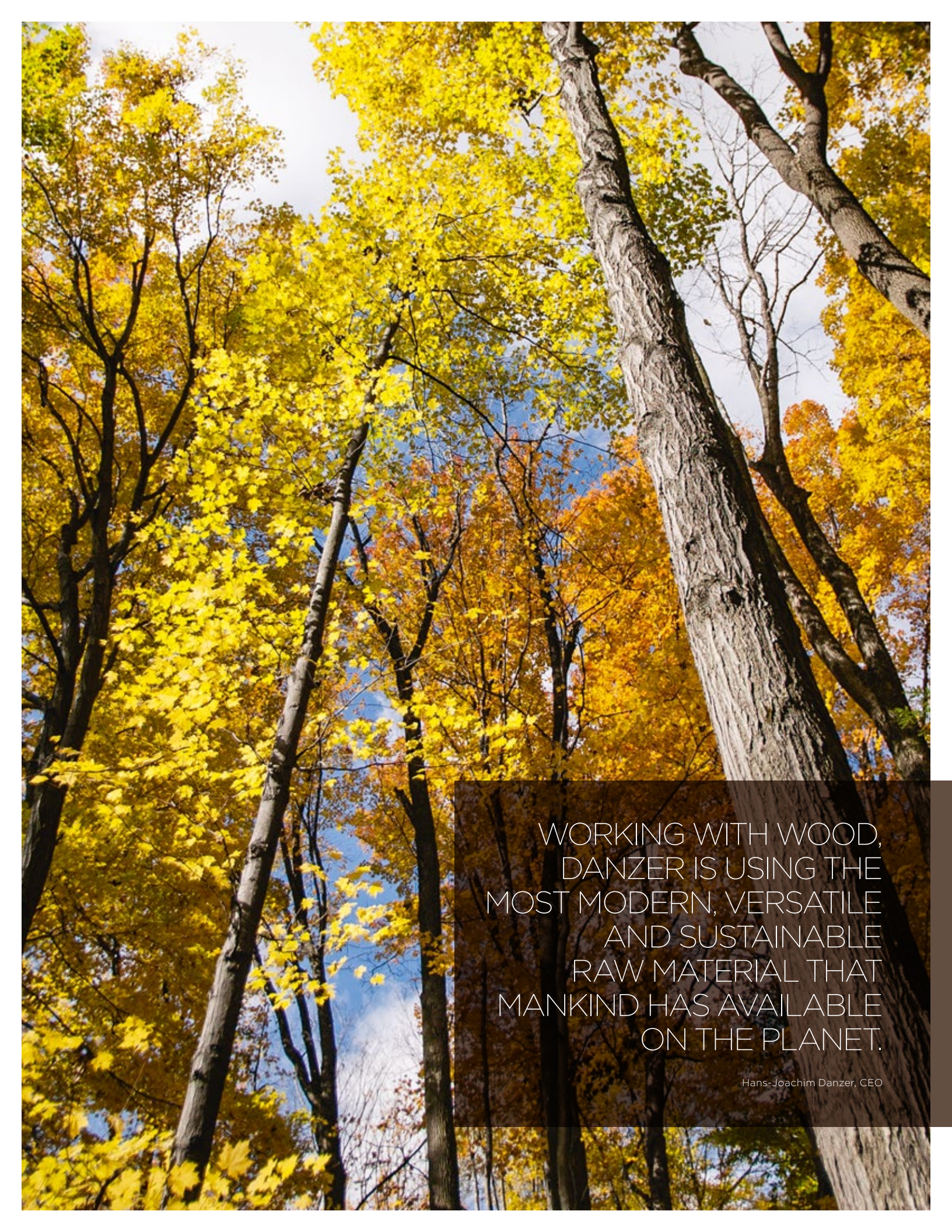


DANZER  
SUSTAINABILITY  
REPORT 2014

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WORKING WITH WOOD,  
DANZER IS USING THE  
MOST MODERN, VERSATILE  
AND SUSTAINABLE  
RAW MATERIAL THAT  
MANKIND HAS AVAILABLE  
ON THE PLANET.

Hans-Joachim Danzer, CEO

# CONTENT

## **5 STATEMENT OF THE CEO**

---

8 Our Point of View

## **11 CONTENT OVERVIEW**

---

### **12 DANZER - A PORTRAIT**

---

16 Danzer's Structure Ensures Independence  
16 Danzer is a Hardwood Specialist  
17 Danzer's Supply Chain is Short but Complex  
18 Diverse Workforce

### **19 OVERVIEW OF 2014 SUSTAINABILITY HIGHLIGHTS**

---

### **20 DANZER'S HISTORY OF SUSTAINABILITY AND RESPONSIBILITY**

---

20 Danzer's Governance Encompasses Sustainability  
21 Issues Material to Sustainability at Danzer  
24 Danzer Engages Stakeholders  
25 The Danzer Code of Conduct  
26 Combatting Bribery and Corruption

### **28 DANZER'S PRODUCTION OPERATIONS, COMMUNITIES AND THE ENVIRONMENT**

---

28 Working at Danzer  
28 Wage and Remuneration at Danzer  
29 Occupational Health and Safety at Danzer Locations

31 Training, Education and Employee Development by Danzer

32 Danzer is Conscientious about its Local Community Impact

32 Generate and Distribute Economic Value

32 Foster Local Economic Development

35 Land-use Rights and Livelihood Protection for Local and Indigenous Communities

36 Danzer Respects Human Rights and Practices Due Diligence to Prevent or Deal with Conflict

38 Danzer's Forest Holdings Make Up for Greenhouse Gas Emissions

39 Danzer Needs Water Resources

40 Danzer Prevents Soil and Water Pollution

### **42 DANZER SELLS RESPONSIBLE AND OUTSTANDING PRODUCTS**

---

42 Danzer Prioritizes Resource Efficiency and Product Quality

48 Danzer Reassures Customers that Logs are Lawful and Sustainable

51 Forestry Practices that Promote Biodiversity

52 Manage Forests to Protect Land

53 Forest Activities that Impact Biodiversity

57 A Responsible Product Portfolio

## **60 CONCLUSIONS AND WORKING TOWARD THE DANZER SUSTAINABILITY REPORT 2016**

---

## **61 GRI CONTENT INDEX**

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# STATEMENT OF THE CEO

HANS-JOACHIM DANZER



Dear Reader,

[G4-1] You hold in your hand (or read on the screen), the first edition of the Danzer Sustainability Report. Every indicator in this report impacts a person's life somewhere, and the people at Danzer take responsibility to make that impact a positive one. [G4-32] This report follows the requirements of the Global Reporting Initiative (option "Core"), which defines criteria and indicators for disclosure.

The Danzer Sustainability Report 2014 is an overview of data from a multitude of management systems in use at Danzer worldwide: ISO-based environmental and safety management systems, standards of the Forest Stewardship Council, third party audit reports, SAP operational reports, Human Resource statistics, training schedules, policy implementation plans and many others; all of these tools are substantially more detailed than anything this Sustainability Report can encompass. These systems have been developed and implemented as a result of Danzer's commitment to environmental and social responsibility. They are used at all levels of management to ensure the implementation of Danzer's values throughout the company's operations day-to-day.

Throughout our company history, we have paid great attention to the social, economic and environmental effects our operations have on our

employees, the people and communities impacted directly and indirectly by our actions and operations, and the environment generally. With this report Danzer is systematically integrating the continuous collection of relevant key information into an overview that will serve as high-level tool to monitor continual improvement in all areas of Danzer's activities. It is expected that integrating systematic reporting from a multitude of different sources into one comprehensive report will strengthen the responsiveness of Danzer and further improve its social, environmental and economic impacts.

Working with wood, Danzer is using the most modern, versatile and sustainable raw material that mankind has available on the planet. Danzer works with a raw material – hardwood trees – that takes generations to grow. This raw material requires a mind-set of humility toward this gift of nature. This is reflected in our management approach in a variety of ways:

— **Commitment to sustainability and generational approach:** Working with wood and managing forests, sustainability has been part of our company DNA from the beginning. For us, sustainability is not only a forest management principle: it is management taking decisions so that our organization

and the communities we work in can be successful for generations to come. Minimizing our impact on the environment has been on Danzer's agenda for decades.

— **Resource efficiency:** the high value of the raw material mandates that every possible effort is made to find the best use for each piece of raw material. Danzer has a long history of investing in yield improvement, reduction of waste and lower valued by-products, and in developing equipment and processes that optimize the conversion of hardwood from the forest to finished products. Currently, many research and development projects are underway at Danzer to push the boundaries further: we will create more usable product from the same amount of raw material.

— **Product quality:** Using a precious raw material also requires high standards for product quality. Striving for highest quality product is our way to show respect for the many years that it took nature to grow the tree. It is also an effective way to help our customers increase the yield in their production process, thus increasing the yield across the entire value chain.

— **Responsibility for our people and the communities:** The high level of staff retention at every Danzer operation worldwide demonstrates the commitment that Danzer has toward its most valuable asset: its employees. We take responsibility for our people – and they return this commitment with their long-lasting service to the company. In our industry, many critical skills are not taught in forestry or engineering schools. Therefore, the mutual commitment between the employees and Danzer is part of the company's philosophy. The enormous pool of experience is part of our success.

Wood makes many, many positive contributions to the planet and to mankind: from its function as a carbon sink to the warmth and positive atmosphere it adds to the spaces in which we live and work. Wood requires less water and energy to con-

vert the raw material into a finished product than most competing man-made materials. It is up to the wood industry in general and to Danzer in particular to find innovative ways to make wood products even more attractive, desirable and competitive whilst reducing possible negative impacts caused by forestry activities, production and manufacturing operations, or transport.

This is the first edition of the Danzer Sustainability Report. There is still much to learn and always room for improvement. Moving forward we will be communicating about achievements and setbacks in further editions. We appreciate the time you take to learn about Danzer's sustainability efforts. If you would like to share your thoughts and ideas – please email your comments to [sustainability@danzer.com](mailto:sustainability@danzer.com)

The report does not compare Danzer's performance on many indicators with industry standards or other benchmarks. This is mostly due to the lack of reliable third party data. For upcoming reports, Danzer will strengthen its efforts to identify more data sources for meaningful comparisons.

I thank Cathy Lynn Danzer, Tom van Loon, Kami Ervin, Markus Pfannkuch, Gabriela Ferrari, Andreas Wagner, Antoine Couturier and Eckart Schmitt for their relentless efforts to create this report. I particularly want to thank all employees at Danzer who have been involved in our decades-long, systematic and focused efforts to improve our environmental and social performance wherever we work. We are committed to continue on this path.

Very best regards





## OUR POINT OF VIEW

Danzer transforms hardwood trees into primary hardwood products for decorative applications. Wood is a beautiful material that enhances our lives in places where we live, work and get together. Its uniqueness, its natural beauty and individuality create surprises daily. The key source of Danzer's raw material is hardwood that we buy from private and public landowners. Only few trees have the characteristics needed for decorative purposes. While paper and other volume products can use any kind of wood fiber, only a few selected trees have the qualitative properties needed to produce high-value veneer and lumber for decorative applications. Thus, Danzer's entire procurement philosophy is highly selective by nature.

Danzer blends the advantages of a family-operated business with a professional management approach familiar to larger corporations. The individual, people-driven approach results in the high staff retention at Danzer that is needed to build and maintain crucial hardwood know-how. Key skills needed for conversion of high value hardwood trees into beautiful products cannot be learned at any school. Experience and Danzer-specific know-how is key. Danzer takes the claim seriously, "our most important assets are the people we work with."

WOOD IS A BEAUTIFUL  
MATERIAL THAT ENHANCES  
OUR LIVES IN THE PLACES  
WHERE WE LIVE, WORK  
AND GET TOGETHER.

Hans-Joachim Danzer, CEO

Blending this approach with a management culture that brings professional tools, numbers and modern management practices to the hardwood industry is a key driver of Danzer's success. Danzer's systems, strategy and implementation orientation are based on the tools used by much larger organizations.

Karl Danzer created the industrial repeatability and reliability of today's slicing industry from what was previously an artisan and craftsman production. From the entrepreneurial ideas of Karl Danzer to today's Danzer, many things have changed in the markets and industry.

Today, Danzer is an international company that produces high-value hardwood products in 6 countries from 240 different species and sells in 80 different countries.

### Our strategy has two drivers:

**1 Maximize the use of hardwood and minimize "waste":** To improve the value creation from hardwood trees in a way that more and better products are created from the same tree while being as customer-specific as possible. This allows Danzer to reduce the amount of "waste" that is created in the value chain. Resource efficiency and best possible upgrading of the raw material drive this thinking.

**2 Make hardwood more enviable and desirable:** At the same time, we try to develop solutions that allow substitution of products that have negative environmental impacts with superior wood-based products. Inventing new processes and new products are major drivers to this end.

\* Actually wood has no "waste" – all wood can be used for a meaningful application; there is nothing for the landfill so throughout this report we will talk about "residual wood" to mean the wood that does not end up in the finished decorative hardwood product



Many projects have been implemented at Danzer in the past years and decades to achieve these strategic objectives – and many more are in the pipeline. In the very end, Danzer creates value for its customers. Danzer does not see itself solely as a raw-material supplier, but as a vendor that makes the lives of its customers easier as a quality supplier and enabler.

Increasing global population and widespread standard of living improvements increase the global demand for resources – also the demand for wood products. It is paramount that more innovations pave the way to better resource-efficiency, as new ways must be found to improve the value chain yield to keep up with growing demand while using less and less raw-material input at the same time. A second important trend in the developed world will also drive the demand for wood: reduction in carbon is associated with the efforts to improve the insulation of our buildings. The resulting better insulation often has a major negative impact on the indoor air quality. Many products in the past did not consider emissions. Wood can play a major role in healthy living spaces and Danzer is committed to contribute to solutions for this problem with wood-based semi-finished products.

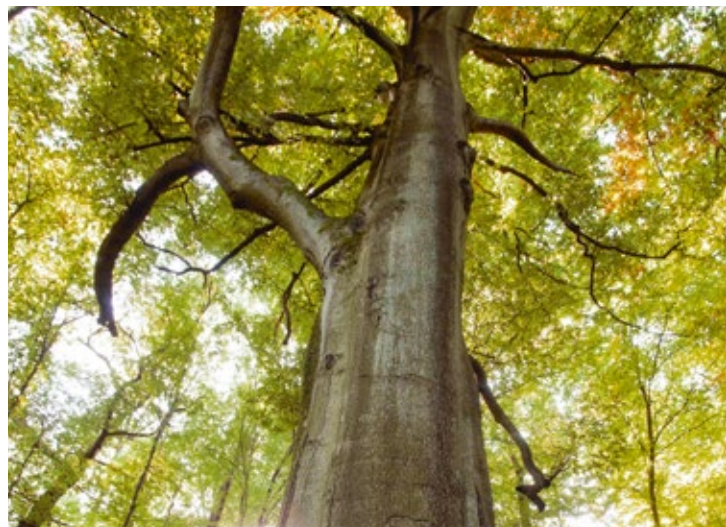
Implementing the above strategy has a major positive contribution to the planet: resource-efficiency improves the use of available timber. Substituting plastic, steel, aluminum and melamine-based products with wood reduces carbon emissions and water use, makes our interior spaces healthier and reduces the end-of-life problem by making re-use a viable alternative to disposal.

Measuring the success in the implementation of the above strategy is not trivial. While the pulp and paper industry can easily measure input and output and compare yield, the large diversity of different products that Danzer produces and sells make it very challenging to measure. Is it better to use this tree for a flooring product for the European market? Or is this tree better used for high-value lumber manufactured into furniture applications?

Or is sliced veneer the best use for a US office furniture manufacturer? Danzer does not pretend to have the perfect answer for this challenge: all initiatives that are geared toward improvement of resource-efficiencies have clear yield objectives. At the same time, Danzer is working on further developing a matrix of how progress is measured.

Danzer's approach to the flooring market is a good example of these efforts in this arena. In the past, the deck-layers for engineered flooring were produced in a sawing process. Due to the relation between the thickness of the deck-layer and the thickness of the sawblade, 35-50% of the tree was turned into sawdust. Danzer's proprietary slicers are capable of creating a very similar product with a slicing process, eliminating the sawdust. This increases resource efficiency substantially. There are many similar examples of Danzer's continued effort.

DANZER DOES SEE ITSELF AS A VENDOR THAT MAKES THE LIVES OF ITS CUSTOMERS EASIER AS A QUALITY SUPPLIER AND ENABLER.





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# CONTENT OVERVIEW

[G4-29] This is Danzer's first Sustainability Report. After 83 years of working with hardwoods across the globe, Danzer has an interesting history of social, environmental, and economic contributions. Sustainability at Danzer is an ongoing learning experience because to thrive, Danzer must constantly observe the evolution of social, economic, and environmental systems and adjust proactively. Danzer relied on the Global Reporting Initiative guidelines to prepare this overview of our achievements and areas for improvement in this arena.

[G4-28, G4-30] This report covers the year 2014 (1 January – 31 December) and the next biennial report is planned for release in 2017 (Danzer's Sustainability Report 2016). Danzer included several informative timelines to add perspective to the discussions of the issues Danzer's stakeholders care most about.

# DANZER - A PORTRAIT

Overview of  
2014 Sustainability  
Highlights

Danzer's History of  
Sustainability and  
Responsibility

Danzer's Production  
Operations,  
Communities and  
the Environment

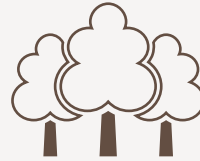
Danzer Sells  
Responsible and  
Outstanding  
Products

Danzer has been in the hardwood business for more than 80 years. It operates worldwide. The following section portrays key aspects of the company.

[G4-5, G4-9] Danzer is a quality hardwood company, whose headquarters are located in Dornbirn, Austria, since the second half of 2014. Approximately 2'500 employees work for Danzer. Customers are served from 21 sales offices worldwide. Founded in 1932, the family oriented company is man-

aged by a member of the third generation. [G4-4] Danzer produces sliced veneer, lumber, logs and value-added wood products for decorative applications in high-quality furniture, lumber, automobiles, or interior architecture. Danzer owns and manages forests for future generations.

