



Our Sustainability Report

OCTOBER 2021



**HS TIMBER
GROUP**

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Introduction

The year 2020 has probably turned out differently than any of us had imagined. The COVID-19 pandemic brought major challenges in all sectors. Through intensive protection efforts for our employees, such as distancing rules, mandatory masks and regular disinfection of exposed areas, we managed to get through the crisis. True to the motto "Together!", HS Timber Group also dispatched financial and material support to local communities and other stakeholders, in their efforts to contain the spread of COVID-19.

While sustainability and climate protection were still a footnote in the global economic system before the COVID crisis, these issues have become a fixed agenda point for all companies. As a company in the wood processing industry, we are in the privileged situation of being able to work with a renewable raw material. Wood and forests will be prominent in tackling the climate crisis. The core business of the timber industry is sustainable, as long as the raw material comes from sustainable forest management. For HS Timber Group, it is, therefore, central to continue the path taken in 2017 with the implementation of the Action Plan for a sustainable supply chain. In this context, it was important for our stakeholders and for us to ensure a safe and transparent supply chain, as well as a clear focus on ethical corporate governance, stakeholder dialogue and occupational safety for our employees.

We hope you will enjoy reading this report, give us feedback and engage with us in the future.

Jürgen Bergner, Christian Hörburger, Martin Louda, Gerald Schweighofer
Management Board



Our third Sustainability Report



This report contains information about our principles, our mission statement and our approach to sustainability and discusses 2020 achievements and challenges.

Our goal is to get better every day – especially when it comes to sustainability. However, significant changes can only be achieved with the help of our employees and stakeholders. Mutual trust is crucial here and requires, in particular, information and transparency – something which HS Timber Group aims to provide with this Sustainability Report as well.

2.1. GRI Standards

The content, information and figures are selected and presented in compliance with the standards of the Global Reporting Initiative (GRI Standards). GRI, the international stakeholder initiative, has developed accepted guidelines for sustainability reporting that ensure transparency and comparability. This report meets the requirements of the “Core option”. GRI indicators discussed in the report are presented in chapter 10.

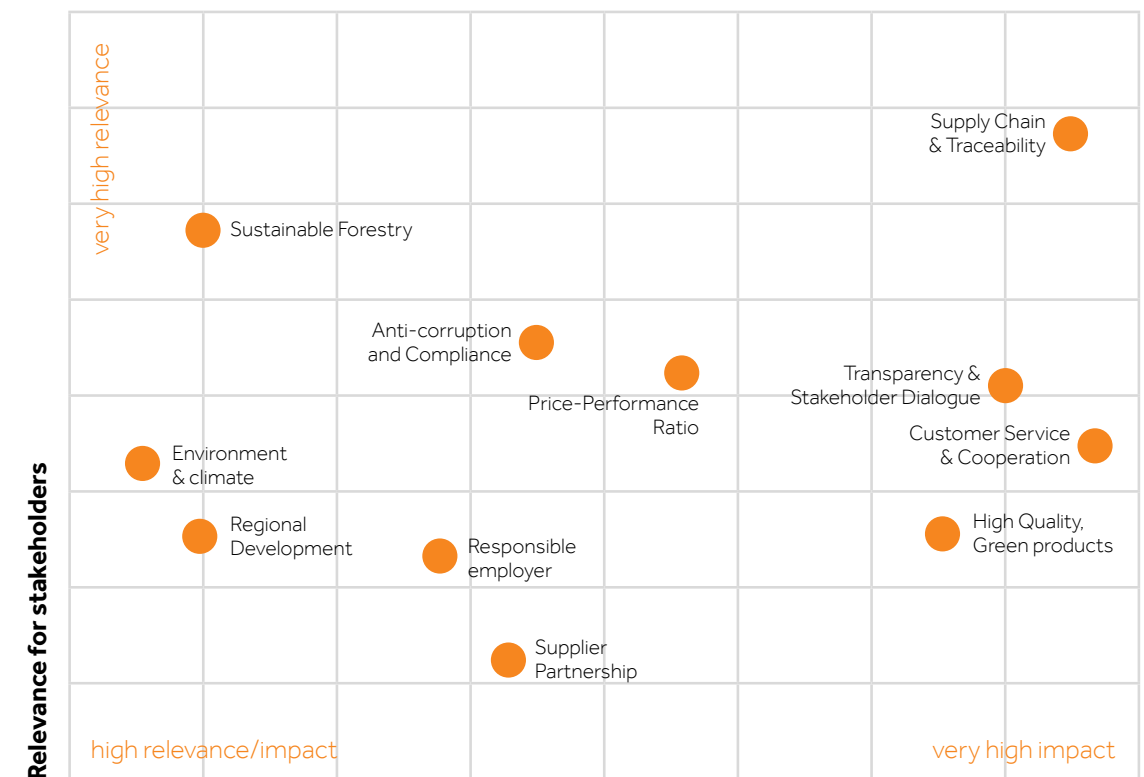
2.2. Report boundary

The content and key performance indicators (KPIs) presented relate to the year 2020. The main subject of the report is the timber-processing arm of HS Timber Group. Changes in the delimitation of data or KPIs, for example when the entire Group is considered, are indicated at the appropriate point. Besides this Sustainability Report, HS Timber Group also provides information about its corporate responsibility on its website (www.hs.at).

2.3. Our sustainability process

The relevant fields of action of HS Timber Group in the area of sustainability are shown in the materiality matrix. Based on our mission statement, this is regularly updated in a multi-stage process; given the pandemic situation in 2020, the materiality matrix review process was scheduled for 2021. In December 2019, a total of 78 stakeholders took part in an online survey to evaluate the current activities of HS Timber Group and to identify important topics in the field of sustainability. To fill in the survey, several personal interviews were conducted with selected stakeholders, including customers, business partners and suppliers, NGOs, interest groups and representatives from political and (regional) administration.

As a next step, based on the results of the stakeholder survey, the relevant topics were discussed and prioritised, together with managers and different company experts. Special attention was paid to the environmental and social impact of the company's activities, in each field of action. This led to the revision of the materiality matrix that provides the basis for the contents of this report, the GRI topics and indicators described and the sustainability program for the coming years.



Current impact of HS Timber Group

The materiality matrix shows - for each topic covered - on the one hand, the importance for the stakeholders (vertical axis) and, on the other hand, the extent of the impact in environmental and social dimensions (horizontal axis). In short: how important is the topic from the perspective of the stakeholders? And where does HS Timber Group have a major impact in terms of environmental protection or social development? The more relevant an issue is in relation to these two factors, the more sustainability management must focus on it, taking into account economic impacts. Based on the materiality matrix, eleven topics were defined as significant for HS Timber Group (these are topics from high - to very high relevance for stakeholders and impact for HS Timber Group, while topics of low impact or relevance have been blanked out.). On the following pages you will find out more about these issues, especially about our approach, our objectives and specific measures.



Introducing HS Timber Group

3.1. Sustainability, passion, partnership

HS Timber Group is a long-established wood processing company of Austrian origin, with very strong roots in Central and Eastern Europe, especially Romania. With around 3,500¹ employees in Austria, Germany and Romania, we produce high-quality wood products and supply - via wholesalers - primarily industrial customers all over the world.

We develop individualised, tailor-made solutions for our customers, from customised laminated products for Japanese housing construction and

light wooden panels for American caravans and mobile homes, to timber products sold in DIY stores all over Europe, as well as pellets and green electricity for households.

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



3.2. History of HS Timber Group

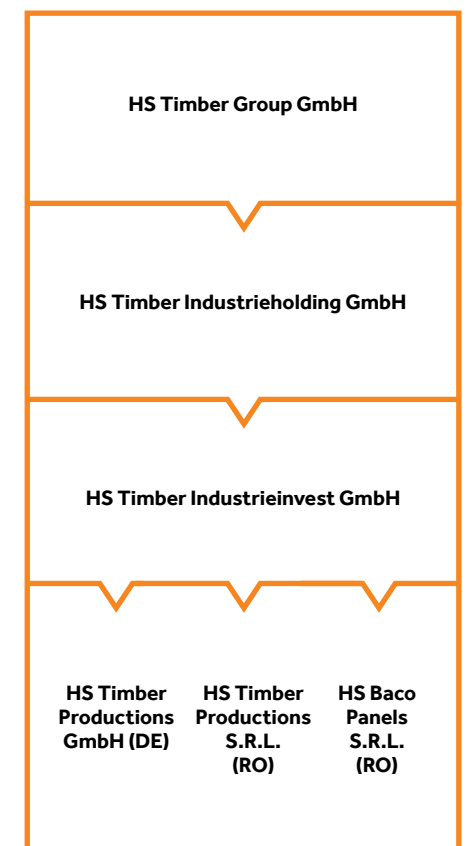
HS Timber Group has its origins in a traditional Austrian company. We have more than 400 years of experience in wood processing. The foundations for the company's current size were laid in the 20th century. The company was then already striking out in new directions and setting standards in the wood processing industry. Today, HS Timber Group, with its head office in Vienna, is a strong company, with five production sites in Romania and one in Germany.

3.3. Corporate structure and production sites

Today, HS Timber Group GmbH is organised as a holding company, headquartered in Vienna. Most of its 3,500 employees work in the wood processing industry, but also in lumber trading, forestry and bioenergy production². The Group has had a strong presence in Romania for many years. In 2003, we opened our first sawmill in Sebeș, Alba county. HS Timber Group now operates three sawmills with secondary processing in Reci, Rădăuți and Sebeș, a blockboard factory in Comănești and a factory for the production of edge-glued panels in Siret. In October 2015, a sawmill in Kodersdorf, Saxony/Germany, was added to the Group. At the end of 2020, the company started the construction of another sawmill with secondary processing in Belarus. Our products are sold to around 70 countries across the world.

The regions where we work are the basis for our success. We therefore respect and value them. HS Timber Group has demonstrated social commitment for many years and supports charitable projects in education, social services and healthcare. Our state-of-the-art plants generate 3,500 jobs, many of which are based in economically disadvantaged regions. In Romania alone, another around 4,000 jobs have been created in upstream and downstream industries³. For more information please see Chapter 8, "Regional responsibility".

^{1,2} The area reported on solely comprises the wood processing arm of HS Timber Group.
³ Economic impact of the wood industry in Romania, PwC, 2016



Location-based value chain



Forest

Even though we do not harvest any trees ourselves, we support the conservation of natural forests and the fight against illegal logging. With our Action Plan for a sustainable wood supply chain, we have drawn up a range of measures that by far surpass all legal requirements.



Logs

A strict Due Diligence System ensures that the purchased wood material exclusively originates from sustainably managed forests and that the origin of the wood can be traced back to the forest.

In 2020, a total of 3.6 million m³ of logs were processed in the sawmills in Reci, Rădăuți, Sebeș and Kodersdorf. The plant in Comănești is the world's biggest blockboard plant at a single location. At the Siret panels factory, sawn timber is processed into edge-glued panels. Pellets and briquettes are also produced at the plants in Romania.

The state-of-the-art combined heat and power plants (CHP) at the sawmills in Reci, Rădăuți, Sebeș and Kodersdorf generate renewable energy (capacity of electricity production: 46,45MW) from biomass and bark. While all of the heat generated is used for the plants' own production processes (especially kiln drying), the excess green power is fed into the national power grid.



Overview of HS Timber Group's products and by-products

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



Examples of blockboards



3.4. Products and value chain

We utilise 100% of the raw material. All by-products are further processed or used to generate renewable energy, or are sold for further processing in the paper or panel industry. In addition to high-quality sawn timber, we manufacture high value-added products at our processing facilities, such as our glued wood products that are exported to Japan for use in housing construction. Our light-weight, yet sturdy, blockboards are used for high-end furniture. We produce shuttering panels for prefabricated concrete construction. Do It Yourself enthusiasts will find our tongue and groove boards and edge-glued panels in home improvement stores. Pellets and briquettes made from our sawdust, chips and shavings are a high-quality, eco-friendly source of energy.

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

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

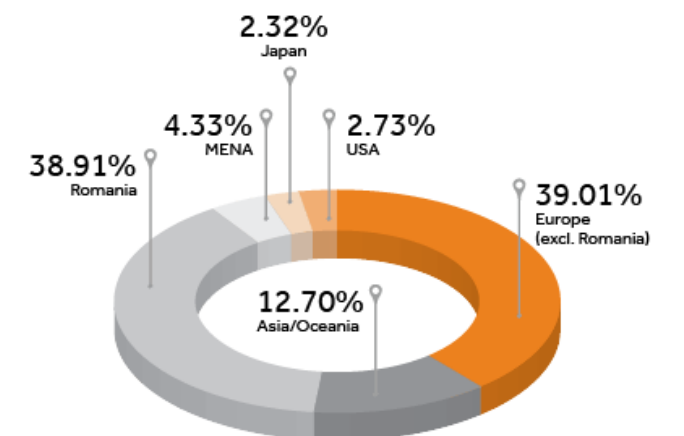
In 2020, the turnover of HS Timber Group amounted to 806 million Euro⁴. In 2020, we provided sponsorship to the tune of approximately four million Euro for social, educational and environmental projects.

