



Soil Association Certification Limited (SA) FSC® Condition Framework Public Summary Report



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Condition Framework Audit	Assessment dates	SA Auditors	Roles	Checked by	Date checked	Approved by	Report finalisation / update date
Remote Team (All UK based, carrying out document review and interviews)	5th Feb, 8th Feb, 12th Feb, 2021 and subsequent email and phone and teams exchanges	Rob Shaw Penny Bienz Mike Bye Janette McKay	Project Manager/Auditor Auditor Auditor Auditor/Stakeholder Engagement	Meriel Robson	24.03.2021	Meriel Robson	24/03/2021
Romania & Ukraine Team - On site and visiting HS facilities and forests and suppliers	1st to 5th Feb and 8th to 13th, and subsequent email and phone and teams exchanges	Stanislav Lazarov Alexander Bardarov Cristina Laza Marius Dragan	Audit Team Leader Auditor Auditor / Translator Auditor / Translator	Meriel Robson	24.03.2021	Meriel Robson	24/03/2021

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Scope and Methodology

Scope of the On-site Assessment

The on-site verification covered all five processing sites in Romania including the sawmills in Sebes, Radauti and Reci, the panels factory in Siret and the blockboard factory in Comanesti. Subject of the assessment will also be the supply chains of HS Group in Romania and Ukraine. Due to the large number of suppliers and logging sites spread across both countries, the sites to be inspected were selected through stratified risk-driven sampling – see below.

Methodology for the Onsite Assessment

The on-site assessment was conducted by a team of 4 experienced FSC auditors, 2 Romanian nationals and 2 Bulgarian nationals. The assessment was conducted over a 2 week period totalling 40 person days on-site.

1. Assessment at the production sites

The verification covered all 5 production sites of HS Group in Romania. It is known that these share common management systems and procedures, therefore the assessment tried to identify if these systems and procedures function to address the conditions set in the 'Conditions Framework'. While it was the task of the remote team to assess the availability and comprehensiveness of HS' procedures and documents, developed in response to the conditions imposed, the on-site team's task was to verify if these procedures/systems and documents are available within each site, are employees at different levels aware of these in accordance with their statute and responsibilities and are these procedures/systems applied in practice. The on-site team liaised closely with the remote team, so that bigger insights were placed on items that have been identified as missing, non-compliant or questionable by the remote team.

Assessment within the production sites was carried out using random and risk-based sampling approaches – sampling of documentation and records to be reviewed, sampling of processes and facilities to be observed, sampling of employees to be interviewed. About the latter, all interviews were carried out in confidence without the presence of the direct managements of the employee interviewed.

2. Assessment of supply chains

While a big share of the issues leading to the HS Group disassociation came as a result of issues within the supply chain the assessment team will pay due respect to the verification of compliance at the supplier and sub-supplier level. Information provided by HS Group suggests that in 2020 wood-based products are delivered by 692 suppliers located in Romania and 19 suppliers located in Ukraine. This is a significant number, which necessitates verification of compliance through sampling. Consideration was also made of the fact that some of the suppliers supply to more than one of the HS Group's processing factories.

The suppliers were separated in four 'sets of alike' entities taking in consideration the length of supply / delivery chain and risks related to identification of wood origin and legality:

- 1) Forest Management Units (FMUs) - acting as direct suppliers selling wood standing, or from roadside storages, or from logyards. The risk related to identification of wood origin and legality is considered low.
- 2) Sawmills – selling mainly sawn wood and one sawmill in Romania is selling small quantities wood residues. Most of the suppliers located in Ukraine are sawmills. The risk related to identification of wood origin and legality is considered high.
- 3) Traders with logyards – 75% of the material comes from traders with log yards however more than 50% of the volumes comes directly from the forest, as traders with log yards also deliver from the forests. (50%) with Log Yards are small Sawmills which cut the large diameters by themselves and further sell the small diameters. The risk related to identification of wood origin and legality is considered high;
- 4) Traders without logyards – in general these suppliers deliver wood from roadside storages. The risk related to identification of wood origin and legality is considered low.

Additional criteria for stratification and sampling of suppliers from each group were applied including:

The verification at each supplier will be focused on:

- availability of procedures and their knowledge of staff;
- availability, awareness, and compliance to the commitments imposed by the Conditional Framework (e.g. in relation to Anti-Corruption, distribution of specific requirement in the supplier's up-stream supply chain);
- implementation of Due Diligence and CoC maintenance (including the supplier's up-stream supply chain).

Site assessments

Company Name (Site/Group Member Name)	Address				Country	Type of organisation	Sampled suppliers (details in section 5 Audit Diary (on site team))
HS Timber Productions SRL - Sebes	Str. Industriilor, No. 1	Sebes	Alba	515800	Romania	Primary Processor / (sawmill)	5 sites
HS Timber Productions SRL - Reci	No. 673	Reci	Covasna	527145	Romania	Primary Processor / (sawmill)	8 sites including 1 FMU
HS Baco Panels SRL - Comanesti	Str. Crinului, No. 15	Comanesti	Bacau	605200	Romania	Secondary Processor / Panels	1 site
HS Timber Productions SRL - Radauti	Str. Austriei, No.1	Radauti	Suceava	725400	Romania	Primary Processor / (sawmill)	9 sites including 1 FMU
HS Timber Productions SRL - Siret	Str. 1 Decembrie, Nr. 1	Siret	Suceava	725500	Ukraine	Secondary Processor / Panels	Companies with logyard and processing line that supplies planks to HS Timber Productions SRL: 5 sites including 1 FMU

Scope of the Remote Assessment

The remote verification covered head office functions, and where necessary all five processing sites in Romania including the sawmills in Sebes, Radauti and Reci, the panels factory in Siret and the blockboard factory in Comanesti. The scope of the remote audit included all aspects of HS Group activities in Ukraine, and relevant HS personnel. Any interviewing of suppliers and stakeholders was carried out by the on-site audit team.

1) Human resources

The remote verification consisted of a team 3 qualified and experienced CoC/ISO auditors, all UK nationals. The team acted in close coordination with the on-site assessment team.

2) Number of person days and timeframe for completion of the assessment

A minimum of 15 person days was devoted to the remote verification.

3) Technical resources

The remote assessment team accessed documentation requested via a one-drive folder created by HS Group. Interviews we held over TEAMS video link in English. The Corporate language of HS Group is English for most of the Senior and office-based staff. If any issues were found with language, either an SA Cert Romanian staff member was used for translation, or the interview re-arranged to be undertaken by the onsite team.

Methodology for the Remote Assessment

The remote team requested documents to be reviewed ahead of the interview days, and/or as a reaction to interview findings. The full list of documentation and records reviewed is included within the Conditions Framework checklist in the audit report.

SA Cert and HS drew up a list of Senior Staff and Directors who are responsible for the relevant aspects within the Conditions Framework, and they were interviewed across the 3 interview days according to availability. SA Cert remote team then selecte a sample of staff members for each relevant department and interviewed the chosen staff to verify that implementation and understanding of the requirements and systems and training has taken place.

Interviews were up to 45 minutes duration, and with a suitable interval in-between to allow the auditors to record relevant information. The Auditors worked either independently, or as a team, depending on the context. This means there was scope to undertake up to 40 interviews across the 3 days. Where employees were being interviewed to gauge effectiveness of understanding, line-managers were not present.

The remote team members liaised with each other over audit evidence gained each day. The remote team also coordinated with the on-site teams where relevant aspects required to be verified on site, or where on-site interviews were needed.

An opening meeting was held on the first interview day, with the HS Core Team and Senior Managers/Directors. Interim closing meetings were held each day as applicable, and a closing meeting for the remote work element was held on the 12th Feb. Any issues which needed to be referred to the on-site team were be identified throughout the process. Any findings were communicated to the HS Core Team as and when they arose.

Stakeholder consultation

Stakeholder interviews are important means for collecting information on how HS Group implements imposed conditions for re-association therefore, they were given a specific attention by the assessment team. Stakeholder consultation were done either as a follow up to already received feedback from the consultation process initiated prior to the verification assessment or as an endeavor to find new relevant information. In the first instance, the purpose would be to seek further clarification or more detail to a concern that was already raised to facilitate the investigation process for this specific allegation.

In the second instance, new information was sought from entities that were already contacted but did not provide feedback and the verification team still considers the opinion of these stakeholders important. Such stakeholders are the national controlling bodies such as the Forestry Guard, the Environmental Guard, and other public authorities. In addition to this, stakeholders not included in the circulation prior to the verification were considered. Such stakeholder may include, but not limited to, local NGOs, HS Group competitors or competitors of HS Group suppliers, forest managers etc.

For conducting the consultation the assessment team followed the guidelines provided in ISO 19011:2011 and adapted the requirements for stakeholder consultation laid down in FSC standards (e.g. FSC-STD-20-006, FSC-STD-40-005) and internal procedures. Interviews were carried out through face-to-face meetings (considerations made about keeping a social distancing in Covid-19 situation) or through personal contact by phone. Confidentiality of respondents is guaranteed, and interviews were held without the presence of HS Timber Group employees. All feedback received was recorded and added to the stakeholder consultation record.

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
1	1. Corporate Social Responsibility Corporate Social Responsibility (CSR) policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms.		1. Corporate Social Responsibility	System and Structures exist as per the details below in each row	
			General conclusion on the compliance with the condition:		
1.a	1.a. Corporate Social Governance HS must define, publicize (in English, Romanian and German languages) and implement organizational rules and penalties to ensure an ethical business behaviour by all its employees of the company group (including all its subsidiaries and affiliates operating in the forest and/ or timber trade sector). HS has to communicate its policy regarding ethical business behaviour to all its employees and first tier suppliers and only engage in business with those that commit to such policy and terminate the business with those who violate the commitment. HS must also request its first tier suppliers to communicate along the supply chain encouraging the rest of HS' supply chains to commit to this policy and only engage in business with those that have expressed their commitment. Elements 1a.i – 1a.iv below (and others that may be considered necessary by HS) shall be covered by such organizational rules.		1.a. Corporate Social Governance	Rules exist Evidence of communication to employees across Group Evidence of communication to first tier suppliers including roll out to supply chain Evidence of termination of first tier suppliers	

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1.a.i	<p>i. Anticorruption and Integrity Policy for the HS group (including its subsidiaries and affiliates operating in the forest and/or timber trade sector).</p> <ul style="list-style-type: none"> - HS has in place and publish an Anticorruption and Integrity Policy applicable to the entirety of its group (including its subsidiaries and affiliates operating in the forest and/or timber trade sector) expressly committing (but not limited to) the following: <ul style="list-style-type: none"> o Avoiding any direct, vicarious or grossly negligent involvement in any form of corrupt, fraudulent, coercive, collusive, abusive and obstructive practices; o Group-wide commitment to operate according to the highest ethical standards; o Avoiding any direct, vicarious or grossly negligent involvement in any conflict of interest (by avoiding any situation in which HS could improperly influence a party's performance of official duties or responsibilities, or compliance with applicable laws and regulations for its business benefit); o Avoiding any direct, vicarious or grossly negligent involvement in any of the unacceptable activities as defined by FSC Policy for Association (FSC-POL-01-004); o Investigating and addressing any case in which risks of being involved in any of the above is identified/ brought to their attention. <p>HS communicates in writing to employees and first tier suppliers who commit to the following:</p> <ul style="list-style-type: none"> o Avoiding any direct, vicarious or grossly negligent involvement in corrupt, fraudulent, coercive, collusive, abusive and obstructive practices; o Operating according to the highest ethical standards (in line with HS Anticorruption and Integrity Policy); o Cooperating during the investigation of cases to address issues in which risks of being involved in the above is identified/ brought to their attention. <p>Note: The commitment to the above shall be part of the Terms and Conditions of the contractual agreements between HS and its employees and its first tier suppliers included as part of the Terms and Conditions of such contractual agreement.</p> <ul style="list-style-type: none"> - HS must also request its first tier suppliers to communicate along the supply chain encouraging the rest of HS' supply chains to commit to this policy and to only engage in business with those that have expressed their commitment. <ul style="list-style-type: none"> - HS has the necessary mechanisms (resources, procedures, records, and other) in place to ensure the fulfilment of the commitments described in its Anticorruption and Integrity Policy across the entirety of its operations and supply chains operating in the forest and/ or timber trade sector; - HS' Anticorruption and Integrity Policy is regularly revised and improved (and stakeholder input is considered in such revision); - HS' conducts periodic audits to its employees and first tier suppliers to ensure their fulfilment of the commitments described in the Anticorruption and Integrity Policy and the related mechanisms (results of such audits are recorded and a public summary of the audit results is published by HS); 	<p>That HS' CSR policy documents (Mission statement CSR Strategy, etc.) has been publicized, in all three languages: English, Romanian and German;</p> <ul style="list-style-type: none"> -That an effective Anticorruption and Integrity Policy (such as a Code of Conduct and Supplier Code of Conduct, related trainings, sufficient resources allocated and the necessary mechanisms for its implementation) applicable across HS' operations and supply chains operating in the forest and/or timber trade sector is in place and publicly available in English, Romanian and German on their Website and in printed form; <p>-HS has communicated across the entirety of its employees and first tier suppliers operating in the forest and/or timber trade sector about its Anticorruption and Integrity Policy expected to be followed and about the consequences of not doing so;</p> <p>-HS has obtained written commitment from all its employees and first tier suppliers operating in the forest and/or timber trade sector to the following:</p> <ul style="list-style-type: none"> o Avoiding any direct, vicarious or grossly negligent involvement in corrupt, fraudulent, coercive, collusive, abusive and obstructive practices; o Operating according to the highest ethical standards (in line with HS Anticorruption and Integrity Policy); o Cooperating during the investigation of cases to address issues in which risks of being involved in the above is identified/ brought to their attention. <p>Note: This written commitment to the above principles in line with the Anticorruption and Integrity Policy been obtained through the signature of the contractual agreements between HS and its employees and its first tier suppliers (such contracts clearly describe these commitments as part of their Terms and Conditions).</p> <ul style="list-style-type: none"> - The compliance by employees and first tier suppliers with such policy and its mechanisms is enforced and controlled; <ul style="list-style-type: none"> - That non-compliances or potential non-compliances with its Anticorruption and Integrity Policy and related mechanisms identified during HS' audits (or brought to their attention through other means) are timely investigated and addressed by HS. A public summary of the most significant findings of the conducted audits are publicized by HS on a regular basis. <ul style="list-style-type: none"> -There are records available demonstrating that in those cases were the commitments described in 1ai are violated, HS has terminated it business with the supplier/ employee found in violation and/or sent warning notices to the relevant supplier/employee warning about the possibility that business contracts are terminated if the situation is not corrected. -There are records available of HS formal communication/ request to all its first tier suppliers to communicate along the supply chain encouraging the rest of HS' supply chains to commit to this policy and to only engage in business with those that have expressed their commitment. - That stakeholder input provided related to its Anticorruption and Integrity Policy and mechanisms is duly considered by HS for their revision. <p>FSC reserves the right to audit of any records related to the fulfilment of the commitments described in its Anticorruption and Integrity Policy of HS either itself or through an appointed third party. All results of such an audit will first be shared with HS before made public.</p>	i. Anticorruption and Integrity Policy	<p>"Policy documents exist</p> <p>Documents communicated and disseminated and understood</p> <p>How are documents made available in <i>printed</i> form</p> <p>Evidence of communication</p> <p>Evidence of first tier supplier to communicate out</p> <p>Written commitments obtained and recorded</p> <p>Non-compliance recording</p> <p>Investigations recorded where applicable, and follow the requirements</p>	
1.a.i			HS' CSR policy documents (Mission statement CSR Strategy, etc.) have been publicized, in all three languages: English, Romanian and German	Check on website or other communications materials	- Website Mission statement - CSR Strategy - https://hs.at/en/responsibility.html
1.a.i			An effective Anticorruption and Integrity Policy (such as a Code of Conduct and Supplier Code of Conduct, related trainings, sufficient resources allocated and the necessary mechanisms for its implementation) applicable across HS' operations and supply chains operating in the forest and/or timber trade sector is in place and publicly available in English, Romanian and German on their Website and in printed form;		- Employee Code of Conduct 2019 - Supplier Code of Conduct - Timber Sourcing Policy - Supplier contract agreements dated 16/10/20, 23/04/20, and 27/12/19. - Totara and GAN Training Records - Anti-Corruption Academy proposal and training records HS web page