## FOREST



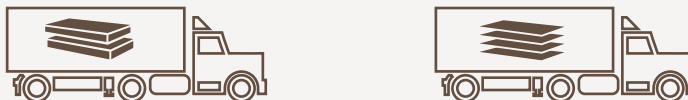
## TRANSPORT



## MANUFACTURING



## DISTRIBUTION



LOCATIONS	BUSINESS UNITS	EMPLOYEES	FUNCTIONS					
			Forestry	Procurement	Production	Warehouse	Sales	Administration
<b>EUROPE/MIDDLE EAST</b>								
Austria	Corporate Services	4						•
Austria	Veneer Europe	23		•		•	•	•
Switzerland	Corporate Services	43						•
Switzerland	Lumber Africa	24		•			•	•
United Kingdom	Lumber Europe	11		•		•	•	•
Belgium	Corporate Services	6				•		•
Bahrain	Lumber Africa	1					•	
Russia	Lumber Africa	1					•	
Germany	Specialty Division	55		•	•	•	•	•
Germany	Corporate Services	7						•
France	Veneer Europe	65		•	•	•	•	•
Czech Republic	Veneer Europe	489		•	•	•	•	•
Marroko	Lumber Africa	1					•	
UAE	Veneer Europe	1					•	
Sweden	Veneer Europe	4		•		•	•	•
Denmark	Veneer Europe	1					•	
Croatia	Veneer Europe	1		•			•	
Latvia	Veneer Europe	1		•				
Italy	Veneer Europe	1					•	
<b>AFRIKA</b>								
Republic of Congo	Lumber Africa	1'046	•		•	•		•
Cameroon	Lumber Africa	16						•
<b>NORTH AMERICA</b>								
United States	Veneer North America	436		•	•	•	•	•
United States	Timber North America	10	•				•	•
United States	Lumber North America	188		•	•	•	•	•
United States	Corporate Services	16						•
Canada	Veneer North America	37		•	•	•	•	•
Canada	Lumber North America	1				•	•	
<b>ASIA</b>								
PR China	Lumber Africa	1					•	
PR China, Vietnam	Veneer	24		•		•	•	•

**Table 1:** 2014 Danzer locations overview  
[G4-6, G4-9, G4-17]

# THE VALUE OF ENTREPRENEURSHIP

## ECONOMIC VALUE GENERATION AND DISTRIBUTION

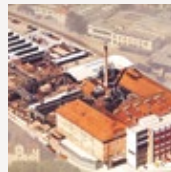


**1970**  
Karl-Heinz and  
Hans-Jörg Danzer  
CEO



**1932**  
Karl Danzer,  
Coutier en bois  
et placages  
Paris, France  
Founder

**1936**  
Return to Germany  
expansion into log  
trading



**1949**  
Built Karl Danzer  
Furnierwerke  
vener plant,  
Reutlingen,  
Germany (until 1987)

**1958**  
Entered General  
Woods partnership  
Montreal, Canada  
(until 1971)

**1964**  
Acquired Miguet  
Group: Coplac,  
Belgium;  
Fanerimporten,  
Sweden

**1960**  
Acquired  
Forest  
concession  
and logging  
Ivory Coast

1930

1940

1950

1960

1970

**1962**  
Built Custom  
Cutting Veneer Plant  
Winsen, Germany  
(spun off in 2001)

**1955**  
Built veneer plant  
Kehl, Germany  
(until 2002)

Interholco, AG  
Baar, Switzerland



**1946**  
Metzingen, Germany  
wood and veneer  
trading company



**1966**  
Built Peeling plant,  
sawmill expansion  
Vavoua, Ivory Coast  
(until 2003)

**1968**  
Acquired  
MASUL, veneer factory  
Sao Paulo, Brazil (until 2003)

**1969**  
Acquired  
Mabasa veneer factory  
Salvador, Brazil (until 2007)

1972

Acquired David R. Webb veneer plant Edinburgh, Indiana, USA

1974

Built Timber processing mill, SIFORCO, Maluku, Zaire (until 2012)



1989

Built Lumber mill, Bradford, Pennsylvania, USA

1973

Acquired Interforest Ltd. Durham, Ontario, Canada

1983

Developed Upstroke slicers and press dryers



1992

Acquired Penn Beaver custom cutting plant Darlington, Pennsylvania, USA renamed Interforest in 1994 (until 2005)

2001  
Acquired Sawmill Tioga, Pennsylvania, USA  
Created Danzer Forestland Indiana, USA



2000/2004

Veneer plant construction/operation Melnik, Czech Republic

1999

Acquired IFO, Congo Brazzaville

Acquired The Dean Company, Princeton, WV, USA (until 2002)

1993

Acquired partial ownership Keyston Veneers, Williamsport, Pennsylvania, USA

Built Veneer Plant, Riga, Latvia (spun off 2005)

2000

1997

Developed VS 4000 Patented Slicer

1996

Civil war in DRC interrupts log supply to SIFORCO plants. Danzer supports SIFORCO to avoid bankruptcy and layoffs. (until 2003)

Built Lumber Production Shade Gap, Pennsylvania, USA

2009

Global Economic Crisis Production discontinued in Durham, Boucherville, Claremont,

Re-opening of Darlington



2008

Acquired Reholz GmbH, Dresden, Germany

2006

Creation of Executive Board, Business Unit Organization

US veneer operations consolidated under Danzer Veneer Americas Inc. (DVA)

2010

Creation of Danzer Specialty Division



2012

Major investments in optimization of resource efficiency and customer yield in veneer and lumber

Computer tomographic scanning technology pioneered in hardwood industry

Production of flooring lamellas, replacing low-yield sawing process with resource-optimized slicing process

2010

2005

European veneer operations consolidated under Danzer Europe Veneer

Acquisition of forestland in PA and NY

2004

First VS4000 direct infeed line, Interforest, Durham, Ontario, Canada

Acquisition Sydfaner, Sweden

2014

Danzer moves headquarters from Switzerland to Austria

Danzer creates innovation center in Dresden

Strategy 2015-2020 is developed and approved by Boards

2013

Danzer starts sawmill specializing in water-proof species at IFO

2002

Hans-Joachim Danzer CEO



Production begins, Melnik, CZ

1980

1990

**DANZER’S STRUCTURE  
ENSURES INDEPENDENCE**

[G4-7] In 1976 Karl Danzer established the Auxilium Stiftung (“Foundation”) to ensure the long-term sustainability of the Danzer companies and to protect the company from fragmentation by generational succession. The money generated by the company is reinvested in the business. In several steps, all operating companies were consolidated under the Foundation with the last step accomplished in 2001. As of 2014, all Danzer companies are within the Auxilium Stiftung.

[G4-34] The Auxilium Stiftung bylaws stipulate that the Board of Trustees of the Foundation and Board of Directors of the Danzer parent company must each have a non-family majority. All outside directors must be independent of the family. By this Karl Danzer intended to keep the interest of

the companies and the employees paramount; effectively separating the Danzer company and family assets.

[G4-13] During the course of 2014, Danzer took the decision to move the company headquarters to Dornbirn, Austria, after 18 years as a management holding in Baar, Switzerland. Main drivers for the move were: the ease of doing business within the European Union, favorable double taxation treaties with the main countries Danzer does business in, and the cost of doing business.

**DANZER IS A HARDWOOD SPECIALIST**

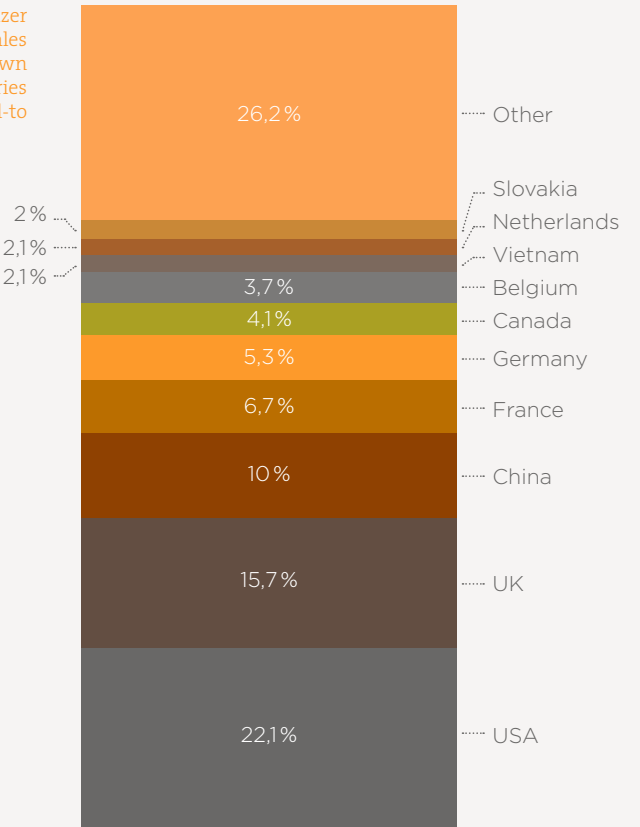
[G4-9] Danzer operates in a highly specialized niche of the global wood market, in which it has built a leading market position. Danzer is nevertheless a very small player in the world’s wood industry, as Danzer’s production input amounts to only 0.03% of total global industrial roundwood (log) harvest. In 2014, Danzer generated net sales of 233 million Euro. Danzer sold 88’300 cubic meters of hardwood lumber and 61.4 million square meters of sliced hardwood veneer produced by Danzer. Danzer traded 48’500 cubic meters hardwood lumber and 2 million square meters veneer produced by third parties. In 2014, Danzer sold 62’200 cubic meters of hardwood logs. Total company assets in 2014 were 273 million Euro, of which 99.2 million Euro were economic equity.

In the past five years, Danzer invested 33.8 million Euro in equipment, yield improvement, and efficiency optimization; mostly to support its strategy to optimize use of the hardwood resource.

[G4-8] Danzer sold its products to 80 different countries worldwide. The top five countries accounted for 59.8% of total sales value, the top ten countries for 73.8% as shown in Figure 1.

Danzer’s 2014 sales by product type have been: sawn wood (lumber) 43%, sliced wood (veneer) 43% and logs 14%.

**Figure 1:** Danzer 2014 net sales breakdown by countries shipped-to





The top 30 species accounted for more than 90 % of sales. Overall sales value distribution by region of origin: 42 % North American species (mainly Walnut, White Oak, Black Cherry and Hard Maple), 32 % African species (mainly Sapelli, Wenge, Sipo and Azobe) and 24 % European species (mainly Oak, Ash, Beech and Birch); details of net sales breakdown by species and origin can be found in Figures 2 and 3.

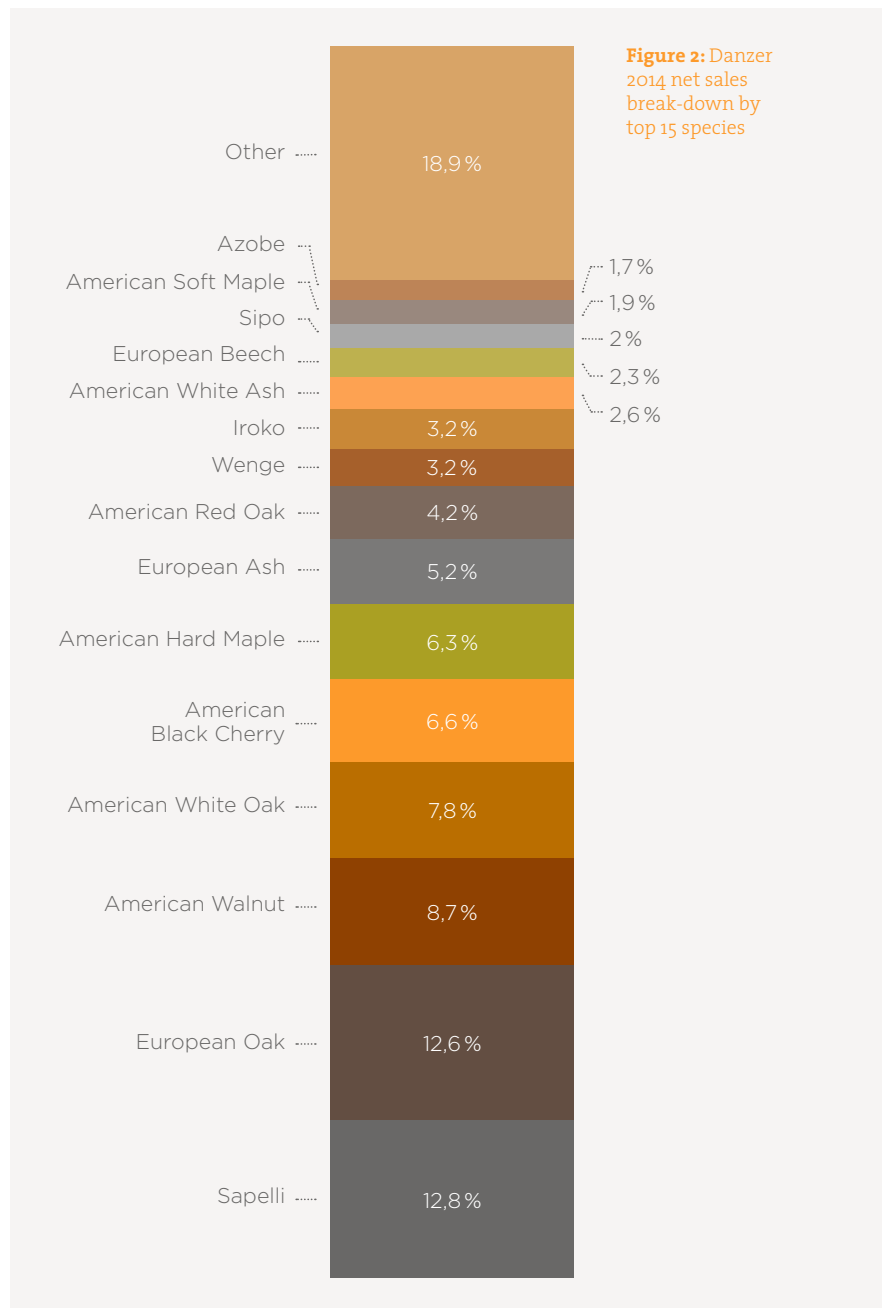
### DANZER'S SUPPLY CHAIN IS SHORT BUT COMPLEX

[G4-12] The Danzer supply chain is short: Danzer is a primary manufacturer of raw material for Danzer's customers who include among others distributors, pre-fabricators, furniture manufacturers, mill-workers and automobile suppliers. The inputs to manufacturing are simply logs and some water for the most part (some adhesives for Danzer Specialty products like Linea and Vinterio). The supply chain for logs is local, but very spread-out and diverse. In 2014, Danzer served approximately 1'800 customers; at the same time, the company had approximately 1'600 suppliers between veneer and lumber products. Looking at veneer alone, Danzer has substantially more suppliers than customers. The majority of Danzer's supply originates from low risk regions like North America and Europe, regions with long histories of sustainable forest management and protection. In Africa, Danzer obtains most of the resource from its own certified Forest Management Unit and only a very small share of the resource originates from more challenging regions like South East Asia (see Figure 3).

The diversity and complexity of Danzer's supply chain poses significant sustainability challenges: the raw material needs to satisfy a range of quality specifications and has to come from both legal and sustainable sources. Therefore Danzer has been implementing a strict procurement policy.

[G4-13] Comprehensive implementation of Danzer's Procurement Policy meant that some supplier relationships had to be terminated:

- In view of Danzer's Procurement rules, based on a detailed risk evaluation of suppliers, 50 % of potential suppliers in Africa were not approved
- Another one quarter of suppliers were terminated between 2012 and 2014 because audits revealed lack of improvement, and continued non-compliances.
- Nine other companies from high-risk countries were audited and not approved as suppliers.



- In one exemplary case, kitchen worktops are now sourced from a supplier in Poland who takes extra care to ensure the origin is known, legal, and approved.
- In another instance, a visit to Indonesia led to the conclusion that the national Timber Legality Assurance System (SVLK), was not yet robust enough to meet the requirements of Danzer's Procurement Policy.
- All other suppliers demonstrated compliance through independent audits and/or certifications to strict international standards (i.e. Forest Stewardship Council Forest Management or Controlled Wood Standards, or Verified Legal Compliance Standards).

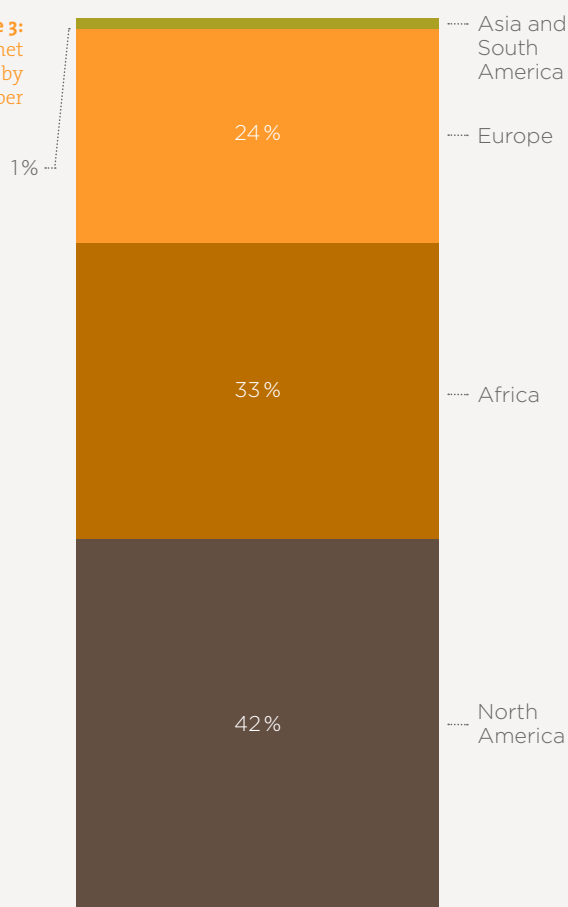
See page 49 for more details on Danzer's Procurement Policy.

## DIVERSE WORKFORCE

[G4-10] Danzer considers the diversity of its workforce a major source of its past, present and future success. Danzer is an equal opportunity employer committed to non-discrimination of a diverse workforce in twenty-two countries around the globe consisting of almost 2'500 employees, of more than 38 nationalities, who speak more than 30 different languages. Temporary workers make up 9% of the workforce and 6% of Danzer employees work part-time. It is in Danzer's business interest to embrace diversity, not to categorize people for the sake of proving that people are not categorized by arbitrary characteristics. [G4-10] For this reason, Danzer does not report on the minority or gender make up of its employees.