⁴This includes also non-woodworking subsidiaries of HS Timber Group

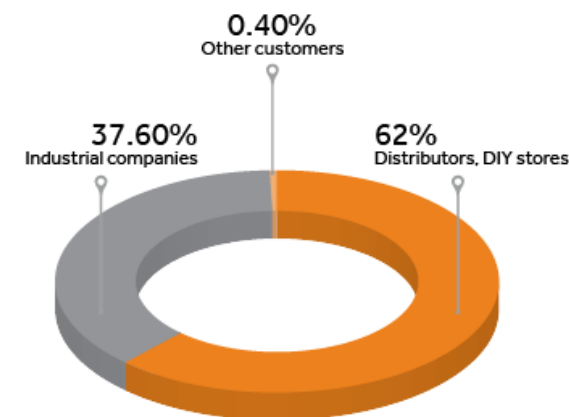
3.5. Customers

From large construction companies, to mid-sized furniture factories and Do It Yourself enthusiasts – our goal is clear: to fulfil customer requirements down to the last detail. We consider this the task of the entire team. HS Timber Group supplies customers around the globe and sells its products to around 70 countries. The majority of our customers, over 75%, are based in Europe. However, the distribution by volumes sold is different (see chart). Japan and USA in particular are key export markets for our company. Our main customers are distributors, industrial companies from construction and furniture industries and Do It Yourself stores. We are particularly proud of the fact that we have a long-standing partnership with our customers for many years. This, too, is proof of our professionalism and tailor-made approach to our customers, in order to meet their demands in product quality, be it the product as such, or the assurance of its sustainable and legal origin.

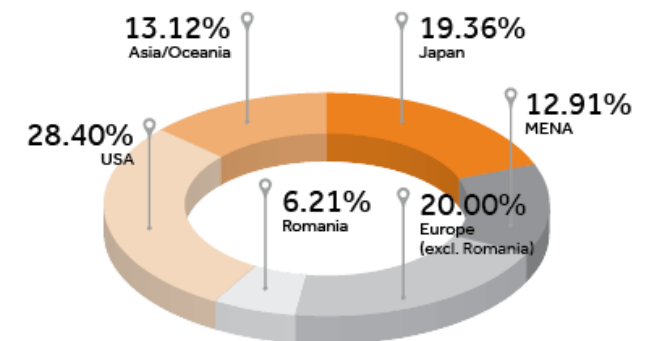
Customers by region



Customers of HS Timber Group



Most important markets* of HS Timber Group



*Market distribution is calculated as the percentage of solid wood products, all HS Timber Group sawmills plus panels factories, measured in terms of volumes.



Sebeş sawmill

Responsible corporate governance



At HS Timber Group, responsibility means that our entrepreneurial thinking is geared towards sustainability principles on a long-term basis. To make that a reality, we have clear guiding principles and internal guidelines, effective management and supervisory mechanisms, a powerful mission statement, properly functioning compliance management and a clear Code of Conduct for both employees and suppliers. The only way to deal fairly with external stakeholders – including customers and the local community in the region – is to guarantee that our own internal corporate culture is responsible and transparent.

We operate in a challenging environment, nevertheless, we firmly believe that transparency and proper training of staff is the best way to always act with integrity. We, therefore, set standards which go far beyond the statutory requirements, and we intend to play a pioneering role in ensuring that our suppliers and business partners adopt a similar approach. We place particular emphasis on a transparent wood supply chain and support for sustainable forestry. To find out more about our approach to supplier management, our exemplary Due Diligence System and our Action Plan for a sustainable and secure wood supply chain in Romania, see Chapter 5.

4.1. Our mission statement

Perfection in Timber.



HS Timber Group's mission statement reflects our philosophy, strategy and values and is guided by the principles of sustainability, partnership and passion.

Our mission statement also constitutes our vision for the company's future and forms the basis for all our corporate principles and all managerial decision-making.

It covers the following areas: customers, employees, business partners and suppliers, regions, internal organisation and sustainability.

The mission statement was developed by the Management Board in 2017 and has been widely disseminated. It is available at <https://hs.at/en/company/our-model.html>

4.2. Compliance and sustainability

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

The Chief Compliance Officer (CCO) is in charge with compliance within the Group. His core tasks include monitoring compliance with relevant legislation and internal rules, with particular emphasis on anti-corruption and sustainable, transparent wood procurement. The CCO engages in dialogue with employees, representatives of civil society organisations

and other external stakeholders, evaluates internal standards and activities on an ongoing basis and develops methods for improvement. Challenges which relate to the international context play an important role. The CCO reports directly to the Management Board of the Group. He oversees and works closely with the Supply Chain Control & Certification Department and collaborates in the fulfilment of his tasks with the Legal Department and other relevant departments. Internal and external sustainability management is also closely linked to our compliance agenda and is coordinated by the CCO. He receives support from an assistant and a part-time CSR manager. In addition, since April 2018, an internal auditor has been working with the compliance team in Romania; his main task is to improve, fine-tune and monitor internal processes.

4.3. Code of Conduct for employees

Our Group-wide, binding, Code of Conduct sets forth basic rules for all employees and managers. Alongside the mission statement, the Code of Conduct is one of the most important internal sets of rules, providing clear instructions to all employees about ethical business practices. The Code of Conduct focuses on anti-corruption and compliance (adherence to regulations), internal personal interaction and mutual respect.

Once completed, the Code of Conduct was introduced throughout the Group via a campaign at all mills. It was also integrated into a mandatory on-boarding process for new employees. The

document is available at <https://hs.at/en/responsibility/how-we-do-business/code-of-conduct-for-employees.html>

In addition to the internal Code of Conduct, in 2019 HS Timber Group issued a Supplier Code of Conduct. It sets forth ethical business practices which all raw material suppliers must comply with and was incorporated by reference into all HS Timber Group's purchasing agreements. For more information about the Supplier Code of Conduct, see section 5.2.8. The document is available at <https://hs.at/en/responsibility/how-we-do-business/supplier-code-of-conduct.html>



4.4. Cooperation with IACA

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

In 2020, for HS Timber Group, IACA has run tailored online training courses on anti-corruption and antitrust compliance, for staff in the wood procurement and sales departments.

One of the basic attitudes of the company is to comply with all rules and regulations. HS Timber Group stands for fair competition. For this reason, the company has also clearly committed itself to market principles in its Code of Conduct and has stated that it does not enter into any agreements with competitors, suppliers or customers, that could hinder trade - such as price fixing or agreements on sales conditions, market sharing, restriction of competition or influencing the outcome of tenders.

In order to raise awareness on these issues among the company's employees, online workshops were organised for personnel in the wood procurement and sales departments. The interactive training sessions focused on general provisions, as well as on the correct and compliant behaviour in various situations. The training sessions are a fixed component of the company's compliance programme. All in all, 53 employees have undergone such training in 2020.

4.5. Stakeholder dialogue

We are well aware that our corporate decision-making has a significant impact on various interest groups. They include our customers, employees and business partners, as well as the regions in which our production sites are located. It is important for us to acknowledge and understand the needs and requirements of our stakeholders, through regular mutual interaction. Open, ongoing dialogue is the key to aligning our expectations and relative positions and successfully developing joint solutions. The input we receive from these stakeholders

is very valuable to us. It can help bring facts and concerns to light, and it can also encourage the development of ideas of which our company might not otherwise have become aware. HS Timber Group is convinced that constructive dialogue with stakeholders and the willingness to address their concerns will help improve performance in sustainability.

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

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

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

In 2020, the use of online platforms replaced in-person dialogue.

We also support multilateral initiatives, e.g. the Romanian NGO/Industry Roundtable. Formats of this kind improve communication between HS Timber Group and individual stakeholders; they are also a means of building trust and relationships and of encouraging mutual understanding of general problems in the industry as a whole,



as well as getting a better understanding of concrete environmental concerns.

Stakeholders play an important role in, for example, the certification of standards, e.g. for sustainable forest management. We consider external input to be an integral part of our risk management activities.

Our wood tracking system Timflow is designed specifically for interaction with stakeholders. On www.timflow.com, HS Timber Group publishes all details regarding shipments of wood in Romania, which have been delivered by truck, e.g. images of loaded trucks and GPS-based information about the origin of the wood. Any stakeholder or any user among the general public can contact us via the website, if there are any perceived irregularities, or if anything is unclear. Timflow was implemented in all of the Group's Romanian sawmills in April 2017 and, one month later, its scope was broadened to include all wood collection points owned by the company. For more information about Timflow, see section section 5.2.8.

4.6. Open Door Policy regarding NGOs

In line with its commitment to transparent communication, HS Timber Group has implemented an Open Door Policy for NGOs. After registering with the company's Compliance Department and signing a standard non-disclosure agreement regarding the technologies used, representatives of recognised NGOs can visit our mills unannounced. Our goal is to transparently demonstrate our efforts to ensure a secure supply chain.



Sustainable supply chain



At HS Timber Group, a sustainable supply chain means honesty, long-term partnerships and rigorous controls. Wood is a unique, versatile raw material and, at the same time, a renewable resource. As trees grow, wood absorbs carbon dioxide (CO₂), the most important anthropogenic greenhouse gas, emitted through human activities. Through its activities, the company has been closely associated with this valuable material for generations.

Then, as now, the availability of high-quality wood is essential. Only a forest that is managed sustainably can meet industry demands and also supply future generations. Preserving and fostering this natural resource is one of our uppermost concerns. This is why we rely on sophisticated supplier management and rigorous Due Diligence. We only purchase coniferous wood from verified, non-controversial sources. In addition, we undergo regular voluntary checks by international expert organisations. We insist on careful use of environmental resources and effective environmental management as integral parts of our economic activity. This fosters innovation and success, while ensuring the protection of forests. In 2020, HS Timber Group purchased approximately

3.57 million m³ of sawlogs and around 197,900 m³ of sawn timber, to manufacture high-quality wood products. This was coniferous wood from spruce, fir or pine trees. We only use hardwood in very small quantities, for panel production, e.g. veneers.

We have a diverse supplier structure. In 2020, the three sawmills in Romania alone purchased wood from 685 merchants and forestry companies. Around 44% of these vendors are small businesses that supply no more than 500 m³ of coniferous logs per year. We have been in partnership with 291 suppliers for at least five years (suppliers which made deliveries each year between 2016-2020).

The Group's strict purchasing policy applies to all wood suppliers, from international timber merchants to forestry professionals. However, the large number of suppliers also makes one thing clear: only a far-reaching, effective Due Diligence System, using cutting-edge technology, can ensure a sustainable supply chain.

5.1. Timber Sourcing Policy

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. We will only purchase timber from non-controversial sources and in full compliance with our Timber Sourcing Policy. We require all suppliers and vendors to demonstrate compliance with all legal requirements for forest management, timber harvesting and related trade, as a basis for long-term partnership.

We operate a robust security system. As a responsible business, we verify the origin of the timber we use, in order to exclude controversial sources. We are explicitly committed to excluding material sourced from virgin forests and non-intervention areas, as well as material originating from forest land whose property title is effectively disputed in court and when courts or authorities have ordered the suspension of operations. Moreover, we do not purchase material originating in National Parks in Romania.

We only do business with partners whom we have reason to trust as acting with Due Diligence and professional prudence. Where executive managers - or staff in similar functions - have been convicted

by a final binding court decision for illegal wood harvesting or corruption, we will, as a rule, exclude their companies from our supply chain for three years. In severe and justified cases, we reserve the right to delist suppliers at any time appropriate. To re-enter the supply chain thereafter requires a comprehensive audit, demonstrating full compliance with all requirements of this Timber Sourcing Policy.

We believe forest certification to be an instrument that helps promote sustainable forest management. We encourage our suppliers to seek certification for sustainable forest management and Chain of Custody, and we want to take this path collectively. Our target is to source 100% wood from certified forest by 2025. In 2020, the company stands roughly at 78% in relation to this target.

We invite stakeholders to an open and constructive dialogue to help us continuously improve our business and our performance in regard to a responsible wood industry. The Timber Sourcing Policy is reviewed and a public statement on its implementation is issued annually (Supply Chain Report). The document is available at <https://hs.at/en/responsibility/what-we-do/timber-sourcing-policy.html>

5.2. Our Due Diligence System in Romania

In 2020, HS Timber Group's sawmills in Romania purchased 47% of their sawlogs from the domestic market. There, they operate in a challenging business environment. In the past, the media reported on irregularities in the Romanian supply chain, one of the main criticisms being that HS Timber Group relied excessively on document control and failed to communicate adequately with stakeholders. We introduced a targeted comprehensive range of measures – the Action Plan for a sustainable and secure wood supply chain in Romania. This plan, which is unique in Europe, by far surpasses the strict legal requirements in Romania.

To ensure that the softwood we purchase comes from sustainable forestry, we implemented an innovative Supplier Management System and improved our Due Diligence System. In addition to rigorous controls and high standards, cooperation and the development of long-term partnerships - especially with our suppliers and customers - are paramount. Our goal is to do everything in our power to fight illegal logging, from the starting point of the supply chain.

ISO 38200: 2018 is an international standard that specifies requirements for a controlled chain of custody (CoC) of wood and wood-based products. As an initial test of the standard, HSTP decided to obtain the ISO 38200 certificate for the Siret panel factory. The ISO standard is recognised worldwide, and the successful audit made by SGS Romania in September 2020 is another piece of evidence on HS' unique security architecture. Practical implementation and buyer demand will determine future steps regarding the application of the ISO claim on invoices.

