

Reported with reference to  
the standard of the  
Global Reporting Initiative™

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# SUSTAINABILITY AND TRANSPARENCY REPORT





PRECIOUS WOODS


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# Precious Woods' Highlights 2021

“For more information visit [www.preciouswoods.com](http://www.preciouswoods.com)”

## French version of Precious Woods' website

In early 2021, we launched the French version of our website. The Portuguese version will follow in 2022. With a website in English, French, Portuguese and German, we can better meet the needs of our shareholders, customers, stakeholders, and employees!

▶ [Link to the homepage](#)

## Green Energy 100 % from Precious Woods

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Precious Woods acquired all shares in the BK Energia co-generation plant in Brazil. The plant continues to provide 100% green energy from 100% FSC and PEFC certified wood residues under its new name MIL Energia Renovável.

▶ [Link to documentation](#)

## New Corporate Movie

Our CEO Markus Brüttsch and our CEO Brazil João Cruz took the initiative to explain the importance of Precious Woods for the forest, the people, and the economy in our new corporate movie.

▶ [Link to the movie](#)

## Successful Watershed Services Certification in Brazil

Precious Woods Mil Madeiras Preciosas LTDA obtained the FSC Ecosystem Services Certification for Watershed Services. The certificate proves that our sustainable forest management permanently protects 51'000 ha of watercourses.

More on page 29

## The Cultural Center is back

After being subjected to governmental health measures, the cultural center in Gabon could restart its activities. However, our two managers have not rested on old laurels but started many new activities.

A special report highlights the Cultural Center on pages 24 - 25

## Precious Woods Amazon on PRO7

Our senior forester Bruno Rodrigues got to show to a film crew of PRO7 why sustainable and certified forestry is the answer to illegal logging.

▶ [Link to the movie](#)

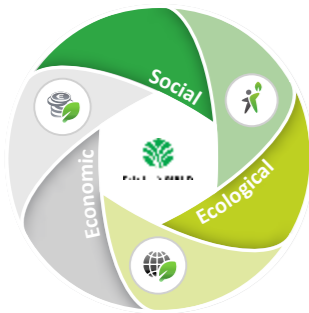
## GRI™ referenced Sustainability Report

The Sustainability and Transparency Report 2021 is for the first time reported with reference to the standards of the Global Reporting Initiative.

More on page 9



# Nature-based Solutions and Shared Value as Core of our Business



“We provide nature-based solutions to protect forests and add value in remote tropical regions.”

Precious Woods Holding Ltd. 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 of tropical rainforest in the southeast of Gabon. Our employees manage these forests under rigorous Sustainable Forest Management (SFM) rules. All activities are certified according to the two most strict certification schemes: the Forest Stewardship Council® FSC® and the Project for the Endorsement of Forest Certification PEFC™. In 2021, we processed most of our harvesting volume in our three sawmills or our co-owned veneer plants in Gabon and our sawmill in Brazil. Our trading unit predominantly sells our own products and trades logs and timber from PEFC or FSC certified partners.

Precious Woods plays a leading role in proving that certified and sustainable forestry must be an essential part of protecting our world's forests and that only real and honest sustainability can create shared value for all. Only the sound management of natural forests can guarantee the long-term protection of the precious tropical forests while boosting social and economic development - benefits that strict conservation approaches fall short of. We also leave the concepts of Corporate Social and Environmental Responsibility behind. They are often solely based on philanthropic ideas or external pressure and are uncoupled from the company's economic development and the local economy. To create sustainable value for all share- and stakeholders, we consider social, ecological, and economic factors equally – the foundation of our approach to sustainability.

Precious Woods and its sustainable development is guided by a four-headed Board of Directors and our four-person Executive Management Team with long and comprehensive expertise in tropical forest management, timber transformation, and trade. Despite all this expertise, an external, unbiased view is vital to achieving our sustainability objectives. Therefore, our board and management can always rely on Precious Woods' Advisory Panel. Its valuable members are Simone Stambach from WWF Switzerland, Claude Martin, climate expert and member of the Club of Rome, and Christoph Wiedmer of the Society for Threatened Peoples. Having these three internationally known and recognized experts in our Advisory Panel helps us to guarantee that we are following our sustainable way at any time.

1 FSC FM or FSC CoC, PEFC FM or CoC certified or with PEFC Controlled Source claim  
 2 Precious Woods Holding, Ltd, Precious Woods Europe B.V., Precious Woods – Compagnie Equatoriale des Bois S.A., Precious Woods Amazon – MIL Madeiras Preciosas Ltda., Precious Woods Energia – MIL Energia Renovável Ltda.  
 All entities in Precious Woods' financial reporting are also included in its sustainability reporting.  
 3 <https://www.preciouswoods.com/en/investor-relations/annual-reports>

# Our Sustainability and Transparency Report

While economic data must be published by law, an enormous amount of ecological and social data is collected annually in our 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.

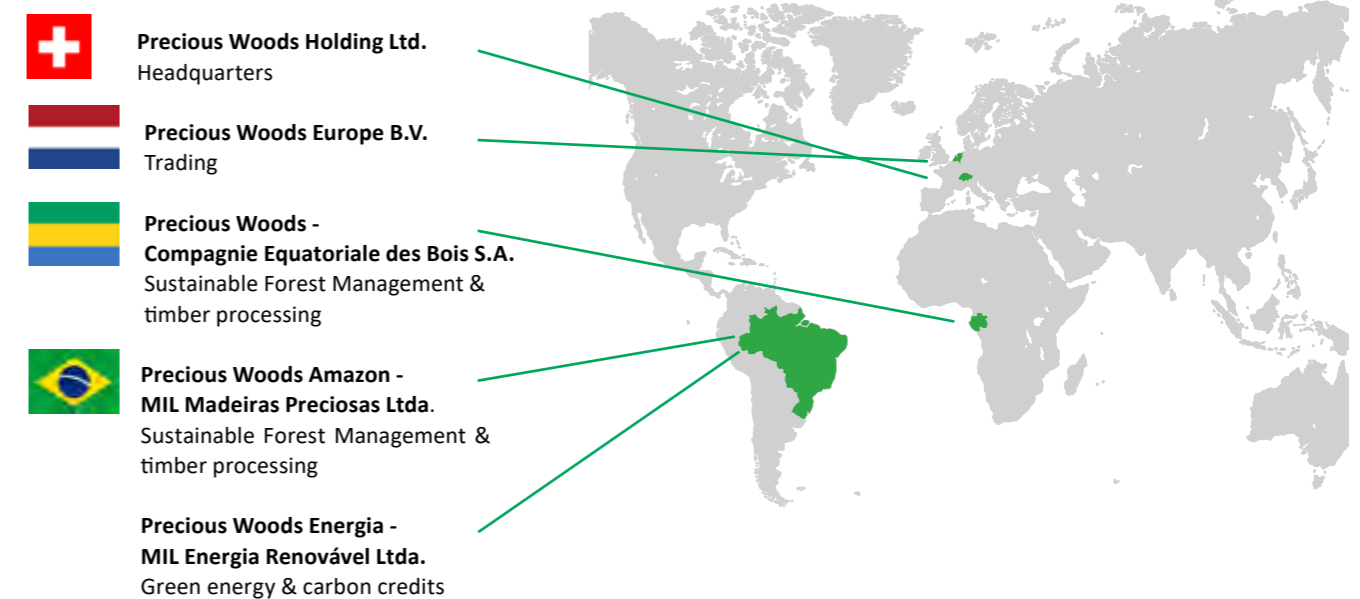
Not all changes every year, and thus several chapters have not been changed or only slightly adapted from last year's report. Of course, we updated all relevant aspects and numbers annually. Topics of particular relevance or completely new in 2021 are highlighted throughout the report.

This report covers all our operations worldwide<sup>2</sup> and all products produced, processed, and traded by Precious Woods from January 1<sup>st</sup> to December 31<sup>st</sup>, 2021. Our products are logs, timber, and timber products. Precious Woods does not supply the pulp and paper industry.

All Precious Woods' commitments apply to all products, sourcing regions, operations, and direct and indirect third-party suppliers. These commitments cover 100 % of the commodities. Full implementation of these commitments is already accomplished through valid FSC and PEFC certificates<sup>1</sup> covering all operations, the whole supply chain, and all trading activities.

Financial aspects and information on tax payments are not part of this report but are reported in our financial reports for the same reporting period. The Annual and Half-Year Reports, as well as our Tax Policy, are available on our website<sup>3</sup>. We do not run any forest management or timber processing operations in Switzerland.

As sustainability and transparency are of high importance to us, we think these topics should be treated on the highest management level. Thus, we have delegated the responsibility for sustainability to our Chief Sustainability Officer, who is also responsible for reviewing and approving the information in this report.



# First GRI™ Referenced Report



Diameter plaque on a tree in a permanent research plot in Brazil

The 2021 edition of our Sustainability and Transparency Report marks a cornerstone as it is the first time Precious Woods references the report according to the standards of the Global Reporting Initiative (GRI). GRI standards are the number one reference for sustainability reporting. Aligning our report to these standards will again highlight our commitment to real and effective social, environmental, and economic sustainability.

For 2021, we decided to only produce a report with reference to the GRI standard, which means that we do not apply the entire set of standards and do not follow all steps required for full disclosure. We chose this proceeding because GRI started publishing its new standards series in 2021. Part of these new standards are sector standards that will help each sector better and more efficiently determine its so-called material topics. Material topics are an element in GRI to describe the company's most significant impacts on the environment, society, and economy. Correctly identifying relevant material topics has always been a stumbling block in GRI reporting. The new sector standards will streamline and facilitate this process. However, GRI did not yet publish a sector standard for forestry or a related industry when this report was prepared. To avoid a potentially misleading material topic identification process, we decided to wait for full disclosure until GRI publishes a sector standard adapted to our needs. As we only disclose a report with reference to the GRI, we also refrain from external assurance.

The GRI content index with all relevant references can be found at the end of this report.

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Latest news and more information on Precious Woods

- [Cultural Center in Gabon on Facebook](#)

# Certification as an Inherent Part of our Business Ethics

“ Ranked 7<sup>th</sup> in the Forest 500 assessment for all industries! ”

Precious Woods commits to certifying 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 sourcing from third parties if they are FSC or PEFC certified.

Since 2009 all our operations have been FSC FM and CoC certified, and since 2018 also PEFC FM and CoC certified. Besides having a sustainable social, economic, and ecological impact, certification obliges us to monitor and verify social and environmental indicators as well as our supply chain constantly. These activities and compliance with certification requirements are checked annually by accredited and independent auditors. In Brazil, we are also certified according to the FSC Ecosystem Services procedures for carbon sequestration and storage and watershed services.

We are active members of organizations promoting and developing sustainable and certified forestry.

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

Being certified also obliges us to apply Free, Prior, and Informed Consent (FPIC), the conventions of the International Labour Organization and gender equality, and many other aspects discussed in this report.

## At the top of third-party assessments

Besides the annual FSC and PEFC audits, Precious Woods is assessed each year by third-party organizations focusing on sustainability and transparency. We do welcome these initiatives helping investors and customers to be better informed.

We are proud that our efforts and commitments are reflected in leading positions in the annual assessments of the Carbon Disclosure Project CDP, the Zoological Society of London's SPOTT assessment, and the Global Canopy's Forest 500 assessment.

