



PRECIOUS WOODS

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Specific Sustainability and Transparency Indicators

Additional disclosure for compliance with third party assessments

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1. About this disclosure

Every year Precious Woods is assessed by various third-party organizations in order to evaluate our level of sustainability and transparency. We do welcome these initiatives that will help investors and customers to better distinguish between sustainable and unsustainable companies.

An enormous amount of data is collected annually in Precious Woods' operations, but not all data are published, or the format of disclosure does not comply with some assessment schemes for several reasons:

- All Precious Woods operations are double certified against the Forest Stewardship Council® FSC® and the Project for the Endorsement of Forest Certification™ PEFC™ certification schemes. These schemes cover by default most aspects asked for by assessments schemes. However, often assessments schemes do not automatically accept FSC and PEFC certification as a measure for compliance in order to create a comparable framework for certified and non-certified companies. We do not agree with this approach as we believe that certified companies do exceed all requirements of most assessment schemes.
- Many data are used internally and are not published in order to not overload Precious Woods' online and paper-based publications.
- Many data are presented but in a way that does not comply with some third-party schemes

This report aims to close these gaps and to disclose on several specific indicators

2. Scope¹

- This report covers all Precious Woods operations worldwide.
- This report covers all products produced, process and traded by Precious Woods. These are: logs, timber and timber products
- All commitments of Precious Woods apply to all products, to all sourcing regions, to all operations and to all direct and in-direct third-party suppliers. 100% of the commodities are covered by these commitments. Full implementation of these commitments is already accomplished through valid FSC and PEFC certificates covering all operations, the whole supply chain and all trading activities.

¹ FOREST 500, Assessment Methodology 2018, Indicator 3.1, 3.2, 3.3, 3.4, 3.5, 3.6

3. Commitment to certification and sustainable forest management

Precious Woods commits to certify all own operations and the whole supply chain against the FSC or PEFC Forest Management (FM) and Chain of Custody (Coc) certification schemes. We also commit to only source from third parties if they are FSC or PEFC certified.

Since 2009 all our operations are FSC FM and CoC certified, additionally, since 2018 all operations are PEFC FM and CoC certified². Compliance with the certification is checked annually by accredited and independent auditors³. Non-compliance would lead to the suspension and loss of the certification.

Besides having a sustainable social, economic and ecological impact, certification obliges us to monitor and verify our supply chain constantly to maintain our certification. Compliance of our monitoring and verification activities is checked annually during FSC and PEFC audits by accredited and independent suppliers⁴.

Through certification we are obliged to apply Free, Prior and Informed Consent (FPIC), the conventions of the International Labour Organization and to apply gender equality, as these three points are integrated elements of FSC and PEFC standards⁵.

Social and environmental indicators are monitored constantly as part of the FSC and PEFC certification. Compliance with certification requirements is checked annually by accredited and independent auditors. Non-compliance with social or environmental requirements would lead to suspension and loss of certification⁶.

We are active members of the following organizations that are engaging in the promotion and development of sustainable forestry⁷.

- Association Technique Internationale des Bois Tropicaux (ATIBT),
- Union des Forestiers Industriels du Gabon et Aménagistes (UFIGA),
- Coalizão Brasil Clima, Florestas e Agricultura (Coalizão)
- Forest Stewardship Council (FSC), northern and southern chamber

² FOREST 500, Assessment Methodology 2018, Indicator 4.1

³ FOREST 500, Assessment Methodology 2018, Indicator 4.2

⁴ FOREST 500, Assessment Methodology 2018, Indicator 4.3

⁵ FOREST 500, Assessment Methodology 2018, Indicator 5.1, 5.2, 5.3

⁶ FOREST 500, Assessment Methodology 2018, Indicator 4.6

⁷ FOREST 500, Assessment Methodology 2018, Indicator 4.7

4. Workforce – gender distribution and inclusion of women

4.1. Board of Directors⁸

Board Members	2017		2018		2019	
Women*	1	20%	1	25%	1	25%
Men	4	80%	3	75%	3	75%
Total	5	100%	4	100%	4	100%

