

BUILT ON LIES

**NEW HOMES IN JAPAN DESTROY
OLD FORESTS IN EUROPE**



CONTENTS

3	INTRODUCTION
4	PART 1: ILLEGAL LOGGING IN ROMANIA
6	PART 2: THE CASE OF SCHWEIGHOFER
6	SECTION 2.1 BACKGROUND
9	SECTION 2.2 DEVELOPMENTS SINCE EIA'S 2015 RELEASES
10	SECTION 2.3 SCHWEIGHOFER'S HIGH-RISK IMPORTS FROM UKRAINE
12	PART 3: JAPAN'S IMPORTS FROM SCHWEIGHOFER
13	PART 4: TIME FOR JAPAN TO ACT ON ILLEGAL LOGGING
13	SECTION 4.1 JAPAN'S CURRENT MEASURES INSUFFICIENT
13	SECTION 4.2 NEED FOR STRONG DUE DILIGENCE MEASURES IN JAPAN
14	CONCLUSION
14	RECOMMENDATIONS
15	WORKS CITED



For over 25 years as a nonprofit organization, EIA has pioneered the use of undercover investigations to expose environmental crime around the world. Intelligence reports, documentary evidence, campaigning expertise and an international advocacy network enable EIA to achieve far-reaching environmental protection by spurring changes in market demand, government policy and enforcement related to global trade in wildlife and environmental products.

SIDEBARS AND GRAPHICS

5	TYPES OF ILLEGAL LOGGING COMMON IN ROMANIA
7	LOCATION OF CASES AND SCHWEIGHOFER FACTORIES
8	ILLEGALITIES OF HOLZINDUSTRIE SCHWEIGHOFER'S TIMBER SUPPLY CHAIN
10	TABLE 1: SCHWEIGHOFER IMPORTS FROM UKRAINE TO ROMANIA FROM 2010 TO 2015
12	TABLE 2: SCHWEIGHOFER ROMANIA'S 2015 SALES TO TOP 10 CUSTOMERS IN JAPAN
13	TABLE 3: SCHWEIGHOFER EXPORTS FROM ROMANIA TO JAPAN FROM 2010 TO 2015

ACKNOWLEDGEMENTS:

EIA would like to thank the following funders for their support:
The Tilia Fund
Good Energies Foundation
Weeden Foundation
The Cox Fund

© Environmental Investigation Agency 2016.

No part of this publication may be reproduced in any form or by any means without permission in writing from the Environmental Investigation Agency, Inc. The contents of this report do not necessarily reflect the views and opinions of EIA's funders. EIA is solely and entirely responsible for the contents of this report.

Cover: Agent Green

Additional content: Ecostorm



INTRODUCTION

Retezat National Park in Romania

Agent Green

The indiscriminate sourcing practices of Japanese companies are fueling illegal logging in Europe's last remaining virgin forests.¹ Since arriving in Romania in 2002, Holzindustrie Schweighofer (Schweighofer), an Austrian owned timber and wood processing company, has incentivized illegal logging through its sourcing policies.² In 2015, the Romanian government launched an investigation into the company. Initial reports indicate that a search of Schweighofer's factory found evidence of over 100,000 m³ of undocumented logs and the involvement of Schweighofer sourcing officials in organized criminal networks for laundering illegally logged timber.³ New evidence uncovered by EIA indicates that nearly 50% of the company's exports of sawn lumber and laminated timber are destined for Japanese buyers, including many of Japan's largest and most prominent trading companies.⁴

Schweighofer has invested heavily in the Romanian forest products sector since 2002, when it sold off its Austrian assets; it is now the largest processor of softwood logs in the country, producing sawn lumber, glued laminated timber (glulam) and biomass, largely for export to Europe, Japan, and the Middle East.⁵ Japanese companies received an estimated 47% of the company's exports in 2014.⁶ More than half of Schweighofer's exports to Japan consist of minimally processed spruce construction lumber.⁷ The remainder, 42% of exports to Japan in 2015, consist mainly of pine glulam beams and edge-glued boards, used primarily for house construction.⁸ Sales to Japan totaled nearly ¥20 billion in 2015.⁹

Illegal logging has widely been recognized as a pervasive social ill by the Romanian media, government and civil society alike.¹⁰ The Romanian government itself has conservatively estimated that nearly half of all timber cut in the country is done so illegally.¹¹

From 2002 onward, Schweighofer continuously increased its sourcing of Romanian timber, building three large sawmills by 2015.¹² However, since 2013, after increased media, public

and government scrutiny over the company's growing market share and the monopolistic control it held over the country's forest sector,¹³ the company shifted its sourcing primarily to neighboring Ukraine, a country suffering from the highest level of corruption in Europe,¹⁴ and more recently, full scale armed conflict with its Russian neighbors. In 2015, Schweighofer imported nearly 1 million cubic meters of spruce and pine logs from Ukraine, totaling 33% of the timber used in its Romanian mills. This Ukrainian timber is destined in large part for the Japanese market.¹⁵

In 2015, the Environmental Investigation Agency (EIA) published a detailed report following a two-year investigation into illegal logging in Romania.¹⁶ This report showed that Schweighofer has been the single biggest driver of illegal logging in the country over the past decade. An undercover investigation showed the Austrian Schweighofer official who was most influential in setting up the company's Romanian operations openly accepting illegal wood and further, offered bonuses for suppliers of illicit timber.¹⁷ In most of the instances of illegal logging EIA encountered in the field, loggers sold the timber to Schweighofer's mills. Through a series of case studies covering the past decade, the 2015 EIA report documented specific examples in which Schweighofer had received illegal timber, and documented the consequences to Romania's forests, national parks, and communities. Before and after the 2015 EIA report was released, the company has continually stated that there are no problems with their sourcing and that all evidence brought against it is false.¹⁸ This despite increasing evidence from the Romanian government, multiple internationally renowned independent news organizations and nearly every environmental group working on the issue.¹⁹ Schweighofer has tried to hide behind paper based certification schemes, but the Forest Stewardship Council (FSC) recently announced that it is investigating the company due to "serious allegations" relating to illegal logging.²⁰

This new report (EIA 2016) highlights the outsized role of Japanese companies and customers in fueling illegal logging in Romania and Ukraine. Using recently-obtained Romanian export records, this report identifies Schweighofer's largest Japanese buyers, chief among them Hanwa, Sumitomo Forestry, Lamsell Corporation (Meiken Lamwood), Itochu, and Sojitz, most of whom have bought lumber from Schweighofer since at least 2010 (Table 2, p. 12).²¹ The large amounts of exports of high-risk timber to Japan and Europe illustrate the need for Japanese and European companies to perform significant due diligence measures when sourcing from areas at high risk of illegal logging, even when these wood products come from a company that claims to be a good actor.

This case provides further evidence that Japan's voluntary measures to prevent illegal timber imports²² are not sufficient to address the scale of the global challenge of illegally sourced wood. The Japanese government has a responsibility to ensure that all companies are required to proactively ensure legal sourcing of wood product imports.

Nearly 50% of Schweighofer's exports of sawn lumber and laminated timber are destined for Japanese buyers, including many of Japan's largest and most prominent trading companies.



PART 1: ILLEGAL LOGGING IN ROMANIA

Ecostorm

Illegal logging in Romania has been widely recognized by the Government, media, and environmental activists as a serious problem for over a decade. In an official study focused only on a limited set of illegal harvesting methods, the Romanian government estimated that, between 1990 and 2011, 80 million m³ of timber was cut illegally in Romania – 24% of the total volume of wood cut during this period – worth at least €5 billion.²³ This figure is conservative, because it fails to capture many forms of illegal logging, such as logging on land stolen from local communities through unjust and illegal restitution processes that continue unabated throughout the country. A recent study by the Romanian National Forest Inventory took a more detailed approach, including numerous field visits to logging sites across the country.²⁴ This study concluded that 8.8 million m³ of timber was cut illegally each year between 2008 and 2014²⁵ – equivalent to 49% of the timber cut during this period.²⁶ It appears that this study did not take into account all forms of illegal logging, including timber cut on illegally restituted land.²⁷

Illegal logging and poor forest governance have led to severe deforestation in once-pristine forests. Despite official statistics showing an increase in forest area from 1990 to 2012,²⁸ analyses

A recent study by the Romanian National Forest Inventory . . . estimated that 49% of all timber cut in Romania between 2008 and 2014 was illegally harvested



A logging truck seen by EIA investigators in the field. Note the license plate is visible.



The same truck about an hour later with the license plates illegally removed.

EIA

of satellite footage illustrate instead that Romania has lost 280,000 hectares of forest, almost half of this in protected areas, during the past decade.²⁹ Almost half of this forest lost was located within national parks and other protected areas.³⁰

EIA's investigation detailed the many forms of illegal logging that occur throughout the Romanian forest sector (See Sidebar, p.5: Types of illegal logging common in Romania). Common violations of harvesting regulations across the country include exceeding allowable cutting limits, illegal clear-cutting, and regular abuse of so-called "sanitary" permits for cutting of diseased or storm damaged timber.

Initiated in the early 1990s, the ongoing restitution process of forest land confiscated by the communist government in 1948 has also been plagued by illegalities. The Romanian government estimates that at least 20% of all public forests meant to be returned to the original owners has been illegally acquired by others, resulting in widespread disenfranchisement of the

true land owners and the extensive deforestation of illegally obtained forest land.³¹ In most cases, organized criminal groups including government officials and politicians orchestrated these illegal restitutions using fraudulent documents and bribery.³² Foreign companies, chiefly but not exclusively led by Schweighofer, have taken advantage of this system to earn record profits.³³ Combined with a lack of funding for forest protection officials, these factors have led to the disastrous deforestation and decline in Romania's domestic forest products industry over the past 25 years.³⁴

Taking the many forms of illegal logging documented by the Romanian government, local NGOs, and in EIA's own investigation into account, EIA estimates that at least 50% of all timber cut in Romania was illegally sourced. In the majority of the cases of illegal logging investigated by EIA, the Austrian company Schweighofer appeared as the destination for the illegal timber.³⁵

TYPES OF ILLEGAL LOGGING COMMON IN ROMANIA

Illegal logging takes many forms, all of which can destroy long-term sustainable production and functionality as habitat for wildlife. These effects have severe consequences for communities dependent on the forest products industry and on the health of forest ecosystems.