We ranked second in the 2021 SPOTT assessment with 88.1 % of all possible points and were rated with a B in the CDP disclosure for forests. After occupying 15<sup>th</sup> place in the Forest 500 assessment in 2020, we moved to 7<sup>th</sup> place in 2021.

Since 2021, we are also providing extensive data to the Open Timber Portal of the World Resources Institute.






Unfortunately, these assessment schemes do not always automatically accept FSC and PEFC certification to measure compliance. We disagree with this approach as these two certifications exceed the requirements of most assessment schemes. Moreover, some schemes do not accept PEFC standards but the FSC Controlled Wood standard with arguments that seem unreasonable. We believe in the PEFC standards used in the countries we operate in, and we refuse to apply standards that we consider insufficient to prove sustainability only to comply with third-party assessors.

Overall, it would be more valuable for our forest if we could spend more time caring about sustainable forest management than about compliance with assessment schemes.



# Impact on 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 14 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 more than 1 500 employees in rural areas and a total of 50 communities surrounding our forest area, Precious Woods is responsible for more than 10 000 people's income and living standards. The salary level is higher than the minimum wages in areas where other employment opportunities are scarce. A profit-sharing program is also in place through social projects or an amount per cubic meter 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 don't 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 handicrafts and food processing. This goes very much along with DSG #2.</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 our employees' continuous training and appropriate equipment. Besides, we are also concerned about our employees and their families' general health. 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 free medical consultations.</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, our infrastructure helps to provide education. In Gabon, for instance, we maintain a kindergarten and a primary school with more than 800 scholars, and we provide housing for the teaching staff. We do also support secondary education through cooperation with local universities. In both countries, we train our employees continuously in their daily work and increase competencies.</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>
 <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. We supply the camps with fresh and filtered water for more than 5 000 people.</p>

Sustainable Development Goal	Precious Woods contribution
 <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 under consideration. As electricity normally is produced by diesel generators, the savings by using the biomass power plant accounts to approximately 12 000 000 liters 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 manages some 1 100 000 ha of tropical forest sustainable in a cycle of 25 in Gabon and 35 years in Brazil. With an average harvesting volume of 14 m<sup>3</sup>/ha/year, the forest's recovery is guaranteed for generations but limits the amount of timber produced for the market. Therefore, we are looking for additional concession areas to increase the volumes and take the responsibility to protect natural forests by using them sustainable.</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 cogeneration plant. We are constantly investing in our processing units to increase the creation of local added value and thus employment and development.</p>
 <p><b>10 REDUCED INEQUALITIES</b> Reduce inequality within and among countries.</p>	<p>In remote regions with limited employment opportunities, we provide jobs with fair working conditions, always respecting legal minimum wages to allow our employees to stay where they come from. At Precious Woods, equality is a crucial factor. Our policies do not accept discrimination of any kind, and we do promote this policy actively throughout all our operations.</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. 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. 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 that 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>



Covid test to protect our employees at MIL Madeiras Preciosas

# SOCIAL PERSPECTIVE

## A Challenging Second Year into the Pandemic

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When the pandemic hit the planet in early 2020, it rapidly became clear that we must take precautions to save our employees and their families. It paid out that we have already invested in occupational health and safety staff and equipment. Our teams could set up necessary additional sanitary and safety measures to maintain our operations during the whole year. We could also take advantage of the fact that most of our operations are located under the open sky or in well-ventilated buildings. Forest and milling operations mostly allow us to adhere to social distancing without significant operational changes. Where necessary or requested by authorities, office employees moved to home office. When infections were detected, or employees showed symptoms, strict quarantine measures were applied.

In Gabon, our infirmary was the focal point for testing in cooperation with the authorities, and the facility was never overrun or had to handle severe cases. In Brazil, we supplied additional health care equipment and oxygen to the local hospital.

After intense months in 2020 when all our employees and especially our safety staff and managers had to adjust operations on short notice, the rhythm normalized in 2021 as we adapted to the new situation. Today, the constraints are mainly on the level of international logistics but not at our own operational or occupational health level.

Since the phased lifting of public health measures, we returned to the normal work setup while respecting all legal obligations. However, we will keep the hygiene standards high and apply social distancing and remote working whenever necessary or requested.

In Brazil, we could organize vaccination campaigns with the authorities at our own facilities to facilitate access to vaccination for all interested employees. The offer was welcomed among employees, and at the end of 2021, 100 % of our employees had at least received a first vaccinations dose.

In Gabon, despite our efforts to bring the campaign to our dispensary, vaccination was only possible during working hours in a public hospital about two hours away from our main camp. We organized transport for those employees willing to be vaccinated.

However, these inconveniences and other external circumstances, resulted in a lower vaccination rate. At the end of 2021, 426 Gabonese employees received at least one dose, which is already a good success considering the above mentioned problems. We do not communicate numbers of infections as this is under the respective governments' responsibility and should and cannot be done by private companies.

From the beginning of the pandemic until the end of 2021, we grieved 2 Brazilian employees who lost the fight against the virus.



# The Basis for our Success - our Employees



Our motivated and well-trained employees are the foundation for sustainable development, and the employee turnover of only 5.9 % in 2021 (2020: 3.5 %) reflects Precious Woods' attractiveness as an employer. With their daily dedication, our employees are the basis for our economic success and their families' well-being.

The total number of employees in Gabon declined by 10.1 % compared to 2020. This is not due to layoffs but due to the creation of the Compagnie des Placages de la Lowé CPL in cooperation with the French Arbor group. The employees of Precious Woods – Tropical Gabon Industries TGI have all been transferred to this new company and keep on working for CPL but are not accounted for in Precious Woods' staff as of October 2020. You can learn more about our new

sawmill and CPL on page 43. Moreover, we created 50 new jobs in our new Azobé sawmill in Bambidie in 2020.

In Brazil, the number of employees increased by 11.7 % due to hiring more employees for forest operations and the integration of MIL Energia Renovável.

Gender equality and payment of minimum wages\*\* are self-evident in certified operations and part of our business ethics. We do not hire temporary staff; all employees do have permanent positions. Part-time work is uncommon in Brazil and Gabon, whereas 3 of our Swiss employees work part-time. All new employees receive training from Human Resources or certification managers on their worker's rights, obligations, safety procedures, and company values.

Employees <sup>1</sup>	Brazil		Gabon		Holding and Europe		Precious Woods	
	2021	Δ 2020	2021	Δ 2020	2021	Δ 2020	2021	Δ 2020
Women	58	0	48	- 14	7	0	113	-14
Men	697	79	723	- 13	7	0	1 427	6
<b>Total</b>	<b>755</b>	<b>79</b>	<b>771</b>	<b>- 87</b>	<b>14</b>	<b>0</b>	<b>1 540</b>	<b>- 8</b>
% - Women	7.7		6.2		50		7.3	

Board Members 2021			Senior Management Team 2021		
Women	1	25 %	Women	0	0 %
Men	3	75 %	Men	4	100 %
<b>Total</b>	<b>4</b>	<b>100 %</b>	<b>Total</b>	<b>4</b>	<b>100 %</b>

Monthly gross wages 2021*	Gabon	Brazil
Legal minimum €	229	172
Company minimum €	251	232
% of legal minimum	110	135
Women on company minimum wage	5	9
Men on company minimum wage	117	232

<sup>1</sup> As of 31.12.2021, head count for Precious Woods Holding, full time equivalent for all other entities  
 \* for women and men; fx rate as of 31.12.2021  
 \*\* If the minimum wage is below the living wage, the commitment applies for living wages.

# Women at Precious Woods



Women have unquantifiable importance in their countries' economic development and their families' subsistence. Unfortunately, women are still a small part of the workforce in the timber industry globally and only marginally represented in harvesting operations. We hire women whenever possible to overcome this disequilibrium, and we had a share of female workforce of 7.3 % in 2021 (2021: 8.2 %). We consider this too low and strongly support all initiatives striving towards an equal inclusion of women in the working world, especially in regions or sectors where men still represent most of the workforce. We strive to overcome these barriers but have to accept that there is still a long way to go. We welcomed five female trainees for their first professional experience, representing 70 % of all trainees in Gabon in 2021.

In Brazil, gender equality is implemented, and women represented 7.7 % of our Brazilian workforce in 2021 (2020: 8.6 %). The decrease in share is mainly due to hiring more men in forest operations and the integration of MIL Energia Renovável. The absolute numbers of female staff remained stable. Women were primarily employed in administration, forest- and technical engineering, the industries, and the canteen. Women are also part of the local management team, and since 2021 our sawmill and all adhered services are led by a female manager. As in most other countries, the job market for technical positions, especially in milling and forest operations, presents a gender disequilibrium. We would like to see younger women train in technical professions to increase our female workforce, and the local management thus actively attempts to increase the female workforce. In coop-

**113** women working at Precious Woods

eration with local educational facilities, we offer regular trainee programs with a high share of female trainees to make our company better known and attractive for young female professionals. Sixteen women took advantage of this offer representing more than a 45 % of our trainees in Brazil in 2021.

The female workforce in Gabon is mostly employed in administration and facility services. Women represented 62 % of our Gabonese workforce in 2021 (2020: 7.2 %). The female share decreased slightly, as many women worked for TGI and do not count for the entire year 2020 in Precious Woods' workforce after creating CPL. Today, women's main tasks in rural areas are mostly housekeeping, parenting, and subsistence agriculture. Women are often not accepted to be the breadwinner for the family. Many women in rural areas share these mindsets and have a lower educational level than men as they leave school earlier for various reasons. Hiring female employees who possess a sufficient education level to work at Precious Woods is challenging. Yet, we are glad to see that our efforts for gender equality start to show first success. In 2021, three women took up positions in quality control, as welders and as loader drivers.

Since 2016, two female specialists in social work and education have been working for the Cultural Center of Precious Woods in Gabon in changing composition. One of their tasks is to assist Precious Woods in Gabon in tackling women's education and gen-

der equality. The long-term objectives are to have a 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 businesses and all kinds of services in and around our camps and that women could provide such services and businesses (e.g. shop owner, business provider, restaurant owner, etc.).

Female employees in Switzerland work in administration or management as we do not have forest operations in Switzerland. As in 2020, they represented 50 % of our workforce 2021. Enough qualified female workforce is available on the job market, gender equality is implemented, and we do not face barriers or need to take action.



“Ms. Miriam Morioka took over the management of the sawmill, drying, processing, and logistics in Brazil.”

# Social Responsibility and Education



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

**17 998**  
consultations of our medical staff

Our employees and their families in Brazil benefit from preferred access to health services and doctor's consultations, an offer that has been used 5 072 times in 2021 (2020: 4 320). We also regularly sponsor local events and the construction of public open spaces, such as playgrounds.

Providing first professional experiences to the next generation is one of our significant objective. Every year we partner with local education facilities to provide internships to students. In 2021, we welcomed 42 trainees, of whom 21 were women, for their first professional experience at Precious Woods (2020: 35/12).