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1.a.i			The Anticorruption and Integrity Policy include commitments, but not limited to, the following: o Avoiding any direct, vicarious or grossly negligent involvement in any form of corrupt, fraudulent, coercive, collusive, abusive and obstructive practices; o Group-wide commitment to operate according to the highest ethical standards; o Avoiding any direct, vicarious or grossly negligent involvement in any conflict of interest (by avoiding any situation in which HS could improperly influence a party's performance of official duties or responsibilities, or compliance with applicable laws and regulations for its business benefit); o Avoiding any direct, vicarious or grossly negligent involvement in any of the unacceptable activities as defined by FSC Policy for Association (FSC-POL-01-004); o Investigating and addressing any case in which risks of being involved in any of the above is identified/ brought to their attention.	Check if all commitments are present in the Policy	- Employee Code of Conduct 2019 - Employee Code of Conduct - Timber Sourcing Policy - HR Qualification records - Authority labour inspection reports x 4 sites
1.a.i			HS has communicated across the entirety of its employees and first tier suppliers operating in the forest and/or timber trade sector about its Anticorruption and Integrity Policy expected to be followed and about the consequences of not doing so.		- Supplier Code of Conduct 2019 - Supplier contract agreements dated 16/10/20, dated 23/04/20, dated 27/12/19. - Employee Code of Conduct - Timber Sourcing Policy Interviews with employees from different departments Interviews with suppliers Internal database of records of training provided
1.a.i			HS has obtained written commitment from all its employees and first tier suppliers operating in the forest and/or timber trade sector to the following: o Avoiding any direct, vicarious or grossly negligent involvement in corrupt, fraudulent, coercive, collusive, abusive and obstructive practices; o Operating according to the highest ethical standards (in line with HS Anticorruption and Integrity Policy); o Cooperating during the investigation of cases to address issues in which risks of being involved in the above is identified/ brought to their attention. Note: This written commitment to the above principles in line with the Anticorruption and Integrity Policy been obtained through the signature of the contractual agreements between HS and its employees and its first tier suppliers (such contracts clearly describe these commitments as part of their Terms and Conditions).	Check contractual agreements	- Supplier Code of Conduct 2019 - Employee Code of Conduct - Timber Sourcing Policy - Employment contracts (signatures seen) - Supplier contract signed agreements dated 16/10/20, 23/04/20, and 27/12/19. Sampled contracts with employees from different levels - e.g. legal department, purchasers, SCCC department Collective Labour Agreement Interviews with staff and suppliers
1.a.i			The compliance by employees and first tier suppliers with such policy and its mechanisms is enforced and controlled.		- First tier Supplier investigations e.g. Ferucio Com SRL - Approved supplier Excel - Suspended supplier Excel - Confidential employee enforcement records Internal database with companies under monitoring (incl. such for which business is suspended due to allegations on corruption) Interviews with SCCC, HR and legal departments staff
1.a.i			HS' Anticorruption and Integrity Policy is regularly revised and improved (and stakeholder input is considered in such revision).		- Emails from SHC dated 09/04/18 - SHC email dated 02/02/18

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1.a.i			Non-compliances or potential non-compliances with its Anticorruption and Integrity Policy and related mechanisms identified during HS' audits (or brought to their attention through other means) are timely investigated and addressed by HS. A public summary of the most significant findings of the conducted audits are publicized by HS on a regular basis.		- HS Timber group Whistleblowing report dated 11/02/20 - Pubic summary of internal audit findings https://hs.at/fileadmin/files/Responsibility/Sustainability_Report/HSTimberGroup_Sustainability_Report_2019_EN.pdf
1.a.i			There are records available demonstrating that in those cases where the commitments described in 1ai are violated, HS has terminated its business with the supplier/ employee found in violation and/or sent warning notices to the relevant supplier/employee warning about the possibility that business contracts are terminated if the situation is not corrected.		- Suspended Supplier Excel records - Approved Supplier Excel records Reports of internal audits Reports of external audits performed by SCCC staff on suppliers Internal database with companies monitored by HS (incl. such for which business is suspended due to allegations on corruption)
1.a.i			There are records available of HS formal communication/ request to all its first tier suppliers to communicate along the supply chain encouraging the rest of HS' supply chains to commit to this policy and to only engage in business with those that have expressed their commitment.		-Supplier Code of Conduct - Timber Sourcing Policy - Supplier contract signed agreements dated 16/10/20, 23/04/20, and 27/12/19. Witnessing of external audits performed by HS staff on suppliers Interviews with managers of suppliers
1.a.i			HS' Anticorruption and Integrity Policy is regularly revised and improved (and stakeholder input is considered in such revision).		- Emails from SHC dated 09/04/18 - SHC email dated 02/02/18
1.a.i			That stakeholder input provided related to its Anticorruption and Integrity Policy and mechanisms is duly considered by HS for their revision.		- Emails from SHC dated 09/04/18 - SHC email dated 02/02/18 - Stakeholder engagement protocol - https://hs.at/fileadmin/files/Responsibility/Stakeholder_Portal/Stakeholder_Engagement_Protocol_210114_final.pdf
1.a.ii	ii. Public Timber Sourcing Policy HS must put in place and publish a Timber Sourcing Policy: <ul style="list-style-type: none"> • Committing to securing the sustainable and responsible sourcing of its timber needs across the entirety of its business; and • Providing an explicit statement on the exclusion of timber which is not harvested according to the legislation of the country of origin from its supply chains as being its express responsibility. • Providing an explicit statement on the exclusion of sourcing or purchasing round timber from those areas classified as non-harvesting areas by Romanian legislation. • Providing an explicit statement of the exclusion of sourcing or purchasing round timber that comes from forestry lands whose property is being disputed in court in those cases when the court has decided for the suspension of the operations. Note: For Romania special attention should be given to the following areas: Virgin-Forests as identified according to the Romanian legislation (including the Ministerial Order 3397/2012) and non-harvesting areas zones as identified in the management plans of Natura 2000 sites and national and nature parks.	HS publishes its Timber Sourcing Policy (in English, Romanian and German), explicitly declaring its commitment to securing the sustainable and responsible sourcing of its timber needs across the entirety of its business; and to excluding of all timber which is not harvested according to the legislation of the country of origin from its supply chains as being its express responsibility, including an explicit statement on the exclusion of sourcing or purchasing round timber from those areas classified as non-harvesting areas by Romanian legislation and also providing an explicit statement of the exclusion of sourcing or purchasing round timber that comes from forestry lands whose property is being disputed in court in those cases when the court has decided for the suspension of the operations.	ii. Public Timber Sourcing Policy		
1.a.ii			HS has published its Timber Sourcing Policy in English, Romanian and German.		- Timber sourcing Policy https://hs.at/fileadmin/files/Responsibility/Timber_Sourcing_Policy/Timber_Sourcing_Policy_EN.pdf

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1.a.ii			In its Timber Sourcing Policy HS explicitly declares its commitment to securing the sustainable and responsible sourcing of its timber needs across the entirety of its business.		- Timber sourcing Policy https://hs.at/fileadmin/files/Responsibility/Timber_Sourcing_Policy/Timber_Sourcing_Policy_EN.pdf
1.a.ii			The Timber Sourcing Policy provides an explicit statement on the exclusion of timber which is not harvested according to the legislation of the country of origin from its supply chains as being its express responsibility.		- Timber sourcing Policy https://hs.at/fileadmin/files/Responsibility/Timber_Sourcing_Policy/Timber_Sourcing_Policy_EN.pdf
1.a.ii			The Timber Sourcing Policy provides an explicit statement on the exclusion of sourcing or purchasing round timber from those areas classified as non-harvesting areas by Romanian legislation.		- Timber sourcing Policy https://hs.at/fileadmin/files/Responsibility/Timber_Sourcing_Policy/Timber_Sourcing_Policy_EN.pdf Check for Core areas of Natura Parks and Natura 2000 + reserves. How updates in Virgin forests list are followed and integrated into Timflow.
1.a.ii			The Timber Sourcing Policy provides an explicit statement of the exclusion of sourcing or purchasing round timber that comes from forestry lands whose property is being disputed in court in those cases when the court has decided for the suspension of the operations.		- Timber sourcing Policy https://hs.at/fileadmin/files/Responsibility/Timber_Sourcing_Policy/Timber_Sourcing_Policy_EN.pdf
1.a.iii	iii. Internal Procedure for Purchasing Routines <ul style="list-style-type: none"> • HS must define and put in place clear internal procedures for purchasing routines and include them in the company's compliance documents, establishing requirements aiming to promote the legal and ethical business behaviour by its employees (whose roles relate to supply chain activities or operations) and contractors or employees of contractors or any other person working on behalf of HS; • Requirements related to the internal purchasing routines must be openly communicated to employees (by stating these requirements in the Terms and Conditions of the written contracts between HS and its employees); • Internal auditing of the employee's compliance with the internal procedures for purchasing routines must be conducted (and records of the results of such audits shall be kept for a minimum period of seven years). 	Effective Internal Procedures for Purchasing Routines are in place and included in the company's compliance documents; - Employees whose roles relate to supply chain activities or operations have been clearly informed periodically about the establishment of the Internal Procedures for Purchasing Routines and trained about the relevance of legal and ethical business behaviour and their responsibility to comply with such Internal Procedures for Purchasing Routines. All employees whose roles relate to supply chain activities or operations acknowledge this information in writing. Written contracts (or relevant job descriptions) between HS and its employees state the requirements related to Internal Procedures for Purchasing Routines that shall be complied with by employees; - Periodic internal auditing is conducted to assess employee's compliance with Internal Procedures for Purchasing Routines. All results of such auditing are stored for a minimum of five years; - Effective and timely measures are applied to address and correct any noncompliance identified during internal auditing of employees' compliance with the Internal Procedures for Purchasing Routines.	iii. Internal Procedure for Purchasing Routines		
1.a.iii			Effective Internal Procedures for Purchasing Routines are in place and included in the company's compliance documents.	Review internal procedures	- Timber sourcing Policy https://hs.at/fileadmin/files/Responsibility/Timber_Sourcing_Policy/Timber_Sourcing_Policy_EN.pdf - Manual on Supply Change Management dated January 2021 incl Annex VA.0.1 - Purchasing Process Flow VA01 Timber Sourcing Policy Interviews with purchasers

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1.a.iii			Employees whose roles relate to supply chain activities or operations have been clearly informed periodically about the establishment of the Internal Procedures for Purchasing Routines and trained about the relevance of legal and ethical business behaviour and their responsibility to comply with such Internal Procedures for Purchasing Routines. All employees whose roles relate to supply chain activities or operations acknowledge this information in writing. Written contracts (or relevant job descriptions) between HS and its employees state the requirements related to Internal Procedures for Purchasing Routines that shall be complied with by employees.	Written contracts with employees Job descriptions of employees Records of training Interviews with employees	- Employee contracts - Timber Sourcing Policy - Manual on Supply Change Management dated January 2021 - Purchasing Process Flow VA01 - Training proposal and content IACA/GEEA Consulting - Training records as detailed Timber Sourcing Policy Manual on the Supply Chain Management System and Annex VA.0.1 Employee contracts and job descriptions for purchasers. Interviews with purchasers
1.a.iii			Periodic internal auditing is conducted to assess employee's compliance with Internal Procedures for Purchasing Routines. All results of such auditing are stored for a minimum of five years.	Assessment/audit records	- Domestic Roundwood Purchasing (Contracting, Control and Reception) internal audit report August 2020 - Manual on Supply Chain Management System dated January 2021 Internal audit report on domestic roundwood purchase from Aug 2020 Interviews with staff from SCCC department
1.a.iii			Effective and timely measures are applied to address and correct any noncompliance identified during internal auditing of employees' compliance with the Internal Procedures for Purchasing Routines.		- Domestic Roundwood Purchasing (Contracting, Control and Reception) internal audit report August 2020 - Excel report of findings status (via Teams) Internal audit report on domestic roundwood purchase from Aug 2020 Manual on the Supply Chain Management System Interviews with staff from SCCC department

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1.a.iv	<p>iv. External Guidelines for Purchasing Routines</p> <ul style="list-style-type: none"> • HS must put in place guidelines for purchasing routines and communicate them clearly to promote the legal and ethical business behaviour by its supply chains and to disincentive suppliers to manipulate information to their own personal or anybody else's benefit. (E.g. Manipulation of information related to timber origin, distance from the mill, etc.); • Requirements related to the external purchasing routines must be openly communicated to first tier suppliers (by stating these requirements in the Terms and Conditions of the written contracts between HS and its first tier suppliers); • HS must also request its first tier suppliers to communicate further down the supply chain encouraging suppliers across all its supply chains to commit to and follow these guidelines, and to only engage in business with those suppliers that have expressed their commitment to it. • First tier suppliers must commit to deliver documents related to the legality and origin of the round wood when requested by HS; • First tier suppliers must accept external audits conducted in relation to business with HS when requested by HS. (Records of the results of such audits shall be kept and a summary of the results of the audits shall be published by HS). 	<p>Effective External Guidelines for Purchasing Routines (such as an understandable Timber Sourcing Policy or a Supplier Code of Conduct) are in place and included in the company's compliance documents;</p> <ul style="list-style-type: none"> - First tier suppliers have been clearly informed about the establishment of the External Guidelines for Purchasing Routines (such as an understandable Timber Sourcing Policy or a Supplier Code of Conduct) and trained about the relevance of legal and ethical business behaviour and their responsibility to comply with the requirements of such External Guidelines for Purchasing Routines; - Written contracts between HS and its first tier suppliers state the requirements related to External Guidelines for Purchasing Routines (such as an understandable Timber Sourcing Policy or a Supplier Code of Conduct) that shall be complied with by its first tier suppliers; - Periodic external auditing is conducted to assess its first tier suppliers compliance with External Guidelines for Purchasing Routines; - Effective and timely measures are applied to address and correct any noncompliance identified during the auditing of first tier suppliers' compliance with the External Guidelines for Purchasing Routines (such as an understandable Timber Sourcing Policy or a Supplier Code of Conduct). A public summary of the findings of the audits are publicized by HS on an at least yearly basis. - There are records available of HS formal communication/ request to all its first tier suppliers to communicate further down the supply chain encouraging suppliers across all its supply chains to commit to and follow these guidelines, and to only engage in business with those suppliers that have expressed their commitment to it 	iv. External Guidelines for Purchasing Routines		
1.a.iv			Effective External Guidelines for Purchasing Routines (such as an understandable Timber Sourcing Policy or a Supplier Code of Conduct) are in place and included in the company's compliance documents.	Timber Sourcing Policy, Supplier Code of Conduct	- Timber Sourcing Policy (EN, RO, DE) - Supplier Code of Conduct (EN, RO, DE)
1.a.iv			First tier suppliers have been clearly informed about the establishment of the External Guidelines for Purchasing Routines (such as an understandable Timber Sourcing Policy or a Supplier Code of Conduct) and trained about the relevance of legal and ethical business behaviour and their responsibility to comply with the requirements of such External Guidelines for Purchasing Routines.		- Timber Sourcing Policy (EN, RO, DE) - Supplier Code of Conduct (EN, RO, DE) - Stakeholder Consultation presentations Targu Mures 27/02/18, Brasov 12/02/19 and Radauti 30/01/20 and Attendee list - Timflow 2 page user guide Contracts with sampled suppliers 16/10/20, 23/04/20, and 27/12/19. Records of meetings (e.g. presentations) Interviews with managers of sampled suppliers
1.a.iv			Written contracts between HS and its first tier suppliers state the requirements related to External Guidelines for Purchasing Routines (such as an understandable Timber Sourcing Policy or a Supplier Code of Conduct) that shall be complied with by its first tier suppliers.	Contracts with suppliers	- Timber Sourcing Policy (EN, RO, DE) - Supplier Code of Conduct (EN, RO, DE) - First Tier Supplier Contracts dated 16/10/20, 23/04/20, and 27/12/19.

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
1.a.iv			Periodic external auditing is conducted to assess its first tier suppliers compliance with External Guidelines for Purchasing Routines.	Audit records	- Internal audit reports including (1)dated 04/06/2020, (2) dated 21/02/20. and (3) dated 05/02/20 Manual on the Supply Chain Management System I-Auditor internal software DDS hub with audit records Witnessed external audits of sampled suppliers performed by SCCC staff Previous and current external audit reports for sampled suppliers Interviews with SCCC staff performing external audits to suppliers Interview with suppliers' managers and administrators
1.a.iv			Effective and timely measures are applied to address and correct any noncompliance identified during the auditing of first tier suppliers' compliance with the External Guidelines for Purchasing Routines (such as an understandable Timber Sourcing Policy or a Supplier Code of Conduct). A public summary of the findings of the audits are publicized by HS on an at least yearly basis.		- Internal audit reports including (1)L dated 04/06/2020, (2) 21/2/20 and (3) dated 05/02/20 - Results of internal audits, Witnessed external audits of sampled suppliers performed by SCCC staff Previous and current external audit reports for sampled suppliers Supply chain control reports for 2018 and 2019
1.a.iv			There are records available of HS formal communication/ request to all its first tier suppliers to communicate further down the supply chain encouraging suppliers across all its supply chains to commit to and follow these guidelines, and to only engage in business with those suppliers that have expressed their commitment to it.		First Tier Supplier Contracts (1) dated 16/10/20, (2) dated 23/04/20, (3) dated 27/12/19. Supplier Code of Conduct Witnessing of external audits performed by HS staff on suppliers Interviews with managers of suppliers
1b	1b. Corporate Social Responsibility HS must set up an effective Corporate Social Responsibility (CSR) system referring to the mandatory CSR reports based on the European Union Directive issued in 2016 (transposed by the Romanian Order of the Ministry of Public Finance No. 1938 / 2016). This CSR system shall include:		1b. Corporate Social Responsibility		