1. Abuse of authorized harvesting limits – overcutting

Cutting beyond the limits of what is allowed under a particular cutting permit (APV) is one of the most common violations in the Romanian forest sector. EIA's investigative team found examples of unmarked stumps having been cut alongside marked stumps in nearly every field case of logging encountered.³⁶

In a recent control check in May and June of 2015 by the Ministry of the Environment, Water and Forests (MMAF) on Schweighofer's sawmill in Sebes, auditors documented a scheme by which Schweighofer offered a 10 RON (€2) per cubic meter bonus to suppliers who provided the full quantity of their approved cut (APV) as high quality timber.³⁷ This practice encourages suppliers to overcut beyond their legal limits, as the report notes that around 15% of the approved cut represents low-quality firewood or branches.³⁸ Separately, in a nine-month period in 2014, the MMAF auditors found that suppliers had created false transportation documents to cover 12,694 m³ of logs sent to Schweighofer – Sebes in excess of contracted amounts.³⁹

2. Illegal restitution

Illegalities have plagued the process of restitution of forest land. A 2013 report from the Romanian government auditing agency, the Court of Accounts, estimated that around 20% of all restitutions of forest land between 1990 and 2012 were illegal.⁴⁰ Given that private forests make up around half of all forest land in Romania, this means that the timber harvested from around 9% of all forests in Romania is by definition illegal, given it was cut from land stolen from its true owners.

3. Abuse of sanitary regulations – bark beetle infestations

Over recent decades, infestations of bark beetles have grown ever more problematic for Romania's forests.

In many cases across Romania, loggers have cited bark beetle infestations to fraudulently acquire permits for logging of healthy, commercially valuable trees. In some cases, loggers clear cut an entire area including healthy trees,⁴¹ while in more extreme cases loggers have facilitated the spread of these beetles into healthy forests in order to obtain authorization for sanitary cutting.⁴²

4. Abuse of cleaning regulations – clearing of “accidental” fallen logs

Romanian forest regulations allow for the clearing of wood felled by “accidental” causes, meaning trees that have fallen due to strong winds, landslides, avalanches, etc.⁴³ The Romanian National Institute of Statistics recorded that “accidental” harvests took place on over 500,000 hectares of forests in Romania in both 2012 and in 2013,⁴⁴ totaling 2.8 million m³ in 2012 and 3.6 million m³ in 2013.⁴⁵ The Romanian Court of Accounts reported that, in 2012 and 2013, in only 4.2% of cases had Romanian forest officials conducted the required on-site check prior to collection.⁴⁶ The report states that on



EcoStorm

this basis there is suspicion that, in these two years, over 6 million m³ of timber was harvested illegally in Romania under the guise of “accidental” harvesting.

5. Lack of stamps during harvest

The Romanian forest code stipulates that a certified forest engineer must mark all trees with a visible hammer stamp with paint prior to harvest.⁴⁷ In certain cases, such as clear cuts or circular cutting (small clear cuts in a circle) engineers have to mark only the trees around the edges of the harvesting zone.⁴⁸ However, for most examples of principle or sanitary cutting, all stumps must be marked before harvesting begins.⁴⁹

As noted above in point #3 regarding overcutting, EIA's investigation found examples of unmarked stumps in the majority of forest sites inspected.⁵⁰ In these examples, forest experts consulted by EIA confirmed that this cutting had in fact been illegal based on the authorization paperwork.⁵¹ Combined with the widespread abuse of transportation stamping requirements (point #6 below), cutting of both marked and unmarked trees facilitates laundering of illegal timber.

6. Lack of stamps and documentation during transport

According to Romanian law, all logs leaving the forest with a diameter greater than 20 cm must be stamped with a number corresponding to an accompanying transportation document (*aviz*).⁵² The *aviz* records information specific to this single shipment, including harvest location and plot number, vehicle registration number and driver's name, destination company, and exact size and dimension of all logs.⁵³ The *aviz* must be registered in the SUMAL (*Sistem informațional integrat de urmărire a materialelor lemnoase*) nationwide electronic log-tracking database before transportation begins.⁵⁴

Lack of transportation stamps makes it impossible for police or a receiving company to confirm the legal origin of a given shipment of timber during transport.⁵⁵ Although industry experts acknowledge that violations of the requirement for transportation stamps are commonplace,⁵⁶ these violations nonetheless facilitate laundering of illegal timber. In one common scenario, logging trucks make multiple trips under a single *aviz*, meaning that two or three times the legally permitted quantity can be smuggled in plain sight.⁵⁷

At two Schweighofer rail depots in northern Maramureș County and one in central Buzău County, EIA investigators found that the vast majority of logs in the yards were unmarked. In Borșa, EIA

filmed the unmarked⁵⁸ logs being unloaded from a truck that investigators had followed out of the forest from an illegal logging site.

7. False paperwork

An ex-Schweighofer employee told investigators that there is an active trade in false documents in Romania, where shell companies sell fake papers to companies who need them.⁵⁹ In a 2013 case, the DNA (Romanian National Anticorruption Directorate) found concrete evidence of this illegal activity. DNA investigators obtained a sheaf of blank *aviz* papers, already stamped by the local Romsilva forest bureau, some of which had allegedly already been used to transport illegal wood.⁶⁰ These pre-stamped documents are essentially “signed blank checks” for laundering illegal timber, meaning that forest officials never compared and confirmed the listed materials with the actual timber transported.⁶¹

8. Illegal logging practices on site

Some logging that may be on a legal concession and may be legally recorded in government statistics is done in a way that directly breaks the rules of forest management and in this way destroys the landscape and sustainability of the area. This includes illegal clear cutting, cutting near and destroying very sensitive freshwater streams and ecosystems, and polluting logging sites with contaminants. These practices are particularly destructive in sensitive areas such as Natura 2000 land, where limited sanitary logging may be allowed. EIA found illegalities of this type on every logging site that it visited in the field.⁶²



EIA



PART 2: THE CASE OF SCHWEIGHOFER

Holzindustrie Schweighofer's sawmill in Sebeș, Romania.

Agent Green

SECTION 2.1 BACKGROUND

Schweighofer, which in 2014 purchased 32% of the country's softwood log production, has misled its customers about its sourcing practices in Romania for more than a decade. The company states that its forests are FSC certified, that all of its supplies come from Programme for the Endorsement of Forest Certification (PEFC)-controlled sources, and that it refuses timber cut in national parks.⁶³ In reality, less than 2% of its supplies come from its own FSC-certified forests and the remainder is sourced from over 1,000 separate logging companies, many of which have been prosecuted or are currently under investigation for illegal logging.⁶⁴ The PEFC certification that Schweighofer claims "guarantees" the legality of its sourcing does nothing of the sort: it requires only the existence of documentation that "indicate" legality, despite widespread fraud in forest sector documents in Romania.⁶⁵ The numerous examples of illegal timber received by Schweighofer in EIA's 2015 report illustrate the weaknesses of PEFC's paper-based chain of custody (COC) system in Romania's high-risk forest sector. Although Schweighofer has claimed for at least the past three years that it refuses timber from national parks, EIA found that the company knowingly accepted wood from national parks until at least early 2015.⁶⁶ A company representative admitted doing so to a Romanian environmental activist, who tracked a truck of timber illegally cut in a national park to Schweighofer's sawmill, where he was beaten and pepper-sprayed by the company's guards.⁶⁷

EIA investigators met undercover with Schweighofer's top wood buyers in Romania on two separate occasions, and told them that they had a contract with a local community that allowed them to cut a certain amount of timber each year, but that the investigators instead wanted to cut twice as much. In both meetings, the Schweighofer officials stated clearly that they would accept the wood harvested in excess of the authorized volumes, making it illegally sourced, and further described the company's bonus policy of paying the equivalent of roughly €8 extra per cubic meter for any timber shipments delivered exceeding the contractually agreed quantity. EIA released audio and video recordings of these meetings in April of 2015.⁶⁸

In May 2015, in response to the reports from EIA and other media sources, the Romanian Ministry of the Environment, Water and Forests (MMAF, from its Romanian name, *Ministerul Mediului, Apelor și Pădurilor*) ordered inspections of Schweighofer's sawmills in Sebeș and in Rădăuți, which were coordinated with inspections of suppliers in a number of regions across the country.⁶⁹ The government investigation of the Sebeș mill reviewed a few hundred supplier contracts out of a subset of over ten thousand contracts, comparing transportation documents (*aviz*) for log shipments to Sebeș with logging authorizations (*APV*).⁷⁰ Of this subset of contracts, the government investigation found evidence that 27 suppliers in just one county, Maramureș, had delivered over 165,000 m³ of illegal timber to Schweighofer's Sebeș mill between January 2014 and April 2015.⁷¹ In addition, the report noted a large number of additional violations, including what the auditors described as the creation of illegal networks including local forest officials, supplier companies, and "local representatives of Schweighofer Sebeș" in order to give the "illusion of legality to logs purchased without legal proof of origin."⁷²

CEO Gerald Schweighofer claims that his sawmills reject all timber from illegal sources.⁷³ Yet in its supplier contracts, his company stated that timber purchases provided to Schweighofer without proper legal documentation are accepted, but with a 35 RON/m³ fee.⁷⁴ Unless any such wood is handed over to authorities, or otherwise verified as legal, this constituted a contractual system to gain additional profit by penalizing suppliers while nonetheless continuing to sell cheap illegal wood on to buyers. This "illegal wood fee" on illegal timber supplies matched the bonus offered to EIA investigators for wood in excess of the agreed amount, each at about €8 per cubic meter — thus any penalty that suppliers might pay for providing illegal wood without documentation, could be cancelled out by Schweighofer's bonus for timber in excess of signed contracts.

Schweighofer has been active in Romania since 2002. Beginning that year, Schweighofer obtained multiple ten-year contracts from the Romanian government guaranteeing the company around half of all spruce logs cut from public forests, exempting them from the standard auction process.⁷⁵ Over the past decade, Schweighofer has grown into the largest timber buyer and processor in the country,⁷⁶ and currently operates five sawmills

The government investigation found evidence that 27 suppliers in just one county, Maramureș, had delivered over 165,000 m³ of illegal timber to Schweighofer's Sebeș mill between January 2014 and April 2015

and factories in Romania producing sawn lumber, pellets and briquettes, and laminated structural timber and blockboard (see graphic p. 8).⁷⁷ Schweighofer imports around 40% of the timber used in its Romanian sawmills from other countries, the vast majority from neighboring Ukraine.⁷⁸

Although Schweighofer purchases nearly all of its timber from third parties, it often has close financial ties to these suppliers.⁷⁹ In many cases, Schweighofer provides its suppliers with upfront financing, under contracts that oblige suppliers to provide a certain amount of timber to them. If suppliers fail to meet these targets, Schweighofer fines them.⁸⁰ Court documents list examples in which the obligations for timber provision exceed the legal quantity allowed on suppliers' forest lands.⁸¹



Image from undercover video taken by EIA investigators in a meeting with Holzindustrie Schweighofer's purchasing managers.

