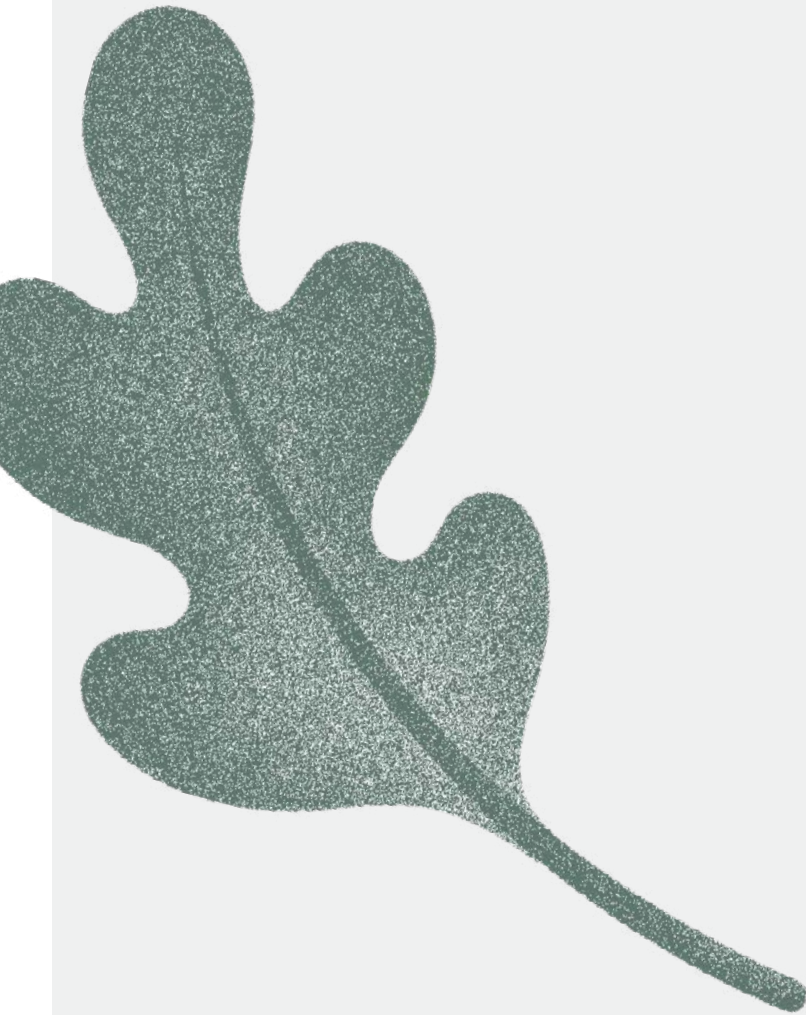


SUSTAINABILITY REPORT 2023



BAUWERK
GROUP

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Editorial

Dear readers,

As a company that operates in a manner that is as sustainable as possible, we are very pleased that you are interested in our efforts. In this, our seventh, sustainability report, we would like to take you on a tour of what we do to reduce our environmental footprint. Our goal as innovative leader of natural wooden flooring is to make a measurable, positive contribution to building a more sustainable world, both for future generations and for ourselves.

As wood-processing company, planning with foresight across generations is deeply rooted in our strategy and actions. As it takes generations for the raw material to grow before we can produce our natural and healthy wooden floors. So we feel obligated to treat the resources available to us in a way that is sustainable, foresighted and responsible.

For this reason, we are very proud to report that, since 2019, we have been able to reduce the amount of fossile emissions per square metre of parquet by over 60%. We can also report on more advances at our factory in Croatia, where we built one of the biggest solar facilities for self-consumption in the country. Furthermore, a cogeneration plant is currently under construction, which will significantly increase the energy self-sufficiency of our production plant.

We are also in a very good position to further increase our energy efficiency for the production of our CO₂-capturing, high-quality wooden floors and to reduce our dependency on fossil fuels.

For the coming years, we seek to achieve even more transparency, in addition to lowering the effects of our work on the environment further. This applies both in terms of the greenhouse gas balance of our logistics and the digitalization and real-time

monitoring of our transport flows. In order to make our sustainability efforts more transparent, we have already been using the European Sustainability Reporting Standards (ESRS) as a basis for this report. This is an important milestone, ensuring that our reporting remains in accordance with top international standards and documents our progress and commitments in a clear and accessible way.

The successes of our comprehensive sustainability initiatives motivate us to reduce our environmental footprint even further and to align ourselves towards long-term efficiency and sustainability in our work.

I hope that our 2023 sustainability report inspires you and together we will build a liveable future in harmony with nature.

Patrick Hardy
CEO & President Bauwerk Group



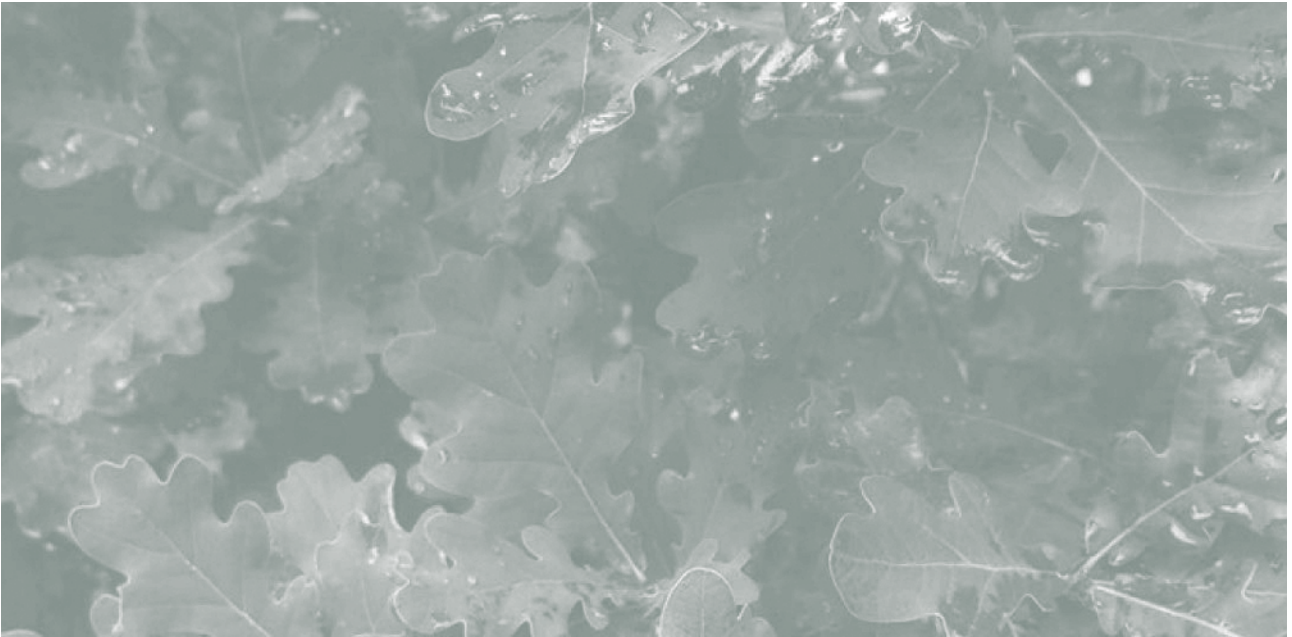
About Bauwerk Group

Bauwerk Group, headquartered in St. Margrethen, Switzerland, has established itself as the world's leading manufacturer and supplier of high-quality parquet floors. Its portfolio includes the well-known brands Bauwerk Parkett and BOEN, and since May 2022, the North American company Somerset Hardwood Flooring. In 2023, the group achieved net sales of approximately CHF 259.9 million. With production facilities in Switzerland, Lithuania, Croatia and the United States, the group enjoys a global presence and has an all-encompassing product portfolio of solid, 2-layer, 3-layer parquet and wooden flooring for sports facilities. Only the European facilities of Bauwerk Group have been included in its sustainability reporting so far.

Our product

At Bauwerk Group, we make 2-layer, 3-layer and solid parquet. Our multi-layer parquet consists of a thin hardwood top layer and a thicker base layer of birch/spruce/fir/pine wood or HDF panel. Since we use bonding and only 120g of adhesive per square metre of product, all of our products consist almost entirely of naturally grown wood. For surface treatment, we use an average of only 75 grams of lacquer or oil. This means that, de-

pending on the specific product and its density, our parquet contains around 98% wood. This makes it the most ecologically sustainable type of flooring on the market. Another advantage of parquet is its longevity and suitability for repairs. Re-oiling it, sanding it or replacing its damaged components makes it possible to easily exceed its official service life of at least 25 years.



We are proud to declare that 99% of the timber that we use in our European production facilities comes from Europe. It has already been eight years since we stopped using tropical wood in our supply

chain. And for our packaging, we consistently use recycled material, as explained in more detail in Chapter 7.5.

Composition of our products



98% wood on Spruce/Fir underlayer



2-layer parquet



3-layer parquet

This graphic illustrates the general composition of our products. 98% of our product in the form of wood is coming directly and without any modifications from nature. 1% is owned to glue to connect the different wood layers. Our glues have either no formaldehyde content or it is close to detection limit. The last 1% is for our wood protecting surfaces of lacquers or oils.