We audit each new supplier to ensure compliance with our Timber Sourcing Policy. We run an annual audit programme, in which suppliers are audited on a risk-based approach. If suppliers deliver via collection points, they undergo at least one annual audit, larger suppliers - more regularly.

Before the wood delivered is processed, it undergoes careful controls with respect to quality and origin. Every truck delivering logs is screened at the gates of our sawmills, on the basis of the freight papers and database queries. If we encounter illegalities in the supply chain, we take immediate action and contact the authorities. We do not do business with suppliers convicted of illegal logging or corruption. We do not do business with suppliers whose executive managers or staffs in similar functions has been convicted by a final binding court decision for illegal wood harvesting or corruption.

The GPS-based wood tracking system Timflow shows the origin of each truckload in Romania⁵. This is something that is unique in the European timber industry. All data on all Romanian truck deliveries is available to the general public at www.timflow.com. A calibrated electronic 3D measurement system also ensures that the delivery volume stated in the consignment note is conforming. This impedes volume surpluses. Surpluses exceeding the Romanian legal limits are set aside and announced to the authorities for further disposal.

⁵Timflow covers all logs delivered by truck in Romania.



5.2.1. Thorough check of all suppliers

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

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

5.2.2. Hundreds of site inspections

Our control and Due Diligence System is based on much more than just documents. It requires an audit for each new supplier. Suppliers with logyards have an increased risk along the supply chain. Based on volume input, such suppliers are subject to annual specific risk mitigation measures, which include on-site audits. Due to the large number of suppliers (we purchased wood from 685 merchants and forestry companies in Romania in 2020), this means hundreds of inspections each year. We focus on the local forestry companies, in order to get a picture of where the wood delivered actually comes from. Site visits are, of course, carried out in all risk countries from which we source wood. In Romania alone, we conducted 491 Chain of Custody audits, 24 Forest Management Unit audits and 119 harvesting plot audits.



5.2.3. EUTR audits

Since the EUTR entered into force in 2013, HS Timber Group's Due Diligence System has been audited by the competent authorities a total of 20 times. All official EUTR audits to date have confirmed the observance of statutory duties of care (Due Diligence) and took place without any objections.

5.2.4. Programme for the Endorsement of Forest Certification – PEFC™



Promoting Sustainable Forest Management
www.pefc.org

HS Timber Group holds the PEFC Chain of Custody single site certificates for all its production facilities. A PEFC™ CoC certificate safeguards the integrity of the supply chain, from forest to product. The certification from this internationally-recognised organisation demonstrates that HS Timber Group purchases and processes wood from certified, controlled, undisputed sources. In order to ensure this consistently, the company is audited externally once per year. For certification to be successful, all stages of the value chain must follow these rules, from the forest to the sawmill and all the way to the final product. Concerning legality, all certified material undergoes the same additional security measures as the non-certified material.

5.2.5. Sustainable Forestry Initiative® Label Recognizing Global Standards

HS Timber Group is the first solid wood lumber company approved to use the Sustainable Forestry Initiative (SFI®) Label Recognizing Global Standards, which recognizes PEFC™ Chain of Custody (CoC) certified wood products, outside of North America. A precondition to use the SFI® Label Recognizing Global Standards is to have a PEFC™ Chain of Custody

Certification. HS Timber Group was certified to the PEFC™ CoC standard in 2014. SFI® advances sustainability through forest-focused collaborations. By using the SFI® Label, HS Timber Group helps educate the market about sustainably sourced forest products and provides consumers with information needed to make responsible purchasing decisions.

5.2.6. Forest Stewardship Council® – FSC®

FSC® (Forest Stewardship Council) was established in 1993 as a result of the Rio de Janeiro Environmental Summit. FSC® is a non-governmental, non-profit organisation committed to the environmentally sound, socially responsible and economically viable use of the world's forests.

towards ending disassociation. A verification of HS' compliance with the Conditions Framework started in December 2020 and a field assessment was performed in February 2021. The results were published on FSC's website⁷ in April 2021. A final decision upon a reassociation of HS with FSC is to be expected by mid-November 2021.

HS lost its FSC certification and was disassociated in 2017, based on a decision by the FSC board, after having been set on probation for possible disassociation in 2016⁶. HS is in a roadmap process

⁶ More information is available in our first Sustainability Report, page 32, <https://bit.ly/2AlgxLn>

⁷ FSC's website: <https://fsc.org/en/unacceptable-activities/cases/holzindustrie-schweighofer>

5.2.7. Action Plan for a sustainable and secure wood supply chain in Romania

The company continuously evaluates its environmental standards and actions and develops methods for improvement. The measures HS Timber Group has implemented in Romania by far surpass the legal requirements there. Since 2017, the company has invested more than 1.3 million Euro in its Action Plan for a sustainable and secure wood supply chain in Romania. This plan consists of many measures that together build a strong and state-of-the-art security architecture, which, to the best extent possible, excludes the inflow of controversial material, strengthens the reliability of the supply chain and supports sustainable forest management in Romania. The Action Plan includes measures such as a strong and up to date Due Diligence System - the GPS tracking system Timflow being part of it - but also actions like the Zero Timber from National Park Policy, which intends to support efforts to have a better protection of National Parks in Romania. Transparency and openness are not just catchphrases for the company - they became part of the company's profile and are extensively applied throughout the operations, especially when it comes to sustainable sourcing of wood. An overview of all actions implemented can be found at <https://hs.at/en/responsibility/a-responsible-supply-chain/measures-of-the-action-plan.html>.



5.2.8. GPS tracking for complete transparency in the supply chain

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

developed and implemented by HS Timber Group, together with a Romanian mobile operator.

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

a GPS tracker integrated into the truck's circuit (trucks delivering logs without a Timflow GPS tracker are turned back at the factory gate);

an internal portal for goods receipt at the sawmills; and

Timflow video



a website on which all data is published transparently and can be viewed by anybody.

an application (app) for the truck driver's mobile phone;

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

HS Timber Group publishes all Timflow data transparently on www.timflow.com. Interested parties can study the origin, the route and the photos of all loads and request additional information. We published data on over 32,000 consignments in 2020. The Timflow system has been continuously updated and improved - for example by adding an automatic check as to whether trucks come from exclusion zones (forests and national parks that are world heritage sites) or from potential tracts of virgin forest⁸.

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

5.2.9. Code of Conduct for employees and suppliers

Promoting ethical conduct among employees and business partners is particularly important in a challenging business environment. After rolling out a Code of Conduct for its employees in January 2019, HS Timber Group introduced a Code of Conduct for suppliers in autumn that year, as a reference system for ethical business conduct along the supply chain. Encouraging our suppliers to follow this path together with us is one of the goals of HS Timber Group's mission statement. All log purchasing agreements reference this Supplier Code of Conduct.

The Code of Conduct is not just a set of rules, but also a guide for employees that should give advice on how to deal with critical situations. Violations of the Code of Conduct are dealt with in accordance with the specifications of the compliance management system. A case management system that collects internal and external input enables the head of the company's Supply Chain Control & Certification Department and the Compliance Office to deal with and document violations in a structured manner. In addition, provisions in the Code of Conduct are incorporated into an internal audit programme. Basic trainings on the Code of Conduct are also provided by an e-learning platform.

5.2.10. Timflow multi-customer

A general claim against HS Timber Group's DDS is that Timflow does not provide information from the forest to the supplier logyard segment. While HS Timber Group encourages suppliers to apply direct deliveries whenever it is feasible and possible, there are some practical limitations, such as mixed forests, heavy terrain, limited space and low value assortments, where logyards cannot be eliminated from supply chain. Many of the logyards are linked to small sawmills that cannot process small diameters. As of 2020, HS Timber Group offered all suppliers the possibility to introduce Timflow free of charge, to monitor and trace their inputs from forests to their logyards. Tests were made in spring 2020 and there was a continuous increase in number of suppliers

using Timflow to track their input and allowing HS Timber Group to verify collected data during field audits – ten suppliers by the end of August 2020. The Romanian state announcement⁹ of the new SUMAL system prevented a further increase in number of suppliers introducing Timflow for their own monitoring purposes, as the new SUMAL system was planned to be very similar to Timflow and mandatory for all wood deliveries¹⁰. With SUMAL 2.0, the security architecture for logyards has dramatically improved.

⁹ The original plan was to launch the new SUMAL in October 2020, but it was postponed to 1 February, 2021.

¹⁰ The new SUMAL was launched on 1 February, 2021.

5.2.11. Zero Timber from National Parks

Romanian legislation allows for logging in so-called National Park buffer zones and in the case of sanitary cuttings. Nevertheless, HS Timber Group introduced a strict purchasing principle at the beginning of 2015: Zero Timber from National Parks in Romania.

To ensure compliance with this principle, we stipulate in purchase agreements that no wood from sections of Romanian National Parks will be accepted. Consequently, every wood consignment arriving at HS Timber Group sawmills in Romania is checked for these aspects. This is performed using the GPS tracking system Timflow, through on-site

visits and audits of suppliers, as well as based on the legally required documentation of origin.

In 2020, one delivery breached HS Timber Group's National Parks policy and was thus refused.



5.2.12. Sourcing from Ukraine

In 2015, log exports were banned in Ukraine for ten years. This ban was extended to pine saw logs in 2017. HS Timber Group purchases sawn timber from Ukraine and the suppliers are large and medium-sized sawmills, as well as small, family-owned rural sawmills. The sawmills are to a large extent export oriented, which means that they are required to keep record of certificates of origin for all input they process. Moreover, approximately 50% of the purchased wood is certified, and the rest of the input comes mostly from certified forests with a broken Chain of Custody. The sawn timber input from Ukraine was roughly 133,000 m³ in 2020.

Ukraine has been in a controversial political and economic situation for more than a decade. The country is in a challenging financial situation, with significant loans and problems of state budget. Under these circumstances, the Ukrainian forestry and wood industry has been subject to several allegations regarding a significant level of corruption and an improper forest governance performance, especially in the field of sanitary fellings.

A part of HS Timber Group's risk mitigation policy is to fully exclude areas with uncertain governance (conflict timber – material coming from areas with armed conflicts). This was the case for parts of

Ukraine in 2020. Risks regarding high biodiversity value are considered and most of the input comes from plantation forests with a comparably low biodiversity value. High-risk areas and controversial sources (conflict timber – material coming from areas with armed conflicts) are excluded. In 2020, 42 Chain of Custody, 18 Forest Management Unit and 18 harvesting plot audits were conducted in Ukraine.

In order to mitigate the risk in the Ukrainian supply chain, HS Timber Group's verification and risk mitigation programme includes:

- Employment of own local staff responsible for supply chain control;
- Regular training of staff on supply chain control and compliance issues;
- Legal check of all suppliers (bi-annually);
- Forest checks and plot visits;
- Chain of Custody (CoC) verification audits (100% coverage);
- Use of iAuditor (cloud base auditing application) for all types of audits;
- Checking the obligatory roundwood tag codes at publicly available state homepage part of the auditing procedure;
- Media monitoring and stakeholder communication;
- Due Diligence System checks by third parties.

5.2.13. Our Due Diligence System in detail

HS Timber Group's Due Diligence System was designed and implemented to mitigate the risk of having raw material from uncontrolled or controversial sources in its supply chain, as well as to meet the requirements of different regulatory frameworks (e.g. EUTR, Lacey Act or Japanese Clean Wood Act) and certification schemes. It also covers our commitment not to accept wood from National Parks (even in cases where this has been legally harvested).

Gathering information – supplier declaration

Before HS Timber Group enters into a contract with a wood supplier, it requires the latter to submit a "Supplier Declaration". The Supplier Declaration explicitly specifies the Forest Management Units (in low-risk countries we ask that only the country of origin be declared, whereas in high-risk countries we map the entire supply chain and reach the FMU level) or other intermediaries from which the wood is sourced. The Supplier Declaration gives HS Timber Group the right to conduct supplier audits, and with it, the supplier confirms that the origin of the wood is known, it is legal and its traceability is documented. If the origin of wood changes, the Supplier Declaration is updated.

Risk assessment

Using different sources of information, we assess the risk associated with the wood supply – for example, the mixing of wood from different sources – so that this can be addressed at the level of the wood's origin and in the supply chain. The risk assessment is performed prior to delivery and, in the event of continuous collaboration, once per year. The most important reference here is the country of origin and the corruption perception index, as provided by Transparency International. HS Timber Group maintains country specific risk assessments for high-risk countries. These risk assessments are updated on an annual basis.



Risk management

Where the risk assessment indicates a low risk, a desk audit is performed, which entails a document review. This covers material originating from certified forests and material coming directly from the forest to the mills - in cases when the Forest Management Unit has already been audited. For cases where the wood supplied has been identified as "high risk" based on its origin, or on the supply chain, HS Timber Group has defined a number of different control measures to mitigate the risk and allow the material to be delivered to the mills as "controlled material".

On-site auditing of suppliers and forests

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

Stakeholder consultation

HS Timber Group has implemented a stakeholder consultation process to request and collect external information about the planned supply. The opinion of relevant stakeholders is taken into account in sourcing activities and risk mitigation measures. A stakeholder engagement protocol is published on HS Timber Group's website (<https://hs.at/en/responsibility/stakeholder-involvement.html>).



