

FAQ Danzer Group / WWF cooperation

1.) What concrete goals is Danzer Group pursuing in its cooperation with the WWF?

The focus of our cooperation is forest management, procurement from third-party suppliers and the trade in African timber by Danzer Group aimed at promoting sustainable forest management in Africa. We have announced that our company is joining the WWF's Global Forest and Trade Network (GFTN, www.gftn.org). Danzer Group, in close cooperation with the conservation organization, is drawing up a detailed timetable for implementation, including detailed measures for the certification of its own managed forest concessions, procurement from third-party suppliers and all sales of African timber.

As part of the cooperation, the African forest concessions of Danzer Group subsidiaries are scheduled to be certified from 2008 onwards. This complements the ISO Standard 14001:2004 certification process now underway at IFO (Republic of Congo Brazzaville) and SIFORCO (Democratic Republic of Congo), which have a combined total forest area of 7.9 million acres (3.2 million hectares).

WWF and the Global Forest and Trade Network (GFTN) will support Danzer Group's objectives to achieve FSC (Forest Stewardship Council) forestry certification. Danzer Group is working with the WWF to draw up a forestry management plan for SIFORCO. In addition to FSC certification efforts, Danzer Group and the WWF will conduct environmental projects involving the local population.

SIFORCO's forest concessions - beginning with the largest concessions Bumba and Bolila - will be gradually certified for compliance with FSC requirements starting in 2010. The Congolese government is expected to approve the IFO forestry management plan in 2006. IFO concession is scheduled to achieve FSC certification during 2008.

2.) How does Danzer Group verify that timber from third-party suppliers meets the requirements of sustainable and legal forest management?

In 2005, Danzer Group introduced extensive guidelines for the procurement of African timber. All Danzer Group companies are required to follow these guidelines when procuring African timber and products made from African species. On a continued progress

basis the companies are increasingly only able to purchase timber when it can be proven to originate from legally managed forests and from forestry operations that are gradually improving their level of compliance with the principles of sustainable forest management.

Danzer Group has set two objectives for the procurement of wood from African suppliers. These goals are to be gradually met in cooperation with the WWF and GFTN. In accordance with the Procurement Rules African Timber Danzer Group will eventually ensure, on an ongoing basis, that each supplier in Africa who operates forest concessions is legally entitled to harvest timber by valid permits issued by the proper government authorities. Danzer Group also works closely with the WWF and GFTN in supporting suppliers efforts to achieve the FSC Controlled Wood Standard. This standard establishes minimum requirements with respect to legality and sustainability. After a baseline appraisal, a catalog of measures for suppliers will be set up by Danzer Group in cooperation with WWF.

3.) Why is the certification process for Danzer Group companies in the Congo basin only being launched now and why will it take so long?

During the civil war, which lasted from 1998 to 2002, SIFORCO had to suspend operations on its concessions because the company was cut off from its supply of logs after shipping traffic between northern and southern Congo was totally blocked. Nonetheless, the Danzer parent company did not abandon the subsidiary and invested considerable sums to keep it alive. The company maintained contact with employees at the concessions and provided them with basic medical care. Only with tremendous difficulty and considerable investment was SIFORCO able to gradually resume operations in 2003.

In addition to the investments that are urgently required to maintain forestry operations, Danzer Group will also be investing in sustainable forest management during the coming years. Due to the enormous size of the concessions in the Congo basin and prevailing complex social and ecological characteristics, certification is a very time-consuming process. As a prerequisite for certification, a forest management plan is being drawn up for SIFORCO concessions, which total 4.7 million acres (1.9 million hectares) – an area roughly equal to half the size of the Netherlands. The plan, which must also take into account local laws and the needs of the local population, will include proposals for

establishing protection zones and avoiding conflicts connected with land usage. The local population and the government must approve the plan.

An inventory of the species and the volume of timber in the forest, as well as a detailed inventory of animal and plant life, will also be conducted. The decision pertaining to the species that can be harvested, along with their location, will be based on the results of these inventories. Environmental conservation aspects will play a major role in the decision. The resulting forest management plan will then be submitted to the government for approval. Based on experience with other countries in the Congo basin, this process will take two or more years. Danzer's subsidiary IFO in the Republic of Congo Brazzaville has already compiled a forest management plan for its concession. The plan has been submitted to the Congolese government for approval, after which the certification process can begin.

4.) Why did Danzer Group decide to work together with the WWF?

The Global Forest and Trade Network (GFTN) of WWF is the ideal partner for Danzer Group because both pursue the same basic environmental objectives. Every responsible company in the forest industry shares the ecological goals of avoiding illegal logging while protecting the world's valuable and threatened forests. The cooperation between Danzer Group and the WWF is an opportunity to help to create market conditions that contribute to the preservation of the world's forests – and makes it possible for the companies and people who depend on forests to continue benefiting from them economically and socially.

5.) What is the Global Forest and Trade Network (GFTN)?

The Global Forest and Trade Network (GFTN) is a WWF initiative aimed at eliminating the illegal logging and trading of wood while promoting the ecologically and socially responsible usage of forests. GFTN promotes management of forest concessions and procurement in accordance with certified requirements such as those set out in the certificate issued by FSC. The GFTN's national and regional Forest and Trade Networks (FTN) currently have more than 300 active members from 35 manufacturing and purchasing countries on all continents. The member companies are committed to promoting sustainable forest management.