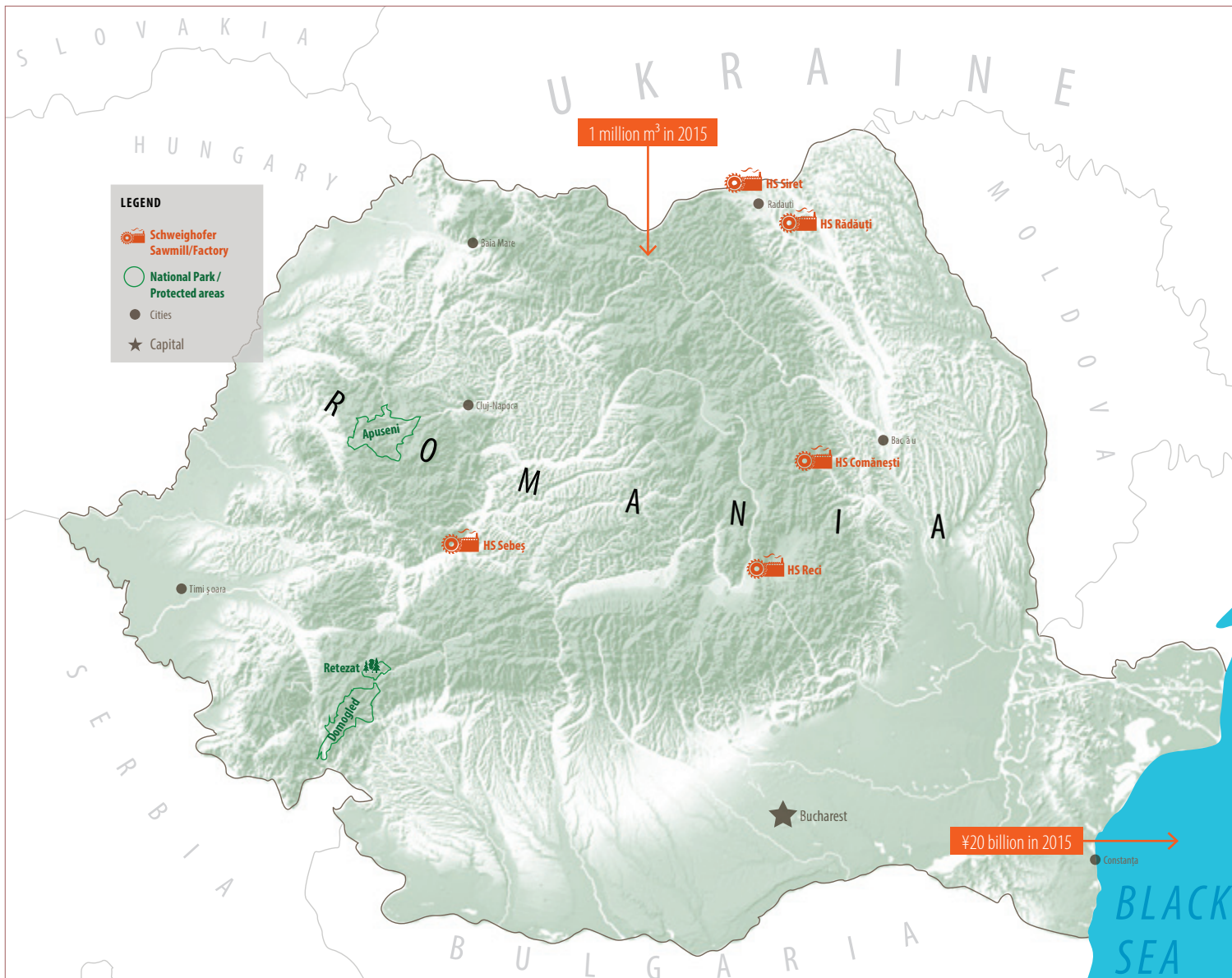
EIA

Patchwork of clear cuts near Lake Vidra, Voineasa.

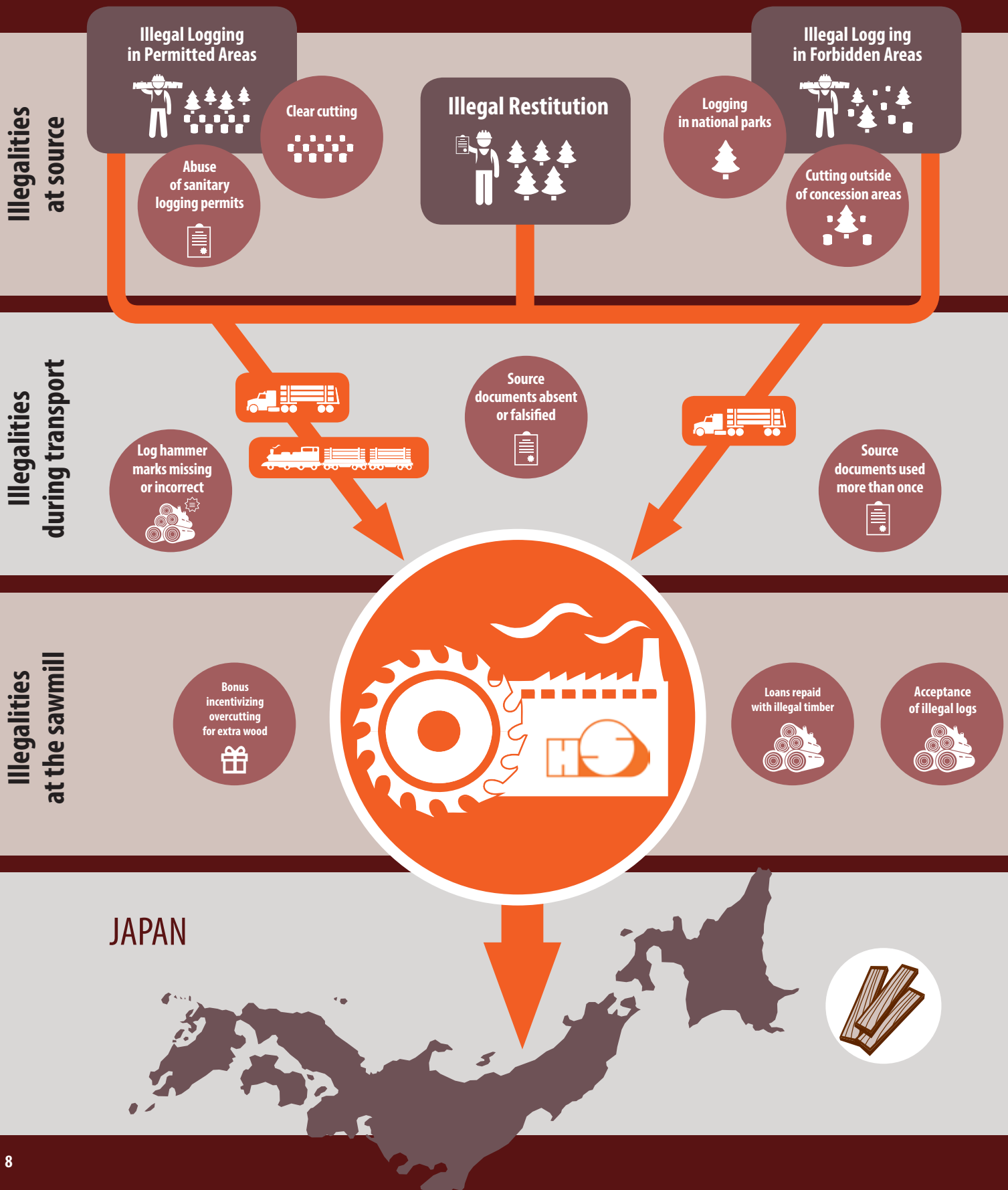


Matthias Schickhofer

LOCATION OF SCHWEIGHOFER FACTORIES



ILLEGALITIES OF HOLZINDUSTRIE SCHWEIGHOFER'S TIMBER SUPPLY CHAIN



SECTION 2.2 DEVELOPMENTS SINCE EIA'S 2015 RELEASES

EIA released undercover footage showing Schweighofer sourcing managers accepting and incentivizing illegal timber in April 2015. In October 2015, EIA released a 40-page report detailing Schweighofer's receipt of illegal Romanian timber over the previous decade. This release was made at press conferences in Vienna and Bucharest together with the World Wildlife Fund (WWF), Greenpeace, Romanian NGO Agent Green, and Romania's largest forest owner's association. Both releases followed years of exposés from local Romanian press and civil society highlighting the company's negative role in the Romanian forest sector. The Romanian government has responded strongly, European civil society is paying close attention, and the company has struggled to defend itself.

In June, 2015, the Romanian government announced that a five-week investigation into the company's Sebeș plant had revealed numerous irregularities, noting the suspicion that some of the company's timber had resulted from illegal logging, and that the case had been passed to the prosecutor's office. Romania's then Minister of the Environment, Grațiela Gavrilescu, revealed in an interview that the investigation had "in many cases" found illegal timber that had been sold to Schweighofer through more than 50 "ghost" companies, constituting a large amount of tax evasion.⁸² Based on this evidence, Minister Gavrilescu explained that her ministry had handed the file to the department specialized in prosecuting organized crime and terrorism cases, as reported in March 2016 by Austria's weekly *profil*.⁸³ Romania's new Minister of the Environment, Cristiana Pasca Palmer, confirmed in March 2016 that the investigation into Schweighofer and its suppliers remains ongoing.⁸⁴

In October, 2015 WWF Austria filed a formal complaint with Austria's Federal Forest Office regarding suspected violations of the EU Timber Regulation (EUTR) by Schweighofer.⁸⁵ In November 2015, the FSC announced it had opened an investigation against Schweighofer due to claims of "purchasing and trading of illegally harvested timber in Romania."⁸⁶ The investigation officially began in April 2016.

Schweighofer has responded to these developments by employing prominent public relations firms in Vienna and Bucharest and releasing a series of press releases and a "counter report" claiming to disprove all of the allegations leveled against the company.⁸⁷ The company claims that it is the "unjust victim of a worldwide defamatory campaign"⁸⁸ and that the strong controls at the gates of its sawmills ensure that the

company has never received illegal timber. Schweighofer claims that EIA's video was heavily edited to distort the truth.

