




# Sustainability and Transparency Report 2019




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## Shared value as core of our business

### Precious Woods - who we are

Precious Woods is an international company with subsidiaries in Brazil and Gabon and its headquarters in Switzerland. We own 500'000 ha of tropical rainforest in the Brazilian state of Amazonas and hold the concession rights on 600'000 ha tropical rainforest in the south-east of Gabon.

Our 1'500 employees are managing these forests under rigorous Sustainable Forest Management (FSM) rules. The forests are certified against the two most strict certification schemes; the Forest Stewardship Council® FSC® and the Project for the Endorsement of Forest Certification PEFC™. Most of the timber is processed in our three sawmills and our veneer plant in Gabon as well as in our sawmill in Brazil.

Our trading unit is predominantly selling our own products but does also trade logs and timber from PEFC or FSC<sup>1</sup> certified partners.

### Creating shared value - our tripple bottom line approach

Real and honest sustainability must consider social, ecological, and economic factors equally – the foundation of our triple bottom line approach to sustainability. We like to think of our approach as an impact wheel which only turns if all three factors are equilibrated today and in the future. Companies often tend to deal with social and economic aspects in the framework of Corporate Social and Environmental Responsibility (CSR and CER), concepts that are mostly based on philanthropic ideas of doing good or on external pressure. In other words, companies intend to do good as defined by themselves or just try to obtain the licence to operate from stakeholders. Saying that, CSR and CER are often uncoupled from the economic development of the company and the local economy. This approach is diametrically different from the idea of our impact wheel which imperatively relies on all aspects being connected among each other.

We believe that social, ecological and economic aspects must be equal factors in all our business decisions and that we must work together with our local stakeholders instead of only investing in welfare and nature protection. Only if our business enables the environmental and social context as well as the local economy to evolve, we can have a sustainable long-term impact. Only if all stakeholders can create and share benefits out of our activities, only than we can create values that benefit the entire region and our company simultaneously and sustainably.



<sup>1</sup> FSC FM or FSC CoC, PEFC FM or CoC certified or with PEFC Controlled Source claim

# Commitment to certified and sustainable forest management

## Our leading role - proved by third-party assessments

Besides the annual FSC and PEFC audits, Precious Woods is assessed every year by third-party organizations 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.

All Precious Woods' operations are double certified against the FSC and PEFC standards. These two certifications cover by default most aspects asked for by third-party assessments. 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. We believe that organizations doing such assessments should better and automatically consider the efforts of FSC and PEFC certified companies. It would be more valuable for our forest if we could spend more time caring about sustainable forest management than about compliance with these assessment schemes. However, we are proud that our efforts and our commitment are reflected in leading positions in the annual assessments of the Carbon Disclosure Project, the Zoological Society of London's SPOTT assessment and the Global Canopy's Forest 500 assessment.

ranked 15th in 2020

ranked B in 2019

ranked 4th in 2019

## Scope of this report

While economic data must be processed and published by law, an enormous amount of ecological and social data is collected annually in Precious Woods' operations too. This report aims to make these data available to our stake- and shareholders and underlines our leading position in creating shared value in the tropical forest industry. This report covers all Precious Woods' operations worldwide and all products produced, processed and traded by Precious Woods. These are logs, timber and timber products. Precious Woods does not supply the pulp and paper industry.

All commitments of Precious Woods apply to all products, to all sourcing regions, to all operations and to all direct and indirect 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.

As sustainability and transparency are of high importance to us, we think that these topics should be treated on the highest management level and we thus devolve the responsibility for sustainability to our Chief Executive Officer.

Financial aspects are not part of this report. Annual and Half-Year Reports are available on our website.

## Certification as an inherent part of our business ethic

Precious Woods commits to certify all own operations and the whole supply chain according to 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 certified. Besides having a sustainable social, economic and ecological impact, certification obliges us to monitor social and environmental indicators as well as our supply chain constantly to maintain certification. These monitoring and verification activities as well as compliance with certification requirements are checked annually by accredited and independent auditors. Non-compliance would lead to the suspension and loss of the certification. Being certificated also obliges us to apply Free, Prior and Informed Consent (FPIC), the conventions of the International Labour Organization and to gender equality.

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






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









As a forest and timber company we are proud to follow the paths of Hans Carl von Carlowitz, a forester and the first to define sustainability in 1713.

# Precious Woods and the UN Sustainable Development Goals

In 2015, the United Nations published the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals (SDGs) as its central element. The SDGs are an indispensable and unique initiative to join forces across all countries, stakeholders and industries to strive towards a more sustainable and equal world. They cover a wide range of social, economic and environmental development issues and Precious Woods is actively contributing to 12 of the 17 SDGs.

Sustainable Development Goal	Precious Woods contribution
 <p><b>1 NO POVERTY</b> End poverty in all its forms everywhere</p>	<p>With 1'500 employees in rural areas and a total of 50 communities surrounding our forest area, Precious Woods is responsible for more than 15'000 people's income and living standard. The salary level is higher than the minimum wages and, in most cases, no other employment would be possible.</p> <p>A profit-sharing program is also in place and will be distributed in form of social projects or an amount per m<sup>3</sup> harvested to guarantee a fair split.</p>
 <p><b>2 ZERO HUNGER</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	<p>We do not have agriculture production in our area, except one cocoa plantation in Gabon in favour of the communities. But we offer to use products from our forests like seeds, resins, timber and organize courses for the communities in handcrafts and food processing. This goes very much with DSG #1.</p>
 <p><b>3 GOOD HEALTH AND WELL-BEING</b> Ensure healthy lives and promote well-being for all at all ages</p>	<p>Our safety officers and their teams ensure the continuous training of our employees and their appropriate equipment. In addition to our commitment to the working environment, we are also concerned about the general health of our employees and their families. In Gabon, for example, they have access to three infirmaries and a doctor. Regular HIV prevention campaigns and measures against malaria are also part of our commitment. In Brazil, our employees and their families are given preferential access to public health services and can also benefit from consultations with our medical advisors.</p>
 <p><b>4 QUALITY EDUCATION</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p>In some areas the education of people is supported through our infrastructure. For example, in Gabon we maintain a kindergarten and a primary school with more than 800 pupils, and we provide housing for the teaching staff. We do also support the secondary education through cooperation with local universities. In both countries we train our employees continuously in their daily work and increase competences.</p>
 <p><b>5 GENDER EQUALITY</b> Achieve gender equality and empower all women and girls</p>	<p>As a principle within Precious Woods women and men have the same conditions when it comes to salaries and all other working conditions.</p>