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
1b.i	<p>i. A CSR guiding document (available in Romanian, English and German) covering the following aspects:</p> <ul style="list-style-type: none"> • Public Timber Sourcing Policy and commitment to have the appropriate internal purchasing routines to ensure the fulfilment of conditions 1.a.ii and 1.a.iii above; • Stakeholder Engagement <p>- HS must provide clear and transparent opportunities to all the relevant stakeholders (including any stakeholder which has expressed its interest and/ or request to be engaged, as well as any affected stakeholders), national and international, for their engagement in the development of HS' final Action Plan to be presented to FSC (and for providing input about its overall operations);</p> <p>- Input provided by stakeholders with regards to the measures proposed as part of its Action Plan shall be duly considered and addressed, in a structured and organized manner, during the process for the development of its final Action Plan;</p> <p>- HS' Action Plan must be made publicly available.</p>	<p>HS has an effective, transparent and publicly available Corporate Social Responsibility (CSR) system referring to the mandatory CSR reports (Sustainability Report) based on the European Union Directive issued in 2016 starting with the financial year 2017.</p> <p>Such timber CSR system has been verified by an independent third party, which has confirmed that:</p> <ul style="list-style-type: none"> -A Sustainability Report has been published in all three languages: Romanian, English and German; -The Sustainability Report covers all the aspects required under condition 1b.i. Further details to the this may also be provided in complimentary documents; -HS strategy and activities for stakeholder engagement are clearly described in a stakeholder engagement protocol. Public communication describe the foreseen consultation and stakeholder engagement process to be conducted for the development of its Action Plan. - The implementation of HS' stakeholder engagement protocol ensures that: <ul style="list-style-type: none"> • clear and transparent opportunities are provided to all the relevant stakeholders for their engagement in the development of HS' final Action Plan to be presented to FSC (as well as to provide feedback about other relevant issues related to HS' overall operations); • Stakeholder input provided to HS with regards to the measures proposed as part of its Action Plan (and about its overall operations) are duly considered by HS in a structured and organized manner; 	i. A CSR guiding document		
1b.i			HS has an effective, transparent and publicly available Corporate Social Responsibility (CSR) system referring to the mandatory CSR reports (Sustainability Report) based on the European Union Directive issued in 2016 starting with the financial year 2017.	Check system	- Sustainability reports 2017 - 19
1b.i			CSR system has been verified by an independent third party		- Environmental Agency Austria (Umweltbundesamt GmbH) report review dated 28/05/20.
1b.i			A Sustainability Report has been published in all three languages: Romanian, English and German	Check if Report is published on the web-site or other communications materials.	- Sustainability report dated August 2020 (EN, RO, DE)
1b.i			The Sustainability Report covers all the aspects required under condition 1b.i. Further details to the this may also be provided in complimentary documents.	Check sustainability report	- Sustainability report dated August 2020 (EN, RO, DE)
1b.i			HS strategy and activities for stakeholder engagement are clearly described in a stakeholder engagement protocol. Public communication describe the foreseen consultation and stakeholder engagement process to be conducted for the development of its Action Plan.	Check availability and contents of stakeholder engagement protocol. Stakeholder interviews.	- Mission statement (website https://hs.at/en/responsibility.html) - Stakeholder Engagement Protocol - Action Plan (website)
1b.i			The implementation of HS' stakeholder engagement protocol ensures that: <ul style="list-style-type: none"> • clear and transparent opportunities are provided to all the relevant stakeholders for their engagement in the development of HS' final Action Plan to be presented to FSC (as well as to provide feedback about other relevant issues related to HS' overall operations); • Stakeholder input provided to HS with regards to the measures proposed as part of its Action Plan (and about its overall operations) are duly considered by HS in a structured and organized manner. 		- Action Plan (website) - CSR Stakeholder Newsletters (January 2021, December 2020, August 2020 and May 2020) - Stakeholder responses Lujia Taicutu 11/11/20 and Carpathier 11/11/20 - Sustainability report August 2020
1b.i			HS' Action Plan must be made publicly available.	Check if Action Plan is made public.	- Action plan https://hs.at/en/responsibility/a-responsible-supply-chain/action-plan.html
1b.ii	<p>ii. A system to minimize and assess the social and environmental impacts related to HS' operations. Records of the implementation of such system are kept for a minimum of five years.</p> <p>Note: Output from stakeholder consultation should be duly considered when assessing the environmental and social impacts (such as the impact of HS' consumption of wood for energy on firewood procurement by the rural population – issue which was raised as a result of the stakeholder public consultation developed by FSC on the Conditions Framework).</p>	<p>HS has an effective system to assess and minimize negative social and environmental impacts related to its operations and supply chains, which is included as part of its Corporate Social Responsibility (CSR) system (effectiveness measured by a Sustainability Process according to GRI requirements);</p> <p>- The implementation of such an assessment ensures that social and environmental impacts related to HS' operations are assessed, minimized, mitigated, prevented and corrected adequately.</p>	ii. A system to minimize and assess the social and environmental impacts related to HS' operations.		

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
1b.ii			HS has an effective system to assess and minimize negative social and environmental impacts related to its operations and supply chains, which is included as part of its Corporate Social Responsibility (CSR) system (effectiveness measured by a Sustainability Process according to GRI requirements).		- Sustainability reports 2017 - 2019 - Environmental Aspects Evaluation - ISO14001 certificates
1b.ii			The implementation of such an assessment ensures that social and environmental impacts related to HS' operations are assessed, minimized, mitigated, prevented and corrected adequately.		- Sustainability report 2019 - Tomorrows Forest Project Outline - Mill KPI monitoring report - Records of social projects
1b.ii			Output from stakeholder consultation has been be duly considered when assessing the environmental and social impacts (such as the impact of HS' consumption of wood for energy on firewood procurement by the rural population – issue which was raised as a result of the stakeholder public consultation developed by FSC on the Conditions Framework).		- Stakeholder Consultation presentations Targu Mures 27/02/18, Brasov 12/02/19 and Radauti 30/01/20 and Attendee list - HS Timber Group report on fuel use in Romania - September 2020 stakeholder newsletter results report
1b.iii	<p>iii. A Risk Management Program covering all its wood supply chains. Records of the implementation and results of the risk analysis of this program are kept and stored for a minimum of five years.</p> <p>Note: The scope of supply chains includes first tier suppliers, suppliers further down the supply chain (where feasible) and the origin of timber at the Forest Management Unit.</p>	<p>HS has an effective Risk Management Program covering all its wood supply chains, which is included as part of its Corporate Social Responsibility (CSR) system;</p> <p>- The implementation of such program ensures that risks related to its operations are appropriately evaluated, and that effective measures are taken to prevent, correct and mitigate any identified risks in its supply chain (including but not limited to risks associated to the complexity of the supply chain as well as the origin).</p>	<p>iii. A Risk Management Program covering all its wood supply chains; records of implementation and results of the risk analysis.</p>		
1b.iii			HS has an effective Risk Management Program covering all its wood supply chains, which is included as part of its Corporate Social Responsibility (CSR) system.	- Manual on the Supply Chain Management System dated January 2020 v4.7 - Sustainability report 2019	Manual on the Supply Chain Management System Risk assessment, Romania 2020 Interviews with SCCC staff
1b.iii			The implementation of such program ensures that risks related to its operations are appropriately evaluated, and that effective measures are taken to prevent, correct and mitigate any identified risks in its supply chain (including but not limited to risks associated to the complexity of the supply chain as well as the origin).		- VA.4.2 Risk mitigation tools - Country Risk assessments Ivory Coast Ukraine, Belarus and Rumania - Supplier level Risk assessments (1) (Ivory Coast) dated 06/12/19, (2) (Romania) dated 15/08/19 and (3) (Ukraine) dated 02/06/20 - Ministry of Justice Records Manual on the Supply Chain Management System Risk assessment, Romania 2020 Interviews with SCCC staff Supplier audit report Legal verification report Timflow application
1b.iii			Records of the implementation and results of the risk analysis of this program are kept and stored for a minimum of five years.		- Historical DDS records dated 13/01/16, 20/05/16, 09/11/15, 05/01/16

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
1b.iv	<p>iv. Corporate communications offering a platform for stakeholder information and engagement, including publicly information requested in the above and below conditions. (See below list of all information required to be published by HS).</p> <p>Information required to be published by HS:</p> <ul style="list-style-type: none"> - CSR policy document in all three languages: English, Romanian and German (1.a) - Anticorruption and Integrity Policy in English, Romanian and German (1a.i) - A summary of the findings in relation to compliance with its Anticorruption and Integrity Policy and related mechanisms resulting from HS' audits, including non-compliances and potential non-compliances, as well as the results of the investigations by HS of the identified non-compliances and/or potential non-compliances; (1a.i) - Timber Sourcing Policy (in English, Romanian and German) (1.a.ii); - A summary of the findings of HS' audits conducted to first tier suppliers in relation to their compliance with the External Guidelines for Purchasing Routines (1.a.iv); - CSR guiding document in all three languages: Romanian, English and German; (1b.i) - HS' Action Plan; (1b.i) - A summary of the results of the documentation verification (2b); - An updated list of all suppliers, partners and organizations HS engages business with in the context of forest land, timber harvesting and trade (2fii); - A public summary of the results of the external audits conducted to its DDS and CoC systems; (2hii) - A summary of the results of the legal land ownership review; (3.1) - Selection criteria and the results of selection used for the selection of environmental and social projects (4a); - Results of the implementation of environmental and social projects (4a); - Quarterly progress reports on the implementation of the environmental and social projects (4a); - Detailed overview of PFA investigation costs (6). 	<p>HS has a publicly available and easily accessible communications platform which:</p> <ul style="list-style-type: none"> - Provides information about its: CSR strategy and activities (included in its CSR guiding document), stakeholder engagement protocol, Action Plan, Timber Sourcing Policy, Anticorruption and Integrity Policy, a public summary of the most significant results of the audits conducted to its DDS and CoC systems, a public summary of the findings of HS' audits conducted to its first tier suppliers in relation to the Timber Sourcing Policy and the Supplier Code of Conduct, a public summary of the findings of the audits in relation to its Anticorruption and Integrity Policy, a public summary of the results of the legal land ownership review according to Condition 3, the selection criteria and the results of selection used for the selection of environmental and social projects (e.g. by making clear reference to an implementation partner), regular progress reports on the implementation of the environmental and social projects, a detailed overview of PFA/.. ../.. investigation costs and make directly or indirectly available all deliveries and suppliers in Romania. The full list of suppliers will be made available for the third party verifier - Provides a communications channels to receive and address stakeholder input (in compliance with 1b.i) - Satisfies stakeholder expectations in terms of information published, transparency and opportunities to provide feedback. 	<p>iv. Corporate communications offering a platform for stakeholder information and engagement, including publicly information requested in the above and below conditions.</p>		
1b.iv			<p>HS has a publicly available and easily accessible communications platform which provides information about its: CSR strategy and activities (included in its CSR guiding document), stakeholder engagement protocol, Action Plan, Timber Sourcing Policy, Anticorruption and Integrity Policy, a public summary of the most significant results of the audits conducted to its DDS and CoC systems, a public summary of the findings of HS' audits conducted to its first tier suppliers in relation to the Timber Sourcing Policy and the Supplier Code of Conduct, a public summary of the findings of the audits in relation to its Anticorruption and Integrity Policy, a public summary of the results of the legal land ownership review according to Condition 3, the selection criteria and the results of selection used for the selection of environmental and social projects (e.g. by making clear reference to an implementation partner), regular progress reports on the implementation of the environmental and social projects, a detailed overview of PFA investigation costs and make directly or indirectly available all deliveries and suppliers in Romania. The full list of suppliers will be made available for the third party verifier.</p>		<ul style="list-style-type: none"> - Sustainability report August 2020 - https://hs.at/en/responsibility.html - Stakeholder Engagement Protocol - Action plan - Timber Sourcing Policy - Codes of Conduct (employee & supplier) - Supply Chain Report 2019 - Legal report on former HS Group land ownership - Sustainability report 2019 - Stakeholder newsletters January 2021, December 2020, August 2020 and May 2020 - Transparency Statement on Re-imburement of costs - Approved supplier list - Suspended supplier list
1b.iv			<p>The communication platform provides a communications channels to receive and address stakeholder input (in compliance with 1b.i)</p>		<p>- https://hs.at/en/responsibility.html</p>
1b.iv			<p>The communication platform satisfies stakeholder expectations in terms of information published, transparency and opportunities to provide feedback.</p>		<p>Contact (hs.at) https://hs.at/en/responsibility/stakeholder-involvement/stakeholder-platform.html</p>

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
2	<p>2. Strengthening of its Due Diligence and Chain of Custody Systems HS must develop and implement Due Diligence (DD) and Chain of Custody (CoC) systems that address the existing risks in Romania and in the external timber sourcing areas and avoid HS' direct and/or indirect involvement in any form of illegality in its forestry and timber trade operations. Elements a - h below (and others that may be considered necessary by HS) will be ensured through the implementation of such DD and CoC systems. Note: Compliance with Condition 2 is required when sourcing from high risk countries/ areas (countries/ areas categorized as specified and unspecified risk according to FSC CW risk categories). Condition 2 requirements are not required to be implemented when sourcing from low risk countries/ areas.</p>		2. Strengthening of its Due Diligence and Chain of Custody Systems		
			General conclusion on the compliance with the condition:	Remote audit conclusion based on: - Staff Interviews - Document review - Demonstrations of software platforms via Teams Sharescreen.	

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
2a	<p>2a. Traceability of round wood Legal ownership of the entire quantity of round wood can be traced from the forest stand to HS' mill gate of the primary processing site via unbroken chain of custody, including any timber purchased from third parties. Inventories of the stocks at any given time correspond to the documented volumes. Documents related to the round wood's origin can be obtained upon request across its supply chain.</p> <ul style="list-style-type: none"> • If a supplier cannot confirm the traceability of the legal ownership of all the round wood in its possession, HS shall require the supplier either physical separation of the round wood to be delivered to HS or the use of alternative means to demonstrate the traceability of the round wood (up to physical tracing). • For timber purchased from traders, HS shall impose – and ensure the fulfilment of – adequate purchasing routines including due diligence to the timber traders which it engages in business with. • When HS purchases other timber products (E.g. wood chips) due diligence must confirm legal origin of the round wood from which these products were derived. • HS should ensure external independent audits of suppliers are conducted in relation to the inventory of logs in wood storage sites along the supply chain to ensure the implementation of adequate purchasing routines to the timber traders which it engages in business with and the legality of the timber. 	<p>HS has a robust timber tracking system in place which allows the tracking of the legal ownership of the entire quantity of round wood across its supply chains, from the forest to HS' mill gate of the primary processing site via unbroken chain of custody, and including any timber purchased from third parties.</p> <p>Such timber tracking system:</p> <ul style="list-style-type: none"> -Is capable of effectively tracking the legal ownership of the entire quantity of round wood from the mill gate of the primary processing site to its origin via unbroken chain of custody in a reliable manner; -Ensures that any documentation related to the round wood's origin can be obtained by HS at any time upon request across its supply chain. -Ensures that the round wood entering HS' mills of the primary processing site has not been sourced from those areas classified as non-harvesting areas.; -Can ensure full traceability of the legal ownership of the round wood, minimizing the risks of illegal sources entering into its supply chains, and ensuring, as much as possible, that the round wood entering HS' supply chains has not been harvested/ purchased from illegal sources. - Includes adequate purchasing routines including due diligence imposed to traders which HS' engages in business with (in compliance with condition 1a.iv – explicitly the Supplier Code of Conduct and compliance with the Timber Sourcing Policy) for timber purchased from traders and assures the compliance by traders with the requirements of such purchasing routines. -There is evidence available demonstrating that in those cases where a supplier has not been able to confirm the traceability of the legal ownership of all the round wood in its possession, HS has required the supplier either physical separation of the round wood or the use of alternative means to demonstrate the traceability of the round wood (up to physical tracing). <p>The results/ records of the external audits to suppliers in relation to the inventory of logs in wood storage sites along the supply chain demonstrate that in those cases where non-compliances with the requirements of the purchasing routines have identified in relation to wood storage sites along the supply chain, effective measures have been taken to address and correct these.</p>	2a. Traceability of round wood		
			HS has a robust timber tracking system in place which allows the tracking of the legal ownership of the entire quantity of round wood across its supply chains, from the forest to HS' mill gate of the primary processing site via unbroken chain of custody, and including any timber purchased from third parties.	Remote Interviews with: Supply Chain Control & Certification Manager. Purchasing Manager (Group). Demonstration provided during interview (via sharescreen). Legal Team Interview with Legal Adviser for Sebes Mill - may undertake work for the entire group.	*Supply Chain Report 2019. See worksheet Graphics *Graphic 1 TimFlow screenshot. Manual on the Supply Chain Management System incl. Annex VA.6.1 Timflow procedure Random check of deliveries at different factories through Timflow application Interviews with staff responsible for accepting
2a			The timber tracking system is capable of effectively tracking the legal ownership of the entire quantity of round wood from the mill gate of the primary processing site to its origin via unbroken chain of custody in a reliable manner.	Remote Interviews with: Supply Chain Control & Certification Manager. Purchasing Manager (Group). Demonstration provided during interview (via sharescreen). Legal Team Interview with Legal Adviser for Sebeche Factory - may undertake work for the entire group.	*Supply Chain Report 2019. See worksheet Graphics *Graphic 1 TimFlow screenshot. Manual on the Supply Chain Management System incl. Annex VA.6.1 Timflow procedure Interviews with staff responsible for accepting Witnessed audits at suppliers and audit reports generated via iAuditor. Interviews with suppliers

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
2a			The timber tracking system ensures that any documentation related to the round wood's origin can be obtained by HS at any time upon request across its supply chain.	Remote Interviews with: Supply Chain Control & Certification Manager. Purchasing Manager (Group). Demonstration provided during interview (via sharescreen). Transactions were selected and samples provided.	*Supply Chain Report 2019. See worksheet Graphics *Graphic 2. HUB - details of supplier record. *Graphic 3. HUB - access and storage of verification Manual on the Supply Chain Management System incl. Annex VA.6.1 Timflow procedure Interviews with staff responsible for accepting Witnessed audits at suppliers and audit reports generated via iAuditor. Interviews with suppliers
2a			The timber tracking system ensures that the round wood entering HS' mills of the primary processing site has not been sourced from those areas classified as non-harvesting areas.	Remote Interview with: Purchasing Manager (Group) and onscreen demonstration of investigations into TimFlow.	*Timber Sourcing Policy *Supply Chain Report 2019 *Graphic 4. Supplier Monitoring Report - issues related to National Park Manual on the Supply Chain Management System incl. Annex VA.6.1 Timflow procedure Interviews with staff responsible for accepting Witnessed audits at suppliers and audit reports generated via iAuditor. Interviews with suppliers
2a			The System can ensure full traceability of the legal ownership of the round wood, minimizing the risks of illegal sources entering into its supply chains, and ensuring, as much as possible, that the round wood entering HS' supply chains has not been harvested/ purchased from illegal sources.	Remote Interviews with: (Purchase on Stump Manager (RO). Mill Radauti (Suceava county) and Reci (Covasna county). Purchase Area Manager RAD/REC. Legal Team Interview with Legal Adviser for Sebes Mill - may undertake work for the entire group. Onscreen demonstration of Supplier Screening & Monitoring system.	Manual on the Supply Chain Management System incl. Annex VA.6.1 Timflow procedure Interviews with staff responsible for accepting Witnessed audits at suppliers and audit reports generated via iAuditor. Interviews with suppliers