These denials fly in the face of a litany of investigative reports from Romanian and international NGOs and media. *Der Spiegel* and *profil*, the leading weekly news magazines in Germany and Austria respectively, both were given access to EIA's full footage. Both journals rejected Schweighofer's claims: "the context was always clear," wrote *Der Spiegel*;⁸⁹ *profil* could not see any difference in content between the unedited and the edited version.⁹⁰ According to *Der Spiegel*, Schweighofer officials attempted to cover up their actions by sending misleading information to *Der Spiegel*'s reporter.⁹¹ As supposed evidence of the company's integrity, Schweighofer forwarded an email sent to EIA's undercover investigator explaining that any timber had to have legal documentation. As *Der Spiegel* reports, a day before Schweighofer sent this email the company had already been informed of EIA's undercover investigation and its upcoming news release. An anecdote from *profil*'s March 2016 report summarizes Schweighofer's approach in responding to these accusations. The magazine reports that its reporter was invited along with other foreign journalists by CEO Gerald Schweighofer to a meeting in his private hotel in order to "clarify the alleged misunderstandings and to salvage the reputation of his company." As the magazine noted, "In fact, however, he hardly says anything except: it's all not true."⁹²

The company has sought to discredit as "frivolous" all organizations that have spoken against it, in particular EIA, WWF, and local Romanian NGO Agent Green.⁹³ Meanwhile, the company has taken action to cover its tracks in Romania. It has reportedly fired its chief sourcing manager in Romania of ten years, Karl Schmid, the architect of Schweighofer's success in the country, and the man who, in response to offers of illegal timber from an undercover EIA investigator, replied, "it is no problem."⁹⁴ The company has revised its contracts to remove language stipulating a "fine" for providing it with illegal timber.⁹⁵ As of early 2015, the company claims to now be taking concrete efforts to refuse timber sourced from national parks — even though it previously received timber from national parks while claiming since at least 2013 that refused such timber.⁹⁶ Schweighofer is touting the development of a new GPS system to track trucks supplying it with timber, to ensure that they do not take multiple trips under a single transport permit⁹⁷ — a common illegality in Romania.

In January 2016, the company announced a new FSC chain of custody certification, which it claims ensures that "all suppliers undergo a rigorous audit", and which allows Schweighofer to sell all of its products with the "FSC Mix" label, meaning

the timber was sourced from an unspecified mix of both certified and non-certified material.⁹⁸ Accreditation Services International (ASI), the independent third-party accreditation body, is investigating complaints that the Austrian certifying body, Quality Austria, did not follow all correct procedures, in particular stakeholder outreach, when granting Schweighofer its latest FSC certification.⁹⁹

New evidence continues to surface about Schweighofer's activities. In November, 2015, the Romanian investigative program *In Premiera* released a 45 minute long report which painted a vivid picture of illegalities at three stages of timber supply chains leading to Schweighofer.¹⁰⁰ Organized criminal networks laundered illegal timber with the complicity of corrupt government officials; dubious commercial entities created fake paperwork to legitimize illegal cutting; this paperwork is then accepted at the gates of Schweighofer's sawmills with no further questions asked. Shadowy businessmen distribute bribes through networks of forest officials, local police and Schweighofer company representatives. If officials speak out against the corruption, they and their companies are threatened.¹⁰¹

During the course of filming, the lead journalist narrowly escaped a beating from a forester and a sawmill owner in a forest in an area near one of Romania's most picturesque national parks. When the journalist reported this incident to local police, he was told that local law enforcement is powerless to stop illegal logging in the forest. "Basically the whole community is united against us," says the officer. "Foresters are like small local kings, people won't turn them in or collaborate with us." In an interview, a truck driver confessed that while having been a driver to Schweighofer's mills for over five years, roughly 80 percent of his deliveries consisted of illegal timber. The *In Premiera* film also exposes personal relationships between forestry officials and key Schweighofer employees by exploring photos and exchanges on social media.¹⁰²

Schweighofer officials have long threatened that if Romania's government acts against it, the company will take its business elsewhere. In its recent public statements, the company emphasizes that it is moving its sourcing operations steadily outside of Romania, and that it "will not build a fourth factory in Romania."¹⁰³ Schweighofer has threatened the Romanian government with legal consequences if it does not weaken ongoing national forest policy reform processes that endanger their rapacious business model.¹⁰⁴ Unless Schweighofer takes real and significant steps to reform its sourcing practices, its problems will likely continue to grow.

A clear cut forest in Romania



SECTION 2.3 SCHWEIGHOFER’S
HIGH-RISK IMPORTS FROM UKRAINE

Schweighofer’s timber imports into Romania have increased significantly in recent years – the vast majority, 80% in 2015, made up of spruce and pine logs from Ukraine.¹⁰⁵ Schweighofer’s actions in Ukraine have mirrored the model the company used in divesting from Austria and setting up operations in Romania in 2002. As Schweighofer has run into difficulties in Romania, the company has shifted its sourcing to Ukraine, a country with an even higher rate of corruption, facing similarly high levels of illegal logging, and recently, in full scale armed conflict.

Over four years from 2010 to 2013, Schweighofer’s imports of softwood logs – primarily spruce - from Ukraine were relatively steady, at around 40,000–50,000 m³ per month.¹⁰⁶ On November 2015, Ukraine implemented a ban on all log

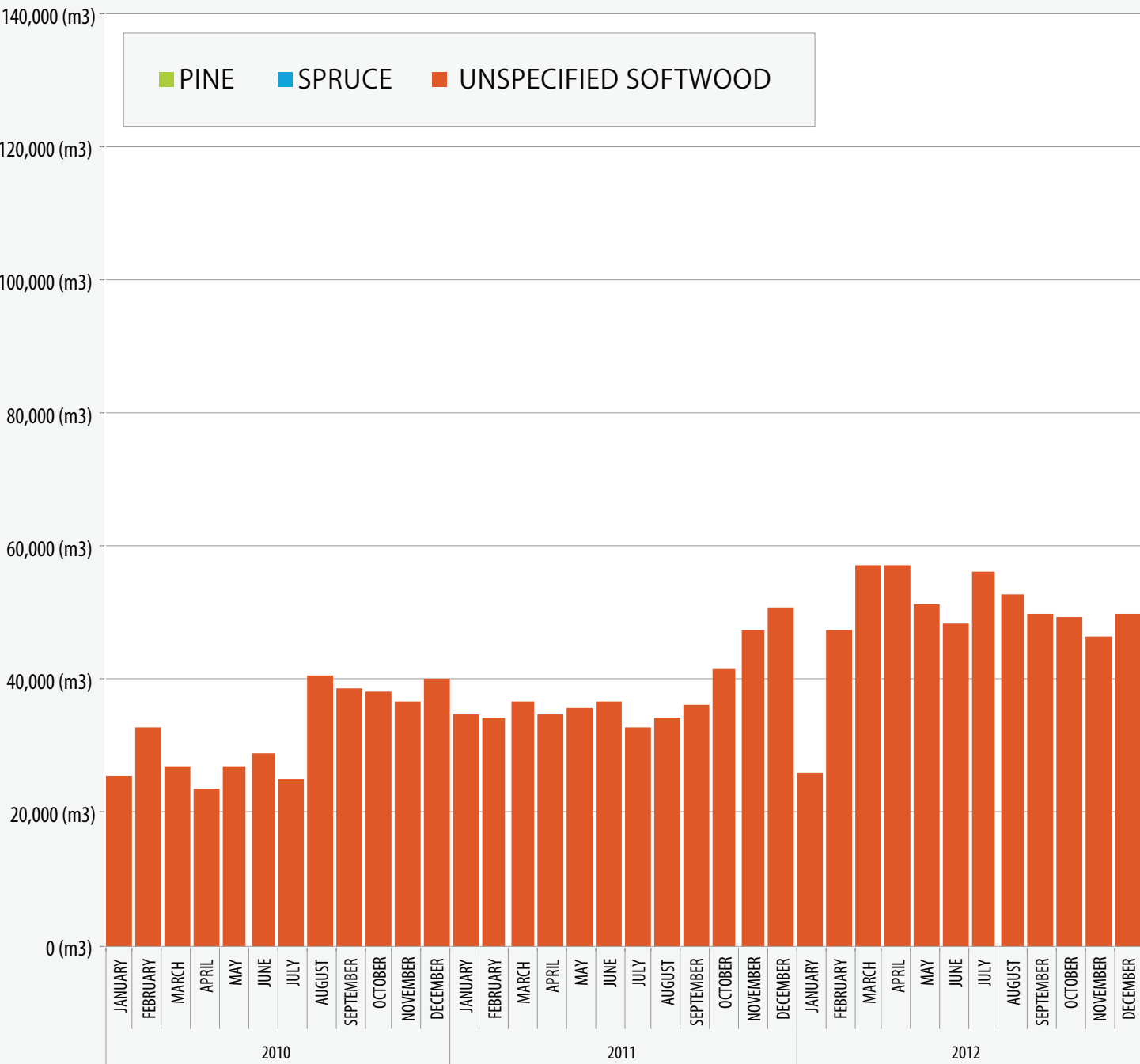
imports, with the exception of pine logs, which would be phased in starting in 2017.¹⁰⁷ In likely anticipation of this ban, in February 2015, Schweighofer announced the opening of a new glulam production line at the company’s Radauți sawmill, manufacturing pine edge-glued posts for housing construction specifically for export to the Japanese market.¹⁰⁸ At that time, the company announced that it had signed an exclusive contract with a single Japanese company, “Lamsell Corporation (Meiken)” for sales within Japan.

Romanian import data shows that Schweighofer’s imports of pine logs from Ukraine started in May, 2015, and have averaged around 60,000 m³ per month through at least the end of February 2016 (see Table 1, p. 10). The company’s declared spruce log imports from Ukraine dropped to zero by mid-November 2015. Given that softwood production in Romania is

mostly focused on spruce,¹⁰⁹ it is likely that much of the material for Schweighofer’s glulam product for the Japanese market is made from Ukrainian pine logs.