Sustainable Development Goal	Precious Woods contribution
 <p><b>6 CLEAN WATER AND SANITATION</b> Ensure availability and sustainable management of water and sanitation for all</p>	<p>In the forest we do avoid any negative impact on water courses. This is guaranteed by sound and deliberate planning of road construction and harvesting operations based on detailed inventories.</p> <p>We supply the camps with fresh and filtered water for more than 5'000 people.</p>
 <p><b>7 AFFORDABLE AND CLEAN ENERGY</b> Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>Precious Woods is not producing charcoal or pellets but uses the biomass from sawmills to produce electricity. This accounts for the time being in the Amazon but another project in Gabon is in place. As electricity normally is produced by diesel generators the savings by using the biomass power plant accounts to approximately more than 12'000'000 liter of diesel per year.</p>
 <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>Precious Woods is managing some 1'100'000 ha of tropical forest sustainably, in a cycle of 25 in Gabon and 35 years in Brazil. With an average harvesting volume of 12 m<sup>3</sup>/ha/year the recovery of the forest is guaranteed for generations but limits also the amount of timber to be produced for the market. Therefore, we are looking for additional concession areas to increase the volumes, but also take the responsibility to protect natural forest by using it sustainably.</p>
 <p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<p>We are providing road maintenance and electricity to all our camps in Gabon and we are supplying the Brazilian city of Itacoatiara with green energy from our co-generation plant.</p> <p>We are constantly investing in our transformation units to increase the creation of local added value and thus employment and development.</p>
 <p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> Ensure sustainable consumption and production patterns</p>	<p>With a scientific based inventory of our forests we guarantee the natural recovery of the forest after harvesting.</p> <p>The road planning is based on that inventory which includes water courses as well as altitudes to ensure to have as less impact as possible.</p>
 <p><b>13 CLIMATE ACTION</b> Take urgent action to combat climate change and its impacts</p>	<p>In its forests Precious Woods maintains a carbon stock of some 330'000'000 t. As to studies from universities (performed in the Amazon) the growth of tree biomass in sustainably managed areas is 3 m<sup>3</sup>/ha/year where in just protected areas it is 1 m<sup>3</sup>/ha/year.</p>
 <p><b>15 LIFE ON LAND</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>	<p>Although a sustainable forest management has its impact on forests by creating roads, the outweighing positive impact is that deforestation will be prevented. Moreover, the main roads can be used for several cycles, where the secondary roads are either recovered or mapped to reuse the same road during the next harvesting cycle.</p> <p>Besides protecting the forest, certified and sustainable forest management does actively promote and protect biodiversity, as hunting is regulated, poaching is hindered, and the natural composition of our forest is maintained.</p>
 <p><b>17 PARTNERSHIPS FOR THE GOALS</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development</p>	<p>Precious Woods was the first company in Brazil but also in Gabon who achieved the FSC certification. The continuous improvements of the standards are performed together with environmental and social partners. Since end of 2017/early 2018 the whole group is also certified to PEFC/PAFC standards. With more than 20 years' experience in certified and sustainable forest management Precious Woods works actively together with several NGOs to increase the quality of its work continuously even above certification standards.</p>



## Workforce and equality



Our employees are the starting point of sustainability. Motivated and well-trained employees are the foundation for a sustainable triple bottom line development. With their daily dedication at work, they are the basis for our economic success and the wellbeing of their families. Not only our employees and their families are benefiting from our activities, but the entire population living in and around our forests. Being the largest regional operator and employer, our demand for governmental and private services and our staff's

purchase power does also foster the economy of entire regions. We estimate that – besides our employees' families - more than 10'000 people do directly and indirectly depend on our operations or profit of Precious Woods' employments.

Gender equality and payment of minimum wages are non-negotiable parts of our business ethics. We do not hire temporary staff, all employees do have permanent positions. Annual employee turnover was at 3.4 % in 2019.

Employees	Brazil			Gabon			Holding and Europe			Precious Woods		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Women	60	66	65	77	79	72	5	6	7	143	152	144
Men	439	458	526	753	793	821	6	6	7	1 198	1 258	1 354
<b>Total</b>	<b>499</b>	<b>524</b>	<b>591</b>	<b>830</b>	<b>872</b>	<b>893</b>	<b>11</b>	<b>12</b>	<b>14</b>	<b>1 340</b>	<b>1 408</b>	<b>1 498</b>
% - Women	12 %	13 %	11 %	9 %	9 %	8 %	45 %	50 %	50 %	11 %	11 %	10 %

Board Members	2017		2018		2019	
	Women	1	20 %	1	25 %	1
Men	4	80 %	3	75 %	3	75 %
<b>Total</b>	<b>5</b>	<b>100 %</b>	<b>4</b>	<b>100 %</b>	<b>4</b>	<b>100 %</b>

Senior Management Team	2017		2018		2019	
	Women	0	0 %	0	0 %	0
Men	2	100 %	2	100 %	2	100 %
<b>Total</b>	<b>2</b>	<b>100 %</b>	<b>2</b>	<b>100 %</b>	<b>2</b>	<b>100 %</b>

Monthly gross wages 2019	Gabon	Brazil
Legal minimum	€ 229	€ 221
Company minimum	€ 252	€ 231
% of legal minimum	110 %	104 %
Employees on minimum wage	41	189

# Inclusion of woman

**146**  
women working  
at Precious Woods



Women have an unquantifiable importance in the economic development of their countries and the subsistence of their families. We hire women whenever possible and had a share of female workforce of 10 % in 2019, which we consider being too low though. We thus strongly support all initiatives striving towards an equal inclusion of women in the working world especially in regions or sectors where men still represent the majority of the workforce. In general, the timber industry is one of these sectors where women are usually underrepresented for various reasons. We strive to overcome these barriers but have to accept that there is still a long way to go.



## 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 forest industry globally, women are not or only marginally represented in harvesting operations. Women represented 11 % of our workforce in Brazil in 2019.

### 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. Women represented 8 % of our workforce in Gabon in 2019.

### 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 Ltd. hired a female consultant, a specialist in social work and education. One of her tasks is to assist Precious Woods – CEB in Gabon in tackling women education and gender equality. The long-term objectives are to have more qualified female workforce available for our operations and 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 started 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. Women represented 50% of our workforce in Switzerland in 2019.

### Barriers faced

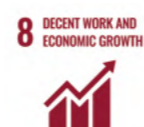
Enough qualified female workforce is available on the job market. Gender equality is implemented. No barriers faced.

### Actions taken

As we could not identify barriers and consider equality to be fully implemented, no actions have been taken.



## Occupational health, safety and training



In forestry and timber processing heavy equipment is used in often difficult work environments. This does increase the risk for work accidents. We did not have any fatal accidents in the last years but will still consider that our accident rate is too high. We aim to push this rate to be constantly below 6 % by 2024.



