

United Nations Global Compact COMMUNICATION ON PROGRESS 2015

1 CEO STATEMENT

As a signatory of the United Nations Global Compact, Austrian Federal Forests plc. (Österreichische Bundesforste AG, hereafter abbreviated to ÖBf) is committed without reservation to compliance with the ten principles of the UN Initiative. There are two reasons why our company has made this pledge. Firstly, the shares of the company are under the sole ownership of the Republic of Austria, so making ÖBf a public-sector organisation. It undertakes the cultivation and management of land in Austria against payment of a usufruct fee, is subject to review by the Austrian Court of Audit and serves as a model to the companies in the private sector, for example in terms of procurement and corporate governance. Secondly, ÖBf is obliged under the Austrian Forestry Act to preserve the substance of the forests with which it has been entrusted. In 1996 a special law governing Austria's federal forests was passed, opening up new business opportunities for ÖBf, but simultaneously extending the duty of maintenance to include the company's entire assets and incorporating prohibitions on the sale of certain basic areas of land.

At a national level we rank as one of the leading forestry companies, a sector that is so important to Austria. From this role alone we bear special responsibility in economic, social and ecological terms. We ensure that ecosystems remain intact, in particular the lakes and forests and – something that presents an ever-greater challenge in the face of global warming – their multifunctional purpose is guaranteed. The forest offers us a source of renewable raw material, affords protection from natural hazards, supplies us with fresh air and clean water and serves as a place of rest and recreation with virtually unlimited access for everyone. With the pioneering project "Values of Nature" launched in 2014 and finalised in 2016, we mapped – in line with the TEEB process (The Economics of Ecosystems and Biodiversity) – five selected services offered by Nature and especially forests in economic terms so as to raise awareness in this regard among politicians and society. In the study a value of 92 to 114 million Euro was attached to yearly generated fresh water supply, protection from erosion, local climate regulation, recreation and biodiversity within the ÖBf area.

Whenever possible we communicate our principles and values while simultaneously setting store by compliance with sustainability criteria when purchasing services and products. We refuse any involvement in the violation of human rights, the destruction of Nature or the exploitation of resources. Even though Austria is already characterised by

high legal standards and a strong collective awareness for social and environmental issues, we still see opportunities for improvement and further development and take advantage of these options.

The benchmark for internal evaluation of our progress takes the form of the Sustainability Balanced Scorecard, which specifies targets to be fulfilled by 2020 and is also published in the framework of our corporate reporting. We supply external evidence for the sustainability of our forestry management methods with certification to the global PEFC Standard (Programme for the Endorsement of Forest Certification Schemes). The third system audit process shall be finalised by autumn 2016 and will bring important additions here as well as the resolution to develop a certification system for use by forestry service providers in PEFC-certified forests.

In accordance with the Austrian Public Corporate Governance Code we submitted a report to the state authorities regarding our governance and published it on our website.

I am convinced that the UN Global Compact will offer the United Nations a high level of support with attainment of its development goals and play an important role in their achievement for industry. We state this intention in our media presence and play an active part in the respACT network set up by Austria. I will ensure that the ten principles of the Global Compact have the greatest possible impact both inside and outside our company.

Rudolf Freidhager

Spokesman of the Management Board

Purkersdorf, August 2016

2 DESCRIPTION OF PRACTICAL ACTIONS

As ÖBf has opted to utilise the option of harmonising appearance of this Communication on Progress based on the UNGC with publication of the annual report (adjustment request), the following information covers the calendar year which is identical to the 2014 financial year. It also deals with the latest developments until the annual general meeting, which, as customary, was held in May 2015, and takes account of the financial statements of the company.

2.1 Ensuring legal compliance

In May 2016 the third report according to the Austrian Public Corporate Governance Code (B-PCGK) was put before the ÖBf annual general meeting and published on the ÖBf website. All requirements were fulfilled here, with two exceptions: the extent of insurance cover for managerial and supervisory boards (mandatory rule) and the quota for the share of women on the supervisory board. One of the six members is a woman. An explanation was provided for the failure to comply with these two provisions.