The world’s attention has been focused on Ukraine since the 2014 “Maidan” revolution, Russia’s annexation of Crimea, and the continuing insurrection in the far east of the country. The ongoing instability in the country has been felt even in western Ukraine’s Carpathian Mountains bordering Romania, source for most of the country’s spruce, and in the pine-growing regions of the country’s northwest.¹¹⁰ Transparency International ranks Ukraine #130 out of 167 countries on its 2015 corruption index – the worst score of all European countries.¹¹¹ The working group tasked with drafting the FSC’s 2013 Controlled Wood risk assessment of Ukraine, used in the granting of Schweighofer’s new FSC chain of custody “Mix” certification, surveyed a number

TABLE 1: SCHWEIGHOFER ROMANIA’S TIMBER IMPORTS FROM UKRAINE



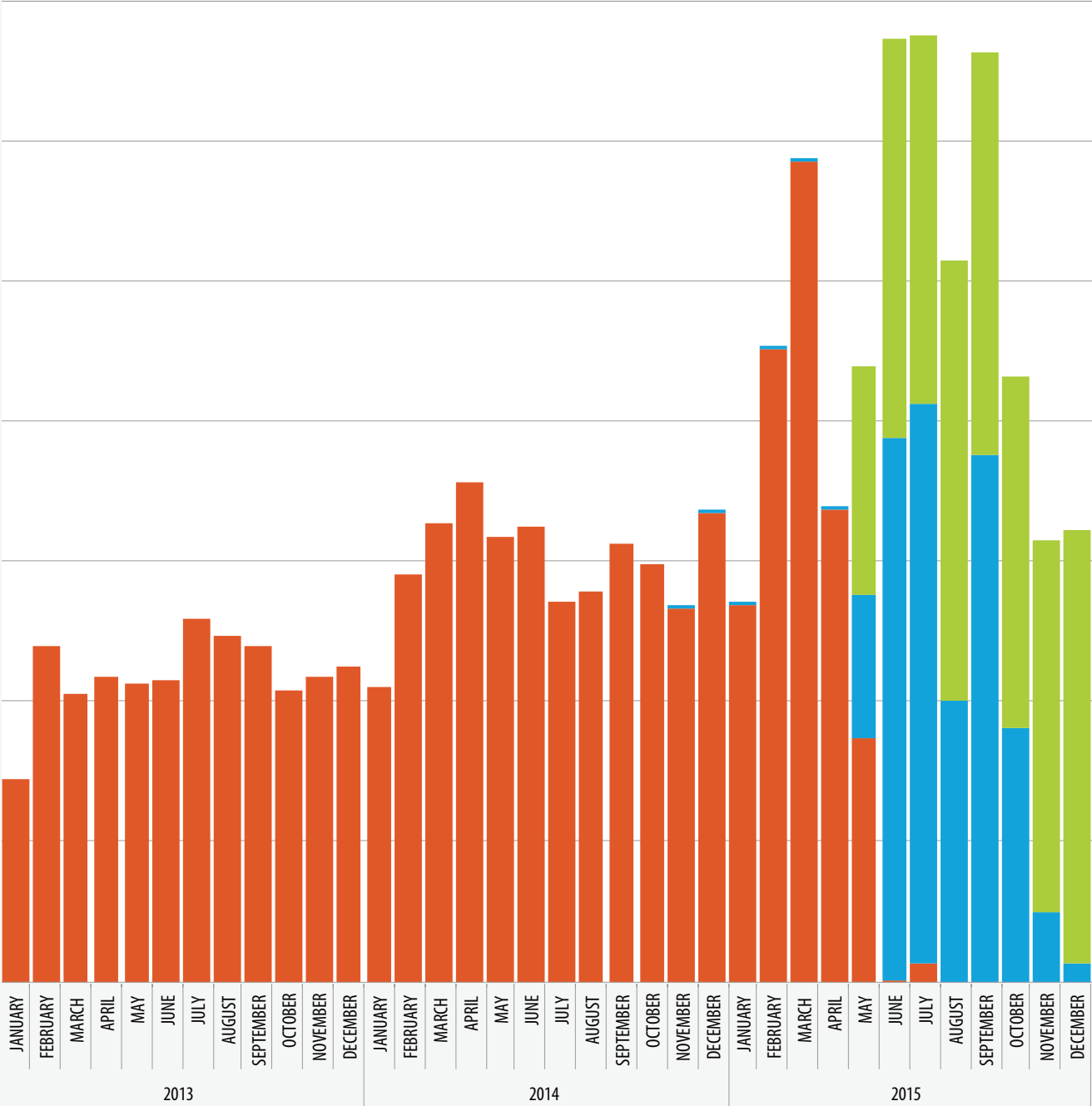
of forest sector participants. The group's report notes that every single respondent surveyed reported that corruption exists in Ukrainian forestry, and 80% considered the level was "very high".¹¹²

The same FSC report references more than a dozen sources describing illegal logging in Ukraine. In every assessment category related to illegal logging, the report lists the risk as "unspecified", meaning that risk is present, but that the exact degree of risk has not been determined.¹¹³ A 2012 study lists a number of illegal activities present in the Ukrainian forest sector, including cutting commercial timber using sanitary permits for clearing damaged or diseased trees, cutting beyond specified limits, and falsification of documents.¹¹⁴ The study highlighted a key structural barrier to proper enforcement, namely, that both forest governance and forest management are in the hands of

the same entities – the units of the State Resources Agency.¹¹⁵ News reports indicated a perhaps even more serious institutional problem for Ukrainian forest governance – national funding for forest management has dropped precipitously from 438 million hryvnia in 2013 to only 66 million hryvnia in 2016 (around \$2.5 million USD).¹¹⁶

Perhaps most disturbingly, recent media reports have highlighted the phenomenon of illegal logging of irradiated pine logs within the forbidden zone surrounding Chernobyl, site of the world's largest nuclear disaster in 1986.¹¹⁷ These illegal pine logs were laundered on the market and reportedly exported to foreign countries including Poland, Hungary, and Romania.¹¹⁸ The FSC report similarly noted an "unspecified" risk that irradiated timber could find its way onto the market, in particular through trading companies.¹¹⁹

The species that Schweighofer sources from Ukraine, first spruce and now pine, are widely available in large quantities from a large number of low-risk countries in Western Europe, North America, and even within Japan itself. Given the extremely high levels of corruption and numerous reports of illegal logging in Ukraine, Schweighofer must be responsible for conducting a strict degree of due diligence to ensure the legality of its timber imports from Ukraine to Romania. The company has never published its due diligence standards for its extensive Ukrainian sourcing, nor has it publicized any details of how its due diligence measures are conducted in practice. Schweighofer's Japanese buyers need to be extra vigilant in questioning the validity of the company's documents of origin. Based on Schweighofer's history in Romania, they cannot rely only on Schweighofer's word or simple chain of custody certification.





PART 3: JAPAN'S IMPORTS FROM SCHWEIGHOFER

Schweighofer's train depot in Säcel near Borşa

Japanese companies have been Schweighofer's main buyers for at least half a decade.¹²⁰ Schweighofer's exports to Japan have been relatively steady since 2010 (Table 3, p.13). During most of this time period, the company exported simple spruce boards. Since the end of 2013, the company has increased its exports of glulam products, and by 2015 these made up 42% of its exports to Japan.¹²¹

Schweighofer's Japanese customers have been consistent as well. Hanwa, a large trading company with its headquarters in Osaka, has been Schweighofer's largest Japanese customer since at least 2010. In 2015, sales to Hanwa made up 35% of all the Austrian's exports to Japan – 76% of these sales were sawn boards.¹²² Japan's largest trading companies fill the ranks of Schweighofer's other major buyers: Sumitomo Forestry, Lamsell Corporation (Meiken Lamwood), Itochu Kenzai, Sojitz Building Materials, and Japan Kenzai.¹²³ Nearly all of Schweighofer's Japanese buyers are trading companies, which in turn sell the lumber and glulam products onwards to construction companies.¹²⁴ This timber is largely destined for the construction of wood-frame houses across Japan.¹²⁵

TABLE 2: 2015 Sales to Top 10 Japanese Customers

1. Hanwa Co. Ltd.	■ Sawn Lumber: ¥5.2 B	■ Glulam: ¥1.7 B
2. Sumitomo Forestry	■ Sawn Lumber: ¥1.8 B	■ Glulam: ¥1.3 B
3. Lamsell Corporation (Meiken)	■ Glulam: ¥2.6 B	
4. Itochu Kenzai Corporation	■ Sawn Lumber: ¥1.3 B	■ Glulam: ¥427
5. Sojitz Building Materials Co.	■ Sawn Lumber: ¥637 M	■ Glulam: ¥1.1 B
6. Japan Kenzai Co. Ltd.	■ Sawn Lumber: ¥881 M	■ Glulam: ¥472 M
7. Marubeni Building Materials	■ Sawn Lumber: ¥284 M	■ Glulam: ¥476 M
8. Nice Corporation	■ Sawn Lumber: ¥136 M	■ Glulam: ¥280 M
9. Shinohara Shoten KK	■ Sawn Lumber: ¥33 M	■ Glulam: ¥216 M
10. Yoshimei Co Ltd	■ Glulam: ¥243 M	



Schweighofer lumber in Shin-Kiba in Tokyo

PART 4: TIME FOR JAPAN TO ACT ON ILLEGAL LOGGING

Clear cuts in Domogled National Park

Agent Green

SECTION 4.1 JAPAN'S CURRENT MEASURES INSUFFICIENT

Under current Japanese law, most Japanese companies are not required to avoid sourcing illegal timber when buying overseas.¹²⁶ All other major developed markets and all other G7 countries, including the US, EU, Australia and Canada, have established a prohibition on the import of illegal timber.¹²⁷ Most of these nations now require their companies to perform mandatory due diligence when sourcing wood products overseas.

Japan was the first nation to respond to commitments made at the 2005 Gleneagles summit, where all G8 nations pledged action to stop the import of illegal timber.¹²⁸ In 2006, Japan revised the Basic Policy on Green Procurement to require the national government to only purchase legal and preferably sustainable wood products based on the Guideline for Verification on Legality and Sustainability of Wood and Wood Products.¹²⁹ The law encourages businesses and local governments to also purchase legal and sustainable wood products. However, these measures have not been strong enough to stop the import of illegal timber.

Japan's Green Purchasing Law accounts for only about 5% of Japan's imports of wood products.¹³⁰ An independent survey of government implementation of the Green Purchasing Law showed that one quarter of government agencies that responded to the survey do not properly check the legality of wood products.¹³¹ In addition, the Law lacks penalties to ensure compliance. Moreover, the Law does not require companies producing for the government to conduct due diligence to check whether the timber that is purchased is in fact legal.

Although Romania is a small country, Schweighofer alone shipped ¥20 billion JPY worth of structural timber to Japan in 2015 alone.¹³² Countries and regions with high rates of illegal logging, including Sarawak, Indonesia, Russia and China sell hundreds of billions of yen worth of plywood, furniture, flooring

and structural timber to Japan each year.¹³³ The case of Romania shows that a trade flow that may be relatively small for Japan can still have a disproportionate negative impact on countries around the world.

