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Holzindustrie Schweighofer: Constant improvement of robust due diligence system for wood deliveries in Romania – offer of cooperation to NGOs

- **Voluntary commitment not to process wood from national parks, even from areas where harvesting is legally permitted**
- **“Timflow” wood tracking system transparently monitors the supply chain**
- **Strict due diligence systems for log yards – pilot projects to further strengthen transparency**
- **Holzindustrie Schweighofer processes about 6% of Romania's total annual timber harvest, imports about 60% of the wood it processes in Romania from abroad**

Holzindustrie Schweighofer, one of Europe's leading wood processors, with three saw mills and two panel factories in Romania, introduced an extensive action plan for a sustainable timber industry in Romania already in January 2017. Since the company does not harvest any wood itself, but buys it from its suppliers, its aim is to ensure that only legally harvested wood is processed. Moreover, the company has made a voluntary commitment not to process any wood originating from national parks. This commitment also includes areas of national parks (“buffer zones”) where harvesting is explicitly permitted by law. Holzindustrie Schweighofer processes around 6% of Romania's total annual timber harvest. In 2017, about 60% of the wood processed by the company in Romania was imported from abroad (*from Slovakia, Poland, the Czech Republic, Austria and other countries*).

Holzindustrie Schweighofer has invested a total of € 1 million in this security architecture, which the company continuously improves in close consultation with the public and environmental NGOs.

Due diligence system for direct wood deliveries and deliveries via log yards

Holzindustrie Schweighofer's due diligence system is effective for both direct wood deliveries from the place of harvesting to the mills as well as for wood that is first transported to so-called log yards and then delivered to the company's mills.

Most important components of the action plan:

- **GPS tracking system “Timflow” for a fully transparent supply chain**
Every truck delivering Romanian saw logs to the company's saw mills is equipped with a GPS device, which proves the logs' exact loading place. The results are publicly accessible at www.timflow.com.
- **No wood from national parks**
- **Exclusion of suppliers in the event of non-compliance with the company's purchasing policy**
- **“Open doors policy” for NGOs**
In line with its commitment towards transparent communication, Holzindustrie Schweighofer has implemented an open door policy for NGOs.
- **Compliance and anti-corruption training**
The company's employees regularly participate in compliance trainings with external experts. Regular anti-corruption courses serve to raise awareness among our employees, especially those working in purchasing.
- **Improved stakeholder consultation**

Holzindustrie Schweighofer is in close contact with environmental NGOs and takes their criticism and input seriously.

- **Electronic verification of delivery quantities**

Holzindustrie Schweighofer uses an electronic 3D measuring system to ensure that the delivery quantity indicated in the consignment note corresponds to the actual delivery.

Information about log yards in Romania

Log yards are part of Romania's timber industry. Due to the small forest road infrastructure, wood is sorted, cut into assortments and delivered to various customers from the log yards. For Holzindustrie Schweighofer it is important that no wood from national parks is mixed with wood that the company accepts for processing at these log yards.

Due diligence system for log yards

Holzindustrie Schweighofer has a well-designed due diligence system for these log yards in place:

- Every supplier must disclose all sources of wood procurement, including the harvesting permit (APV). This means that every supplier has to prove exactly from which forest his incoming loads originate. As soon as Holzindustrie Schweighofer's supply chain experts learn that wood from national parks is traded on a log yard (which is perfectly legal for certain zones of national parks), the company does not accept deliveries from this specific log yard during this time period.
- The log yard operator can only supply Holzindustrie Schweighofer during this blocking period if he has other harvesting locations outside of national parks and the deliveries go to the company's mills and are monitored via Timflow. In general, deliveries from a log yard to Holzindustrie Schweighofer's mills are also tracked using Timflow.

The company's suppliers are of course informed that Holzindustrie Schweighofer does not accept wood from national parks. This is clearly stipulated in the relevant contracts. All suppliers are constantly checked to ensure compliance with this regulation.

Pilot projects to further strengthen the security architecture for log yards

Holzindustrie Schweighofer, together with environmental organisations and scientists, is currently working on several pilot projects to investigate single log tracking and validation of the timber origin. This could further improve the security architecture at the log yards. The aim is to develop a practical and independently auditable system – which currently does not exist in an industrial form. Possible technologies that are currently being tested and implemented in the pilot projects are:

- Physical single log tracking by the means of an artificial identifier (barcode, QR-code) or an biotic identifier (growth ring pattern, distribution of branches)
- Validation of origin by the means of stable isotope analyses, or NIR (Near Infrared) spectroscopy analysis
- Surveillance of the harvesting site with drones

Holzindustrie Schweighofer took on a pioneering role with the introduction of Timflow for all its suppliers in April 2017. By developing technologies to track individual logs and to validate the timber

origin, the company is now taking the next step. Holzindustrie Schweighofer will inform the public as soon as further progress is made in this regard.