By promoting trading relations between companies committed to sustainable forest management, GFTN is supporting market conditions that contribute to protecting the

world's forests - as well as promoting their economic and social usage by companies and people dependent upon them. GFTN members can be divided into four groups: forestry companies; processors, such as sawmills; manufacturers; and traders of wood products. Members include multinational forestry companies and trading chains, family owned companies and indigenous communal organizations engaged in forest management.

6.) What obligatory standards or certificates attesting to sustainability and environmental protection does Danzer Group already possess?

The focus of Danzer Group's sustainability management efforts is on protecting the environment. Danzer began introducing its Environmental and Safety Management System (ESMS) in 1994 to promote extensive environmental management worldwide. ESMS is based on the internationally recognized ISO standard 14001:2004 and covers the entire supply chain from forestry management and sourcing of timber to processing and sales. ESMS makes environmental protection a permanent, systematic management task throughout our company.

Danzer Group has also developed a number of measures designed to systematically identify, measure and analyze environmental impacts. The results allow Danzer to take appropriate corrective action. Danzer has also developed detailed guidelines for the environmental protection and safety aspects of all its work processes. The internationally recognized ISO standard 14001 provides a framework for developing concrete measures. Danzer Group believes this ISO standard is necessary for the responsible, sustainable and effective fulfillment of the demands of environmental protection at all levels of the company. In introducing and implementing all ESMS measures, Danzer works with independent experts such as the Swiss consulting firm SGS.

Independent auditors are examining ESMS step by step to certify compliance with the corresponding ISO certificate. With only one exception, all Danzer Group companies are scheduled to be certified in accordance with this ISO standard 14001:2004 by the end of 2007. The SIFORCO subsidiary in the Democratic Republic of Congo is scheduled for ISO certification by the end of 2009.

7.) To what extent do the Procurement Rules African Timber contribute to FSC certification?

Existing Danzer Group Procurement Rules African Timber constitute a valuable aid on the path to FSC certification. An important aspect of the guidelines is the requirement that suppliers be regularly checked for compliance with applicable forest and labor laws. The legality of logging is also an important aspect of the FSC certificate. Danzer's procurement rules will ensure progressively that African wood supplied by Danzer comes from legally verifiable sources and will help companies progressing towards sustainable management.

8.) What concrete measures is the company taking in the area of sustainable forest management?

Danzer Group is taking action to demonstrate its responsibility when procuring and trading timber. Within its Environmental and Safety Management Systems (ESMS), which is based on the ISO standard 14001, the company has adopted ITTO-CIFOR (International Tropical Timber Organization-Center for International Forestry Research) criteria as the basis for managing its African forest concessions. These criteria apply to IFO (Republic of Congo Brazzaville) and SIFORCO (Democratic Republic of Congo). Both subsidiaries were granted the "Timber Legality and Traceability Verification" certificate following an audit by the independent consulting firm SGS.

Danzer Group introduced strict Procurement Rules African Timber in 2005. These procurement rules are based on internationally recognized guidelines with respect to legality. In conjunction with the procurement rules the company constantly verifies whether the suppliers manage their forestry concessions in accordance with applicable local forestry regulations. Danzer Group is also committed to observing all local, regional and national laws applying to forest management and environmental protection, as well as to adhering to labor and social laws in all of its operations. This also goes for UN resolutions, which include moratoriums on logging and/or the export of logs. Danzer Group examines all sources of timber products made from African species in order to avoid the sourcing from illegal logging operations.

9.) What does the ecological and economic situation in Africa, and in the Congo basin in particular, look like with respect to sustainable forest management?

In general the legal and sustainable management of forests, along with their applicable social aspects, can offer the region's population a sustainable basis for subsistence. The countries in question must also create the requirements and structures to make sustenance possible. Sustainable forest management can serve as a basis for the preservation of plants and animals and contribute to economic development only when safe conditions for investment and functioning local administrations exist.

Major threats to the forest industry include illegal logging - which as a rule creates only a limited number of local jobs - and forest exploitation that ignores the principles of sustainability. The trade of illegal wood keeps the price of tropical wood so low on world markets that wood from sustainably managed forests often cannot be sold at a price that covers costs.

Only when illegal sources of timber are eliminated worldwide will locally-based forestry companies, which, like Danzer Group, invest substantial amounts in sustainable forest management and local social infrastructures be able to compete fairly and make a contribution to establish a competitive, sustainable wood industry.

Stopping illegal logging is necessary for sustained social and economic development of the entire Congo basin, which has suffered from wars and mismanagement for years.

Sustainable forest management could provide an environment in which jobs can be created and local economies can flourish. As the largest producing company in the Congo basin and a trader of products made from African species, Danzer Group has a special responsibility to its customers and is destined to play a pioneering role. The company is committed to making a special effort to support sustainable forest management and the trading of verifiably legal wood products for both of its African subsidiaries IFO (Republic of Congo Brazzaville) and SIFORCO (Democratic Republic of Congo), as well as all Group companies that trade African wood.

10.) What value does Danzer Group place on sustainable forest management?

Danzer Group considers wood to be one of the most ecologically sensible raw materials. Within a framework of long term responsible forestry cultivation, Danzer Group strives to secure a sustainable, high quality worldwide source of wood. Danzer, by actively promoting sustainable forestry management amongst all suppliers, is committed to conducting its forestry and wood-processing activities transparently, ethically and responsibly. The long-term objective is to source and process only those trees that originate from responsibly managed forests. Sustainable forest management will be gradually expanded along with the utilization of the best available technologies and information on wood procurement.