Major timber consumers including the EU, US, and Australia oblige companies to carry out due diligence to confirm the legality of the timber products they place on markets. Japan must align legislative efforts underway with high standards being set in in other major timber consuming countries. Japan needs to effectively prohibit the trade in illegal timber, require companies to implement robust due diligence measures that are proportionate to the level of risk of illegal logging, and impose dissuasive penalties for noncompliance. Enacting strong mandatory legislation now would also help to fulfil Japan's recent commitments in the environment chapter of the Trans-Pacific Partnership to combat and prevent illegal timber harvest and trade.

SECTION 4.2 PAPER-BASED DUE DILIGENCE SYSTEMS ARE NOT ENOUGH

The case of Schweighofer illustrates the need for due diligence measures to go beyond simple paper-based documentation systems. In a recent report released in April, 2016, a consultancy hired by Schweighofer described the company's new control systems in its Romanian mills.¹³⁴ This report focused entirely on control systems based around paper documentation; as such, its scope did not consider the wealth of evidence of illegal timber that has reached Schweighofer's supply chains over the past decade, nor any evidence in the public domain from the ongoing Romanian government and the FSC investigations into the company.¹³⁵

In the new assessment report, the consultancy claims that Schweighofer's due diligence systems are compliant with the EUTR requirements.¹³⁶ However, the EUTR specifies that risk assessment must consider the "prevalence of illegal harvesting."¹³⁷ EIA's 2015 report highlighted numerous violations connected

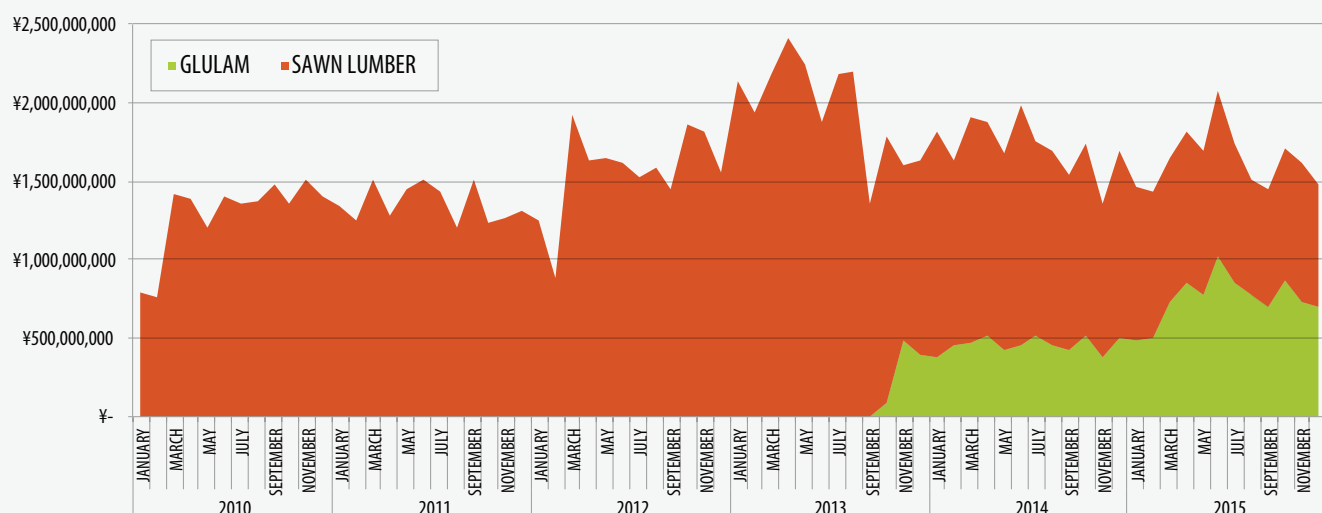
to Schweighofer which are relevant to these factors, as did the Romanian government when it investigated the company.¹³⁸

Instead, risk assessment under Schweighofer's due diligence system is based on the company's FSC Controlled Wood certification. The consultant's report notes that, "organizations compliant with FSC forest management or controlled wood certification are considered low risk suppliers."¹³⁹ Instead, the FSC itself states very clearly that FSC certification alone is not accepted as proof of compliance, noting that "several national competent authorities appear not to accept FSC certification as sufficient evidence of negligible risk."¹⁴⁰

According to the consultant's report, Schweighofer requires no further evaluation for any suppliers with an FSC controlled wood certification.¹⁴¹ Other suppliers must provide paper documentation showing legality¹⁴² – in a country with widely-recognized problems of forged documentation. EIA's 2015 report quoted CEO Gerald Schweighofer in an interview with Austrian press, referring to the legality of its suppliers' documentation, "if they are fake or not, cannot be verified."¹⁴⁴

Schweighofer's expansive sourcing structure complicates proper due diligence in such a high risk environment as Romania. The company owns relatively few forests itself – only around 2% of its Romanian supplies come from its own forests.¹⁴⁵ Instead, the company depends on over 1,000 separate suppliers across Romania to fill the enormous needs of its three sawmills, which in 2014 consumed nearly a third of all softwood logs harvested in Romania.¹⁴⁶ Many of these suppliers are middlemen, traders who buy logs from other companies. At least one third of Schweighofer's Romanian logs come from depots, and as such require no documentation of where the logs were harvested from.¹⁴⁷ In a high risk country like Romania, due diligence must go beyond trusting suppliers and paper documentation. Unfortunately, this degree of scrutiny remains beyond the level of Schweighofer's current control systems for Romanian timber sourcing.

TABLE 3: SCHWEIGHOFER EXPORTS FROM ROMANIA TO JAPAN FROM 2010 TO 2015





Agent Green

CONCLUSION

The actions of Schweighofer in Romania are having a serious impact on illegal logging and forest sector governance in Romania. The evidence is clear. A recent Romanian government investigation found evidence of over a hundred thousand cubic meters of timber in just one of their mills, as well as evidence that Schweighofer employees were involved in organized criminal groups for the purpose of obtaining illegal timber.¹⁴⁸ The government's investigation is still ongoing.¹⁴⁹

EIA, other NGOs, as well as Romanian and international media have shown again and again numerous examples of illegal timber which ended up in Schweighofer's mills. EIA's undercover video showed Schweighofer's top sourcing officials knowingly accepting illegal timber.¹⁵⁰ The top official who spoke with EIA, the Austrian in charge of setting up and managing Schweighofer's Romanian sourcing operations for more than a decade, has now been fired by the company.¹⁵¹

Romania is country in transition, with a people and government struggling to push off the corruption of its Communist era and post-Communist past. Street protests in 2015 helped to push through a newly revised forest code later that year.¹⁵² Implementation of this new law is ongoing, and there are signs of improvement – a newly restructured, well-funded Forest Guard, a more complete electronic timber tracking system with mechanisms for community engagement.¹⁵³

But far more needs to be done, and much stronger efforts will be necessary to bring real reform and transparency to the forest sector. These changes cannot take hold if money continues to flow freely to the organized criminal mafias which hold sway in so many of the country's forests. The foreign buyers of Romania's timber – in Japan, the EU, the US and the Middle East – need to put pressure on companies in Romania to stop buying illegal timber. Schweighofer's buyers should cancel their contracts with the company, until the company is able to show their customers and the public in a fully transparent manner that they no longer deal in stolen timber. Only when money has stopped flowing to corrupt timber mafias across the country can Romania hope to gain control over its forest sector.

The same impacts that are happening in Romania's forests are happening in countries around the world, but on a far larger scale. Japan sources millions of cubic meters of timber every year from regions and countries like Sarawak, Indonesia, and Russia, where illegal logging is having devastating impacts on forest-dependent peoples, fragile ecosystems, and the future development of sustainable forest industries.¹⁵⁴

All other developed nations have taken action to make their companies obey with the laws of the countries that they source from. The EU, US, Australia and Canada all have laws in place prohibiting the import of wood products made from illegally sourced timber; most of these nations also require their companies to perform mandatory due diligence to avoid buying illegal timber.

These changes cannot take hold if money continues to flow freely to the organized criminal mafias which hold sway in so many of the country's forests.

The time has come for Japan to join this global movement. Japan must enact mandatory due diligence requirements on its companies sourcing wood products overseas. The impact of due diligence on reshaping wood products supply chains multiplies as more nations and more companies practice it. Without Japan's help, there is a risk that this emerging global standard will not achieve its full potential in reforming global markets. The Japanese government has a responsibility to join other developed nations in these efforts, and to protect Japanese consumers from being the unwitting drivers of illegal logging in Romania and around the world.

RECOMMENDATIONS

The Government of Japan should:

1. Enact a prohibition on imports of illegally sourced timber with robust due diligence requirements and dissuasive penalties;

Japanese companies buying from Schweighofer should:

1. Cancel all contracts with Schweighofer until the company can prove clearly and transparently that it no longer deals in illegally sourced timber;
2. Ensure rigorous due diligence and compliance measures are fully upheld to avoid purchasing illegally sourced wood products;