About this report

This report covers 20 regional branches and three factories in Europe that consumed some 137,299 m³ of timber, 1206 tonnes of adhesive, and 865 tonnes of lacquer and oil as raw materials for the manufacture of 5,588,983 m² of parquet. We report on a total 1,244 employees across our three European production sites. Data on 151 employees from our regional sales offices are not included. Somerset Hardwood Flooring and its two production facilities in Tennessee and Kentucky are not included in this report, due to the provisions of the Corporate Sustainability Reporting Directive.¹



¹ E1-2

This seventh sustainability report marks another milestone in the development of reporting at Bauwerk Group. We have replaced the Standards of the Global Reporting Initiative (GRI) reports, which we used previously, with reporting according to the European Sustainability Reporting Standards (ESRS). Because ESRS call for an extremely comprehensive approach, Bauwerk Group plans to implement them gradually, with the goal of reporting completely in accordance with ESRS in 2026.

In order to prepare the company for the coming challenges and to make it competitive in the long

run, Bauwerk Group already uses ESRS 2, E1 and S1. This produces key performance indicators, which enable long-term management decisions. Furthermore, the 'Impacts', 'Risks', and 'Opportunities' components of ESRS 2 make it possible to assess the efficiency of the measures. The table below offers an overview of the ESRS and their use in this report. Since the company's headquarters are in Switzerland and due to the publication of the ESRS standards for non-EU companies planned for mid-2024, it is expected that changes will be introduced in future reports.

ESRS Standard	Part of this report	Part of future reports
ESRS 1 General requirements	Subtopics	Yes
ESRS 2 General disclosures	Yes (mandatory)	Yes (probably mandatory)
E1 Climate change	Yes	Yes (probably mandatory)
E2 Pollution	No	Subtopics
E3 Water and marine resources	No	No
E4 Biodiversity and ecosystems	No	Yes (High relevance for business model)
E5 Resource use and circular economy	No	Yes (High relevance for business model)
S1 Own workforce	Yes	Yes (probably mandatory)
S2 Workers in the value chain	No	To be decided
S3 Affected communities	No	To be decided
S4 Consumers and end-users	No	No (high product safety)
G1 Business conduct	No	No (No global overview)

For this reason, the materiality analysis, which has been established in recent years, is not included in this report. The company management will decide on the integration of the rest of the ESRS, including a detailed breakdown of their sub-items, as part of the implementation of its sustainability strategy by 2026.

For this report, this approach means preserving the structure used so far, with a focus on:

- Management structure
- Our supply chain
- Impacts on the society
- Impacts on the environment

In this report, ESRS references are marked with a heading if the ESRS sub-item applies to the entire paragraph, and with a footnote if there is a special answer. In doing so, the [ESRS standard]-[sub-item]-[paragraph] structure is used.²

² BP2 15

Scope and limitations

This sustainability report is the first report prepared by Bauwerk Group in line with the ESRS. It lays the foundation for our reporting to be in accordance with the Corporate Sustainability Reporting Directive (CSRD) by 2026. We are currently setting up the internal structures necessary for that purpose, in order to ensure that our reporting is as transparent as possible. It is not feasible to detach the business of the group at its European factories from those in North America. For this reason, the square metre of parquet made is used as the standard reference value to measure environmental impact. Our greenhouse gas balance, the central component for this environmental impact, cannot be represented in its entirety, because we still cannot present complete data on our logistics and the associated emissions throughout our supply chain. Now, making progress compared to previous years, we provide an estimation of these emissions, in order to drive the achievement of our reduction targets.

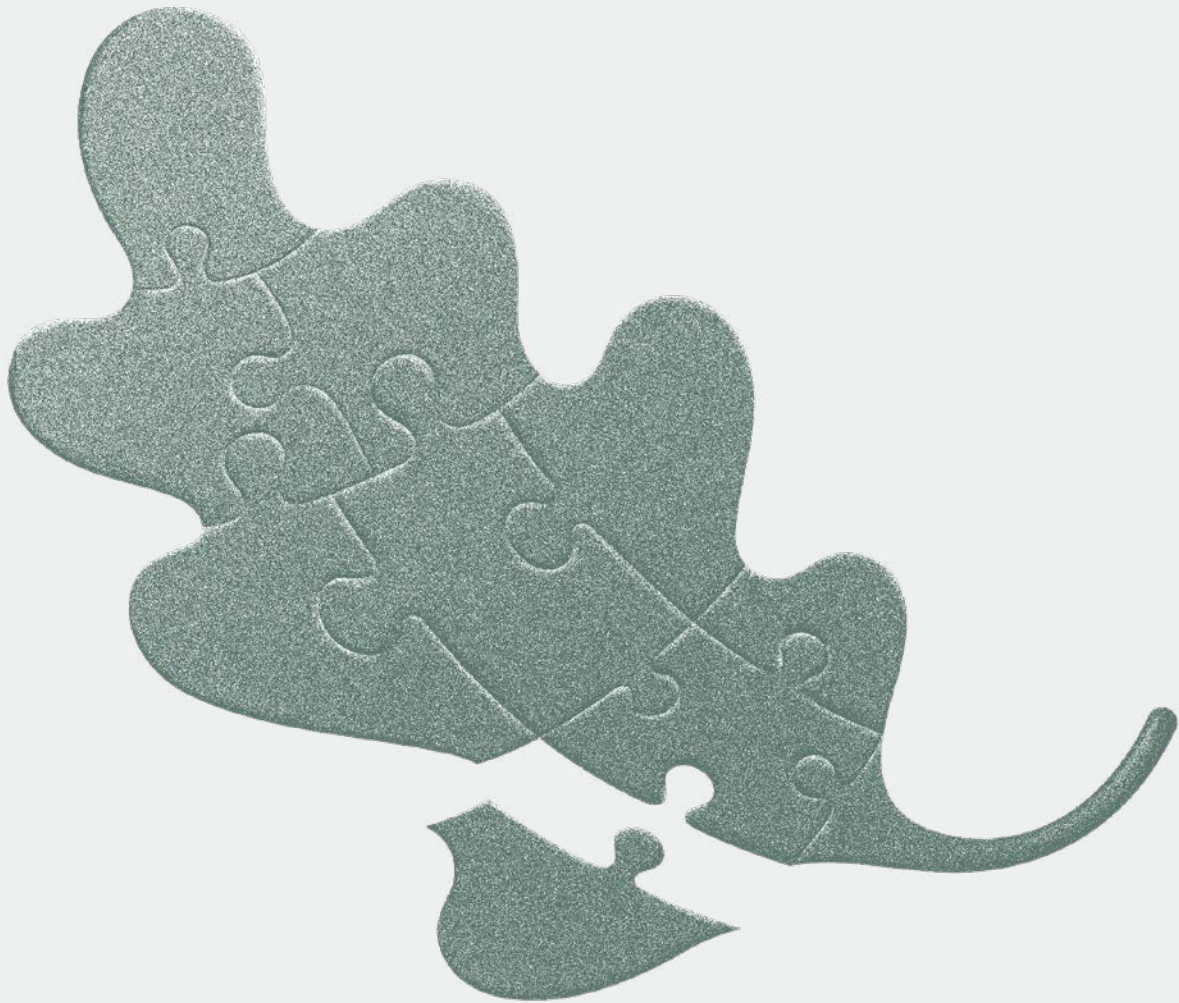
However, compared to the environmental impact of the wood-processing industry as a whole, this

gap in logistics is vanishingly small. Nonetheless, there is currently a lack of a uniform and transparent approach to calculating emission factors for wood products. Latest research shows that dynamic lifecycle analyses are better suited for presenting the environmental effects of wood products. Because this dynamic approach is still not commonly used, there is no clear data situation as to the CO₂ neutrality of wood products. In the future, the wood-processing industry must take more effort working towards uniform approaches to researching the lifecycle of biogenic carbon emissions (e.g. Carbon Balance Indicator), in order to reliably present the calculation of CO₂ per square metre of wood, for a vision that must be implemented in order for us to prepare for the challenges of a changing environment.

The scope and the limits of this report must be viewed against the background of changes in our climate that increasingly negatively affect our forest and terrestrial carbon sinks. Based on the already available and future reports, there must be management decisions that weigh up internal financial risks against external risks.



Focus Management Structure



Focus Management Structure

In order for us to maintain our position as an innovative leader in natural and sustainable wooden flooring, it is imperative that we increase the intensity of our sustainability efforts even further. The role of the Sustainability Manager bundles the diverse requirements of sustainability within the company. The resulting sustainability strategy and its implementation are discussed below.

Sustainability ambitions and strategy

Our priority goal is to act in line with the targets of the Paris Agreement and to do our part to limit global warming to well below two degrees Celsius compared to the pre-industrial era. In order to achieve this, we must collect, assess and understand all data relating to our emissions. Due to financial and staff restructuring, we could not implement as planned the expansion of the data foundation for sustainability reporting announced in last year's report. Currently, we are still not in the position to automatically collect data on the environmental impact of our business activities

based on accounting records.³ In terms of ISO 14064, our greenhouse gas emissions reporting is still incomplete, since for Scope 3 emissions, there is only a small amount of data on logistics (for more details about Scope 1–3 emissions, see Chapter 7 'Focus on environmental effects'). We have also not been able to produce a Carbon Balance Indicator in order to exactly specify the greenhouse gas-related environmental effects of our consumption of timber.

The implementation of the intention to elevate our reporting to the level of European standards (ESRS) mentioned last year has since begun. For us, as well as other companies, the ESRS also set major challenges.⁴ However, we see also the challenge as an opportunity to transparently promote our self-image of a sustainable company. Because our headquarter is located in Switzerland, and because we have a strong presence in the EU and North America, it is currently not clear which ESRS would be relevant for us in the future; see Chapter 3 'About this report'.

