected to address an active prevention of large-scale natural disturbances. This will likely require more active intervention and increased levels of wood removal. Key goals include promoting uneven-aged and mixed forests, developing more resilient forest stands, and implementing smaller-scale, more frequent forest operations. However, achieving these objectives will require a significant amount of time and sustained effort.

Although our raw materials have traditionally been sourced from European forests, in 2023, forests outside of the European Union have also become a focus for HS Timber Group as a source of raw material.

In Virasoro, Argentina, HS Timber Group has built a new sawmill - Acon Timber. The construction of the mill has started in 2022 and in December 2023 the cutting line started operations in a test phase. Within the year 2023 Acon Timber purchased small volumes of roundwood.

The purchased wood species are *Pinus taeda* and *Pinus elliottii*, both cultivated in short-rotation plantations established on agricultural land in compliance with Argentinian legislation ([Law 25080/1998|Argentina.gob.ar](http://law.25080/1998/Argentina.gob.ar)). These plantations play a vital role in the wood supply chain by reducing pressure on native, near-natural forests.

Sources and further Information:

[SoEF_2020.pdf \(foresteurope.org\)](#), [Global Forest Resources Assessment 2020 \(fao.org\)](#), [Statistics | Eurostat \(europa.eu\)](#), [Biodiversity monitoring in Europe \(leaflet\) — European Environment Agency \(europa.eu\)](#), [Common Birds in Europe — population index](#);

POLICIES

HS Timber Group defines and communicates several policies, setting highest standards and going beyond the legal frameworks.

Sustainably managed forests have the highest priority for HS Timber Group. We are committed to ensuring that all our timber is responsibly sourced from sustainably managed forests. This core principle is established in our strictly applied Group **Timber Sourcing Policy**. Accordingly, we purchase timber only from non-controversial sources, in line with PEFC standards. We only collaborate with suppliers who share our values and commitment to sustainability and 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 partnerships. Additionally, we do business only with partners whom we have reason to trust as acting with due diligence and professional prudence. Where executive managers or staffs in similar functions has been

convicted by a final binding court decision for illegal wood harvesting or corruption, we will as a rule exclude their companies from our supply chain for three years. In severe and justified cases, we reserve the right to de-list suppliers at any time appropriate.

In 2023, we remain committed to excluding material sourced from virgin forests and from national parks in Romania and Ukraine, applying our **Zero Timber from National Parks Policy**. This principle is strengthening our commitment to responsible timber sourcing and to protect ecologically sensitive areas from exploitation, such as virgin forests and non-intervention areas. We firmly believe that a responsible timber industry should also contribute to the protection of biodiversity, especially in conserving the last primeval forests. Since 2015, HS Timber Group has made a commitment to cease sourcing from national parks in Romania (basically from their buffer zones) and extended this Zero Timber from National Parks principle to Ukraine in 2021. The company has consistently enhanced its

control procedures, specifically focusing on this matter, to ensure compliance with this commitment.

Our comprehensive **Code of Conduct for Business Partners** aims to convey our standards to the supply chain as well as to all further business partners of HS Timber Group, including business partners of all its subsidiaries. Our Code of Conduct for Business Partners allows the integration of ethical and sustainable practices throughout the entire supply chain in a unified and consistent approach. We require our suppliers to adhere to our Code of Conduct for Business Partners. Suppliers unable to meet our sourcing standards shall take corrective actions. Furthermore, we request suppliers to pass on these obligations to their suppliers respectively.

For HS Timber Group working with suppliers and business partners goes beyond regulation and control but equally involves cooperation and support. That's why we are actively contributing to the development of sustainable forest management in our sourcing areas, and we foster certification as an instrument that helps to promote sustainable forest management. Thus, we stay committed to our target to source 100% of our timber from forests certified to PEFC and/or FSC® forest certification schemes. We are committed to advancing this initiative collectively with our suppliers, and we encourage them to pursue certification for sustainable forest management and chain of custody.

At HS Timber Group, we are committed to maintaining a responsible supply chain that ensures the legal origin of the wood and the integrity of our production process. Transparency, openness, and continuous dialogue are central to our approach of ongoing improvement.

In alignment with our **Open Doors Policy** and our Stakeholder Engagement Protocol, we invite stakeholders to an open and constructive dialogue to help us continuously improve our business and our performance regarding responsible sourcing and production methods. Among our stakeholder engagement process, we also regularly engage with our suppliers, including regular direct contact and regional stakeholder meetings.

More detailed information on our actions and measures on [Stakeholder-Engagement and Communication](#) are described in the dedicated chapter.

ACTIONS AND RESOURCES

DUE DILIGENCE SYSTEM

HS Timber Group has developed and implemented an advanced and robust Due Diligence System (DDS) for all our mills which allows us to monitor and manage risks in our supply chain. Our proactive due diligence approach is aimed at mitigating risks associated with purchasing and using wood from illegal or controversial sources. Within this approach we verify the origin and legality of the timber we use to exclude any controversial sources. Additionally, our Due Diligence System (DDS) addresses risks related to human rights and occupational health and safety.

As HS Timber Group we are strictly adhering to and monitoring all legal requirements. The various measures within our Due Diligence System are designed to comply with the requirements for forest management, wood trade, environmental and nature protection, as well as health and safety. Specifically, the following legislations and frameworks can be mentioned:

- + National legal frameworks in all the countries where HSTG operates
- + Natura 2000 directives and country level implementations
- + Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- + European Timber Regulation (EUTR) - Regulation (EU) No 995/2010
- + (US) Lacey Act
- + (Japanese) Clean Wood Act
- + International bans and trade restrictions
- + The Renewable Energy Directive (RED II) for biomass - Directive (EU) 2018/2001

The Due Diligence System (DDS) is based on the risk level of each supplying country. We determine and update our risk assessments on country level and implement mitigation measures to ensure compliance and responsible sourcing of wood. For our risk assessment we follow a risk-based approach assessing the following seven types of risks:

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

We consider diverse sources of available and reliable information to assess the risks for each country of origin, which form the basis of our risk assessments:

- + [Corruption Perceptions Index \(CPI\)](#)
- + [Rule of Law index](#)
- + The EU infringement database
- + United Nations and European sanctions
- + Trade bans
- + Country level forest management and traceability information
- + Forestry statistics and biodiversity information
- + Third party risk assessments
- + Extracts from media monitoring
- + Stakeholder input – NGO Reports
- + Any other reliable information

We annually update the risk profiles of our sourcing countries and maintain an up-to-date system that addresses all relevant risks regarding supply chain compliance. Additionally, we promptly update the risk assessment when we become aware of changes in risk exposure in a country, such as legislative changes or media reports. The country risk assessment

identifies potential risks and defines relevant mitigation measures to ensure a negligible risk at the level of each delivery.