In Gabon, most employees<sup>1</sup> and their families live in one of our 649 houses, studios, or rooms in our own camps and benefit from free access to electricity and potable water. We built 65 accommodations in 2020, now totaling 646 houses, studios, and rooms. The doctor and nurses handled 12 926 consultations of employees and employee families but also community members in our two infirmaries in 2021 (2020: 11 295). Moreover, grocery stores, as well as waste management, are provided and organized by Precious Woods. In 2020 when we moved to new harvesting zones, one camp was closed, and the concerned employees now receive subsidies to rent appropriate houses in the city of Okondja for themselves and their families. This setup has the advantage that employees and their families live now closer to public health services, secondary education facilities, and enhanced shopping possibilities.

Isolated in the forest, the cultural offer on our sites in Gabon is limited. This is why we initiated a cultural project, unique in its kind, to promote social development and sustainability. Our cultural center features a library, computers with internet access, and enough space for various events. Our cultural committee also organizes various events throughout the year, and the annual soccer cup has become a vital constant of our social life. Our cultural center also offers continuing education for our

employees, such as informatics or literacy. We also support Gabon's public education system in its efforts to provide education for everyone. To do so, we build and maintain school buildings and provide housing for teachers. The center's activities were subjected to public health measures in the last two years, but we could restart in late 2021 with even more energy and many new projects.

► Special report on our Cultural Center on page 24

A lack of learning material is one of the main issues as schools often do not accept children if they cannot bring the respective material. It mainly affects the youngest children of large families, the weakest amongst the weakest, and therefore, excludes them from education. Since 2019, the cultural center has carried out an annual campaign to provide learning material to the children at a discount rate. In cooperation with the local parents' organization and financially supported by the Swiss foundation "Verein Bambidie," the cultural center purchased teaching material in large quantities in Libreville. Depending on the parents' income class, they are sold to more than 500 employees' children at subsidized prices. The initiative significantly reduced the number of children being refused by the schools at the beginning of the school year.

<sup>1</sup> Employees working for Compagnie Equatoriale des Bois, site Bambidie and Lelama

# Occupational Health, Safety and Training



In forestry and timber processing, heavy equipment is often used in challenging work environments, increasing the risk of work accidents. The accident rate was at 4.7 % (2020: 7.4 %) and we did not have any fatal accidents since 2015. Still we consider that every accident is one accident too much. We aimed to push the accident rate below 6 % by 2024 and are proud that we have already achieved this aim in 2021.

Our Health and Safety Teams in Gabon and Brazil continually improve awareness and knowledge amongst employees. Personal protective equipment is delivered to all employees to comply with the International Labour Organization's and FSC and PEFC certification rules. Safety officers supervise if safety rules are applied and if all safety equipment is in place and properly functioning.

In Gabon, the Health and Safety Team introduced the "half-hour safety meetings," regular short safety sessions held in all departments to keep the awareness high. In Brazil, safety officers pass by every team regularly for discussions about physical and mental occupational health. End of 2021, the Health and Safety Team in Brazil organized the "Occupational Safety Action Week."

Additionally, we run regular sensitization training, and designated employees undergo first-aid training regularly. We maintain our own fire brigades, trained by internal and external experts. Advanced professional training is provided to specialized employees occupying critical and crucial positions. For example, loggers and sharpeners in Gabon undergo training by

an external specialist every year to strengthen and enlarge their professional skills.

2021

Due to the pandemic, we were forced to annul or postpone most training by external experts in 2020. Our Health and Safety teams shifted some of their training content towards sensitization and training on social distancing, sanitation, and behaviour in case of any symptoms. During this time, our expert staff has ensured safety training for loggers, and with safety plans in place, employees have been trained in safety and firefighting procedures. Cancelling training and adapting training content helped reduce the pandemic's impact on our operations and did not impact workers' safety.

We could resume some of the most external training in late 2021, starting with the most vital ones, such as first aid training. However, we continue to monitor the pandemic situation to protect our employees closely, and we guard all necessary safety dispositions to halt the spread of the pandemic.



## Occupational Health and Safety Training

Total training hours	
2017	970
2018	1 895
2019	784
2020	652
2021	1 237

“Accident rate already below our 2024 objective!”



## Number of accidents

	2019	2020	2021
<b>Brazil</b>	29	19	14
Women	0	0	0
Men	0	0	14
<b>Gabon</b>	99	96	59
Women	0	0	0
Men	0	0	59
<b>Holding</b>	0	0	0
<b>Total</b>	<b>128</b>	<b>115</b>	<b>73</b>
Accident rate %	8.5	7.4	4.7
Fatal accidents	0	0	0

# Local Communities and Development



 **507** health care consultations provided to community members

## Important indirect economic impact

Not only our employees and their families are benefiting from our activities but the entire population living in and around our forests. Being amongst the most significant regional operators and employers, our demand for governmental and private services and our staff's purchase power also fosters the economy of entire regions. We estimate that – besides our employees' families - more than 10 000 people do directly and indirectly benefit from our operations. Thus, we contribute directly to the Sustainable Development Goals to fight poverty and hunger and foster economic growth.

## Successful coexistence and partnership

Nine communities in Brazil and 44 in Gabon are located inside the perimeter of our operations. These communities have lived with, in, and from the forest for a long time. Guaranteeing their customary rights of use is an inviolable part of our business ethic. 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. That is why we assist the communities inside our forests to facilitate sustainable development.

- We contribute and support local economic development
- We favor local employees
- We support the communities in sound and sustainable use of natural resources
- We encourage improvements in education and health care

In Gabon, our health care service is also accessible for the communities and was used more than 507 times in 2021 (2020: 716).

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 elaborate pragmatic solutions. In case this does not lead to a solution – or if such mediation is not desired – all employees and stakeholders can fill a grievance and start our grievance procedures. Details of our FPIC and grievance procedures are explained on page 50. Two new grievances were addressed in 2021 (2020: 7). One 2021 and one 2020 grievance were solved to the satisfaction of all parties, one grievance addressed in late 2021. Some grievance addressed in late 2020 will be solved in 2022.

## Grievances 2021

	Brazil	Gabon
Opened	2	0
Solved	2*	0
Ongoing	1	0

\* one from 2020

## Community support and projects for development

In 2021, some regions in the Amazon were affected by severe flooding, which caused significant destruction. MIL Madeiras has donated more than 220 m<sup>3</sup> of wood to affected communities to restore destroyed houses and infrastructure.

In the three largest cities around our Brazilian forest area, we have supported the authorities in rehabilitating old landfills and creating new, safe ones. This involvement is essential not only from an environmental but also from a social perspective, as uncontrolled landfills pose a major health risk.

We partner in various community projects to support communities in their economic development. In Brazil, communities are supported in handicraft projects that help preserve and valorize their traditional knowledge. In 2020, on an old log yard, a coffee plantation of around 5'600 plants had been realized on 2 ha with communities. The project was initiated by Precious Woods to provide a sustainable income to the communities that we will accompany throughout the project. The first year of the project has been a success, and the plants are successfully growing thanks to the care of the communities. The project might even be enlarged in the coming years.

It is not meant to impose projects, and thus, similar agricultural projects in Gabon have been stopped due to the disinterest of the communities.

In Brazil, we have also facilitated a land regularization process. It allowed several communities to legally secure their land ownership, which is often a huge barrier to development.

But it is not only Precious Woods as a company that is socially committed. As part of the "Occupational Safety Action Week" at MIL Madeiras end 2021, our employees also carried out the campaign "Hands-on." During this campaign, our employees collected over two tons of food donations for disadvantaged communities.



Community project: coffee plantation on an old log yard at MIL Madeiras Preciosas



## Science for Sustainability



Tropical forests play a crucial role in international efforts to curb carbon emissions and maintain biodiversity. Tropical forests still have an enormous potential for pioneering research to tackle these and other challenges. We support scientists in their efforts to provide new knowledge on forests and fauna, to develop new tools for sustainable forest management, fauna protection, and carbon market development.

**2021** Applied research also connects young professionals to the private industry, adding an essential aspect to their curriculum and bringing new ideas to Precious Woods. Moreover, it is an important recruitment channel for us, and several of the former students work in various positions in our company today. Our Chief Technical Officer, our Certification Director in Brazil, our Senior Forest Manager in Gabon, and many more started as students at Precious Woods. These experiences do foster our motivation to invest in research and higher education. We currently support projects of ten research institutions from Gabon, Brazil, Switzerland, France, Germany, the Netherlands, and Belgium.

Even if some research projects have been postponed or delayed due to travel restrictions, we promoted 15 projects financially as well as with logistical support and local knowledge in 2021 (2020: 19). The projects range from fauna inventory and management, over tree growth and carbon dynamics, valorization of timber species, optimization in timber processing, the impact of our operations on the fauna, and the improvement of Sustainable Forest Management. Moreover, the research in our forests provides data to the long-term, transnational projects on the dynamics of tropical forests P3FAC-AFRITIMB, AfriTRON, and RAINFOR.



We also deepened our collaboration with the WorldforestID project (WFID). WFID is an international organization running research on wood DNA to identify the origin of timber. The technology is still in its childhood, but we believe in such tools to foster the traceability of timber in the future and help halt illegal and unsustainable timber trade. First results from Gabon are encouraging, and WFID partners will also collect samples in Brazil in 2022. There are many different projects, but we choose WFID as they collaborate with many other institutions and commit to open data.



**10 027**  
trees planted for research purpose

# Cultural Activities in Gabon



The PW-CEB Cultural Center

For the past four years, the PW-CEB Cultural Center has been welcoming the people of Camp Bambidie, providing access to a library, computers, cultural activities, training, and organizing events for the public. The center operates thanks to the financial contributions of Precious Woods, private institutions and individuals.

Many of the center's activities were subject to public health measures in the last two years, and only basic offers could be guaranteed. However, we could restart in late 2021 with even more energy and many new projects!

**Our Mission:**  
INFORM - ENTERTAIN - EDUCATE  
- GUIDE



The center for awareness

The center offers awareness-raising activities to allow people access to better information and initiate behavioral change concerning the environment, the improvement of social conditions, and respect for individual rights.

Every year the center addresses the most vital topics in collaboration with PW-CEB, forest authorities, and NGOs; Wildlife and forest protection, environmental protection, sustainable development, education, rights, and health. These awareness-raising activities are integrated as creative workshops, exchanges with professionals, and information campaigns aimed at workers, women, and children.

This method of communication, in which people can speak freely, is very popular with the population. Since the center's opening, a new form of collective awareness has developed in Bambidie, thanks to the increased number of information campaigns.



The center for children

Since its beginning, the Cultural Center has promoted education by facilitating children's access to its amenities. In addition, a toy library has welcomed numerous children two times a week since 2021.

Schools are privileged partners of these educational sessions. Some sessions have even become part of the school curriculum, such as the career choice visits to PW-CEB operations for 5th-grade students.

The World Children's Day and the International Day of Education were presented in the school and to the employees during regular health and safety training. Parents' rights and duties were explained to reinforce the parents' commitment to their children's education.

The summer holidays are also an opportunity to offer leisure activities to the children. The initiative "The Center on vacation" is realized with a team of voluntary coaches trained by the Cultural Center.



The center with the population

With the project "The center comes to you," we bring the offer of the Cultural Center to the people, going to each neighborhood to offer games and activities.

These activities are a way to meet mothers who do not dare to come to the center. This way, we can get to know them better, invite them to come to the center, and listen to their requests to propose appropriate actions and activities. Going to the people allows us to develop better communication, mainly so that they participate in awareness-raising, support them in managing their family economy, and promote women's autonomy.