[G4-11] At the close of 2014, the total number of employees covered by collective bargaining agreements was 1'286.

**Figure 3:**  
Danzer 2014 net sales breakdown by origin of timber



# OVERVIEW OF 2014 SUSTAINABILITY HIGHLIGHTS

Every indicator in this report impacts a person's life somewhere, and people at Danzer take responsibility to make that impact positive. This report explains how Danzer identifies its impact on people's social, economic, and environmental well-being.

## HIGHLIGHTS OF THE YEAR 2014

- Danzer is re-association with the Forest Stewardship Council on 25 August
- Accelerated individual and collective efforts to combat bribery and corruption in high-risk regions
- Training of all employees on the revised Danzer Code of Conduct
- Continued research and development efforts to improve resource efficiency
- Making available Danzer scanned logs for increased yield to third parties
- Continued development of community infrastructure in the Congo Basin
- Publication of a manual, "Conflict Sensitivity Due Diligence for Timber Companies in the Congo Basin"
- Increased auditing of suppliers
- Increase in available certified and verified logs, lumber, and veneer from 84 % in 2012 to 89 % in 2014
- Publication of an Environmental Product Declaration for Danzer hardwood veneer
- Preparation of a Health Product Declaration for "Danzer Vinterio" and "Danzer Linea"

Danzer – A Portrait

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Danzer Sells  
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Products



"Conflict Sensitivity  
Due Diligence for  
Timber Companies  
in the Congo Basin"  
is available at  
[danzer.com](http://danzer.com)



# DANZER'S HISTORY OF SUSTAINABILITY AND RESPONSIBILITY

The term “sustainability” was coined in the early 1700’s by Hans Carl von Carlowitz in the first comprehensive manual on the practice of forestry. The 1987 OECD Report, “Our Common Future,” used the definition, “development which meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Since the Rio “Earth Summit” in 1992, sustainable development has come to include three pillars:

- **economic development,**
- **social equity and**
- **environmental protection.**

Danzer’s core business relies on a natural resource and Danzer is committed to producing as close to the timber resource as feasible. For this reason, Danzer has been proactively addressing sustainability questions in decision-making since Danzer was founded in 1932.

At Danzer, continual improvement of sustainability indicators is systematic.

## DANZER'S GOVERNANCE ENCOMPASSES SUSTAINABILITY

[G4-34] Corporate Governance is about creating a framework of accountability to balance company and community requirements. A management board created in 1996, which later became known as the Danzer Executive Board in 2001, is the operating decision-making body that includes eight members who are committed to the implementation of the Sustainability Agenda at Danzer, since its formal introduction in 2012. The Sustainability Agenda was a means of pulling together all sustainability efforts across Danzer at the Executive Board level, effectively integrating economic, social and environmental sustainability into Danzer’s corporate governance. Danzer’s own Compliance Counsel reports directly to the Executive Board on the four prongs of the Danzer Sustainability Agenda\*: Environment, Health and Safety; Corporate Governance; Responsible Procurement; and Rights of People (includes Labor and Community Relations), as issues arise.

\* Danzer’s Sustainability Agenda covers the issues that are a part of management discussion because they are presently relevant for Danzer - Danzer’s stakeholders

CORPORATE GOVERNANCE IS ABOUT CREATING A FRAMEWORK OF ACCOUNTABILITY TO BALANCE COMPANY AND COMMUNITY REQUIREMENTS.

Principle 15 of “The Rio Declaration on Environment and Development” introduced the precautionary approach. [G4-14] And so, Danzer manages risk in its operations by applying the precautionary principle to the introduction of new equipment, processes and products or their modification. ISO 14000 is a family of standards related to environmental management that exists to help organizations (a) minimize how their operations negatively affect the environment; (b) comply with applicable laws, regulations, and other environmental requirements; and (c) continually improve on the above. Danzer’s ISO14001:2004 process involves environmental impact assessments of production operations, risk analysis of raw material procurement, and governance and human rights risk analyses. These assessments help Danzer target preventive and remedial actions to prevent harm or degradation.

Danzer uses the ISO14001 framework that was first used in its unpublished form in 1995 to implement Environment, Health and Safety programs in Danzer’s North American operations. In the last two years, this framework has proven very useful for all prongs of Danzer’s Sustainability Agenda. Support for this infrastructure is coordinated by regional leaders for North America, Europe, and Africa in the areas of Environment, Health and Safety, and Responsible Procurement. These coordinators support each other and ensure that the individual Danzer locations have the on-site support they need to fulfill the obligations of the Sustainability Agenda. Danzer Human Resources and Financial Controlling coordinate efforts globally in the areas of Rights of People and Corporate Governance.

Danzer appreciates working with like-minded customers that develop their own comprehensive programs to address their specific needs beyond regulatory compliance. For example, Danzer began working with IKEA to undergo IKEA’s supplier audits (IWAY) in 2003 and has been complying with these external standards annually ever since.

## ISSUES MATERIAL TO SUSTAINABILITY AT DANZER

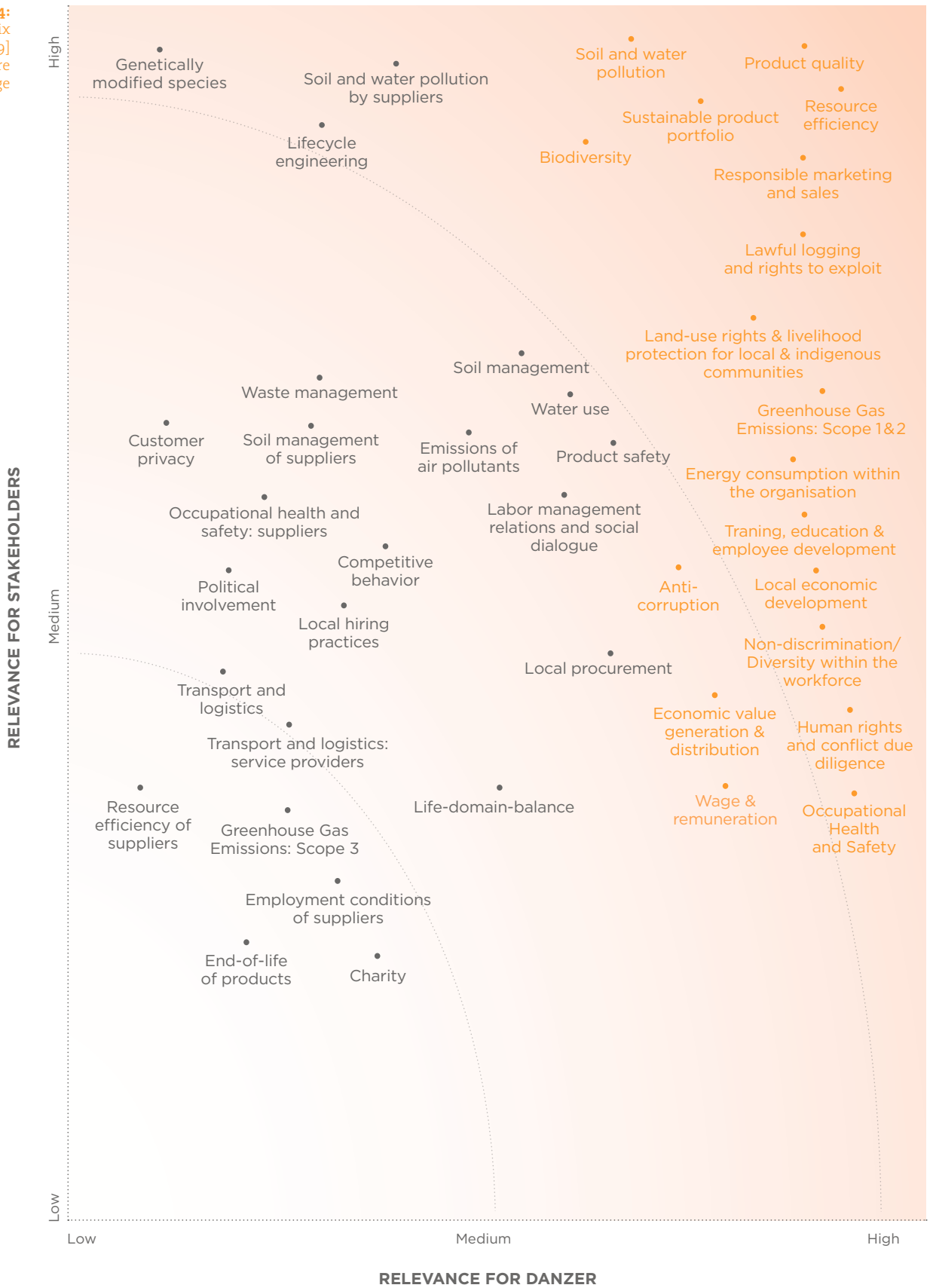
Materiality is the process of identifying the issues that are of high concern to one’s stakeholders and are also of high strategic relevance to the company. These issues are at the core of Danzer’s Sustainability Report.

[G4-18] As a first step, Danzer carefully selected a long list of issues that were in one way or the other material to Danzer’s activities. This list was created from a consultant’s analysis of Danzer communications, competitors’ and peers’ sustainability reports (softwood reports were also used), relevant sector and NGO reports, regulation, media screening, and multi-stakeholder initiatives such as the GRI Guidelines and the ISO 26000 framework. This resulted in a long list of sixty aspects.

[G4-24, G4-26] In a second step, Danzer interviewed stakeholders representing customers, non-governmental organizations, suppliers, and employees. This qualitative process involved questionnaires and in-depth interviews with ten stakeholders about each of the sixty items. The stakeholders ranked the relevance of each material aspect as it pertains to their individual relationship with Danzer and were asked to freely add items. The resulting ranking from the interviews is depicted in figure 4. Those results that were highly relevant for both stakeholders and Danzer, have been included in this report.



**Figure 4:**  
Materiality matrix  
[G4-19]  
Material issues are  
denoted in orange



[G4-20, G4-21] The following table depicts the 17 material issues included in this sustainability report and the relevance of each: whether the issue is material outside of Danzer or inside the Danzer organization, and material to which part(s) of Danzer.

**Table 2:** Material issues and the relevance of each [G4-20, G4-21]

MATERIAL ISSUE	MATERIAL INSIDE/ OUTSIDE DANZER	MATERIAL TO WHICH PART(S) OF DANZER	NON-DANZER ENTITIES TO WHICH THE ISSUE IS MATERIAL
Soil and water pollution	Inside & Outside	All production operations	Communities, Suppliers
Biodiversity	Inside & Outside	Danzer Forestland, IFO	Communities, Suppliers
Lawful logging and rights to exploit	Inside & Outside	All procurement and forestry operations	Communities, Suppliers
Product quality & Resource efficiency	Inside & Outside	All production and sales operations	Customers
Sustainable product portfolio	Inside & Outside	All production and sales operations	Customers
Responsible marketing and sales	Inside & Outside	All sales organizations	Customers
Energy consumption	Inside & Outside	All production operations	Communities
Greenhouse Gas Emissions	Inside & Outside	All production operations	Communities
Land-use rights	Inside & Outside	IFO	Communities
Human rights and conflict due diligence	Inside & Outside	IFO	Communities
Occupational Health and Safety	Inside	All operations	Communities
Training, education	Inside	All	Communities
Non-discrimination / Diversity	Inside & Outside	All	Communities
Anti-corruption	Inside & Outside	All	Communities
Economic value distribution	Inside & Outside	All	Communities
Local economic development	Outside	All	Communities

## DANZER ENGAGES STAKEHOLDERS

[G4-25, G4-26] Danzer is working to engage stakeholders regularly to improve communication on new developments and avoid misunderstandings. Danzer has been taking a more systematic approach to engaging stakeholder groups over the past three years, proactively communicating with concerned parties. This helps to reduce reputational risk for Danzer, Danzer’s partners, and the industry as a whole by enabling Danzer to be responsive, and therefore responsible. [G4-24] Critical local NGO input and participation has increased in relation to the construction projects at Danzer’s former concession in Bumba (Democratic Republic of Congo) over the past three years. The NGOs, CEDEN and SOPALI, are both involved in the *comité d’accompagnement* (advisory committee), established to ensure satisfactory completion of the construction. In 2014, Danzer worked with Fairmed, a Swiss organization in Cameroon, who will open a branch in the Republic of Congo at Danzer’s IFO location. Also, in 2014, Danzer engaged a human rights expert from the NGO CDHD (*Cercle des droits de l’Homme et de développement*), to help Danzer monitor the implementation of the Free Prior and Informed Consent principles, train the social team, and complete implementation of community obligations in villages. [G4-27] One key topic of concern that has been raised

through stakeholder engagement is the legality and sustainability levels of some suppliers. Danzer has responded to these concerns with a higher frequency in audits (an approximate increase of 50% was also due to very strict European Timber Regulation compliance). This has resulted in stronger supplier relationships and a more transparent supply chain.

[G4-15] Danzer bases its Sustainability Agenda on international documents such as the United Nations’ Global Compact and Guiding Principles on Business and Human Rights, the Organization of Economic Cooperation and Development’s guidelines for Multinationals Doing Business in Weak Governance Zones, as well as the International Standard Organization’s 14001:2004 and 9001 standards and the standards of the Forest Stewardship Council.

Danzer cooperates with the Wildlife Conservation Society and consults regularly with the World Wide Fund for Nature and other stakeholders in the Congo Basin, and with Purdue University’s Hardwood Tree Improvement and Regeneration Center in the United States to support future generations of foresters, forest enthusiasts, and hardwood users.

**Table 3:** Memberships of associations in which Danzer management, members or employees, hold a position on the governance body

[G4-15]

ASSOCIATION	POSITIONS HELD BY DANZER MANAGEMENT
Association Technique Internationale des Bois Tropicaux (ATIBT)	Member of the Board of Directors
Hardwood Plywood Veneer Association	Member of the Board of Directors, Veneer Division Chairman
Canadian Hardwood Plywood Association	Member of the Board of Directors, Vice President
Cherrywood Lumberman’s Association	Member of the Board of Directors
Allegheny Forest Alliance	Member of the Board of Directors
Society of American Foresters	Member of the Board of Directors
Wood Component Manufacturers’ Association	Member of the Board of Directors



SUPPORTED BY DANZER
UK Timber Trade Federation's Responsible Procurement Policy
ISO14001:2004
ISO9001
World Wide Fund for Nature
Allegheny Forest Alliance
The Society of American Foresters

**Table 4:** Externally developed economic, environmental and social charters, principles, or other initiatives which Danzer supports  
[G4-16]

ORGANIZATION
Forest Stewardship Council International
Forest Stewardship Council Switzerland
National Hardwood Division (UK), Forests Forever Committee
National Hardwood Lumber Association (US)
American Hardwood Export Council (US)
Architectural Woodwork Manufacturers Association (US)
Center for Forest Products Virginia Tech (US)
Beaver County Community and Economic Development (US)

**Table 5:** Organizations at which Danzer management participates in projects or committees  
[G4-16]

**THE DANZER CODE OF CONDUCT**

[G4-56] In 2013, Danzer began to consolidate all of their policies and procedures into a single source for employees seeking guidance on business ethics or company values. Danzer found that the UN Global Compact's ten commitments were covered by existing documents, but it was necessary to integrate them in one comprehensive approach and to elaborate on specific points like labor relations and communications. This resulted in Danzer's Code of Conduct, which is a list of 44 conducts expected of the Danzer workforce and in some cases, such as anti-bribery, third parties.

The Code of Conduct was approved at the Executive Board and Board of Directors levels in the first quarter of 2014.

The Danzer Code of Conduct was translated into the five operating languages of Danzer (English, German, French, Czech, and Spanish) and added to existing Employee Handbooks, integrated into new employee orientation, and was the subject of employee training in 2014.

The Danzer Code of Conduct is a dynamic document that is reviewed regularly to include constructive suggestions collected from all Danzer employees.



Danzer's Code of Conduct is available at [www.danzer.com](http://www.danzer.com)

## COMBATTING BRIBERY AND CORRUPTION

According to the World Bank, corruption, or the abuse of entrusted power for private gain, is “the single greatest obstacle to economic and social development around the world. It distorts markets, stifles economic growth, debases democracy and undermines the rule of law.” World Bank estimates reveal that the cost of corruption is greater than five percent of global GDP and that corruption adds up to 25% to the cost of procurement contracts in developing countries. As a company operating in the developing countries of Republic of Congo and Cameroon, and selling products globally, Danzer takes a strong interest in: creating a level playing field, improving public trust in business around the world and improving the rule-of-law to root out corruption where it exists.

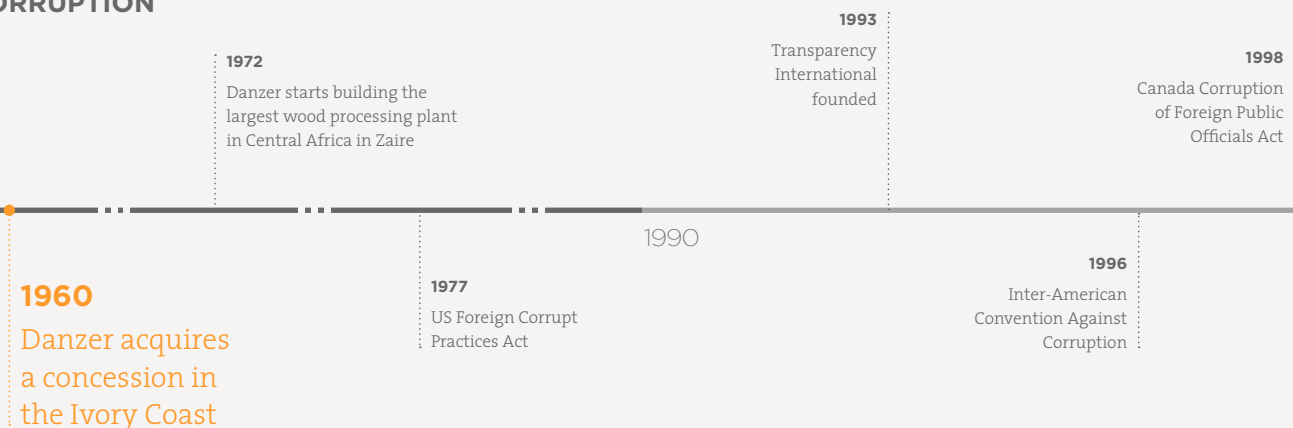
2014 was a year for Danzer to formalize its policy against bribery and corruption (formally reviewed

and approved by the Board of Directors in 2013) and to engage other businesses and government actors in an initiative to significantly reduce the influence of corruption in the Congo Basin. The impetus to formalize a policy against corruption came from stakeholder contributions to the manual, “Conflict Sensitivity Due Diligence for Timber Companies in the Congo Basin” created between Danzer and swisspeace, a peace research institute based in Switzerland, as a model for companies operating in the Congo Basin making past efforts more systematic and transparent.