We have implemented a comprehensive range of customized risk mitigation measures, including organizational, contractual, and audit-based controls, to ensure transparency and legality in our supply chain. Our mitigation measures address country level risks, supplier related risks and risks related to deliveries. They range from general measures, such as implementing the Timber Sourcing Policy and the Code of Conduct for Business Partners, to conducting supplier on-site audits or verifying each delivery with Timflow in Romania. Wherever possible, we are seeking to maintain short supply chains to reduce complexity and therefore also reduce supply chain risks in all our operations.

With our supplier onboarding process, we have a well-regulated process for the selection of our suppliers. This process includes legal background checks in high-risk countries to exclude suppliers that are subject to penal measures (specifically corruption or forest crime) or sanctions. Written purchase contracts are applied in all cases, as well as annual signing of supplier declarations to confirm the country of origin and compliance with the Code of Conduct for Business Partners.

In the verification of the supplier compliance and identifying areas of improvement, our audit system plays a crucial role. We perform desk-based audits and on-site audits, where we differentiate between pure chain of custody audits and forest management audits. In the case of chain of custody audits we verify documentation in the administrative offices of our suppliers. During our forest management audits we do verifications of approval of management plans, harvesting activities, compli-

ance with conservation measures in protected areas, and health and safety as well as fire protection regulations. The verifications in the forest are conducted to assess the accuracy of harvesting activities in respecting the confines of a plot and to identify any potential damage caused during wood removals. Furthermore, third-party audits are used to assess compliance with the EUTR and certification requirements in high-risk countries where HS Timber Group staff is not available.

Furthermore, the state systems are one of the pillars in supply chain risk mitigation. Many European countries are developing and continuously improving effective systems for supply chain control, risk mitigation and public availability of information. It is worth mentioning that through these developments, risk mitigation systems are shifting from voluntary certification schemes to national mandatory compliance systems.

Additionally, we employ daily media monitoring in high-risk countries to ensure adherence to regulations and our sustainability commitments.

Disclaimer sanctions:

Sawn timber sourced from Belarus and Russia is subject to trade sanctions imposed by the EU due to the ongoing war between Russia and Ukraine. In compliance with these regulations, HS Timber Group has taken the following actions:

- + Belarus: The operational management of HS Timber Group's Belarusian daughter HS Belacon is carried out entirely by the local management; the holding company acts exclusively as shareholder in full compliance with the sanctions. Due to this reason, we can neither report about purchases nor on sales market situation.
- + Russia: HS Timber Group is refraining from all import activities from Russia after immediate cessation of the activities starting from 25 February 2022.
- + Ukraine: Ukraine has a ban on roundwood export. HS Timber Group continues to import lumber (sawn timber) from Ukraine, employing risk mitigation measures implemented by the local staff in Ukraine. Purchases are limited to areas that are not directly impacted by military activities, aligned with the guidance provided by the EU Commission. The situation is constantly monitored.

TRACEABILITY

In Romania, HS Timber Group has taken a leading role in providing public access to transaction-level information by introducing the Timflow system as early as April 2017. Timflow is an online GPS tracking system that monitors the roundwood transport route from loading points to the mills' gates. The information for each truck includes the origin location and GPS coordinates, APV code (harvesting volume authorisation), if the delivery is initiated from the loading point (primary platform), and photo documentation of the load. Importantly, our Timflow system also provides the route of the delivery via a fixed GPS unit in all trucks delivering roundwood to HS Timber.

Timflow is not only about traceability but also about transparency. The system is available online for any third party at timflow.com, accessible through a simple registration process. In Romania, all our roundwood input is covered by Timflow. In 2023, Timflow covered a total of 24.044 deliveries. Among these deliveries 3,6%

(852 deliveries) underwent additional investigation due to incomplete information provided by the suppliers. These loads have been kept separated until the Supply Chain Control and Certification Department (SCCC) conducted additional verification and missing elements of the DDS information were completed.

Since February 2021, the Romanian state wood monitoring system SUMAL 2.0 has been offering similar functions as Timflow, providing public access to all wood deliveries in the last four days. SUMAL 2.0 is publicly provided on the website inspectorulpadurii.ro.

We continue to rely on the advanced features of Timflow, including GPS tracker in the trucks, high resolution watermarked photo storage, enhanced tracking capabilities, and longer availability of delivery records (12 months). HS Timber Group currently operates Timflow in parallel with SUMAL 2.0, ensuring double security and providing a backup in case one system would not run correctly.

Both systems, SUMAL 2.0 and Timflow, allow us to achieve full transparency in the supply chain and thus strengthen the control and compliance with the national regulations and our internal Zero Timber from National Parks Policy.

CERTIFICATION

Forest certifications play a key role in the commitment to responsible forest management. Forest certification systems were introduced globally approximately 25 years ago contributing to the increasing public awareness of sustainable forest management. HS Timber Group's Due Diligence System cooperates with the following main Chain of Custody certification systems:

- + PEFC
- + FSC®
- + Sustainable Forestry Initiative (SFI®) Label Recognizing Global Standards
- + SURE biomass certification

Notably, in 2023 all HS Timber Group mills have been PEFC certified. Acon Timber in Argentina was newly certified after a successful audit in October 2023.

Additionally, the entire HS Timber Group ensures compliance with FSC®'s Policy for Associations requirements, whereas two HS Timber Group locations hold FSC® CoC (Chain of Custody) certifications: HS Baco Panels in Romania and Luvian Saha in Finland.

In terms of sourcing, it is our target to source wood exclusively from forests certified for sustainable forest management by 2030. As of 2023, we assessed that 84% of our input already meets this criterion, representing an increase of 4% compared to the previous year. This figure is an estimate which is based on direct evidence for claimed material and

an approximation for material that is sourced via traders based on the certified areas in the countries of origin. When aiming to reach our goal of 100% certification we are facing challenges, as generally certified area started to reduce, especially in low-risk countries. Still, we remain committed to our goal of 100% of our timber from forests certified by PEFC and/or FSC® forest certification schemes. To facilitate greater collaborative efforts and ensure progress, the deadline to achieve this internal goal has been extended from 2025 to 2030. This adjustment reflects the extensive coordination required among various stakeholders to establish certified areas effectively. Potentially the implementation of the EU Deforestation Regulation will impose a further increase in certified areas in European forest.