Timflow wood tracking

While a Due Diligence system requirement is to perform an initial check of suppliers and sampling of deliveries, HS Timber Group's Due Diligence System investigates in detail all incoming deliveries in high-risk countries, with a special focus on Romanian supplies.

In Romania, HS Timber Group tracks the transport routes of log trucks using GPS technology. Delivery by truck is the main transport method for wood sourced in Romania. The system was introduced for all log deliveries by truck in Romania. We know exactly where the logs were loaded and what the truck load looked like at origin and we check the route of the truck to the mill. All system entries are timestamped. Not all deliveries come directly from the forest; they also come from local logyards, many of them linked to small sawmills that cannot process small diameters.

With Timflow, we have the certainty that the material comes from legally authorised logyards, which are strictly regulated in Romania. In cases where irregularities are identified after the material's arrival at the mill, this material is stored separately in a designated area and labelled "under investigation". The material can only be used for production if the case is clarified by the local Supply Chain Control Officer. Based on the written self-declaration, the officer asks the supplier to provide additional legal documentation on the delivery, which allows the organisation to either classify the material supplied as of negligible risk, or conduct a third-party supplier audit. Deliveries which obviously infringe legal and internal requirements are immediately rejected at the mill gate (e.g. deficient documents, no Timflow system installed, etc.).

Exclusion of "high risk" suppliers

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

Our Due Diligence System for logyards

Logyards are an important part of Romania's timber industry and are heavily regulated by Romanian forest legislation. At the logyards, wood is sorted, cut into assortments and delivered to various customers, with numerous benefits for the environment, workforce, infrastructure and the overall economy. Many of the logyards are linked to small sawmills that cannot process small diameters. Operations along forest roads mostly make it impractical or impossible to sort, section wood and build up truck loads that reach customers directly from the forest. This is due either to spatial limitations on forest roads, or to precipitation that make the road impassable for large trucks. In addition, logyard operations make construction material and firewood available to the local communities and enterprises.

At the logyards, the harvested wood is sorted by species, quality, type of usage (furniture, construction material, pulpwood) and diameter and cut into segments, in line with customer requirements. Some of the wood is processed at logyards and the rest is sold to various customers for different uses,

at different prices. This enables the operator to derive the highest added value from the incoming material. Under Romanian law, wood that enters the logyard has to show proof of origin from harvesting activity (be it by companies or individuals) and is only allowed to leave the logyard with the right papers, all recorded in a regulated registry and in the national wood tracking platform (SUMAL). Some PEFC™- or FSC®-certified logyards would also physically separate several wood categories, to ensure an unbroken Chain of Custody (which also applies to our condition to ensure that wood from National Parks is not mixed with deliveries to our sawmills).

HS Timber Group's Timflow platform safeguards wood traceability and also ensures that wood coming directly from the forest to our mills is legally destined for harvesting and does not originate from National Parks. For HS Timber Group, it is also important that no wood from National Parks be mixed with wood that our company accepts for processing from logyards, which is why we have in place a well-designed Due Diligence System for logyards.

Every supplier must disclose all sources of wood procurement, including the harvesting permit. This means that every supplier has to prove exactly from which forest its incoming loads originate. As soon as HS Timber Group's Supply Chain Control & Certification Officers learn that wood from National Parks is traded on a logyard (which is perfectly legal for certain zones of National Parks), the company rejects deliveries from the respective logyard, unless physical separation is ensured and clearly identified.

If physical separation is not ensured, the logyard operator is blocked and can only supply HS Timber Group during this blocking period if it has other harvesting locations outside of National Parks and delivers directly

from the primary platforms of these sites.

All the deliveries of logs from a logyard to HS Timber Group's sawmills are also tracked using Timflow. This ensures that the load is coming from a legally-authorized logyard, subject to strict legal requirements. Starting 2021, the new SUMAL 2.0 brings far-reaching improvements in terms of transparency of all transactions at logyards.

The company's suppliers are notified that HS Timber Group does not accept wood from National Parks. This is clearly stipulated in our Timber Sourcing Policy and in the relevant contracts. Suppliers are constantly checked to ensure compliance with this requirement.





Our employees



Around 3,500 people worked for HS Timber Group in 2020, with the majority – around 87% – employed at our plants in Romania. We have a special responsibility to our employees, both economically and socially. After all, it is they who contribute to our success – with their expertise, their hard work, experience, commitment and dedication.

Due to the shortage of skilled workers throughout Europe, highly-qualified and well-trained personnel are in high demand. Consequently, in Romania – but also in Germany and Austria – it is important to be an attractive employer in order to secure top talent, because only a fair, responsible company can pick up points with potential employees. Occupational safety and health protection is one

example: we finance private health insurance for our employees in Romania. Another example is fair, yet, performance-based remuneration, whereby we give our employees a share in the company's success, with customised bonus schemes on top of their salaries.

Strong values and clear rules - such as our mission statement or the internal Code of Conduct - are intended to motivate and guide our employees. In addition, we are seeking to establish a corporate culture in the long term, that is characterised by mutual respect and appreciation. At the same time, however, we also want to give our employees the freedom to be creative and take initiative, because new ideas and imaginative solutions usually arise in a non-bureaucratic environment.

| Key employee figures of HS Timber Group | | | | |
|------------------------------------------------------------------|--------|-------|-------|-------|
| | | 2018 | 2019 | 2020 |
| Total number of employees | Number | 3,084 | 3,203 | 3,517 |
| Number of female employees | Number | 784 | 810 | 896 |
| Percentage of female employees | % | 25 | 25 | 25 |
| Number of male employees | Number | 2,300 | 2,393 | 2,621 |
| Percentage of male employees | % | 74 | 75 | 75 |
| Total number of employees in management positions* | Number | N/A | 145 | 154 |
| Number of female employees in management positions | Number | N/A | 22 | 22 |
| Number of male employees in management positions | Number | N/A | 123 | 132 |
| Permanent contract | Number | 2,991 | 3,130 | 3,476 |
| Temporary contract | Number | 93 | 73 | 41 |
| Full time | Number | 3,045 | 3,160 | 3,470 |
| Part time | Number | 39.0 | 43 | 47 |
| Average hours of training per employee** | Number | N/A | 31 | 24 |
| Employees covered by collective agreements or company agreements | % | 100 | 100 | 100 |
| Senior management hired from the local community (country) | % | 100 | 100 | 97 |
| Work-related accidents | Number | N/A | 75 | 53 |

* Head of department, Mill Manager, Director, CEO, Board Member

** Introductory and periodic training on Health & Safety, emergency situations, fire prevention, Code of Conduct, external and internal training on various topics

6.1. Health & Safety

Maintaining employees' good health and productivity is a key concern for us. The paramount goal of our occupational safety and health management activities at HS Timber Group is the prevention of accidents and illnesses related to operations. We have implemented high safety standards at our state-of-the-art production facilities. These standards are regularly monitored in internal and external inspections and audits.

In November 2019, HS Timber Group launched its Health & Safety Policy, a set of guidelines meant to highlight the importance of upholding everyday rules that concern us all. Health & Safety is not just a catchphrase, it is meant to become a way of constantly putting in place solutions to prevent bad things from happening, rather than regretting afterwards. It is a means of building a culture where we think not only about ourselves and our lives, but also about taking care of the ones around us, be they work colleagues or visitors to our workplace.

Safety is everyone's responsibility and personal safety starts with each of us. Irrespective of their position in the company, each employee is an integral part of this overall plan for greater safety at the workplace. The continuous improvement of working conditions, with regards to safety, is part of our mission statement.

According to the Occupational Health & Safety Policy launched by HS Timber Group in 2019, in 2020, additional trainings were carried out for the company's employees, with the help of films and teaching materials that include internal rules. This was necessary in order to raise awareness of the risks to which workers are exposed to and to raise staff's knowledge of health and safety at work.

The marking of storage and circulation spaces has led to improved discipline in the workplace, both for the staff operating the machines in the production halls, as well as for the employees who operate the forklifts and vehicles within the mills.

By determining the degree of emissions and dust powder in the air and the measurements of the noise

level and formaldehyde from the machines in the production halls, it was constantly aimed to maintain a clean, airy and healthy working environment for all workplaces in the HS Timber Group mills.

During 2020, we continued the project of replacing the classic lighting to the one using LED technology. Thus, we offer our employees a favorable working environment for safe performance of their activity and we reduce electricity consumption.

HS Timber Group employees benefit from specialisation courses and trainings in all fields. One of the important areas of our work is working in explosive environments. For this, the company has started a project of authorisation and training of employees in the field of work in potentially explosive areas. Also, in case of an event, for a good coordination and provision of first aid, the employees benefited from courses carried out together with labour medicine doctors and representatives from the Red Cross.

In order to reduce to "zero" the number of work accidents involving workers and forklifts, warning systems have been installed as a test, creating a red perimeter around the forklifts, enabling them to be easily seen when moving.

Due to the high standard that the company has in terms of Health & Safety and the constant concern about the health of the employees, during the periods when the state of emergency was established - respectively the state of alert due to the pandemic caused by COVID-19 - all the necessary measures have been taken in all HS Timber Group mills to limit the spread of the virus.

We have been in contact with the public health authorities from the start of the COVID-19 pandemic and immediately implemented a set of measures to ensure a safe working place.

6.2. Fair wages

Equal opportunity and fair wages are a matter of course at HS Timber Group. Staff development and retention is a priority for us. In 2020, we continued to increase salaries.

Throughout the Group, country-specific work agreements or internal regulations ensure that women and men in the same positions receive the same pay, for the same work. Due to the at times physically strenuous work in the wood processing industry, the share of women in some areas of production is low. One-quarter of HS Timber Group's workforce is female.

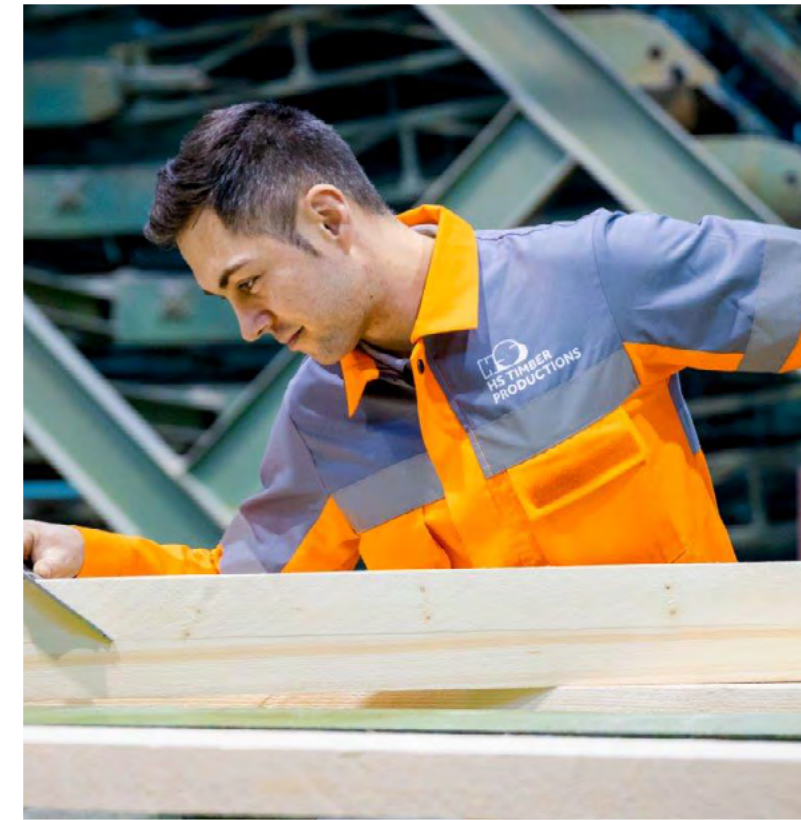
6.3. Training and education

Our working world is changing. Globalisation, digitalisation and technology development are advancing rapidly and leading to new markets, customer requirements and product solutions. Highly-qualified and specialised workers need to keep pace with these changes and continuously upskill in order to stay abreast of the latest developments.

For this reason, HS Timber Group seeks not only to find the best employees and hire them for suitable positions, but also to harness the potential of talented staff who are already part of the workforce and help them expand their capabilities. This is the only way we can remain one of the top players in the industry and be prepared for the challenges of the future.

We offer development opportunities to our staff; in 2020, over 280 employees improved their qualifications in our production units and this practice will continue, as part of our human resources strategy.

In addition to ongoing and regular training of our specialists - for example when new machines or



production processes are being introduced - we develop customised training programmes for our executives and managers, in particular. As part of the largest training initiative in the company's history, for several years, all managers in Romania, Germany and Austria have been participating in an individualised programme of tailor-made training courses. Besides industry know-how, areas of emphasis include communication skills and personal development. Seminars and training courses are also provided in the areas of anti-corruption and business ethics in particular. In this connection, a partnership with the International Anti-Corruption Academy (IACA), based in Laxenburg, near Vienna, was started in 2017. The customised training courses have been imparted to the entire senior management of HS Timber Group, as well as to senior executives at country and plant level. In addition, the Romanian and Austrian Sales and Purchasing staff, staff from the Legal Departments and employees from the Supply Chain Control and Certification Department have received training at events held by high-profile speakers. The collaboration with IACA will continue in 2021 and is thereby becoming a permanent fixture of the Group's compliance management activities.