³ 2E1-6 AR39b

⁴ 2-BP2 13a

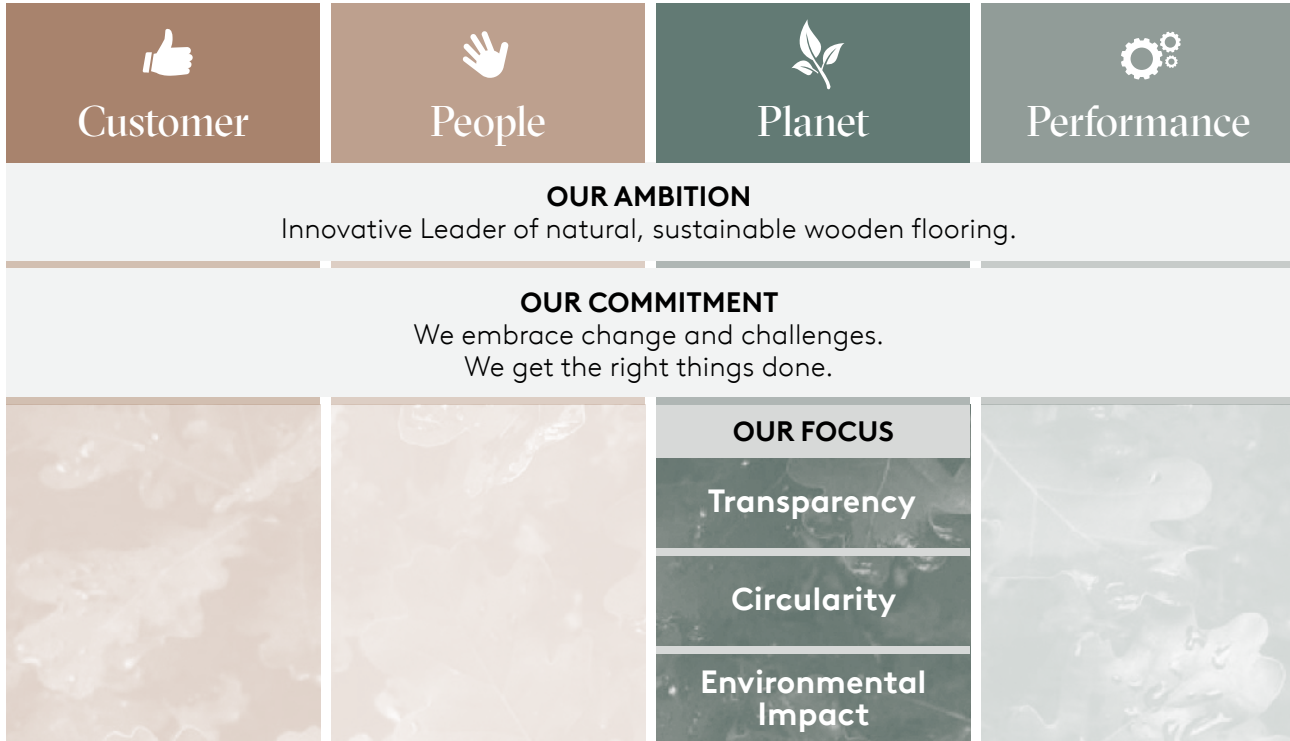
Currently, the EU is focusing its research and strategy on building a future-proof industry in Europe, on reducing environmental damage, and with a view to setting up a circular economy. We have decided to commit to bringing about this change in the coming years.

E1-2

Following this logic, we want to be the innovative leader for natural and sustainable wooden flooring, thus making our contribution to a more sustainable world. We will achieve this through:

- consistent transparency through sustainability reporting and communication with our clients

- Goal for 2026: We will achieve full transparency in line with the CSRD criteria
- our contribution to the circular to the circular economy, developing circular-capable products and using secondary timber
 - Goal for 2026: We will offer circular-capable multi-layer floors
- the reduction of our impact on the environment
 - Goal for 2026: We will reduce our CO₂ emissions per m² of wooden flooring produced by 50% compared to 2019⁵



⁵ Reference to E1-1 16a, since we view this goal as an effective measure to achieving net zero by 2050

Our focus is on the production and sale of authentic-wood floors: high-quality products that have a sufficiently long service life for new trees to grow in this time. This business model is our approach for the future. We produce a temporary carbon sink out of local resources, which offers

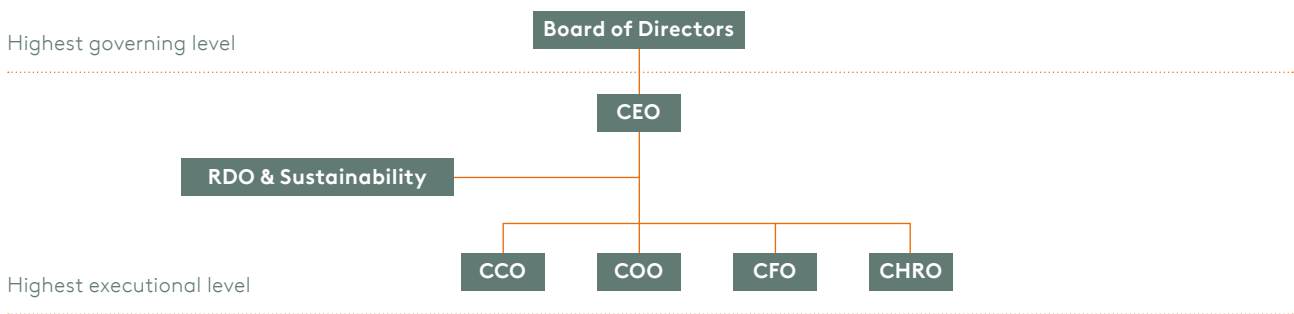
all the advantages of a completely natural material in the user's home. Due to the geography of our supply chain, located along well-known routes for sources of timber, we do not see any potential barriers for this business model.⁶

2 SBM-1

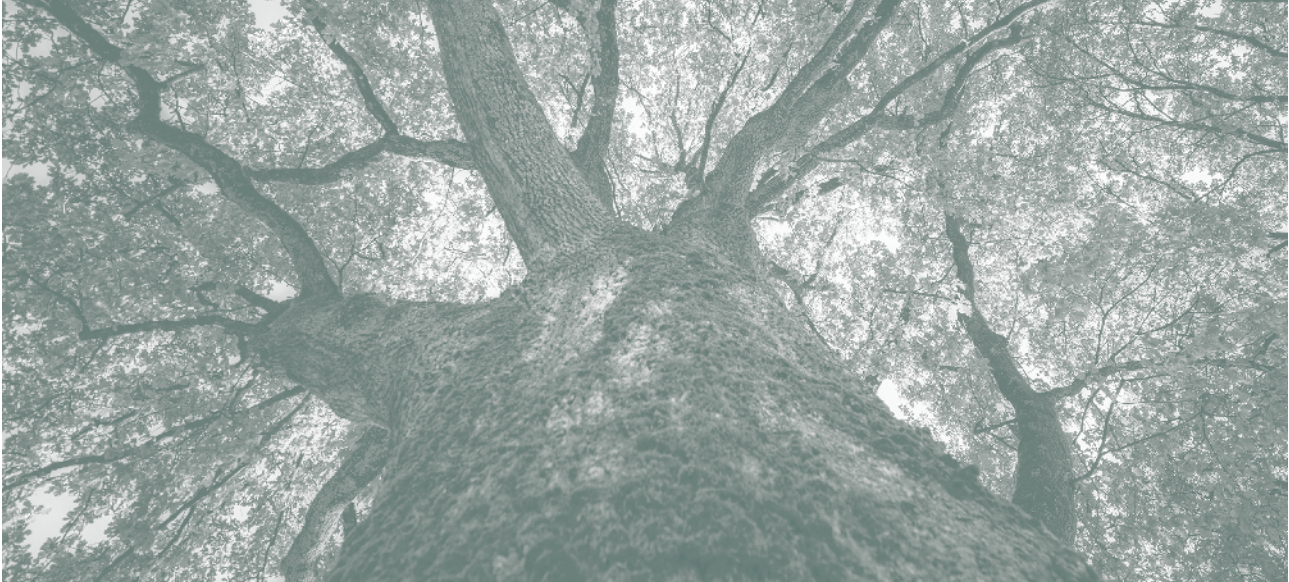
Organisation

The Board of Directors is the highest supervisory and management body of the Bauwerk Group. The CEO and the management team function as the second-highest entity and the highest executive body at Bauwerk Group. They meet with the Board of Directors on a quarterly basis.

The management team holds weekly meetings. Additionally, there is another important governance structure in the form of the extended management team, consisting of 15 key leading positions. They meet regularly for the purpose of implementing the strategy pursued by the globally active Bauwerk Group.