In contrast to common industry practices, HS Timber Group goes beyond the norm by selling all its products with the minimum claim of PEFC Controlled Sources. We do not have a green lane for certified products, and even certified products must go through the same standard process as non-certified ones. This approach ensures that both - certified and non-certified – materials undergo the same level of scrutiny and control through HS Timber Group's Due Diligence System. However, we utilize certification as an effective risk mitigation strategy where appropriate. By maintaining this consistent control standard, HS Timber Group demonstrates its commitment to responsible sourcing and transparency throughout its supply chain.

Furthermore, HS Timber Group is the first solid wood lumber company approved to use the Sustainable Forestry Initiative (SFI®) Label Recognizing Global Standards. SFI® advances sustainability through forest-focused collaborations. By using the SFI® Label, HS Timber Group is helping to educate the market about sustainable sourced forest products and

giving consumers information to make responsible purchasing decisions.

In 2023 three of our mills, Kodersdorf, Germany, and Reci and Rădăuți in Romania, are holding third-party certifications according to [SURE - SUSTAINABLE RESOURCES Verification Scheme](#). To ensure that biomass is produced sustainably, certification systems such as SURE are documenting compliance with the RED II - Directive (EU) 2018/2001 criteria.

In the past HS Timber Group has also prepared the implementation of ISO 38200 standard for Chain of custody of wood and wood-based products. However, due to a lack of interest from the market, the certification was dropped again.

In order to contribute to certification also more directly HS Timber Group has been accepted by the General Assembly of PEFC International as International Stakeholder Member.

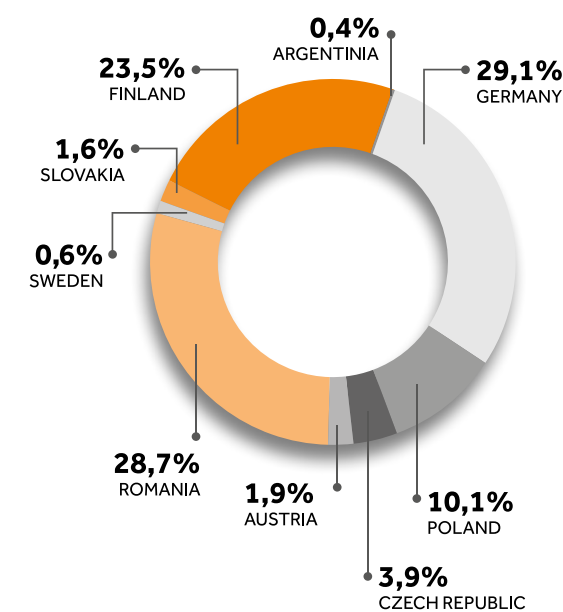
METRICS AND TARGETS

WOOD MATERIAL SOURCING

Roundwood input

In our supply chain, over 90% of the processed material is purchased as roundwood. Throughout the year 2023, we sourced roundwood from eight countries within the EU - Germany, Austria, Poland, Romania, Slovakia, Czech Republic, Finland and Sweden - and one non-EU country - Argentina. This input was supplied by a network of 858 roundwood suppliers. In the year 2023, 84% of the roundwood input was sourced from certified forests by PEFC and/or FSC® forest certification schemes, ensuring adherence to sustainable forest management standards.

The following illustration displays the roundwood sourcing quantities in 2023 by sourcing country:



Round wood sourcing countries 2023

Long-term supplier relationships, defined as partnerships of at least five years, have been established with 197 round-wood suppliers to ensure consistent supply chain operations and in alignment with our goals. In 2023, approximately 37% of our roundwood input was sourced from long-term suppliers.

Sawn timber input

Sawn timber input was sourced from nine different countries of origin, six of them being EU countries and three non-EU countries. The supply chain includes direct relationships with 40 suppliers of sawn timber. Out of the total sawn timber input 60% were purchased with direct certification claim by PEFC and/or FSC®.

Other materials input

Other materials including veneers, particleboards, medium-density fiberboards (MDF) and high-density fiberboards (HDF) were

sourced from 13 different countries, seven EU and six non-EU countries. Additionally, other materials input also includes biomass, that was purchased from 92 biomass suppliers for energy production. For Biomass supplies we seek SURE certification by end of 2024.

Information on the quantities of our resource inflows can be found in [E5-4 Resource inflow](#) of chapter [E5 Resource Use and Circular Economy](#).

As HS Timber Group we acknowledge the necessity of conducting forest operations in a manner that minimizes negative ecological impacts. In this context, we would like to highlight the following operational practices:

- + We are largely not engaged in wood harvesting ourselves. Instead, we rely on third-party suppliers, including Forest Management Units and harvesting companies, to handle these activities. Only in Finland, where the round wood acquisition is based almost exclusively on purchase on stamp contracts, we are directly involved in harvesting activities. In the year 2023 the sawmill in Finland purchased from 1.038 private owners' suppliers and seven forest associations.
- + 60% of the company's input is originating from thinning – where there is marginal or negligible ecological impact.
- + In general, we are processing small to medium diameter logs from coniferous species like spruce, fir, and pine and our purchasing policy is oriented to get these assortments. Larger diameters are usually handled by small sawmills, allowing both small and large industries to coexist within the wood processing sector.

SUPPLY CHAIN CONTROL AND CERTIFICATION

As described earlier, a comprehensive due diligence and supply chain control system has been implemented to ensure compliance and traceability.

Our Supply Chain Control and Certification System has enforced the following instruments, in alignment with our policies and actions:

- + Our Zero Timber from National Parks Policy was enforced in Romania and Ukraine to ensure no wood is sourced from those strictly protected areas.
- + HS Timber Group holds eight PEFC Chain of Custody certificates and two FSC® Chain of Custody certificates in the year 2023, confirming compliance with these international certification standards.
- + The Timflow monitoring system was utilized in Romania to ensure traceability and legality of all wood inputs.