Environmental protection and climate change



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

As a wood processing company, HS Timber Group has a head start when it comes to tackling climate

change: wood is a renewable raw material that extracts CO₂ from the atmosphere. It is crucial that the forest from which the wood is harvested is managed sustainably. Only intact forest ecosystems can rejuvenate and thus close the natural CO₂ cycle. For this reason, HS Timber Group places strong emphasis on a sustainable and secure wood supply chain.

The technology used in our sawmills ensures 100% utilisation of the logs delivered. By-products such as sawdust, wood chips and wood shavings are processed into pellets and briquettes for green energy production, or are processed further by our customers into pulp, paper or particle boards.

7.1. Environmental performance

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

The first step involved certification with the ISO:14001 standard, first achieved by the blockboard factory in Comănești in 2011, and followed by the Reci sawmill in 2018. A standardised system will be rolled out across the entire Group.

As an international production company, HS Timber Group uses large quantities of energy and resources. In 2020, approximately 3.57 million solid m³ of logs passed through the gates of HS Timber Group's plants. Around 220 GWh of electricity and 709 GWh of heat were needed to produce the high-quality wood products. This energy is mainly generated by means

of combined heat and power (CHP) in the state-of-the-art biomass power plants at the sawmills in Romania. These plants primarily use by-products and wooden waste products from production (e.g. bark) or other biomass products, for generation purposes. Only around 32% of company's total electricity requirements are purchased externally. Most of this is destined for factories that do not have electrical power plants of their own (Comănești, Siret). Therefore, HS Timber Group's self-sufficiency rate with green electricity stood at 68% in 2020. 99% of total thermal energy consumed comes from raw material.

HS Timber Group has set itself ambitious goals, especially in relation to climate change and energy efficiency. By 2025, we intend to lower company-wide greenhouse gas (GHG) emissions by 25% per final product unit and reduce our energy consumption per final product unit by 30%. Thus, our aim is to be a role model in the wood processing industry and make a significant contribution to tackling climate change. These goals have been

enshrined in our current environmental policy. At the end of 2020, an internal expert group started working on mid-term review of these targets. The internal group was identifying energy saving potentials throughout the entire operation.

We essentially produce our own energy, thermal and electrical. We use the thermal energy to dry the wood in the drying kilns. The surplus electricity we produce is fed into the public grid and supplies about 20,000 households with green electricity.

A state-of-the-art boiler was installed at the panels factory in Siret in 2020, supplying the dryers and factory heating during winter. The 1 MW boiler uses the sawdust resulted from the production process and this investment saves energy while reducing air pollution.

At the Kodersdorf sawmill, a co-generation plant was commissioned mid 2020, producing green energy from biomass, also supplying the public grid. The plant produced 20,975 MWh of electricity, which can cover the annual consumption for around 6,000 homes (assuming that consumption is approximately 3.5 MWh/year). Construction started on a pellets production line, so as to use 100% of the raw material and turn by-products into green fuel. A new exhaust system was commissioned in the cutting hall, to improve air quality and working conditions. This also mitigates the risk of dust explosions.

A new exhaust system was commissioned in the cutting hall at the Reci sawmill as well. Also, a finger jointing machine was commissioned in the planing hall at the Reci sawmill. A feasibility study was made in order to implement an advanced monitoring and metering system, so as to reduce electricity consumption throughout the sawmill.

At the Sebeş sawmill, a new exhaust system was fitted in the cutting hall, pellets production capacity was expanded, a crane was replaced and two electric forklifts were purchased in 2020.

In February 2020 an additional finger jointing production line was commissioned at the blockboard factory in Comăneşti, which

uses wood from the sawmill in Rădăuţi. As in all productions units, replacing old, low performance and resource-intensive equipment is a constant endeavour at the Comăneşti factory. In 2020, a planing machine was replaced, along with two forklifts.

As we constantly invest in state-of-the-art technology, we also aim at improving work conditions for our employees. Such an example is the new office building at our blockboard factory in Comăneşti.

The wooden construction follows the ergonomic design and operation of the existing office spaces of the building in Reci, the successful pilot project of this kind from the HS Timber Group factories.

Glass, the wood and the open space office suggest transparency, just one of our main approaches to business.

The modern, comfortable and sustainable work environment helps restructure the



information flow and makes the work easier.

The design of the building meets multi-comfort standards: comfortable rooms, high quality of workspaces, high protection against noise, passive construction methods to ensure insulation and sealant, ventilation systems with heat recovery that guarantee a constant flow of fresh air, artificial lighting optimized for the work process, are some of the facilities that our colleagues will benefit from.

7.2. Focus on energy efficiency

Efficient use of energy and resources is primordial for HS Timber Group's production chain. We aim at using only state-of-the-art machines and vehicles at our plants. This guarantees compliance with high environmental standards, as well as low emissions.

Our capacity management ensures that devices, machines or lighting that are not in use are switched off for the duration. A lot of energy can also be lost if the extensive compressed air system at the plants leaks – even in the case of a minor leak.

7.3. Mobility

The vehicles used by HS Timber Group consumed approximately five million litres of diesel and 27,800 litres of petrol in 2020. Most of the fuel (96%) is consumed on the factory premises, mainly for logistics purposes, in the large log and sawn timber yards at the sawmills¹¹.

Fuel consumption and emissions are important criteria when purchasing new vehicles. HS Timber Group only buys vehicles that are rated "best in class" in these categories. In order to further reduce fuel consumption, regular fuel-saving driver training is also provided at all plants. Using the vehicle data in connection with GPS Timber¹², vehicle-specific fuel consumption is analysed and optimised, with a focus on the vehicle drivers. Avoiding empty runs, or wasted trips, prevent unnecessary fuel consumption.

Ecological concepts have also been integrated: the use of geothermal energy, green roof, natural light autonomy and a high degree of recyclability at the level of the entire building. What is also great is that the superstructure of the building has in its composition about 90% wood and only 10% metal. Also, some parts for wall cladding and ceiling elements are produced at the Comăneşti factory.

Here, too, clear internal processes ensure regular controls and rapid resolution of the issue.

The lighting at all plants is continuously updated to the state-of-the-art. Currently, we are progressively replacing conventional lights with LED lights, which brings significant energy reductions, especially on our outdoor light pillars. Motion detectors are installed with the new lights in all production units, to reduce energy waste. In addition we changed old motors by new ones with frequency converter.

In the future, electric vehicles will be increasingly used for secondary processing (indoors). We are also taking steps to reduce our oil consumption. At the logyard, we partially use biodegradable lubricants. Through the replacement of conventional oils in vehicles with special long-life oils, the oil change intervals have been extended many times over. Not only does this reduce oil consumption, but it also reduces the cost of disposing of waste oil. Disposal is performed exclusively by state-accredited companies.

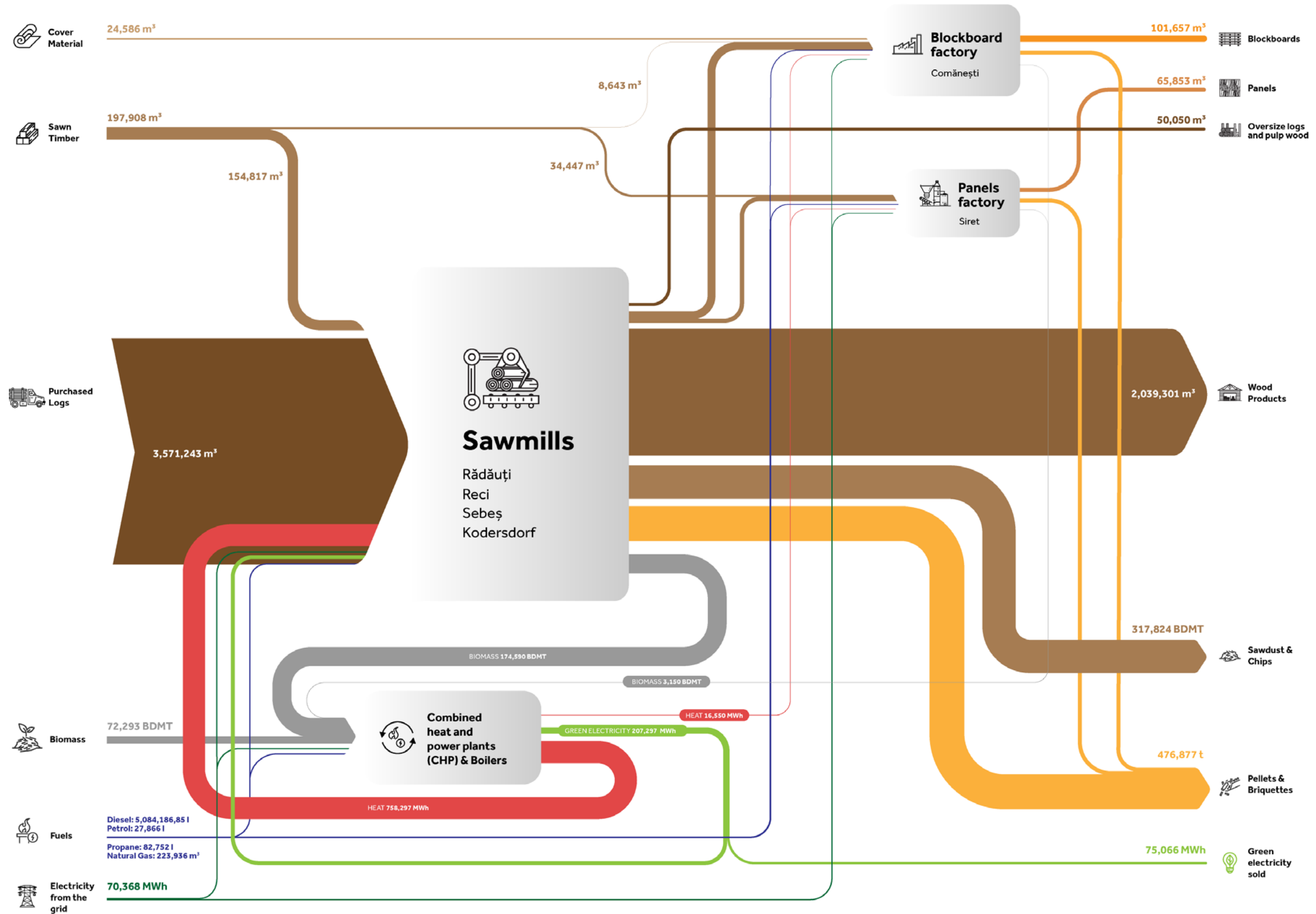
¹¹ The vehicle fleet includes a variety of forklifts, excavators, logs and containers handling machinery.

¹² Technology for improving logistics at the logyards and on the sites.

Material and Energy Flow Diagram (Sankey-Diagram)



This diagram shows the most important material and energy flows of the company. In order to achieve a better comprehensibility of the energy flows, all energy production facilities and the corresponding flows towards the production units were presented cumulatively.



| Input | Unit | 2018 | 2019 | 2020 |
|----------------------------------------------------|----------------|-----------|-----------|-----------|
| Materials | | | | |
| Purchased logs ¹ | m ³ | 3,174,350 | 3,351,050 | 3,571,243 |
| Processed logs ¹ | m ³ | 2,948,858 | 3,200,267 | 3,594,118 |
| Purchased sawn timber | m ³ | 241,814 | 163,751 | 197,908 |
| Sawn timber from intra-group companies | m ³ | 165,219 | 283,275 | 315,608 |
| Purchased cover and core material for Comănești | m ³ | 36,734 | 35,600 | 31,023 |
| Burned biomass (infeed)* | BDMT | 187,247 | 213,116 | 250,033 |
| Biomass from external sources | BDMT | 125,998 | 108,327 | 72,293 |
| Biomass from intra-group sources ² | BDMT | 3,566 | 2,907 | 477 |
| Purchased starch | t | 2,194 | 2,016 | 2,366 |
| Purchased lubricating oil | t | 449 | 458 | 657 |
| Purchased hydraulic oil | t | 62 | 77 | 91 |
| Purchased glue (free of formaldehyde) | t | 1,547 | 1,543 | 2,210 |
| Purchased glue (with formaldehyde) | t | 2,854 | 2,674 | 2,339 |
| Energy | | | | |
| Consumed electricity from own CHP | MWh | 118,066 | 135,166 | 149,707 |
| Purchased electricity | MWh | 59,626 | 67,827 | 70,368 |
| Thermal energy consumed | MWh | 567,673 | 580,693 | 709,484 |
| Thermal energy produced | MWh | 598,151 | 588,252 | 774,846 |
| Thermal energy produced from purchased natural gas | MWh | 3,212 | 2,869 | 3,436 |
| Purchased natural gas | m ³ | 302,074 | 268,110 | 223,936 |
| Mobility | | | | |
| Petrol purchased for internal use | l | 1,775 | 1,458 | 1,257 |
| Diesel purchased for internal use | l | 4,367,020 | 4,552,442 | 4,901,515 |
| Petrol purchased for vehicles outside the mill | l | 64,836 | 37,494 | 26,610 |
| Diesel purchased for vehicles outside the mill | l | 206,611 | 239,611 | 182,672 |
| Employee air travel | km | 1,101,141 | 1,330,194 | 457,715 |
| Water consumption (from main supply) | m ³ | 141,247 | 143,410 | 166,918 |

¹ Volumes presented in Sustainability Report will be reported following HUBER measurement without bark. Figures presented in Sustainability Report may differ from official reports in Romania because of different reference methods applied.