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
2a			The System includes adequate purchasing routines including due diligence imposed to traders which HS' engages in business with (in compliance with condition 1a.iv – explicitly the Supplier Code of Conduct and compliance with the Timber Sourcing Policy) for timber purchased from traders and assures the compliance by traders with the requirements of such purchasing routines.	Remote Interview General Manager Remote Interview with: Lumber Purchasing - for Rădăuți and Siret Mills (edge wood panels). Demonstration of Docuware system. Remote Interview with: Purchase Area Manager RAD/REC.	*Supplier Code of Conduct *KPMG LLP review of HS Timber Group Due Diligence systems, February 2020. *SGS Due Diligence System of Wood and Wood Fibre Products Gap-Analyses April 2019. *Graphic 6. Legal department reporting software. Timber Sourcing Policy Contracts with sampled suppliers Witnessed audits at suppliers and audit reports generated via iAuditor. Interviews with managers of sampled suppliers
2a			There is evidence available demonstrating that in those cases where a supplier has not been able to confirm the traceability of the legal ownership of all the round wood in its possession, HS has required the supplier either physical separation of the round wood or the use of alternative means to demonstrate the traceability of the round wood (up to physical tracing).	Remote Interview with SCCC REC. Demonstration of iAuditor system.	Manual on the Supply Chain Management System incl. Annex VA.6.1 Timflow procedure Interviews with staff responsible for accepting Witnessed audits at suppliers and audit reports generated via iAuditor. Log yard observations
2a			The results/ records of the external audits to suppliers in relation to the inventory of logs in wood storage sites along the supply chain demonstrate that in those cases where non-compliances with the requirements of the purchasing routines have identified in relation to wood storage sites along the supply chain, effective measures have been taken to address and correct these.	Remote Interview with: Log Purchasing Back Office Coordinator	*Supply Chain Report 2019 Witnessed audits at suppliers and audit reports generated via iAuditor. Interviews with SCCC staff Interviews with suppliers
2a			When HS purchases other timber products (E.g. wood chips) due diligence must confirm legal origin of the round wood from which these products were derived.	Remote Interview with: (Purchase Area Manager RAD/REC). Demonstration of SUMAL system	*Supply Chain Report 2019

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
2b	<p>2b. Verification of timber documentation</p> <p>A system must be put in place to ensure that all documents that are related to the traceability of legal ownership of round wood and other timber products (E.g. wood chip), including harvest, trade and transport, are consulted and randomly verified by an external independent auditor to have been issued by the relevant authorities. This system also includes verification of documents related to timber bought from third parties.</p> <ul style="list-style-type: none"> • The basis for this system shall be the consultation and verification of all legally required documents - if publicly available and/or available upon request- (e.g. in Romania including, but not limited to: APV inventory, SUMAL system documentation, harvesting permits, documents related to forest management plans and official information related to the properties on which forestry activities have been suspended by Romanian authorities (such as Forest Guards); • Verification shall be documented and a summary of the results shall be regularly published; • Random sampling auditing shall be conducted to ensure that the above mentioned documents are in place. <p>Note: During the document verification process special attention shall be given to sanitary and salvage cuttings to ensure that such harvesting permits are not misused and that its issuance is in line with its purpose. Special attention should also be given during the verification of transportation documents for other timber products (E.g. wood chips).</p> <p>This verification system must be part of the risk management program (1b.iii) (in line with the scale, intensity and risk approach) and must address at least the following:</p>	<p>HS has an appropriate and effective system for the consultation and verification of documentation related to harvest, trade and transport in place, which is implemented across all its operations, prior to any timber entering into its saw mills.</p> <p>Such system::</p> <ul style="list-style-type: none"> -provides a thorough verification of documentation related to harvest, trade and transport, ensuring that all legally required documents are in place and have been issued by the relevant authorities; - Documentation verification has been conducted by HS following this system, and a summary of the results of this verification have been published; -There is evidence demonstrating HS conducts random sampling auditing of documents and are issued by the relevant authorities; - There is evidence demonstrating that non-compliances identified through HS' random sampling auditing of documentation have been addressed and corrected as needed. 	<p>2b. Verification of timber documentation</p>		
2b			HS has an appropriate and effective system for the consultation and verification of documentation related to harvest, trade and transport in place (e.g. in Romania including, but not limited to: APV inventory, SUMAL system documentation, harvesting permits, documents related to forest management plans and official information related to the properties on which forestry activities have been suspended by Romanian authorities (such as Forest Guards)) which is implemented across all its operations, prior to any timber entering into its saw mills.		<p>DDS hub</p> <p>Timflow</p> <p>Witnessed audits at suppliers</p>
2b			This verification system must be part of the risk management program (1b.iii) (in line with the scale, intensity and risk approach)		<p>*Supply Chain Report 2019</p> <p>*Measures of the Action Plan</p>
2b			Such system provides a thorough verification of documentation related to harvest, trade and transport , ensuring that all legally required documents are in place and have been issued by the relevant authorities;		<p>DDS hub</p> <p>Timflow</p> <p>Witnessed audits at suppliers</p>
2b			Documentation verification has been conducted by HS following this system, and a summary of the results of this verification have been published;		Supply chain control reports
2b			There is evidence demonstrating HS conducts random sampling auditing of documents and are issued by the relevant authorities;	Remote Interview with: SCCC REC.	Witnessed audits at suppliers
2b			During the document verification process special attention is given to sanitary and salvage cuttings to ensure that such harvesting permits are not misused and that its issuance is in line with its purpose. Special attention is also given during the verification of transportation documents for other timber products (E.g. wood chips).	Remote Interview with: (Purchase Area Manager RAD/REC).	
2b			There is evidence demonstrating that non-compliances identified through HS' random sampling auditing of documentation have been addressed and corrected as needed.		<p>Witnessed audits at suppliers</p> <p>Interview with SCCC staff</p>

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
2b.i	i. The ownership of the land from which the trees are harvested is legally clarified or if under dispute in court, forestry activities have not been suspended by Romanian authorities at the time of harvesting;	HS has a sourcing policy in place that clearly excludes sourcing and trading with material from forest land disputed in court in those cases when the court has decided for the suspension of the operations. Guidance: The term "clearly excludes" refers to the FSC CNRA for Romania as the risk catalogue.	i. The ownership of the land from which the trees are harvested is legally clarified or if under dispute in court, forestry activities have not been suspended by Romanian authorities at the time of harvesting;		
2b.i			HS has a sourcing policy in place that clearly excludes sourcing and trading with material from forest land disputed in court in those cases when the court has decided for the suspension of the operations. Guidance: The term "clearly excludes" refers to the FSC CNRA for Romania as the risk catalogue.	Remote Interview with: Legal Adviser	*Timber Sourcing Policy
2b.ii	ii. Forest management plans have all the necessary authorizations (including those issued by the necessary environmental authorities); and: <ul style="list-style-type: none"> For those areas classified as natural protected areas under the national legislation the fact that forest management plans are in agreement with the protected areas' management plan shall be officially acknowledged by the environment authorities (E.g. in Romania by the Environmental Protection Agency); HS shall not source or purchase round timber from those areas classified as non-harvesting areas by the legislation of the country (See note provided in 1aii); Note: The verification of the documents mentioned in 2bii is based on the system implemented as part of 2b, based on the scale, intensity and risk approach and random sampling auditing. Note: For Romania special attention should be given to the following: <ul style="list-style-type: none"> Non-harvesting areas zones as identified in the management plans of Natura 2000 sites and national and nature parks; Areas identified as potential virgin forests (Such as PIN- MATRA project8) with the prevention measures established by Ministerial Order no. 2525/20169; Areas identified as virgin forests according to MO 3397/2012 and included in the National Virgin Forests Catalogue after official approval of Romanian authorities. 10	HS documentation verification system: - mitigates the risk of round wood entering into HS' operations is not sourced from forest land for which the related forest management plans do not have all the necessary authorizations (including those issued by the necessary environmental authorities). -Publicly available summary of the results from the documentation verification conducted by HS demonstrate that HS has consulted and verified that for those areas classified as protected areas under the national legislation the fact that forest management plans are in agreement with the protected areas' management plan has been officially acknowledged by the environment authorities (E.g. in Romania by the Environmental Protection Agency); - no substantial evidence that HS has sourced or purchased round timber from those areas classified as non-harvesting areas by the legislation of the country (See note provided in 1aii); -There is evidence available demonstrating that prevention measures for virgin forests and potential virgin forests established by Ministerial Order no. 2525/2016 have been followed by HS	ii. Forest management plans authorizations (including those issued by the necessary environmental authorities) and their compliance with PA management plans; timber is not sourced/purchased from non-harvesting areas.		
2b.ii			HS documentation verification system mitigates the risk of round wood entering into HS' operations is not sourced from forest land for which the related forest management plans do not have all the necessary authorizations (including those issued by the necessary environmental authorities).	Remote Interview with: Purchase Area Manager RAD/REC. Lumber Purchasing. Legal Adviser for Sebeche Factory - may undertake work for the entire group.	Witnessed audits at 2 Ocul Silvics and the generated audit reports from iAuditor.
2b.ii			Publicly available summary of the results from the documentation verification conducted by HS demonstrate that HS has consulted and verified that for those areas classified as protected areas under the national legislation the fact that forest management plans are in agreement with the protected areas' management plan has been officially acknowledged by the environment authorities (E.g. in Romania by the Environmental Protection Agency).	Remote Interview with: SCCC REC.	*Supply Chain Report 2018, 2019 Timflow Interviews with SCCC staff Witnessed audits at OS Regim Ciuc, OS Dorna, OS Falcau, OS Borca and OS Vanator and generated audit reports from iAuditor.
2b.ii			No substantial evidence is in place that HS has sourced or purchased round timber from those areas classified as non-harvesting areas by the legislation of the country (See note provided in 1aii).	Remote Interview with: Legal Adviser	Supply Chain Control Reports Timflow Interviews with SACC staff Stakeholder interviews

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
2b.ii			There is evidence available demonstrating that prevention measures for virgin forests and potential virgin forests established by Ministerial Order no. 2525/2016 have been followed by HS.	Remote Interview with: Legal Adviser	*Timber Sourcing Policy *Review of supplier contract process. Timflow Interviews with SCCC staff
2c	2c. Correction of errors in timber documentation Timber volumes related to identified non-compliances, errors in the completion of paper forms and/or errors in the transport documentation must not be allowed to enter HS operations (and has to be stored separately and not be processed), until the identified errors are corrected and/or eliminated. • A system must be put in place to identify and register these errors. As part of this system all identified errors shall be recorded, as well as the names of the individuals involved in correcting them. This recorded information shall be analysed to improve its DDS, as well as to be considered in the risk assessment of its suppliers.	HS has an effective system to identify and register errors and non-compliances found in harvest and transport documentation and to correct such errors prior for timber volumes related to the errors to enter HS' operations: Such system: -Registers of the identified errors, and the names of individuals responsible for correcting them are available; -Records of the identified errors show that timber volumes related to the identified errors have not entered HS' production, until the identified errors have been corrected and/or eliminated; -There is evidence demonstrating that the information related to the identified errors has been analysed and used for the improvement of its DDS and to strengthen the risk assessment of its suppliers. -The system provides effective mitigation measures for those situations in which errors have been detected;	2c. Correction of errors in timber documentation		
2c			HS has an effective system to identify and register errors and non-compliances found in harvest and transport documentation and to correct such errors prior for timber volumes related to the errors to enter HS' operations.	Review of procedures	Manual on the Supply Chain Management System Timflow registry of errors (now including registers for Siret and Comanesti factories) Interviews with responsible staff - involved in inputs acceptance at the gate, log and lumber yard managers, SCCC staff Training records
2c			Registers of the identified errors, and the names of individuals responsible for correcting them are available.	Review of registers	Timflow registry of errors
2c			Records of the identified errors show that timber volumes related to the identified errors have not entered HS' production, until the identified errors have been corrected and/or eliminated.	Review of records of errors	Timflow registry of errors
2c			There is evidence demonstrating that the information related to the identified errors has been analysed and used for the improvement of its DDS and to strengthen the risk assessment of its suppliers.		Timflow registry of errors Interviews with SCCC staff
2c			The system provides effective mitigation measures for those situations in which errors have been detected.		Timflow registry of errors
2d	2d. Accounting of movement of wood materials The movement of all wood materials between entities inside HS' mills and between mills and associated entities will be correctly accounted for and correctly classified. Reports of these movements are kept and made available for random audits.	Documentation records (such as waybills, consumption bills and records mandatory under the applicable legislation) show that all wood materials between entities inside HS' mills and between mills and associated entities have been correctly accounted for and correctly classified.	2d. Accounting of movement of wood materials		
2d			Documentation records (such as waybills, consumption bills and records mandatory under the applicable legislation) show that all wood materials between entities inside HS' mills and between mills and associated entities have been correctly accounted for and correctly classified.		Timflow and Timflow intercompany programmes Internal ASIS Ria system
2d			Reports of these movements are kept and made available for random audits.		

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
2e	<p>2e. System for addressing stakeholder input HS has a system to welcome, receive, record and address stakeholder input provided by public, corporate and civil society stakeholders in relation to its operations and systems in a timely manner.</p>	<p>HS' system to welcome, receive and address stakeholder input in relation to its operations and systems in line with FSC values for stakeholder engagement by:</p> <ul style="list-style-type: none"> o Providing a public easily accessible platform through which stakeholders can provide input related to HS operations, without restrictions; o Describing in a documented publicly available procedure how stakeholder input is addressed (stakeholder engagement protocol); o Considering, addressing and recording all stakeholder input received; o Providing timely responses to stakeholders related to their concerns when needed; o Ensuring that stakeholder input is considered, and integrated when appropriate, for the improvement of its overall systems and operations; o Is in line with condition 1bi above. <p>- documented evidence demonstrating all the above.</p>	<p>2e. System for addressing stakeholder input</p>		
2e			<p>HS' has a system to welcome, receive, record and address stakeholder input in relation to its operations and systems in line with FSC values for stakeholder engagement by:</p> <ul style="list-style-type: none"> o Providing a public easily accessible platform through which stakeholders can provide input related to HS operations, without restrictions; o Describing in a documented publicly available procedure how stakeholder input is addressed (stakeholder engagement protocol); o Considering, addressing and recording all stakeholder input received; o Providing timely responses to stakeholders related to their concerns when needed; o Ensuring that stakeholder input is considered, and integrated when appropriate, for the improvement of its overall systems and operations; o Is in line with condition 1bi above. 	<p>Remote Interviews with: (Head of Compliance and Sustainability) (SCCC Manager)</p>	<p>*Review of website (stakeholder platform) and documents. *Demonstration of company systems (Jira).</p>
2e			<p>Documented evidence demonstrating that the system is implemented as above is in place.</p>	<p>Remote Interviews with: (Head of Compliance and Sustainability) (SCCC Manager)</p>	<p>*Review of website (stakeholder platform) and documents. *Demonstration of company systems (Jira).</p>
2fi	<p>2fi. Refraining from doing business with convicted entities HS stops (and keeps record of) doing business and communicates to its supply chains to refrain from doing business with any individual or company who has been convicted¹¹ for offences related to illegal timber trading and/or illegal harvesting and/or fraud and/or corruption related to business with forest land, timber harvesting and trade, regardless of the place of residence or nationality. HS shall publish a list of all its suppliers, partners and organizations it engages in business with in the context of forest land, timber harvesting and trade. This list shall be updated on a quarterly basis. Note: The decision to stop doing business with individuals or companies will be based on public information available such as the public portal provided by the Ministry of Justice of the country.</p>	<p>HS has robust and effective system/procedures in place, which have been independently verified by a third party confirming that through such system/procedures HS (its affiliates or subsidiaries) consistently stop doing business with individuals/ companies/entities which have been convicted regardless of the place of residence or nationality for any offence related to illegal timber trading and/or illegal harvesting and/or fraud and/or corruption related to business with forest land, timber harvesting and trade. -Records of the implementation if this system/procedures confirm that there is evidence of cases in which HS has identified a risk of having a business association with an organization/ individual convicted in a relevant offence and has stopped all business relations with such individual/organization as a consequence. -Where such risk is identified, HS ensures such material does not enter the supply chain. -An updated list of all companies/entities HS engages in business with, in the context of forest land, timber harvesting and trade is maintained by HS and made accessible for the third-party verifier and any other external auditor (e.g. for certification).</p>	<p>2fi. Refraining from doing business with convicted entities</p>		
2fi			<p>HS has robust and effective system/procedures in place, which have been independently verified by a third party confirming that through such system/procedures HS (its affiliates or subsidiaries) consistently stop doing business with individuals/ companies/entities which have been convicted regardless of the place of residence or nationality for any offence related to illegal timber trading and/or illegal harvesting and/or fraud and/or corruption related to business with forest land, timber harvesting and trade.</p>	<p>Remote Interview with: Legal Adviser for Sebes Factory Demonstration of Supplier Screening & Monitoring system.</p>	<p>Supplier Screening and monitoring internal system Legal verification reports for sampled suppliers iAuditor List of suspended suppliers</p>