⁶ E1-9 66; AR69



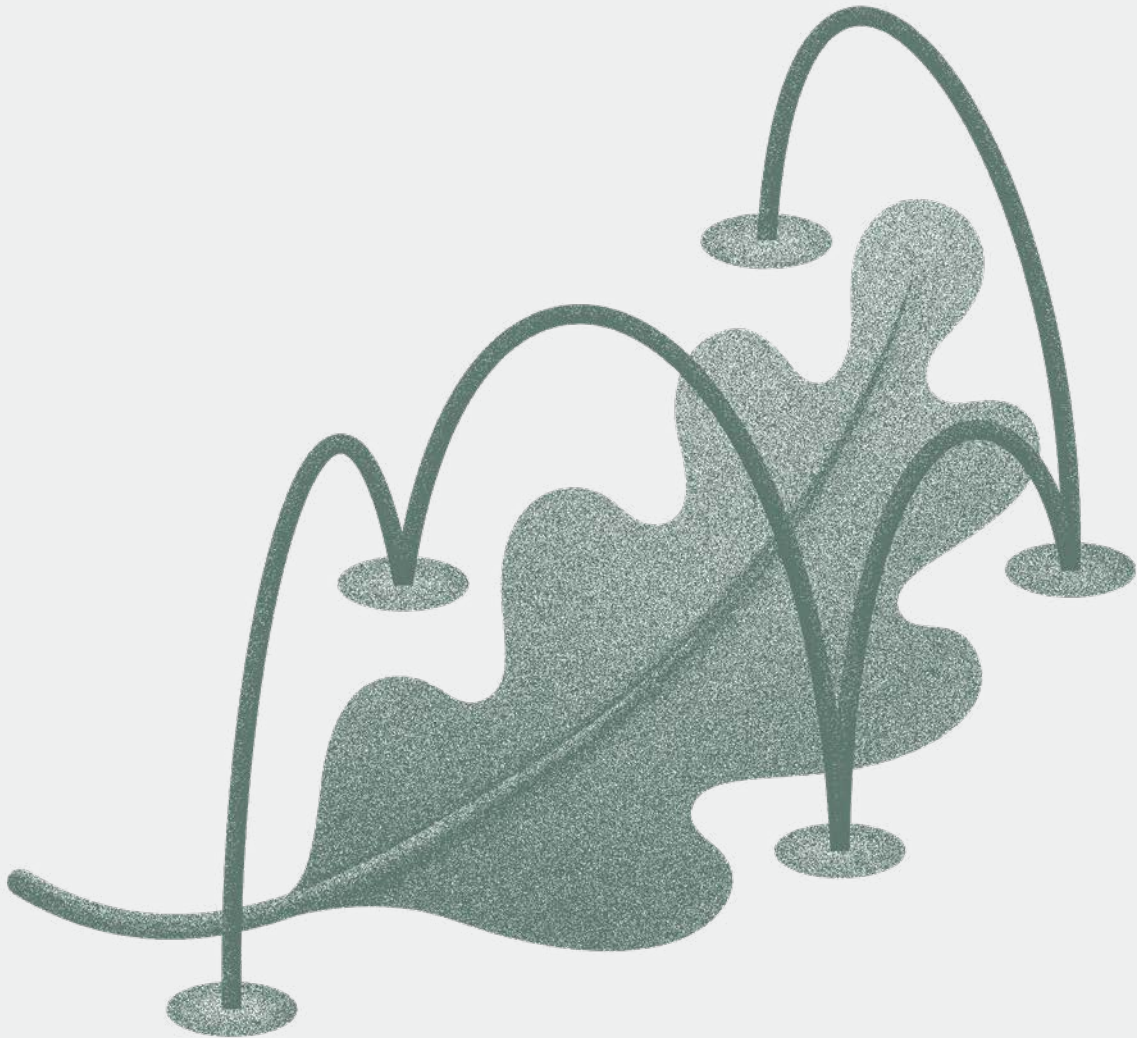
Implementation of sustainability

Sustainability is deeply rooted in the corporate governance of Bauwerk Group. The strategic Result Delivery Office (RDO) answers directly to the CEO and includes the strategic and operational sustainability management. Close cooperation between all divisions and the control function of the CEO via the management team is pursued and practiced at all levels.

The sustainability strategy is implemented through a sustainability road map, which defines the key

initiatives as strategic projects. These projects have the goal of either reducing emissions or environmental impacts, expanding the available data and their use, or taking steps towards achieving a circular economy. The progress report on these projects is presented at the monthly and quarterly management meetings organised by RDO. During these, every manager or person in charge of the projects talks about the progress achieved as part of these projects.

Focus Supply Chain



Focus Supply Chain

Like all stakeholders in the wood-processing industry, we are facing immense long-term challenges in our supply chain: the demand for oak timber is constantly growing, and competition on the supply markets is rising. At the same time, we expect climate change to reduce the availability of high-quality oak timber in certain regions. Extreme weather conditions slow the growth of trees, thus limiting the quantities on offer. These opposing developments may result in great challenges for us. Despite this, we will assert our strong position on the market as we plot new routes for procuring and processing wood. This is the most important aspect of our sustainability strategy: to secure our market position and to ensure that we can deliver natural quality to our clients' homes.

2 SBM-3

Business practices

Our procurement guidelines follow standards of quality ensuring that the quality of our raw materials remains unchanged. The entire staff of our Procurement division have been appropriately briefed on our guidelines to prevent corruption, supported by a binding Code of Conduct.

As a rule, we make our suppliers sign our Code of Conduct, in which we emphasise our interest in business activities that are fair, safe and non-discriminating for humans and the environment. Whenever we detect possible breaches of this Code

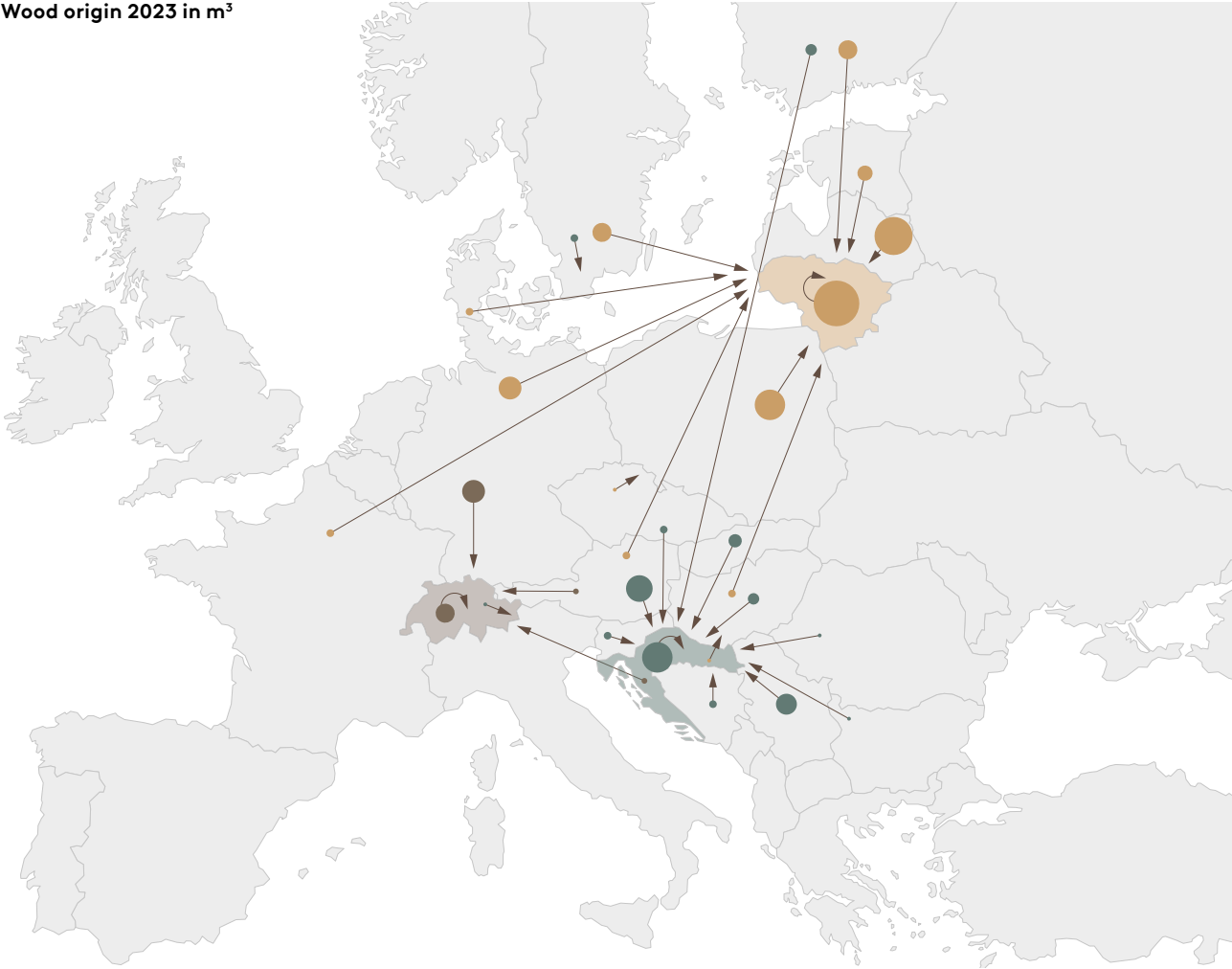
of Conduct, we try to support our suppliers in rectifying these deficiencies.

Furthermore, we supervise our supply chain in accordance with the European Timber Regulation (EUTR) and the Swiss Timber Trade Ordinance (Holzhandelsverordnung, HHV) for the purpose of assessing and minimising risks. This way, we can identify supply chain risks as quickly as possible, while monitoring our overall supply situation. This contributes to making our supplier management decisions more responsible and environmentally friendly, helping us fulfil our duty of care in a transparent manner. In addition, preparations for the implementation of the EUDR in 2024 are already underway.

Local procurement

The infographic below offers a rough overview of our supply chain flows. We are constantly working to improve transparency in terms of our production resources, so that our clients have even more detailed information on this. Furthermore, the EUTR enables wood to be traced to the forest of its origin. In the future, this will be essential in determining how much Bauwerk Group relies on forests that have no chance of survival due to climate change, and for that reason, are suitable for sourcing timber as long as this is possible.