The database designed to ensure legal compliance in the field of environmental law and in the overlap between regulations governing ecological and employee protection was refined and optimised throughout the reporting period. The next compliance review will be carried out in 2017.

Compared with other organisations, ÖBf can only very rarely be accused of non-compliance with the Austrian forestry regulations, for example timber harvesting work which was not registered or approved in the proper manner. According to the data collected by the Austria's Federal Ministry of Agriculture, Forestry, Environment and Water Management for 2015, in total some 3250 proceedings were instituted by the authorities against owners of forests in Austria, with only two involving ÖBf.

2.2 Issue Area Human Rights (Principles 1 and 2)

During the reporting period no violation of human rights was committed or tolerated by ÖBf either at an individual or a collective level. The protection of such rights is a matter of course at the company where this is within the control of ÖBf. The company has no corporate guidelines or procedural instructions that explicitly relate to human rights as this issue is not relevant to its business operations. It however rigorously safeguards the personal and civil rights of employees and counteracts any possible encroachment – for instance, in terms of data protection – through cooperation with the works council.

ÖBf also indirectly contributes to the protection of international human rights through its procurement policy. It does not purchase any goods that were produced under inhumane conditions or originate from dubious sources, and merchandising articles must comply with sustainability criteria. Where foodstuffs are concerned, items bearing the Fair Trade label or similar certification are purchased on a regular basis. During the reporting period there was an increase in the number of activities organised by ÖBf – especially in its

event locations in the Castle of Eckartsau and Lamberg – which are certified according to the Austrian eco-label for "Green Events and Green Meetings". On such occasions the company avoids as far as possible carbon dioxide emissions from the journey and paper consumption. If there is food and drink produced outside Austria Fair Trade products are stipulated.

2.3 Issue Area Labour (Principles 3 to 6)

The elimination of all forms of forced or child labour, as addressed under Principles 4 and 5, is only relevant for ÖBf as a primary-sector producer in conjunction with the purchase of products and services and is covered under section 2.2. The following section therefore only deals with Principles 3 and 6 where ÖBf is able to take direct action to ensure compliance.

2.3.1 Employees

ÖBf has the legal capacity to conclude collective agreements with the trade unions representing waged and salaried employees. Arrangements relating to pay increases and other changes to collective agreements are introduced on an annual basis – including at the end of 2015 for the year 2016. This results in continuous further development of company working conditions based on consensus reached between the employer and employees. Further provisions relating to employment and labour law, for example, the numerous working time models and the *Soziale Ferienaktion* programme (reduced-cost holidays in an ÖBf property) are included in agreements reached between the company management and the works council in the form of works agreements. The number of employees availing themselves of the benefits of the Jobticket – the employer bears the cost of public transport for the journey to and from the workplace – is still increasing.

Where the measures aimed at eliminating discrimination are concerned, the main focus has for years been directed at ensuring equal opportunities for women and men and at the integration of people with disabilities in the workforce. To date no additional efforts have been made to increase the number of disabled staff over and above the statutory requirements. The advancement of women on the other hand remains a key issue for the on the agenda of the Human Resources department.

According to the Austrian Equal Opportunity Act companies with more than 1000 employees must produce a report detailing the pay of male and female staff every two years. ÖBf will issue the next report concerning 2016 in 2017. With their modern, requirements-oriented remuneration schemes, the collective agreements concluded by ÖBf provide an excellent basis for equal treatment of staff. In contrast to the pay structure found in sectoral collective agreements, actual pay levels are largely in line with the approaches of the collective agreements.

2.3.2 Suppliers and contractors

As in the reporting periods before, ÖBf specifically requires compliance with all social, insurance and tax regulations as well as safety directives and standards in the agreements concluded with major suppliers and contractors, in particular in the case of contracts for timber harvesting and transport services. According to the evaluation system introduced in 2013 and complemented in 2015 ratings are given to every contract as regards the attainment of forestry goals, work quality and adherence to standards, based on a points system. A satisfactory rating is the prerequisite for the award of subsequent orders. In the event of serious shortcomings or defects the service agreement is terminated at once.