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
2fi			Records of the implementation if this system/procedures confirm that there is evidence of cases in which HS has identified a risk of having a business association with an organization/ individual convicted in a relevant offence and has stopped all business relations with such individual/organization as a consequence.	Remote Interview with: Legal Adviser for Sebes Factory	Legal verification reports for sampled suppliers List of suspended suppliers
2fi			Where such risk is identified, HS ensures such material does not enter the supply chain.	Remote Interview with: Legal Adviser for Sebes Factory	Legal verification reports for sampled suppliers List of suppliers 2020 List of suspended suppliers
2fi			An updated list of all companies/entities HS engages in business with, in the context of forest land, timber harvesting and trade is maintained and published by HS and made accessible for the third-party verifier and any other external auditor (e.g. for certification).	Remote Interview with: Legal Adviser for Sebes Factory	Legal verification reports for sampled suppliers List of suppliers 2020 List of suspended suppliers
2fi			The decision to stop doing business with individuals or companies will be based on public information available such as the public portal provided by the Ministry of Justice of the country.	Remote Interview with: Legal Adviser for Sebes Factory	
2f.ii	<p>2fii. HS monitors and evaluates risks of doing business with its partners and considers suspension or termination of operations with those organizations or individuals sent to trial and/or court for offences related to illegal timber trading and/ or illegal harvesting and fraud and corruption related to business with forest land, timber harvesting and trade.</p> <p>Note: In this risk evaluation HS shall consider stakeholder input provided when concluding whether to suspend business with business partners. HS shall publish a list of all its suppliers, partners and organizations it engages in business within the context of forest land, timber harvesting and trade. This list shall be updated on a quarterly basis.</p>	<p>Records of the implementation if this system/ procedure confirm that there is evidence of cases in which HS has evaluated the risk of having a business association with an organization/ individual sent to trial and/or court for any offence related to illegal timber trading and/ or illegal harvesting and fraud and corruption related to business with forest land, timber harvesting and trade, that HS has considered the suspension or termination of the operations with such individual/organization as a consequence.</p> <p>-An updated list of all companies/entities HS engages in business with, in the context of forest land, timber harvesting and trade, is maintained by HS and made accessible for the third party verifier and any other external auditor (e.g. for certification).</p>	2fii. Monitoring and evaluation of risks of doing business with its partners		
2f.ii			A system is in place for HS to monitor and evaluate risks of doing business with its partners and considers suspension or termination of operations with those organizations or individuals sent to trial and/or court for offences related to illegal timber trading and/ or illegal harvesting and fraud and corruption related to business with forest land, timber harvesting and trade.	Remote Interview with: Legal Adviser for Sebes Factory	
2f.ii			Records of the implementation if this system/ procedure confirm that there is evidence of cases in which HS has evaluated the risk of having a business association with an organization/ individual sent to trial and/or court for any offence related to illegal timber trading and/ or illegal harvesting and fraud and corruption related to business with forest land, timber harvesting and trade, that HS has considered the suspension or termination of the operations with such individual/organization as a consequence.	Remote Interview with: Legal Adviser for Sebes Factory	
2f.ii			An updated list of all companies/entities HS engages in business with, in the context of forest land, timber harvesting and trade, is maintained by HS and made accessible for the third party verifier and any other external auditor (e.g. for certification). This list shall be updated on a quarterly basis.	Remote Interview with: Legal Adviser for Sebes Factory	
2g	<p>2g. Internal auditing of DD and CoC systems</p> <p>HS reviews, as needed, its DDS and CoC systems to address the findings resulting from internal auditing of its systems. Records of the internal auditing conducted and of the revisions of its systems are duly kept.</p>	<p>Documented records demonstrate that HS conducts internal auditing of its DD and CoC systems at least every six months, to evaluate and monitor its systems in terms of their effectiveness, appropriateness and compliance with all sub conditions under FSC condition 2;</p> <p>Documented records demonstrate its DDS and CoC systems have been reviewed to address the findings resulting from internal auditing.</p>	2g. Internal auditing of DD and CoC systems		

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
2g			Documented records demonstrate that HS conducts internal auditing of its DD and CoC systems at least every six months, to evaluate and monitor its systems in terms of their effectiveness, appropriateness and compliance with all sub conditions under FSC condition 2.	Remote Interview with: Internal auditor, company systems	*Graphic 8. Internal Audit schedule.
2g			Documented records demonstrate its DDS and CoC systems have been reviewed to address the findings resulting from internal auditing.	Remote Interview with: Internal auditor, company systems	*Graphic 8. Internal Audit schedule.
2h	2h. External auditing of DDS and CoC systems HS' DD and CoC systems must be audited, at least on an annual basis, by an external independent entity. This external independent entity shall be free of conflict of interest*. Such audits shall: *Note: Perceived conflicts of interest will not be considered as conflicts of interest, such as for example past auditing contracts with HS.	HS' DD and CoC systems are audited regularly by one or more independent external entities (free of conflict of interest) to ensure the systems' compliance with all aspects under FSC condition(also by sectoral audits) 2. The result of such audit shall: - Be satisfactory (in terms of not having identified significant non-compliances in HS's systems in relation to FSC's Condition 2 or have been verified to address corrective actions); -Demonstrate that input provided by stakeholders has been duly considered; -Made public in the form of a public summary, made available to relevant stakeholder, including the following information listed in 2h.ii.	2h. External auditing of DDS and CoC systems		
2h			HS' DD and CoC systems are audited regularly (at least on an annual basis) by one or more independent external entities (free of conflict of interest) to ensure the systems' compliance with all aspects under FSC condition(also by sectoral audits) 2.	Records of audits conducted Records of external entities involved	*Supplier Audit Report 2019. *KPMG LLP review of HS Timber Group Due Diligence systems, February 2020. *SGS Due Diligence System of Wood and Wood Fibre Products Gap-Analyses April 2019. PEFC surveillance audit reports for Siret, Comanesti, Sebes and Radauti
2h			The result of such audits shall be satisfactory (in terms of not having identified significant non-compliances in HS's systems in relation to FSC's Condition 2 or have been verified to address corrective actions);		*Supplier Audit Report 2019. *KPMG LLP review of HS Timber Group Due Diligence systems, February 2020. *SGS Due Diligence System of Wood and Wood Fibre Products Gap-Analyses April 2019. PEFC surveillance audit reports for Siret, Comanesti, Sebes and Radauti
2h.i	i. Duly consider stakeholders' input during the auditing process (and keep record of it).		i. Stakeholders' input into the auditing process.		
2h.i			Stakeholders' input has been duly considered during the auditing process and record of it is kept.	Remote Interviews with: Head of Compliance and Sustainability SCCC Manager	*Review of website (stakeholder platform) and documents.
2h.ii	ii. Result in a public summary of the audit findings, which shall be shared with the relevant stakeholders, including (but not limited to) those involved in the process. The public summary shall include the following information: - The name of the auditing company who conducted the audit; - The audit findings (including any identified non-compliances with conditions 2a -2g above); - Other relevant information.		ii. Public summary of the audit findings shared with the relevant stakeholders.		
2h.ii			A public summary of the audit findings is in place which includes the following information: - The name of the auditing company who conducted the audit; - The audit findings (including any identified non-compliances with conditions 2a -2g above); - Other relevant information.	Remote Interviews with: Head of Compliance and Sustainability SCCC Manager	*Review of website (stakeholder platform) and documents.
2h.ii			The public summary of the audit findings is shared with the relevant stakeholders, including (but not limited to) those involved in the process.	Remote Interviews with: Head of Compliance and Sustainability SCCC Manager	*Review of website (stakeholder platform) and documents.
3	3. Independent legal land ownership review and compensation to the lawful land owners of illegal land restitution processes		3. Independent legal land ownership review and compensation to the lawful land owners of illegal land restitution processes		

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
3			General conclusion on the compliance with the condition:		
3.1	<p>3.1 Independent legal land ownership review</p> <p>HS must put in place a system by which it conducts an independent review of all land in its possession at the time of the disassociation to verify that such land was indeed lawfully in possession or that the seller was legally entitled to sell such land at the time of the purchase.</p> <p>This system for independent legal land ownership review shall:</p> <ul style="list-style-type: none"> • Involve a legal entity free of conflict of interest - and approved by FSC - to conduct the review of the land. FSC will consult with stakeholders through a public consultation to determine whether the proposed legal entity is appropriate/ free of conflict of interest; • Involve an observer to the legal review process which shall be appointed by FSC following consultation with stakeholders; • Duly consider stakeholder input; • Make a summary of the results of the legal review public and go through a public consultation process managed by HS (as well as duly consider the input provided by stakeholders during such consultation). Input provided by lawyers which have not been involved in the legal review directly shall also be considered. • A public summary of the results of the legal independent review shall be completed and published within 6 months from the date the final Conditions Framework has been approved by FSC BoD. • Legal review shall focus on the potential link between HS and direct beneficiaries of illegal land restitution processes as documented in court decisions, or other legal documents provided by stakeholders. 	<p>Condition 3.1, i.e. the independent legal land ownership review, shall be considered met and fulfilled subject to the following verification indicators:</p> <ul style="list-style-type: none"> - Provision of a public report in the form of a summary of an independent law firm (such as the law firm Schoenherr) with respect to the status quo at the time of disassociation and the development up to the most recent date of court proceedings relating to relevant forest land in Romania, provided that the current owner of the relevant forest land (Forestum Estate 2 S.R.L.) was or is a defendant party in these court proceedings and that such court proceedings were pending at the time of disassociation. - Confirmation of the current owner of the relevant forest land in writing that there are no further pending court proceedings regarding forest land which HS possessed at the time of disassociation (other than those covered and required to be covered in the report of the independent law firm, see above). - Provision of a report of the current owner of the relevant forest land on the status quo and settlement of administrative proceedings pending at the time of the disassociation related to forestry management on the forest land possessed by HS at the time of disassociation. This report is to be included in the summary report prepared by the independent law firm. - Provision of a confirmation from the independent law firm that is preparing the relevant report of no conflict of interest or management of any potential conflicts of interest in their work. There is a conflict of interest if the individual lawyer/partner of the respective law firm has been involved on behalf of HS in relation to the relevant forest land, its purchase, its sale or its management. A separate public consultation about a potential conflict of interest of the retained law firm is not required. - HS published a summary of the results of the report and consulted these through a transparent and structured stakeholder consultation (of a period of at least 30 days). - There is demonstrated evidence that HS has duly considered stakeholder input received during the consultation process related to the summary report and revised the report according to such input prior to its submission to FSC (if applicable). 	3.1 Independent legal land ownership review		
3.1			HS has put in place a system by which it conducts an independent review of all land in its possession at the time of the disassociation to verify that such land was indeed lawfully in possession or that the seller was legally entitled to sell such land at the time of the purchase.	Independent review report	Consolidated report by Schoenherr dated 02.02.2021
3.1			This system for independent legal land ownership review shall involve a legal entity free of conflict of interest - and approved by FSC - to conduct the review of the land.	Contract with selected legal entity Approval of FSC on the legal entity	Letter of engagement with Schoenherr 10.12.2020 email exchanges between HS and FSC
3.1			This system for independent legal land ownership review shall involve an observer to the legal review process which shall be appointed by FSC following consultation with stakeholders.	Contract with observer to the legal review process FSC approval on the selected observer	email exchanges between HS and FSC after further assessment FSC decided that no observer was required in the process
3.1			The Report shall take due respect to the status quo at the time of disassociation and the development up to the most recent date of court proceedings relating to relevant forest land in Romania, provided that the current owner of the relevant forest land (Forestum Estate 2 S.R.L.) was or is a defendant party in these court proceedings and that such court proceedings were pending at the time of disassociation.	Review of the report	Consolidated report by Schoenherr dated 02.02.2021
3.1			Confirmation of the current owner of the relevant forest land in writing that there are no further pending court proceedings regarding forest land which HS possessed at the time of disassociation (other than those covered and required to be covered in the report of the independent law firm, see above).	Review of the report Written confirmations from owners	Consolidated report by Schoenherr dated 02.02.2021

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
3.1			Provision of a report of the current owner of the relevant forest land on the status quo and settlement of administrative proceedings pending at the time of the disassociation related to forestry management on the forest land possessed by HS at the time of disassociation. This report is to be included in the summary report prepared by the independent law firm.	Review of the Report if it includes information on the settlement of administrative proceedings	Consolidated report by Schoenherr dated 02.02.2021
3.1			Provision of a confirmation from the independent law firm that is preparing the relevant report of no conflict of interest or management of any potential conflicts of interest in their work. There is a conflict of interest if the individual lawyer/partner of the respective law firm has been involved on behalf of HS in relation to the relevant forest land, its purchase, its sale or its management. A separate public consultation about a potential conflict of interest of the retained law firm is not required.	Review of the Report if it includes conflict of interest considerations	Letter of engagement with Schoenherr 10.12.2020 email exchanges between HS and FSC
3.1			HS has published a summary of the results of the report and consulted these through a transparent and structured stakeholder consultation (of a period of at least 30 days). Input provided by lawyers which have not been involved in the legal review directly shall also be considered.	Review of the Report Stakeholder consultation records	Interviews with Head of Sustainability by SA
3.1			There is demonstrated evidence that HS has duly considered stakeholder input received during the consultation process related to the summary report and revised the report according to such input prior to its submission to FSC (if applicable).	Records of stakeholder input Review of revised report (if such)	Interviews with Head of Sustainability by SA
4	<p>4. Contribution to Social and Environmental projects promoting responsible development of forests and forest based communities in Romania</p> <p>HS must make appropriate environmental and social projects promoting responsible development of Romanian forests and benefiting the forest based communities in Romania in a form of an independent fund. The projects resulting from this fund shall focus on social support for deprived communities in particular those located in the areas where HS operates and sources timber from in Romania and on environmental and biodiversity maintenance and/or restoration activities in forests in Romania.</p>		4. Contribution to Social and Environmental projects promoting responsible development of forests and forest based communities in Romania		
4			General conclusion on the compliance with the condition:		
4a	<p>4a. Establishment of financial set up for the independent fund</p> <p>HS must propose an organizational and financial setup to FSC to ensure the efficient/effective use of this fund for the implementation of environmental and social projects promoting responsible development of forests and forest based communities in Romania. The setup of the fund must:</p>	HS proposes an organizational and financial setup for an independent fund for the implementation of environmental and social projects promoting responsible development of forests and forest based communities in Romania.	4a. Establishment of financial set up for the independent fund		
4a			An independent fund, with adequate organizational and financial setup that ensures the efficient/effective use of this fund for the implementation of environmental and social projects promoting responsible development of forests and forest based communities in Romania, has been proposed to FSC.	Review of the Fund's establishment documentation and organizational statutes	Fund Statute Legal documentation, Articles of Association, Screenshot of bank account showing initial credit to the fund, founding general meeting minutes
4a	o Ensure the independent management of the fund (free of direct or indirect influence of HS, its affiliates and subsidiaries);	The setup of the independent fund proposed by HS ensures: - The independent management of the fund (free of conflict of interest);	Conditions for set up of the fund		

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
4a			The setup of The Fund ensures its independent and free of conflict of interests management. The fund is: - neither a subsidiary of - nor affiliated with HS entities - and stakeholder representation within the corporate governance of the fund and manage and maintain selection criteria for funded projects and their prioritization, - regularly report on monitoring and evaluation of project progress and outcomes, - as well as regular stakeholder consultation is ensured.	Review of the Fund statutes and operational procedures	Fund Statute Legal documentation, Articles of Association, Screenshot of bank account showing initial credit to the fund, founding general meeting minutes. Report on Progress of Tomorrows Forests 14/12/2020 paper
4a			The Fund is directed by a Board of Directors (which shall be a stakeholder based body) which shall keep oversight of the management of the fund. The Board shall conduct independent evaluation of project proposals, to ensure a transparent use of resources and selection of projects.	Review of the Fund statutes	Fund Statute Legal documentation, Articles of Association, founding general meeting minutes.
4a			The Fund is administered by HS itself.	Review of the Fund statutes	Fund Statute Legal documentation, Articles of Association, founding general meeting minutes. Sponsorship contract between HS Group and the Foundation.
4a			The Fund is non-profit oriented, having high management efficiency with minimum overhead.	Review of the Fund statutes	Fund Statute Legal documentation, Articles of Association, founding general meeting minutes. Sponsorship contract between HS Group and the Foundation.
4a			The transparency of the use of the fund is ensured, by acting in a non-discriminatory manner, and providing ample opportunities for engagement to social and environmental NGOs for the definition of project	Review of fund statutes and operational procedures	Methodology and Criteria used to analyse and select reforestation projects document, statutes, articles of association, Sponsorship contract between HS Group and the Foundation.
4a			HS has encouraged a stakeholder-based decision making body in the fund's governance structure, representing the interests of stakeholders and supporting the selection of projects in a transparent and stakeholder inclusive manner, as stipulated in Condition 4a. This stakeholder advisory board may take the decisions on the selection of projects based on preapproved and publicly available criteria, prioritizing projects and evaluating project success. Such criteria shall be aligned at all times with the requirements for transparency, stakeholder inclusiveness, selection and prioritization as stipulated by FSC in Condition 4a.	Stakeholder engagement reports Review of the Fund statutes and organisational structure	Tomorrows Forests website
4a			No substantiated concerns about the independent fund setup proposed by HS have been raised by stakeholders.	Review of complaints registers Stakeholder interviews	
4a			The projects implemented as a result of this fund should prioritize: - Social support for deprived communities in particular those located in the areas where HS operates and sources timber from in Romania; - Restoration activities in forests in Romania; - Appropriate waste management systems to prevent forests being littered and clean up contaminated forest areas; - Environmental and biodiversity maintenance; - Dialogue platforms to promote stakeholder discussions about forest related topics; and - Other relevant issues identified.	Review of project topics and activities	website reviews
4a			Projects implemented by the fund have been included as part of HS' Action Plan and clear and transparent opportunities for engagement have been provided to all the relevant stakeholders to provide input in relation to the projects, and such input has been duly considered (in compliance with condition 1bi and 4a)		HS CSR and sustainability reporting Stakeholder Platform website - https://hs.at/en/responsibility/stakeholder-involvement/stakeholder-platform.html