² 2020 data is reported according to the Law 497/2020, implementation of new SUMAL and, according to the Law 46/2008 - Forestry Code, modified in September 2020.

| Output | Unit | 2018 | 2019 | 2020 |
|---------------------------------------------------------------------------------------|----------------|-----------|-----------|-----------|
| Products | | | | |
| Timber sold (timber which left our mills) | m ³ | 1,673,774 | 1,769,226 | 2,039,301 |
| Quantity of panels from Siret sold | m ³ | 56,186 | 51,560 | 65,853 |
| Quantity of main products/boards from Comănești sold | m ³ | 111,173 | 108,688 | 101,657 |
| Sales core (Comănești) | m ³ | 477 | 3,634 | 4,071 |
| Sawdust and wood chips sold | BDMT | 364,879 | 341,653 | 317,824 |
| Pellets and briquettes sold | t | 338,457 | 344,756 | 476,877 |
| Logs sold | m ³ | 33,427 | 48,673 | 50,050 |
| Electricity sold | MWh | 24,888 | 22,877 | 75,066 |
| Waste³ | | | | |
| Wooden packaging waste ^{4**} | BDMT | 2,501 | 519 | 844 |
| Non-hazardous waste without wooden waste from production and without ash ⁵ | t | 684 | 2,447 | 2,972 |
| Recovered waste ⁶ | t | 713 | 1,969 | 2,368 |
| Hazardous waste ⁷ | t | 279 | 312 | 432 |
| Landfilled ash ^{***} | t | 12,282 | 15,462 | 10,604 |
| Recovered ash ^{****} | t | 10,432 | 4,526 | 5,864 |

³ 2019 figures have been amended according to the new reporting concept whereas the waste generation related to the production activities that lead or could lead to significant waste-related impacts is considered.

⁴ Wooden packaging material sold / EWC 15 01 03

⁵ This figure includes Non-hazardous waste generated without wooden waste from production (EWC 05 01 01; 03 01 05) and without ash (EWC 10 01 01; 10 01 05)

⁶ This category has been changed from recycled waste to recovered waste. This figure includes all hazardous and non-hazardous wastes, without wooden waste from production (EWC 03 01 01; 03 01 05) and without ash (EWC 10 01 01; 10 01 03) and categorized with R-code under EU Waste Directive

⁷ This figure includes all hazardous wastes generated according to EU Waste Directive

* 2019 Biomass infeed - data correction; 210.505 BDMT to 213.116 BDMT

** 2019 wooden packaging waste - data correction; 603 BDMT to 519 BDMT

*** 2019 Landfilled ash - data correction; 8.029 t to 15.462 t

**** 2019 Recovered ash - data correction; 11.959 t to 4.526 t

7.4. Exhaust gas purification

At HS Timber Group, direct air emissions are primarily caused by the exhaust gases from biomass power plants and gas boilers, as well as internal combustion engines of vehicles. These are mainly carbon dioxide (CO₂), nitrogen oxides (NOx), dust and fine dust.

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

emissions. Dust emissions are almost completely eliminated by means of an electrostatic precipitator.

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

A continuous emissions monitoring system monitors the relevant emissions of the CHP units. Emission monitoring is carried out annually by an accredited laboratory, to ensure that the air quality complies with European and national environmental legislation.

7.5. Greenhouse gas balance

The greenhouse gas balance covers all of the company's principal sites and activities in Romania, Germany and Austria (production sites in Reci, Rădăuți, Sebeș and Comănești in Romania and Kodersdorf in Germany; the head offices in Vienna and Bucharest are also included). The emission sources included are differentiated according to the three scopes of the Greenhouse Gas Protocol.

Greenhouse gas emissions from purchased electricity (56%), the company's diesel fleet (29%) and biomass combustion (14%) make up 99% of the balance. Further GHG emissions arose from purchased natural gas, the petrol and propane fleet, and air travel. The emission factors for direct emissions from electricity reported under Scope 2 and Scope 3 are taken from IEA (2020).

These conversion factors include the greenhouse gases CO₂, CH₄ and N₂O. All other emission factors for direct emissions related to fuel combustion are taken from UBA 1 (2021) and include all seven Kyoto gases.

In Scope 3, the fuel- and energy-related activities and the emissions from air travel are considered.

Fuel- and energy-related activities include the supply chain of fuels for process heat and transport, as well as the supply chain (including transmission losses) of electricity. These emissions are closely connected to the company's energy use. Therefore, the influence of the company on these emissions is considered as strong. Also, the amount of air travel is under direct control of the company and therefore reported.

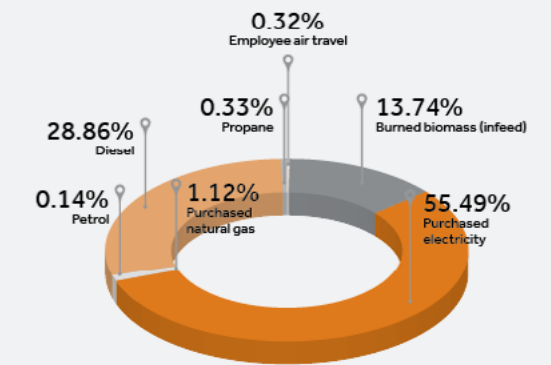
HS Timber Group's Greenhouse Gas Balance

Carbon emissions of HS Timber Group in 2020

| Scope 1 (Direct emissions from own operations) | | |
|----------------------------------------------------|-----------------|------------------|
| Energy from biomass | t CO2 eq | 7,500.98 |
| Energy from gas | t CO2 eq | 453.47 |
| Petrol fleet | t CO2 eq | 59.38 |
| Diesel fleet | t CO2 eq | 12,496.93 |
| Propane | t CO2 eq | 132.24 |
| Scope 2 (Indirect emissions from purchased energy) | | |
| Electricity consumption | t CO2 eq | 24,559.53 |
| Scope 3 (Other indirect emissions from operations) | | |
| Fuels | t CO2 eq | 3,478.79 |
| Electricity | t CO2 eq | 5,725.61 |
| Employee air travel | t CO2 eq | 167.34 |
| Total | t CO2 eq | 54,574.28 |

(Source of emission factors: IEA 2020, UBA 2021)

GHG emissions in 2020



7.6. Reuse and recycling

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

In 2020, 2,972 tonnes of non-hazardous and 431 tonnes of hazardous waste (such as waste oils) were generated, in addition to wood ash, which produced the largest quantities of waste. All waste is disposed of professionally by the appropriate companies.

In particular, we ensure that hazardous waste is disposed of safely at suitable facilities, as stipulated by contract.

Our biomass power plants produce large quantities of ash as a product of combustion – 16,400 tonnes in 2020. A large volume of this ash is currently still deposited in landfills, while 36% is recycled. Further applications for the reuse of this ash are constantly explored.

7.7. Water and wastewater management

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

Wastewater management aims to ensure that no contaminated wastewater can enter water bodies or receiving water. If necessary, wastewater is pre-treated by an oil separator system and

either treated in the company's own sewage treatment plants, or discharged into the public sewer system, where it is then treated in the local water treatment plant. It goes without saying that the wastewater quality is regularly monitored by accredited laboratories. This way, we ensure that our wastewater is environmentally safe and meets all legal requirements.





Regional responsibility

At HS Timber Group, taking regional responsibility means showing respect for the community and people. We are committed to our employees, as well as to their communities and the surrounding regions. After all, it is not only our employees, but also our regional suppliers and business partners who make our economic success possible.

HS Timber Group sees itself as a responsible employer and as an economic driving force, particularly in economically disadvantaged areas. In Romania, we are one of the largest and most competitive companies in the forestry and wood processing industries. We buy around 6% (2020) of the harvested wood put on the market in Romania¹³. Through our activities in Romania, besides our own 3,000 employees, we have created approximately 4,000 more jobs in upstream and downstream sectors¹⁴.

For HS Timber Group, complying with all legal requirements and contributing to the community with our taxes and duties is a given. We are also

keen on actively promoting the sustainable development of the communities and regions in which we operate. Providing support for social and healthcare facilities, as well as for schools and education programmes, is especially important to us.

We are keen on making sure that the softwood we work with comes from sustainable forestry. What that means to us, as we are not doing any harvesting ourselves, is that we need to actively maintain and improve a system that ensures that our input comes from responsibly managed forests and legal harvest sites. We screen our supply chain to exclude wood from National Parks and virgin forests and, as a next step in terms of biodiversity protection, we are looking into setting up additional screening measures when it comes to old growth forests (even though we do not process large diameter logs). By supporting the Tomorrow's Forest Foundation, we also engage in extensive reforestation projects supporting local communities.

¹³ The volume of harvested wood was 19.652 million m³ in 2020 – National Statistics Institute, Forestry Report for 2020, https://insse.ro/cms/sites/default/files/com_presa/com_pdf/silvicultura_r2020.pdf

¹⁴ Economic impact of the wood industry in Romania, PwC, 2016.

8.1. Contribution to economic development

HS Timber Group's presence in Romania alone generated total gross wages of 28 million Euro in 2020 – through payments and social security contribution to our direct employees.

In 2020, HS Timber Group also contributed 30 million Euro for Corporate Income Tax, Social Contributions and employees' income tax, through directly paid taxes, as well as indirect and

induced taxes. Since 2012, the total contribution amounts to approximately 187 million Euro.

HS Timber Group continuously invests in its Romania assets. HS Timber Group invested in Romania more than 5.7 million Euro in 2020. Since 2016, the company's total capital expenditure has exceeded 87 million Euro.

8.2. Commitment to society

Corporate social responsibility for HS Timber Group means looking first at what we can improve internally, so as not to waste any wood, add the most value to it, reduce our environmental footprint and act as a responsible employer, thereby creating safe and meaningful jobs. With the help of our stakeholders, we implement a continuous process to improve our procedures, i.e., the way we do things to make sure the wood we process is legal and harvested from sustainably-managed forests.

In doing so, we strive to be an industry leader, driving systemic change in wood traceability, for instance. We are aware of the social and economic realities in the communities around our sawmills and panel factories and sponsor a variety of projects to improve their access to adequate social, educational and healthcare services. From 2010 to 2020, HSTG provided sponsorship in Romania for CSR projects to the tune of approximately 10.8 million EUR.

HS Timber Group's CSR contributions in 2020 were on the level of approximately four million Euro.

Our areas of CSR intervention are social, environmental and forward-looking.

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

8.3. CSR highlights

The responsibility for the regions where we operate is part of our mission and vision. As 2020 was an unpredictable year and the local communities have faced delicate situations, in addition to traditional projects, we have also supported initiatives to address the immediate needs caused by the pandemic.

8.3.1. The "Together!" - initiative

True to the motto "Together!", in 2020, the company joined local authorities in their efforts to contain the spread of COVID-19. The Group has donated two molecular biology laboratories to the hospitals in Comănești and Sfântu Gheorghe, as well as medical equipment and sanitary materials for the hospitals in the five locations where the company operates wood processing units, respectively Sebeș, Rădăuți, Siret, Comănești and Reci.



8.3.2. Access to online education

HS Timber Group donated more than 1,000 tablets (including one-year paid Internet subscription) to 32 schools in 13 counties. The beneficiaries of the donation were socially disadvantaged children who did not have adequate equipment to participate in the online educational process.

In addition, in Rădăuți, the Group supported the activities carried out by the Maria Ward Social Centre

to prevent school and family dropout, among more than 50 children in the municipality and surrounding towns. The support aims to equip the centre with IT equipment, furniture for children, books and dictionaries, as well as other important amenities such as a refrigerator, washing machines and dryers. The sponsorship also covers the necessary maintenance work of the building and sports field.

In Siret, HS Timber Group supports the project of home care services for people in need, carried out by the Social Assistance Department.

This project aims to increase the quality of life for the elderly and those with disabilities, without relatives, and who need help in terms of personal hygiene, food or food supply. Also, the beneficiaries included in the programme will receive a hot meal and will benefit from consultation and evaluation from the nurse, social worker and orderly. Moreover, a vehicle has been purchased within the sponsored project, to serve the activities of the mobile team.

In Comănești, the company supported the therapy and recovery activities carried out by the Robert Cole Association, with over 80 children with disabilities from Valea Troțului. Here, the centre's team of speech therapists, physiotherapists and psychopedagogues attracts children not only during the school year, but also during the holidays. On average, each child spends 45 minutes in an activity and a quarter of an hour is allocated to parental counselling.

The Reci sawmill supported a variety of projects in the village, such as financing after-school activities, equipping the medical office, conducting an impact study for the biodiversity rehabilitation project in some locations in the Mestecănișul Reci Natura 2000 nature reserve site and the endowment of the Voluntary Service for Emergency Situations in Reci.

All this is in addition to the support with wooden products for local communities, such as pellets for heating the Siret Hospital and St. Stephen's Social Centre in Siniob, blockboards and solid wood products for school furniture, but also renovation, maintenance, or the creation of new facilities - such as the reading space in the home for the elderly in Sebeș.