*Katharina Lehmann, president of the board

Table 1: Precious Woods Board of Directors

4.2. Senior Management Team⁹

Senior Management Team	2017		2018		2019	
Women	0	0%	0	0%	0	0%
Men	2	100%	2	100%	2	100%
Total	2	100%	2	100%	2	100%

Table 2: Precious Woods Management Team

4.3. Employees

Employees	Brazil				Gabon				Switzerland			
	2017		2018		2017		2018		2017		2018	
Women	66	12.5%	60	12.0%	79	9.1%	77	9.3%	6	50.0%	7	50.0%
Men	459	87.5%	439	88.0%	793	90.9%	753	90.7%	6	50.0%	7	50.0%
Total	524	100.0%	499	100.0%	872	100.0%	830	100.0%	12	100.0%	14	100.0%

Table 3: Precious Woods' Employees

4.4. Inclusion of Women¹⁰

➤ Brazil

Female workforce in general

Female workforce is mostly employed in administration, forest and technical engineering, the industries and the canteen. Three women are part of the local management team. As it is common in the forestry industry globally, women are not or only marginally represented in harvesting operations.

⁸ SPOTT 2019 Indicator 5

⁹ SPOTT 2019 Indicator 6

¹⁰ SPOTT 2019 Indicator 94

Barriers faced

As in most other countries the job market for technical positions, especially in milling and forest operations, does present a gender disequilibrium. This is not a specifically Brazilian issue but a global problem. We would like to see more young women to train in technical professions in order to increase our female workforce. Gender equality is implemented.

Actions taken

The local management does actively attempt to increase the female workforce. In cooperation with local educational facilities we offer regular trainee programs with a high share of female trainees in order to make our company better known amongst and more attractive for young female professionals.

➤ Gabon

Female workforce in general

Female workforce is mostly employed in administration, veneer production, housekeeping and in the canteen. As it is common in the forestry industry globally, women are not or only marginally represented in active forest and milling operations.

Barriers faced

Cultural barriers (mainly in rural areas): The main tasks assigned to women turn mostly around housekeeping, parenting and subsistence agriculture. Especially in rural areas, women are often not accepted to be the breadwinner for the family. It must be annotated that often women themselves share such mindsets.

Educational barriers (mainly in rural areas): Women in rural areas do often have a lower educational level than men as they leave school earlier due to various reasons. Thus, it is often impossible to hire female employees that dispose of a sufficient education level to work in forest operations.

Actions taken

Precious Woods Holding AG is hiring a female consultant, a specialist in social work and education. One of her tasks will be to assist Precious Woods – CEB in Gabon in talking women education and gender equality. The long-term objectives are (i) to have more qualified female workforce available for our operations and (ii) to create a better business environment for women in general. The underlying idea is that there is a growing demand for small business and all kind of services in and around our camps and that this services and business can be provided by women (e.g. shop owner, business provider, restaurant owner, etc). The consultant will start her assignment mid-July 2019.

➤ Switzerland

Female workforce in general

All employees in Switzerland work in administration or management as no forest operations take place in Switzerland.

Barriers faced

Enough qualified female workforce is available on the job market. Gender equality is implemented. No barriers faced.

➤ Actions taken

None

5. Landscape-level approach to biodiversity conservation¹¹

➤ Brazil

In the north-east, our forest property borders a national “Sustainable Development Reserve”¹². We decided to exclude around 17’000ha of our forest in this area from any activities to create a buffer zone. This action was taken to better protect the reserve and the entire landscape spanning the reserve, our forest and the surrounding area.