Wood origin 2023 in m³



Country	Lithuania	Croatia	Switzerland
AT	158.3	8018.7	243.1
CA	121.3	-	-
LT	27'316.5	-	-
PL	10109.1	-	-
SE	3523.4	607.1	-
US	12.4	-	-
FR	438.0	-	-
BA	-	537.8	-
HR	162.2	27'078.3	564.9
HU	-	912.8	-
RO	-	167.2	-

Country	Lithuania	Croatia	Switzerland
RS	-	1139.9	-
BG	-	211.5	-
CH	-	1051.5	2320.1
SI	-	524.0	-
SK	-	2222.6	-
DE	8348.1	-	6405.2
DK	242.5	-	-
EE	1924.3	-	-
LV	26214.2	-	-
FI	5667.8	593.0	-
CZ	-	463.3	-

We procure 99% of the wood we use in Europe, with extremely small quantities coming from Canada. In avoiding unnecessarily long transport routes, we have been engaging in a well-proven business practice of limiting our purchasing to a radius of no more than 250 km from our facilities. In doing so, our own sawmills supply 32.7% of the

wood for our top layers. In order to reduce harmful environmental effects, we always strive to locally source the products we need. For eight years now, we have not been using any tropical timber in our products, and we do not procure any wood from tropical regions.

Responsibility in procurement

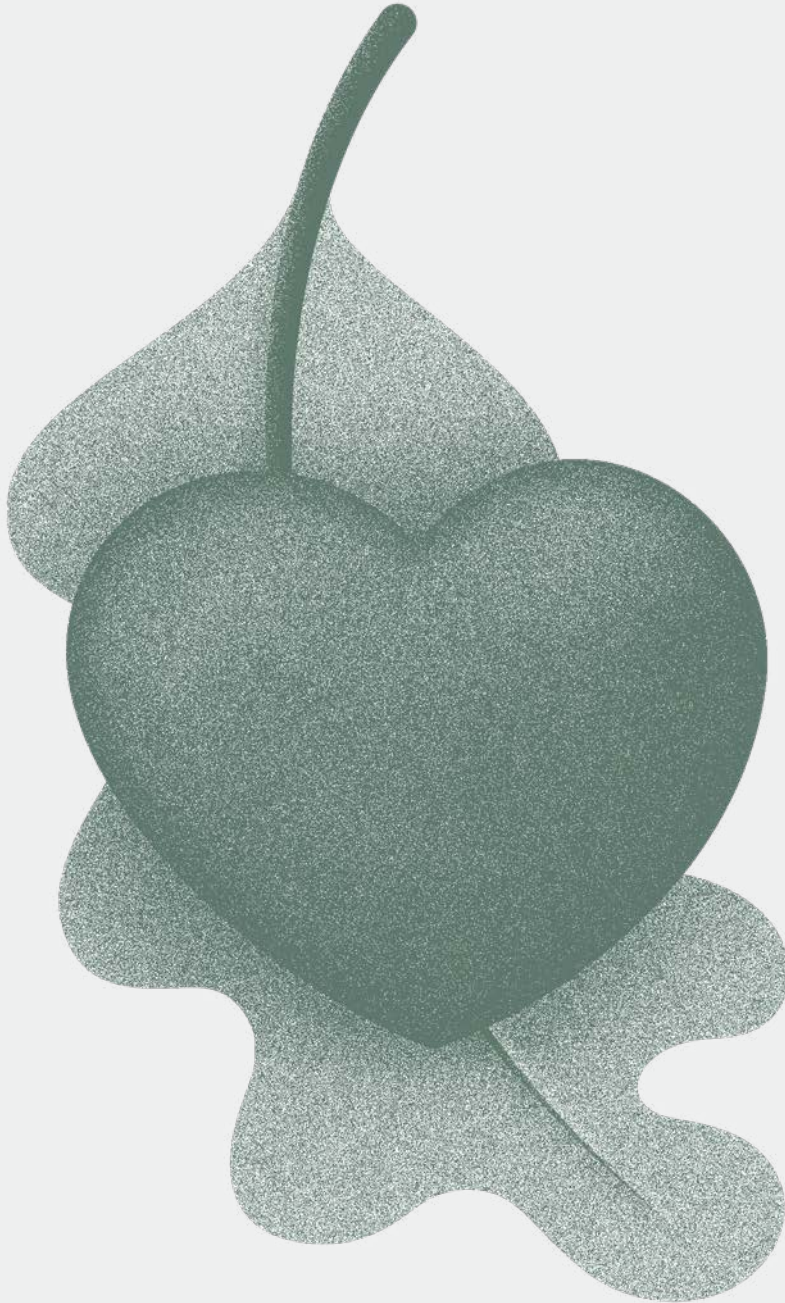
We are committed to procuring wood responsibly, rigorously preventing any illegal or environmentally damaging practices in the supply chain. Compliance with independent certification requirements is ensured through the already mentioned supply chain supervision. All our production sites are FSC®-certified, and we are consistently working towards increasing the share of FSC® or PEFC®-certified timber. In 2023, our efforts resulted in 59% of our timber having been procured from independently certified sources. It is worth mentioning here that some of our suppliers have been pursuing sustainable forestry for generations, but do not have the financial means to obtain certification. We conduct on-site inspections in person to check their work and ensure sustainability in our procurement of timber. We are also aware of the risks associated with the processing of wood coming from uncontrolled sources in Southeast Europe. This can lead to protected natural areas being damaged and the habitats of endangered species being disrupted. Since we purchase our raw materials directly from forest owners and nearby sawmills, we can better control our environmental effects, including com-

pliance with legal requirements. Our procurement experts maintain excellent relations with all our suppliers, conducting regular inspections to obtain information about their environmental impact. It is in both our interest and theirs that the forests and their employees stay healthy.

The implementation of our supply chain monitoring has a firm foundation, since we have been procuring timber internationally for over 50 years, and have built reliable, long-term partnerships. Thus, in 2023, we detected no unlawful conduct in our supply chain. There is a risk management at Bauwerk Group for reporting possible EUTR and HHV fraud incidents, and it is supervised by the Procurement division.

See our Code of Conduct for all the other commitments that we have made when it comes to supply chain management. In our Code of Conduct, we commit to carrying out socially and environmentally sustainable action through our business operations; we also require our suppliers to sign it.

Focus Society



Focus Society

Our everyday success is based on the essential work carried out by our employees. At Bauwerk Group, we value every individual based on our firm commitment to compliance with the UN Universal Declaration of Human Rights.⁷

51-1

The manufacture and sale of our products require collective engagement by our workers, who we can rely on in our everyday business. For this reason, we hold the value of all of the people working for and with Bauwerk Group in high esteem. Ultimately, the Chief Human Resources Officer is responsible for the well-being of all employees and the occupational safety they are guaranteed.⁸ The staff

turnover rate at the three European production sites is 16.81% on a moving average. The comparatively high figure reflects the necessary personnel adjustments due to the economic situation in the construction industry. Our goal is to keep our skilled workers at the company for as long as possible. For this reason, we put great emphasis on promoting horizontal and vertical growth opportunities. We encourage our employees to talk openly about their working situation and to assess this in conjunction with their managers, especially during annual performance reviews. This applies to all employees.⁹ Regularly, in order to ensure the well-being of our employees, we conduct a satisfaction survey and carefully assess its results.



⁷ S1-1 20

⁸ S1-1 AR17b

⁹ S1-13 84-85

General composition of the workforce at the Bauwerk Group's production sites			
S1-6	headcount female employees	Switzerland	65.0
S1-6	headcount female employees	Croatia	174.0
S1-6	headcount female employees	Lithuania	325.0
		Sum	564.0
S1-6	headcount male employees	Switzerland	137.0
S1-6	headcount male employees	Croatia	172.0
S1-6	headcount male employees	Lithuania	371.0
		Sum	680.0
S1-15	headcount who took parental leave ¹⁰	Switzerland	2
S1-15	headcount who took parental leave	Croatia	21
S1-15	headcount who took parental leave	Lithuania	35
		Sum	58
S1-9	headcount under 35 years old	Switzerland	45.0
S1-9	headcount under 35 years old	Croatia	113.0
S1-9	headcount under 35 years old	Lithuania	189.0
		Sum	347.0
S1-9	between 35 and 55 years old	Switzerland	105.0
S1-9	between 35 and 55 years old	Croatia	195.0
S1-9	between 35 and 55 years old	Lithuania	408.0
		Sum	708.0
S1-9	>55 years	Switzerland	52.0
S1-9	>55 years	Croatia	38.0
S1-9	>55 years	Lithuania	99.0
		Sum	189.0
S1-9	% female in management positions ¹¹	Switzerland	13.3%
S1-9	% female in management positions	Croatia	33.0%
S1-9	% female in management positions	Lithuania	13.0%
		Average	19.8%
S1-12	% of disabled employees	Switzerland	0.0%
S1-12	% of disabled employees ¹²	Croatia	0.0%
S1-12	% of disabled employees	Lithuania	0.9%
		Average	0.5%
S1-6	% employee turnover ¹³	Switzerland	-9.50%
S1-6	% employee turnover	Croatia	-8.16%
S1-6	% employee turnover	Lithuania	-21.63%
		Average	-16.81%
S1-7	headcount non-employees in own workforce	Switzerland	2.0
S1-7	headcount non-employees in own workforce	Croatia	0.0
S1-7	headcount non-employees in own workforce	Lithuania	0.0
		Average	2.00
S1-8	% covered by collective bargaining agreements	Switzerland	32.27%
S1-8	% covered by collective bargaining agreements	Croatia	0.0%
S1-8	% covered by collective bargaining agreements	Lithuania	0.0%

¹⁰ S1-1 21; 22; 24a

The elimination of communication barriers is an important principle of our company structure. We absolutely condemn any form of discrimination. The basis for this is our General Terms of Employment, which reflect the principles of the Declaration of Human Rights and a statement against forced and child labour.¹⁰

In order to demonstrate our social and charitable commitment, we conduct an annual Parquet Magic campaign. Between the beginning

of November and the end of February, social associations and organisations can submit their applications on Bauwerk Parkett's website.