### Number of accidents

	2016	2017	2018	2019
Brazil	35	18	24	29
Gabon	86	68	63	99
Holding	0	0	0	0
<b>Total</b>	<b>121</b>	<b>86</b>	<b>87</b>	<b>128</b>
Accident rate	9.4 %	6.4 %	6.2 %	8.5 %
Fatal accidents	0	0	0	0
No. of employees	1 291	1 340	1 408	1 498

In order to improve awareness and knowledge amongst employees, we maintain Health and Safety Teams in Gabon and Brazil. Safety officers supervise constantly if safety rules are applied and all safety equipment is in place and operative, on employees and equipment respectively.

Personal protective equipment is delivered to all employees in order to comply with the rules of the International Labour Organization and FSC and PEFC certification. Additionally, we run regular sensitization trainings and designated employees undergo regular first-aid trainings. We maintain own fire brigades that are trained by internal and external experts.

Besides safety trainings, advanced professional training is provided to specialised employees occupying critical and crucial positions. For example, loggers and sharpeners in Gabon are undergoing training by external specialists every year to strengthen and enlarge their professional skills. We strongly increased our investment in training since 2018 and we strive to maintain it at a high level.



### Training

	2016	2017	2018	2019
Total training hours	848	970	1 895	784

## Social responsibility and education



We believe that every society and individual must have the possibility to progress freely and according to its personal needs and wishes. One of the most fundamental steps towards these goals is a solid basic education for everyone. This is the only way to sustainable social and economic and to build development of an encompassing ecological understanding. We do see it as our obligation to support such developments beyond legal obligations.

Our employees in Brazil do benefit from special access to health service. We do also regularly sponsor local events and the construction of public open spaces, such as playgrounds.

In Gabon, all employees and their families live in our own camps and benefit from free access to electricity and potable water. Moreover, grocery stores and infirmaries with doctors and nurses as well as waste management are provided and organized by Precious Woods.

Isolated in the forest, the cultural offer on our site in Gabon is limited and this is why we initiated a cultural project, unique in its kind, to promote social development and sustainability. Our cultural centre features a library, computers with internet access and enough space for various events. Our cultural committee does also organize various events throughout the year and the annual soccer cup has become an important constant of our social life. Our cultural centre does also offer continuing education for our employees, for example in informatics or literacy. We also support the public education system in Gabon in its efforts to provide education for everyone. To do so, we build and maintain school buildings and provide housing for teachers.





# Science for sustainability



Tropical forests still have an enormous potential for pioneering research. We do support scientists in their efforts to provide new knowledge on forest growth and forest dynamics as well as on new solutions improving sustainable forest management. In 2019, more than 10 research projects have been promoted financially as well as with logistical support and local knowledge.

Practical research does also help students and young professionals to get in touch with the private industry, adding an important aspect to their curriculum. Several of them have become our colleagues after finishing university and do foster our motivation to invest in research and higher education. Currently, we regularly partner with eight research institutions and with a lot of others on occasional basis.

# Local communities and development



Nine communities in Brazil and 44 in Gabon are located in the perimeter of our operations. These communities inside our forest concessions and estates have been living with, in and from the forest for a long time<sup>1</sup>. Guaranteeing their customary rights of use is an inviolable part of our business ethics. In Brazil and Gabon specially trained teams under the direct supervision of the local general managers do guarantee the exchange and interaction with the communities.

We believe that only the successful development of a whole region can lead to sustainable social, ecological and economic success. This is why we are assisting the communities inside our forests with the aim to facilitate sustainable development.

We are...:

- ...contributing and supporting local economic development
- ...favouring local employees
- ...supporting the communities in sound and sustainable use of natural resources
- ...encouraging improvements in education and health care

Our Free, Prior and Informed Consent (FPIC) procedures assure that all stakeholders have the same rights during decision making. We always try to mediate conflicts in direct discussions and to elabo-

rate pragmatic solutions. In case that this does not lead to a solution – or if such a mediation is not desired – all employees and stakeholders do have the possibility to fill a grievance and to start our grievance procedures. Details of our FPIC and Grievance procedures can be found in the chapter on Transparency.

This is how we guarantee that conflicts can be solved in a transparent and satisfying way for all parties involved.



**53** communities are our partners

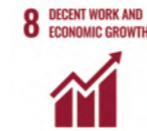
## Grievances

	2018	2019
<b>Brazil</b>		
Opened	3	0
Solved	3	3
Ongoing	0	1
<b>Gabon</b>		
Opened	3	0
Solved	3	0
Ongoing	0	0

<sup>1</sup> Neither in Brazil nor in Gabon the forests we are operating in are part of areas that are frequented by indigenous communities or where indigenous communities claim traditional rights of use.



## Certified and sustainable forest management



Managing forests or managing them sustainably under double certification are two worlds apart. While forest management mostly focuses on economic aspects, sustainable and certified forest management follows the holistic, triple bottom line approach.

With harvesting cycles of 35 years in Brazil and 25 in Gabon we guarantee that the forests are not overused and that they always fulfil their role as the green lung of the earth and the safe haven for a magnificent fauna and flora. Even if legal thresholds would allow to harvest av-

erage volumes of 30 m<sup>3</sup> per hectare, we limit ourselves to much lower quantities and did never harvest more than 15.5 m<sup>3</sup> per hectare the last years. Otherwise the holistic protection of our forests would be put in jeopardy.



	2017	2018	2019
Brazil	14.6	15.5	14.1
Gabon	10.8	10.2	9.8

# Forest protection and conservation



## Combining protection and conservation

1.1 milion ha protected



The best way to maintain a healthy forest is a well-balanced mix of sustainable and certified forest management and forest conservation. We sustainably protect 1.1 million ha of natural tropical forests through our certified management activities. Our business model guarantees that our forests are protected and that the forest area does not decrease. More importantly, we guarantee that the biodiversity will not diminish and that the forests can fulfil their functions as the green lung of the earth and a living environment for flora, fauna and humanity. As conservation is an integrated part of certified and sustainable forest management, we also put 10 % of our forest area under conservation to keep these forests in their original state or we save them for our communities.

## Forest area (ha)

### Brazil

Total forest area	506 697
whereof conservation area	55,605 / 10.97 %
whereof community forest	3 930 / 0.78 %

### Gabon

Total forest area	596 824
whereof conservation area	37 488 / 6.28 %
whereof community forest	10 744 / 1.80 %

### Precious Woods

Total forest area	1 103 521
whereof conservation area	93 093 / 8.44 %
whereof community forest	14 674 / 1.33 %

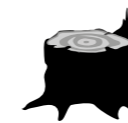
## Commitment to deforestation- and conversion-free production and procurement for the whole supply chain

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". To avoid timber originating from deforested or converted lands in our supply chain, we commit to only source PEFC certified products if they originate 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. If despite all efforts, non-compliant deforestation or conversion should have occurred in our operations after 2009, we commit to the reforestation of these areas to their original state.