In the year 2023 our supply chain control system included 412 on-site audits conducted by HS Timber Group's compliance experts to monitor adherence to internal and external standards. The total number of audits included:

- + 327 Chain of Custody (CoC) audits to verify the traceability of wood products from forest to final product. Chain of Custody (CoC) audits were carried out adhering to the predefined audit intensity rules.
- + 70 plot audits conducted to assess the sustainable management of forest plots. 54 corrective action requests were issued.
- + 15 Forest Management Unit (FMU) audits to evaluate the application of sustainable forest management practices.

Within the supply chain compliance and incident management, the Supply Chain Control and Certification (SCCC) department processed the following complaints within the year 2023:

- + A total of 30 cases of potential non-conformities were recorded, 29 of these cases came from internal sources and one complaint from an external source.
- + Out of total 30 potential non-conformities, seven were deemed unjustified; in 22 cases various measures were implemented in response, ranging from oral warnings of the supplier to contract suspensions. One remaining case is pending for further investigation due to insufficient information from Ukraine and an ongoing court process.
- + Out of the 22 substantiated cases, 15 cases resulted in suspensions, including 12 that were current or former suppliers to HS Timber Group. Three of these suspensions were precautionary, aimed at pausing cooperation with the involved companies until a thorough investigation could be completed. These actions were primarily in response to allegations of underreported volumes and the confiscation of wood and/or trucks, which were identified through media monitoring and stakeholder reports.

The suspension of suppliers that are not committed to our company's standards, is one of the most effective measures in an effective due diligence system. In 2023 our suspension procedure has been updated with clear indicators and consequences for administrative offences. Supply chain suspension is monitored at three levels:

- + In Timflow, non-compliance with the procedural requirements may result in a truck suspension for one to three months.

- + During field audits, findings are graded (observation, minor, major) and a failure to implement the corrective actions leads to suspension.
- + Investigations triggered by media monitoring and internal or third-party inputs can result in suspensions for up to three years, and even prolonged thereafter, in very severe cases and as last resort.

Following our Due Diligence System (DDS) that is established according to the risk level of each supplying country, we have identified two high-risk countries within our sourcing countries in 2023 – Romania and Argentina.

Despite forestry being generally considered low risk in Europe, Romania remains to be a high-risk roundwood supplier country in our supply chain, in line with PEFC definitions. This is due to the country's classification within the Corruption Perception Index (CPI) as well as ongoing public criticism concerning corruption, traceability, and biodiversity in the Romanian forest sector. Following this classification, our Due Diligence System contains several country-specific features to mitigate these country-risks in addition to our standard elements of the Due Diligence System:

- + In Romania all our wood input is covered by our GPS tracking system Timflow, fully monitoring the roundwood transport route from loading points to the mills' gates.
- + Harvest plot level verification is performed as document review in all cases and as field inspection for sample selections.
- + Volume verifications by comparing wood volume estimations and with declared volumes in SUMAL 2.0. All deviations and perceived errors trigger an internal investigation.

As a new sourcing country as of 2023, also Argentina is considered a high-risk country, due to the classification within the Corruption Perception Index (CPI). In addition to general elements of our Due Diligence System, we apply the following measures:

- + We operate a simple supply chain, where wood is transported directly from harvest plot to the mill.
- + All input comes from four suppliers with supplier online verification of state registration system [AFIP - Administración Federal de Ingresos Públicos](#) performed.
- + Truck traceability through the monitoring system Trailsoft is fully implemented.
- + The Argentinian mill is PEFC CoC certified, with no corrective action requests following the audit in October 2023.

SUSTAINABLE SOURCING TARGETS

We have the following targets to ensure the sustainable use of renewable resources and support the long-term sustainability of forest ecosystems:

- + Full compliance with our Timber Sourcing Policy
- + Full compliance with our Zero Timber from National Parks Policy
- + Commitment to a state-of-the-art due diligence system which covers 100% of all wood material input
- + Source 100% of our timber from forests certified to PEFC and/or FSC® forest certification schemes by 2030
- + Certification according to SURE - SUSTAINABLE RESOURCES Verification Scheme of further mills to ensure sustainable sourcing of biomass

EUDR COMPLIANCE

The EU Timber Regulation EUTR will be gradually replaced by the new [EU Deforestation Regulation EUDR](#), which is in force since June 2023. The EUDR is aiming at minimizing the contribution of the European Union to global deforestation and forest degradation, thereby reducing greenhouse gas emissions and biodiversity loss connected to deforestation.

Among other products that include material from commodities such as cattle, cocoa, coffee, oil palm and soy, also wood industry will be required to initiate full traceability of its products.

Generally, with our fully integrated due diligence process and the use of tools such as Timflow and SUMAL, we see ourselves as well prepared for the implementation of this new regulation. HS Timber Group has established an internal plan to implement the new requirements of the EUDR and ensure full compliance with the new regulation.

In the preparation phase, a legal assessment was conducted and an EURD manual was created. Internal training with relevant employees has already started in 2023. As a next step an action plan was developed to ensure a compliant process flow and the involvement of various HS Timber Group's departments, such as Supply Chain Control and Certification (SCCC), purchase, production and sales department. A dedicated working group is assigned to pursue the actions to be taken for the accomplishment of EUDR compliance.



CUSTOMER SATISFACTION

- + Preserving brand values while keeping customer satisfaction high
- + Reliability, innovation, and delivery accuracy as key priorities
- + 59 % long-standing partnerships for more than five years
- + Continuous improvement to achieve zero customer claim rate

For HS Timber Group our customer orientation is key to our company's success. It constitutes one of the pillars of our Mission Statement and is a core value in our company.

Following the process of our materiality assessment Customer Satisfaction has been identified to be an entity-specific material topic for HS Timber Group with very high impact. Disclosures on our entity-specific topic of Customer Satisfaction are therefore included in this report.

Within HS Timber Group we have a collection of various brands to deliberately meet our different customer's needs. The following brands are bundled in HS Timber Group: HS Timber, Luvia, Piniera, HS Baco Panels and the brand of our trading company DABG.

STRATEGY

Customer satisfaction is embedded in our corporate strategy at its core. Satisfied customers and resulting long-lasting business relationships are key to a resilient and economically sustainable development of the company.

