

# Sustainability





*Tropical forests account for about half of the total forest area of the earth. They are a haven for biodiversity and the green lungs of our planet. We are committed to the sustainable management of these forests and thus to their long-term preservation.*



Picture large: Elephant of Gabon

Picture small: Elephant of Gabon, taken with camera traps

# Precious Woods – sustainability in the focus of entrepreneurial philosophy

Precious Woods is one of the leading companies in sustainable management of tropical rainforests globally and is regarded as a pioneer in many areas. Certification according to the standard of the Forest Stewardship Council (FSC) has been part of the entrepreneurial philosophy of Precious Woods for many years. Since 2017, the entire Group has also been certified according to the PEFC/PAFC standard. These standards define all essential criteria for sustainability in forestry. The certification schemes cover forestry processes as well as operational timber production, trading, and the handling of social and environmental demands in the context of tropical forest management. Precious Woods thus guarantees 100 %-certified products from its PW Amazon, PW Gabon, and PW Holding operations. The core business is the production and sale of certified sawn and semi-finished tropical timber products. In Brazil, Precious Woods holds a 40 % share in a biomass power plant allowing the company to also sell certified emission reductions (CERs) by utilizing residual wood from production. The aim of all activities is a high level of customer value while preventing deforestation of tropical forests through sustainable forest management and the associated added value. Economic success ensures the social and environmental sustainability of activities and is essential for the long-term conservation of tropical forests. The Precious Woods Group is headquartered in Switzerland and employed around 1 500 people in Brazil, Gabon and Switzerland in 2019.

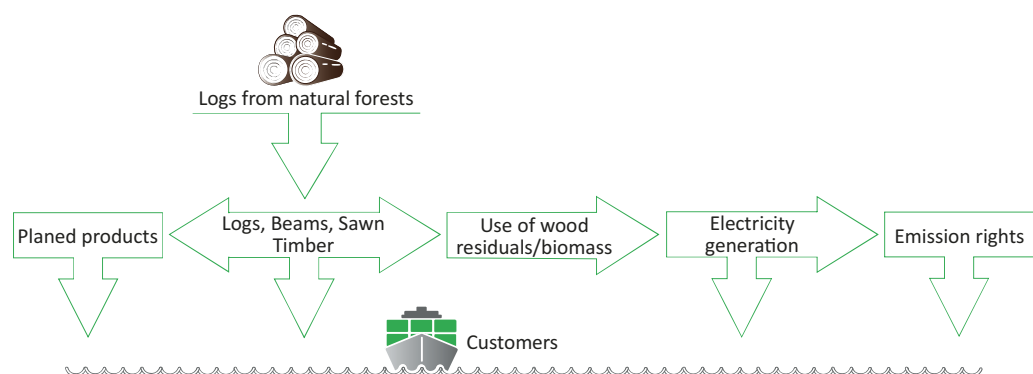
## Vision

As an economically successful company, Precious Woods creates jobs and supports local communities and contributes to the long-term preservation of tropical forests and their positive impact on sustainability goals such as biodiversity and the natural water cycle through sustainable forestry and the marketing of the resulting products.

## Products and markets

Precious Woods produces and sells logs and sawn timber (beams, poles, boards), planed products, and veneer made from high-quality tropical timber from more than 70 tree species. Main target groups are the marine and hydraulic engineering sector, garden, building and road construction, as well as outdoor furniture manufacturers in the European, Brazilian, Asian, and US markets. Thanks to continuous public campaigning by prominent non-governmental organizations, awareness of the environmental and social consequences of uncontrolled exploitation of tropical forest resources is increasing and leading to a positive change in framework conditions. This development offers Precious Woods – with its consistent strategy aimed at sustainability – a growing market share.

## Market orientation and continuous optimization of the value chain



Thanks to its holistic approach ranging from sustainable forest management and timber production to marketing, Precious Woods promotes certification of the whole chain of custody and

## Indicators training 2019 (2018)



Training hours  
784 (1 895)



Training hours per  
employee  
0.5 (1.3)

complete traceability. The procurement of additional timber products for Precious Woods' own trading focuses on forestry and processing companies that are also certified. Lesser-known species of wood are continuously tested and introduced on the market. For that purpose, Precious Woods examines uses for about 70 different timber species and puts this knowledge into practice to satisfy customer and market demands. At the same time, this preserves the quality of tropical forests and enables sustainable economic management over the long term.