[G4-SO3] Over the course of 2013 and 2014, Danzer evaluated all 83 countries in which it operates, procures timber or sells products. Several of these countries are ranked as very high risk for corruption on Transparency International’s Corruption Perception Index, so Danzer’s more specific evaluation started there. Using the OECD document, “Guidelines for Multi-Nationals Doing Business in Weak Governance Zones,” Danzer created a list

# THE VALUE OF INTEGRITY

## ANTI-CORRUPTION



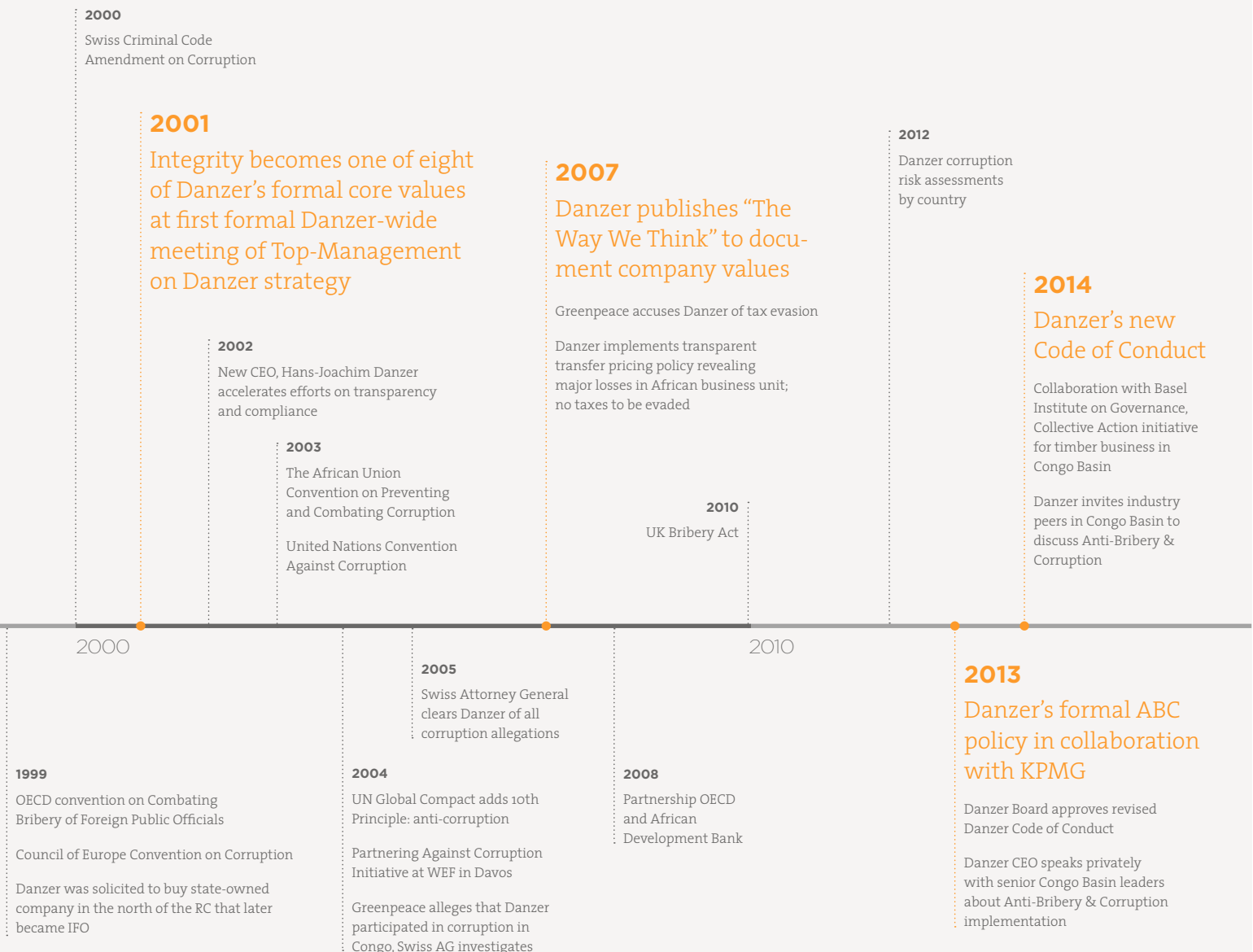
of 25 specific questions and interviewed Danzer employees who work in the countries identified as High Risk. In many cases, a combination of Danzer's limited activities and procurement policies effectively lowered the country's risk category for Danzer. Thus Danzer focuses on the on the eight really pressing cases of five Congo Basin countries, China, Vietnam, and Indonesia. In all cases, the primary risk Danzer faces is through third-parties, specifically in the transport and logistics sector. Danzer's Anti-Bribery and Corruption

Policy implementation is therefore focusing on third parties, including new business partners.

Further, understanding that corruption is a subject of major concern in these countries, Danzer cannot, as a relatively small company, effect change on its own. For this reason, Danzer is engaged with the Basel Institute on Governance to explore the possibilities of Collective Action to address problems specific to the Congo Basin alongside other companies active in the region.



Danzer's 2007 "The Way We Think" is available at [www.danzer.com](http://www.danzer.com)



# DANZER'S PRODUCTION OPERATIONS, COMMUNITIES AND THE ENVIRONMENT

Every indicator in this report has a connection to a person. For this reason, Danzer takes care to ensure that the inputs and outputs of its production operations impact the environment minimally, if they cannot impact positively.

Danzer's operational effects on employees are discussed first in this section. Immediately following are the communities Danzer operates in from the forest to the mill. And, closely linked are environmental impacts to air, water and land in these same communities.

The important indicators of Greenhouse Gas Emissions and Energy Consumption are discussed in this section because global warming consequences could be severe if unchecked; Water Consumption and Discharges, because water is one of the highest environmental impacts of veneer and lumber production, though relatively low compared to alternative materials such as melamine-based decor papers; and Soil and Water pollution, because communities where Danzer operates would be impacted directly by any contamination incidents.

## WORKING AT DANZER

Danzer invests in the economic well-being of Danzer employees to: make Danzer a competitive employer, attract strong and stable local talent, provide for strong and stable communities, good

community relations, and long employee tenure. In 2014, Danzer conducted a simplified survey of its employees with email accounts and found that the average seniority of employment for this group of employees (administration, IT, management, production supervision, maintenance) was 14.4 years. The average seniority of employment for production employees was approximately 9.4 years. Danzer interprets these figures as a positive sign for working conditions at Danzer and the possibility for employees to move-up in the business.

## WAGE AND REMUNERATION AT DANZER

At many production and warehouse facilities, a significant proportion of the workforce is compensated based on wages subject to minimum wage rules. Table 5 depicts the average entry level production wage by region at Danzer as a percent of the local minimum wage.

Actual pay on average is higher than the entry level wage as employee wages are adjusted periodically based on: cost of living adjustments, seniority, performance of the individual and/or the company and contract negotiations.

DANZER PRODUCTION LOCATION	ENTRY LEVEL WAGE AS % OF LOCAL MINIMUM WAGE*	AVERAGE HOURLY WAGE AS % OF LOCAL MINIMUM WAGE
Republic of Congo	210 %	509 %
Europe	102 %	211 %
North America	120 %	167 %

**Table 6:**  
Entry level wages at Danzer

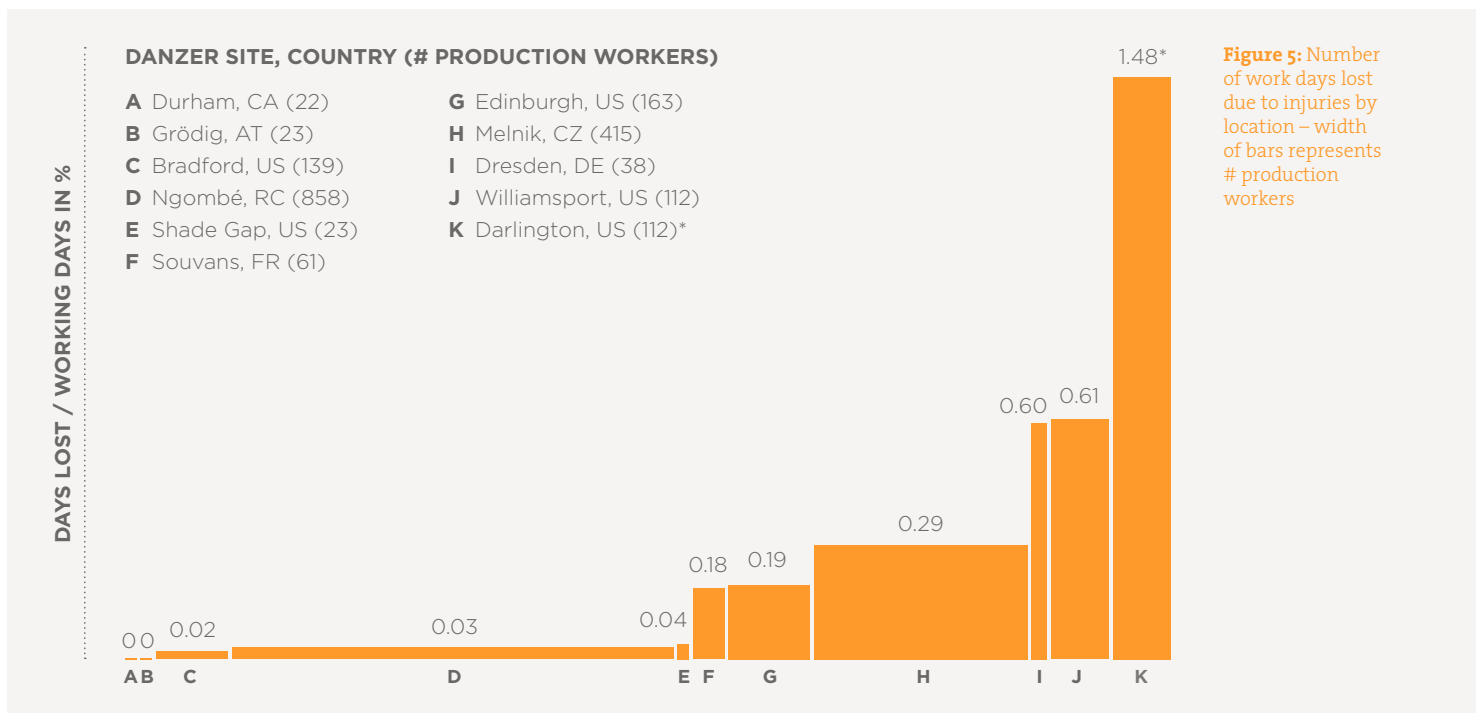
[G4-EC5]

\*Local Minimum wage means the wage dictated by the most local applicable law, be it federal, regional or community level.

## OCCUPATIONAL HEALTH AND SAFETY AT DANZER LOCATIONS

Every indicator in this report has a connection to a person somewhere. Nowhere is this more direct than the impact of Danzer’s operations on the health and safety of Danzer employees and contractors onsite. The measurements of injury rates and lost-workdays-per-injury can be indicative of staff morale and are directly linked to productivity.

[G4-LA6] Recordkeeping is part of the Danzer-wide Environmental and Safety Management System that has been organized according to the structure of ISO 14001:2004. Danzer tracks and notes significant trends over the years, and has been doing so at production facilities globally for more than ten years. The following graph and table show the recorded injuries and lost-days-per-workday at Danzer’s production locations in 2014. Danzer monitors the development and



**Figure 5:** Number of work days lost due to injuries by location – width of bars represents # production workers

\*The Darlington facility is a processing and distribution plant with a very limited range of tasks and therefore limited opportunities for light duty work.

works on helping all locations further improve their performance.

Thus far, Danzer’s Environmental and Safety Management System has focused on production locations and third party contractors and has not specifically addressed issues facing support functions such as administration and IT at non-produc-

tion locations. Initially, this was an approach based on the severity of potential injuries, immediate/acute issues, incident rates and regulatory demands. The Danzer Executive Board will evaluate the inclusion of office locations in the Environment and Safety Management System in 2015 to serve the more long-term issues facing support personnel such as ergonomics.

**Table 7:** Number of injuries (beyond First Aid) by location

[G4-LA6] No fatal injuries occurred in 2014 at Danzer locations, and no injuries of independent contractors were reported.

DANZER LOCATION	# PRODUCTION WORKERS	# INJURIES	STATISTICAL NO. OF INJURY FREE EMPLOYMENT YEARS*
Melnik CZ	415	13	31.9
Darlington, US	112	6	18.7
Bradford, US	139	9	15.4
Ngombé, RC	858	78	11
Edinburgh, US	163	16	10.2
Shade Gap, US	23	3	7.7
Dresden, DE	38	5	7.6
Souvans, FR	61	9	6.8
Williamsport, US	71	14	5.1
Grödig, AT	23	0	n/a
Durham, CA	22	0	n/a

\* 220 working days per year and employee assumed

## TRAINING, EDUCATION AND EMPLOYEE DEVELOPMENT BY DANZER

Expanding the knowledge base of employees is key to the success of Danzer: key to the safety and productivity of employees; key to innovation; key to communication and feedback loops; key to continual improvement. Much of the knowledge required by a specialist in the hardwood business – whether filing the profile of a bandsaw blade, or assessing the quality of a hardwood tree – cannot be taught in a classroom setting but is rather learned on the job from more experienced colleagues. This is why Danzer places a high value on staff retention.

[G4-LA9] In 2014, Danzer trained its employees and notified third party contractors about location specific health, safety and environment standards. Table 8 breaks down the range of hours of this training per year by region and job category.

In 2014, the Danzer Code of Conduct was re-written and presented to all employees throughout Danzer, with the exception of Jura Placages in Souvans, France, where the Workers' Council is engaged to approve the Code of Conduct before presenting it to the employees (scheduled for 2015).

[G4-SO4] In 2014, training on the Danzer Anti-Bribery and Corruption (ABC) Policy was completed for 100% of Danzer employees according to their level of exposure to bribery risk at all Danzer locations. By “exposed,” it is meant being in a position to be asked to pay, receive or to detect any form of bribery or corruption. All Supervisory Board, Executive Board, Management, Sales, Procurement, and Accounting received more indepth training than others, who were informed about the ABC component of Danzer’s Code of Conduct. The level of training depended on the degree of exposure at the particular location.

In addition to training provided by the company, an informal survey of Danzer email users revealed that employees obtain an average of 12.5 hours of additional training each year in the form of profes-

REGION/ JOB CATEGORY	AVERAGE TRAINING HOURS PER YEAR PER EMPLOYEE
Europe/Management*	27.8
Europe/Production	2.7
Europe/ Administration*	13.3
North America/ Management	3.7
North America/ Production	3.5
North America/ Administration	2.0
Congo/ Management	6.3
Congo/Production	3.9
Congo/ Administration	0.14
Asia/Management	5
Asia/Administration	10

\* including language training for non-Czech speakers at the location in Melnik, CZ.

**Table 8:** Hours of formal environmental and safety training received by Danzer employees per year by region and job category

[G4-LA9]

## EXPANDING THE KNOWLEDGE BASE OF EMPLOYEES IS KEY TO THE SUCCESS OF DANZER

sional education, informational conferences, and other training (not included in the table 8).

**Note:** Danzer locations with less than 15 employees represent less than 1% of the workforce and were not included in Danzer’s Human Resources data gathering efforts for this report. All production operations were included however.

## DANZER IS CONSCIENTIOUS ABOUT ITS LOCAL COMMUNITY IMPACT

This section reports the contributions to economic development that Danzer makes to communities across the globe; the specific local investments for projects in communities in the Congo Basin, even more specifically investments for local indigenous populations; and efforts taken to avoid conflict with local communities in the Congo Basin. This section opens with an overall view of economic value generation and distribution globally, and then focuses on the Congo Basin activities of Danzer where impact on local populations is most acute.

### GENERATE AND DISTRIBUTE ECONOMIC VALUE

Table 9 presents an overall picture of Danzer's direct monetary value added to local economies. Nowhere is this more significant than in the Congo Basin where Danzer is the primary employer in Ngombé, Republic of Congo.

While these figures represent Danzer's global economic value distributed, the Danzer operation in

Ngombé, Republic of Congo represents 99% of community investments and 57% of payments to government (e.g. taxes, fees, licenses).

Danzer's timber procurement model selects only the best, highest quality trees and these trees are expensive: 41% of total costs at Danzer are raw material cost (logs, transport and loggers). Only 30% of total sales are direct economic value generated. For a manufacturing business this is a comparatively low figure. The raw material component is much lower in the Congo Basin, where the local economic value distributed amounts to 70% of sales.

Taxes paid, broken down by country (including income taxes, property taxes and other non-income-related taxes paid, but excluding VAT) are depicted in table 10.

In the aftermath of the Great Economic Crisis, Danzer experienced losses which were to some extent carried forward and resulted in low income related taxes in subsequent years. The high amount paid to the Congolese government consists of a small fraction of income tax, but a vast majority of fixed annual payments for surface taxes or volume related taxes (i.e. export duties, cutting fees).

**Table 9:** Danzer's 2014 distribution of economic value

[G4-EC1]

DIRECT ECONOMIC VALUE GENERATED*	
Revenues	238'916
ECONOMIC VALUE DISTRIBUTED*	
Operating costs, costs for raw material	168'194
Employee wages and benefits	60'812
Payments to providers of capital	4'535
Payments to government	4'317
Community investments	1'712
ECONOMIC VALUE RETAINED* -654	

\*in thousand Euros

### FOSTER LOCAL ECONOMIC DEVELOPMENT

[G4-EC7] Over decades working in sub-Saharan Africa, Danzer has learned that transparency about tax and royalty payments is relevant in the context of sustainability: local communities benefit from being aware of tax revenues generated because these are the revenues that could potentially fund public improvements. At the same time, disclosure of direct investments in local community infrastructure is useful to depict to a fuller extent, the measure of Danzer's capital contribution to the local economy.