Only state-funded organisations are excluded from participating. As a result, we have been able to support countless charitable projects. Whether it is kindergartens, social organisations, leisure clubs or scout camps: the parquet floors we donate create an atmosphere of wellness and bring joy to people.



Employment

S1-3

Due to our global presence, we do not include a detailed list of our various employment arrangements in this report. Instead, our Human Relations Division regularly publishes up-to-date group-wide guidelines for non-negotiable values and ethics of the group.¹¹ These guidelines function as the minimum standard for business units and are adapted to regional conditions. For example, the

Swiss parental leave laws, which we base our group-wide guidelines on, are not as strict as the laws in place in other European countries where we have business units. All Bauwerk Group employees are always allowed to use parental leave in accordance with the applicable national regulations.¹²

¹¹ S1-1 20

¹² S1-15

Workplaces

We do our best to provide workplaces that meet the needs of everyone in a fair manner. In Lithuania and Croatia, we work in line with the laws of the European Union, including the 'equal pay for equal work' principle. As a result, we estimate our gender pay gap to be zero. In Switzerland, a 2021 study revealed no gender pay gap in accordance with Swiss law. The fairness of our wage policy is based on the ratio of the median average monthly wage to the highest monthly wage. For Switzerland, it is 18.8%; in Lithuania, it is 10.4%, and in Croatia, 30%.

Our HR, environmental, health and safety (EHS) divisions always comply with national labour legislations in order to ensure fair conditions for the manufacture of our products. Since our production is located exclusively in the EU and Switzerland, and since our workers are always directly employed by employed directly by the respective Bauwerk national company, they are well protected by generally applicable and country-specific laws and guidelines as well as internal standards that go beyond these.¹³ The Employee Council representing our production staff in Switzerland contributes to this. The production workers in Croatia and Lithuania voted against establishing an Employee Council. Despite this, the Croatian staff have two worker representatives.¹⁴

At all our production sites, regular interactions take place across different levels of staff hierarchy. Goals and potential for improvements are determined not only in a top-down fashion, but also involving workers. Employees from all levels of the hierarchy participate in these SPS-initiatives (SPS = Synchronized Production Systems), aimed at continuously improving work processes, procedures and the work environment. Most of the initiatives are intended to increase efficiency and reduce costs. There are also various groups that work on achieving qualitative results. We are proud to promote individual responsibility through these initiatives, thus tangibly increasing the satisfaction levels of our employees.¹⁵

In all our company units, we set wages on the basis of collective bargaining agreements and the overall wage level in the country.

¹³ S1-11

¹⁴ S1-8 63a

¹⁵ S1-5; S1-2 27a-c



Our production employees receive an average of seven minutes of training per working week, with no gender difference in terms of the amount of training.¹⁶ We assess the effectiveness of this training based on our average accident rate.

By making our employees, especially our sales staff, aware of our Code of Conduct and our anti-corruption guidelines we guarantee a compliant and fair approach to handling transactions.¹⁷

Our employees are hired based on their ability. We ensure this through face-to-face interviews and, if necessary, offer upskilling measures arranged and conducted by Bauwerk Group.¹⁸

We do not commit any major breaches of labour legislation along our supply chain. This is ensured through our Wood Procurement division, which conducts in-person audits at our suppliers' workplaces.

Vertical interaction of employees

S1-4

Our principled, respectful attitude towards all employees, as specified above, also manifests itself in the ways they can interact with their managers. Through various initiatives, our company structure is geared towards promoting interaction and well-being. Negative effects on the staff are addressed through face-to-face interviews as part of annual performance reviews and outside of these. In addition to our regular satisfaction surveys, we work on presenting the effects of our management on the well-being of our employees.

S1-17

Discrimination of any kind is penalised by our HR division. HR maintains close communication with all employees. If there is an incident, the workers can be sure that the HR division will take it seriously and act appropriately. We have set up a mechanism for managing such cases as part of our whistleblowing guidelines. In 2023, one incident of discrimination was detected in our production facilities, and it was moderated by the HR division. The process is based on our anti-discrimination policy that defines in detail the features of discrimination and the steps for reporting incidents. Compliance with these guidelines guarantees appropriate reporting and processing of all incidents, in compliance with applicable law.¹⁹

¹⁶ **S1-13 83b**

¹⁷ **S1-13**

¹⁸ **S1-1 AR 17a/f/h; S1-13**

¹⁹ **S1-1 24; AR17c/g; S1-3 32; AR30**

Health and safety

S1-14

At every Bauwerk Group production site, the environment, health and safety (EHS) responsibilities are allocated to key positions. We are proud of our independently certified compliance with ISO14001. By using this management framework and EHS management software, we are in a position to pursue efficient, safe and clean production. This is set out in Bauwerk Group's EHS policy, which provides guidelines for our efforts in the fields of environment, health and safety.²⁰ As part of this, we uphold our compliance with regional, national and European minimum standards and regulations, and work hard to exceed their requirements.

This safety is reflected in Bauwerk Group's products. This is why we only believe a product to be 100% healthy if its manufacture does not involve any health risks for the workers. As part of their on-boarding process, they get latest safety information about their workplace and the production facilities in general. The quality of this information is ensured by our committed and trained EHS staff members. The use of adhesives and surface treatments requires close monitoring of production facilities

in terms of the VOC and noise emissions affecting the workers. In accordance with ISO14001, the EHS team assesses workplace safety through risk analysis and on-site inspections, supported by external inspectors. If the EHS team or the workers themselves identify risks, the work place is modified accordingly, to reduce the risk as far as possible. The communication between the EHS team and the worker takes place in an uncomplicated manner, through dialogue on an equal footing. Our internal SPS system, with teams created independently from the organisational structure, supports us in keeping in touch and focusing on workers' needs. This way, we make sure that the adverse health-related effects of the workplace are kept as low as possible. The work of the EHS team covers all production workers 100%. Despite our EHS commitments, we have not been able to completely prevent accidents. For a transparent representation of our EHS efficiency, our accident rate is provided below, broken down by factory:

²⁰ S1-1 23

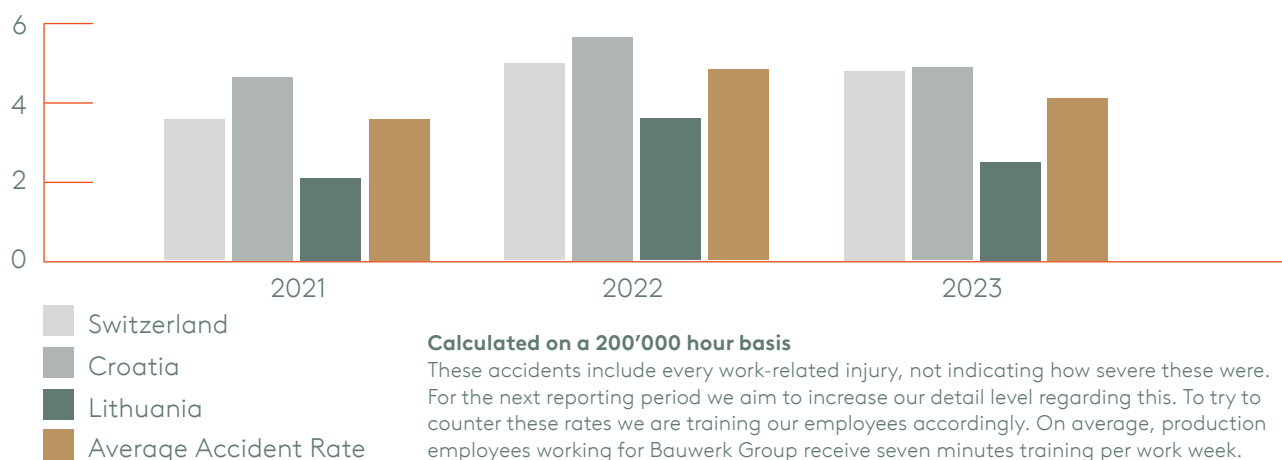
These accidents include all work-related injuries, not specifying how severe they are. Fortunately, due to the high safety standards, we have not had any serious injuries.

The outlier in 2022 in Switzerland can be explained by a few employees with long-term illnesses. Thus,

Bauwerk Group is in an above-average position for the wood-processing industry. Our ambition is to make Bauwerk Group factory facilities of even safer, and to reduce the number of accidents reported here even further.

Accidents	2021	2022	2023
Switzerland	3,7	5,2	4,7
Croatia	4,7	5,9	4,9
Lithuania	2,1	3,5	2,6
Average Accident Rate	3,5	4,9	4,1

Absences from work	2021	2022	2023
Switzerland	295	1841	122
Croatia	563	440	366
Lithuania	405	964	687
Ø Number of working days lost	421	1082	392





Product safety and labels

Our brands, Bauwerk Parkett and BOEN, stand for high-quality parquet that is not harmful to health. In order to meet our clients' high quality expectations, we rely on credible certification, continuous product development investments, and targeted information and training events for floor installer contractors and for our end clients. We specify the (extremely low) formaldehyde content in accordance with EN 14342, and all of our products easily achieve Class E1.

Blue Angel: The BOEN parquet products have been awarded the Blue Angel (Blauer Engel) ecolabel. Products awarded this label have very low emission values, guaranteeing a healthy indoor climate.

eco-Institut label: Most of Bauwerk Group's two- and three-layer products meet the strict requirements of the eco-INSTITUT label. An exception here are certain three-layer products whose pine sublayer produces natural VOC emissions that are somewhat higher than the certification thresholds. The label guarantees strict quality controls through regular laboratory testing for harmful emissions, substances and odours. The testing criteria go far beyond the existing legal requirements.