For several years, the Center has also been offering action days to the children and parents of the Lelama camp. 2022, we will extend these activities to four villages in the concession area in collaboration with the PW-CEB Social and Community Relations Service. The contacts with the schools in these villages are very encouraging, and the populations' reactions are very positive.



The center stands with the women

Since the beginning, women have been at the heart of all activities and events. The Cultural Center promotes women's autonomy, involvement in business, family responsibilities, and camp life.

Awareness-raising sessions have begun to inform workers and residents about women's rights and the new governmental measures to curb gender-based violence. The response from the public was positive throughout. The population brought several requests for action, such as awareness-raising for young people, the fight against teenage pregnancy, and access to contraception. They will be considered for future awareness-raising campaigns.

Moreover, the Cultural Center is involved in the PW-CEB Gender Equality Policy by consulting, accompanying, and guiding the various stages of reflection, development, and implementation.



The center and Gabonese Culture

Since the independence in 1960, the Gabonese people have forged their own culture, which is neither the traditional culture of the various ethnic groups nor western culture. It is a constantly moving culture, a mixture of diversity and commonalities, bringing together the most diverse beliefs and practices. It is in this mix of cultures that the people of PW-CEB live together.

The Cultural Center aims to promote Gabonese culture and to encourage the expression of knowledge and traditional know-how, enriching the life in the camp. We also aim to identify skilled craftswomen and men and offer training sessions to everybody to learn their techniques.

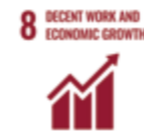
The lifting of the anti-covid 19 measures will allow the realization of an event close to our hearts: the Kermesse of August 17, Independence Day. It will be a family fair with games for young and old, sports, an open stage for artists, and a craft and food market.



Old haul road after closing and restoration, Brazil

# ENVIRONMENTAL PERSPECTIVE

## Sustainable Forest Management to Protect the Forests



### Certified and Sustainable Forest Management

Classical forest management solely focuses on economic aspects, whereas Precious Woods' sustainable and certified forest management follows a holistic, social, environmental, and economic approach.

Sustainable forest operations range from inventories to road construction, reduced impact operations, processing, and, finally, transport. These activities and their linkage ask for sound and proactive planning with every step organized by skilled and experienced staff.

With harvesting cycles of 35 years in Brazil and 25 in Gabon, we guarantee that the forests can always fulfill their role as the world's green lung and the safe haven for a magnificent fauna and flora. Average harvesting volume per hectare decreased slightly to 14.3 m<sup>3</sup>/ha (2020: 14.7 m<sup>3</sup>/ha). In Brazil, the volume per hectare decreased as we entered a new zone in 2021. Rates were higher in 2020, as additional trees were harvested in the old zone, always respecting sustainable regeneration rates. In Gabon, we started managing an area

with new forest types featuring higher tree density and tree volumes in 2020. We have now fully entered this zone which explains the continuing increase in volume harvested by hectare. The harvesting volume is sustainable and below the legal limits of 30 m<sup>3</sup>/ha in Gabon and 25 m<sup>3</sup>/ha in Brazil. It guarantees natural regeneration over the timespan of one rotation period and the holistic protection of our forests.

Roads represent one of the important impacts in forest operations, and we try to minimize it through sustainable forest management and reduced impact logging procedure. Most importantly, we reduce the number of new main roads to a minimum. We prefer to open small secondary roads and, in Gabon, reopen roads built during the last harvest cycle. Thanks to this approach and proactive planning, 38.2 km of new main roads have been constructed out of the 230 km of roads being worked in 2021 (2020: 20/267). 37 km of old roads that will no longer be used have been restored.

 **37 km** of old roads restored

m<sup>3</sup> harvest harvested

	2019	2020	2021
<b>Brazil</b>			
<b>Gabon</b>	156 054	188 469	160 271
<b>Total</b>	237 070	250 102	233 716
	<b>393 124</b>	<b>438 571</b>	<b>393 987</b>

m<sup>3</sup> harvest per hectare

	2019	2020	2021
<b>Brazil</b>	14.1	16.9	12.5
<b>Gabon</b>	9.8	13.4	15.8



River landscape in our Brazilian area

### Combining protection and conservation

We guarantee that 1.1 million ha of natural tropical forests are protected from deforestation, that the biodiversity will not diminish, and that the forests can fulfill their functions as a living environment for flora, fauna, and humanity. As conservation is an integrated part of certified and sustainable forest management, we also put more than 12 % of our forest area under strict conservation and monitor these areas closely. Besides some legally binding protection areas, voluntary conservation zones are identified through FSC and PEFC procedures. This well-balanced mix of sustainable and certified forest management and forest conservation is the only way to maintain our world's natural tropical forests and their role as the green lung of the planet.

#### Forest area (ha) 2021

<b>Brazil</b>	
Total forest area	<b>493 579</b>
whereof own land	436 789 / 88.5 %
where of concessions	56 808 / 11.5 %
<b>Conservation &amp; community area</b>	<b>64 183 / 13.8 %</b>
whereof conservation (other than water)	14 104 / 3 %
whereof watershed protection	43 372 / 9 %
whereof community area	6 776 / 1 %
<b>Gabon</b>	
Total forest area	<b>596 822</b>
whereof own land	0
where of concessions	596 822 / 100 %
<b>Conservation &amp; community area</b>	<b>67 528 / 11.3 %</b>
whereof conservation (other than water)	52 556 / 8.8 %
whereof watershed protection	4 230 / 0.7 %
whereof community area	10 743 / 1.8 %
<b>Precious Woods</b>	
Total forest area	<b>1 090 401</b>
whereof own land	436 789 / 40.1 %
where of concessions	653 030 / 59.9 %
<b>Conservation &amp; community area</b>	<b>135 711 / 12.4 %</b>
whereof conservation (other than water)	70 591 / 6.5 %
whereof watershed protection	46 602 / 4.4 %
whereof community area	17 519 / 1.6 %

### Ecosystem Services Certification

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At Precious Woods, we strive to live up to our reputation as pioneers in certified and sustainable forest management. We confirmed this aspiration in 2020 when Mil Madeiras was the second company worldwide to successfully pass the new FSC Ecosystem Services Certification for Carbon Sequestration and Storage<sup>1</sup>. In 2021, Mil Madeiras Preciosas also obtained the FSC Ecosystem Services Certification for Watershed Services. The certificate proves that our sustainable forest management permanently protects 51 000 ha of watercourses inside our forest area. Amazonian watercourses are inter-connected, the foundation of all life, and the basis of the existence of many communities. The protection of these waters is thus crucial. Unsustainable harvesting operations and poor road construction can impact watercourses, causing sedimentation, blockings, and contamination. Therefore, we are proud that we could prove that certified and sustainable forest management is a part of the solution to watercourse protection.

The certificate for Carbon Sequestration and Storage confirms that the carbon stock in our forests has been stable since 2008 and that around 76.5 million tons of carbon (tC) are permanently stored in our Brazilian forests. The numbers changed slightly compared to the Sustainability and Transparency Report 2020. The auditors changed the methodology and the scope of the area certified to ecosystem service standards in 2021. It reduced the total amount of carbon in our forests from 81 to 76.5 million tC and to 42.5 million tC inside the scope of the certificate. The changes were caused by vagueness in the standard, a reality we must accept when applying new and innovative standards. The FSC has identified this shortcoming and the standard is now under revision. However, this does not affect the forest management certification and does not change the fact that 76.5 million tC are permanently stored in the entire forest area. This being said, it is evident that sustainable forest management is one of the solutions to protect our world's carbon stocks, and we are proud to be part of this solution.

<sup>1</sup> <https://fsc.org/en/for-forests/ecosystem-services>

Certification confirms the protection of **51 000 ha** of watercourses

“No deforestation in our supply chain”

### A supply chain free of deforestation and conversion

FSC does not accept any deforestation and conversion, while PEFC does accept small-scale conversion only if it “makes a contribution to long-term conservation, economic, and social benefits.” For all own operations and our FSC certified supply, we thus commit automatically to a deforestation- and conversion-free supply chain and extend this commitment to all natural ecosystems. We also commit only to source FSC or PEFC certified products if they originate from countries where deforestation and conversion are not tolerated by the law and where the legislation is enforced reliably. Today, we only source PEFC certified products from Europe or products complying with our Procurement Policy. If, despite all efforts, non-compliant deforestation or conversion should have occurred in our operations after 2009, we commit to reforest these areas to their original state.

We also closely monitor our forest area to detect and avoid deforestation from third parties. Sometimes land use rights such as mining are superposing with our forests providing legal permits to other companies to deforest particular areas. In the past years, only two single events of deforestation were reported. In 2018, a mining company cleared a surface of 4.9 ha inside our Gabonese forest concession to open gravel quarries for road construction. The quarries were reforested in 2019 by Precious Woods on behalf of the mining company. Moreover, a Brazilian oil company deforested 6.57 ha for test drillings in 2014 and 2015. After concluding the test drillings on these areas, the company has realized a restoration project since 2018. Both companies hold valid authorizations, and their operations meet legal standards. The companies cooperate to minimize their impact inside our forest area, and we are regularly patrolling the respective regions.

## Public-private Partnership and Wildlife Protection



### Public-private partnership to protect the fauna in Gabon

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 wildlife team to prevent poaching, our concession has become a safe haven for the stunning fauna. Nevertheless, poaching in areas bordering our forests and bush meet trafficking on departmental roads through our concession seems to be on the rise. Therefore, in 2019 the Gabonese Government, the NGO Conservation Justice, and Precious Woods signed a public-private partnership agreement to join forces against illegal hunting. The convention was implemented from mid-2020 to detect and prosecute poaching and sensitize the local population. One of the main advantages of this private partnership is that it brings together all necessary knowledge under one umbrella. Where long processes and coordination were required in the past, very efficient and streamlined procedures are in place today. Conservation Justice backs the project with judicial advice and social work for sensitization, the authorities lead the joint missions and enforce the state authority, and Precious Woods provides logistical and technical support. With the increasing frequency of missions, reported incidents and prosecuted cases also increased. This is, of course, a double-edged success that motivates all parties to keep this convention running at a high pace to bring illegal activities to an end. We cannot communicate on specific cases for confidentiality reasons and as the legal prosecution is governed by the authorities. We are happy that no Precious Woods employees have been arrested, which proves the efficiency of the internal anti-poaching sensitization that has been in place for years.

The project shows the importance of strong public-private partnerships as only the combined know-how of all three parties can guarantee the project's success. The project funding is secured until the end of 2022. Follow-up financing is currently being sought with the aim of expanding the project even further.



# Watercourses as a Source of Life



## Precious Woods' Wildlife Management

Our Gabonese wildlife team also monitors legal subsistence hunting activities of local communities. It also advises, controls, supervises, and reports hunting of our employees during hunting seasons to guarantee that only sustainable and legal hunting takes place inside our concession area. In 2021, 125 days of patrolling have been completed (2020: 145). Due to adapted patrolling concepts, the number of days declined, but the patrols' success increased.