2.4 Implementation measures in the *Issue Area Environment* (Principles 7 to 9)

This section deals with activities involving environmental protection in the stricter sense of the term. These measures are designed to avoid and reduce ecological problems and to raise environmental awareness among the workforce and various stakeholder groups. The programmes and measures taken in the field of nature conservation, often in cooperation with non-governmental organisations, are not considered.

Climate protection remains one of the key issues of the company's ongoing environmental protection activities, and ÖBf has consistently worked on the implementation of an internal climate protection strategy since 2010. It firstly aims to step up the use of CO₂ sinks by fostering forest growth and the harvesting of timber as a renewable, carbon-neutral raw material. Secondly, it plans a 16% reduction in the CO₂ emissions resulting from ÖBf operations, with the aim of saving some 16,800 tonnes here by 2020 in comparison with the 2010 reference year. During the reporting period the measures undertaken with these objectives in mind were the same as in the years before:

- optimisation of the company motor vehicle pool as well as the travel and mobility habits of the workforce: mandatory participation in driver training programmes to reduce petrol consumption with finance from the Climate and Energy Fund, assessment and continuation of a car-sharing pilot project, organisation of a second competition to save petrol,
- continuation of a company-wide project to optimise timber logistics; routes are to be kept as short as possible, and use is to be made of the option of shipment by rail,
- renovation of buildings with the aim of saving energy.

Evaluation of the achievement of targets is based on the climate protection balance sheet, which has been drawn up according to international standards since 2009 and is audited externally by the Swiss foundation myclimate.

Information about ÖBf's climate protection activities regularly appears in its annual report, which has a circulation of some 10,400 copies and is distributed both inside and outside the company. It is also included as a supplement to two large Austrian daily newspapers, which have a combined circulation of 310,000 copies.

Following introduction of the European Union's Energy Efficiency Directive in 2012, the Federal Energy Efficiency Act came into force in Austria at the beginning of 2014, aimed at reducing final energy consumption. The new law is incumbent on the Republic of Austria itself, as well as all energy supply companies and some 1200 corporations in all sectors of industry, including ÖBf. According to the new requirements ÖBf underwent an energy audit by an external consultant and submitted the audit report by the end of November 2015.

The evaluation system for timber harvesting contracts described in *item 2.3.3* does not just take account of social but also of environmental criteria. This additionally complies with the requirements of the Austrian PEFC certification system (Programme for the Endorsement of Forest Certification Schemes), which is part of the international PEFC. It is currently undergoing its third revision and is to be extended to include timber harvesting businesses. They will then for example have to switch to rapidly biodegradable hydraulic oils, as used by the forestry operations in the case of their own machines. As mentioned in the CEO statement the new rules shall be put into force in autumn 2016.

2.5 Implementation measures in the Issue Area Anti-Corruption (Principle 10)

ÖBf does not tolerate either active or passive bribery. This area is subject to continuous monitoring, which takes place through the internal control system (ICS) implemented in all organisational units. No incidents were registered during the reporting period.