➤ Gabon

A convention has been elaborated between the government, the NGO “Conservation Justice” and Precious Woods. The geographical scope of the convention covers parts of the CEB concession and the bordering buffer zone to the Ivindo National Parc. The convention aims to implement a joint action plan for fauna conservation and anti-poaching measures in the landscape spanning the Ivindo National Parc and Precious Woods Concession area. The convention has been negotiated and agreed upon by the end of 2018. Due to changes in the government it has not been signed yet, but signature is expected in the coming weeks. Joint patrols with the authorities in this area are already taking place but will be intensified after the convention has been signed.

➤ Switzerland

No operations in Switzerland.

¹¹ SPOTT 2019 Indicator 44

¹² Reserva de Desenvolvimento sustentável do Uatumã

6. Deforestation and Conversion

6.1. Commitment to archive deforestation- and conversion-free production and procurement for the whole supply chain¹³

FSC does not accept deforestation and conversion. For all own operations and our FSC certified supply we thus commit automatically to deforestation- and conversion-free production.

PEFC does accept small-scale conversion of maximal 5% of the certified area only if it *“makes a contribution to long-term conservation, economic, and social benefits”*¹⁴. To avoid timber originating from deforested or converted lands in our supply chain, we commit to only source PEFC certified products if they origin from countries where deforestation and conversion is not tolerated by the law and where the legislation is enforced reliably. Today, we only source PEFC certified products from middle Europe.

6.2. Deforestation inside Precious Woods management area¹⁵

Concession area (total surface)	2017		2018	
	Deforestation from own operations	Deforestation from third party operations	Deforestation from own operations	Deforestation from third party operations
Brazil (506'699 ha)	0 ha	0 ha	0 ha	0 ha
Gabon (596'800 ha)	0 ha	0 ha	0 ha	4.92 ha*
All (1'103'499 ha)	0 ha	0 ha	0 ha	4.92 ha*
*see text for additional explanations				

Table 4: Deforestation of third parties

The deforestation by third parties reported in 2018 concern the opening of quarries inside our concession area by a mining company. The quarries are used to exploit gravel used for road construction. The mining companies holds valid authorisations and the quarry operations do meet legal standards. The company is cooperating with us to minimize their impact inside of our concession area. Precious Woods staff undertakes field controls in the respective area on a weekly base. Precious Woods will reforestate the quarries in 2019 on behalf of the mining company.

¹³ FOREST 500, Assessment Methodology 2018, Indicator 1.1

¹⁴ PEFC ST 1003:2018

¹⁵ SPOTT 2019 Indicator 41

7. Wood supply and volumes

Precious Woods does only process wood harvested under FSC and PEFC regime inside Precious Woods' own forests or concession areas. All volumes of products produced, processes and traded can be found in our annual reports that are publicly available on our website¹⁶.

As part of our trading activities we do also trade timber and timber products of third parties that must be either FSC or PEFC certified. If third parties do lose their certificates due to non-compliances, we will immediately suspend any cooperation but encourage them to undertake all necessary actions to regain certification¹⁷. In 2018, all timber products traded from third parties originated from European forests and were PEFC certified. In 2019, we also started trading FSC certified timber from one partner in South America¹⁸.

7.1. All wood supplies¹⁹

Origin of Precious Woods timber products (2018)		Volume m3	FSC certified	PEFC certified
Processed in own mills	Brazil	27'800	100.0%	100.0%
	Gabon	115'700	100.0%	100.0%
Trading of third party products		18'700	0.0%	100.0%
Total		162'200	88.5%	100.0%

Table 5: All supply

7.2. Wood supplies from third parties²⁰ only²¹

Third-party supply of Precious Woods operations (2018)		Volume m3	FSC certified	PEFC certified
For processing in own mills		0	0.0%	0.0%
For trading purposes only	Logs	14'920	0.0%	100.0%
	Sawn wood	3'780	0.0%	100.0%
Total		18'700	0.0%	100.0%

Table 6: Supply from third parties

All our trading activities in 2018 did only involve timber and sawn wood originating from European forests, mostly from France and all products were 100% PEFC certified.