### Goal of sustainable growth

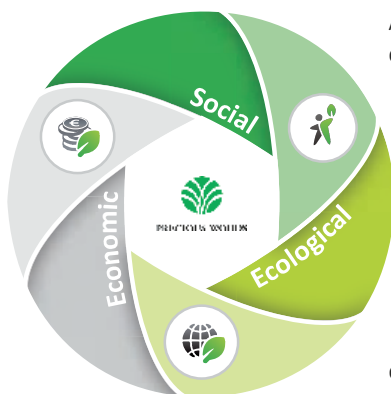
Following acquisitive growth between 2000 and 2008, the company has since aimed at organic, sustainable growth. Medium-term goals are an EBITDA margin of 20% of net annual sales and an equity ratio of about 40%. In order to secure its operational activities, Precious Woods must have sufficient liquidity to absorb seasonal fluctuations and political risks. Not least of all, Precious Woods wants to secure 100% certification according to the highest standards in all its activities.

### Management organization with strong market orientation

Precious Woods consists of four business units and a Group Management that focuses on the realization of strategic goals, sales and marketing, communication, as well as financial management and control. These areas as well as their activities and results are documented in detail in this annual report.

### Sustainable forestry in all dimensions

Selective logging is not at all equivalent to sustainable forestry. FSC/PEFC-certified tropical forest management as practiced by Precious Woods is based on careful planning and selection of the trees to be harvested, without endangering the diversity of tree species, the stocks, or the regenerative capacity. Average logging at Precious Woods is 1 to 3 trees per hectare during a cycle of 25 or 35 years. The legal foundations would permit a far higher logging quota, which would also result in lower costs. But this is not an option for Precious Woods, because we would then be unable to fulfil our environmental or social responsibility. Our activities are independently verified each year and documented by scientific studies. In this way, we can demonstrate that timber can be harvested in tropical forests without negatively affecting the ecosystem. Thanks to this insight, it is possible to secure employment and generate local added value even in remote regions of emerging countries.



At the same time, Precious Woods makes a wide range of contributions to improving local earning opportunities. Precious Woods ensures social added value not only through the creation of jobs, but also through targeted basic and continuing on-the-job training in Brazil and Gabon, schools, health clinics, as well as other infrastructure in remote tropical forest areas. In doing so, the company makes an important contribution to economic and social development and stability in these regions. Precious Woods actively aims to improve the living conditions of its employees, their families, and the communities.

Added value in ecological terms means managing Precious Woods' forest areas consistently with sustainable practices to preserve these renewable natural resources – including their bio-

## Indicators Health and safety 2019 (2018)



Accidents at work  
**128** (112)

Accidents per  
1 000 employees  
**85** (80)



Days lost per  
accident  
**8.8** (9.2)



Fatal accidents at work  
- (-)

**Indicators employees**  
2019 (2018)



Number of employees  
total (yearly-Ø)

**1 498** (1 408)

Brazil

**591** (524)

Gabon

**893** (872)

Europe

**1** (1)

Corporate

**13** (11)

diversity – also for future generations. The social and environmental engagement of Precious Woods is also described in detail in the reports on the individual business segments.

		<b>Brazil</b>	<b>Gabon</b>
Forest area	in ha	506 699	596 800
Net forest area	in %	78	92
Employees		591	893
Communities		9	44
Harvest volume per year	in m <sup>3</sup>	140 000	240 000
Harvested area per year	in ha	11 700	22 000
Harvest volume per ha	in m <sup>3</sup>	12	12
Harvest cycle	in years	35	25

### Market opportunities thanks to sustainability certificates for tropical wood

Both certification standards go far beyond the minimum requirements of legality, setting out more extensive demands in regard to environmental and social sustainability in forestry as well as an uninterrupted chain of custody. The increasingly stringent legal requirements in importing countries will benefit trade in sustainably certified timber in the medium term. The total forest area under FSC certification was 195 million hectares at the end of 2018, which is greater than the area of Germany, France, Spain and Italy combined. But only about 10% of that area covers tropical and subtropical forests and afforestations, which means they are still highly underrepresented in terms of FSC certification. Precious Woods manages about 7% of the total FSC-certified tropical and subtropical forest area.