Impacts		Risks or Opportunities	
Customer satisfaction			
↑	The price-performance ratio of our sold products impacts customer satisfaction. HSTG is dedicated to deliver sustainable high-quality products.	↑	Long-term partnerships with customers build the foundation of our economic success.
↑	Our customer service and the effective implementation of customer demands play a crucial role in our customers' satisfaction.		

↑ Positive impact (potential/actual) on people and the environment or opportunity for HSTG's business
 ↓ Negative impact (potential/actual) on people and the environment or risk for HSTG's business

GOVERNANCE

HS Timber Group's governance of the customer relationship is anchored at highest level, with the group's Chief Sales Officer being part of the Management Board of HSTG.

Additionally, to keep our customer satisfaction high, we have a responsible Area Sales Manager for each dedicated sales area. The contacts of our Sales Director and our Area Sales Managers can be found on our website www.hs.at.

HS Timber Group's wood products are inherently durable and long-lasting. The final products of our customers, who are from different sectors such as construction, furniture, packaging, and wood processing, are in use for extended periods of time. By offering long-lasting and durable products, both we and our customers contribute to environmental sustainability and thus closing the loop between customer satisfaction and eco-friendly practices. This way customer satisfaction enables us to be economically successful and consequently implement our sustainability practices.

HS Timber Group has the following elements incorporated as integral elements to our corporate strategy:

- + Preserving brand values and keeping customer satisfaction high.
- + Reliability, innovation, and delivery accuracy as key priorities.
- + Development of new products, systems and market expansion.
- + Digitalization of the sales process to increase information availability and transparency on both sides.
- + Research and development to offer innovative products and solutions to meet evolving customer needs at high quality level.

Our strategy entails the geographic diversification of our production facilities to enhance our global delivery capacity for wood products and remain a reliable partner for our customers. This approach not only mitigates risks associated with climate change but also preemptively addresses potential shortages of raw materials. By distributing production across diverse climatic zones, we can maintain operational continuity and adapt more effectively to regional supply fluctuations as well as environmental constraints. It also helps us to broaden our product portfolio supporting a higher use of wood products globally to more customers worldwide.

We specialize in solid lumber for various applications and sell all by-products to the paper, pulp, and particle board industry or process them into pellets. Our customer base includes distributors, industrial companies in the construction and furniture sectors, and Do-it-Yourself stores serving consumers directly.

We place a strong emphasis on the price-performance ratio of our offerings, ensuring that our customers receive exceptional value for their purchases. This focus is crucial for maintaining high customer satisfaction.

Our production is primarily order-based, with customized production processes to meet specific customer needs. With this customer-specific structure of production we seek to achieve best possible customer satisfaction to deliver high quality products and timely delivery. We are measuring the success of our approach through our customer claim rate, which has been continuously very low in the past years and thereby shows that this approach works.

Part of our understanding is also to serve our customers with more than just well-priced products but also provide all requested information, e.g. information related to responsible sourcing, traceability of raw material, the implementation of our state-of-the-art due diligence system and our environmental protection measures. Helping our customers to address their sustainability and compliance obligations related topics in their supply chain is part of our approach.

HS Timber Group's dedication to deliver sustainable high-quality products at best price-performance ratio is accompanied by open communication and a responsive and reliable customer service. We are committed to transparent communication, accurate information, and adherence to stringent standards, reinforcing our commitment to integrity and customer satisfaction.

Starting in 2024, HS Timber Group will have a dedicated research and development depart-

ment focused on driving innovation, reinforcing one of our key strategic pillars. This department will – on the long run – contribute to develop more wood related products and thereby broaden again the product range and the value adding possibilities for us and our customers.

POLICIES

One of the key pillars of HS Timber Group's **Mission Statement**, along with Sustainability and Passion, is Partnership. Within the pillar of partnerships, close cooperation with our customers is key to our common success. The dedication to work customer oriented is crucial in our Mission statement, along with our performance and capability of finding the best solutions for our customers. Our strengths in customer-satisfaction are flexibility, speed, openness, and consequent implementation. Our customers' economic success is the basis for our own long-term success.

All business partners, including our customers, are expected to adhere to our **Code of Conduct for Business Partners**, addressing fair business conduct and ethical behaviour, a core value in our company. Upholding a high standard of integrity with our customers and suppliers supports them vice versa in fulfilling their social responsibilities and adhering to supply chain regulations.

ACTIONS AND RESOURCES

OPEN COMMUNICATION

This presentation of our yearly Sustainability Report constitutes a significant contribution to the open and transparent communication with

all our stakeholders, including our customers as one of our major stakeholders. We have chosen to use our Sustainability Report as means of communication with our stakeholders already since 2018 on a voluntary basis.

HS Timber Group will be required to publish its Sustainability Statement according to the EU's Corporate Sustainability Reporting Directive (CSRD) for the reporting year of 2025. To even meet the increased need of transparent and comparable information on our business, we have explicitly chosen to even anticipate this requirement and structure this report already now according to CSRD and its reporting principles of the European Sustainability Reporting standards (ESRS). Thus, we proactively seek to meet upcoming disclosure requirements already two years before its regulatory requirement and helping our customers and business partners that are potentially already obligated under CSRD to integrate this information easily.

We strongly urge all stakeholders, including our customers, to provide detailed feedback on the structure and content of this report, particularly concerning our material topics, disclosed actions, measures, and targets. This feedback is crucial for fostering an ongoing, dialogue-based communication strategy that aligns our improvement initiatives with the specific needs and feedback of our customers and other stakeholders. By doing so, we aim to ensure our actions remain responsive and relevant to stakeholders.

RESPONSIBLE SOURCING AND SUPPLY CHAIN DUE DILIGENCE

The foundation to ensure the integrity of our products is sourcing from sustainably managed forests paired with our effective and state-of-the-art due diligence system. All our

sold products, solid wood and pellets, undergo a strict due diligence process ensuring the implementation of our commitments. Details on our sustainable sourcing practices and our supply chain due diligence system, which are integral to our business conduct, can be found in chapter [Sustainable Sourcing Practices and Traceability](#) of this report. The provision of information of our supply chain is part of our commitment to open and transparent communication, which is of increasing relevance for our customers. The close cooperation of our Supply Chain Control and Certification (SCCC) department with our sales department ensures a transparent and fast information flow.