Holzindustrie Schweighofer's measures for a sustainable forestry industry in Romania

- **Holzindustrie Schweighofer pays a bonus of 10 RON/m³ (2 €) for FSC-certified saw logs**
To ensure a sustainable supply chain in Romania that meets the high FSC standards, Holzindustrie Schweighofer pays its suppliers a bonus for FSC-certified logs. Since 2012, Holzindustrie Schweighofer has paid a total of 6.4m RON (about €1.4m) for this FSC-bonus.
- **GPS-tracking – transparency for the supply chain**
Holzindustrie Schweighofer has implemented a GPS tracking system in Romania (Timflow). This system surpasses all legal requirements by far. Every truck delivering Romanian saw logs to the company's saw mills is equipped with a GPS device, which proves the logs' exact loading place. The results are publicly accessible at www.timflow.com.
- **Improved stakeholder consultation**
During the past two years, Holzindustrie Schweighofer improved and intensified its dialogue with all stakeholders. Holzindustrie Schweighofer is committed to an open and transparent dialogue with NGOs and civil society. We share the aim of securing sustainability in timber processing.
- **Comprehensive audit by the renowned Indufor group**
In January 2016, Holzindustrie Schweighofer subjected its purchasing processes to an in-depth analysis. The independent Finish consulting firm Indufor examined all processes as well as the supply chain and the mills in Romania. Their conclusion: Holzindustrie Schweighofer's due diligence system surpasses the regulatory requirements by far and complies with the standards laid down by the European Timber Regulation (EUTR) for placing legal wood on the European Single Market.
- **Strict controls for sensitive forest areas**
Holzindustrie Schweighofer has developed a system for risk minimization based on geographical maps issued by the Romanian Association for Forest Certification which identify regions that are susceptible to unlawful logging. If Holzindustrie Schweighofer buys timber from these regions or from sites that are located in close vicinity to national parks or virgin forests, our employees act with the highest degree of sensitivity by inspecting the most important documents necessary for legal timber harvesting (the authorized document proving the harvested amount "APV", the waybill (Aviz) and the forest management plan) with maximum attention.
- **Strengthened compliance team**
A rigorous due diligence process requires an adequate number of trained experts. Holzindustrie Schweighofer doubled its team for compliance and certification during the past months to 16 employees.
- **Exclusion of suppliers who do not comply with Holzindustrie Schweighofer's purchasing policy**
If suppliers don't follow the company's purchasing policy, they are excluded from the supply chain.
- **Holzindustrie Schweighofer does not accept timber shipments from national parks**
Holzindustrie Schweighofer implemented a "Zero Timber from National Parks"-Policy in Romania, although the legislation would allow for logging in so called national park buffer zones and in case of sanitary cuttings.
- **Compliance and anti-corruption training**
For its Romanian employees, especially those working in the area of purchasing, Holzindustrie Schweighofer organizes anti-corruption and compliance trainings on a regular basis.
- **Afforestation projects**
In September 2017, Holzindustrie Schweighofer, together with the Romanian Association of Forest Administrators (AFA) and University of Suceava, launched the multi-year afforestation project "Tomorrow's Forest / Pădurea de Măine". The project targets degraded forest areas of small, private owners and communities. With this large-scale project Holzindustrie Schweighofer wants to contribute to the protection and regeneration of the Romanian forests. Holzindustrie Schweighofer is investing around EUR 1 million in this project, which aims at planting around one million trees until 2024.
- **Open doors policy for NGOs**
In line with its commitment towards transparent communication, Holzindustrie Schweighofer has implemented an open door policy for NGOs. Interested NGOs are invited to register with the Group's Compliance Department and to sign a standard non-disclosure agreement with regards to the technology used. Thereafter, registered NGOs can enter the company's mills at any time to make unannounced inspections and audits of the entire supply chain.
- **Information on our website www.schweighofer.at:** Holzindustrie Schweighofer is committed to a transparent and open public dialogue. The website www.schweighofer.at/en/responsibility is part of the company's contribution towards this discourse and showcases its efforts to improve sustainability.

**About the Schweighofer Group**

The Schweighofer Group has its roots in a traditional Austrian family company with over 400 years of experience in wood processing. Today, the Group is primarily active in the wood processing industry, forest management, bioenergy production and real estate. The industry division of the Schweighofer Group operates three sawmills and two wooden panel productions in Romania and one saw mill in Germany. It takes a leading role in the European timber-processing industry, currently employing around 3,100 employees. Holzindustrie Schweighofer exports products to over 70 countries worldwide.

For further information please contact:

Thomas Huemer

Head of Corporate Communications

Tel: +43 1 585 68 62 -24

E-mail: thomas.huemer@schweighofer.at