## Deforestation and reforestation inside Precious Woods' management area

The deforestation by third parties reported in 2018 concerns the opening of quarries inside our concession area by a mining company. The quarries were used to exploit gravel used for road construction. The mining company holds valid authorizations 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. The quarries were reforested in 2019 by Precious Woods on behalf of the mining company.



		Deforestation in ha						Reforestation in ha on behalf of third parties		
		from own operations			from third party operations			2017	2018	2019
		2017	2018	2019	2017	2018	2019	2017	2018	2019
Brazil	506 699 ha	0	0	0	0	0	0	0	0	0
Gabon	596 800 ha	0	0	0	0	4.9	0	0	0	4.9
<b>All</b>	<b>1 103 499 ha</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4.9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4.9</b>

## Wildlife protection



In Gabon, our forests are home to various endangered species such as forest elephants, gorillas, chimpanzees and panthers. As we patrol and control our area with our own wild-life team to prevent poaching, our concession has become a safe haven for the stunning fauna. Nevertheless, poaching around our area seems to be on the rise. Therefore, the Gabonese government, the NGO Conservation Justice and Precious Woods signed a partnership to join forces against illegal hunting in the buffer zones of our concession in early 2019. The convention will be implemented from the beginning of 2020 on aiming to prevent poaching from spreading.



### Anti-poaching patrols Gabon

	2018	2019
Days of patrolling	181	144
Foots patrols (km)	927	1 961
Boat patrols (km)	325	600
Car patrols (km)	24 204	15 345
Arms seized	20	6

Meanwhile, scientists from Gabon, Switzerland, Belgium and the USA are working jointly on fauna inventories and the impact of sustainable forest management on fauna distribution. They are using newest methodologies such as phonetic wildlife monitoring equipment. First results can be expected in late 2020.

In Brazil, scientists as well are monitoring specific aspects of the fauna. Anti-poaching actions are taken jointly by our monitoring team and local authorities. Around 160 designated community members act as scouts indicating potential illegal activities.

## Landscape-level approach to biodiversity conservation



### Gabon

As mentioned before, 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 and has been signed in early 2019. Joint patrols with the authorities in this area are already taking place but will be intensified after the convention will be implemented from 2020 on.

### Brazil

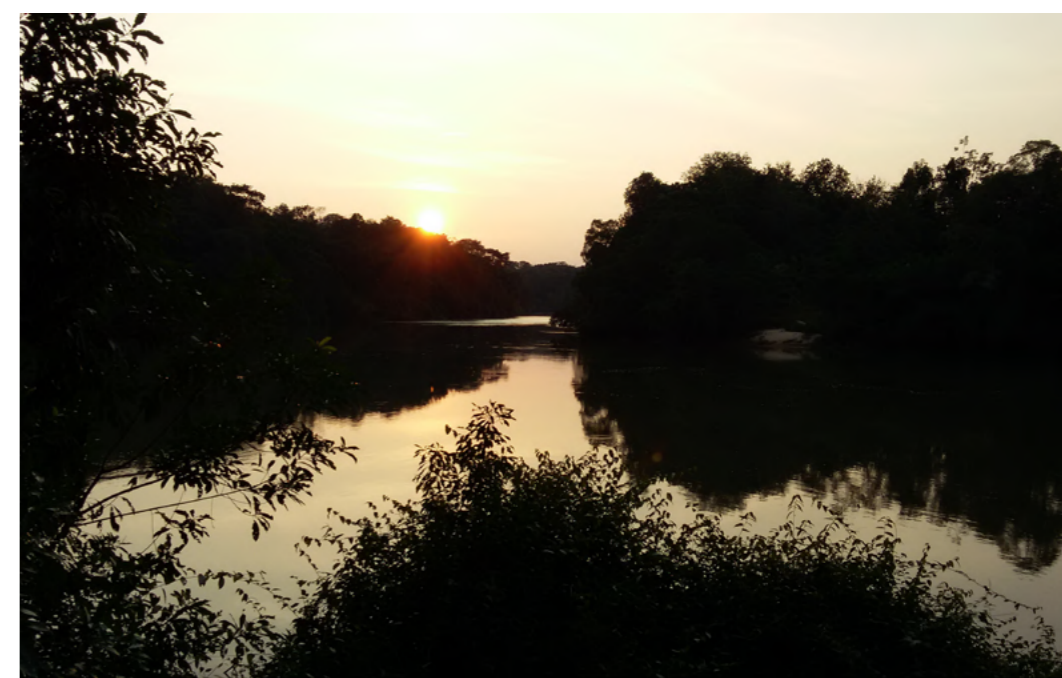
In the north-east, our forest property borders a national Sustainable Development Reserve (RDS). We decided to exclude around 17'000 ha of our forest bordering this area from any activities to create a buffer zone. This action was taken to better protect the reserve and the entire landscape spanning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



Wildlife Protection Convention signed in Gabon

### Switzerland

We do not have forest or milling operations in Switzerland and thus do not participate in landscape and biodiversity initiatives.

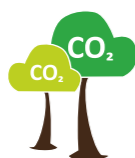


# Carbon stock, CO<sub>2</sub> emission and bioenergy

## Carbon stock and sequestration

The forests we manage do permanently stock around 330'000'000 tons of carbon<sup>1</sup>. Our forests do grow permanently, and part of this process is the extraction of CO<sub>2</sub> from the atmosphere. During photosynthesis this CO<sub>2</sub> is split into carbon and oxygen. While the oxygen is released into the atmosphere and helps regulating the climate, the carbon is permanently stocked in the trees and approximately 50% of the wood consists of carbon. Taking an average wood density of 800 kg/m<sup>3</sup>, every cubic meter of wood does permanently store around 0.4 tons of carbon. This is why forests are an active and indispensable part in avoiding and mitigating carbon emissions and thus, climate change.

**330 million t**  
of carbon permanently  
stored in our forests



## Precious Woods' carbon account

We are annually reporting Level 1 to 3 carbon emissions. However, we believe that these number do not picture the real impact of Precious Woods activities. As our forests do sequester an important amount of carbon every year, these emissions should be taken into account when calculating our carbon footprint.

To know how much carbon will be sequestered annually, one needs to know growth rates. Usually growth rates are higher in managed than in unmanaged areas due to various reasons. These assumptions have been proved in Brazil in studies with local universities. In Gabon, P3FAC, a multi-stakeholder research project<sup>2</sup>, is currently investigating growth dynamics in Central African forests. A large P3FAC research area is located in Precious Woods concession and we expect to have in depth knowledge on growth rates in Gabon by 2022.