CUSTOMER SERVICE

Our sales team is committed to meeting and exceeding customer expectations. We welcome special requests, as they provide an opportunity to collaborate with our customers on the latest ideas and innovations. Whether serving large construction companies, mid-sized furniture factories, small size distributors or DIY retailers, our goal is to fulfil customer requirements down to the last detail. By adhering to stringent standards, we aim to minimize incidents of non-compliance concerning product quality and service information, reinforcing our commitment to integrity and customer satisfaction. We consider this a collective responsibility, and our commitment to quality and customer satisfaction is reflected in our close to zero claim rate.

METRICS AND TARGETS

To keep customer satisfaction high and act as a reliable and stable partner for our customers, we have the following metrics and targets:

Customer claim rate

The customer claim rate is a key performance indicator (KPI) that measures the proportion of total sales revenue that is associated with customer claims. This metric is calculated by taking the total revenue associated with a claim and dividing it by the overall turnover of the sold products. Both figures are considered across all selling entities of HS Timber Group. It thereby provides insight into the quality and customer satisfaction levels of the products sold.

In the year 2023 the customer claim rate was at 0,1%. Our ambitious target is to have a customer claim rate of zero.

Number of long-standing partnership

Maintaining long-standing partnerships with customers is a strong indicator of customer satisfaction, customer loyalty and trust. We define long-standing customer relationships as partnerships that have lasted continuously for more than five years.

In 2023, we were serving 1.335 customers, and we had a long-standing partnership with 59% of this total customer base.

Additionally, we have planned the following actions in the year 2024:

- + Customer survey in form of a structured questionnaire
- + Development of environmental product information (Environmental Product Declaration (EPD) and/or Product Carbon Footprint (PCF))

Environmental Product Declarations are used to provide comparable environmental impact data to external stakeholders, such as in the building and construction industry or for green

product labeling. The development of environmental product information sheets in the form of Environmental Product Declarations (EPDs) or Product Carbon Footprints (PCF) for our products will constitute a further step in the

proactive provision of profound product information to our customers, helping them fulfilling their obligations related to carbon footprint reporting.



STAKEHOLDER- ENGAGEMENT AND COMMUNICATION

- + Open Doors Policy for NGOs
- + Evergreen Innovation Camp
- + Cooperation with association ACTIV

Over the past few years, our stakeholders have emphasized the critical importance of compliance for our company, as well as the need for sustainability and legality throughout our supply chain. These issues have remained at the forefront of our agenda, and we have witnessed increased trust and confidence from our stakeholders in our ability to address their concerns effectively.

GOVERNANCE AND STRATEGY

At HS Timber Group, we recognize the significant impact of our business conduct on a wide range of stakeholders and thus on the communities and societies in which we operate. The stakeholders that might be affected by our corporate decision-making include our

Impacts		Risks or Opportunities	
Stakeholder-engagement and communication			
↑	With our Open Doors Policy, organized stakeholder events, and voluntarily publishing of this sustainability report we enhance transparency and stakeholder dialogue which makes it easier for stakeholders to understand our core business.	↑	Stakeholder engagement offers the opportunity to build trust, establish sustainable partnerships, gain valuable market insights, drive innovation, and enhance reputation. Through active communication and collaboration HSTG can secure long-term strategic advantages.
↑	<p>Through our proactive stakeholder engagement and communication approach, we positively impact the environments of our stakeholders by addressing their specific needs.</p> <p>The approaches we develop in collaboration with our stakeholders serve as role models for broader industry adoption, for example Timflow, which has become a model for the development of similar systems, such as SUMAL 2.0.</p>	↓	There is a limited awareness among some stakeholder groups regarding our activities and how we address sustainability issues. This can result in reputational challenges. Improved communication about wood as a sustainable resource and transparency about positive results of our activities in supply chain control (such as Timflow) is reducing this effect.

↑ Positive impact (potential/actual) on people and the environment or opportunity for HSTG's business
↓ Negative impact (potential/actual) on people and the environment or risk for HSTG's business

Following the process of our materiality assessment we have identified the topic of Stakeholder-engagement and communication to have continuously high importance for HS Timber Group with very high materiality. Also, this voluntary report, made in line with CSRD and ESRS standards, is designed to provide a structured platform for engaging with our stakeholders. We aim to gather their feedback to ensure that future reports reflect a consensus on what matters most. Disclosures on this entity-specific material topic are included in this report.

employees, our upstream and downstream business partners, administrative bodies and authorities, the communities surrounding our production sites as well as societal stakeholders such as media, NGOs, research and education institutions and other interested public and private groups. A comprehensive overview of our various stakeholder groups and our communication streams for specific stakeholder groups are displayed in the General Disclosures – Interest and views of stakeholders. Stakeholder outreach and consultation is done on different levels from the local mills up to the

Group and is integrated into daily operations. Structured stakeholder outreach is done in the area of Supply Chain Control and Certification and in the course of the sustainability process.

We believe that engaging in constructive dialogue with our stakeholders and actively addressing our stakeholders' concerns is of mutual benefit – to HS Timber Group as well as to the concerned stakeholders. The input we receive from our stakeholders is highly valuable to us, as it brings forth social and environmental concerns, and drives us to develop and pursue innovative ideas to address these concerns. By maintaining an open and ongoing dialogue, we aim to align and manage expectations, find common ground, and develop collaborative solutions. To effectively engage with our stakeholders, we employ diverse forms of tailored communication, ensuring that each stakeholder group is addressed appropriately. This means that a structured and formalized dialogue is as important as direct and informal meetings and discussion formats. By our commitment to pro-active stakeholder dialogue, we seek to enhance transparency and strengthen our stakeholders' trust in the business processes of HS Timber Group.

POLICIES

During the past six years, HS Timber Group implemented a sound corporate communication strategy based on openness and transparency. As part of our dedication to transparent communication, HS Timber Group has established an Open Doors Policy for Non-Governmental-Organizations (NGOs) as well as media representatives.

We have established a dedicated process, that will allow representatives from recognized NGOs to visit our mills without prior notice.

They may thereby form their own opinion about our mill's operating processes – specifically on our supply chain control processes. To make use of this possibility an interested NGOs is required to register at our compliance department and sign a standard non-disclosure agreement regarding the technologies employed.

With our Open Doors Policy, we value the input provided by civil society organizations and other representatives from various stakeholder groups as they might have perspectives which we do not have and vice versa. This policy not only facilitates the addressing of concerns but also encourages the development of solutions to address these concerns. Furthermore, it fosters transparent communication and commitment to our efforts to ensure a safe and secure supply chain. Additionally, this Open Doors Policy is an opportunity to mutually learn about and leverage HS Timber Group's engagements and positive impacts on local communities.