### Contribution to the UN Sustainable Development Goals

In 2015 the United Nations issued the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals (SDG) as its central element covering a wide range of social, economic, and environmental development issues. Within the SDG, protecting biodiversity and guaranteeing the livelihoods of the local population are addressed as priorities and targets for 2030. Precious Woods through its certified and sustainable activities in the Congo Basin and Amazon rainforest is a strong contributor to these Sustainable Development Goals.

Moreover, the 2015 Paris Agreement of the UN Framework Convention on Climate Change (UNFCCC) underlines that practicing sustainable forest management is a key element for limiting climate change and its impacts.

### Precious Woods Amazon: Close ties with the local population

In 1997, PW Amazon was the first FSC-certified company in Brazil. More far-reaching investments have been made not least of all in the fields of workplace safety, accident prevention, and training. We maintain partnerships with educational institutions in order to promote schooling as well as professional training for the employees, their families, and the local inhabitants of Itacoatiara (the neighbouring city with approximately 80 000 inhabitants) and the surrounding communities.

Precious Woods attaches great importance to a good understanding with the local population: In 2016, PW Amazon began a socioeconomic survey of the local communities, which is repeated

every year. We draw on this survey to gain insights about environmental, ethnic, and religious aspects and the measures we should take to promote participation by the local population.

Since 2018, Precious Woods has organized capacity building courses and projects for the benefit of the local communities. These are described in more detail in the segment reports.

In cooperation with the HAFL (University of Applied Sciences, School of Agricultural, Forest and Food Sciences) and other educational institutions, we regularly accompany bachelor's and master's theses of prospective forest engineers. In that way, we gain important insights into the impact of our activities, the regenerative capacity of our forest areas, and any potential for improvement. And sometimes we even succeed in attracting managers, bachelor and master students for our locations in Brazil and Gabon.

### **Precious Woods in Gabon – Projects for the protection of flora, fauna, and biodiversity**

As a company, PW Gabon goes far beyond the sustainability standard required by FSC and PEFC certification – for example in our monitoring and inspection of concession areas, the analysis of timber harvest and usage areas, as well as the professional and environmentally sound disposal of fuels, lubricants, accumulators, and chemical substances. Over the past few years, an average of only 1.4 trees per hectare have been logged in the protected zones of the concession, corresponding to about 14 m<sup>3</sup>/ha. Thanks to this gentle use, the share of the forest impacted by logging has been kept very low. Cutting, access roads, and loading areas take up less than 2% of the used area on average, which is four times better than the average in Gabon as determined by a study of the Food and Agriculture Organization (FAO).

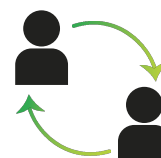
Precious Woods devotes special attention to wildlife protection: The company is involved in the training and education of its employees and the local population together with the Wildlife Conservation Society (WCS). In cooperation with the WCS, PW Gabon also works to collect data on big game, the diversity of species, and other aspects of biodiversity. We also combat illegal activities, especially poaching. Today, poaching in our concession areas is largely under control. In this context, it is important to prevent access via forestry roads and back paths into the zones that have already been used.



Women  
in %  
**9.6** (10.7)



Men  
in %  
**90.4** (89.3)



Rate of employee  
turnover  
in %  
**3.4** (2.3)

**Indicators Forest management**  
2019 (2018)



Forest protection total area in ha  
**1 069 400** (1 103 500)



FSC share of timber Production sold in %  
**100** (100)



PEFC share of traded timber sold in %  
**100** (100)

**Our contribution to ongoing protection of the forests**

**4 : 1**

- Up to 4 m<sup>3</sup>/ha/year growth in sustainably managed forests compared with less than 1 m<sup>3</sup>/ha/year in protection zones
- 20 years measurement of wood volume growth



**330 000 000 tC**

- Carbon sequestered by PW forest areas (calculated at 300 tC/ha)



**Fauna / Flora**

- Large populations of elephants and gorillas (Gabon)
- Most effective protection of biodiversity through RIL (reduced-impact logging)



**Sounding Board**

The responsibility for ensuring and further developing the sustainability of the entire Group lies with the Board of Directors. The Board of Directors draws on experts for individual cases and on the Sounding Board on a regular basis. The Sounding Board discusses new developments with Precious Woods in regard to the sustainable management of tropical forests and supports the company in its relations with local and international stakeholders and professional organizations. Topics include recommendations for reporting by Precious Woods and the fulfilment of sustainability goals in their economic, environmental, and social dimensions.