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
4a			Transparent selection of projects duly considering stakeholder input is assured.		website reviews
4a			Public disclosure of selection criteria and the results of selection used for the selection of projects is assured.		website reviews
4a			Public disclosure of the results of the implementation of projects is assured.	Review of HS' and project partners' websites and other communication materials	website reviews
4b	4b. Public communication about progress of projects resulting from the fund HS must publish on its website information/ reports about the ongoing and accomplished projects implemented to promote responsible development of forests and forest based communities in Romania	Detailed information related to the progress and completion of the implementation of each the environmental and social projects is published on HS website respectively the website of the implementation partner in the form of progress reports. Such reports are published on a regular basis starting from the date in which the first selection of projects is concluded by the fund.	4b. Public communication about progress of projects resulting from the fund		
4b			Detailed information related to the progress and completion of the implementation of each the environmental and social projects is published on HS website respectively the website of the implementation partner in the form of progress reports.	Review of HS' and project partners' websites Progress reports	website reviews
4b			Reports are published on a regular basis starting from the date in which the first selection of projects is concluded by the fund. (May not be applicable yet)	Review of HS' and project partners' websites Progress reports	website reviews and YouTube channel
4c	4c. Initial contribution to the fund HS must provide with an initial contribution to the Independent Fund, corresponding with the below amount: • 700.000 Euros	HS presents to FSC a financial statement demonstrating that HS has conducted the initial contribution to the Independent Fund following the requirements under sub condition 4c.	4c. Initial contribution to the fund		
4c			HS must provide an initial contribution to the Independent Fund of at least 700.000 Euros	Financial statement	Bank account statement screenshot
4d	4d. Continuous contribution to the fund After the initial contribution to the Independent Fund is made by HS, HS must continue providing an annual contribution to the Independent Fund of 400.000 Euros ¹³ . Contributions to the Independent Fund must be provided by HS for a period of ten years.	HS presents to FSC a financial statement annually for the next ten years, demonstrating its continuous contribution to the independent fund in compliance with 4d. The financial commitment can also be made in one or several advance instalments (accelerated payment) thereby reaching the 10 year commitment mark in less years	4d. Continuous contribution to the fund		
5	5. Compensation for damages for which there has been a proven causality in Romania In those cases where there is a proven direct or indirect vicarious liability of causality of damages caused by HS to any stakeholder ¹⁴ , and following the commitments in HS's public declaration published on December 2016, HS must: 15 • Engage in a dialogue in the form of mediation to seek for a settlement of disputes with all parties which provide substantial evidence of damages caused by operations by HS which they claim compensation for. If the dispute is not settled through the mediation efforts, the case shall be managed by Romanian courts.	There is evidence demonstrating that in all cases where proven direct or indirect vicarious liability of causality has been found of the damages caused to stakeholders by HS' operations that HS has entered into mediation efforts by engaging an external mediator seeking the settlement of disputes. - HS provides FSC with demonstrated evidence that it has offered a mediation opportunity to all those stakeholders which have provided substantial evidence for the damages caused according to requirements under condition 5. -HS provides FSC with demonstrated evidence of its notification to Romanian authorities and request for legal investigation by official courts, of all disputes which have not been successfully resolved by mediation efforts.	5. Compensation for damages for which there has been a proven causality in Romania		
6	6. Additional Trust Building Measures		6. Additional Trust Building Measures		
6			General conclusion on the compliance with the condition:		
6.1	6.1 Refraining from producing communications about the roadmap process for promotional purposes HS must refrain from publishing communications material (e.g. press releases, social media posts, etc.) in relation to the roadmap process for promotional purposes - beyond what is communicated by FSC – without previously consulting with and obtaining approval from FSC. Note: FSC shall base its approval decision of the proposed communications material by HS, on whether such material is in line with the requirements stipulated in the FSC Communications Protocol for Schweighofer ¹⁶ .	E.g. HS' communications material related to the roadmap process is in line with the requirements stipulated in the FSC Communications Protocol for Schweighofer.	6.1 Refraining from producing communications about the roadmap process for promotional purposes		

#	FSC Condition for ending the disassociation with HS	Verification Indicator checked by third party verifier	Breakdown of indicators for verification	Means of Verification	Document, Record or other written information reference
6.1			HS must refrain from publishing communications material (e.g. press releases, social media posts, etc.) in relation to the roadmap process for promotional purposes - beyond what is communicated by FSC – without previously consulting with and obtaining approval from FSC.	Review of HS website and other communications materials (e.g. press releases, social media posts, etc.). Approvals from FSC - correspondence	Email exchange with FSC and interview with Head of Sustainability HS website example approvals exchange
7	<p>7. Compensation of PfA Investigation Costs to FSC</p> <p>i. HS must reimburse FSC for all external costs incurred by FSC in connection with the work conducted in 2016 in the context of the complaints panel evaluation of the Policy for Association complaint filed with FSC by WWF Germany against HS.</p> <p>ii. HS must reimburse FSC for all external costs incurred by FSC in connection with the work to be conducted in 2017 as part of the new Policy for Association investigation of HS, as required by FSC.</p> <p>iii. HS (and FSC) shall publish a detailed overview of the external costs to be reimbursed to FSC by HS, following 7i and 7ii above.</p>	<p>FSC is timely reimbursed for all external costs incurred by FSC in connection with the work conducted in 2016 in the context of the complaints panel evaluation of the Policy for Association complaint filed with FSC by WWF Germany against HS (and in connection with the work to be conducted in 2017 as part of the new Policy for Association investigation of HS, as required by FSC).</p> <p>A transparent and detailed overview of the above mentioned costs is published in HS' and FSC's respective websites.</p>	7. Compensation of PfA Investigation Costs to FSC		
7			General conclusion on the compliance with the condition:		Transparency Statement issued by HS 22.01.2021
7			FSC is timely reimbursed for all external costs incurred by FSC in connection with the work conducted in 2016 in the context of the complaints panel evaluation of the Policy for Association complaint filed	Financial statement	Transparency Statement issued by HS 22.01.2021
7			FSC is timely reimbursed for all external costs incurred by FSC in connection with the work conducted in 2017 as part of the additional Policy for Association investigation of HS.	Financial statement	Transparency Statement issued by HS 22.01.2021
7			HS shall publish a detailed overview of the external costs to be reimbursed to FSC on their website.	Review of HS website	Transparency Statement issued by HS 22.01.2021

4 Findings							
SA REF:	FSC® Condition Framework refs:	Non-compliance (or potential non-compliance for an Observation)	Minor/ Major/ Obs	Request for Corrective Action	Deadline	Status (Open/ Closed)	Date and Evidence
SA CAR 1	1.a.i	Code of Conduct/Mission Statement Training – (1.a.i) - There is evidence which demonstrates that the Training for the Code of Conduct is incomplete. Despite numerous pieces of interview evidence and documentary evidence that a great deal of effort has been applied to this topic – printed copies, posters, emails, competitions, and meetings and roadshows – there is a shortfall in the recorded e-learning completion. A report was exhibited which shows completion for the Romanian Purchasing/Supply Chain teams at 78%, with 15 out of 67 not started. We understand that a deadline date has been set for 19/02/21.	Minor	The company shall ensure that all necessary training on the Code of Conduct/Mission Statement is showing as complete for the key individuals.	before re-certification	Open	03.03.2021
SA CAR 2	1.a.iii, 1.a.iv, 2g	<p>(a) Corporate Internal Audit Systems and (b) First Tier Supplier Audits – (1.a.iii, 1.a.iv, 2g) – There is evidence of a large degree of thought and investment having gone into developing these systems, and the systems are still being actively developed, against a dynamic background of legislation. The systems are also regularly reviewed by external experts. However, there is insufficient evidence that there have been planned corporate internal audits of the supply audit/COC/DDS systems. HS have provided evidence of internal audits carried out by the SCCC team, but the methodologies involved are under development and a documented process is required to describe the current (and future) situations (see point b).</p> <p>The Company has separate departments for performing corporate internal auditing, and then within SCCC performing auditing of the supply chain. These functions appear to serve two different purposes.</p> <p>(b) There is evidence that the i-Auditor system for Supply Chain audit and control has some benchmarking and/or training requirements over raising, managing, and closing corrective actions: No clear and consistent documented system is in place for management of non-conformities identified during audits of first tier suppliers. Some inconsistency of approach was witnessed regarding managing of non-conformities, defining Corrective Action Requests (CARs), setting of deadlines for addressing CARs, communication of CARs with the auditees and post-audit / follow-up management of CARs. This seems to be mainly due to the high number of audits (500/a) and the fact that the I-Auditor and Hub systems are still being integrated.</p> <p>Certain non-conformities and CARs are communicated with the auditees only orally and cross-check interviews demonstrated that the auditees are not fully aware of the findings. It's not clear how / if HS verifies that CARs are addressed.</p>	Minor	<p>The company shall ensure a) A systematic planned internal audit schedule [corporate internal audit department] shall be created to SCCC department COC/DDS audit systems, and evidence of a corporate internal audit carried out on SCCC department.</p> <p>(b) The system shall be further developed, documented, and implemented to ensure that effective and timely measures are applied to identify, address, and correct any non-compliances created during auditing of first tier suppliers.</p>	before re-certification	Open	03.03.2021
SA CAR 3	1biii, 2a	Traceability of round wood: DDS Risk Assessment– (2a). HS report on Supply Chain and DDS in Romania does not explicitly include certain specific risks of illegal wood entering the HS' wood supply chain through suppliers delivering saw logs via log yards and deliveries of sawn wood by sawmills. These risks include entry of saw logs in the supplier's log yards: i) without legal harvesting and transport documents; ii) by several transports with same delivery note; iii) volumes exceeding the volumes specified in the transport documentation. Such risks and cases are reported by interviewed relevant experts and stakeholders. The HS' DDS verification program in Ukraine does not have a clear and consistent structure for on-site assessment of certain identified risks (e.g. illegal wood originating from sanitary felling in Ukraine entering the HS' wood supply chain). It is not evident how the collected information leads to the conclusion that a certain risk can be assessed as "low risk".	Minor	The company under its Due Diligence System shall update their documented risk assessments and verification systems to explicitly include and properly assess specific risks of illegal wood entering the HS' wood supply chain through suppliers delivering saw logs via log yards; sawn wood via sawmills or sanitary felling activities. Such risks might include entry of saw logs in the supplier's log yards: i) without legal harvesting and transport documents; ii) by several transports with same delivery note; iii) volumes exceeding the volumes specified in the transport documentation, iv) ungrounded sanitary felling.	before re-certification	Open	03.03.2021

4 Findings							
SA REF:	FSC® Condition Framework refs:	Non-compliance (or potential non-compliance for an Observation)	Minor/ Major/ Obs	Request for Corrective Action	Deadline	Status (Open/ Closed)	Date and Evidence
SA CAR 4	2c	Correction of errors in timber documentation – (2c). No centralized system is in place providing for registration of the identified errors in the incoming transport documentation for sawn wood and wood panels products in the HS' processing sites in Comanesti and Siret.	Minor	The company shall further develop and implement their system centrally to identify and register errors and non-compliances found in transport documentation for sawn wood and wood panels products and to correct such errors prior for timber volumes related to the errors to enter HS' operations.	n/a	Closed	03.03.2021 - Sufficient evidence was exhibited to SA by HS to recommend this CAR for closure. Evidence included documented system changes.
SA OBS 1	1.b.ii	Social and Environmental Impact Assessment -	Observation	The Company would benefit from recording the results of its various Social and Environmental Impacts Analysis so that any social and/or environmental projects are seen to be consistent with a planned approach to mitigating known threats, and or maximising known potential benefits. (1b. ii). There are evidences of good practice in the ISO 14001 certified locations which could be adopted elsewhere.	not applicable, observation only		
SA OBS 2	1.a.iii	Internal Audit Corporate System	Observation	The Company would benefit from a review of Internal "corporate" auditing against the totality of the systems and procedures for Timber supply chain and certification. This could result in an integrated audit and review process that captures all elements. Some training/benchmarking of individual COC/DDS auditors would benefit the current development of the I-Auditor and Hub integrations.	not applicable, observation only		
SA OBS 3	1.a.i	Anticorruption and Integrity Policy	Observation	The contracts between HS and their direct suppliers include requirement for communication of the Supplier's Code of Conduct along the supplier's supply chain encouraging the sub-suppliers to commit. No evidences are provided that the implementation of requested communication is verified by HS. One of the interviewed suppliers stated that he informed the sub-suppliers about the requirements of the Supplier's Code of Conduct.	not applicable, observation only		
SA OBS 4	1.a.i	Anticorruption and Integrity Policy / Training	Observation	Not all interviewed suppliers were aware about the HS's Anticorruption and Integrity Policy and the rules they need to comply with in this aspect, although they have signed the contracts where the basic requirements of the Policy are integrated.	not applicable, observation only		
SA OBS 5	1.a.iii	Internal Procedure for Purchasing Routines	Observation	Job Descriptions (JD) for the staff of Supply Chain Control and Certification (SCCC) department are inspected and found to be including relevant requirements of the Manual on Supply Chain Management System (Procedures for Purchasing Routines). However, the contracts and JDs for other staff directly involved in wood purchase e.g. wood purchasers do not include requirements related to the Due Diligence System (DDS) although the purchasers are also responsible for DDS implementation.	not applicable, observation only		
SA OBS 6	1.a.iii, 1.a.iv, 2a, 2g	Traceability of round wood	Observation	The availability of documented Due Diligence System (DDS) is inspected as part of the internal audits of suppliers. However, it was observed that in general the HS auditors do not assess the adequacy of the supplier's DDS and if DDS is implemented in practice	not applicable, observation only		
SA OBS 7	1.a.iii, 1.a.iv, 2a, 2g	Traceability of round wood - Ukraine suppliers Volume Control and Material Accounting	Observation	A robust system for traceability, verification and control of wood origin and ownership is in place and functioning in Ukraine. Despite of the relatively robust measures HS takes in order to mitigate risks, the internal audits of sawmills supplying sawn wood to HS do not assess relevant COC indicators such as input-output wood volumes records and conversion factors, that might indicate potential controversial input. The internal audits of Ukrainian sawmills supplying sawn wood to HS could integrate an assessment of the input-output wood volumes records and conversion factors, where available and not in contradiction of competition laws. FSC Certified suppliers will likely be holding such information as part of their certification responsibilities.	not applicable, observation only		

4 Findings							
SA REF:	FSC® Condition Framework refs:	Non-compliance (or potential non-compliance for an Observation)	Minor/ Major/ Obs	Request for Corrective Action	Deadline	Status (Open/ Closed)	Date and Evidence
SA OBS 8	1.a.iii, 1.a.iv, 2g	Supplier Auditing	Observation	Inspection of Complaint Registers and Registers of External Audits and the related documentation is a good practice for the internal audits of Forest Management Units that might provide additional valuable information.	not applicable, observation only		
SA OBS 9	1.a.iii, 1.a.iv, 2g	Supplier Auditing	Observation	During the internal audits was witnessed that not always suppliers keep the documents to be checked at their offices. In this regard, a good practice is to inform in advance the suppliers to avail the needed documents.	not applicable, observation only		
SA OBS 10	1.b.i	Health and Safety	Observation	Despite not specifically required by the FSC Conditional Framework, inspection of the compliance of work conditions with health and safety regulations is integrated as part of the internal audits of suppliers. During the audits carried out by HS auditors was observed that obvious H&S breaches are not noted and / or communicated with the auditees. E.g. When SA auditors were observing an HS audit of supplier "Lisotechnolog" HS Staff did not detect that workers were wearing slippers, and a worker operating a chainsaw did not use any Personal Protective Equipment (PPE). At the audit of supplier "Stefan Forest Srl" it was also not detected that a chainsaw operator didn't use eye protection.	not applicable, observation only		
SA OBS 11	1.a.iii, 1.a.iv, 2a, 2g	Traceability of round wood - Slovakian Suppliers	Observation	<p>The issue of potential controversial sources for timber from Slovakia entering HS supply chain has been noted by two stakeholders. Slovakia was not specified within the terms of the SA assessment of HS compliance with the conditions framework.</p> <p>The risk of supply from controversial sources for Slovakia have been assessed by HS as low and the only mitigation measure is third party audits. The HS wood sourcing policy does not explicitly exclude sourcing of wood from National Parks in Slovakia. Around 207 thousand m3 was sourced from Slovakia 2020. Currently HS has no information on the exact location of harvest operations.</p>	not applicable, observation only		