In Brazil, scientists are monitoring specific fauna aspects as well. Around 200 designated community members from nine communities act as scouts indicating potential illegal activities to our monitoring team. The team then transfers this information to the authorities. Our wildlife team conducts weekly wildlife patrolling. Missions are coordinated and sometimes undertaken jointly with the Military Police and the Environmental Secretariat of Silves and Itacoatiara. Besides legal subsistence hunting, hunting is banned in our Brazilian forests.

Anti-poaching activities are important, but an even more profound knowledge of fauna populations, dynamics, and behavior is needed even better to protect the fauna. Thus, fauna-related research has become one of the main directions of the research we support. Scientists from Gabon, Switzerland, Belgium and the USA work jointly on fauna inventories and the coexistence of fauna and sustainable forest management. They are using the newest methodologies, such as experimental phonetic wildlife monitoring equipment, to refine and expand our understanding of the fauna and the measures to protect it.

## Anti-poaching patrols

<b>Gabon</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Brazil</b>	<b>2020</b>	<b>2021</b>
Days of patrolling	144	145	125	Days of patrolling	88	92
Foots patrols (km)	1 961	933	1 106	Foots patrols (km)	35	29
Boat patrols (km)	600	80	35	Boat patrols (km)	85	102
Car patrols (km)	15 345	17 249	13 536	Car patrols (km)	264	386
Arms seized	6	14	26	Arms seized	1	0
Infractions reported to authorities	-	8	*	Infractions reported to authorities	5	6

\* Due to the new concept, infractions are recorded directly by the authorities.

Watercourses are essential resources of life for humans, animals, and flora. In Gabon and Brazil, they are thus protected by various regulations, mostly depending on their width. FSC and PEFC certification even obliges us to strengthen our efforts to protect them. Buffer zones around rivers are defined by Brazilian legislation<sup>1</sup>. In Gabon, harvesting trees alongside major rivers is forbidden, and the law determines buffer zones while harvesting next to smaller rivers and streamlets is regulated. One of our colleagues has a background in harvesting education and training and instructs the loggers in techniques that avoid harming these streams.

To demonstrate our efforts and commitments, we decided that Precious Woods Amazon should be one of the first companies to pass a certification audit for the new FSC Ecosystem Services Certification for Watershed Services. The pandemic delayed the process as field audits were not always possible, but we finally received the certificate in 2021. The certificate proves that we are actively contributing to the long-term protection of these eminent important life resources. We are proud to be a pioneer in this future-oriented approach.

“Successful FSC Ecosystem Services Certification for watershed services”

<sup>1</sup> Buffers are part of the Área de Preservação Permanente (APP, permanent conservation area)



Water hole in our Brazilian forest

# Landscape-level Approach to Biodiversity Conservation

“Wildlife protection convention implemented”

Our Brazilian forest property borders a national Sustainable Development Reserve (RDS)<sup>1</sup>. We decided to exclude around 17 000 ha of our forest from any activities to create a buffer zone for this RDS. This action was taken to better protect the reserve and the entire landscape spanning the reserve, our forest, and the surrounding area.

As mentioned before, the wildlife protection convention has been implemented in Gabon. The convention's geographical scope covers parts of the CEB concession and the bordering buffer zone to the Ivindo National Parc. It implements 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 implemented in 2020. Joint patrols with the authorities in this area were already conducted before, but the convention increased the number of activities and their success.



# Carbon Stock, CO<sub>2</sub> Emission & Bioenergy

Our forests permanently stock millions of tones of carbon, and as they grow, they permanently extract CO<sub>2</sub> from the atmosphere. While oxygen is released into the atmosphere and helps regulate the climate, every additional cubic meter of wood permanently stores around 0.4 tons of carbon. That is why forests are an active and indispensable part of reducing and mitigating carbon emissions and climate change.

## Certified carbon stock

At Precious Woods, we always strive to live up to our reputation as pioneers in certified and sustainable forest management. We confirmed this aspiration in 2020 when Mil Madeiras was the second company worldwide to successfully pass the new FSC Ecosystem Services Certification for Carbon Sequestration and Storage<sup>2</sup>. The certificate confirms that the carbon stock in our forests has been stable since 2008 and that around 76.5 million tons of carbon are permanently stored in our Brazilian forests

## National carbon project in Gabon

**2021** In 2019, Gabon and Norway signed a 150 million USD agreement for Gabon to reduce greenhouse gas emissions from deforestation and degradation and absorb carbon dioxide from natural forests<sup>3</sup>. Different projects led by the Gabonese government are now underway to elaborate methodologies and frameworks to build a robust system to implement the agreement. In 2020, specialists of the NGO The Nature Conservancy (TNC) developed a methodology to measure the impact of logging and how to evaluate the pre-logging levels of carbon stocks. A government delegation and TNC staff worked in Precious Woods forests to test and refine the methodology, and more than 20 officials were trained in its application. In 2021, TNC released a booklet, elaborated with our assistance, on improving Reduced Impact Logging for Carbon techniques. Unfortunately, this specific part of the national carbon project was suspended end of 2021. Still, the national carbon project could prove that sustainable landscape and forest management is the only way to offer a greener future with benefits for all public and private stakeholders.

<sup>1</sup> Reserva de Desenvolvimento sustentável do Uatumã

<sup>2</sup> <https://fsc.org/en/for-forests/ecosystem-services>

<sup>3</sup> <https://www.cafi.org/content/cafi/en/home/all-news/gabon--first-in-africa-to-receiving-payments-for-preserved-rainf.html>

## Forest carbon projects in Brazil

The worldwide trend to compensate emissions through carbon credits and a new focus on forests to provide such credits is also of interest for Precious Woods. Most projects run under the umbrella of the United Nations REDD+<sup>1</sup> framework. The idea behind REDD+ methodologies is to account for the carbon stock in forests and for the improved carbon sequestration or reduced carbon emissions through all forms of responsible forest management, including forest plantations.

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As carbon ownership for standing trees in Gabon is with the government and not with the concessionaire, we focus our projects on Brazil. However, most of the methodologies calculate the difference in the transition from non-sustainable to sustainable forest management. The cut-off dates for the calculations are mainly after the dates on which Precious Woods had already implemented sustainable forest management. Thus, all methodologies we have tested until today did not create carbon credits. We are still working with specialized partners to find solutions and test methodologies. The international community also realized that current REDD+ approaches exclude some of the most essential and reliable players and new methodologies are under development. We are closely following the development of these new methodologies, as we believe that our long-lasting efforts to protect the tropical carbon stocks should be recognized and compensated.

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

In 2021, Precious Woods acquired all shares in the 9-megawatt cogeneration plant BK Energia, situated next to our sawmill in Brazil. Under its new name MIL Energia Renovável, the plant consumes around 100 000 m<sup>3</sup> of residues from our sawmill annually and, therefore uses exclusively FSC and PEFC certified wood for energy production. 45 000 MWh are produced annually, and a small portion is used to run our plants and offices. MIL Energia Renovável delivers more than 75 % of the energy to the nearby city of Itacoatiara, which would otherwise use around 10 million liters of diesel annually to produce the same energy. The green energy produced by MIL Energia Renovável corresponds to a total saving of around 35'000 tCO<sub>2</sub>.

“BK Energia is now MIL Energia Renovável”

MIL Energia Renovável 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, and MIL Energia Renovável can provide up to 47 000 credits annually, corresponding to 47 000 tons of CO<sub>2</sub> equivalents. Since the start of the project in 2002, 472 891 carbon credits have been issued. A specialized partner, the Swiss NGO Myclimate<sup>3</sup>, handles the trade with our CERs.

## Precious Woods' carbon account

We report Level 1 to 3 CO<sub>2</sub> emissions every year, but we believe these numbers do not reflect Precious Woods' impact correctly. As our forests sequester an important amount of Carbon every year, these carbon inputs must be considered when calculating our carbon footprint. To know how much carbon is sequestered annually, one needs to know the growth rate, and they are usually higher in managed than in unmanaged areas. This was also proved in studies with local Brazilian universities. In our Gabonese concession, the multi-stakeholder research project P3FAC<sup>4</sup> investigates growth dynamics in central African forests. We expect to have in-depth knowledge of growth rates and, conse-

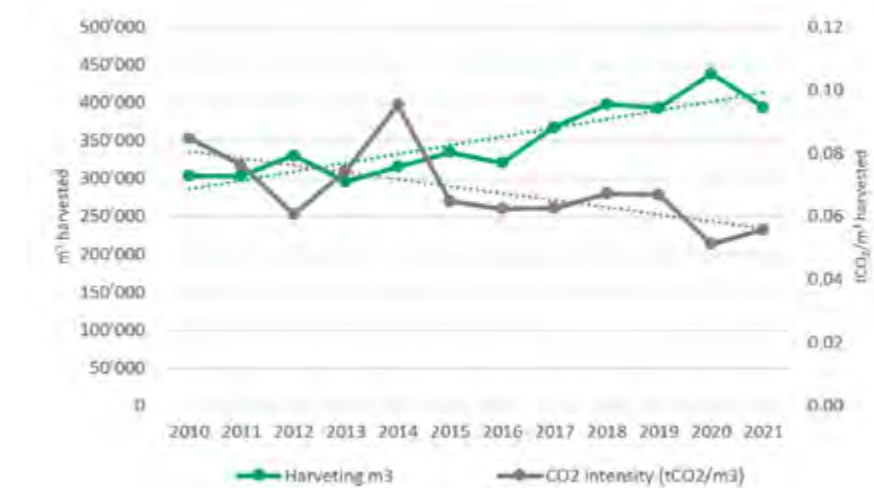
quently, carbon sequestration in Gabon in the coming years. These research data will help us improve and refine our carbon account over the coming years and provide a realistic picture of the positive impact of sustainable forest management.

Our CO<sub>2</sub> emission is calculated using the classification of the World Resources Institute (WRI). The main indicator to make these emissions comparable over time is to link it to the core of our business, the harvesting volume. As a parameter, we use the carbon intensity per m<sup>3</sup>, and thus, the ton of Carbon emitted per m<sup>3</sup> harvested. Since 2010 we have continuously increased our annual harvesting volume while simultane-

ously reducing our carbon intensity. From 2015 onwards, our carbon intensity is constantly below 0.07 tCO<sub>2</sub>/m<sup>3</sup>/year. Our total CO<sub>2</sub> emission reached a new low in 2021 while the emission intensity increased slightly to 0.055 tCO<sub>2</sub>/m<sup>3</sup> (2020: 0.051 tCO<sub>2</sub>/m<sup>3</sup>) The decline in total emissions can be attributed to lower travel and transport activities caused by the pandemic. However, the most important factor for the decline is that our Gabonese veneer plant TGI is no longer part of the account after its merger with Arbor group's PDG operation.

Emission intensity in Gabon is higher since we now have three sawmills instead of one in Brazil because distances are longer than 2020, and as we provide energy and potable water to our employees. In Gabon, we must also produce energy from fossil fuels while using renewable energy in Brazil. The CO<sub>2</sub> emission intensity is also linked to the distance of the harvesting area, the condition of the public road and railway network, and weather conditions. Factors on which 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 ten years. All our emissions reduction must happen from improved operations and not from offsetting. We believe that offsetting own emission through offsetting mechanisms, such as carbon credits, is only dislocating but not solving the problem.