We have a Stakeholder Engagement Protocol in place which sets out how and in which processes we include stakeholders in our business considerations. Stakeholder engagement is also explicitly normed in our Environmental Policy and our Timber Sourcing Policy.

Additionally, as part of our stakeholder engagement and communication approach, HS Timber Group is a member of several associations, and as such actively engaging in these associations' dialogues. This associations include the European Organization of the Sawmill Industry (EOS), the Romanian Association of the Wood Industry (Prolemn), the German Sawmill and Timber Industry Association (DeSH), and the Finnish Sawmills Association. In Austria, HS Timber Group is a member of the Federation of Austrian Industries (IV).

ACTIONS AND RESOURCES

HS Timber Group commits to open and transparent information, which includes information about new developments, involvements, principles, and policies. We provide extensive information about our action plan, our mission and vision, guiding principles and news on our website (www.hs.at) and update stakeholders with a regular stakeholder newsletter.

Input from stakeholders is collected through dedicated stakeholder consultations or by direct interactions with the concerned stakeholders.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION IN OUR SUPPLY CHAIN

An open and constructive stakeholder dialogue is crucial in maintaining our sustainable and secure supply chain. Input from external stakeholders plays an integral part of our risk management efforts and is thus part of our Due Diligence System (DDS).

Regarding the origin of wood and supply chain transparency HS Timber Group has been taken a pioneering role within the industry. Through our [Timflow](#) GPS tracking system we enhance the physical traceability of wood in Romania and thereby ensure transparency of the wood's origin. This publicly accessible wood tracking system is facilitating meaningful engagement with stakeholders.

More information on our Due Diligence System and our Timflow traceability system is described in chapter [Sustainable Sourcing Practices and Traceability](#).

HS Timber Group has implemented a stakeholder consultation process to collect external information about planned supply (at the FMU level). As established in the procedure, the opinion of relevant stakeholders is taken into account for risk mitigation.

Cooperation with association ACTIV

Notably, in 2023 HS Timber Group started a collaboration with the association "Asociatia pentru Combaterea Traficului Illicit Viitorul – ACTIV" with the focus on fighting illegal logging in Romania.

The ACTIV association acts as a moderator in discussions between governments, industries, and consumers. It addresses the issues of illegal trafficking and cross-border crime, focusing on how these activities introduce harmful products into the market, endanger consumer health, and undermine legitimate businesses as it is the case with illegal timber trade. The focus of the association's work is the counterfeiting of illegal trade in various industries. The organization has recently introduced the new topic of fighting illegal logging in Romania on their agenda.

In May 2023 the Association for Combating Illicit Trafficking Viitorul (ACTIV) organized a new training module on the topic "Negative effects of illicit trafficking of goods and cross-border crime" at the Police Academy Alexandru Ioan Cuza. Within this training module, some of the topics presented were aimed at preventing and combating illegal logging and trading of illegally harvested wood. HS Timber Group supported this event by providing industry expert's insights. The point of view of environmental activists was also presented, where the guest speaker presented various cases that were investigated. The collaboration with the ACTIV specialists and the invited speakers offered the future officers of the Ministry of Internal Affairs

an instructive-applicative framework to stimulate them in their professional development.

ACTIV continued to organize a series of events in Romania and other countries, raising awareness throughout stakeholders and Romanian relevant authorities. The events consisted of training modules to other Police Schools in Romania (ISOP, Slatina Development Center), meetings with local authorities and stakeholders in Bucharest, Valcea and Sibiu. As HS Timber Group we support the work of ACTIV, for instance through industry insights, best practice sharing and thus encourage mutual learning.

STAKEHOLDER EVENTS

Throughout the year 2023 HS Timber Group has organized various events to enhance Stakeholder-Engagement and Communication:

Public consultation in Reci

Over the past several years, HS Timber Group has hosted an annual event in Reci, Romania to engage with various stakeholders, offering a platform for idea exchange and updates about our business activities. In October 2023, HS Timber Group has organized this stakeholder event in Reci, Romania, with the focus on purchasing policies and procurement areas. Suppliers, authorities, and other professional organizations participated in this public consultation. During the event, stakeholders were invited to visit the sawmill, gaining a more detailed understanding of our sorting, cutting, and planing operations. Topics of common interest were also discussed, including the current role of HS Timber Group in Romania, competition rules and their implications in the forestry sector. Additionally, the current state of the timber market, and valuable information about the upcoming EU Deforestation Regulation (EUDR) and the Renewable Energy Directive II (RED II) were discussed.

Customer visit from Japan

In May 2023 HS Timber Group was visited by one of our customers from Japan aimed to deepen our understanding of each other's business and strengthen our business relationship. Collaboration and strong partnerships are essential to the success of any business. During the visit, the internal processes of HS Timber Group were explained, including timber origin and traceability verification, supplier management, risk analysis and mitigation, and integration of information into our Due Diligence System hub. A tour at our sawmill in Reci was an essential part of the visit. To give a deeper understanding of our timber responsible sourcing practices, the group visited a harvesting plot and insights to our Timflow GPS tracking system as well as SUMAL system was given.

Parliamentary visit to sawmill in Reci

In March 2023, HS Timber Group welcomed a parliamentary delegation at our factory in Reci, including members of the Romanian parliament and environmental activists - as part of our Open Doors Policy. We had the opportunity to demonstrate on spot the company's procedures and rules for checking the origin of timber and controlling sources of supply. In addition, we were able to show visitors the latest technology and the production processes we use.

Following discussions with the participants, we found new ways to improve preventive control and transparency in our operations. We are proud to emphasize that the visit took place as a constructive dialogue and our company was publicly positively valued as open and transparent.

Administrative body visit Kodersdorf

In our location in Kodersdorf, Germany, we regularly welcome interested parties and decision-makers to provide them with insights into our operational production. These

high-level visits are typically accompanied by the German Sawmill and Timber Industry Association (DeSH), of which HS Timber Group is a member. One of these events took place in October 2023 when the State Minister of Saxony, along with other stakeholders, visited our sawmill in Kodersdorf. The factory tour highlighted wood as a raw and construction material, emphasizing its potential as an innovative and environmentally friendly resource.