This section focuses on work in the Congo Basin specifically because it is here that Danzer assumes



extensive responsibility for local economic development and social welfare.

The Danzer company, Industrie Forestière de Ouesso, or IFO, which was acquired by Danzer in 1999, manages a 1.16 million hectare forest concession in the north of the Republic of Congo. The living quarters, offices, and sawmill site of IFO are located in Ngombé in the Sangha area in the North of the Republic of Congo, on the Sangha river, 30 kilometers downstream of Ouesso, the regional capital. The IFO industrial site consists of two sawmills, lumber drying kilns, a wood recovery plant, a dimensional (finger-joint) plant, administrative offices and mechanical, electrical, and carpentry workshops. In addition to the 1'046 employees, more than 8'000 people living in the town of Ngombé depend directly and/or indirectly on IFO.

The business environment is demanding: private companies have direct responsibility for what are in developed countries functions of the state, including schooling, health care, electricity, drinking water, road construction; transport conditions are difficult because the product from IFO must travel 1'300 kilometers to the ports of Douala in Cameroon or Pointe Noire in the Republic of Congo over roads that are not well maintained and that frequently break down in the rainy season; river transport is only possible for a few months of the year; and no reliable rail system is available.

The total spending on social and environmental aspects was 1.7 million Euro in 2014 and were stable compared to 2013 (+ 0.3%). The cost of drinking water provided to workers and the town and electricity for the workers are not included, but audit costs for certification and technical support are included in this total. In 2014, projects completed within the IFO concession consisted of infrastructure investments that amounted to 88'034 Euro in 2014. Further expenses for health center equipment will be dispersed in 2015 (72'485 Euro).

Danzer's support of local organizations in the supply chain in the Republic of Congo produces

COUNTRY	TAXES PAID IN 2014*
Republic of Congo	2'440
USA	938
Switzerland	375
Great Britain	326
Czech Republic	80
France	74
Canada	44
Austria	21
Germany	13
Cameroon	6
<b>TOTAL</b>	<b>4'317</b>

\*in thousand Euros

positive local economic impacts: local sourcing provides for a stable local economy and attracts additional investment. Maintaining an efficient manufacturing operation in the middle of the Congo Basin requires that high-tech equipment and machine parts be sourced from distant locations. [G4-EC9] Even so, local spending on food products, spare parts and other supplies in 2014 made up 84 % of the total spending at IFO, with the remaining 16 % spent internationally. The term "local" here refers to Republic of Congo and Cameroon suppliers.

**Table 10:** Danzer's 2014 tax payments by country

Industrie Forestière de Ouesso in the north of the Republic of Congo



The camp of Ngombé workers receive free water and electricity from IFO, with nearly 1'505 MWh of electricity and about 121 million liters of drinking water in 2014.

**Multiple actions have improved living conditions in Ngombé and the concession area:**

— As part of a literacy program for semi-nomadic people with the NGO “ACT abcd”(from the French Agir), the sixth school year had indigenous peoples join in November 2014. 28 children entered the normal public school cycle in 2013 (48 children for the school year 2010). IFO has decided to extend the project with the NGO ACT abcd for this initiative.

— For IFO to meet its local development obligations, construction of clinics of Paris - village and Tokou Sangha began in late 2013, and was completed with the buildings delivered to the communities, in 2014. IFO began construction of housing for the director of the Ngombé high-school and two classrooms for the school. Work was completed in 2015 before the publication of this report.

— Construction work for Ngombé in 2014: 16 new housing units and repairs to homes. In 2014, the “heavy wood plant” was completed. The Centre Médico Social Hospital has been overhauled, showers and toilets constructed, and a new building to accommodate a gynecology ward completed.

— The village health center, CMS, has 23 employees. In 2014, CMS made 9'160 consultations, cared for 604 patients, vaccinated 1'612 people, and attended 352 live births.\* The doctor and an IFO team also conduct continuous awareness and prevention campaigns on HIV / AIDS, malaria and other diseases, including Ebola in 2014. A team of the NGO AGIR abcd continued training CMS officials. These trainings will continue in 2015 on specific topics.

— Food security for employees at the site Ngombé is important because food alternatives to bushmeat must be provided to reduce the pressure on wildlife and to increase the food quality. IFO supports traders that import beef and frozen products from Cameroon and Central African Republic. In 2014, Danzer transported more than 41 tonnes of animal protein (frozen fish and beef) to Ngombe.

\*In 2014, the national rate of mortality at birth (within the first year) was 8% in contrast to 3% in Ngombé.

Housing at Danzer's IFO concession, Republic of Congo.



## LAND-USE RIGHTS AND LIVELIHOOD PROTECTION FOR LOCAL AND INDIGENOUS COMMUNITIES

[G4-SO1, G4-SO2] The topic of land-and-resource-use rights for local and indigenous communities is unique to the Congo Basin because these issues are not relevant in other regions where Danzer manages land or timber resources.

The right to free, prior and informed consent, or FPIC, is intended to protect indigenous peoples' lives, cultures and livelihoods and is used to protect communities from impact on their resources and lands that they legally or customarily own.

FPIC is necessary to ensure that communities, indigenous peoples and others are fully aware of and able to reflect on the consequences / impacts of forwarding their rights partially or in full to external third parties. Danzer remains committed to the consistent implementation of FPIC according to the FSC Forest Management (Congo Basin) standard (2012) and FSC FPIC Guidelines (2012). At IFO, communities and indigenous people have been informed intensively and comprehensively, with an average of 300 meetings per year (several meetings per year in each village), about the forest management planning process, land-and-resource-use, impact of forest harvesting and rural development activities.

Each year before harvest, the affected communities are informed about all impacts of harvest. Social cartography is undertaken together with the local communities and indigenous people to identify the sites and resources that are important for them such as sacred sites, fruit trees, fishing and hunting areas.

Before any harvesting activity takes place, a free and informed consent is obtained from local communities and indigenous peoples to ensure comprehensive awareness of local communities, to minimize harvesting impacts and to identify and agree on mitigation measures where appropriate.

In 2014, in the Republic of Congo IFO forest concession, no communities were directly affected by harvesting due to the fact that all harvesting occurred far from villages.

### **Danzer conducts environmental and social impact assessments for all forest operations such that:**

- A maximum of ten (of a total of 80) villages in the forest concession are impacted by the annual harvest
- Findings of the 2004 socio-economic study conducted by *Forêt Ressources Management* and a 2008 social impact assessment conducted with assistance from the World Wide Fund for Nature are taken into consideration
- A participatory cartography is completed before the annual harvest so that all sites with particular importance to communities are identified
- All villages are informed about the social and environmental impacts so that mitigating measures can be implemented
- Each year, a Consultation Platform with 25 village representatives and all stakeholders (including the local administration and NGOs) is held one or two times.

Social impacts from forest operations in the IFO forest area are temporary and can be both positive and negative at the same time. Take for example, the disturbance of a forest area: the village trails for hunting and gathering may be disrupted during the period of the harvest but are restored afterward, while the logging roads are used by communities and indigenous peoples for their own hunting and gathering activities, resulting in the long-term negative impact of increased access to the forest area with poaching potential. Also,

the exchange of know-how with Congolese employees, including the middle-management level, is an important positive impact for civil society and future local economic development.

Grievances about impacts on society are filed, addressed and resolved through formal grievance mechanisms. [G4-SO11] In 2014, 26 grievances were reported and resolved through the grievance mechanism and continuous participatory consultation with communities. One grievance from 2012 was resolved in 2014. These grievances concerned demands of the local communities or the Ngombé production site, which were all resolved. The 2012 incident related to the damage of water sources in Attention and Poulani. IFO paid for the construction of a drinking water pit and the rehabilitation of the water source; a project that took the contractors two years to complete. [G4-HR12] Twenty-two of the grievances were reported in Ngombé and were related to the conversion of agricultural land for a new road and a new site for charcoal production. The official procedure was followed and damages were paid as required by law. Three grievances came from villages outside of Ngombé and were all related to the dimensions or quantities of produced lumber delivered to the villages after harvest. The resolution was the delivery of additional wood. Finally, some grievances over the past two years pertained to eco-guards and their anti-poaching activities specifically. An independent expert follows-up on these issues every month so that response (mediation or damages) is timely. In 2014, there were no known/ reported offenses related to wildlife by employees of IFO, including transport of hunted meat.

#### DANZER RESPECTS HUMAN RIGHTS AND PRACTICES DUE DILIGENCE TO PREVENT OR DEAL WITH CONFLICT

Consultation and awareness of local and indigenous communities in Congo Basin is essential to working alongside each other amiably and constructively. Danzer has worked in Africa for more

than fifty years. Experience has shown that engagement is critical to maintain the social license to do business in and among indigenous communities. Conflicts do arise when negotiations break down or when local or central government representative do not agree with the local people on the negotiated result. A training program on conflict prevention and conflict resolution had been implemented at IFO to avoid and/or address potential conflicts.

[G4-HR2, G4-HR7] Human rights trainings were carried out in 2013 and 2014 for IFO employees (100% of management [35 employees] for a total of 280 hours in 2014). Special refresher training for eco-guards and security personnel will take place in 2015. Unlike the eco-guards, security personnel do not carry weapons so the training addresses this difference. The total rural population within the Forest Management Unit, Ngombé, with approximately 85 villages and settlements recorded, is about 6'000 people. In 2014, 211 outreach and consultation meetings were organized by the IFO social team, partly in cooperation with the Wildlife Conservation Society. The meetings focused on the development of micro community projects, participatory mapping, identification / recording / mapping of impacts of logging, the rules of wildlife management, and the meetings of the consultation platform. For the seventh consecutive year, two consultation platform meetings were held in 2014. About 50 representatives from villages, authorities, NGOs and IFO met for two days to discuss social and environmental issues and opportunities for collaboration.

Danzer takes a systematic and analytical approach toward sensitivity to conflict. The swisspeace manual "Conflict Sensitivity Due Diligence for Timber Companies in the Congo Basin" implementation was mostly completed in 2014 and its benefits are self-evident in terms of increased communication with local populations. The Conflict Sensitivity manual resulted in a broader view of conflict sensitivity in high risk areas, particularly in the Congo Basin, of matters not always covered by the Forest Stewardship Council Standards.

Danzer also enjoys the systematic engagement of a broader range of stakeholders so that important input from external stakeholders can be incorporated in a time-efficient and careful way, often resulting in a precautionary approach. [G4-14] The process with swisspeace involved more than 20 stakeholders in the direct development of the Conflict Sensitivity manual and feedback on the final version. This final round of feedback led to the addition of another chapter to cover specifically “the right to land, territories and access to natural resources,” as suggested by the Forest Peoples Programme, a Human Rights NGO and important stakeholder, who performed a field-verification of the comprehensive implementation of the manual in the Republic of Congo.

The comprehensive Conflict Sensitivity manual developed in cooperation with swisspeace (the last chapter was finalized in the first quarter of 2015) provides a robust framework that incorporates a broad scope of experience by a wide array of stakeholders including NGOs and local experts. Its systematic implementation created a new level of awareness throughout the Danzer organization. The many trainings and follow-up processes are robust and received a favorable response from stakeholders. Danzer and swisspeace have proposed to Forest Stewardship Council International to integrate the Conflict Sensitivity manual into a global standard that will enhance the procedures of the FSC systems.

Forest  
management  
planning



## DANZER'S FOREST HOLDINGS MAKE UP FOR GREENHOUSE GAS EMISSIONS

Ever increasing carbon emissions have potentially severe consequences. Danzer's carbon footprint is evaluated and Danzer takes responsible action to reduce it. Research indicates that sustainably managed forests are carbon sinks and that the burning of wood cut-offs or "biomass" as fuel is a carbon-neutral proposition: more carbon is absorbed in the growing forests than is released to the atmosphere in burning when carbon is stored in the wood products produced during the product lifetime. A March 2014 publication from the German Umweltbundesamt stated, "Wood-based life cycles [...] can have environmental advantages, especially when the greenhouse effect and non-renewable energy input are taken as primary impact categories." The research bolsters Danzer's strategy to invest in timberland, increase resource efficiency, and actively manage forests for positive and renewable growth.



Calculator for  
greenhouse gas  
equivalents  
[www.epa.gov/  
cleanenergy/  
energy-resources/  
calculator.html](http://www.epa.gov/cleanenergy/energy-resources/calculator.html)

Danzer's main strategic objective is maximizing resource efficiency to reduce demand on the forest (see pages 8 and 42) and reduce the environmental impact per unit produced (related to harvest, transport, processing); Danzer practices sustainable forestry to promote forest health and growth (see page 51); and runs biomass boilers efficiently. Danzer is not in a position to reduce greenhouse gases from

the burning of residual wood, though, since Danzer is a "cascading" user of raw material (use the material as many times as possible, and then use for energy) and thus assumes a carbon neutral result.

Still, Danzer is in a position to reduce greenhouse gases from other power sources such as electricity from the power grid, natural-gas fired back-up boilers, and emissions from vehicles. For this first sustainability report, Danzer reports the greenhouse gas emissions from the production facilities' usage of the power grid, the burning of natural gas as a back-up fuel, and fuel used by vehicles at the production sites. Third-party transportation of product and use of third-parties' vehicles in logging were not tracked in 2014 to calculate emissions.

The life cycle assessment of Danzer's hardwood veneer uncovered that if veneer is transported overseas and a Carbon-neutral position is taken (assuming the tree had not absorbed Carbon from the atmosphere: zero carbon sequestration), the environmental impact of transportation can be as high as production. For few products the highest environmental impact will be *transporting of the product* and not the *manufacturing itself*. At the beginning, Danzer focused on "production close to the resource" as a matter of company values to grow local jobs; in the future, environmental concerns might drive others to follow the concept of producing close to the resource.

Danzer's Pollution Prevention Teams will investigate reducing the impact of employee business travel, technologies to improve efficiencies/emissions from company vehicles and heavy equipment, and partnering with suppliers to do the same. Until now, transport has not been optimized beyond cost for a few reasons: (1) often time is the critical factor to avoid wood decay and does limit the alternatives, (2) the likelihood of success is low relative to the necessary investment of time, (3) other priorities like safety and health, and (4) Danzer acquires and manages timberland covering nearly 1.2 million hectares so that carbon is constantly being sequestered by continually growing forests.

[...] EVEN IF THE PRODUCT WERE TRANSPORTED ONCE AROUND THE PLANET, FORESTS MANAGED BY DANZER GLOBALLY WOULD ABSORB MORE CARBON THAN RELEASED FROM FOSSIL FUEL USE IN THE PRODUCTION OF THAT PRODUCT.

[G4-EN15] Danzer-wide, 769 thousand m<sup>3</sup> of non-renewable fuel was consumed directly by production operations in 2014. This amounts to 1'506 metric tons of carbon dioxide in greenhouse gas equivalents. [G4-EN16] Electricity use across the Danzer organization amounted to 46 million kilowatt hours for production operations and associated office space. This amounts to 0.036 million metric tons of carbon dioxide in greenhouse gas equivalents.

According to the Environmental Protection Agency of the United States of America, these emissions are equivalent to approximately 31'086 acres of US forests growing in one year: the Danzer Forestland holdings in the United States (45'000 acres) alone more than compensate for non-wood fuel greenhouse gas emissions by Danzer production worldwide in 2014. Given these numbers, even if the product were transported once around the planet, forests managed by Danzer globally would absorb more carbon than released from Danzer's fossil fuel use in the production of that product.

## DANZER NEEDS WATER RESOURCES

Danzer's initiative and involvement with Life Cycle Analysis of hardwood veneer and lumber production processes revealed that there are significant improvement potentials: energy consumption and transportation routes. However, water use, treatment and disposal are also significant aspects of production operations: log yards are sprayed with water in warmer months to prevent damage to stored logs, lumber kilns use water to generate steam, and veneer logs are warmed in plain water to prepare them for slicing. All of these activities are highly regulated and Danzer must maintain treatment facilities, water-pollution permits, and on-site expertise.

[G4-EN8] In 2014, 746 thousand m<sup>3</sup> of water from well, river and rainwater sources were used by Danzer's production operations. The following table illustrates water withdrawal by facility for the year 2014.

LOCATION	CARBON DIOXIDE EQUIVALENTS (METRIC TONS)
Melnik CZ	7'646
Edinburgh, USA	7'231
Bradford, USA	6'670
Ngombé, RC	5'242
Williamsport, USA	3'962
Souvans, FR	2'578
Shade Gap, USA	1'931
Darlington, USA	1'881
Dresden, DE	389

[Metric tons of carbon dioxide equivalent: aggregates different greenhouse gases into a single measure, using global warming potentials.]

The Durham facility was excluded from reporting because the facility was sold in 2014 and it was an asset held for sale since 2012.

**Table 11:**  
Danzer 2014  
Greenhouse Gas  
Emissions by  
production site

LOCATION	WATER CONSUMPTION (M <sup>3</sup> )
Melnik CZ	250'000
IFO	121'700
Williamsport, USA	95'518
Edinburgh, USA	62'202
Souvans, FR	35'792
Bradford, USA	8'145
Shade Gap, USA	n/a
Dresden, DE	n/a

The higher usage of water in Melnik is from Birch production process, which requires immediate cooling of the logs with water in order to achieve the desired color of the wood.

**Table 12:**  
Danzer 2014 water  
consumption by  
production site

## DANZER PREVENTS SOIL AND WATER POLLUTION


Manufacturing hardwood veneer and lumber involves process water and heavy stationary machinery. Harvesting timber necessarily involves heavy rolling stock machinery. In some areas like the state of Pennsylvania in the United States, timberland management involves Mineral Right Owners who do not own the surface but have the right to operate on Danzer's land to access the minerals (including natural gas) that they own beneath the surface. These activities involve risks to soil and water that are important for Danzer to address: the high quality of the water supply in the communities where Danzer operates is critical, and local, state, and federal regulations require both the mineral right owner and Danzer to prevent and mitigate pollution. The activities taken to prevent and mitigate pollution, in addition to mitigating risk, enhance Danzer's social license to operate in these communities.

