



Holzindustrie **Schweighofer**

Earthsight  
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Sitz: Wien  
Firmenbuch-Nr. 454385 p  
UID-Nr. ATU71148126

Vienna, 28 February 2019

Dear Mr Lawson,

On behalf of our company I can answer your letter as follows:

First of all, we clearly respect and support the fight against illegal logging and illicit trade of wooden material. We are convinced that this is, among other initiatives, crucial to maintaining or regaining a high level of sustainability in the forest sector globally.

Holzindustrie Schweighofer takes its responsibility seriously, especially in challenging environments like Ukraine. The following areas of responsibility can be discerned:

- Compliance with the laws of the respective country along with
- All applicable international laws, especially the EUTR (European Timber Regulation)
- The ethical aspiration to establish efficient and transparent control systems that go beyond the scope of these laws in order to monitor and secure the entire supply chain.
- The ambition to continuously improve our security architecture in constant dialogue with the public and civil society.
- Not to do any business with convicted offenders in the areas of corruption and illegal harvesting.

If specific problems in forestry arise in certain countries (*such as Ukraine*) that clearly fall within the responsibility of the national authorities, then these problems must be addressed by these authorities. A company cannot assume responsibility for such problems that are not recognizable, even to a diligent company like Holzindustrie Schweighofer. It is also our conviction that private corporations cannot, should not and must not take over the sovereign functions and duties of a state. To be made responsible for criminal acts allegedly perpetrated in a country, when one may in fact be the victim of those criminal acts, must be rejected emphatically.



Holzindustrie Schweighofer also strongly believes that excluding countries with significant sourcing risks from its supply chain in no way contributes to better forest governance and more sustainability in the countries concerned. Legal instruments like the EUTR will only develop their effectivity in these countries, if operators that are based in the European Union and that have to and want to show compliance with these regulations, are active there. Not only in cases when Holzindustrie Schweighofer is considered an operator according to the EUTR it is the company's responsibility to mitigate any risks that might occur in its supply chain to negligible level.

In May 2018, Holzindustrie Schweighofer published its current purchasing policy on its [website](#). We are convinced that the policy is quite strong and clearly lays down the core principles mentioned above. However, the EUTR requires us also to update our due diligence systems on a regular basis or when indications show that risk factors have changed, and this is what we did on the basis of civil society and official reports that were recently published including the latest Earthsight report.

It is one of our main principles to maintain open discussions with NGOs and other members of civil society. The company is convinced that dialogue – alongside continuous internal controls – offers the best opportunity to optimise its security architecture. This applies in particular to countries with challenging social, political and economic environments.

Due to the Ukrainian export ban on round logs, Holzindustrie Schweighofer is currently not sourcing any round logs from Ukraine. We do purchase coniferous sawn timber from 18 companies supplying wood from Ukraine. To examine the sources of all purchased timber – not just from Ukraine – we employ around 50 people (!), including supply chain experts, internal auditors and purchasers. Crucial elements of our verification and risk mitigation process are: On-site visits to all suppliers and the harvesting locations in the forests, checking certifications and company profiles of the suppliers, legal due diligence and verification of the competent responsibility of the forestry administrations. After purchase and during delivery, quality, quantity and the respective delivery documentation are closely monitored and regularly updated. In this way, the entire spectrum of the supply chain as well as each delivery is checked prior to entering into production.

As stated above, it is Holzindustrie Schweighofer's main principle to only act within the framework of every law and regulation relevant for its business. We have strong security architecture in place, and clearly distance ourselves from questionable business partners; we maintain regular audits and have undertaken an additional third-party investigation focusing on the legal status of the supplier companies in 2018. In particular, the legal status of the companies or of their directors regarding convictions for illegal logging or corruption is relevant. The result of this investigation showed that none of our suppliers or their administrators was convicted for illegal logging and/or corruption. Nevertheless, we keep on increasing our sensitiveness and our efforts to even enforce our awareness.



Thanks to NGOs and civil society we are in an open discourse regarding these important issues and are also learning from their input.

Between 2015 and 2019, Holzindustrie Schweighofer was subjected to 12 EUTR controls, all of which confirmed compliance with any due diligence obligations. Asked if and how we want to comment possible reforms or political developments in the Ukraine, our statement is very clear: As a matter of principle, we do not comment on political decisions or processes; it is our duty to act within the framework of the law. Yet we think that measures that increase transparency, and fight unlawful practices in any case are to be seen as positive.

I hope you find our statement referring to your questions useful and I stress that we are very much interested in meeting you personally in order to learn more about your views on the situation in Ukraine. I would also like to cordially invite you to one of our factories in order to see the implementation of our security architecture in real life.

I look forward to your answer.

Yours sincerely,

Michael Proschek-Hauptmann  
Head of Compliance and Sustainability  
Schweighofer Group