Evergreen Innovation Camp in Vienna

In 2023 HS Timber Group was hosting the third Evergreen Innovation Camp, where representatives from the international timber processing industry and international students gathered in Vienna. In this year's 48-hour hackathon, ten international student teams from nearly 20 different countries and 30 different universities collaborated to take on the "Viral Wood" challenge with the mission to create an engaging social media video that highlights the timber industry's sustainable role in the circular economy. This event was also accompanied by a special event providing insights into Austrian forestry.

WoodComp3D at the on-site inspection in Kodersdorf

The research group of the Christian Doppler laboratory 'WoodComp3D' of the Vienna University of Technology visited our factory in Kodersdorf in November 2023. On site, the eleven researchers were able to get insights into how we process sawlogs in Kodersdorf. Special attention was paid to the sawmill by-products, which are intended to serve as raw materials for a 3D printing process during 'WoodComp3D' project. These insights in the sawing process and the processing of the sawmill by-products into pellets could trigger constructive discussions and new ideas.

METRICS AND TARGETS

As HS Timber Group we are fully committed to a transparent, honest and open dialogue with our stakeholders and therefore pursue full compliance with our Open Doors Policy. In the year 2023, we did not have any visits by NGOs in our mills.

Within our Open Doors Policy we are also committed to promote transparency through media visits. In the year 2023, our mills had in total eight media visits, two of those in Germany and six in our newly build plant in Argentina.

LIST OF DATAPOINTS IN CROSS-CUTTING AND TOPICAL STANDARDS THAT DERIVE FROM OTHER EU LEGISLATION²⁴¹

Disclosure Requirement and related datapoint	Section	Page
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	ESRS 2 GOV-1 - Composition of the management board	5
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)	ESRS 2 GOV-1 - Composition of the management board	5
ESRS 2 GOV-4 Statement on due diligence paragraph 30	ESRS 2 GOV-4 - Statement on due diligence	8
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	ESRS 2 SBM-1 - Strategy, business model and value chain	12
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	ESRS 2 SBM-1 - Strategy, business model and value chain	12
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	ESRS 2 SBM-1 - Strategy, business model and value chain	12
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv	ESRS 2 SBM-1 - Strategy, business model and value chain	12
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14	E1-1 - Transition plan for climate change mitigation	36-37
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)	E1-1 - Transition plan for climate change mitigation	36
ESRS E1-4 GHG emission reduction targets paragraph 34	E1-4 - Targets related to climate change mitigation and adaptation	40
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Not relevant	-
ESRS E1-5 Energy consumption and mix paragraph 37	E1-5 - Energy consumption and mix	41-42
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Not relevant	-
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	E1-6 - Gross Scopes 1, 2, 3 and total GHG emissions	43
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	E1-6 - Gross Scopes 1, 2, 3 and total GHG emissions	46
ESRS E1-7 GHG removals and carbon credits paragraph 56	E1-6 - Gross Scopes 1, 2, 3 and total GHG emissions	46
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66	Identification and assessment of climate-related impacts, risks and opportunities (E1.IRO-1) – Climate Risk Assessment	22
	E1-9 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	47
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a)	Not stated	-
ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).	Not stated	-
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities paragraph 69	Identification and assessment of climate-related impacts, risks and opportunities (E1.IRO-1) – Climate Risk Assessment	22
	E1-9 – Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	47
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Not material	-
ESRS E3-1 Water and marine resources paragraph 9	Not material	-
ESRS E3-1 Dedicated policy paragraph 13	Not material	-

ESRS E3-1 Sustainable oceans and seas paragraph 14	Not material	-
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Not material	-
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Not material	-
ESRS 2- IRO 1 - E4 paragraph 16 (a) i	Not material	-
ESRS 2- IRO 1 - E4 paragraph 16 (b)	Not material	-
ESRS 2- IRO 1 - E4 paragraph 16 (c)	Not material	-
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Not material	-
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Not material	-
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Not material	-
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Not material	-
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Not material	-
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Not material	-
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Not material	-
ESRS S1-1 Human rights policy commitments paragraph 20	Not material	-
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ESRS S1-1 processes and measures for preventing trafficking in human beings paragraph 22	Not material	-
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ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Not material	-
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ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19	Not material	-
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Not material	-
ESRS S3-1 Human rights policy commitments paragraph 16	Not material	-
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Not material	-
ESRS S3-4 Human rights issues and incidents paragraph 36	Not material	-
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Not material	-
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Not material	-
ESRS S4-4 Human rights issues and incidents paragraph 35	Not material	-
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Not relevant	-
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LIST OF ABBREVIATIONS

BU	Business Unit
CapEx	Capital Expenditures
CCF	Corporate Carbon Footprint
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHP	Combined Heat and Power Plant
CoC	Chain of Custody
COO	Chief Operating Officer
CO ₂ e	Carbon Dioxide equivalent
CPI	Corruption Perceptions Index
DABG	Dr. Anna Bauthen GmbH
DDS	Due Diligence System
DeSH	German Sawmill and Timber Industry Association
DIY	Do-it-Yourself
EFRAG	European Financial Reporting Advisory Group
EPD	Environmental Product Declaration
EPS	Evergreen Privatstiftung
ERP	Enterprise Resource Planning
ESG	Environment, Social, Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
EUDR	European Union Deforestation Legislation
EUR	Euro
EUTR	European Timber Regulation
FSC®	Forest Stewardship Council
GEC	Group Executive Committee
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GPS	Global Positioning System
HSE	Health, Safety and Environment
HSTG	HS Timber Group
IEA	International Energy Agency
ILO	International Labour Organization
KPI	Key Performance Indicator
MENA	Middle East and North Africa
MW	Megawatt
MWh	Megawatt hour
NaDiVeG	Nachhaltigkeits- und Diversitätsverbesserungsgesetz
NFRD	Non-Financial Reporting Directive
NGFS	Network for Greening the Financial System
NGOs	Non-Governmental Organizations
OpCo	Operational Committee
OpEx	Operational Expenditure
PCF	Product Carbon Footprint
PEFC	Programme for the Endorsement of Forest Certification
UBA	Umweltbundesamt
SBTi	Science Based Targets initiative
SCCC	Supply Chain Control and Certification
SME	Small and medium enterprises
SURE	SUSTAINABLE RESOURCES Verification Scheme
tCO ₂ e	tons of CO ₂ equivalent

EDITORIAL

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