In the United States, timber operators who are independently contracted by Danzer are trained to reduce environmental risk, and are contractually obligated to do so. Danzer faces challenges when it comes to other operators on Danzer's timberland. The operators that Danzer Forestland cannot control are those who have a legal right to use the property to access the oil and gas and minerals beneath the

surface (Mineral Right Owners). Danzer engages these companies in Best Management Practices; Danzer foresters often design the road systems to minimize erosion and damage to timber/habitat; Danzer negotiates Surface Use Agreements or contracts that cover protection and restoration of the land and water resources.

[G4-EN24] Danzer's own manufacturing and forestland operations reported zero unlawful discharges of water or oil in 2014. Despite all efforts by Danzer to engage a natural-gas company in Best Management Practices and despite a lengthy Surface Use Agreement that included protections for Danzer's property, that natural gas company, pursuing its mineral rights, caused a spill in April of 2012 that affected approximately 150 acres (0.6 km<sup>2</sup>) of Danzer Forestland property in Tioga County, Pennsylvania. This happened when the lining of a wastewater impoundment for a hydraulic fracturing operation leaked after it was punctured in several places. In 2014, the natural gas company operating on Danzer's land was sued by the Pennsylvania Department of Environmental Protection and the Pennsylvania Fish and Boat Commission for substantial penalties as a result of the pollution of waters of the Commonwealth and disturbance of waterways. Danzer is in negotiations with the company over issues including remediation and restoration of the site.





“WOOD-BASED LIFE CYCLES  
[...] CAN HAVE ENVIRONMENTAL  
ADVANTAGES, ESPECIALLY  
WHEN THE GREENHOUSE  
EFFECT AND NON-RENEWABLE  
ENERGY INPUT ARE TAKEN AS  
PRIMARY IMPACT CATEGORIES.”

publication from the German Umweltbundesamt, March 2014

# DANZER SELLS RESPONSIBLE AND OUTSTANDING PRODUCTS

Every indicator in this report impacts a person's life somewhere, and people at Danzer take responsibility to make that impact positive. Wood products can impact people's lives positively when life cycle considerations are taken into account to create healthy living spaces.

Products that compete with hardwood in the marketplace, such as concrete, steel, aluminum, plastic, melamine, and PVC flooring cannot compete on a lifecycle basis because wood is a renewable resource and forests are carbon sinks. When one considers biodiversity, hardwood forests have an advantage over softwoods, which are often grown in monoculture plantations (often on land that used to be a more diverse forest ecosystem).

Hardwoods also have an advantage over other agricultural products (i.e. palm oil, coffee, soya), which are often grown on converted (tropical) forest land. Sustainable tropical hardwood production allows the forest to remain intact and incentivizes against deforestation by providing income and employment for local communities, and makes other land uses economically less attractive.

The Danzer Strategy to create customer value addresses some of these issues head-on:

Danzer optimizes hardwood-to-product conversion use and minimizes residual wood

- Increases value yield and value extraction
- Increases share of customer specific products
- Integrates customer requirements early in the primary break-down process

## **DANZER PRIORITIZES RESOURCE EFFICIENCY AND PRODUCT QUALITY**

Resource efficiency and quality are keys to the success of Danzer, the success of Danzer's customers and the health of global forests. As Danzer becomes ever more efficient with the resource, more product is available for customers. The better the quality of Danzer's finished product, the less veneer and lumber is planed or trimmed away and the better the customers' efficiencies.

Ideally, fuel and pulp should not be relied upon from the forest since most of this material can be turned into useful product first, only becoming fuel after a long and useful life as a door, floor, or piece of furniture. Life Cycle Analysis of products is key to ensuring that harmful additives do not enter the environment (the air through application and burning, or soil and water through landfill or compost).

The concept of resource efficiency is a challenge to the hardwood industry, where an average yield from log to finished decorative product is estimated

at twenty percent. Danzer takes on this challenge by a decades-long commitment to innovation (see timeline on page 46).

**In 2014, several Danzer innovation projects were advanced:**

**— Computer tomographic (CT) scanning of logs could eliminate guesswork/mistakes**

Since 1999, Danzer has been attempting to adapt CT scanning technology to the hardwood conversion process. CT scanning makes it possible to detect and avoid undesirable characteristics in the wood before manufacturing, thereby reducing residual wood. The resulting increase in efficiency and decrease in residual wood will increase the volume of high-value hardwood products from the same amount of resource.

In 2012, Danzer implemented the CT program in its US hardwood business. A team of experienced professionals first sought to fully understand the technology with the main objective to create increased value propositions from its existing raw materials, while reducing residual wood.

There is still much more to learn, and gain, from CT technology. In 2015, Danzer will continue its efforts to improve value propositions, including tree length bucking decisions, breakdown strategy of saw logs, log resale specialization and others.

**— Automatic clipping lines decrease human error and residual wood**

At the planning stage, Danzer engineers anticipated a small improvement in yield from an automatic veneer clipper. (The auto clipper is a machine that scans veneer bundles to optimize the automatic cut, thus removing human error.) It turned out that the yield improvement is higher than anticipated.

In 2014, the third generation of the automatic clipper line also improved grade-out.

**— Sliced thick-cut flooring lamellas offer higher yield per log than the sawn alternative products**

The idea of slicing thick-cut flooring lamellas to replace sawn products was based on a notion that more than 35% additional product yield per log could be achieved because sawdust would be eliminated by using a knife, or blade, instead of a saw.

Sawing is a process with much higher tolerances for thickness and surface quality as compared to slicing. In the sawing industry, the product from the sawmill is not useable for flooring production without sanding or planing (further yield losses beyond the sawdust in the sawmill).

The yield from log to single plank lamella is estimated to be 40% higher in the slicing process compared to the sawing process. Manufacturing investments are significantly higher for slicing in turn.

**— The curve saw could improve yield and value from swept logs**

Danzer investigated curve saw technology at a softwood mill and possibilities were promising: maximizing yield and value from curved logs by sawing along the outside shape rather than cutting through it. After a trial run the decision was taken in 2011 to start a curve saw project at Bradford. 2014 was the first year to experiment, identify issues, and make improvements to cutting profiles.

— **Cut-to-size veneer offering equals savings for the customer**

In 2014, Danzer also expanded its program of offering cut-to-size (dimensioned) veneer to industrial customers, thereby reducing residual wood for the customer and waste in shipping. This program involves high-tech measuring and cutting technology to optimize the veneer bundles for the customer, which makes shipping more efficient, and reduces handling and residual wood at the customer's factory and in shipping.

— **Danzer figura turns a standard product into high value**

Figura is a Danzer production process that has standard wood as the input and high quality hardwood veneer as the result. Due to the sanding that is a critical part of the process, Figura is not a yield improver, but a value improver: more of the natural resource can be used to make the optic of an otherwise rare and exotic product. The Figura product offers customers an enviable exotic look, without the risk of an unsustainable or illegal wood product.

At Danzer, efficiency is a priority and quality is a Danzer brand promise. Quality is the way Danzer approaches work on a day-to-day basis at Danzer. This philosophy is simply stated, "Do it right the first time, whether someone is measuring it or not." *Qualität kommt von Qual*, as the German saying goes ("no pain, no gain").

Danzer's automotive customers are leading the push for certified quality-control systems. Danzer has responded to this need and has experienced positive results that extend beyond customer satisfaction. In 2015, the Executive Board will oversee a systematic review of quality management systems throughout Danzer.

— At Danzer's veneer production facility in Melnik, Czech Republic, operating and quality control procedures are in place for each work station that include tolerances, measurements, quality parameters, calibration, and specifications. These procedures are updated as necessary to account for identified problems, new products, and improvement opportunities.

— At Melnik, Danzer initiated its ISO9001 quality management system for Vinterio production in late 2010 and was certified in the summer of 2011. The quantifiable benefits of the certification are seen in written procedures that limit downtime in the event of personnel changes, targeted continual improvement, and yield improvements. In 2014, the Melnik facility witnessed production increases, new product lines, and improved quality reporting and analysis. In 2015, a root cause analysis system will be implemented and expansion of the ISO9001 certificate explored.

— At the Danzer's operation in Dresden, Germany, specialty products for the automotive industry are developed and produced. Cooperation here is essential between Dresden and Melnik for customers who need ISO9001 certification. For production generally, standard operating procedures are followed for each machine. In 2014, Danzer Dresden's new production manager began looking into the existing quality system and each quality inspection point. A project was initiated in 2014 to specifically analyze the gap between established quality systems and the system at Dresden in order to inform management on the question of whether to seek a quality certification.

— At Danzer's veneer production facility, Jura Placages, Souvans, France, all species (mainly Oak/Ash/beech) are controlled for humidity and thickness while statistics and measurement controls are periodic. This quality control system has been in place since 2004. When customers require additional tolerance measurements, on humidity for example, Danzer accommodates.



Thickness control

— At Danzer Veneer Americas, both slicing plants have a quality control routine of checking thickness, quality of cut, including the use of light tables, and monitoring and recording moisture. The Darlington, Pennsylvania processing and distribution facility uses redundant quality control sampling of clipped veneer product for moisture, thickness, manufacturing defects and natural defects, which is recorded in a database, that is reported to the producing plants for corrections. Additionally, the Darlington facility uses a system of two redundant laser curtain measuring systems to calculate volume for each bundle, which automatically stops the production line for re-measurement when measured variance is greater than 1% between the two scanning devices.

— At IFO, in the Republic of Congo, an internal quality control program for lumber production

was in place in 2012 using ISO 9001 as a reference document.

— At Bradford Forest, quality control consists of ongoing size checking in the sawmill at all sawing machine centers, and calibration checks regularly where scanning, cameras, or optimization software is employed to ensure the calculated solution is being executed accurately. Manual back-up moisture control samples and stress relief sampling at the end of kiln runs are employed at the dry kilns for quality control. And for grading, Bradford Forest uses a check pack system where lumber packages are randomly chosen to be re-inspected to verify consistency and accuracy.

Danzer works with a product that takes generations to grow. Quality production is the human expression of humility toward this gift of nature.

# THE VALUE OF INNOVATION

## INNOVATIONS BY DANZER



**1970s**

Karl Danzer industrializes artisinal veneer slicing



**1980s**

Danzer builds particle board, door and acoustic panel plant in Germany to add value to waste wood material

**1991**

Press dryer development with Durand Raute and Babcock

1970

1980

1990

**1983**

Developed Upstroke slicers and press dryers



**1992**

“Quattro” slicing machine  
Stay-Log Clamps



**1999**  
Upstroke Veneer  
Slicer VS4000



**2001**  
Optimized Lumber  
Grading Stations  
  
RSL4000 Upcut  
Staylog Lathe  
  
Flitch Warming  
Devices at slicers

**2004**  
First VS4000  
direct infeed line,  
Interforest, Durham,  
Ontario, Canada

**2002**  
Automated Flitch  
Cleaning Machine

**2003**  
CS Slicer 3300  
  
Ergonomic Dual-  
Pin Dryer Veneer  
Stacking Devices



**2007**  
Vinterio  
new wooden  
surface

Automatic Clipping Line

**2006**  
Drive System for Veneer  
Slicer (single crank)

**2008**  
Optimizing Flitch Planer  
  
Method and Apparatus for  
Producing Figured Veneer  
  
Aquisition of Reholz GmbH

**2009**  
Cross clipping and Bundling  
System and Method for  
Veneer Packets  
  
Wet Process  
(patent application)

**2010**  
Drive System for Veneer  
Slicer (linear bearings)

**2011**  
Veneer Slicer,  
Rocking Flitch Table  
  
New technology  
for "3D-Veneer basic" production  
  
Slicing of wood-metal  
composites



**2014**  
4 new innovative wooden surfaces  
prototyped for automotive manufacturers

CT Scanner put into industrial use

3rd generation of Automatic Clipping Lines  
for veneer implemented in Melnik

Thick-cut flooring became widely accepted in  
engineered flooring segment

Curve Saw put into industrial use at Bradford

New technology for mass-production of  
3D inner layers implemented

Danzer meets with Cradle to Cradle and  
proposes concept for product development  
to customers

Danzer creates innovation center in Dresden

**2013**  
Installation of energy efficient  
hydraulic hybrid carriage drive  
(50% less energy) at Bradford

**2012**  
Market introduction of Danzer  
Linea and Danzer Figura



Corrugated Strand Board (patent application)  
for light-weight applications

Vinterio veneers for automobiles become productive

Computer tomographic scanning technology pioneered in  
hardwood industry

Production of flooring lamellas, replacing low-yield sawing  
process with resource-optimized slicing process

## DANZER REASSURES CUSTOMERS THAT LOGS ARE LAWFUL AND SUSTAINABLE

[Responsible Marketing and Sales] Sustainable forestry is indispensable: without it, the resource that Danzer relies on would be depleted and the quality of the raw material deteriorated. Danzer has relied on current sustainable forestry practices of Europe and North America since its founding in 1932. These practices were adapted to forestry in countries in Africa (Ivory Coast, Zaire [today's Democratic Republic of Congo], and later the Republic of Congo), where a practice of commercial logging was just beginning to emerge.

In recent decades, the very real problem of illegal logging – where logs are cut and removed by individuals who do not have the legal right to do so – came to light. Illegal logging poses significant risks to the rights of forest-dwelling people living in certain regions. Illegal logging can also threaten the biodiversity and sustainability of entire forest ecosystems. Estimates are that 8% of total global roundwood production is illegal; most often involving corruption, money laundry, and fraud.

In addition to the damages to the environment and society, it puts businesses like Danzer, who invest in legal and ethical procurement, at a competitive disadvantage. For these reasons, Danzer enthusiastically supports legislation that was passed in the United States, the European Union, and Japan and Australia to curb the international trade of illegal timber and timber products. In 2014, the wood industry witnessed implementation of the European Union Timber Regulation and enforcement of the Lacey Act in the United States.

Lawful logging and obtaining all rights to utilize the resource are a core value at Danzer. Danzer maintains control over 11,782 km<sup>2</sup> of forestland in the Republic of Congo and the United States. This forestland accounts for 42% of Danzer's annual production of logs (2% from the US source, 40% from the RC source). Thus 58% of Danzer's hardwood logs are procured from large and small

landowners, including state and federal forestlands around the world, who also must comply with forest regulations and procure logs legally. A small percentage of Danzer's business (2.4% based on sales value) is in the trade veneer business, in which rare and unique wood veneers are traded globally with, until recently, little-to-no traceability to the forest source. This business area is particularly challenging with regards to lawful logging due to the multitude of owners along the trade route. The complexity of Danzer's supply chain is a challenge when it comes to traceability and legal sourcing of Danzer's raw material.

For these very pertinent reasons, Danzer's Procurement Policy was formalized using the same ISO14001 framework as Danzer's Environmental and Safety Management System in 2005 and has been audited by a third-party ever since. The most recent written policy was approved by the Executive Board and the Board of Directors in December 2012. The Danzer Procurement Policy has been amended several times since to account for stakeholder feedback and to address shortcomings. It is available in its current form at [www.danzer.com](http://www.danzer.com). The procedures involve risk assessment of supply regions, supplier risk assessments, due diligence, and audits (see Figure 6).

In 2014, Danzer engaged the audit firms NEPCon and Rainforest Alliance to evaluate the Danzer Procurement Procedures using the LegalSource Standard as a benchmark. In 2014, Danzer Veneer Americas went through the process of identifying gaps associated with tracing low-risk but fragmented ownership in North America, and is preparing an action plan. A NEPCon audit in Europe showed compliance at all Danzer companies: Interholco, Danzer Europe Veneer, Vinterio, Sydfaner, and Danzer UK.

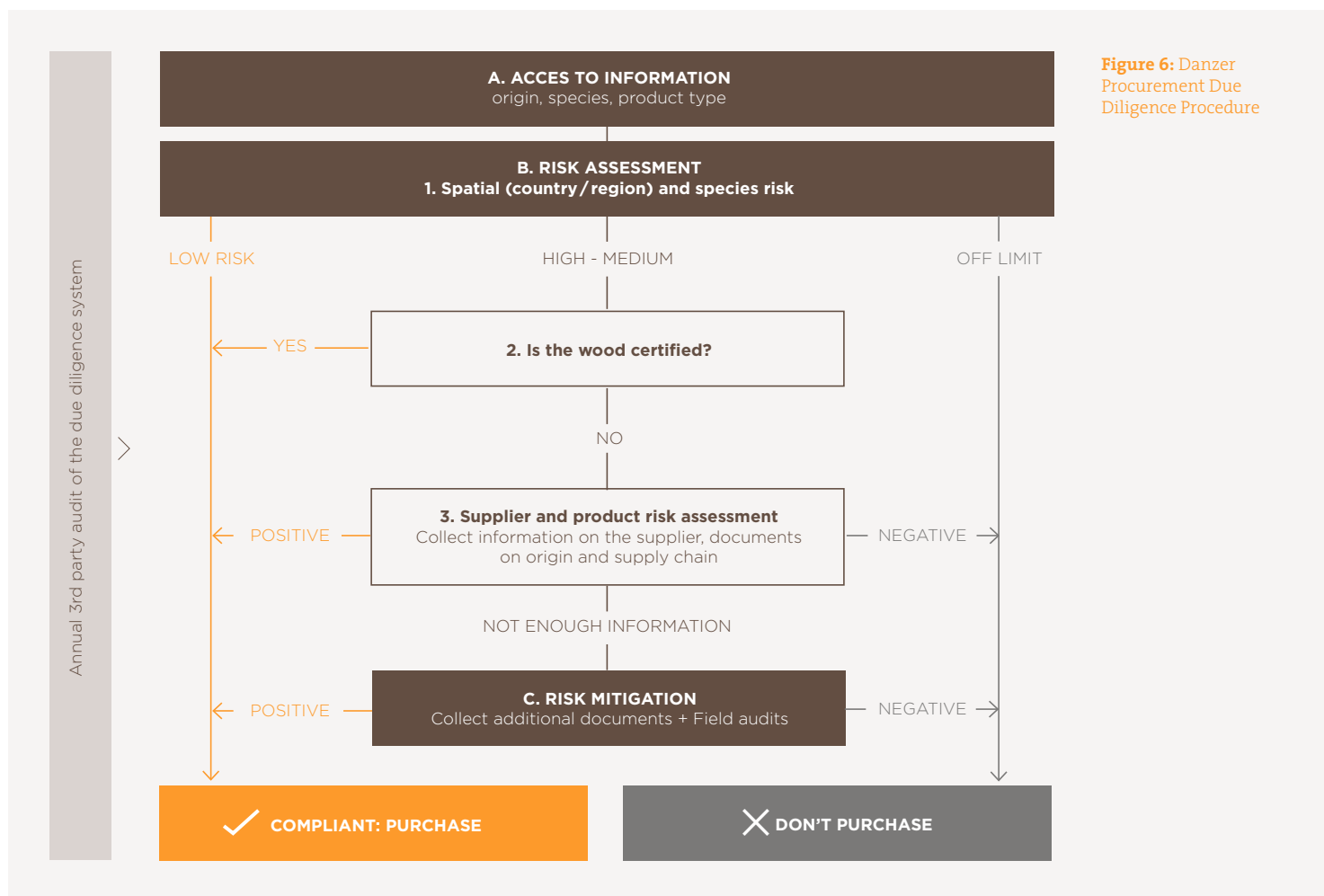
To the extent that sustainable forestry certifications include legality, certification of hardwood logs, veneer and lumber can prove to a high degree of reliability, the legality of the product being traded so long as a chain-of-custody is maintained. Danzer



The Danzer Procurement Policy is available at [www.danzer.com](http://www.danzer.com)



**Figure 6: Danzer Procurement Due Diligence Procedure**



began forestry certifications (including chain-of-custody) in 2005. Please refer to the timeline on pages 56-57 for the specific events surrounding Danzer’s legal and sustainable forestry certifications.