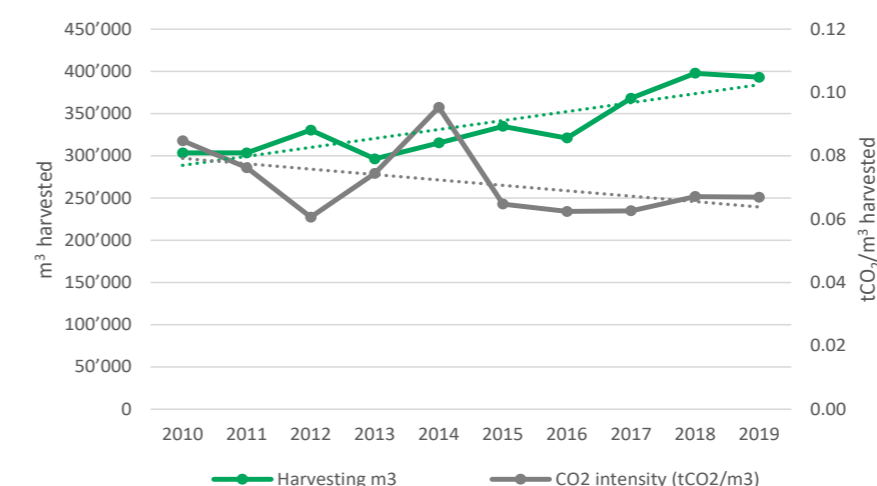
**21 %**  
reduced CO<sub>2</sub> emission  
per m<sup>3</sup> since 2010



## CO<sub>2</sub> emission, intensity and reduction targets

Our CO<sub>2</sub> emission is calculated annually using the classification of the World Resources Institute (WRI). The main indicator to make this emission comparable is to link it to the harvesting volume, the core of our business. The parameter we are using is the carbon intensity per m<sup>3</sup>, that is to say the tons of carbon emitted per m<sup>3</sup> harvested. Since 2010 we continuously increased our annual harvesting volume while simultaneously reducing our carbon intensity. Since 2015, our carbon intensity is constantly below 0.07 t CO<sub>2</sub>/m<sup>3</sup>/year.

## CO<sub>2</sub> Intensity per m<sup>3</sup> harvested




Emission intensity in Gabon is higher, as we do run three processing plants instead of only one in Brazil. Moreover, distances are longer, and we must provide energy and potable water for all employees. In Gabon we have to produce energy from fossil fuels whilst we can use renewable energy in Brazil. The CO<sub>2</sub> emission intensity is heavily linked to the distance of the harvesting area, the condition of the public road and railway network and weather conditions. All four of them are facts on that we do not have any or only limited influence. Nevertheless, we aim to keep our overall intensity below 0.07 tCO<sub>2</sub>/m<sup>3</sup>/year over the coming 10 years.

## Tons CO<sub>2</sub>

	2017		2018		2019	
Level 1 - Direct emissions	13 023	56.5 %	13 341	49.9 %	14 241	54.1 %
Level 2 - Indirect emissions	3 416	14.8 %	4 422	16.5 %	3 482	13.2 %
Level 3 - Travel	536	2.3 %	768	2.9 %	624	2.4 %
Level 3 - Transport	6 101	26.4 %	8 191	30.7 %	7 968	30.3 %
Total t CO <sub>2</sub>	23 076	100 %	26 722	100 %	26 315	100 %
Harvesting m <sup>3</sup>	368 200		397 900		393 124	
CO <sub>2</sub> intensity (tCO <sub>2</sub> /m <sup>3</sup> )	<b>0.063</b>		<b>0.067</b>		<b>0.067</b>	

**10 million**  
liter of diesel  
saved annually



### CO<sub>2</sub> neutral energy production and trade in carbon credits

In Brazil we own a minority stake in the 9-megawatt cogeneration plant BK Energia, situated next to our sawmill. BK Energia consumes around 100'000 m<sup>3</sup> of residues from our sawing operations and thus exclusively uses FSC and PEFC certified wood for energy production. 45 000 MWh are produced annually whereof a small portion is used to run our plants and offices. More than 75% of the production is delivered to the nearby city of Ita-coatiara which would otherwise use around 10 million liter of diesel annually to produce the same amount of energy, corresponding to around 27'000 tCO<sub>2</sub>.

BK Energia was the first company producing Carbon Emission Reduction certificates (CER) exclusively from FSC certified wood. Our CERs are eligible to the Gold Standard label for CERs<sup>1</sup> and BK Energia can provide around 47'000 credits annually, corresponding to 47'000 tons of CO<sub>2</sub> equivalents. The trade in CERs asks for specialized partners and we thus teamed up with the Swiss NGO Myclimate, that is handling our entire CERs trade<sup>2</sup>.



## Wildfire monitoring and management

Our certification and sustainability managers and their teams do monitor wildfires in Brazil and Gabon. However, identification and verification on the ground is only possible if the fires occur close to accessible areas, e.g. in case of fires set by communities. As most of our forest area is not accessible, we do mostly rely on remote sensing data for our fire monitoring activities. This explains that numbers are approximations. In Brazil, we are using the data of the National Institute for Space Research INPE<sup>3</sup>. For monitoring in Gabon, we rely on FIRMS-VIIRS data provided by NASA<sup>4</sup>.

In the southern and eastern part, our concession in Gabon contains a vast network of savannas, some of them classified as High Conservation Values (HCV) as they host a stunning Flora and Fauna. Naturally, these savannas sometimes catch fire at the end of dry seasons. These fires fade when approaching the forest border as well managed and healthy tropical rainforest are too humid to catch fire. This is also why we rarely observe natural wildfires in our Brazilian forests, as these forest lands do not contain savannas or other drylands. No natural wildfire occurred in our forests in Brazil or Gabon in 2019.

In Brazil and Gabon, farmers inside our concessional have the right to apply slash-and-burn practice for subsistence agriculture in predefined areas bordering their communities. These practices are only applied at the fringes of our forests and do not affect our forests. We do monitor these fires to make sure that they are only used in a purposive way and to avoid illegal forest conversion or degradation for commercial agriculture.



The best answer to wildfires is a sustainably managed forest

### Wildfires

	2018	2019
<b>Brazil</b>		
Natural wildfires	0	0
Slash-and-burn	3	11
<b>Gabon</b>		
Natural wildfires	6	0
Slash-and-burn	2	4

## Fuels, chemicals and pest management



In addition to other filtering methods, we use chlorine for potable water conditioning. We do not use other chemicals such as fertilizers or pesticides in our sustainable forest operations, and we do only use non-toxic components approved by FSC and PEFC in our forest and milling operations, for example for the protection of logs.

To run our forest operations in Brazil and Gabon and our processing plants in Gabon, we rely on fossil fuels. In 2019, we used 5.1 million liter of diesel, which corresponds to 0.075 l/m<sup>3</sup> harvested. We also use other fuels like oils, petrol and grease which are all used in accordance with legal regulations

and certification standards. Waste oil and used filters are collected and disposed by accredited companies.