Sentinel Haus Institut: As they have an eco-INSTITUT label, the products of Bauwerk Parkett are listed on the Sentinel Haus Institut website. This institute promotes a holistic approach to healthy living, construction and renovation.

Cradle to Cradle®: Bauwerk Group is not only the first parquet manufacturer to receive the Cradle to Cradle® certification, but also the first company in the world to get this certification for its entire production facilities. All Bauwerk Parkett products made in Switzerland are certified with Cradle to Cradle® Bronze, while all of Bauwerk's Silente products even have a Cradle to Cradle® Gold certificate. Once their service life comes to an end, the full-area-bonded two-layer Silente products can be completely removed and recycled without any negative effects on the environment. Our first circular-economy approach was implemented as early as 2016: it was our first step in that direction, and it has withstood many tests.



EPD (Environmental Product Declaration): In 2022, we were proud to publish our first product group-specific EPD in Europe. By publishing a much larger number of modules than what is usual for a service life assessment, we encourage clients, designers and the general public to discover the advantages of parquet compared to other types of flooring. In the coming years, we intend to achieve a level of transparency in accordance with the reworked EU Construction Product Regulation whereby we will provide an even more detailed service life assessment than that which we include in the current EPDs.

FloorScore®: In 2022, the entire parquet product range of BOEN und Bauwerk Parkett received the FloorScore® certification. FloorScore® is a certification programme managed by the Resilient Floor Covering Institute (RFCI) for flooring and floor adhesives that must meet strict requirements for indoor air quality (IAQ). Regular inspections must also take place at the production site. The products that bear the FloorScore® label meet the LEED, CHPS, Green Guide for Health Care indoor air quality emissions criteria, and are recognised by many other programmes for healthy construction.

ecobau Minergie: Bauwerk Group is a member of ecobau, an organisation that promotes sustainable construction. Certification by ecobau means that Bauwerk Parkett’s products meet strict environmental, health and energy requirements. The ecobau criteria are compatible with the Minergie label, which stands for energy efficient construction. Bauwerk Group offers a large variety of products that have been awarded the ecobau certificate

Nordic Swan eco label: The Nordic Swan Ecolabel is an environmental label issued in the Nordic countries. It takes into account the entire life cycle of the product, from raw material extraction to disposal. BOEN products have the Nordic Swan Ecolabel, meeting strict criteria for emissions, components, energy consumption and waste management. The Nordic Swan Ecolabel guarantees that BOEN’s products contribute to creating a healthy indoor climate and to reducing environmental damage.



Focus Environmental Impact



Focus

Environmental Impact

This section of our sustainability report covers the key aspects presented in the CSRD. At the core here is the impact of our business on climate change and our strategies for minimising these effects, while we contribute to the global target of limiting global heating to 1.5°C, as per the Paris Agreement. This is of critical importance for us, as our business model effectively depends on keeping the environment intact.

E-1

We do not see any short or long-term threats to the resources that support our business model, not even in a changing climate. Our goal for 2026 is to produce 50% less CO₂ emissions per square metre of parquet, which goes hand-in-hand with our phasing-out of fossil energy and reduction of our emissions. This makes it possible for us to contribute to keeping global warming below 1.5 °C.²¹

Even though our product can contribute to protecting the climate – with every square metre of parquet, we sell captured carbon – we do generate greenhouse gases along our value chain. In addition to carbon accounting of these emissions in accordance with ISO 14064, we report on other mass flows and materials used in our company, in order to provide a complete picture of the environmental impact.

Scope 1–3 emissions

Scope 1 emissions are direct emissions from sources that belong to or are controlled by Bauwerk Group, e.g. emissions coming from the combustion of fossil fuels in vehicles.

Scope 2 emissions are emissions that Bauwerk Group creates through its energy procurement.

Scope 3 emissions are all other indirect emissions that arise in the company's value chain, including the emissions generated by transporting goods, disposing of waste and the company's employees commuting.

²¹ E1-1 14;16a

Energy and emissions

Our environmental compatibility analysis focuses on the amount of energy we consume and how much this energy consumption generates in terms of emissions. Our goal is to make our products with

as little energy consumption as possible, because we are convinced that a product that is best for our planet is one that consumes as little energy as possible.



The chart above shows the energy consumption and greenhouse gas emissions for the Group's European units. The error bars for the CO₂ emissions represent our estimates of the emissions created by logistics.²² In the coming years, software will be used to collect these data and make them quantifiable. The persistently high consumption of energy for heating comes from the large demand created by the drying chambers used to dry timber, which directly correlates to our production output. This energy demand is met through timber by-products, such as sawdust and off-cuts generated as part of our production process. For economic reasons, this drying process runs without interruption, which explains the continuously high demand for heat. According to latest research, despite common assumptions, biogenic emissions from wood mass have a long-term impact on the climate. Since Bauwerk Group cannot present a Carbon Balance Indicator with its supplier, the biogenic emissions are included

together with the fossil ones. Nevertheless, below we distinguish between biogenic (wood mass) and fossil emissions.

New calculations in accordance with ISO 14064 have shifted the Bauwerk Group emissions structure; although, only slight changes have occurred in many areas. Data on biogenic emissions as well as emissions from fossil fuels were updated in accordance with international standards. The comprehensive calculations via our GHG balance tool were performed by the Internal Sustainability Manager, who has appropriate qualifications, and using literary sources and primary data.²³ The resulting overall change is a 15% increase in the reported emissions. Since these calculations are used with a retroactive effect, the above chart likewise still applies.²⁴

Scope 1:

E1-1 16b

1. Biogenic emissions from the combustion of wood

Biogenic emissions are by far the biggest emissions items at Bauwerk Group, because the energy-intensive drying processes it uses are a key element of making parquet.

2. Fossil emissions from internal combustion engines

Bauwerk Group's story of success in defossilisation marches onwards. In 2023, primary energy with Scope 1 emissions was limited to company cars and LPG-powered forklifts. Further electrification of these vehicles enables great reductions in emissions, which is reflected in the statistics.

²² 2-BP2 11

²³ E1-6 AR39b

²⁴ E1-6 47, 2-BP-2 13c

Scope 2:

We are proud that our manufacture of parquet in Switzerland and Lithuania has been exclusively carried out using climate-neutral energy since 2022. In Lithuania, we additionally set up a large solar farm, with an installed capacity of 2 MW, on the roof of the production facilities there (covering 5.7% of own consumption in 2023). We are also proud to report that, on the roofs of our factory in Croatia, we installed one of the largest photovoltaic plants seen so far in that country, to cover the company's energy needs. Solar panels with a total capacity of 3.8 MW had been installed by the end of 2023. Our goal in Croatia is to increase amount of renewable energy we generate ourselves so that

it matches that of the CO₂ electricity mix; in 2023, internally-produced renewable energy was at 8.5%. Furthermore, the construction of a cogeneration plan is ongoing in Croatia, which in the future will consume sawmill by-products and provide power as well as heat, making it possible to significantly increase the energy self-sufficiency of the production facility. BGCH contributes little to Scope 2 emissions, since the amount of production there is the lowest, and the electricity mix used there is very environmentally friendly.

The energy purchases for Scope 1 and 2 are discussed in more detail below:

E1-5

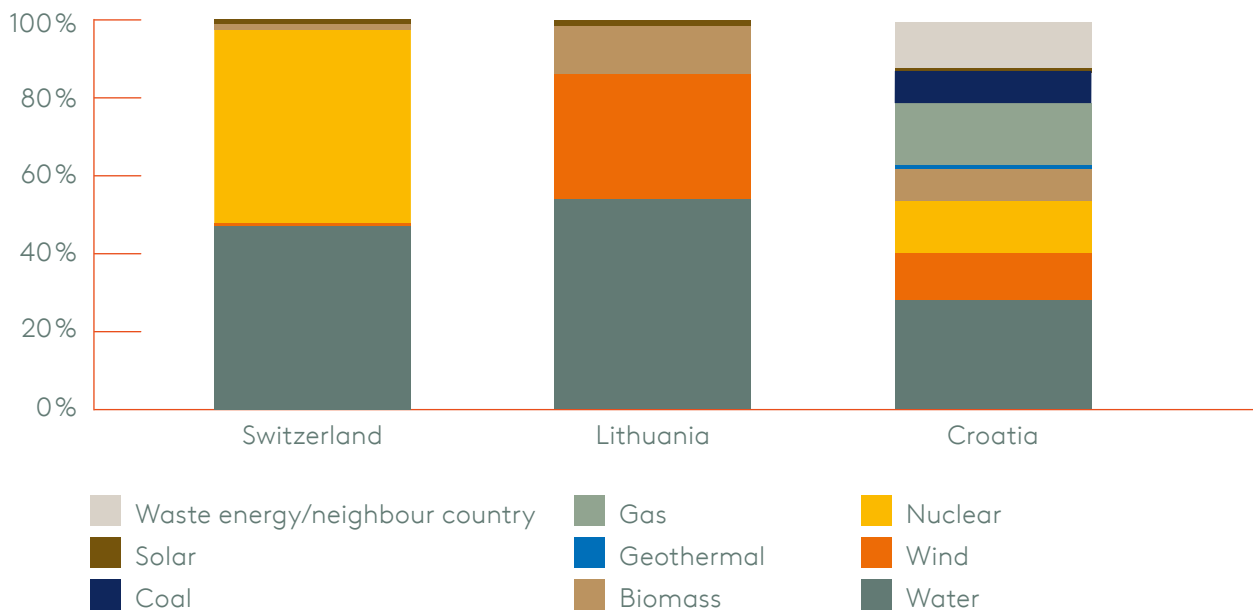
	Gigajoule (GJ)	Share %	E1-5 paragraph
Scope 1+2	436'565.52	100	37
Fossil scope 1+2	21'551.05	4.94	37a; AR34
Nuclear Scope 1 +2	21'345.51	4.89	37b; AR34
Renewable Scope 1+2	397'002.74	90.94	37c; AR34; AR71
Fuel Consumption renewable (biomass)	266'816.52	61.12	37c i
Consumption of Purchased renewable electricity	121'419.76	27.18	37c ii
Consumption self generated non-fuel renewable energy (solar)	8766.46	2.01	37c iii
Fuel consumption Coal	0	0	38a
Fuel Consumption petroleum products (company cars + LPG forklifts)	9'043.12	2.07	38b
Fuel consumption natural Gas	0	0	38c
Fuel consumption other fossil resources	0	0	38d
Consumption fossil electricity	9'949	2.28	38e
Non-renewable energy production	0	0	39
Renewable energy production (biomass+solar)	275'582.98	63.13	39
Energy intensity (total energy consumption per net revenue)	Not feasible due to Somerset	-/-	40