STAKEHOLDER SUMMARY REPORT				
Relation / stakeholder type - e.g. neighbour, NGO etc	Stakeholder ref number	Positive comment	Negative Issues	Soil Association response
NGO	1	Good that HS no longer accepts timber from National Parks in RO, Ukraine and Belarus. Happy now that they have a clear policy on the management /acceptance of Wood chips Timflow system very good Now conducting good internal audits. HS is very responsive and available when approached for information HS is now very honest	52% of HS purchases are from outside Romania To what extent are supplies from outside RO being investigated? Concern that Slovakian adherence to IUCN guidelines is not good so concern that Slovakian Timber may have been harvested in National Parks which are not being properly managed/regulated according to IUCN guidelines	HS supplies from Slovakia were not investigated in detail during this assessment as they were not specified in the SA project brief. The risk of supply from controversial sources is assessed for each country HS is sourcing wood from and documented as part of the HS DDS. The sources of information for each country are listed in document "VA.4.1_Country level information". The levels of risk (high and low) and risk mitigation measures are documented in "VA.4.2_Risk mitigation tools by country". The risk of supply from controversial sources for Slovakia have been assessed as low by HS as they are aware of concerns raised by UNESCO relating to just one UNESCO beech forest heritage site. The only mitigation measure for Slovakia is third party audits. HS does not have a zero timber from National Parks policy for Slovakia.
				Around 207 thousand m3 was sourced from Slovakia in 2020. Currently HS has no information of the exact location of harvest operations, but the stations where the train waggons bringing the timber originate are known and can be seen to overlap with bark beetle infestations. Observation 11 has been issued relating to timber supplies from Slovakia.
NGO	1		Suggest "transparency" section on HS website – presenting results of internal monitoring and allowing access to Timflow results as well as publishing FMUS where timber sourced	Timflow is publicly available – if you register
NGO	1		HS have said they will not accept timber from Natura 2000 sites in Romania unless management plan in place. However concern that management in plans main not be in line with the spirit and guidelines of Natura 2000.	The HS wood sourcing policy does not include a statement that "no timber from Natura 2000 sites in Romania unless management plan in place". Regarding management of Natura 2000 HS set various risk mitigation tools: a) continuous verifications the status of the EU infringement process initiated against Romania in terms of Natura 2000; b) FME shall provide Management plan approval: i) Ministry Order; ii) CTAS approval and environmental evaluation or iii) 2nd conference and environmental evaluation. c) HS created an internal database of Natura 2000 sites in order to identify the areas without a custodian and/or administrator and from which areas our suppliers may source from;
				d) Media monitoring is applied to collect further information and conduct field visits, if necessary; e) Field audits and plot visits (e.g. all plots over 160 years old) are performed where Nature 2000 status of harvesting plots is confirmed together with special measures (low impact forestry) if applicable; f) Further development to integrate Natura 2000 maps in Timflow. g) Evidence of implementation of the prescribed mitigation measures were provided / witnessed during the SA verification audit. In addition: Legislation has been modified in September 2020 to align the environmental permit process with the forestry permit process. Natura 2000 should thereby be integrated into the planning practice.
NGO	1		HS do not use the data/maps Pin Matra or other more recent report on virgin forests in Romania to inform decision making about timber sourcing	Evidence seen that list is being referred to each week checking for updates. Included in procedures that on-site verification is required Information about forests included in the National Catalogue of Virgin and Quasi-virgin Forests in Romania is available and integrated into the Timflow system which is a sufficient safeguard to avoid supplying from these areas. SCCC staff on weekly basis follows any changes to the Catalogue (2 updates detected so far e.g. last from 20.1.2020). Information on PIN MATRA stands not yet qualified as virgin forests or quasi-virgin forests is also available (data are public and at sub-compartment level) as a GIS layer. For such sites, before sourcing HS staff carries out additional on-site checks to verify if the stands planned for harvesting are over 160 years and if the case sourcing is avoided.
NGO	1		52% of supplies from within Romania are direct from forests so risk is lower 48% of supplies are from logyards – concern about this potential route for illegal timber. E.g. do HS require suppliers to separate out timber sourced in National Parks from HS supplies in their yard? Acknowledgement that new SUMAL includes inputs and outputs from logyards so this will help to clarify Authorities have already identified issues around illegal timber at some logyards in Romania (not HS suppliers) with new Sumal in place just for 2 weeks. Concern that they will not continue at this level of follow-up. Previously it was estimated that only 1% of illegal timber was being identified by authorities in Romania	See section 2a from the on-site report Physical separation of wood material harvested in National Parks in third party log yards is required and verified. In addition within the new SUMAL system all APVs from National Parks are visible, all Avizes of these APV are visible and the destinations are indicated.
NGO	1		The EU Biodiversity Strategy requires each member state to fully protect 10% of their natural environment. HS has not expressed a position on this. It would be great to have a public statement from HS on this.	Noted
State organization	2	- The stakeholder is a national agency that have also control attributions on the compliance with the environmental laws, rules and legislation. From the point of view of the stakeholder HS Timber is serious organization which is very cooperative during the controls made by the stakeholder. Any proposal or recommendations made by the interviewed person were addressed immediate. No fines were issued by organization to the company in the past 2 years related to compliance with environmental rules.	There are also new issues that need improve: - during one of the verification (from 29/01/2021) , the level of noxious gases resulted from the production process were measured and they were exceeded the allowed level. On 01/02/2021, new measurements were made and the level came back to normal into the requirement level. Control of the level of noxious gases should be maintained permanent. in the admissible range. There are moments when the level of noxious substances released by the factory from Sebes exceed the limits established by legislation.	The issue was outside the scope of this assessment, however it was raised with the representatives of HS Timber.
State organization	3	HS respects and it's in accordance with the environmental legislation		Noted
NGO	4	Stakeholder shared his opinion on the problem with illegal wood in Romania in general and did not make any specific allegations to HS. On the contrary he compared HS is a modern car which all the rest shall try to follow.	In his opinion in many cases big processing companies are not even aware of illegal wood entering their yards. In 2016-2017 the stakeholder started making his own observations by installing monitoring cameras in key routes where wood was transported. It was estimated that trucks transporting illegal wood are more than those with legal one. Later in 2019 a camera was set on a key spot in Moldovita and trucks transporting wood were pictured. In this case, although transportation was legal, the volumes declared in official documents (checked through the national on-line systems) is less than actual volumes (volumes were estimated visually using the window of a building in the background as a marker).	While no specific allegations were made on HS, no further investigation than the general verification of Conditional Framework compliance was carried out. During the process the verification team found that some of the risks of illegal wood entering HS supply chains as suggested by the stakeholder are not given sufficient insight into the Risk assessment for Romania and the DDS. These risks include entry of saw logs in the supplier's log yards: i) without legal harvesting and transport documents; ii) by several transports with same delivery note; iii) volumes exceeding the volumes specified in the transport documentation. Non-compliance on Condition 2a was raised.

Relation / stakeholder type - e.g. neighbour, NGO etc	Stakeholder ref number	Positive comment	Negative Issues	Soil Association response
			Signals were made to the police and this helped their checks. In the opinion of the stakeholder illegal logging/transportation always happens with the knowledge of authorities/ forestry officials e.g. the volumes in the APVs are in most cases underestimated and marked trees hold a higher volume. The difference is sold on the black market and if the forester is not able to do this, the harvesting company is intimidated and threatened with additional checks from authorities so the latter usually agrees to cover this extra wood.	
			Such timber is transported with double and even treble use of one AVIZ. The stakeholder also stated that there is a black market of documents (AVIZ) in Romania e.g. an FMU that has allowable volumes to harvest in the FMP but has not resource in practice sells AVIZ to other FMU which has already cut what planned in the FMP so that they can cut more. Wood processing illegal wood cover this by declaring very high conversion factors.	
			A lot of irregularities also happened with twigs/sawdust/biomass which were not considered wood and control by the competent authority was very weak. Basically in transport documents anyone can declare any quantity they want and very often very low such were stated. No with the new SMUAL 2 system this is not possible. Overall with the introduction of the new systems, the stakeholder expects to significantly reduce the transportation of illegal wood. A lot of companies would not want to take the risk of their trucks being confiscated are the law says now.	
Private company	5	develop and improve internal audits; second part audits	Still present topics on illegal logging in press some of them confirmed by Romanian Competent Authority,	During the SA investigation , all the requested information was provided. Findings as follows: 1. A train was loaded with 3.577,01 cbm of spruce planks for export and the whole quantity was confiscated by the authorities because of non-compliance to the Romanian Custom Law. There were 77 containers detained and the value of the merchandise was EUR 844.468,53. According with the documents reviewed and with the interviews held the roundwood from which the lumber was produced and processed in HS Timber factories. 2. Any clear connection to sourcing countries cannot be made due to the very nature of the business storing verified input material according to quality and not to origin.
				3. The lumber was to be sold to customers in Japan, Kuwait and Saudi Arabia, through an Austrian trader without physical possession meaning that the trader who was about to sell the products direct from the harbour berth of the seller, to the purchaser. 4. However, the Romanian authorities considered that the documentation did not comply with Law 171/2010 and with the Romanian Custom Law 86/2006, article 273 (according to which 4 criminal files were opened) and in addition imposed a fine of 10,000.00 RON. 5. In 2020 a sentence in favour of HS was pronounced by Alba Iulia Court in file No. 2148/176/2020 regarding the contesting of the contravention protocol 0685795/ 27.02.2020 in relation to the confiscation of the 3,577.01 m3 of spruce lumber in Constanta concluded by Bucharest Forest Guard and by Constanta Maritime Transport Police cancelling all the sanctions that were applied and exonerating HS Timber from the execution of the sanctions.
				6. The Forestry Guard introduced appeal against the decision of Alba Iulia Court and the first appearance in this appeal will be on 1st of April 2021. 7. Two similar but much smaller cases were decided in favour of the company likewise. Case no. 8/176/2020 (208,119 cbm spruce planks) – Court Alba Iulia Court has canceled all the 4 contravention protocols. Forestry Guard Bucharest and the Police have appealed this decision (HS has not received the appeal motivation from the Court). 8. Case no. 288/176/2020 (211, 68 cbm spruce planks) - Court Alba Iulia has cancelled the contravention protocol. Forestry Guard Bucharest and the Police have appealed this decision (HS has not received the appeal motivation from the Court)
	6	Yes. The company is doing pro-active efforts to take care about their wood supply chains in order to avoid any potentially risky wood sources.	No	Noted
State institution	7		The Forest Management Plan of OS Răstolița does not have an environmental permit required by law, but the main operations continue in 2021, although the massive fellings in winter 2020, which exceed the annual possibility for 2 years, not even half of them have been removed and spring is coming with massive attacks of aphids. The forest management does not have an environmental permit required by law, But last year all the trees near the Iod brook in ua 50B were marked (final?), The last forest with mature trees / only 80 years old / for several Km on the side of Dr. th. Iod brook, Highly appreciated by tourists (being the only large forest on the right side of the Iod brook) No regeneration treatment, consistency estimated at 0.7. In the EA Study working group, drone images were requested on all the stands proposed at the last cut. I warn the developer of the EA study that it will be a model EA study for all APM colleagues in the country.	Interview held in preparation of the audit. The case of Forest Management Plan for OS Răstolița was discussed during previous interviews with the stakeholder. The issue involve only indirectly HS Timber to the extent that the company purchases roundwood from suppliers that harvest the wood from the area of FMU Răstolița. The position of FMU Răstolița regarding the environmental approval is that the Forest Management Plan is at the end of 10 year validity and for the new FMP the environmental approval will be obtained. HS stated that in the last 3 years certain wood volumes are delivered from OS Răstolița by suppliers to HS. Ref CAR 3
Private company, Harvesting and primary Processor	8	The stakeholder is one of the supplier and have trading relations with HS Timber since few years. Very good cooperations. In the last two years they had to accept the timber flow system introduced by HS Timber. Stakeholder is assessed periodically by HS Timber. No issues	No negative comments	Noted.
State institution	9	The organization is open and transparent and is acting very open to the controls. No big issues. Last check made by Forestry Guard was on 08/09/2020 in the sawmill from Radauti. No major non-compliances found.		Noted
Private company, Harvesting and primary Processor	10	The organization supply roundwood to HS Timber. New contracts with the company require strong conditions for ensuring traceability and legality of wood chain. Stakeholder is subject of periodically audits made by HS Timber auditors.	No negative comments	Noted. The stakeholder was visited and interviewed during an internal legal DDS audit carried out by HS Timber.

Relation / stakeholder type - e.g. neighbour, NGO etc	Stakeholder ref number	Positive comment	Negative Issues	Soil Association response
Former supplier to HS	11	Stakeholder stated that is aware of the issues that lead to the disassociation by FSC but is of the opinion that allegations were not substantiated and most probably the attacks came from HS competitors incl. from abroad. The problems, to the extent they exist, are not directly with HS but with the Romanian companies and it is the Romanian state that created room for irregularities.		Noted. Comments were of general nature and relate to the general adequacy of HS systems to mitigate the risk of illegal wood entering the supply chains - pls. see SA verification on how HS comply with the requirements of the Conditional Framework.
		Most of the problems with illegality are not so much in the supply chains but in the forest and the state control is not always adequate. The Timflow systems introduced by HS is very good and now the national SUMAL 2 system is very similar and will mitigate the risks. HS is an important player in the market as they buy assortments that are not needed by other local processors. New technologies are used which is good for the whole sector. The stakeholder also expressed his personal reservations about certification ('creates a lot of papers').		
State institution	12	The stakeholder was contacted because lot of HS Timber suppliers for Radauti site purchase standing wood from the area. Stakeholder is not aware about any illegal activities in the forest. Most of the companies from the area supplies wood to HS Timber sawmill plant in Radauti.	The harvesting companies that supply wood to HS Timber Radauti sawmill aside for the taxes paid to the municipality do not return any assets in the community	Noted - outside the scope of this assessment
State institution	13	Very good relation with HS Timber. The stakeholder mentioned that HS Timber is the biggest employer in the area. The company pays its taxes in time. No environmental issues. Organization is involved in social programs for the community. As for any illegal operation, the stakeholder mentioned that the institution that he represent is not empowered with that kind of attribution. For this topics we should contact the State Institutions that have such attributions.	No negative comments	Noted
local community	14	Cooperation with HS is good. It started with the building of the factory in Reci when public hearing was organised and local people in general supported the project. HS provides valuable employment opportunities for local people - some 60-70% of the workers are from the village.	No negative comments shared	Noted
		Support is provided for different initiatives and projects - e.g. financial support of the implementation of "after school project" implemented together with local Association of Youth and Culture; provision of support to pupils from one of the villages in improving their access to on-line education during the Covid-19 pandemic; provision of support for refurbishing local medical office; provision of support for purchasing equipment for the local voluntary fire fighting crew. Stakeholder is included in the stakeholder consultation platform set by HS. Regular newsletters are received as are invitations for meetings.		
State institution	15	In general there is a good collaboration between stakeholder and HS Timber. The company is a taxpayer who pays the taxes and the fees requested by legislation in time. Organization is open and cooperant with the on the request received from the stakeholder. sometimes issues may appear but the organization try to check and solve this issues in due time. Organization is involved in supporting the community (E.g.: In 2020 the organization donated electronic tablets to schools in Sebes, Siret, Radauti, Comanesti, in order to support children's be able to do school from distance as requested by COVID requirements.	Even positive comments are observed by the stakeholder, there are also some aspects where HS Timber should still have to work to: - there are periods when the noxious substances evacuated by Sebes factory exceed the permitted CO2 levels. - HS Timber should be more carefully in handling the sawdust; - there is a request of the stakeholder that in the moment that the organization implement social programs for the community (as it was the program with the electronic tablets for children) the stakeholder to be informed.	The issues are outside the scope of this assessment however it was raised with the representatives of HS Timber
Media organisation	16	There cannot be any positive comments about this company, who's officials are investigated by the Anti Organised Crime Unit in Romania for being part in illegal logging schemes and was fined a historical fine of 10 million euro and admitted their officials were involved in illegal anti-competition schemes, in illegal sharing of financial secret data just to influence the state wood auctions and obtain a lower price, in order to raise their profits.	This company, despite the public speech that includes transparency and dialogue, is one of the most opaque companies in the sector. For green washing purposes it promotes an internal platform of traceability it developed, Timflow, but the owners are completely aware that the system covers only 45% of the Romanian wood, the rest is coming from depots, were the illegal wood is laundered and there are proofs to show this.	The stakeholder is a media organization (internet television) conducting investigations on different topics: social, political, environmental, etc. The stakeholder made an investigation in 2018-2019 regarding blocking the export of a volume of spruce planks from Constanta (see details of investigation of this issues under Stakehodler number 5 above). The official position of DIICOT is that people within HS Timber company are being investigated not the company itself. HS increased its direct delivery share to 55% in the second half of 2020. This assessment has been conducted against the FSC Conditions Framework which includes requirements related to anti-corruption and integrity. Please see findings in relation to conditions 1biii, 2a, 1.a.iii, 1.a.iv, 2g
Private	17	develop and improve internal audits; second part audits	still present topics on illegal logging in press some of them confirmed by Romanian Competent Authority	See above
State	18	No	No	Noted
Private	19	our objective view is that HS has done and doing many things (small & big) like no other private industrial actor in Romania to promote traceability, transparency and accountability in the wood-value chain in Romania		Noted
Private	20	The use of high technology in wood processing, digitalization and the constant concern for the latest technology. Opening to the public and the possibility to visit the factories and processing lines. The company that paid the most for the certified wood.	No negative comments. but we want to make a recommendation/proposal for the improvement of the chain of custody for certified wood. Forest management certificates holders and wood processing companies (together with the state, FSC and PEFC at national level through representatives) to have a common strategy to stimulate the harvesting companies to be certified, the chain of custody to be complete.	Noted - recommendation passed to FSC
State institution	21	Very good relation. The company have a good relation with the stakeholder. People from local community work in Siret factory. There are no negative impacts of the activity of the company.	N/A	Noted.