Integrated Pest Management (IPM) is compulsory under PEFC certification<sup>1</sup>. FSC certification as well obliges us to develop and apply IPM through its International Standard and its Pesticides Policy<sup>2</sup>. For the use of Highly Hazardous Pesticides (HHP), we follow the PEFC standards and FSC Pesticides Policy and we strictly commit to not to use HHP listed under international agreements<sup>3</sup> and to respect these agreements in their entirety.

## Drinking water and water treatment



Drinking water is provided to all our employees in Brazil and Gabon. Additionally, all camps in Gabon are connected to our potable water network. Water is treated on site and quality tests are performed regularly.

One of our major concerns is avoid that water run-off from our operations penetrates into the nature. Thus, run-off from our production sites in Brazil and Gabon are directed to clarifying basins for treatment before they are released into the nature. These installations are authorized and controlled by authorities regularly. In 2019 we performed tests on the performance of our clarifying basins in Gabon for

the first time, including tests on the Chemical Oxygen Demand (COD). One measuring point did not stay inside the COD limits<sup>4</sup>. We will work on this shortcoming and aim to constantly drop below the legal limit in the years to come. This result has no influence on the quality of drinking water which is purified in a closed system and whose quality is regularly checked by accredited laboratories.

<sup>1</sup> PEFC ST 1003:2018, Requirement 8.2.6;

<sup>2</sup> FSC-STD-01-001 V5-2 EN, Criteria 10.7 and FSC-POL-30-001 V3-0 EN

<sup>3</sup> International Agreements that are integrated part of Precious Woods' IPM

<sup>4</sup> As defined by Decree N°00198/MRS/E/PN/CENAP on the Gabonese Environmental Law of 2014





## Industrial development

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



In 2020 we will start harvesting in areas in Gabon that are rich in Azobé (*Lophira alata*) a hardwood species characterized by a high density and water resistance. Azobé is for example used for hydraulic construction instead of ferro-concrete and does thus represent a high environmental benefit. To better valorize this species and to increase the degree of local added value, we started the construction of a new sawmill specialized on Azobé in 2018 at PW-CEB. The mill will go into operation in 2020 and offer local employment for 45 new employees.

To accommodate the increased harvesting volume, we added one production line

to our sawmill in the Amazon in 2019 and started the construction of an additional one that will be operational in early 2020. We will also increase our capacity to process wood residues which will result in the creation of six additional jobs.

When discussing future strategies, other options would have been easier and cheaper to implement, such as the sale of logs to third parties instead of local transformation. Our decision to invest in these industrial developments was based on our long-term triple bottom line approach to foster social, environmental and economic development and to increase added value in the areas we are operating in.







## 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 also be found in our annual reports, publicly available on our website.



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 lose their certificates due to non-compliances, we will immediately suspend any cooperation but encourage them to undertake all necessary actions to regain certification. In 2019, all timber products traded from third parties originated from forests in France or Belgium, and were 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 standards used in the countries we operate in and we refuse to apply standards that we believe are insufficient to prove sustainability only to comply with third party assessors.



### Origin of Precious Woods timber products 2019

		Volume m <sup>3</sup>	FSC	PEFC*
Brazil	→ Sawn wood	31 763	100 %	100 %
	→ Logs	517	100 %	100 %
Gabon	→ Veneer	20 898	100 %	100 %
	→ Sawn wood	32 114	100 %	100 %
	→ Logs	67 876	100 %	100 %
Trading	→ Sawn wood	778	84.7 %	100 %
	→ Logs	15 857	0 %	100 %
<b>Total</b>		<b>169 803</b>	<b>90.2 %</b>	<b>100 %</b>

### Third-party supply to Precious Woods operations 2019

		Volume m <sup>3</sup>	FSC	PEFC*
For processing in own mills		0	0 %	0 %
For trading purpose only	→ Sawn wood	119	0 %	100 %
	→ Logs	15 857	0 %	100 %
<b>Total</b>		<b>15 976</b>	<b>0 %</b>	<b>100%</b>

\* PEFC FM/CoC or controlled Sources



## Our business ethics



We are clearly and strongly committing to our strict business ethics guidelines that are spanning a comprehensive range of topics from the compliance with the law, over anti-corruption policies, to equal opportunities, amongst others. The guidelines do also explain the procedure that employees should follow in case they identify shortcomings or violations of our business ethics guidelines and they designate the Corporate Ethic Officials as well as the ombudsman. These are the focal points for any complaint and must always act to ensure the adherence to the guidelines in case that any infractions are reported to them. All employees, shareholders and stakeholders can access our Business Ethics Guideline at any time on our website<sup>1</sup>. Our business ethics guidelines have been fully implemented in 2016 and respected ever since.

# FPIC, grievance and whistleblowing procedures



Free, Prior and Informed Consent (FPIC) describes a process assuring that all stakeholders that might be affected by our operations have the same rights during decision making. Everyone has the right to consent or dissent freely, while being informed of all details prior to the process. FPIC is an absolute condition for PEFC and FSC certification and we consider FPIC as an indispensable process in Sustainable Forest Management.

Sometimes differences of opinions can occur, internally as well as with external stakeholders. We always try to mediate such conflicts in direct discussions and to elaborate pragmatic solutions. In case that this does not lead to a solution – or if such a mediation is not desired – all employees and stakeholders do have the possibility to fill a grievance and to start our grievance procedures. Due to local legislation, habits and cultures the mechanisms and their application differ in Brazil and Gabon.

## Grievances

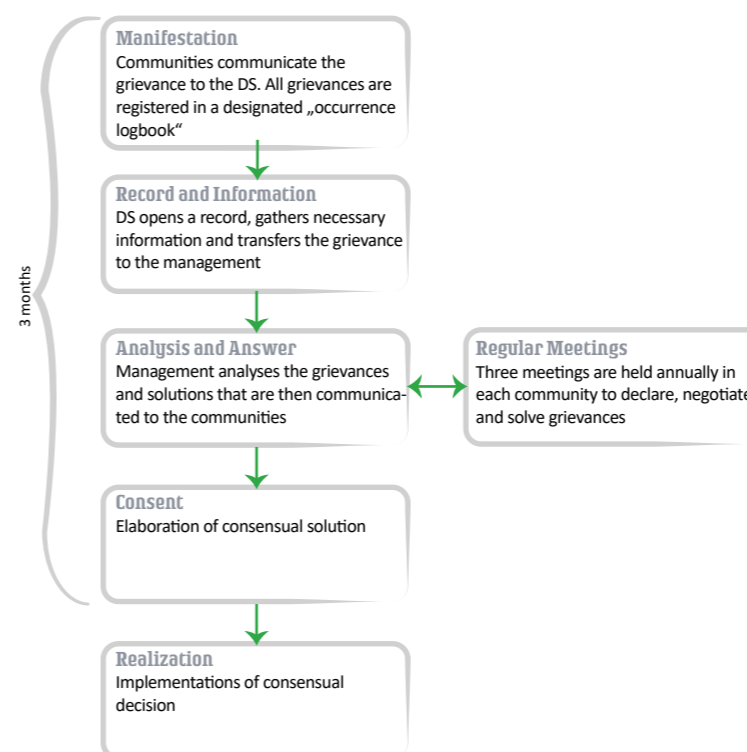
	2018	2019		2018	2019
<b>Brazil</b>			<b>Gabon</b>		
Opened	3	0	Opened	3	0
Solved	3	3	Solved	3	0
Ongoing	0	1	Ongoing	0	0