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



<sup>1</sup> Reducing Emissions from Deforestation and Forest Degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries

# Wildfire Monitoring and Management

## Development of innovative carbon accounting methodologies

2021

In the framework of the new PEFC standard for the Congo Basin, it was decided to introduce carbon accounting in the certification. However, current accounting methodologies are not adapted to forest operations, nor do they take into account the forest's role as a carbon sink and stock. As a member of the standard development group, we agreed to this innovation on the condition that PEFC provides clear methodologies adapted to forest operations. According to the motto "He who demands must also deliver," we are now actively participating in developing this standard. The first field missions of the commissioned consultancy took place in early 2022. We hope to account using the new standard for 2022 or 2023. We will also try to apply this new standard to our operations in the Amazon to provide an even clearer picture of our carbon account to our share- and stakeholders

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

	2019		2020		2021	
Level 1 - Direct emissions	14 241	54.1 %	14 381	64 %	14 974	68.1 %
Level 2 - Indirect emissions	3 482	13.2 %	2 461	10.9 %	171	0.8 %
Level 3 - Travel	624	2.4 %	158	0.7 %	245	1.1 %
Level 3 - Transport	7 968	30.3 %	5 485	24.4 %	6 611	30.0 %
Total t CO <sub>2</sub>	26 315	100 %	22 485	100 %	22 001	100 %
Harvesting m <sup>3</sup>	393 124		438 571		393 987	
CO <sub>2</sub> intensity (tCO <sub>2</sub> /m <sup>3</sup> )	0.0669		0.0513		0.0558	

“Sustainably managed forest to prevent wild fires”

Our certification and sustainability managers and their teams monitor wildfires in Brazil and Gabon. However, identification and verification on the ground are 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 mostly rely on remote sensing data for our fire monitoring activities. It explains that the number are approximations. In Brazil, we use the data of the National Institute for Space Research INPE<sup>1</sup>. For monitoring in Gabon, we rely on FIRMS-VIIRS data provided by NASA<sup>2</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. When approaching the forest border, these fires fade as well-managed and healthy tropical forests are too humid to catch fire. In our Brazilian forests, we rarely observe natural wildfires as these forest lands do not contain savannas or other drylands. If trees are ignited by natural events such as lightning, these events stay isolated and do not spread. No natural wildfire occurred inside our forests in Brazil or Gabon in 2020, and no wildfires were reported in supplier operations.

In Brazil and Gabon, farmers inside our concession 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 them. We monitor these fires to ensure that they are only used in a purposive way and avoid illegal forest conversion or degradation for agricultural land.

## Wildfires 2021

	Brazil	Gabon
Natural wildfires	0	0
Slash-and-burn	3	3



A young harpy eagle nesting inside our Brazilian forest

# Drinking Water and Water Treatment

# Fuels, Chemicals and Pest Management



“ Successful improvement of our clarifying basin on Gabon ”

One of our major concerns is not letting water run-off from our operations penetrate nature. Run-off from our production sites in Brazil and Gabon is directed to clarifying basins for treatment before release. These installations are authorized and controlled by authorities regularly. In 2019 we performed Chemical Oxygen Demand (COD) tests at our clarifying basin in Gabon for the first time, but the results did not stay inside the limits set by the Gabonese legislation<sup>1</sup>. We immediately revised our installations and procedures and committed to improving this situation in last year’s Sustainabil-

ity and Transparency Report. The second test in 2020 proved the efficiency of these measures with a COD level below 1ppm and the legal limit at 40ppm. New tests in 2021, unfortunately, revealed COD levels above this threshold. We identified malfunctions of the facilities and maintenance issues as the main reasons and have already initiated the necessary corrective actions.

However, COD levels do not influence the quality of drinking water that we purify in a closed system and whose quality is regularly checked by accredited laboratories.

A sufficient supply of drinking water is crucial for the health and provided to all our employees in Brazil and Gabon. All camps in Gabon are connected to our potable water network. Water is treated on site, and we perform quality tests regularly.

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

To run our forest operations in Brazil and Gabon and our processing plants and camps in Gabon. We rely on fossil fuels to run our forest operations in Brazil and Ga-

bon and our processing plants and camps in Gabon. In 2021, we used 5.32 million liters of diesel (2020: 5.35mio. l), corresponding to 13.5 liters per m<sup>3</sup> harvested (2020: 12.2 l/m<sup>3</sup>). We also use other fuel products like oils, petrol, and grease, following legal regulations and certification standards. Waste oil and used filters are collected and disposed of by accredited companies. We regularly collect all non-hazardous waste from our operations and Gabonese camps to avoid any negative environmental impact. It is disposed of in designated and secured landfills, also controlled by certification bodies.

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



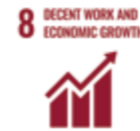
<sup>1</sup> Decree N°00198/MRS/E/PN/CENAP on the Gabonese Environmental Law of 2014  
<sup>2</sup> PEFC ST 1003:2018, Requirement 8.2.6;  
<sup>3</sup> FSC-STD-01-001 V5-2 EN, Criteria 10.7 and FSC-POL-30-001 V3-0 EN



Log yard at the sawmill of MIL Madeiras

# ECONOMIC PERSPECTIVE

## Industrial Development and Cooperation



Precious Woods is a worldwide leader in the tropical forest industry, timber processing, and timber trade<sup>1</sup>. Our long-term approach to social, environmental, and economic development implies investing in industrial projects and increasing added value in remote areas. Of course, other strategies such as the sale of logs would have been easier and cheaper to implement than investing in local industrial development, but totally against our beliefs and business practices.

### Successful hardwood sawmill in Gabon

In 2020 we started harvesting in areas in Gabon that are rich in Azobé, *Lophira alata*, a hardwood species characterized by a high density and water resistance. With a density of 1 300 kg/m<sup>3</sup>, Azobé is heavier than water and, for instance, is used for hydraulic construction and other high-quality, long-lasting applications instead of ferro-concrete. Thus, it represents a high environmental benefit and contributes to the circular economy.

► [Click here for more online information about our new sawmill](#)

To better valorize this species and increase the degree of local added value, we partnered up with the Dutch Azobé specialist Wijma Kampen B.V.. With Wijma's support and advice, we started constructing a new sawmill specialized in the processing of Azobé in 2018 at PW-CEB in Gabon. The mill was inaugurated in 2020 by the Gabonese forest minister Prof. Lee White and offers local employment for 87 employees. At full capacity, the mill produces 17 000 m<sup>3</sup> of Azobé sawn wood for the European market annually.

Building the mill did also mean investing in our housing facilities in Bambidie. Sixty-five new houses and studios, an entirely new quarter, have been constructed and guarantee the best living for our new employees and their families. To accommodate the increased harvesting volume, we added one production line to our sawmill in the Amazon in 2019 and 2020. We also increased our capacity to process wood residues, creating six additional jobs.

### Merger of two leading veneer plants

In late 2020, Precious Woods and the French Arbor<sup>2</sup> group announced a pioneering collaboration. Their two veneer plants Precious Woods – Tropical Gabon Industrie TGI and Arbor – Placage Déroulé du Gabon PDG were merged into the new Compagnie des Placages de la Lowé - CPL. TGI and PDG have been well-known producers of quality veneers for a long time, and the two plants will both continue proceedings under the lead of a skilled team of Precious Woods and Arbor staff. Besides owning PDG, the Arbor group is present in Europe with four companies specializing in producing wood panels from veneer and processing for special applications. With Arbor not having its own forest operations and Precious Woods not having processing plants in Europe, this cooperation heavily increases added value for certified tropical timber and increases the market power of both companies.

<sup>1</sup> International Standard Industrial Classification of All Economic Activities (2008): classes 0210, 0220, 0240, 1610, 3510, 4610, 4661 through own operations; 1621 through minority shares in CPL

<sup>2</sup> <https://groupe-arbor.com>



# Wood Supply and Volumes



Precious Woods’ four sawmills and one veneer plant only processed wood harvested under FSC and PEFC certification inside our forests or concession areas. We neither process third-party round wood or processed timber products as input for our milling operations. All volumes of products produced, processes, and traded can be found in our annual reports, publicly available on our website.

As part of our trading activities, we also trade timber and timber products of third parties that must be either FSC or PEFC certified or comply with our Procurement Policy<sup>1</sup>. We will immediately suspend any cooperation with third parties if they lose their certificates or do not comply with our Procurement Policy. However, we will encourage them to undertake all necessary actions to regain certification. In 2021, timber products traded from third parties originated from forests in France, Hungary, Guatemala, Panama and Nicaragua and were either FSC or PEFC certified<sup>1</sup> or in compliance with our Procurement Policy.

## Origin of Precious Woods timber products 2021

		Volume m <sup>3</sup>	From own operations	FSC*	PEFC*
Brazil	→ Sawn wood	35 431	100 %	100 %	100 %
	→ Logs	466	100 %	100 %	100 %
	→ Biomass**	57 083	100 %	100 %	100 %
Gabon	→ Sawn wood	51 386	100 %	100 %	100 %
	→ Logs***	75 544	100 %	100 %	100 %
Netherlands	→ Sawn wood	1 454	100 %	100 %	0 %
Trading of third-part timber without physical possession	→ Sawn wood	385	0 %	80.5 %	0 %
	→ Logs	11 796	0 %	0 %	100 %
	→ Veneer***	33 389	0 %	88 %	88 %
<b>Total</b>		<b>266 934</b>	<b>82.93 %</b>	<b>94.07 %</b>	<b>97.83 %</b>

**FSC or PEFC certified** **98.49 %**  
**Controlled according to our procurement guidelines** **100 %**

<sup>1</sup> [https://www.preciouswoods.com/domains/preciouswoods\\_com/data/free\\_docs/Precious\\_Woods\\_Procurement\\_Policy\\_Public\\_Version.pdf](https://www.preciouswoods.com/domains/preciouswoods_com/data/free_docs/Precious_Woods_Procurement_Policy_Public_Version.pdf)

\* FSC FM or FSC CoC, PEFC FM or CoC certified or with PEFC controlled source claim

\*\* sale to own operations (MER Energia Renovável)

\*\*\* 54 428 of the logs are delivered to CPL and transformed into veneer. Parts of this volume are thus also reflected in the numbers Veneer.



Plaque for timber traceability at MIL Madeiras

# TRANSPARENCY

## Our Business Ethics Guidelines



Our strict business ethics guidelines span a comprehensive range of topics from compliance with the law, anti-corruption policies, ethical conduct to equal opportunities, and other issues. The Corruption Perceptions Index 2021 of Transparency International has rated Brazil and Gabon as countries with a high risk for corruption<sup>1</sup>. This means that all our forest and milling operations are exposed to a high risk of corruption, making strict implementation of our anti-corruption policy even more important. Switzerland and the Netherlands, where we only have offices, are assessed with low risk.

Our business ethics guidelines also contain whistleblowing procedures for employees, and they designate the Corporate Ethics Officials and the ombudsman. They are the focal points for any complaint and must always ensure adherence to the guidelines if any infractions are reported. All employees, shareholders, and stakeholders can access our Business Ethics Guideline at any time on our website<sup>2</sup>. Our business ethics guidelines were fully implemented in 2016, and no violations or corruption cases were reported between 2016 and 2021.

<sup>1</sup> <https://www.transparency.org/en/cpi/2021>



# FPIC, Grievance and Whistle-blowing 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 and/or 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 file 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.