WORKS CITED

- EIA, 2015. *Stealing the Last Forest: Austria's largest timber company, land rights, and corruption in Romania*.
- Ibid.
- RISE Project. Schweighofer under control: Timber Trafficking and Green Certificates Fraud. (August 21, 2015). Retrieved from <http://www.riseproject.ro/control-la-schweighofer-traffic-de-lemn-si-fraude-cu-certificate-verzi/>.
- Romanian customs data, 2015.
- Holzindustrie Schweighofer. About Us. Retrieved from <https://www.schweighofer.at/en/the-company/about-us.html>
- Romanian customs data, 2015.
- Ibid.
- Ibid.
- Ibid.
- EIA, 2015. *Stealing the Last Forest: Austria's largest timber company, land rights, and corruption in Romania*.
- Emergency Ordinance 32/2015 on the establishment of forest guards. (2015). Official Gazette no. 474/30.06.2015, notes a study by the Romanian National Forest Inventory which concluded that 8.8 million m³ of timber was cut illegally each year between 2008 and 2014 – equivalent to 49% of the timber cut during this period. Between 2008 and 2014, the Romanian National Institute of Statistics (INS) recorded that operators harvested 125 million m³ of timber.
- Holzindustrie Schweighofer. About Us. Retrieved from <https://www.schweighofer.at/en/the-company/about-us.html>
- See for example, Nostra Silva. Holzindustrie Schweighofer – The Main Consumer of Softwood Timber Illegally Exploited in Romania. (February 16, 2015). Retrieved from <http://www.nostrasilva.ro/activitati/holzindustrie-schweighofer-principali-consumatori-lemnului-de-rasinoase-exploatat-illegal-romania/>; D.D. Reportaj În Premieră. The brotherhood of the forest and the foreign businessmen. (March 23, 2014). Antena 3. Video retrieved from <http://inpremiera.antena3.ro/reportaje/codrul-frate-cu-strainul-1-257.html>.
- Transparency International, 2015. *Global Corruption Index 2015*; Romanian customs data, 2010–2015.
- Spruce makes up the large majority of softwoods harvested in Romania; Schweighofer imported hundreds of thousands of cubic meters of pine logs from Ukraine in 2015. The company's website notes the opening in 2015 of a special pine glulam production line in Radauti, on the Ukrainian border, destined for Japan. Romanian National Institute of Statistics (2014); Romanian customs data 2015; Holzindustrie Schweighofer. News (Feb 17, 2015). New BEAM production begins in the Radauti saw mill. https://www.schweighofer.at/en/schweighofer-news.html?no_cache=1.
- EIA, 2015. *Stealing the Last Forest: Austria's largest timber company, land rights, and corruption in Romania*.
- Unless otherwise noted, the sources for this report are EIA's internal investigative reports, photos, and audio and video evidence collected between 2013 and 2015
- <http://schweighofer-initiative.org/en/holzindustrie-schweighofer-refutes-eia-organizations-accusations#post-1499>
- See EIA, 2015. *Stealing the Last Forest: Austria's largest timber company, land rights, and corruption in Romania*; Klawitter, N. (May 8, 2015). *Clear-Cutting Romania: Logging Threatens One of Europe's Last Virgin Forests*. Der Spiegel; Gepp, J. (March 14, 2016). *Serious allegations against timber company Schweighofer in Romania*. profil.
- FSC, 9 February 2016. Holzindustrie Schweighofer certification status update Bonn, Germany, <http://www.fsc-deutschland.de/preview.16-02-2016-update-zum-fsc-zertifikat-von-holzindustrie-schweighofer-a-935.pdf>.
- Romanian customs data, 2015.
- Law Concerning the Promotion of Procurement of Eco-friendly Goods and Services by the State and Other Entities (Green Purchasing Law), available at <http://www.env.go.jp/en/laws/policy/green/1.pdf>.
- Between 1990 and 2011, the Romanian National Institute of Statistics (INS) recorded that operators harvested 338 million m³ of timber. Sources: Romanian National Institute of Statistics (INS). (2013). Romanian Court of Accounts. (2013). Summary Audit Report "State of Romanian Forest Patrimony from 1990–2012". Bucharest.
- For example, see EIA 2015, case #1 Borșa
- Emergency Ordinance 32/2015 on the establishment of forest guards. (2015). Official Gazette no. 474/30.06.2015.
- Between 2008 and 2014, the Romanian National Institute of Statistics (INS) recorded that operators harvested 125 million m³ of timber. Sources: Romanian National Institute of Statistics (INS). (2014).
- Note: restitution is the process undertaken by the Romanian government in the early 1990s to return land confiscated by the communist government in 1948 to its descendants of original owners.
- Romanian Court of Accounts. (2013). Summary Audit Report "State of Romanian Forest Patrimony from 1990–2012". Bucharest.
- Greenpeace Russia GIS Unit. (2012). *Forest Cover Change in Romania in 2000–2011*. Retrieved from <http://www.greenpeace.org/romania/Global/romania/paduri/Despaduririle%20din%20Romania/Forestcover%20change%20in%20Romania%202000-2011.pdf>; Greenpeace Romania. (2012). *Romania cuts down 3 hectares of forest per hour!* Retrieved from <http://www.greenpeace.org/romania/ro/campanii/paduri/Activitati/Romania-cuts-down-3-hectares-of-forest-per-hour/>
- Greenpeace Romania. (2012). *Romania cuts down 3 hectares of forest per hour!* Retrieved from <http://www.greenpeace.org/romania/ro/campanii/paduri/Activitati/Romania-cuts-down-3-hectares-of-forest-per-hour/>
- Ibid.
- Note: The company registered sales of €465 million in 2013, with profits totalling €96.5 million. Klawitter, N. (May 8, 2015). *Clear-Cutting Romania: Logging Threatens One of Europe's Last Virgin Forests*. Der Spiegel.
- Note: Former Environment Minister, Doina Pana, estimated that Romania's timber sector had lost 50,000 jobs in small and medium-sized companies since Schweighofer arrived in Romania. Illegal Logging in Romania: Austrian Lumber Corporations Reap the Benefits. (July 3, 2015). *We Are Anonymous*. Retrieved from <http://anonhq.com/illegal-logging-romania-austrian-lumber-corporations-reap-benefits/>
- See EIA 2015, Part 3: Case Studies
- See EIA 2015 case #6 Buzău, p.19, case #7 Corbu, p.20.
- RISE Project. Schweighofer under control: Timber Trafficking and Green Certificates Fraud. (August 21, 2015).
- Ministry of Environment, Water, and Forests (MMAP). (2015). MMAP Prosecutor General is sent control reports on forests. [Press release]. Retrieved from http://www.mmmediu.ro/app/webroot/uploads/files/2015-07-30_CP_controale_paduri.pdf.
- Ibid.
- 561,000 hectares out of a total of 3 million hectares are estimated to have been illegally restituted between 1990 and 2012. Romanian Court of Accounts. (2013). Summary Audit Report "State of Romanian Forest Patrimony from 1990–2012". Bucharest.
- See EIA 2015 case #12, Sâmbăta, p.23
- See EIA 2015 case #11, Retezat, p.22
- LG 46/2008: Forest Code Act 46 2008 (updated), Official Gazette no. 238 of March 27, 2008. Art 68–73. (Supplemented by: LG. 133/2015: Law no. 133/2015 amending and supplementing Law no. 46/2008–Forest Code. Official Gazette no. 411 of June 10, 2015.)
- Romanian National Institute of Statistics (INS). (2013).
- Romanian Court of Accounts. (2014). Summary Audit Report of the performance of the management of national forests during the period 2010 – 2013. Bucharest.
- Ibid.
- Law no. 46/2008: Forest Code. Official Gazette no. 238/27.03.2008. Art 19–27.
- Ibid.
- Ibid.
- See EIA 2015, case #6 Buzău, p.19, case #7 Corbu, p.20
- Personal communication.
- Decision no. 470/2014 approving the norms on the origin, transport, and marketing of timber, systems of timber storage facilities and roundwood processing plants, and enforcement of Regulation (EU) no. 995/2010 of the European Parliament and Council of 20 October 2010 laying down the obligation of operators who place timber and timber products on the wood market. Official Gazette no. 470/08.10.2014.
- WWF Danube Carpathian Programme. (2005). *Illegal Logging in Romania*. Retrieved from <http://www.panda.org/homepage.cfm?19306/Illegal-logging-in-Romania-a-WWF-analysis>.
- SUMAL stands for Sistem informațional integrat de urmărire a materialelor lemnoase, a national system for tracking timber established in 2008 and updated with GD No. 470/2014.
- Decision no. 470/2014 approving the norms on the origin, transport, and marketing of timber, systems of timber storage facilities and roundwood processing plants, and enforcement of Regulation (EU) no. 995/2010 of the European Parliament and Council of 20 October 2010 laying down the obligation of operators who place timber and timber products on the wood market. Official Gazette no. 470/08.10.2014.
- Personal communication.
- WWF Danube Carpathian Programme. (2005). *Illegal Logging in Romania*. p16. Retrieved from <http://www.panda.org/homepage.cfm?19306/Illegal-logging-in-Romania-a-WWF-analysis>.
- See EIA 2015, Case #1, Borșa, p.16; Case #5, Nehoișu, p.18
- Personal communication, June 2015.
- National Anticorruption Directorate of Cluj. *Dossier 24/P/2013*. (March 29, 2013). Cluj Napoca.
- See EIA, 2015, case #2, Alredia, p.18; Case #3, Rădăuți sawmill, p.18
- EIA, 2015. *Stealing the Last Forest: Austria's largest timber company, land rights, and corruption in Romania*.
- "All forests managed by O.S. Cascade Empire (Schweighofer Group) in Romania are FSC certified." Holzindustrie Schweighofer. Forestry: Rooted in Nature. Retrieved from <https://www.schweighofer.at/en/forestry/forestry.html>
- According to EIA analysis of 2014 Romanian tax records. RISE Project (2015). Schweighofer Network: Who Cut and How they Won. Retrieved from <http://www.riseproject.ro/articol/reteaua-schweighofer-cine-a-taiat-si-cat-a-castigat/>.
- Holzindustrie Schweighofer. News: Wood purchasing of Schweighofer Group is now PEFC certified. (May, 28, 2014). Retrieved from <https://www.schweighofer.at/en/schweighofer-news.html>. PEFC General Assembly. Chain of Custody of Forest Based Products – Requirements, PEFC ST 2002:2013, Point 5.6.2 (May 24, 2013). Retrieved from <http://pefc.org/resources/technical-documentation/pefc-international-standards-2010/1193-chain-of-custody-of-forest-based-products-requirements-pefc-st-2002-2013>.
- Schweighofer officials, personal communication, 2014.
- Retezat forests are burning in Western European fireplaces. (December 22, 2014): Agent Green Romania. Retrieved from <https://www.youtube.com/watch?v=H9vgZjMjAmk&feature=youtu.be>
- Austrian Company Exposed Offering Bonuses for Illegal Romanian Timber. (April 27, 2015). Environmental Investigation Agency. Retrieved from <http://eia-global.org/news-media/austrian-company-exposed>
- Ministry of Environment, Water, and Forests (MMAP). (2015). MMAP Prosecutor General is sent control reports on forests. [Press release].
- RISE Project. Schweighofer under control: Timber Trafficking and Green Certificates Fraud. (August 21, 2015).
- Ibid.
- Ibid.
- "We check the documents of origin at the gates of our sawmills. The delivery only gets on site if the legal origin has been duly proven. This is how we ensure that only legal and documented logs are supplied and processed." Holzindustrie Schweighofer. News: A personal statement of Gerald Schweighofer. (May 8, 2015). Retrieved from <https://www.schweighofer.at/en/schweighofer-news.html>
- Schweighofer Leaks: Learn How to Buy Timber. (May, 15, 2015). Napoca News. Retrieved from <http://www.napocanews.ro/2015/05/schweighofer-leaks-afila-cum-se-poate-cumpara-lemn-illegal.html>
- The foreign companies got their hands on Romanian wood. (October 27, 2009). Jurnalul. Retrieved from <http://jurnalul.ro/campaniile-jurnalul/lemnul-romanesc-dat-pe-mana-firmelor-straine-525233.html>
- Romania acts to save forests from logging spree. (May 21, 2015). Laurence Peter, BBC. Retrieved from <http://www.bbc.com/news/world-europe-32792314>
- Schweighofer Production sites. Retrieved from <https://www.schweighofer.at/en/production-sites.html>
- Schweighofer company figures obtained by EIA.
- See EIA 2015, case #2 Schweighofer's top suppliers and Case #8 The Three Mountains
- RISE Project (2015). Schweighofer Network: Who Cut and How they Won. See also EIA, 2015, case #3, p.17.
- For example, noted by auditors from the Ministry of the Environment, Water and Forests (MMAP) in a recent control on Schweighofer's Sebeș plant: MMAP (2015). MMAP Prosecutor General is sent control reports on forests. [Press release].
- <http://www.focus-energetic.ro/suspciuni-la-schweighofer-29662.html>