In 2013, Greenpeace raised questions about the legality of a toll manufacturing log (toll manufacturing is the common business practice in the hardwood industry of processing raw material for another company without taking ownership of that material) from a German producer purchased from a Belgian trader on Danzer’s logyard in Melnik, Czech Republic. At that time, Danzer’s legality checks included only logs that Danzer purchased. After several visits by the Czech authorities (and communication with Greenpeace), the Czech

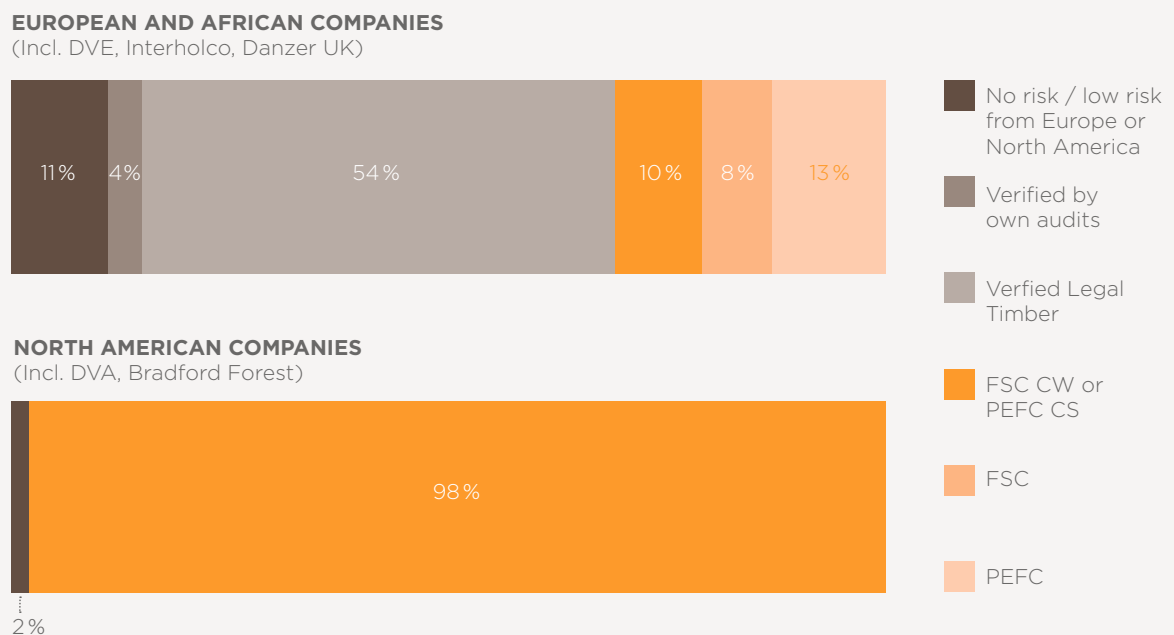
authorities concluded that Danzer has a Due Diligence System in place that goes beyond the EU Timber Regulation. In a series of decisions that seem to highlight consistency problems with the EU Timber Regulation’s enforcement, the Czech authorities declined jurisdiction, the Belgian authorities found the logs were legal, as did a German authority, only to be over-ruled by a second review in Germany, which found that the paperwork was flawed and the logs are indeed “illegal.” The logs are still unprocessed on Danzer’s logyard awaiting a determination of their future by a competent authority. Danzer has taken the position that the logs will not be moved until a competent authority makes an official order to release the logs. Danzer is pushing the European Union

to find a way to interpret the EU Timber Regulation (EUTR) consistently and resolve the issue in a way which is not only in the spirit of the EUTR, but which is also legally robust and dependable for all involved.

Danzer has since changed its procurement rules for toll manufacturing. In the past, logs processed in Danzer's factories as a service were not controlled due to the fact that the EUTR requires the "owner" of the logs to perform due diligence to ensure legality. Now a system is in place to assure legality of logs from toll manufacturing customers.

[Lawful Logging] Danzer maintains certifications for: FSC® Forest Management (License Code. Co17329), FSC and PEFC™ Chain of Custody, NEPCON Legal Source™, Chain of Custody for TLTV Legality Verified Timber, ISO 14001:2004, and ISO 9001. Danzer's 2014 ratios of certified/verified to non-certified/verified raw materials are presented in the graph below. Danzer increased the share of certified, third-party verified, or controlled wood between 2012 and 2014 from 85% to 89% respectively. Danzer seeks to further increase the share of certified material in 2015.

**Figure 7:** Wood sold by Danzer in 2014 by location of selling entity and certification type (shares by sale value)



Note: all sales Danzer-wide are conducted from North America or Europe so these numbers include species from all over the world.

The above numbers are regularly checked by third-parties in the form of audits for the ISO 14001:2004 standard, Legal Source standard, and FSC Chain-of-Custody.

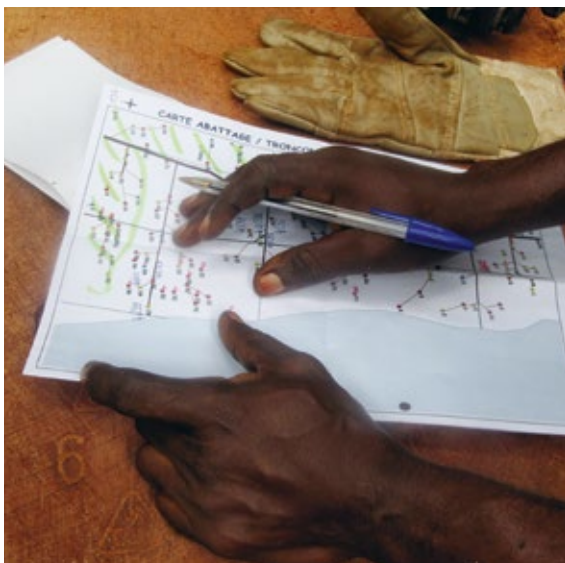
The 2014 publication of the London-based NGO, Carbon Disclosure Project, "Deforestation Free

Supply Chains: from commitments to action," showed that Danzer outperformed the average in the Materials Sector despite being the smallest (by far) company participating, the only hardwood company participating, and one of only a few engaged in forestry in a tropical region.

## FORESTRY PRACTICES THAT PROMOTE BIODIVERSITY

[G4-EN12] Biodiversity plays a unique role in hardwood forests: complex ecosystems as opposed to softwood monoculture plantations. The importance of biodiversity in Danzer's forest operations increases as forest science advances and we learn more and more about the inter-relatedness of all species in a forest ecosystem; the complexity of which is far from being completely understood. In North America for example, certain species threaten forest health and must be managed. These are not just "invasive" or "exotic" species but also species native to North America like beech and fern.

In 2014, Danzer foresters in North America spent 130 hours of time on pest control and 8 hours specifically on wildlife management (a permit had to be obtained to execute a beaver dam relocation), with more than 750 hours on indirect wildlife management such as timber marking to leave cull trees as habitat, or leaving tree crowns on the forest floor to minimize deer browsing. Managing a forest requires management of deer and ferns: both are a threat to young tree seedlings (particularly maple but also cherry) because one eats them, and the other deprives them of sunlight.



### Danzer engages important stakeholders in forest land management:

- In 2014, Danzer continued negotiations with the State of New York to amend a conservation easement on a Danzer Forestland property that lies within the Adirondack Park Agency. This amendment would, among other minor changes, provide for certified forestry, reduce the number of subdivisions allowed, and allow for the continuation of hunting camps on the property to ensure a continued presence of stewards on the land. Danzer looks forward to concluding the amendment with the State of New York in 2015.
- Danzer has worked with The Nature Conservancy in Indiana to protect critical habitat of the endangered Allegheny Woodrat (was listed as an endangered species in 1984).
- The Nature Conservancy has approached Danzer about control of the spread of the Tree-of-heaven vine, a highly invasive plant, on thousands of acres of forestland in the State of Indiana that span both Conservancy and Danzer property. Danzer will look into a joint project in 2015.
- Danzer Forestland has participated since 2009 in New York Department of Environmental Conservation's Deer Management Assistance Program in all tracts in NY that are greater than 100 contiguous acres. In 2014, applications were submitted for around 23 individual tracts and about 150 antlerless hunting permits were issued. The forest management / regeneration implications are significant: from a biological standpoint, this is the primary means of keeping deer population at a level that the habitat can support without adverse impacts on forest regeneration.

Non-management of certain species are a threat to the wood industry: not only do they disrupt the entire hardwood forest ecosystem, they destroy raw material and force companies to seek material from more distant locations, thereby adding to transport cost, greenhouse gas emissions over transport, potential for wide spread disbursement of pests (i.e. gypsy moth) on logging trucks, and diminished local economic benefit.

On the African continent, Danzer manages 1.16 million hectares (11'600 km<sup>2</sup>) of forest concessions in the Republic of Congo according to the detailed criteria of the Forest Stewardship Council.

Danzer's overall management approach to biodiversity on land it manages is to maintain in-house know-how and involve external specialists. For example, in the Congo Basin (Republic of Congo and Cameroon) Danzer maintains a team that includes forest engineers and a felling specialist who plan and supervise everything from environment and social programs, to certification and forest operations.

## MANAGE FORESTS TO PROTECT LAND



for IUCN and GAP categories see [gapanalysis.usgs.gov/blog/iucn-definitions/](http://gapanalysis.usgs.gov/blog/iucn-definitions/)

**[G4-EN13]** Managing forests for biodiversity and managing for wood production are not mutually exclusive goals. Both goals can be achieved by diversifying forest management techniques, leaving wildlife corridors, respecting stream buffer zones, following regulatory best management practices, and leaving slash from felling operations in the forest for habitat.

**[G4-EN11]** In North America, Danzer Forestland manages approximately 45'000 acres (182 km<sup>2</sup>) of hardwood forests in the states of New York, Pennsylvania, and Indiana. For example, 1'374 acres (5.5 km<sup>2</sup>) of Danzer Forestland forests in Indiana are enrolled in the Forest Legacy Program and all Danzer forests in Indiana are in the Indiana Department of Natural Resources Classified Forest Program. 45% percent of the total Danzer acreage

in North America is within protected areas and another 24% percent of Danzer Forestland acreage is adjacent to protected areas. These protected areas include: State forestland, National Park land, IUCN (1948 International Union for Conservation of Nature) protected areas (categories V and VI), GAP status 2,3,4, conservation easement, Native American Reservation, and State game land. (for IUCN and GAP categories see <http://gapanalysis.usgs.gov/blog/iucn-definitions/>).

Responsible forest management on Danzer Forestland involves measures to promote the values intended to be protected on the adjacent lands such as wildlife habitat, forest resource, and scenic preservation. In this way, Danzer adds maintaining forestland in Midwestern and Northeastern United States, because Danzer is committed to long-term generational forest management. Interestingly, Danzer's foresters are faced with the challenge of improving the conditions (species mix, diversity) of forests that were cut too hard by previous owners, or were undermanaged during the Great Economic Crisis of 2008 and the years following. The Danzer Forestland plan for the near future will likely involve increasing harvests in Indiana and decreasing harvests in the states of Pennsylvania and New York.

Danzer Forestland forest management takes ecologic and economic sustainability of the forest into account; inventory data is collected routinely every 5 to 20 years including pre-management and/or post-management forest inventories. By concentrating inventory data in Forest Ecosystem Decision Support Software (NED3 - US Forest Service), monitoring and the basis for decision making are optimized. Importing these detailed data in GIS and adding zoom-in to plot-level since 2013 (before only tract or stand level) also optimizes decision making.

**[G4-EN11]** In the Northwest of the Republic of Congo the Industrie Forestière d'Ouessou (IFO) holds the concession rights for the Forest Management Unit (FMU) "Ngombé". IFO manages the FMU's (11'600 km<sup>2</sup> ) 1.16 million hectares of tropical forest under

a Sustainable Forest Management (SFM) regime and is certified against the standards of the Forest Stewardship Council. 69% of the area is classified as production forest by the management plan agreed upon with the Republic of Congo's forestry department for 30 years in 2007. The remaining part of the FMU is covered by various types of protected forests and harvesting is not allowed (27%) or by community development areas (4%).

IFO's forest operations only take place in one predefined area per year which had an extent of 27'500 hectares (275 km<sup>2</sup>) in 2014. In this area in the south of the Forest Management Unit, IFO's foresters harvested 189'750 m<sup>3</sup> of wood in 2014 corresponding to 60 trees per km<sup>2</sup> (about 6.9 m<sup>3</sup> per hectare or 0.6 trees per hectare). In 2015, the annual allowable logging area is more dense (approximately 10 m<sup>3</sup> per hectare) based on forest characteristics.

[G4-EN11, G4-EN13] The forest management plan classifies 27% of the concession area as protection or conservation forest area respectively. In addition to these legally-binding regulations the voluntary FSC certification defines six different types of so called High Conservation Values (HCV). Focusing on protection and promotion of environmental and social aspects, some HCVs apply/cover over 80% of the area. Certified against the FSC standards, IFO protects and promotes HCVs inside the FMU and an active HCV management has taken place over the years. Apart from fulfilling legal and certification requirements, IFO protects a buffer zone along the national park "Odzala Kokoua", which borders the FMU in the west, to prevent any potential negative influence on the park.

Surface and sub-surface rights belong to the RC and only rights for the use of the forest are leased to IFO. Several exploration and exploitation permits for subsurface commodities were issued to mining companies inside the FMU since 2012. No exploration activities were observed and exploitation of sub-surface commodities seems to be unlikely in the near future. However, the superposition of land use rights might become a major

IFO'S FORESTERS  
HARVESTED 189'750 M<sup>3</sup>  
OF WOOD IN 2014  
CORRESPONDING TO  
60 TREES PER KM<sup>2</sup>  
(ABOUT 6 M<sup>3</sup> PER  
HECTARE OR 0.6 TREES  
PER HECTARE)

challenge in the future and therefore, IFO realized a study on the impacts of mining and the cohabitation of mining and certified forestry in cooperation with the Bern University of Applied Sciences in 2014.

#### FOREST ACTIVITIES THAT IMPACT BIODIVERSITY

[G4-EN12, G4-EN13] The impacts Danzer Forestland has on biodiversity in the states of New York, Pennsylvania and Indiana is positive; sustainable forest management maintains or increases biodiversity as openings favor pioneer and shade intolerant tree and bush species that tend to be shaded out in a maturing forest with no management activity. The resulting increased light and food availability does also promote several animal species such as beetles and birds. Moreover, regular forest tending activities maintain a balanced age-class distribution which guarantees stable future forests.

In 2014, the extent of areas with protection status impacted by Danzer Forestland was approximately 49 acres (0.2 km<sup>2</sup>) and the management activities totaled approximately five months. The impacts involved rejuvenating a forest that had been negatively affected by fire and grazing several decades prior, as well as thinning of adjacent areas. The openings will increase biodiversity by

temporarily favoring pioneer species. In the subsequent years, natural succession will bring back shade-tolerant species on the area. Danzer Forestland will continue creating a diverse and dynamic patchwork of different successional stages with the objective: increase the ecologic, economic, and social value of its forests.

In the Congo, significant impacts such as conversion of natural forest into other land uses, for example forest plantations or agricultural land, does not occur inside IFO's concession area as it is prohibited by law as well as by FSC standards and above all, does contradict Sustainable Forest Management practices.

In accordance with the management plan, IFO performed harvesting operations on only 2.4% of its concession area which corresponds to 27'500 hectares (275 km<sup>2</sup>) in 2014. The inevitable impacts of low impact logging activities such as skidtrails and logging gaps, disappear within a few years due to natural succession of pioneer species and semi-pioneer species, for example *Musanga cecropioides* and *Macaranga spp.* In 2014 only minor oil spills occurred during harvesting operations. Regularly, all waste and oil is collected in the forest and sent back to the Ngombé industrial site, where

it is treated, re-used or sent to approved waste collection plants (in Point-Noire). In 2014, 6.84% of the annual logging area, or only 0.16% of the total forest concession area, was affected by felling, skidding and road construction activities.

Danzer's operation does not promote invasive species. Some invasive herbs such as *Marantaceae* and *Zingiberaceae* present in the area have no connection to IFO's activities. Due to increased population and road access poaching poses a problem and has negative impacts on the fauna which consists inter alia of large mammals such as Western Lowland Gorilla (*Gorilla gorilla*), African Forest Elephant (*Loxodonta cyclotis*). State rangers, so called eco-guards, financed by IFO can reduce but not completely prevent poaching and illegal bush meat trade. However, individuals who are caught poaching or trading poached meat are sanctioned (employees or contractors are terminated)\*.

In 2014, a new wildlife inventory was conducted by Wildlife Conservation Society (with contributions from IFO) on the whole FMU plus surrounding areas. The objective of the inventory is to measure the hunting pressure, the impact of hunting and forest harvest on wildlife and to monitor the population of wildlife in the long term. Meetings and monthly reports with the partners in the wildlife management project continued in 2014 (WCS, IFO and the Ministry of Forests). The preliminary results of this survey indicate that there are changes in hunting pressure between the last inventory in 2007 and the inventory in 2014. Overall, the wildlife population of large mammals (gorilla, chimpanzee, elephant) did not change significantly and is stable in Ngombé. About 80'000 large apes, of which 70'000 are gorillas, are estimated to be present in the Ngombé concession and surrounding national park in the south (Ntokou-Pikounda).