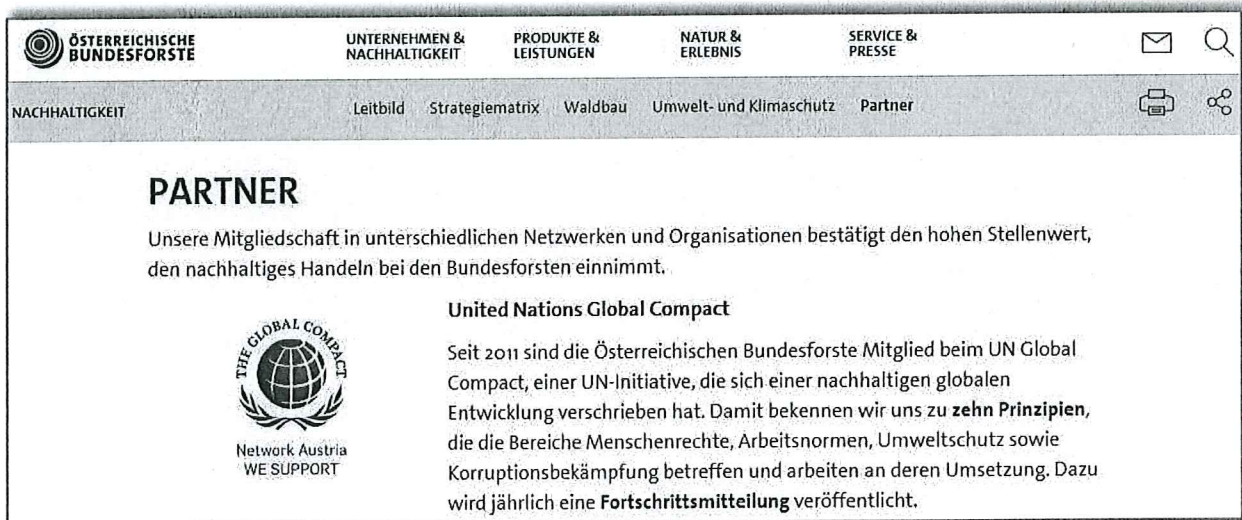
In accordance with the media cooperation and funding transparency law, Medienkooperations- and -förderungs-Transparenzgesetz (MedKF-TG), ÖBf is subject to a duty of disclosure. All institutions under the control of the Austrian Court of Audit – from ministries to public companies – are obliged to report advertising and other publicity contracts and funding which they offer to newspapers, other periodicals and radio and TV broadcasters.

3 MEASUREMENT OF OUTCOMES

In relation to the previous reporting period there has been no change in the procedure used by the individual departments responsible for registration and evaluation of the progress in implementing the principles of the Global Compact in the context of existing structures. This first and foremost involves the departments Finance/Legal Affairs/Controlling, Process Assurance/Auditing and HR Management/Organisational Development. In addition, the Steering Group Sustainability has been in existence since 2009. Consist-

ing of six members, this body, which normally meets once a quarter, sees its role as being to drive forward further development of ÖBf as a sustainability company. It reviews ongoing national and international developments in all areas of sustainability, checking for a need for action and implementation, and initiates any measures necessary. For example, in the course of the current year shareholder involvement will be enhanced and energy efficiency related to mobility will be raised.

ÖBf also maintains a media presence to communicate and foster the ten Global Compact principles and its membership of UN GC. The goals and principles of the initiative thus receive prominent mention on ÖBf's German-language website, which also includes a link to the UN GC website.



The screenshot shows the website header for ÖSTERREICHISCHE BUNDESFORSTE with navigation links: UNTERNEHMEN & NACHHALTIGKEIT, PRODUKTE & LEISTUNGEN, NATUR & ERLEBNIS, SERVICE & PRESSE. Below the header is a sub-menu: NACHHALTIGKEIT, Leitbild, Strategiematrix, Waldbau, Umwelt- und Klimaschutz, Partner. The main content area is titled 'PARTNER' and contains the following text:

Unsere Mitgliedschaft in unterschiedlichen Netzwerken und Organisationen bestätigt den hohen Stellenwert, den nachhaltiges Handeln bei den Bundesforsten einnimmt.

United Nations Global Compact

Seit 2011 sind die Österreichischen Bundesforste Mitglied beim UN Global Compact, einer UN-Initiative, die sich einer nachhaltigen globalen Entwicklung verschrieben hat. Damit bekennen wir uns zu **zehn Prinzipien**, die die Bereiche Menschenrechte, Arbeitsnormen, Umweltschutz sowie Korruptionsbekämpfung betreffen und arbeiten an deren Umsetzung. Dazu wird jährlich eine **Fortschrittsmitteilung** veröffentlicht.

The logo for 'THE GLOBAL COMPACT Network Austria WE SUPPORT' is also visible.

Translation of the website:

PARTNER

Our membership in various networks and organisations confirms the great importance attached to sustainability at Österreichische Bundesforste AG.

United Nations Global Compact

*Since 2011 Österreichische Bundesforste AG has been a member of UN Global Compact, a UN initiative, which is committed to sustainable global development. We thus pledge to uphold **ten principles** relating to the areas of Human Rights, Labour Standards, Environment and Anti-Corruption and strive towards their implementation. A progress report dealing with these aspects is issued on an annual basis.*