## 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 acts as the contact point for all FPIC- and grievance-related tasks. Our grievance and FPIC processes for communities follow the model on page 49, while our grievance procedure for employees is structured as shown on page 49.

Three meetings are held annually in each community to streamline community grievance processes. The meetings serve to declare, negotiate and solve grievances. From the moment of the declaration to the solution of a grievance, a maximum period of three months 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 the Occupational Safety Team. However, employees might prefer to stay anonymous and the procedure pictured in page 49 has been designed to ensure this need for privacy and anonymity. Therefore, employees can use our grievance forms and pens freely available on several points and transmit them through designed letter boxes without disclosing their names.

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>.

## Grievances 2021

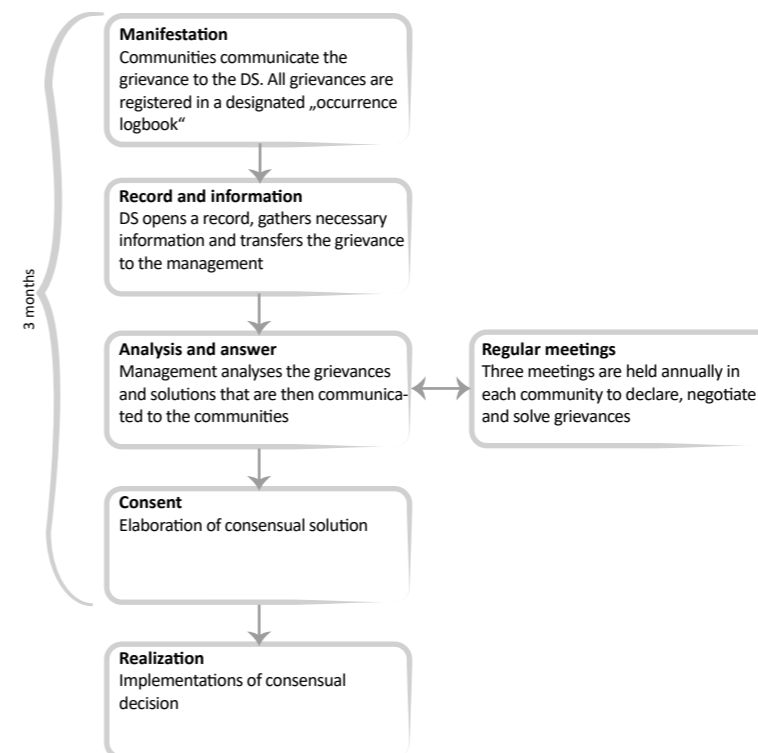
	Brazil	Gabon
Opened	2	0
Solved	2*	0
Ongoing	1	0

\*one from 2020

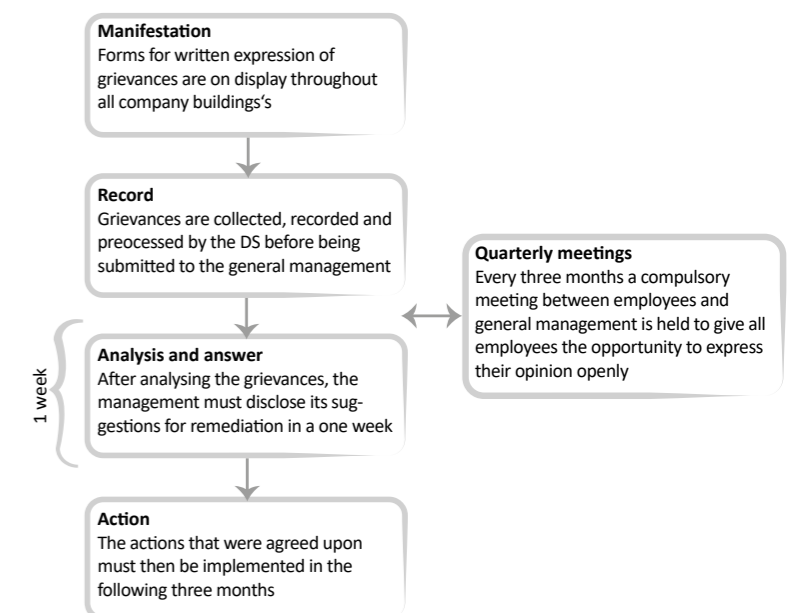
<sup>1</sup> [https://www.preciouswoods.com/domains/preciouswoods\\_com/data/free\\_docs/2\\_1%20Business%20Ethics%20Guidelines%20PW-Group\\_2016\\_en.pdf](https://www.preciouswoods.com/domains/preciouswoods_com/data/free_docs/2_1%20Business%20Ethics%20Guidelines%20PW-Group_2016_en.pdf)



## FPIC and grievance procedure for communities

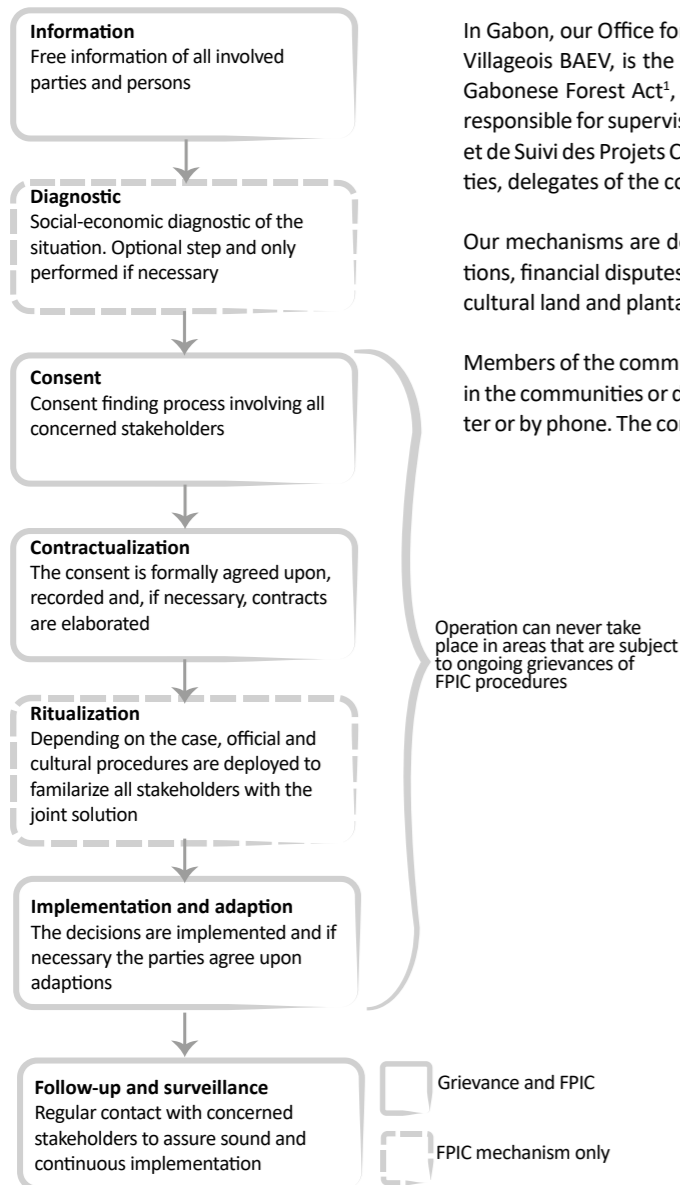


## Grievance mechanisms for employees





## 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 managing community projects is responsible for supervising the FPIC and grievances process. This so-called Comité de Gestion et de Suivi des Projets CGSP comprises 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; conflicts linked to our operations, financial disputes, destruction of socio-cultural values, and destructive impact on agricultural land and plantations.

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

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

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 the employees elect its members, with every department having its own representatives. Employees



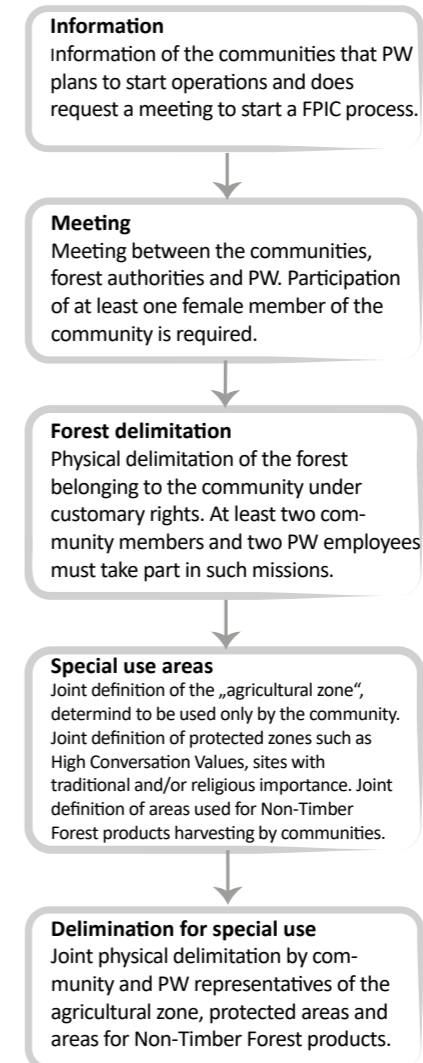
## Whistleblowing mechanisms in Switzerland

address their concerns to the representative of their trust, which can also be a council member of another department. If the grievance must be handled anonymously, the work council member 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 Ethics Officials designated in Precious Woods' business Ethics Guideline<sup>2</sup>.

### Specific FPIC procedure for community mapping and rights of use in Gabon

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



All Swiss employees can always and at any time direct their complaints anonymously to the Corporate Ethics Officials designated in Precious Woods' Business Ethics Guideline<sup>2</sup>.

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

# Procurement and Independent Suppliers



## Procurement policy

We commit to only source from FSC or PEFC certified suppliers or follow our strict procurement guidelines to assess our round wood and timber suppliers in line with PEFC Due Diligence Standards. Our Procurement Policy is available on our website. All direct and indirect supply to all our activities complied with this policy in 2021.

## Suppliers covered by this disclosure

This disclosure is limited to third parties supplying round wood to our mills and third parties supplying our trading activities with processed timber products or logs. We did not purchase any round wood for our mills from third parties in 2021.

## Small-scale producers

We only accept products in our supply chain produced under FSC or PEFC certification or in compliance with our Procurement Policy. It often appears difficult for small-scale producers in tropical areas to meet these criteria. Therefore, we promote small-scale producers in our supply chain that meet these requirements or strive toward compliance. We do, for example, partner with FSC certified cooperatives in South-America composed of several small-scale producers.

## 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 also apply to our suppliers. We commit to only sourcing wood for our trading activities from FSC or PEFC certified suppliers or suppliers that comply with our Procurement Policy. Most of the commitments made throughout this report also apply to our suppliers. They must respect the principles of FPIC, workers' rights, gender equality, indigenous and local communities' rights, and legal and customary land rights. They shall also act ethically, exclude any corruption, pay minimum wages<sup>1</sup> and address occupational health and safety<sup>2</sup>. They shall apply sustainable hunting, reduced impact logging, best management practices for soils and not plant on peatland of any depth. They shall minimize the use of chemicals, including pesticides and chemical fertilizer, and not use genetically modified organisms. They must protect forests and other natural ecosystems from deforestation, conversion, and other illegal activities, restore non-compliant deforestation or conversion if it has happened after 2018, and commit to biodiversity conservation. Suppliers shall not use WHO Class 1A and 1B pesticides chemicals listed under the Stockholm and the Rotterdam Convention and always respect Fundamental ILO Conventions or Free and Fair Labour Principles. If third-party suppliers

violate these requirements, we will immediately terminate any collaboration. No deforestation was recorded for suppliers' operations since 2009.