\*The meat or weapons are confiscated and weapons are released based on the payment of a fine. If it concerns a protected species (i.e. elephant, gorilla), the poacher will be imprisoned and will be prosecuted.

African Forest  
Elephant  
(*Loxodonta cyclotis*)



# MINOR CHANGES – MAJOR IMPACT

## OVERVIEW OF IFO'S ACTIVITIES IN THE REPUBLIC OF CONGO:

### The forest concession of IFO

- 1.16 million hectares
- protected areas of the forests: 27%
- protected area for community development: 4%
- Number of villages in the concession: 80

### The management plan

- Scientific methods for forest inventory applied
- 560'000 trees assessed
- 276 different species inventoried
- Minimum breast-high diameter of trees inventoried: 0,2m
- 30 year rotation, meaning that only every 30 years harvesting occurs in any given area
- Mapping of large mammals completed

### The 2014 harvest activities

- 100 % of trees identified with GPS coordinates before harvesting
- 27'500 hectares in 2014 harvesting block representing 3,4 % of the total concession area
- 189'750 m<sup>3</sup> timber volume harvested
- 7 m<sup>3</sup> per hectare or 0.6 trees per hectare harvested
- 93.2 % of area unaffected by any activity of the 27'500 hectares in 2014
- 0.2 % of area affected in 2014 of total concession
- 6 holy and sacred sites identified with local population and protected from harvesting activities

### The 2014 impacts

- Euro 2.4 mio, mostly non-profit related taxes paid in Congo
- 1'046 employees, feeding tens of people for each employed
- Euro 250'000 spent for hospital and fighting AIDS
- 9'160 consultations in the IFO financed hospital
- Euro 105'000 for pharmaceuticals and external medical services
- 121 million liters of clean, treated water provided for the population: 40 liters per inhabitant of Ngombé per day
- 212 consultation meetings with local population
- 3 % child mortality at IFO; compared to 8 % national average
- 1'505 MW of free electricity for the local population
- Spending on environmental and other matters relating to the management plan: Euro 540'000

With a timber extraction of as little as 0.164 m<sup>3</sup> per hectare per year (or app. 1 tree per 61 hectares per year) it is possible to sustain an economically viable forest operation which effectively maintains the main village Ngombe and provides tangible benefits and development to communities as listed above (based on the annual third party audit report). With such comparatively little disturbance it is possible to effectively maintain a forest area of 1.16 million hectares including comprehensive maintenance of biodiversity and socio-economic systems. Danzer believes that there is no other land use that can create so much economic and social development for the people in Africa with such small impact. All other land uses, in particular land conversion to agriculture (palm oil, soy beans and other) also create economic value, but have major negative implications for the eco-system.





## A RESPONSIBLE PRODUCT PORTFOLIO

More consumption of wood products, in lieu of products that rely on fossil fuels for production and may contain toxic chemicals that pollute living spaces, will improve the health and well-being of the Earth's inhabitants. In 2014, Danzer improved its responsible product portfolio. This portfolio of products with sustainable forestry certifications, manufacturing certifications, and Environmental Product Declarations offers information to customers about the sustainability of the hardwood products they are purchasing. Demand for sustainable certified forest products correlates with demand for sustainable forests, which are important for biodiversity, the livelihood of forest-dwelling peoples, and as a carbon sink. Danzer's responsible product portfolio aims to inform the consumer about the benefits of wood.

In 2014, Danzer faced the challenge of completing requirements to reacquire its corporate-wide Forest Stewardship Council certification. This certification was originally achieved over the course of the years 2006 – 2007. In 2013, the FSC Board of Directors took the decision to disassociate with all of Danzer over an incident that occurred in May 2011 between the local police and a village in the Yalisika Community in Bumba, Democratic Republic of Congo near to where Danzer operated a forest concession at that time. The FSC Board of Directors presented a challenge to Danzer: to discontinue all sales of FSC product until reassociation would be achieved; to terminate all FSC forest and chain-of-custody certificates until reassociation; to fulfill all contractual obligations with the Yalisika Community as determined through a mediation process monitored by swisspeace; to implement a comprehensive conflict prevention and mitigation framework with swisspeace; and to verify compliance by a third party namely, Forest Peoples Programme ("FPP"). After fulfillment of these requirements Danzer completed additional measures determined by the auditor over-and-above the original requirements. As a result, Danzer was reassociated with FSC completely as of 14 August

2014. The process, as evidenced by this report itself and its contents, was a learning experience for Danzer. The resulting Conflict Sensitivity manual is publicly available. Danzer hopes that this learning experience will be productive for the Forest Stewardship Council and the timber sector in general.

Beyond sustainable forestry – a single characteristic at the beginning of a hardwood product's lifecycle – are other lifecycle considerations such as water pollution and air emissions during manufacturing. In 2014, Danzer began distributing its Environmental Product Declaration (EPD) for veneer produced in Melnik, Czech Republic, which was published by the Institut Bauen und Umwelt e.V. (IBU) on 12 December 2013. This had been a three-year long process with the Technische Universität Dresden, Faculty of Business and Economics, Chair of Environmental Management and Accounting. An EPD for North American hardwood lumber, available as of 2012, was a joint project with other members of the American Hardwood Export Council. Danzer is also working on another EPD for North American hardwood veneer based on the Life Cycle Assessment for North American Hardwood Veneer that was also organized by the American Hardwood Export Council and involved ten rotary and slicing companies. All three of these EPDs focus on the lifecycle from the forest to customers' gates since further processing of Danzer's raw material by customers impacts disposal or "end-of-life" options. Danzer customers can use the Danzer EPD to build their own specific EPD for the finished hardwood product.

In 2015, Health Product Declaration for Danzer Vinterio will be available. From the beginning, semi-finished Danzer products (e.g. Vinterio, Linea) have been manufactured with formaldehyde-free glues.\*

\* Formaldehyde is an organic compound. In the EU, the maximum allowed concentration of formaldehyde in finished products is 0.2%, and any product that exceeds 0.05% has to include a warning that the product contains formaldehyde. In the United States, a bill was passed in Congress on July 7, 2010, regarding the use of formaldehyde in hardwood plywood, particle board, and medium density fiberboard. The bill limited the allowable amount of formaldehyde emissions from these wood products to .09 ppm, a standard which companies were required to meet by January 2013. Formaldehyde was declared a toxic substance by the 1999 Canadian Environmental Protection Act.

# THE VALUE OF RESPONSIBILITY

## RESPONSIBLE AND OUTSTANDING PRODUCTS

**1964**

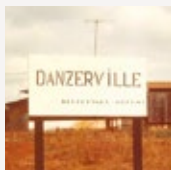
Danzer commits to strategy to produce close to the resource with a peeling plant in Ivory Coast

**1970 or 1971**

Greenpeace founded

**1969**

Expansion of Ivory Coast facility including building of Danzerville: village, schools, clinic, water supply



**1974**

SIFORZAL in Zaire: veneer and lumber mill, village, clinic, school, utilities, water supply



**1980s**

Danzer builds particle board, door and acoustic panel plant in Germany to add value to waste wood material

**1988**

Intergovernmental Panel on Climate Change

**1987**

OECD „Our Common Future“ (the Brundtland Report)

**1991**

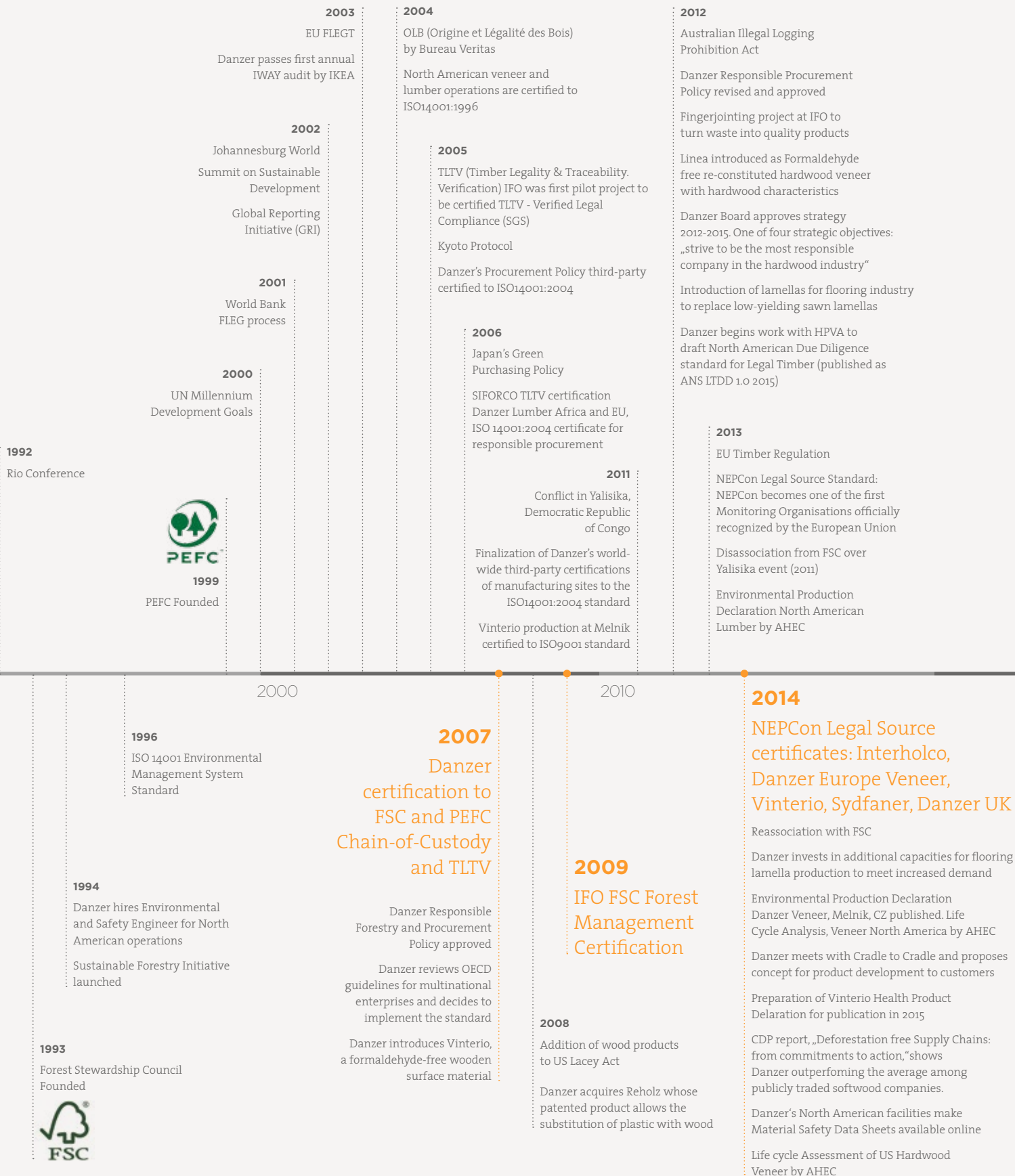
Clean Water Act violation at David R. Webb, Edinburgh, IN

1960

1970

1980

1990



# CONCLUSIONS AND WORKING TOWARD THE DANZER SUSTAINABILITY REPORT 2016

Danzer is confident in its sustainability agenda: on the economic development, social equity, and environmental protection fronts. Hardwood itself, Danzer's raw material, is the best product to use with sustainability in mind because it is renewable, valuable, local, and – at least – carbon neutral – if not carbon positive. Danzer is confident that its team of people will continue to keep the core values of sustainability at heart as they pursue sustainable success.

Danzer is committed to continual improvement. The preparation of this Sustainability Report 2014 has highlighted several areas where Danzer could do a better job of tracking data in order to affect positive change:

- Yield data collection will demonstrate for certain how continued investment in technology an innovation will create more product from the same amount of raw material input
- Documentation and analysis of manufacturing data will provide for in- depth understanding of resource efficiency potentials for Danzer and Danzer's customers
- Better knowledge of injury types and associated equipment globally will provide more information to Danzer's safety professionals
- Improved understanding of health and safety issues affecting administrative and sales staff at

every Danzer location will allow for a Danzer-wide preventive strategy

- Analysis of environmental impacts due to transportation of raw material, product, supplies, and employees, will lead to a targeted Greenhouse Gas Emissions reduction strategy to improve the Carbon footprint of Danzer's hardwood products. This will include a review of different transport types as well as optimizing the trade-off between local transformation and optimum manufacturing location sizes.

[G4-31] Please send your comments or suggestions to [sustainability@danzer.com](mailto:sustainability@danzer.com).

# GRI CONTENT INDEX



The following GRI content index provides an overview of Danzer’s sustainability report and the GRI disclosure items addressed. It serves as a compass and helps finding relevant information.

GENERAL STANDARD DISCLOSURES	
GRI NO.	PAGE REFERENCES AND ADDITIONAL INFORMATION
<b>STRATEGY AND ANALYSIS</b>	
G4-1	5 - 6
<b>ORGANIZATIONAL PROFILE</b>	
G4-3	Danzer Holding AG
G4-4	12
G4-5	12
G4-6	13
G4-7	16
G4-8	16
G4-9	12, 16
G4-10	18
G4-11	18 53 % of employees are covered by collective bargaining agreements.
G4-12	17
G4-13	16, 17
G4-14	21, 37
G4-15	24
G4-16	24 - 25
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>	
G4-17	13
G4-18	21
G4-19	22
G4-20	23
G4-21	23
G4-22	No restatements: this is Danzer’s first sustainability report.
G4-23	No changes: this is Danzer’s first sustainability report.

STAKEHOLDER ENGAGEMENT	
G4-24	21, 24
G4-25	24
G4-26	21, 24
G4-27	24
REPORT PROFILE	
G4-28	11
G4-29	11
G4-30	11
G4-31	60
G4-32	5
G4-33	This report has not been assured by an external third party.
GOVERNANCE	
G4-34	16, 20
ETHICS AND INTEGRITY	
G4-56	25

SPECIFIC STANDARD DISCLOSURES	
GRI NO. AND DESCRIPTION	PAGE REFERENCES, ADDITIONAL INFORMATION AND REASONS FOR OMISSIONS
WORKPLACE ISSUES	
WAGE & REMUNERATION	
Disclosures on Management Approach	28
G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	29 It is in Danzer's business interest to embrace diversity, not to categorize people for the sake of proving that people are not categorized by arbitrary characteristics. For this reason, Danzer does not break down the reported figures by gender.
OCCUPATIONAL SAFETY AND HEALTH	
Disclosures on Management Approach	29-30

G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	29-30 It is in Danzer's business interest to embrace diversity, not to categorize people for the sake of proving that people are not categorized by arbitrary characteristics. For this reason, Danzer does not break down the reported figures by gender.
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**TRAINING, EDUCATION & EMPLOYEE DEVELOPMENT**

Disclosures on Management Approach	31
G4-LA9 Average hours of training per year per employee by gender, and by employee category	31 It is in Danzer's business interest to embrace diversity, not to categorize people for the sake of proving that people are not categorized by arbitrary characteristics. For this reason, Danzer does not break down the reported figures by gender.

**ECONOMIC ISSUES**

**ECONOMIC VALUE GENERATION AND DISTRIBUTION**

Disclosures on Management Approach	32
G4-EC1 Direct economic value generated and distributed	32

**LOCAL ECONOMIC DEVELOPMENT**

Disclosures on Management Approach	32-34
G4-EC7 Development and impact of infrastructure investments and services supported	32-34 The scope of this indicator is the IFO concession in the Republic of Congo, since this is the operational site, where investments in local community infrastructure are relevant.
G4-EC9: Proportion of spending on local suppliers at significant locations of operation	33

**HUMAN RIGHTS**

**LAND-USE RIGHTS AND LIVELIHOOD PROTECTION FOR LOCAL & INDIGENOUS COMMUNITIES**

Disclosures on Management Approach	35-36
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G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs	35 Danzer's efforts for local community engagement, impact assessments, and development programs focus on the IFO concession in the Republic of Congo, since this the only operational site located in a developing country and the only site with immediate impacts on local communities.
G4-SO2 Operations with significant actual or potential negative impacts on local communities	35-36
G4-SO11 Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	36

### HUMAN RIGHTS AND CONFLICT DUE DILIGENCE

Disclosures on Management Approach	36-37
G4-HR7 Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	36 Special refresher training for eco-guards and security personnel will take place in 2015, which is why quantitative information for 2014 is not available.
G4-HR12 Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	36

### ENVIRONMENTAL ISSUES

#### ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS: SCOPE 1 & 2

Disclosures on Management Approach	38-39
G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)	39 All relevant gases have been included in the calculation (CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> ). Biogenic CO <sub>2</sub> -emissions are not included in the calculation.
G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	39 All relevant gases have been included in the calculation (CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> ). Biogenic CO <sub>2</sub> -emissions are not included in the calculation.



## WATER CONSUMPTION

Disclosures on Management Approach	39
G4-EN8 Total water withdrawal by source	39

## SOIL AND WATER POLLUTION

Disclosures on Management Approach	40
G4-EN24 Total number and volume of significant spills	40

## BIODIVERSITY

Disclosures on Management Approach	51-54
G4-EN11 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	52-53
G4-EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	51-54
G4-EN13 Habitats protected or restored	53-55

## SOCIETY

### LAWFUL LOGGING AND RIGHTS TO EXPLOIT

Disclosures on Management Approach	48-50
Share of certified, third-party verified, or controlled wood (own indicator)	50

<b>ANTI-CORRUPTION</b>	
Disclosures on Management Approach	26-27
G4-SO3 Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	26-27
G4-SO4 Communication and training on anti-corruption policies and procedures	31
<b>PRODUCT RESPONSIBILITY</b>	
<b>PRODUCT QUALITY AND RESOURCE EFFICIENCY</b>	
Disclosures on Management Approach	42-45 (No suitable GRI indicator available)
<b>SUSTAINABLE PRODUCT PORTFOLIO</b>	
Disclosures on Management Approach	57 (No suitable GRI indicator available)
<b>RESPONSIBLE MARKETING AND SALES</b>	
Disclosures on Management Approach	48-50
Share of certified, third-party verified, or controlled wood (own indicator)	50