WORKS CITED CON'T

83. Gepp, J. (March 14, 2016). *Serious allegations against timber company Schweighofer in Romania*. profil. <http://www.profil.at/wirtschaft/schweighofer-vorwurfe-holzkonferenz-schweighofer-romenien-6268676>
84. <http://www.profil.at/wirtschaft/schweighofer-vorwurfe-interview-romeniens-umweltministerin-6276474>
85. <http://www.panda.org/wwf/news/258032/WWF-files-a-complaint-with-FSC-against-Holzindustrie-Schweighofer>
86. <https://ic.fsc.org/en/news/id/1421>
87. https://www.schweighofer.at/fileadmin/files/all_en/Press/Reply_to_EIA_allegations_EN_16022016_weboptimized.pdf
88. <http://www.schweighofer-initiative.org/en/holzindustrie-schweighofer-refutes-eia-organizations-accusations/#post-1499>
89. Klawitter, N. (May 8, 2015). Clear-Cutting Romania: Logging Threatens One of Europe's Last Virgin Forests. *Der Spiegel*. Retrieved from <http://www.spiegel.de/international/europe/illegal-logging-in-romania-benefits-germany-a-1032253.html>
90. Gepp, J. (March 14, 2016). *Schweighofer video: "Don't ask me how"*. profil. <http://www.profil.at/wirtschaft/schweighofer-video-fragen-sie-6269166>
91. Klawitter, N. (May 8, 2015). Clear-Cutting Romania: Logging Threatens One of Europe's Last Virgin Forests. *Der Spiegel*.
92. Gepp, J. (March 14, 2016). *Serious allegations against timber company Schweighofer in Romania*. profil. <http://www.schweighofer-initiative.org/en/holzindustrie-schweighofer-wwf-muss-unserioese-anschuldigungen-stoppen/#post-1517>
93. <http://www.schweighofer-initiative.org/en/holzindustrie-schweighofer-wwf-muss-unserioese-anschuldigungen-stoppen/#post-1517>
94. Personal communication.
95. Original contract posted at: *Schweighofer Leaks: Learn How to Buy Timber*. (May, 15, 2015). Napoca News. Retrieved from <http://www.napocanews.ro/2015/05/schweighofer-leaks-afia-cum-se-poate-cumpara-lemn-ilegal.html>
96. <http://eia-global.org/blog/holzindustrie-schweighofers-breaks-promise-in-romania>
97. https://www.schweighofer.at/fileadmin/files/all_en/Press/Reply_to_EIA_allegations_EN_16022016_weboptimized.pdf
98. https://www.schweighofer.at/fileadmin/files/all_ro/Press_ro/2016.01.28_-_Comunicat_de_presa_HS_-_Certificare_FSC_EN.pdf
99. <http://www.wwf.de/wwf-hinterfragt-juengste-fsc-zertifizierung-der-schweighofer-standorte/>
100. https://vimeo.com/156549262?utm_source=email&utm_medium=vimeo-cliptranscode-201504&utm_campaign=28749
101. Ibid.
102. Ibid.
103. Timber-online.net 21.02.2016. *Procurement is the determining factor for Schweighofer*. <https://www.timber-online.net/?id=2500%2C5490215%2C%2C>
104. Holzindustrie Schweighofer. (September 9, 2014). Letter to Romanian Prime Minister Victor Ponta. Retrieved from <http://eia-global.org/news-media/leaked-letter>
105. Schweighofer internal company figures, obtained by EIA; Romanian customs data, 2015.
106. Romanian customs data.
107. <http://www.eos-oes.eu/en/news.php?id=877>
108. Holzindustrie Schweighofer. News (Feb 17, 2015). New BEAM production begins in the Radauti saw mill. https://www.schweighofer.at/en/schweighofer-news.html?no_cache=1
109. Romanian National Institute of Statistics, 2014.
110. http://ru.espreso.tv/article/2016/04/01/karpaty_bez_derevyn_kak_v_ukrayne_voruyut_lesu, CATHERINE RESCHUK, Source: ru.espreso.tv, APRIL 1, 2016. *Carpathian Mountains without trees. How forests are stolen in Ukraine*
111. <http://www.transparency.org/cpi2015#results-table>
112. FSC Controlled Wood risk assessment, SPECIFIC REQUIREMENTS. INTERPRETATION OF ANNEX 2B OF THE STANDARD FOR COMPANY EVALUATION OF FSC CONTROLLED WOOD FOR UKRAINE. (FSC-STD-40-005-V-2.1)
113. Ibid.
114. Peter Hirschberger, Forestconsulting. Improving FLEG in Ukraine. 2012.
115. Ibid.
116. http://ru.espreso.tv/article/2016/04/01/karpaty_bez_derevyn_kak_v_ukrayne_voruyut_lesu, CATHERINE RESCHUK, Source: ru.espreso.tv, APRIL 1, 2016. *Carpathian Mountains without trees. How forests are stolen in Ukraine*
117. Олена Логінова, 27.08.2015, Зона бізнесу: чорнобильський ліс на експорт (розслідування) <http://www.radiosvoboda.org/content/article/27212140.html>
118. Ibid.
119. FSC Controlled Wood risk assessment, SPECIFIC REQUIREMENTS. INTERPRETATION OF ANNEX 2B OF THE STANDARD FOR COMPANY EVALUATION OF FSC CONTROLLED WOOD FOR UKRAINE. (FSC-STD-40-005-V-2.1)
120. Romanian customs data, 2010 – 2015.
121. Ibid.
122. Ibid.
123. Ibid.
124. Personal communication.
125. Personal communication.
126. Law Concerning the Promotion of Procurement of Eco-friendly Goods and Services by the State and Other Entities (Green Purchasing Law), available at <http://www.env.go.jp/en/laws/policy/green/1.pdf>
127. EU Timber Regulation (2013) in France, Germany, Italy, and the United Kingdom; 2008 amendments to the Lacey Act in United States; Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act (amended 2010) in Canada; Illegal Logging Prohibition Act in Australia (2012).
128. G8 Gleneagles Environment and Development Ministerial Declaration 2005.
129. Law Concerning the Promotion of Procurement of Eco-friendly Goods and Services by the State and Other Entities (Green Purchasing Law), available at <http://www.env.go.jp/en/laws/policy/green/1.pdf>
130. Ministry of Environment, Japan. Accessed June 29, 2012 at <http://www.env.go.jp/nature/shinrin/pamph2/05-6.pdf>
131. Global Environmental Forum & FoE Japan. May 2014. *Survey of Legality Verification for Procurement of Timber and Wood Products*.
132. Romanian customs data, 2015.
133. http://www.chathamhouse.org/sites/files/chathamhouse/field/field_document/2014112511legallloggingJapanMomiJapanese.pdf
134. Indufor, 2016. *Review of Holzindustrie Schweighofer's Due Diligence System in View of the Legal Timber Procurement in Romania*. http://www.schweighofer-initiative.org/wp-content/uploads/2016/04/HS_Indufor-Communication-Report.pdf
135. Ibid.
136. Ibid.
137. <http://ec.europa.eu/environment/forests/pdf/Basic%20minimum%20description%20of%20a%20DDS.pdf>
138. EIA, 2015. *Stealing the Last Forest: Austria's largest timber company, land rights, and corruption in Romania*.
139. Indufor, 2016. *Review of Holzindustrie Schweighofer's Due Diligence System in View of the Legal Timber Procurement in Romania*.
140. FSC, 2014. *Questions and Answers about FSC and the EU Timber Regulation*, Revised November 2014. <https://ic.fsc.org/download-box.1517.htm>
141. Indufor, 2016. *Review of Holzindustrie Schweighofer's Due Diligence System in View of the Legal Timber Procurement in Romania*.
142. Ibid.
143. EIA, 2015. *Stealing the Last Forest: Austria's largest timber company, land rights, and corruption in Romania*.
144. Reidl, P. (September 18, 2008). *Romania Fights against Illegal Timber Harvesting*. WirtschaftsBlatt. Retrieved from http://wirtschaftsblatt.at/home/nachrichten/europa_ee/1070369/index?from=suche.intern.portal
145. EIA, 2015. *Stealing the Last Forest: Austria's largest timber company, land rights, and corruption in Romania*.
146. According to company statements, Schweighofer processed around 2.1 million m³ of Romanian softwoods in 2014. That same year, loggers cut 6.5 million m³ of softwood timber, according to the Romanian National Institute of Statistics. Thus, Schweighofer's mills used 32% of the country's softwood timber production in 2014. Sources: Schweighofer representative (Press conference). (April 1, 2015). Bucharest. Retrieved from: <https://www.youtube.com/watch?v=YVUMT68Uz5U>; Romanian National Institute of Statistics (INS). (2014).
147. Personal communication.
148. RISE Project. Schweighofer under control: Timber Trafficking and Green Certificates Fraud. (August 21, 2015).
149. Gepp, J. (March 14, 2016). *Serious allegations against timber company Schweighofer in Romania*. profil.
150. Austrian Company Exposed Offering Bonuses for Illegal Romanian Timber. (April 27, 2015). Environmental Investigation Agency. Retrieved from <http://eia-global.org/news-media/austrian-company-exposed>
151. Personal communication.
152. *Nostra Silva. Evenimente: Uniți Salvăm Pădurea Românească—Cluj—9 Mai 2015 [Events: United Alliance to Save the Forest—CLUJ—May 9, 2015]*. Retrieved from <http://www.nostrasilva.ro/evenimente/uniti-salvam-padurea-romaneasca-cluj-9-mai-2015/>
153. Personal communication.
154. http://www.chathamhouse.org/sites/files/chathamhouse/field/field_document/2014112511legallloggingJapanMomiJapanese.pdf

EIA - WASHINGTON, DC

P.O. Box 53343, Washington, DC 20009, USA

TEL +1 202 483 6621

FAX +1 202 986 8626

EMAIL info@eia-global.org

WWW.EIA-GLOBAL.ORG