## FPIC, grievance and whistleblowing mechanisms in Brazil

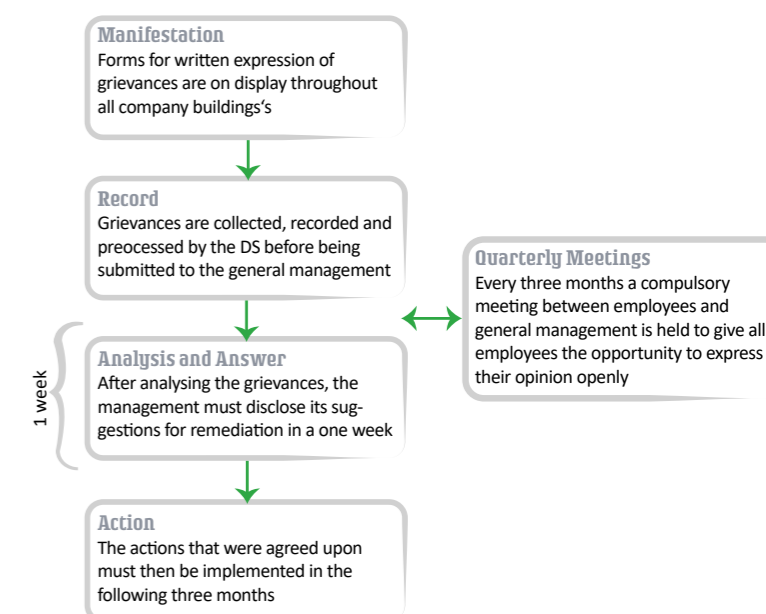
Our Brazilian Sustainability Department, Departamento de Sustentabilidade (DS), is responsible for implementing and supervising FPIC and Grievance procedures and figures as vocal point for all FPIC and grievance related tasks. Our grievance and PFIC processes for communities and our grievance procedure for employees are structured as shown on the next page. To streamline community grievance processes, three meetings are held annually in each community. The meetings serve to declare, negotiate and solve grievances. From the moment of declaration to the solution of grievance a three months period must be respected. Grievances, especially urgent ones, can also be initiated by the communities at any moment by phone, by meeting the DS team on our site or when meeting the DS team on the ground. All grievances of employees can be brought forward during business hours by directly contacting the Human Resources department, the DS or members of the Occupational Safety Team. However, employees might prefer to stay anonymous and the procedure has been designed to ensure this need for privacy and anonymity. Employees can use grievance forms and pens freely available on several points and transmit them through designed letterboxes without disclosing their name.

All employees can always and at any time direct their complaints anonymously to the Corporate Ethic Officials designated in Precious Woods' business Ethics Guideline<sup>1</sup>.