Some third-party assessment schemes do not accept PEFC standards but the FSC Controlled Wood standard with argumentations that seem unreasonable to us. We believe in the PEFC FM and CoC standards used in the countries we operate in and we know that these standards are much stricter

¹⁶ FOREST 500, Assessment Methodology 2018, Indicator 4.8

¹⁷ FOREST 500, Assessment Methodology 2018, Indicator 4.4

¹⁸ FOREST 500, Assessment Methodology 2018, Indicator 4.5

¹⁹ SPOTT 2019 Indicator 116

²⁰ From outgrower schemes and/or independent suppliers

²¹ SPOTT 2019 Indicator 117

than FSC Controlled Wood standards. We refuse to apply standards that we believe are insufficient to prove sustainability only to comply with third party assessors.

8. Supply chain and traceability systems²²

8.1. Forest and processing operations (Brasil and Gabon)

We commit to always apply a supply chain and traceability system (later referred to as Chain of Custody System CoC) to control the supply chain and to ensure the traceability at every stage of our production, processing and trading activities. The need for our CoC systems is based on

1. Legal requirements
2. FSC or PEFC requirements
3. Internal control and process management

Trees are all numbered with a unique number during inventory and harvesting planning. Once harvested, the unique number is marked on the tree and on the stump. If the log is subdivided in multiple sections, the number of the section is added to the log. During the production processes the unique number of the log is assigned to the respective production campaign. The timber from one campaign can then be sorted into various sale contracts whereby all relevant campaign numbers must be assigned to the sales contract. The sales contracts are packed into bundles which are assigned specific bundle numbers. During transport, every log is marked with its unique number and every bundle with its specific bundle number that allow to trace back the log or timber bundle. Our CoC system does guarantee that every log harvested in our concession area can be traced back to the stump and that every timber product can be traced back to the annual harvesting area.

Information are recorded on paper during the production process. To avoid fraud, to guarantee data consistency and to streamline our processes, these data are then saved into a traceability software. These specialised software solutions do avoid unauthorised data alterations and only a limited circle of persons has full access codes for the system. Our CoC software allows us to locate every log and timber product at any time.

The consistency of our CoC systems - paper-based and electronics systems - is checked by authorities several times a year and once a year by certification auditors.

8.2. Trading activities

Due to certification requirements and management of internal processes, we apply the CoC system described above to our whole supply chain no matter if we are trading own or third-party products. The CoC system does guarantee that every log or timber product can be traced back to the annual harvesting area. We apply our CoC systems to all our trading activities even if this might not be a legal requirement in some countries we are operating in.

²² FOREST 500, Assessment Methodology 2018, Indicator 2.3

9. Independent suppliers

9.1. FPIC, workers rights and gender equality

We commit to only source wood for our trading activities from FSC or PEFC certified suppliers and thus, they are obliged to respect the principles of FPIC, workers' rights and gender equality. If these third-party suppliers violate the above principles, they will lose their certification and we will immediately quit any collaboration.

For more details on our approach to workers' rights and to gender equality see chapter 3 and 4

9.2. Small-scale producers²³

We only accept FSC or PEFC certified products in our supply chain. It often appears to be difficult for small-scale producers in tropical areas to meet FSC or PEFC criteria, but we do promote small-scale producers in our supply chain if they meet these requirements. We do, for example, partner with a FSC certified cooperative in South-America that is composed of several small-scale producers.

9.3. Scope of FPIC commitment of independent suppliers²⁴

We only have wood suppliers to our trading operations, but we do not process logs from third parties in our mills and veneer plants. We require all these suppliers to be either FSC or PEFC certified which implies that they respect the principles of Free, Prior and Informed Consent (FPIC) in the scope of their certified operations.

Some third-party assessment schemes are asking us to expand this FPIC commitment to all our suppliers' operations even if these operations are not linked to the certified operations and even if these operations are not related to forestry. We strongly disagree with this approach, as this would be an unverifiable and thus, irresponsible commitment.

²³ FOREST 500, Assessment Methodology 2018, Indicator 5.4

²⁴ SPOTT 2019 Indicator 90