**Institutional framework as opportunity and challenge**



The important function of tropical forests in carbon sequestration and the conservation of the enormous biodiversity is gradually becoming established in the public consciousness. The global community and tropical forestry are increasingly being viewed in the light of global resource depletion. When selecting suitable locations for its forestry operations, Precious Woods not only assesses availability, accessibility, and quality of the forest resources, but also places special emphasis on the framework conditions and reliability of the countries in question. Precious Woods respects the legal and institutional structures, local environmental and forestry policies, and relevant legislation, as well as their implementation in practice.

**Illegal logging threatens certified timber trade and sustainable development**

Illegal logging and trade grew to threatening dimensions at the beginning of the century, especially in tropical countries. A study by Chatham House estimated the global damage from illegal logging to timber producing countries at USD 15-20 billion annually. The consequences are deforestation, loss of biodiversity, increase in carbon emissions, but also often conflicts with indigenous peoples, violence, and human rights abuses. It is up to the producing as well as importing countries to prevent illegal logging and trade, as set out in the G8 Action Programme on Forests. Since then, various measures by governments and the private sector have been initiated. Implementation of these measures has started to produce results, but governments have been sluggish in implementing them.

## Carbon Footprint

The carbon emissions generated by Precious Woods are recorded in three categories according to World Resources Institute (WRI) classification, in 2019.

		Total in metric tons of CO <sub>2</sub>	26 315	100.0 %
	<b>Category 1</b>	Direct emissions from fuel consumption	14 241	54.1%
	<b>Category 2</b>	Indirect emissions from electricity consumption	3 482	13.2%
	<b>Category 3</b>	Flights	624	2.4%
		Transportation	7 968	30.3%

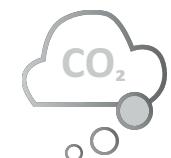
## The role of forestry in the current climate change debate

Over the past decades, large forest areas have been deforested or degraded, especially in moist tropical forest areas. There are multitudinous causes: the continuing demand for areas to convert into commercial agricultural land, livestock pastures and agricultural land, slash-and-burn subsistence farming, the increasing exploitation of mineral resources in tropical forests, uncontrolled forest fires, illegal logging for firewood and sawn timber, or simply non-sustainable forestry. Deforestation has still been a cause for great concern in recent years. This is mainly due to its negative impact on global warming and the special climate regime of large forest massifs. Today, deforestation in the tropics and non-sustainable forestry contribute about 11% to greenhouse gas emissions. After the adoption of the Paris Agreement in December 2015, the REDD+ concept (reducing emissions from deforestation and forest degradation, sustainable management of forests and enhancement of forest carbon stocks) has become a key component of carbon compensation schemes for preserving forests in tropical countries. Many countries with tropical forest areas, international organizations, NGOs, scientific institutes and companies are currently engaged in creating methods and capacities for such compensation schemes and projects. Sustainable forestry as applied and advocated by Precious Woods will play an important role in this regard. We will continue to pursue the development of REDD+ activities and carefully review our eligibility for participating in REDD+ compensation projects or other international initiatives.

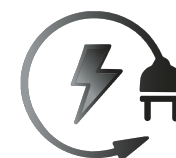
## Indicators Energy and emissions 2019 (2018)



Reduction of CO<sub>2</sub> emissions in t  
**34 651** (54 664)



CO<sub>2</sub>-emissions in t CO<sub>2</sub>-equivalents  
**17 700** (17 800)



Electricity consumption in GJ  
**34 700** (35 900)



Fossil fuel consumption in GJ  
**191 600** (179 400)