## FPIC and grievance procedure for communities

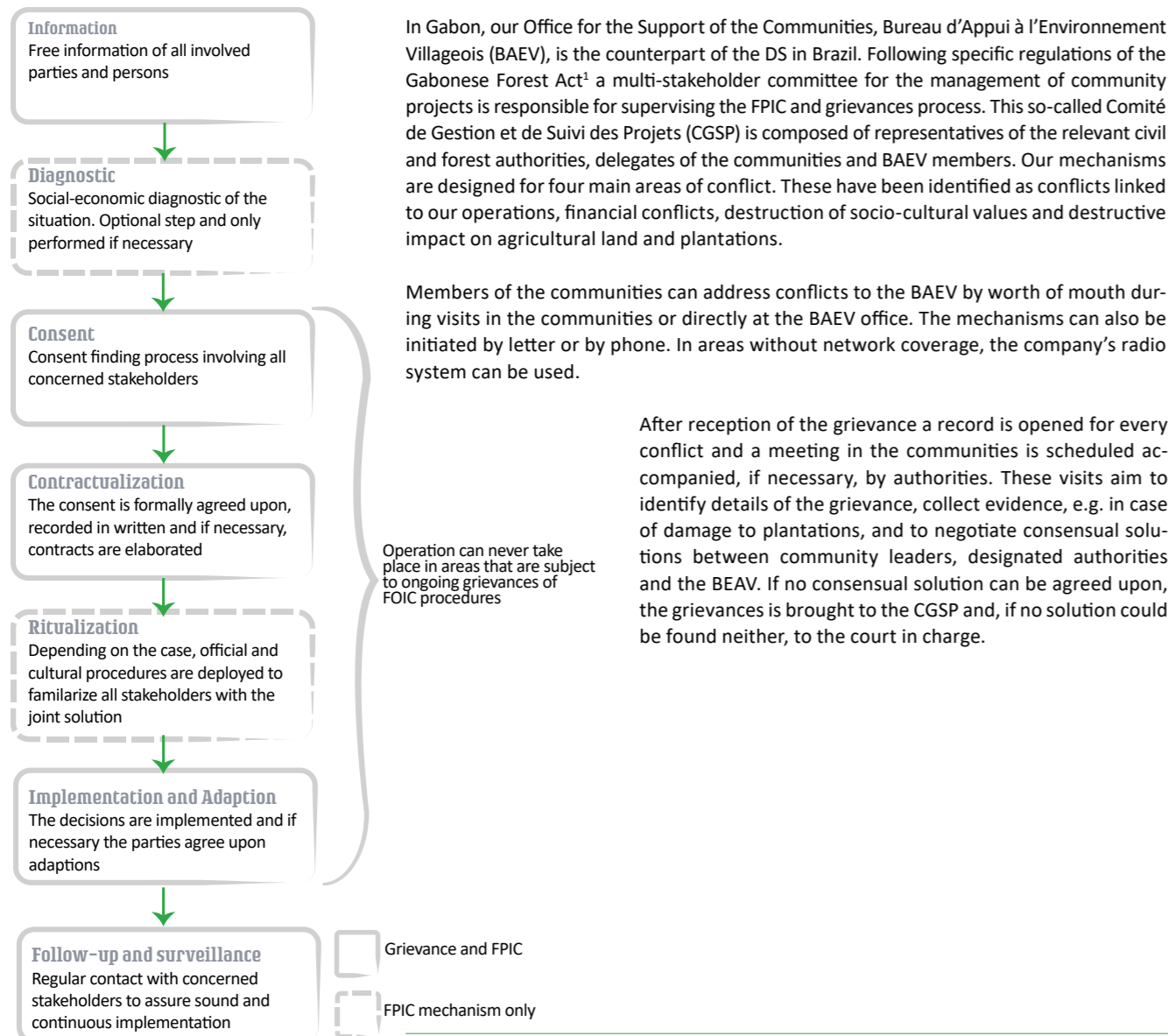


## Grievance mechanisms for employees



<sup>1</sup> [https://www.preciouswoods.com/domains/preciouswoods\\_com/data/free\\_docs/2\\_1%20Business%20Ethics%20Guidelines%20PW-Group\\_2016\\_en.pdf](https://www.preciouswoods.com/domains/preciouswoods_com/data/free_docs/2_1%20Business%20Ethics%20Guidelines%20PW-Group_2016_en.pdf)

### FPIC, grievance and whistleblowing mechanisms in Gabon



In Gabon, our Office for the Support of the Communities, Bureau d'Appui à l'Environnement Villageois (BAEV), is the counterpart of the DS in Brazil. Following specific regulations of the Gabonese Forest Act<sup>1</sup> a multi-stakeholder committee for the management of community projects is responsible for supervising the FPIC and grievances process. This so-called Comité de Gestion et de Suivi des Projets (CGSP) is composed of representatives of the relevant civil and forest authorities, delegates of the communities and BAEV members. Our mechanisms are designed for four main areas of conflict. These have been identified as conflicts linked to our operations, financial conflicts, destruction of socio-cultural values and destructive impact on agricultural land and plantations.

Members of the communities can address conflicts to the BAEV by word of mouth during visits in the communities or directly at the BAEV office. The mechanisms can also be initiated by letter or by phone. In areas without network coverage, the company's radio system can be used.

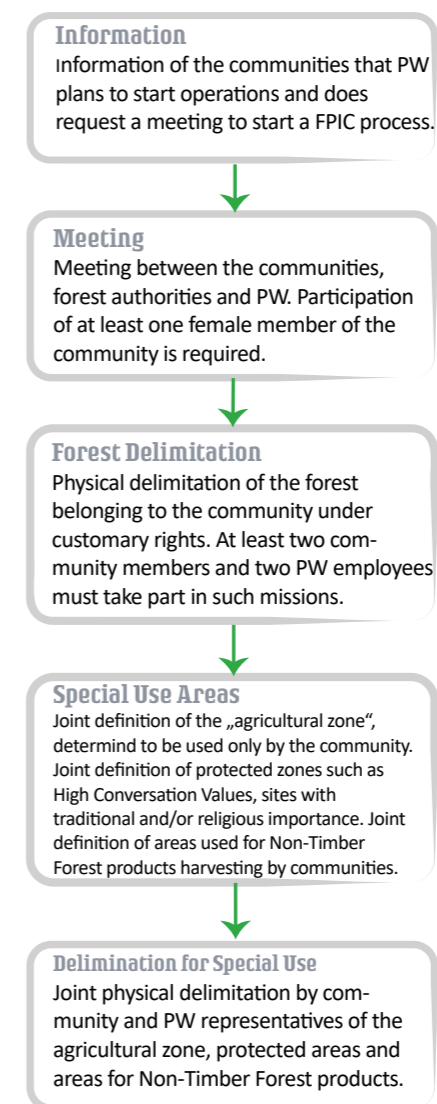
After reception of the grievance a record is opened for every conflict and a meeting in the communities is scheduled accompanied, if necessary, by authorities. These visits aim to identify details of the grievance, collect evidence, e.g. in case of damage to plantations, and to negotiate consensual solutions between community leaders, designated authorities and the BAEV. If no consensual solution can be agreed upon, the grievances is brought to the CGSP and, if no solution could be found neither, to the court in charge.

<sup>1</sup> Arrêté n° 105/MFEPN/SG/DGF/DDF/SACF du 06 mai 2014 fixant le mode de cahier de charges contractuelles

As illiteracy occurs amongst employees in Gabon, grievances of employees are addressed through the members of the works council. The works council is a legally binding entity and its members are elected by the employees with every department having its own representatives. Employees address their concerns to the representative of their trust, which can also be a member of another department. If the grievance must be handled anonymously the member of the works council transmits the grievance to the Human Resources department or the management in written form or by word of mouth. In any other case the grievance is transmitted by the employee accompanied by one or more members of the works council.

All employees can always and at any time direct their complaints anonymously to the Corporate Ethic Officials designated in Precious Woods' Business Ethics Guideline<sup>1</sup>.

All forests managed by PW in Gabon are state property with customary rights of use for the surrounding communities. A specific procedure exists with the aim to guarantee FPIC before forest operations can take place inside these forests. This procedure does ensure FPIC through the five main steps shown on the right side



# Procurement and independent suppliers



## Procurement policy

We commit to follow strict procurement guidelines and to assess our European roundwood and timber suppliers in line with PEFC Due Diligence standards. Our Procurement Policy can be found on our website. All direct and indirect supply to all our activities complied with this policy in 2019.

## Suppliers covered by this disclosure

This disclosure is limited to third parties supplying roundwood to our mills and to third parties supplying our trading activities with processed timber products or logs. We did not purchase any roundwood for our mills from third parties in 2019.

## Commitment to sustainability along the supply chain

We believe that we must ensure legality and sustainability along the entire supply chain and thus, our commitments do also apply to our suppliers. As 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. They must also conduct ethically, exclude any type of corruption, pay minimum wages, apply sustainable hunting, and best management practices for soils and peatland. If third-party suppliers violate these requirements, they will lose their certification or their claim, and – in any case - we will immediately quit any collaboration.

## Small-scale producers

We only accept FSC or PEFC certified<sup>1</sup> products in our supply chain. It often appears to be difficult for small-scale producers in tropical areas to meet these criteria. This is why we do promote small-scale producers in our supply chain that actually meet these requirements or do strive towards compliance. We do, for example, partner with a FSC certified cooperative in South-America that is composed of several small-scale producers.

## Scope of FPIC commitment of independent suppliers

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<sup>1</sup> 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.

# Supply chain and traceability systems



## Forest and processing operations (Brazil and Gabon)

We commit to always apply a supply chain and traceability system, later referred to as Chain of Custody System (CoC), to control our 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

All trees are 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 be sorted into various sales 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 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 unauthorized data alterations and allow us to locate every log and timber product at any time.

The consistency of our paper based and electronic CoC systems is checked by authorities several times a year and once a year during FSC and PEFC certification audits.

## 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. 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.



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**PRECIOUS WOODS**