In 2021, we only had wood suppliers to our trading operations, but we did not process logs from third parties in our mills and veneer plants. We require all these suppliers to be either FSC or PEFC certified or to be in line with our Procurement Policy, which implies that they respect the principles of Free, Prior, and Informed Consent (FPIC) in the scope of their operations. Some third-party assessment schemes ask us to expand this FPIC commitment to all our suppliers' operations even if they are not linked to the certified operations and even if they are not related to forestry. We strongly disagree with this approach, which would be an unverifiable and irresponsible commitment.

<sup>1</sup> If the minimum wage is below the living wage, the commitment applies for living wages.  
<sup>2</sup> According to ILO Code of Practice on Safety and Health in Forestry Work  
<sup>3</sup> <https://opentimberportal.org/operators>

# Supply Chain and Traceability systems



## Forest and processing operations (Brazil and Gabon)

We commit to always applying a supply chain and traceability system, later referred to as Chain of Custody System (CoC). Our CoC system allows us to control our supply chain and ensure 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 the stump. If the log is subdivided into multiple sections, the number of the section is added to the log. During the production processes, the log's unique number is assigned to the respective production campaign. The timber from one campaign can 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 that are assigned specific bundle numbers.

Before transport, every log is marked with its unique number and every bundle with its specific bundle number, allowing 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 is recorded on paper during the production process. To avoid fraud, guarantee data consistency, and streamline our processes, these data are then saved into traceability software. These specialized software solutions do avoid unauthorized data alterations. This CoC software allows 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 internal process management, we apply the CoC system described above to our whole supply chain, no matter if we are trading our 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 in

which we operate.  
**Legality documentation**



Since 2021 we have provided relevant legality documentation for Gabon to the online platform of the Open Timber Portal (OTP) of the World Resources Institute (WRI)<sup>3</sup>. Customers and interested third parties can thus quickly check our legal documentation. We are amongst the leading companies and, moreover, helped the WRI better understand Gabon's legal framework during the development and implementation of the Gabonese part of the platform. However, we remain critical as we fear that the users might only refer to the percentage of documents provided without checking the validity of the documents. Yet, we experienced that the process of document validation is still error-prone and that documents can be validated or stay on the platform even if they are not entirely compliant or expired. We also feel that FSC and PEFC certified companies already invest a lot in legality and sustainability. Too much of our resources are bound for such platforms that do not improve our operations in any sort.

We cannot provide data for Brazil as OTP does not yet include Brazil.





# GRI Content Index

## Statement of use

Precious Woods has reported the information cited in this GRI content index for the period from 01.01.2021 to 31.12.2021 with reference to the GRI Standards.

## GRI 1 used

The GRI 1 standard used for this purpose was GRI 1: Foundation 2021

## Statement on material topics, Disclosure 3-3 in GRI 3, and external assurance

As explained in the introduction to this report, we decided only to produce a report with reference to the GRI standard. We choose this proceeding because correctly identifying relevant material topics has always been a stumbling stock in GRI reporting. GRI started publishing its new standards series in 2021, and the new sector standards will streamline and facilitate the identification of material topics. To avoid a potentially misleading material topic identification process, we decided to wait for full disclosure until GRI publishes a sector standard adapted to our needs. We thus also do not report according to GRI 3: Material Topics 2021.

As we only disclose a report with reference to the GRI, we also refrain from external assurance.

## Abbreviations used in the Content Index

SaTR: Sustainability and Transparency Report  
AR: Annual Report, accessible at our homepage

GRI STANDARD	DISCLOSURE			LOCATION		OMISSION		
						Reirement	Reason	Explanation
GRI 2: General Disclosures 2021	2-1	Organizational details	a, b, c	SaTR 2021	Page 6			
	2-2	Entities included in the organization's sustainability reporting	a	SaTR 2021	Page 7			
		Entities included in the organization's sustainability reporting	b, c	AR 2021	Precious Woods Group financial statement Precious Woods Holding Ltd. financial statement			
	2-3	Reporting period, frequency and contact point–	a, c, d	SaTR 2021	Page 7, 9, 54			
	2-3	Reporting period, frequency and contact point	b	AR 2021	<a href="https://www.preciouswoods.com/en/investor-relations/annual-reports">https://www.preciouswoods.com/en/investor-relations/annual-reports</a>			
	2-4	Restatements of information	a	SaTR 2021	Page 7			
	2-5	External assurance		SaTR 2021	Page 9, 54			
	2-6	Activities, value chain and other business relationships	a, b (i, ii), c, d	SaTR 2021	Page 43, 45, 43, 43, 36			
				AR 2021	Precious Woods Group financial statement Precious Woods Holding Ltd. financial statement			
	2-7	Employees	a, b, c, d, e	SaTR 2021	Page 16			
	2-9	Governance structure and composition	a, b, c(v)	SaTR 2021	Page 6, 16			
	2-11	Chair of the highest governance body	a, b	AR 2021	Corporate Governace			
	2-12	Role of the highest governance body in overseeing the management of impacts	a	SaTR 2021	Page 6			
				Website	<a href="https://www.preciouswoods.com/en/about-us/our-commitments">https://www.preciouswoods.com/en/about-us/our-commitments</a>			
	2-13	Delegation of responsibility for managing impacts		SaTR 2021	Page 7			
	2-14	Role of the highest governance body in sustainability reporting	a	SaTR 2021	Page 7, 6			
	2-19	Remuneration policies	a (i)	Compensation Regulations for the Board of Directors of Precious Woods Holding Ltd.	<a href="https://www.preciouswoods.com/domains/preciouswoods_com/data/free_docs/PW-VR-Vergütungsreglement-2017.pdf">https://www.preciouswoods.com/domains/preciouswoods_com/data/free_docs/PW-VR-Vergütungsreglement-2017.pdf</a>			
	2-23	Policy commitments	a (i, iii, iv), b(i), c, d, e	SaTR 2021	Page 52			
				Website	<a href="https://www.preciouswoods.com/en/about-us/our-commitments">https://www.preciouswoods.com/en/about-us/our-commitments</a>			
	2-25	Processes to remediate negative impacts	a, b, e	SaTR 2021	Page 48-51			
2-26	Mechanisms for seeking advice and raising concerns		Business Ethics Guideline	<a href="https://www.preciouswoods.com/domains/preciouswoods_com/data/free_docs/2_1%20Business%20Ethics%20Guidelines%20PW-Group_2022_en_def.pdf">https://www.preciouswoods.com/domains/preciouswoods_com/data/free_docs/2_1%20Business%20Ethics%20Guidelines%20PW-Group_2022_en_def.pdf</a>				
2-28	Membership associations	All	SaTR 2021	Page 10				
2.29	Approach to stakeholder engagement	a (ii, iii)	SaTR 2021	Page 20 to 21				
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	All	AR 2021	Precious Woods Group financial statements Precious Woods Holding Ltd financial statements			
	201-4	Financial assistance received from government	All	AR 2021	Income Taxes			
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	a	SaTR 2021	Page 16 ff	Reporting by gender	Data not available	Data not yet compiled to this level
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	b, c	SaTR 2021	Page 21			
	203-2	Significant indirect economic impacts	All	SaTR 2021	Page 20			

GRI STANDARD	DISCLOSURE			LOCATION		OMISSION		
						Requirement	Reason	Explanation
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	All	SaTR 2021	Page 47			
	205-3	Confirmed incidents of corruption and actions taken	All	SaTR 2021	Page 47			
GRI 207: Tax 2019	207-1	Approach to tax	A	Precious Woods Tax Policy	<a href="https://www.preciouswoods.com/domains/preciouswoods_com/data/free_docs/Precious_Woods_Tax_Policy.pdf">https://www.preciouswoods.com/domains/preciouswoods_com/data/free_docs/Precious_Woods_Tax_Policy.pdf</a>			
GRI 301: Materials 2016	301-1	Materials used by weight or volume	a (i)	SaTR 2021	Page 27, 45			
GRI 302: Energy 2016	302-1	Energy consumption within the organization	c (i), d (i), e	AR 2021	Carbon Footprint			
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	a (i,ii,iii,vii)	SaTR 2021	Page 34, 28			
	304-2	Significant impacts of activities, products and services on biodiversity	a (i+v), b (ii, ii, iv)	SaTR 2021	Page 27, 29, 28, 27, 27			
	304-3	Habitats protected or restored	a, d	SaTR 2021	Page 28			
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	a, d (ii), g	SaTR 2021	Page 37 ff			
	305-2	Energy indirect (Scope 2) GHG emissions	All	SaTR 2021	Page 37 ff	Not location-based	Not yet disclosed, data available	Level of detail not required for other standards will be done in the coming reports
	305-3	Other indirect (Scope 3) GHG emissions	A, e (ii), g	SaTR 2021	Page 37 ff			
	305-4	GHG emissions intensity	a, b, c	SaTR 2021	Page 37 ff	2.7.2, Scope 1, 2, and 3 intensities not separately disclosed	Considered not to be meaningful	We believe that all emissions must be reduced and that only the overall reduction of our intensity is relevant to measure success. Scope 3 emissions are substantial in our operations and should not be neglected or treated separately.
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	All	SaTR 2021	Page 52			
	308-2	Negative environmental impacts in the supply chain and actions taken	All	SaTR 2021	Page 52			
GR 401: Employment 2016	401-1	New employee hires and employee turnover	B	SaTR 2021	Page 16	Age group, gender, and region not reported	Data not available	Data not yet compiled to this level
GRI 403: Occupational Health and Safety 2018	403-5	Worker training on occupational health and safety	All	SaTR 2021	Page 19			
	403-6	Promotion of worker health	All	SaTR 2021	Page 18	Specific health risk and confidentiality	Was not included so far as no other standard asked for it. Not all data available.	Will be reported in the coming years
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	All	SaTR 2021	Page 19			
	403-9	Work-related injuries	a (i,iii), c (i, iii), d	SaTR 2021	Page 19			
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	All	SaTR 2021	Page 19	a (i, ii)	Data not available	Data not yet compiled to this level of detail
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	a (i), b (i)	SaTR 2021	Page 16 ff			
	405-2	Ratio of basic salary and remuneration of women to men	A	SaTR 2021	Page 16 ff	By employee category; significant locations	Data not available to this level; Switzerland not included	Data not yet compiled to this level of details
GR 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	a (iv, vi, viii)	SaTR 2021	Page 20 ff			
GRI 417: Marketing and Labelling– 2016	417-1	Requirements for product and service information and labelling	a (i, ii), b	SaTR 2021	Page 10, 27 and 45			
	417-2	Incidents of non-compliance concerning product and service information and labelling	All	SaTR 2021	Page 10, 45 and 52			



View over our intact Brazilian forest, proving the success of certified and sustainable forest management

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