8.3.3. Tomorrow's Forest

The *Tomorrow's Forest* reforestation project¹⁵ is an initiative of the Romanian Association of Forest Administrators (Asociația Administratorilor de Păduri, AAP) together with the Ștefan cel Mare University of Suceava (Faculty of Forestry) and HS Timber Group. This project was initiated in September 2017, after many stakeholders have expressed the need for such activities.

The initiative aims to plant one million trees in private and community-owned forest areas. This takes place primarily in areas which, owing to poor management, were affected by soil erosion and a lack of natural regeneration. Conservation and monitoring of reforested lands continues for five to seven years, to ensure that the next generation of forests grows well. *Tomorrow's Forest* supports private owners and local communities that lack the necessary funds for appropriate reforestation, in accordance with legal obligations. Applications are evaluated based on defined criteria and using a scorecard. Planting is carried out according to the natural tree species composition and is documented in detail. In addition to containing key information on the project, the methodology and the reforestation areas, the project website also has a section for potential beneficiaries and volunteers.

Forest regeneration usually takes place naturally, without the need for external interventions. When this is not possible, the land owner has the legal responsibility to plant the new forest. Sometimes, forest owners cannot afford the planting works, e.g. because they haven't harvested any wood, they were restituted areas with regeneration difficulties, their areas were affected by calamities and regeneration works were unsuccessful, etc.

Tomorrow's Forest answers this need, to help private owners and local administrations regenerate their forests. The project will be implemented between 2017 and 2027 (five years of planting and at least three years of maintenance works for each area), at a rate of approximately 200,000 seedlings planted per year (not counting the replacement seedlings).

By the end of 2020, 146.1 hectares have been reforested, with a total of 617,380 seedlings of different tree species, in coordination with the relevant forest administration. More than 600,000 Euro was committed for the regeneration of these areas, an average of 5,000 Euro per hectare (including the necessary follow-up costs for the next five to seven years).

HS Timber Group has pledged over 1.3 million Euro for the period 2017 to 2027, which will enable a total of one million trees to be planted.

HS Timber Group and the *Tomorrow's Forest* Foundation concluded a strategic partnership in order to jointly work on the implementation of environmental and social projects promoting responsible development of Romanian forests and benefiting forest-based communities in Romania. The *Tomorrow's Forest* Foundation was set up in 2019 with the strategic help of HS Timber Group. The Foundation's mission is to contribute to the protection and the responsible management of forests and the development of a sustainable forest economy in Romania. HS Timber Group seeks with this strategic partnership to get a more targeted and better implementation of the company's CSR engagement.

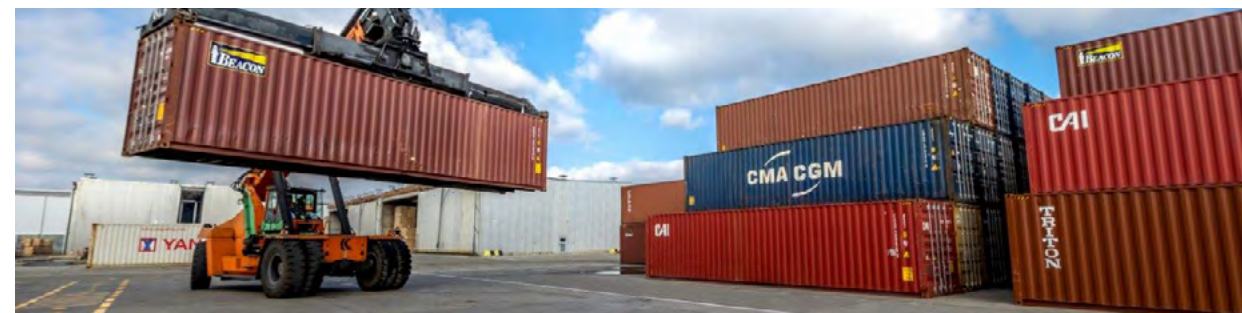
¹⁵ www.padureademaine.ro/en/



Sustainability goals



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



RESPONSIBLE CORPORATE GOVERNANCE

Increase the performance of our compliance management

- Certification of CMS - in progress
- Annual training of 100% of the top management (in cooperation with the International Anti-Corruption Academy) – cancelled in 2020 due to the COVID-19 pandemic; Online workshops were delivered to the most exposed employees

Indicator: Number of employees having performed the anti-corruption training (GRI 205-2). Legal actions due to violations of anti-corruption legislation (GRI 205-3)

Play a pioneering role in transparency and open communication

- Open Doors Policy at all sites - 100% granted access by request – on hold due to the COVID-19 pandemic
- Annual open doors events at each mill – on hold due to the COVID-19 pandemic
- 2021: At least two local stakeholder events annually in Romania – one online event took place in 2021

Indicator: Feedback from stakeholder survey



SUSTAINABLE SUPPLY CHAIN

Zero wood from virgin forests or National Parks

- 2021: Extend the existing policy to exclude wood originating from virgin forests or National Parks to Ukraine and Belarus – in progress
- 2022: Introduce a new biodiversity policy

2025: purchase 100% wood from certified forests only

- Renewed association with the FSC® - in progress
- Continue certification with PEFC™- in progress
- 2020: Apply for SFI global certification - done

Constant Improvement of our Due Diligence System to ensure a sustainable supply chain

- Increase physical traceability of the origin of wood through research and implementation of new methods – continuous progress
- 2021: Extending Timflow to suppliers and other companies – in progress

Indicator: Trucks equipped with GPS (Timflow) in Romania



ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE

2025: Achieve a 25% reduction in GHG emissions (per final product unit)

- Continue the implementation of the environmental programme – in progress
- 2021: Benchmarking and revision of the programme (Benchmarking on energy efficiency and environmental performance in the sawmilling industry) – in progress

Indicator: CO₂-eq/final product unit

2025: Achieve a 30% reduction in energy consumption (per final product unit)

- Continue the implementation of the environmental programme – in progress
- 2021: Benchmarking and revision of the programme – in progress

Indicator: MWh/final product unit

Reduce the environmental impact of our activities

- 2022: Roll out the environmental management system across the entire group – in progress
- 2022: Increase the proportion of ash that is recycled rather than deposited in landfills to 100% - in progress
- Increase the number of recycled waste – in progress

Indicator: different KPIs from EMS



EMPLOYEES

Be a fair, responsible, attractive employer

- 2020: Revise the social package for workers in Romania - done
- Further development of employees' competencies; Creation of new training programmes and learning opportunities – in progress
- 2022: Introduction of a retention policy

Indicator: Employee turnover rate (GRI 401-1)

Continuous improvement in Health & Safety

- Zero severe accidents in the entire group – in progress
- Implementation and Certification (OHSAS 18001) of a Health & Safety Management System – in progress

Indicator: LTIFR -Loss time injury frequency rate GRI 403-2



REGIONAL PARTNERSHIPS

We support low impact forestry in Romania

- Conduct a low impact forestry programme together with partners (Tomorrow's Forest Foundation) – continuous
- Continue strategic collaboration with the Tomorrow's Forest Foundation – continuous

Strengthen the regional development in the areas of our production sites

- Increase the amount invested in regional CSR programmes – in progress

Indicator: Contribution (including in-kind contribution) to regional CSR Programmes



CUSTOMERS & PRODUCTS

Secure quality for customers

- Standardisation and unification of quality management (Database/Benchmarking)

Keep long-term partnerships

- Consequent continuation of customer support
- Market developments for new products

Indicator: Duration of Customer relation

10. HS Timber Group GRI content index

This GRI Index was compiled in accordance with the guidelines of the Global Reporting Initiative 2016 (GRI Standards, application level "in accordance with core option"). All data refers to the year 2020, respectively to the years 2019 and 2020 for certain indicators, unless otherwise stated.

In the course of the materiality process, HS Timber Group identified the main areas for action. These were assigned to the individual GRI topics. The following table provides an overview of the main topics and the corresponding GRI indicators according to the GRI Standards.

| Areas for action | GRI topics (codes) |
|---------------------------------------------------------------|---------------------------------------------------------------|
| High quality, green products | 302-5 |
| Price-performance ratio | 201-1 |
| Customer service & cooperation | 417-2 |
| Supply chain & traceability (including supplier partnerships) | 308-2 |
| Responsible employer | 401-1, 401-2, 403-2, 403-9, 403-10, 404-3, 405-1, 406-1 |
| Anti-corruption and compliance | 205-1, 205-2, 205-3, 307-1, 419-1 |
| Transparency & stakeholder dialogue | 413-1 |
| Regional development | 203-1, 203-2 |
| Sustainable forestry | 413-1, 304-2, 308-2 |
| Environment & climate action | 301-1, 302-1, 302-4, 305-1, 305-2, 305-3, 305-5, 306-1, 306-2 |

General disclosures

| Code | Content in accordance with GRI Standards (Core) | Reference/comments |
|-------------------------------|----------------------------------------------------------------------------------|----------------------------------------------------|
| Organisational profile | | |
| 102-1 | Name of the organisation | Chapter 1 |
| 102-2 | Activities, brands, products and services | Chapters 3.1, 3.2, 3.3, 3.4 |
| 102-3 | Location of headquarters | Chapter 3.3 |
| 102-4 | Location of operations | Chapter 3.3 |
| 102-5 | Ownership and legal form | Chapter 3.3 |
| 102-6 | Markets served | Chapter 3.5 |
| 102-7 | Scale of the organisation | Chapters 3.3, 3.4 |
| 102-8 | Information on employees and other workers | Chapter 6 |
| 102-9 | Supply chain | Chapter 5 |
| 102-10 | Significant changes to the organisation and its supply chain (since last report) | Chapters 1, 5.2.7, 5.2.8, 5.2.9, 5.2.13 |
| 102-11 | Precautionary principle or approach | Chapter 4 |
| 102-12 | External initiatives | Chapters 5.2.4, 5.2.5, 8.3 |
| 102-13 | Membership of associations | Chapter 8.3.5 |
| Strategy | | |
| 102-14 | Statement from senior decision-maker | Introduction |
| Ethics and integrity | | |
| 102-16 | Values, principles, standards, and norms of behaviour | Chapters 1, 3.1, 4, 4.1, 4.2, 4.3, 4.8 |
| Governance | | |
| 102-18 | Governance structure | Chapter 4 |
| Stakeholder engagement | | |
| 102-40 | List of stakeholder groups | Chapters 2.3 |
| 102-41 | Collective bargaining agreements | Chapter 6 (table) |
| 102-42 | Identifying and selecting stakeholders | Chapter 2.3 |
| 102-43 | Approach to stakeholder engagement | Chapter 2.3 |
| 102-44 | Key topics and concerns raised | Chapter 2.3 |
| Reporting practice | | |
| 102-45 | Entities included in the consolidated financial statements | Chapters 2.2, 3.3 |
| 102-46 | Defining report content and topic boundaries | Chapters 2, 2.1, 2.2 |
| 102-47 | List of material topics | Chapter 2.3 |
| 102-48 | Restatements of information | No restatements |
| 102-49 | Changes in reporting | No changes |
| 102-50 | Reporting period | Chapter 2 |
| 102-51 | Date of most recent report | Sustainability Report Update for 2019: August 2020 |
| 102-52 | Reporting cycle | Annual |
| 102-53 | Contact point for questions regarding the report | Editorial details |
| 102-54 | Claims of reporting in accordance with the GRI Standards | Chapter 2.1 |
| 102-55 | GRI content index | Chapter 10 |

Management approaches and performance indicators

Area for action 1: High quality, green products

| GRI Topic | Code | Content according to GRI Standards (core) | Reference/remarks |
|---------------------|-------|------------------------------------------------------------|------------------------|
| Management approach | 103-1 | Explanation of the material topic and its boundary | Chapters 3.1, 3.4 |
| | 103-2 | The management approach and its components | Chapters 3.1, 3.4 |
| | 103-3 | Evaluation of the management approach | Chapters 3.1, 3.4 |
| Energy | 302-5 | Reductions in energy requirements of products and services | Chapters 7.1, 7.2, 7.3 |

Area for action 2: Price-performance ratio

| GRI Topic | Code | Content according to GRI Standards (core) | Reference/remarks |
|----------------------|-------|----------------------------------------------------|------------------------|
| Management approach | 103-1 | Explanation of the material topic and its boundary | Chapters 3.1, 3.3 |
| | 103-2 | The management approach and its components | Chapters 3.3, 3.5 |
| | 103-3 | Evaluation of the management approach | Chapter 3.5 |
| Economic performance | 201-1 | Direct economic value generated and distributed | Chapters 3.3, 3.4, 8.1 |

Area for action 3: Customer service & cooperation

| GRI Topic | Code | Content according to GRI Standards (core) | Reference/remarks |
|-------------------------|-------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Management approach | 103-1 | Explanation of the material topic and its boundary | Chapter 3.5 |
| | 103-2 | The management approach and its components | Chapters 3.5, 9 |
| | 103-3 | Evaluation of the management approach | Chapters 3.5, 9 |
| Marketing and labelling | 417-2 | Incidents of non-compliance concerning product and service information and labelling | One incident of non-compliance with voluntary codes (minor non-conformity ¹⁶) |

¹⁶ Results of all HS SCCC audits are summarized in the Supply Chain Report 2020, available at <https://hs.at/en/responsibility/a-responsible-supply-chain.html>