Relation / stakeholder type - e.g. neighbour, NGO etc	Stakeholder ref number	Positive comment	Negative Issues	Soil Association response
Academic institution	22	Yes	No	noted
Academic Institution	23	The stakeholder is specialist in forestry. SH Timber is working to make important steps regarding the legality of wood material purchased and the monitoring of the suppliers. Also the company is periodically checking the suppliers in order to avoid any entrance of wood from uncertain sources. The organization is partner for the Faculty of Forestry in practical programs for the students.	No negative comments. The stakeholder recommended to SA team some names and supplied contact information.	SA Team carried out interviews with the environmental activists recommended by the stakeholder. Comment received are included in this consultation record.
Academic institution	23	The interviewee confirmed that HS Timber has taken important steps regarding the legality of wood material purchased and the monitoring of suppliers. Also the company is periodically checking the suppliers in order to avoid any entrance of wood from uncertain sources. The organization is partner for the Faculty of Forestry in practical programmes for the students.	Some negative aspects were pointed by the stakeholder: 1) in the audits that SH Timber perform at suppliers, they should check randomly the plot at the moment of the receipt of the harvesting area for operation, at least for 20% of the contractors; 2) organization is the subject of investigation started in 2018 by the competent authorities in 2018 for a transport of sawn timber designated to be exported to Japan because an inconsistency between the delivery documents was discovered. the volume of wood which subject of investigation is 3000 m3 of lumber and the export was stopped until the end of investigation. Result of the investigation was not publicly disclosed yet.	The proposal regarding the verification of at least 20% of the harvesting areas operated by the suppliers in the moment of starting the operation was communicated to HS Timber and was discussed during the audit. The proposal was noted and considered by HS Timber representatives. See details of the confiscation issue under Stakeholder number 5 above.
			3) At least 20% of the harvesting areas operated by the suppliers should be checked by HS auditors at the moment of starting of the operations. The verification should be consistent and the correspondence between the documents (Sheet of Marking and Estimated Volumes -APV) and between the trees in the field marked for felling should be observed. 4) A train transporting 3000 m3 of spruce planks for export in Japan was confiscated by Romanian state institutions because of a discrepancy between the documents.	
Private company	24	Yes, this organisation is very good.	No	noted
NGO	25		Condition 2. Strengthening of its Due Diligence and Chain of Custody Systems We express our concerned also about the HS systemic loopholes in compliance with the legal requirements on wood traceability. Controls performed by competent authorities (Forestry Guard) in relation to HS wood supply in last year, revealed that several thousand of cubic meters of logs were confiscated and a series of fines were imposed for breaking the law regarding the wood traceability. recommendation to FSC /audit team: • To systematically check the aspects related to wood traceability within HS's CoC, through unannounced controls within all levels of the chain of custody, following a risk based approach (according to objective and transparent criteria).	Relating to confiscation of materials from Czech Republic: On 25th of July 2020, Forest Guard and Police checked the documentation of a train of saw logs coming from Czech Republic at Sf. Gheorghe rail station. The train initially should go to Sebes but was redirected to Reci. The transport company couldn't show printed consignment notes for 27 of 41 wagons, only the wagon list was available in printed form. The consignment notes were available only in digital form. The train and the wood was formally confiscated. In order to verify volume and legality of the consignment the train was unloaded in Reci and the volume was measured with Microtec 3D scanners. HS Timber Production SRL in Reci was able to prove the legal origin of the material and the ownership of the wood. The whole load was therefore released by the authorities. Forest Guard applied a contravention fine to the transport company.
				Two trains were checked by Brasov Forest Guard on 12th of May and 15th of May 2020, both having written on the documentation pine saw logs, but the wagons had spruce saw logs. The material was measured, and contravention and confiscation measures were applied for both cases to HS suppliers. The material was given into custody through delivery notes to HS Timber Productions Reci which proved it is the owner of the wood material with roundwood purchase contracts and that the material was of legal origin.
NGO	25	We acknowledge that following the disassociation decision, HS Timber Group has made some progress in terms of communicating their policies related to corporate social responsibility and Due Diligence (DD) and Chain of Custody (CoC) systems, addressing more public image issues. However, our consideration is that HS is far from fulfilling the conditions framework imposed by FSC.	Condition 1. Corporate Social Responsibility #1 point in the FSC Condition Framework is on Corporate Social Responsibility, with specific conditions for an Anticorruption and Integrity Policy for the HS group for "avoiding any direct, vicarious or grossly negligent involvement in any form of corrupt, fraudulent, coercive, collusive, abusive and obstructive practices" (#1.a.i) stakeholder is concerned that there are reasonable suspicions of still violating the legislative framework. In this respect, we would like to mention that a criminal investigation case is still opened (according to the file status communicated, upon the stakeholder request for information, by the Directorate for Investigating Organized Crime and Terrorism (DIICOT) in Romania), for the following alleged crimes: diversion of public tenders, tax evasion, unfair competition, illegal logging;	This is outside the Terms of Reference for SA. The issue has been referred to FSC.
			Please note that in 2018 were raids in HS sawmills from Romania2 stakeholder concern is also supported by the recent fine applied by the Romanian Competition Council3 for violation of the national /EU competition rules (i.e. the Competition Council found that the competition rules were infringed by concluding agreements and/or concerted practices for sharing the forest plots depending on their interest and or for sharing the supply sources). Only after 10 years of investigations HS finally admitted these illegal practices and so benefited from fine reduction and agreed on an amicable settlement. The Competition Council's investigation covers just some cases /methods, considering only the period 2011-2016. Therefore we are concerned that it is very likely that HS continued the supply practices in non-compliance with EU competition legislation, also following 2016, having different modus operandi over time.	
			Recommendation to FSC /audit team: • Get in contact /collaborate with the competent authorities and await the outcome of the investigation in order to have a better understanding of the full extent of the HS's practices that should be monitored to demonstrate the fulfilment of Condition 1. • Ensure that the independent assessment will cover all applicable legislation, also in relation to competition issues, to assess whether HS is violating the competition rules also after 2016. Stakeholder recommends to FSC that the audit team will have the necessary capacity in this respect.	

Relation / stakeholder type - e.g. neighbour, NGO etc	Stakeholder ref number	Positive comment	Negative Issues	Soil Association response
NGO	25		Condition 3. Independent legal land ownership review and compensation to the lawful land owners of illegal land restitution processes. We consider there is no evidence that the conditions were fulfilled. Under #3.1, the FSC condition for ending the disassociation with HS was an „independent legal land ownership review and compensation to the lawful land owners of illegal land restitution processes“. The independent legal land ownership review required mandatory to “put in place a system by which it conducts an independent review of all land in its possession at the time of the disassociation“. Moreover, “a public summary of the results of the legal independent review shall be completed and published within 6 months from the date the final Conditions Framework has been approved“. Yet, there is no evidence that the condition on an independent review was fulfilled.	This is outside the Terms of Reference for SA. The issue has been referred to FSC.
NGO	25		On 29th of December 2020 HS published for consultation a material called “Public report - The situation of the civil cases regarding the Lands in Romania”, completed by the law firm Schoenherr & Asociatii SCA. The comments should have been submitted by end of January 2021 to the named law firm representative. A very short deadline if the intentions are to receive relevant, well-documented comments. The consultation announcement states that it was launched “whereas some stakeholders have reported potential legal issues related to forest land acquisition”.	This is outside the Terms of Reference for SA. The issue has been referred to FSC.
			Although, there is no mention of any link with FSC Conditions Framework, the report (to a certain degree) resembles with the review requested by FSC Conditions Framework, yet it fails to fulfill the verification indicators under point #3.1 in terms of: (i) the 6 months timeline set; (ii) involving a legal entity free of conflict of interest (as the selected law firm is in long-term contractual relations with HS); (iii) consulting with stakeholders to determine whether the proposed legal entity is appropriate/ free of conflict of interest; (iv) the legal land ownership review is in compliance with all points raised in the FSC Condition Framework (i. e. the potential link between HS and direct beneficiaries of illegal land restitution processes, which would need review of criminal cases especially).	
			The #3.1 verification indicator states that “there is demonstrated evidence that for the independent legal land ownership review conducted HS has: received the approval by FSC of the legal entity appointed to conduct such review; no substantiated concerns were raised during the public consultation about potential conflict of interest of the appointed legal entity to conduct the independent land ownership review”, but such evidences were never demonstrated.	
NGO	25		On top of that, is the potential conflict of interest between HS and Schoenherr law firm, as it can't be considered independent entity since they have a history of collaboration ⁶ . Beside these, the lawyer Georgeta Gavriloiu, which assists HS group at present from PeliFilip law firm, used to work in Schoenherr law firm (after leaving the Competition Council job) while ensuring the defence of HS activities, including land purchase ⁷ , as it can be noticed: from the public debate	This is outside the Terms of Reference for SA. The issue has been referred to FSC.
NGO	26	HS Timber has made significant efforts to reach out to stakeholders and to publish information about its sustainability efforts and limited information about its timber sourcing. It has also implemented Timflow, a GPS tracking system for trucks delivering logs to its Romanian mills from Romanian suppliers. However, these actions as overshadowed by its failure to meet the most critical requirements set by the FSC, to implement full traceability to the forest for all logs it processes.	HS Timber has failed to meet the requirements for reinstatement, and should not be brought back into the FSC until the full conditions have been met. Note that Holzindustrie Schweighofer changed its name recently to HS Timber, and we use this term to refer to the company and its related entities. The first recommendation set by the FSC expert panel in October 2016 was that “all timber can be traced from the stand in the forest to mill gate including any timber that is purchased from third parties.” (https://eia-global.org/reports/FSC-PfA-HS-WWF-Report) In the subsequent four years HS Timber has met this goal only for a small portion of the logs that it processes in its Romanian mills.	This is outside the Terms of Reference for SA. The issue has been referred to FSC.
NGO	26		EIA detailed in our 2018 report Behind the Scenes that HS Timber has physical traceability for only around 30% of the logs in its Romanian mills – the logs direct from Romanian forests with Timflow tracking (https://eia-global.org/reports/20180717-behind-the-scenes). For another portion, around 20%, Timflow tracking only leads to third-party log depots. These depots lack internal traceability of logs, and provide HS with paper documentation of the logs' supposed origin. HS imports the remaining 50% of its logs from other countries, including countries with elevated risks of illegal logging and corruption including Slovakia, Belarus, Bulgaria and Poland. HS Timber makes no claims about the sourcing (direct or indirect) of these logs in its public sustainability or sourcing reports.	The last version of the Conditional Framework for HS section 2a. “Traceability of round wood” is providing for “tracking of the legal ownership” not for “physical traceability”. The national wood tracing system in Romania allows for reliable traceability of the legal input including the input to and from log yards. SA verification audit found out that HS has developed and implements a system for tracing the legal ownership of the roundwood entering the HS supply chain. The key elements of the system include: i) collecting advance information from each supplier about the wood sources (FMU and sub-suppliers) and periodical verification and update of this information; ii) collection, analyse and cross-check of harvesting authorizations (APVs) and delivery notes (AVIZ) from suppliers as a proof of wood origin; iii) wood quantities allowed for harvesting as per APVs (for the species used by HS) are registered in the system and safeguards are in place to alert when actual quantities delivered from a specific APV reach or overpass the admissible quantities;
				iv) periodical inspection of suppliers (the frequency is set up depending on supplied wood volumes and type of supplier) including also cross-check of the log yard's wood input registers and collection of information about APVs of incoming wood; v) documents and circumstances not related to a direct delivery to HS are verified through the national systems such as Inspectorul Paduri (e.g. checks of the registration plates of the vehicles/ trailers the respective supplier is using and cross checking this with information received during on-site audits). The contractual agreements between HS and suppliers provide for access of HS to relevant documentation related to the round wood's origin and audits of suppliers and sub-suppliers. The above system can ensure traceability of the ownership of the legally harvested and documented round wood entering HS chain of custody. A Corrective Action Request (CAR) is issued to HS to update their documented DDS risk assessments to explicitly include and properly assess specific risks of illegal wood entering the HS' wood supply chain through suppliers delivering saw logs via log yards and sawn wood via sawmills.
NGO	26		This requirement, for traceability back to the forest stand, was watered-down by the FSC in 2017 to mean traceability of “legal ownership” of logs (https://eia-global.org/press-releases/20171221-fsc-christmas-present-for-schweighofer). The current version has removed these words, instead calling for “implementing a robust system for the traceability of the round wood back to the forest stand” (https://fsc.org/en/unacceptable-activities/cases/holzindustrie-schweighofer). Without physical traceability, which HS Timber still lacks for the majority of the logs it processes in Romania, this condition cannot be considered to have been met.	This is outside the Terms of Reference for SA. The issue has been referred to FSC.

Relation / stakeholder type - e.g. neighbour, NGO etc	Stakeholder ref number	Positive comment	Negative Issues	Soil Association response
NGO	26		Furthermore, the high levels of illegal logging present in Romania, accompanied by horrific violence (https://meta.eeb.org/2019/11/12/romania-brutal-forest-mafia-kills-environmental-defenders/) and unsustainable logging practices in protected areas (https://www.clientearth.org/media/gkdhecrk/briefing-paper-complaint-to-the-european-commission-re-illegal-logging-in-romanian-forests-coll-en1.pdf), physical traceability with strong due diligence can be considered the only way to ensure sourcing of sustainable timber.	The response direct from HS regarding high levels of illegal logging: HS is aware that Romania is a high-risk country for sourcing wood, especially when it comes to the legality of harvesting operations and protected areas management. The company therefore has set up its policies and a security architecture around these issues. In order to effectively mitigate risk on legality we apply a three level risk mitigation system which applies on the country level, the supplier level and most important, the delivery level. Core element is our GPS Tracking System Timflow, that allows for an accurate linking of the loading places in the forest with the concrete harvesting plot. We explicitly exclude material that comes from virgin forests, National Parks and UNESCO World Heritage areas. The company applies a strict Code of Conduct to all its employees and its suppliers. Auditing procedures and trainings on the security architecture are complementing the activities. We perform approximately 500 audits by our own compliance staff or even by contracted independent third parties. SA has conducted an assessment of the efficacy of the HS DDS system. This is described in the report. Minor CAR 3 has been issued regarding some details of the Risk Assessment process.
NGO	26		We should note also HS Timber's apparent failure to meet another condition for reassociation, namely "Conducting an independent review of all land in its possession and compensating the lawful land owners and returning the land when legally required". It is our understanding that HS Timber has sold all its Romanian forest possessions to a foreign investor (https://www.romania-insider.com/schweighofer-sells-forests-romania), and that no such compensation was made or land was returned. This despite prison sentences having been given in 2019 to businessmen for the illegal restitution of forest land linked to HS Timber (https://www.nostrasilva.ro/evenimente/55-ani-de-inchisoare-pentru-acolitii-lui-gerald-schweighofer/).	This is outside the Terms of Reference for SA. Response direct from HS : This case (Puru mountains) has been brought to the courts and is now under extraordinary revision. HS acted as a good faith buyer in this case. A decision on this case will be taken by the competent courts. Details on the status are published on the independent review published on our website (Stakeholder portal). The issue has also been referred to FSC.
NGO	26		An important additional point to note, that Romania's anti-organized crime prosecutors, DIICOT, have an open investigation against HS Timber dating back to 2015. A 2018 press release from DIICOT, released following a subsequent raid of HS Timber's mills and offices, and those of linked companies and government entities, stated that HS Timber was under investigation for "misappropriation of public auctions, tax evasion, unfair competition, illegal logging and other offenses". (https://eia-global.org/press-releases/romanian-prosecutors-raid-austrian-timber-giant-for-alleged-organized-crime). In a separate case, a different Romanian government body, the Competition Council, recently issued 10 million euro of fines to HS Timber for to illegal price fixing of timber auctions (http://www.consiliulconcurentei.ro/wp-content/uploads/2021/01/Amenda-lemn-ian-2021.pdf).	This is outside the Terms of Reference for SA. The issue has been referred to FSC.
NGO	26		Given the failure of HS Timber to meet the requirements set forth by the FSC, and given the ongoing Romanian government into HS Timber for organized crime and illegal logging, the FSC would do well to not reassociate itself with HS Timber.	The issue has been referred to FSC.
NGO	27		I would not know where to begin with these rule breakers....such a shame the old forests have suffered so much and continue to do so. And in today's day and age....capitalism and greed!	No specific details provided to enable specific investigation
Private association	28	HS is fully committed in purchasing wood coming only from sustainable forest managements. Important investments have been made by HS in order to ensure the legality of the purchased wood. Since several years, HS Timber Group implemented the GPS system Timflow, which is a unique tool in the European timber industry, for transparent tracing of log deliveries and combating illegal logging. Continuously improving supply chain security is a priority for HS. Indeed the company complies with the EUTR regulation and its due diligence is actually above the EU legal requirements. HS is not only commitment to environmental protection, its workers can enjoy a safe working place and a friendly atmosphere.	No	Noted
NGO	29	No	- The company relies on wood deliveries from depots. The origin can only be inadequately traced. Even SUMAL is not reliable enough. - There are still ongoing investigations by the Anti-Corruption Agency against HC related to the timber trade. This is not an appropriate starting point for an FSC certificate.	The national wood tracking system in Romania allows for reliable traceability of the legal input including the input to and from log yards. A Corrective Action Request (CAR) is issued to HS to update their documented DDS risk assessments to explicitly include and properly assess specific risks of illegal wood entering the HS' wood supply chain through suppliers delivering saw logs via log yards and sawn wood via sawmills.
Private association	30	The purpose of forest certification is to ensure economically, environmentally and socially balanced forest management by meeting the relevant generally accepted standards, the organization deserves only positive feedback.		Noted

GLOSSARY

Abbreviations

AL	Adrian Lucan
ANANP	National Agency for Natural Protected Areas
APM	Environmental Protection Agency
APV	Harvesting volume estimate (Act de punere in valoare)
BUC	HS Office in Bucharest
CAR	Corrective Action Request
COC	Chain of Custody
COM	HS Site in Comanesti
CSR	Corporate Social Responsibility
DDS	Due Diligence System
EIA	Environmental Investigation Agency
EUTR	European Union Timber Regulation
FM	Forest Management
FMP	Forest Management Plan (Amenajament)
FMU/OS	Forest Management Unit/Ocol Silvic
FSC®	Forest Stewardship Council®
GIS	Geographical Information System
GPS	Geographical Positioning System
H&S	Health and Safety
ILO	International Labour Organisation
MB	Michael Bye
MoENRU	Ministry of Environment and Natural Resources
MPH	Michael Proschek-Hauptmann
NGO	Non-governmental organization
NTFP	Non Timber Forest Product
PEFC	Programme for the Endorsement of Forest Certification
PIN MATRA	Project for Virgin Forests in Romania
PPE	Personal Protective Equipment
RAD	HS Site in Radauti
REC	HS Site in Reci
RS	Rob Shaw
SCR	Supply Chain Report
SEB	HS Site in Sebes
SFRAU	State Forest Resources Agency of Ukraine
SCCC	Supply Chain Control and Certification Department
SIR	HS Site in Siret
SUMAL	National database of harvesting areas and wood transport documents
UP	Production Unit (Unitate de Productie)
u.a.	Subcompartment (unitate amenajistica)
WWF	World Wide Fund for Nature