Area for action 4: Supply chain & traceability

| GRI Topic | Code | Content according to GRI Standards (core) | Reference/remarks |
|-----------------------------------|-------|----------------------------------------------------------------------|-------------------------------|
| Management approach | 103-1 | Explanation of the material topic and its boundary | Chapter 5 |
| | 103-2 | The management approach and its components | Chapters 5.1, 5.2 |
| | 103-3 | Evaluation of the management approach | Chapters 5.2.3, 5.2.4, 5.2.13 |
| Supplier environmental assessment | 308-2 | Negative environmental impacts in the supply chain and actions taken | Chapter 5.2.10 |

Area for action 5: Responsible employer

| GRI Topic | Code | Content according to GRI Standards (core) | Reference/remarks |
|---------------------------------|-------|-------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Management approach | 103-1 | Explanation of the material topic and its boundary | Chapter 6 |
| | 103-2 | The management approach and its components | Chapters 6, 6.1, 6.2, 6.3 |
| | 103-3 | Evaluation of the management approach | Chapter 6 |
| Employment | 401-1 | New employee hires and employee turnover | Chapter 6, table |
| | 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | Not the case. |
| Occupational health and safety | 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | Chapter 6, table |
| Training and education | 404-3 | Percentage of employees receiving regular performance and career development reviews | Chapter 6, table |
| Diversity and equal opportunity | 405-1 | Diversity of governance bodies and employees | Chapter 6, table |
| Non-discrimination | 406-1 | Incidents of discrimination and corrective actions taken | 2 incidents ¹⁷ |

Area for action 6: Anti-corruption and compliance

| GRI Topic | Code | Content according to GRI Standards (core) | Reference/remarks |
|---------------------------|-------|--------------------------------------------------------------------------|-------------------|
| Management approach | 103-1 | Explanation of the material topic and its boundary | Chapters 4, 4.2 |
| | 103-2 | The management approach and its components | Chapter 4 |
| | 103-3 | Evaluation of the management approach | Chapter 4 |
| Anti-corruption | 205-1 | Operations assessed for risks related to corruption | Chapter 4.3 |
| | 205-2 | Communication and training about anti-corruption policies and procedures | Chapters 4.3, 4.4 |
| | 205-3 | Confirmed incidents of corruption and actions taken | No incidents |
| Environmental compliance | 307-1 | Non-compliance with environmental laws and regulations | Chapters 7, 7.1 |
| Socio-economic compliance | 419-1 | Non-compliance with laws and regulations in the social and economic area | |

¹⁷ Two incidents of discrimination were reported to the HS internal channel and accordingly addressed and resolved.

Area for action 7: Transparency & stakeholder dialogue

| GRI Topic | Code | Content according to GRI Standards (core) | Reference/remarks |
|---------------------|-------|-------------------------------------------------------------------------------------------|-------------------|
| Management approach | 103-1 | Explanation of the material topic and its boundary | Chapter 4 |
| | 103-2 | The management approach and its components | Chapter 4 |
| | 103-3 | Evaluation of the management approach | Chapter 4 |
| Local communities | 413-1 | Operations with local community engagement, impact assessments and development programmes | Chapter 4, 8 |

Area for action 8: Regional development

| GRI Topic | Code | Content according to GRI Standards (core) | Reference/remarks |
|---------------------------|-------|----------------------------------------------------|-------------------|
| Management approach | 103-1 | Explanation of the material topic and its boundary | Chapter 8 |
| | 103-2 | The management approach and its components | Chapters 8, 9 |
| | 103-3 | Evaluation of the management approach | Chapters 8, 9 |
| Indirect economic impacts | 203-1 | Infrastructure investments and services supported | Chapters 8.2, 8.3 |
| | 203-2 | Significant indirect economic impacts | Chapter 8.1 |

Area for action 9: Sustainable forestry

| GRI Topic | Code | Content according to GRI Standards (core) | Reference/remarks |
|-----------------------------------|-------|-------------------------------------------------------------------------------------------|------------------------|
| Management approach | 103-1 | Explanation of the material topic and its boundary | Chapters 5, 8. |
| | 103-2 | The management approach and its components | Chapters 5, 8 |
| | 103-3 | Evaluation of the management approach | Chapters 5, 8, 9 |
| Local communities | 413-1 | Operations with local community engagement, impact assessments and development programmes | Chapters 8 |
| Biodiversity | 304-2 | Significant impacts of activities, products, and services | Chapters 5.2.7, 5.2.11 |
| Supplier environmental assessment | 308-2 | Negative environmental impacts in the supply chain and actions taken | Chapter 5.2 |

Area for action 10: Environment & climate action

| GRI Topic | Code | Content according to GRI Standards (core) | Reference/remarks |
|---------------------|-------|------------------------------------------------------------|-------------------|
| Management approach | 103-1 | Explanation of the material topic and its boundary | Chapters 7, 7.1 |
| | 103-2 | The management approach and its components | Chapter 7 |
| | 103-3 | Evaluation of the management approach | Chapter 7 |
| Materials | 301-1 | Materials used by weight or volume | Chapter 7.1 |
| Energy | 302-1 | Energy consumption within the organisation (Scope 1 and 2) | Chapter 7.1 |
| | 302-2 | Energy consumption outside of the organisation (Scope 3) | Chapter 7.1 |
| | 302-4 | Reduction of energy consumption | Chapter 7.2 |
| Emissions | 305-1 | Direct (Scope 1) greenhouse gas emissions | Chapter 7.5 |
| | 305-2 | Energy indirect (Scope 2) greenhouse gas emissions | Chapter 7.5 |
| | 305-3 | Other indirect (Scope 3) greenhouse gas emissions | Chapter 7.5 |
| | 305-5 | Reduction of greenhouse gas emissions | Chapter 7.1, 7.5 |
| Effluents and waste | 306-1 | Water discharge by quality and destination | Chapters 7.1, 7.7 |
| | 306-2 | Waste by type and disposal method | Chapters 7.1, 7.6 |

11. Overview of HS Timber Group 2020

HS Timber Group has its roots in a traditional Austrian family-owned company, with more than 400 years of experience in wood processing. Today, the Group is organised as a holding company based in Vienna. Employing around 3,500 people, the Group primarily operates in the timber industry, but is also involved in lumber trading and bioenergy production. Our products that are manufactured in our six production sites in Romania and Germany are exported to more than 70 countries worldwide.

In 2003, we opened our first sawmill in Sebeş, Romania, where the company now operates three sawmills, a blockboard factory and a panel factory. In October 2015, a sawmill in Kodersdorf, Germany, was added to the group.

Our sawmill in Rădăuți

| | |
|---------------------------------|--------------------------------------|
| Established | 2008 |
| Plant size | 50 ha |
| Cutting | 1.45 million m ³ of logs* |
| Planing | 740,000 m ³ ** |
| Kiln drying | 880,000 m ³ ** |
| Laminated timber (post) | 115,000 m ³ ** |
| Laminated timber (beam) | 135,000 m ³ ** |
| Pellets | 186,000 t* |
| CHP plant** ¹ (BET*) | 27.5 MW thermal* |
| | 5 MW electric* |
| CHP plant** ² | 28 MW thermal* |
| | 10 MW electric* |

* Production capacity
** Combined heat and power plant
Bio Electrica Transilvania S.R.L.

Our sawmill in Sebeş

| | |
|--------------------------|--------------------------------------|
| Established | 2003 |
| Plant size | 53 ha |
| Cutting | 1.45 million m ³ of logs* |
| Planing | 580,000 m ³ ** (raw) |
| Kiln drying | 880,000 m ³ ** |
| Laminated products | 52,000 m ³ ** (raw) |
| Pellets | 124,000 t* |
| Briquettes | 30,000 t* |
| | 8.6 MW thermal* |
| CHP plant** ¹ | 2.4 MW electric* |
| | 27.5 MW thermal* |
| CHP plant** ² | 8.5 MW electric* |
| | 20 MW* |

* Production capacity
** Combined heat and power plant

Our blockboard factory in Comănești

| | |
|---------------------------------|--------------------------------|
| Acquisition | 2010 |
| Plant size | 17 ha |
| Blockboards & shuttering panels | 145,000 m ³ output* |
| Pellets | 31,000 t* |

* Production capacity

Our sawmill in Kodersdorf

| | |
|------------------|-------------------------------------|
| Acquisition | 2015 |
| Established | 2004 |
| Plant size | 33.5 ha |
| Cutting | 1.2 million m ³ of logs* |
| Planing | 360,000 m ³ ** (raw) |
| Kiln drying | 560,000 m ³ ** |
| Hot water boiler | 20 MW* |

* Production capacity

Our sawmill in Reci

| | |
|--------------------|---------------------------------|
| Established | 2015 |
| Plant size | 70 ha |
| Cutting | 800,000 m ³ of logs* |
| Planing timber | 300,000 m ³ ** (raw) |
| Kiln drying | 528,000 m ³ ** |
| Pellets | 186,000 t* |
| CHP plant** (BET#) | 38 MW thermal* |
| | 15 MW electric* |
| Hot water boiler | 10 MW* |

* Production capacity
** Combined heat and power plant
Bio Electrica Transilvania S.R.L.

Our panels factory in Siret

| | |
|---------------------------------------------|----------------------------------------|
| Acquisition | 2009 |
| Plant size | 5 ha |
| Edge-glued panels & finger-jointed products | 130,000 m ³ ** lumber input |
| Briquettes | 30,000 t* |

* Production capacity

ANNEX 1. Mission statement



Mission Statement

Perfection in Timber.
Getting better every day

Sustainability

Our resource is renewable and unique.

Our local engagement in the regions initiates and supports economic development and respects the environment.

Partnership

Close cooperation is our key to common success.

Our reliability ensures stability for our employees, customers and suppliers.

The HS Timber Group is a long-established wood processing company of Austrian origin with very strong roots in Central and Eastern Europe, especially Romania.

We are open to new approaches and realize opportunities courageously. We are committed to our responsibility for communities and a sustainable timber industry. Our employees are best in class and our greatest asset. As a company we strive to grow globally and sustainably while respecting the environment. We constantly invest in our core competences of sawmilling and industrial timber processing, as well as in diversifying our business. We do this by building a global presence with strong regional roots.

Passion

We are passionate about meeting new challenges and finding the best solutions.

Our ability to innovate products and services guarantees individual solutions.



We are customer oriented.

The pursuit of perfection and quality makes us different.

Perfection in servicing achieves best results for our customers. This is how we understand partnership.

Our customers' economic success is the basis for our own long-term success.

Our performance and capability of finding the best solutions for our customers distinguish us from others.

Our strengths: Flexibility, speed, openness and consequent implementation.

We respect our regions and value them.

The regions we work in are the basis for our successful value chain.

We offer high quality jobs and contribute to the long-term revival and attractiveness of the regions.

We understand and respect the concerns of our partners. We support them in the regions in solving problems to secure our sites.

Our employees are among the best in the industry.

We support our employees' development and seek their best performance in return.

Only qualified employees guarantee that all rules are respected. We are an attractive employer. We strive for satisfied employees and a close cooperation.

We value our employees as our most important resource and support them in taking over responsibility. We believe in their skills and dedication. In return, we expect their willingness to always strive for the best approach.

We care about health and safety.

We appreciate constant development and the ability to learn from mistakes. We are a strong unity, direct and hands-on.

Teamwork is the cornerstone for our success – we remain strong by closely working together.

Our organization is transparent.

Our internal organisation is well structured and understood by all of our employees.

Decisions are taken fast and at the right level. We strive for an appropriate level of involvement and personal responsibility.

Lean structures together with a strong awareness for communication throughout the group characterize our organisation.

We work closely with our partners.

Our suppliers as well as our customers are our economic basis. We offer them reliability and long-term partnerships.

We demand honesty in respecting our rules and legal provisions as well as the commitment towards continuous improvement – both, from ourselves and our partners.

Sustainability leads us in our daily business.

We are committed to sustainability and growth throughout our organisation.

Our economic success depends on our supply basis, a sustainably managed forest. Sustaining and fostering this natural heritage is crucial.

We are fully committed to protecting biodiversity and contribute to climate protection. Our resource's origin is transparently traceable, making our products one of the safest in the industry.

The responsible use of our resource and an effective environmental management are an integral part of our economic activities, supporting innovation and success.

A transparent and honest dialogue with our employees, stakeholders and the general public helps to implement and constantly improve our approach.



ABBREVIATIONS

CCO – Chief Compliance Officer

CoC – Chain of Custody

CHP – Combined Heat and Power plant

CMS – Compliance Management System

CSR – Corporate Social Responsibility

DIY – Do It Yourself

EMS – Environmental Management System

EUTR – European Union Timber Regulation

FMU – Forest Management Unit

FSC – Forest Stewardship Council

GHG – Greenhouse gases

GPS – Global Positioning System

GRI – Global Reporting Initiative

IACA – International Anti-Corruption Academy

IEA – International Energy Agency

KPI – Key Performance Indicators

LED – Light-Emitting Diode

MENA – Middle East and North Africa

NGO – Non-Governmental Organisation

PEFC – Programme for the Endorsement of Forest Certification

SFI – Sustainable Forestry Initiative

SNCR – Selective Non-Catalytic Reduction

SUMAL – Sistem Informațional Integrat de Urmărire a
Materialelor Lemnoase (Integrated Informational
System for Tracking Wood Materials)

UBA – Umweltbundesamt GmbH (Environment Agency Austria)

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