²⁵ This includes nuclear power in Switzerland: in 2022, it was incorrectly reported as 'renewable energy' (ESRS 2 BP 14b)

In the context of our production plants, our other facilities, such as sales floors and offices, consume less than 1% of the energy. For this reason, their emissions are not described in detail, and are not

included in the Scope 2 emissions above. At the same time, we strive to obtain power and heat from renewable sources wherever possible at our facilities.

Electricity mixes at production sites



Scope 3:

1. Logistic

The large share of Scope 3 emissions currently does not include the logistical emissions produced by our logistics partners. These are represented as error bars in the energy and emissions graph, based on estimated values. We work on recording our logistical flows in real time, in order to be able to present these emissions transparently in the future.

2. Other emissions

The remaining Scope 3 emissions consist of factory waste, commuting by our employees, and flights for business trips. These account for less than 30% of the Scope 3 emissions, as a result of which they take the lowest priority in our reduction efforts. Furthermore, the Carbon Balance Indicator cannot be determined for the wood procured, which impedes the collection of data on greenhouse emissions in the supply chain.²⁶

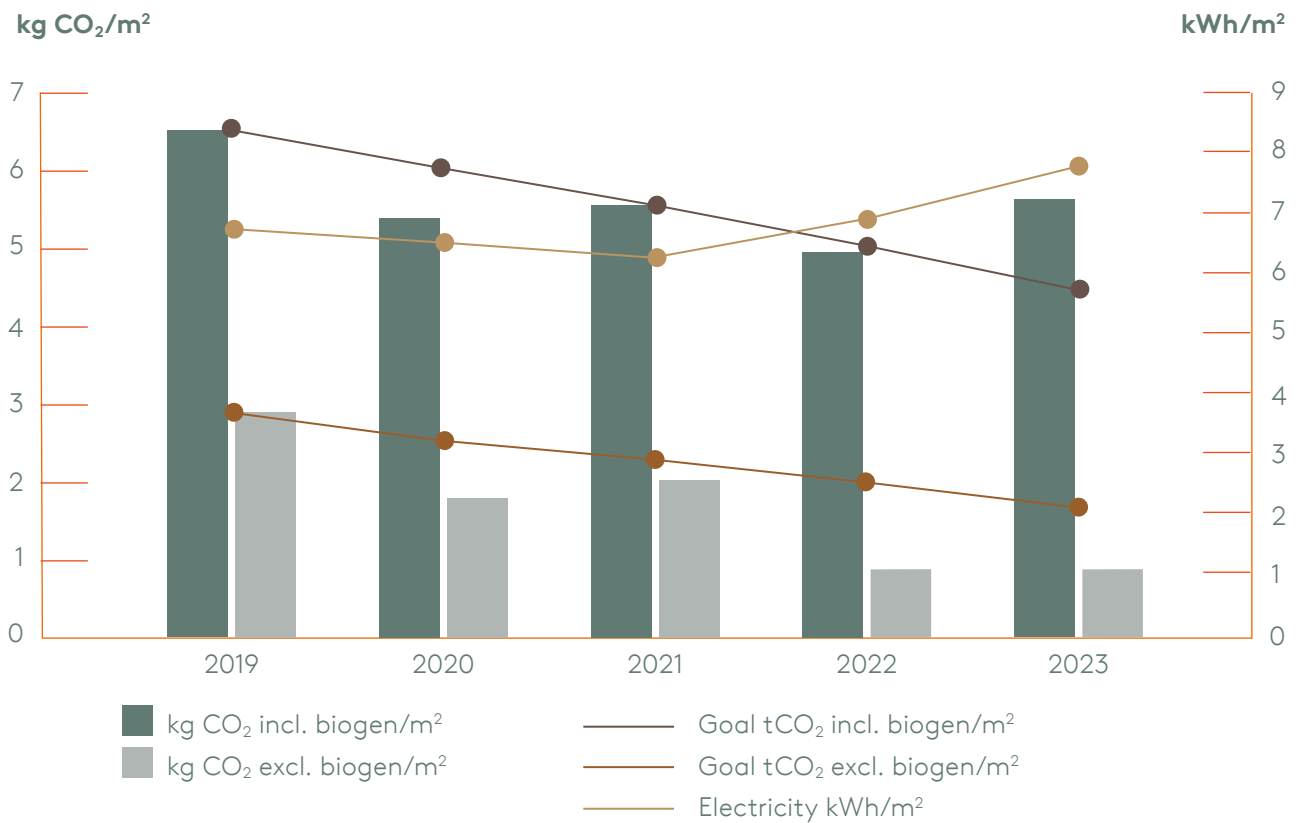
²⁶ E1-6 46

CO₂ reduction targets

E1-116b, E1-3, E1-4

The decisive indicator for our management decisions pertaining to CO₂ emissions are not our absolute emissions, but (as shown in Chapter 4.1

Sustainability ambitions/strategy) the relative emissions per square metre of parquet sold.²⁷



²⁷ E1-6 AR55

It is clearly shown that, when it comes to fossil emissions, we have already achieved our target for 2026, namely to reduce our per-square-metre emissions relative to 2019 by 50% (compare CO₂ [kg] excl. biogen./sq.m in the chart above).²⁸ This is a great success that will be built up on with further defossilisation measures at our company. This has in particular been achieved through the long-term process of eliminating electricity generation using our own gas turbines in Lithuania (which we still used back in 2019), the transition of the company fleet to electric vehicles (depending on the market and infrastructure), and the replacement of LPG-powered forklifts with electric ones. In Croatia and Switzerland, the latter has already been implemented, and we are working on a solution for this in Lithuania.²⁹

We see actual locked-in emissions in our logistics. We are dependent on Europe's logistics market whose defossilisation has been advancing more slowly than expected. The transition from the road to the rails has always been and still is a slow and arduous process. However, as soon as it is possible, Bauwerk Group's Logistics division will fully engage with this transition (see Chapter 7.3 Logistics).

The long-term reduction of our biogenic emissions (CO₂ [kg] incl. biogen./sq.m in the chart above) poses a much greater challenge. The reason for

this is that our energy-intensive wood-drying processes cannot be converted to electric power in a manner that justifies the costs. So far, there have been two potential approaches to finding a solution. The first is switching energy production from oxidation to pyrolysis, with the disadvantage that this only produces 60% of the energy that oxidation can. The second option is bioenergy with carbon capture and storage (BECCS). This controversial technology has some future potential in the timber industry. The negative emissions created are as a guarantee of the future viability of the timber industry. Bauwerk Group closely monitors these developments.³⁰ Due to uncertainties in the calculation base, Bauwerk Group foresees representing its potential annual CO₂ capture in the form of parquet sold. According to the EPD method, this does not exist for Bauwerk Group.³¹ Furthermore, there is no internal carbon pricing scheme.³²

Overall, Bauwerk Group will soon be free of Scope 1 and 2 fossil emissions (except for company vehicles). At the same time, huge biogenic emissions are present in Scope 1 of the greenhouse gas balance. Eliminating these emissions will be the biggest challenge for Bauwerk Group going forward. With the completion of the cogeneration plant in Croatia and investigations regarding BECCS installations, we believe that we are in a good position to reduce our emissions output even further.

²⁸ **E1-3 29b; E1-4 AR25a: 2019 was the year of Bauwerk Group's greatest reliance on fossil energy.**

²⁹ **E1-4 32**

³⁰ **E1-7 56**

³¹ **E1-7 58; Bauwerk Group does not participate in the GHG credit trading and has no plans to change this in the future.**

³² **E1-8**

Logistics

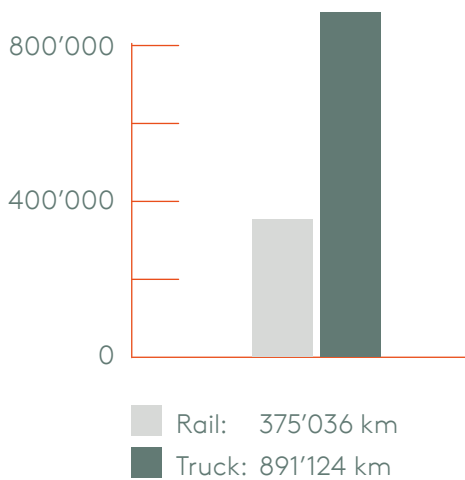
The uninterrupted flow of goods between our suppliers and our production plants, within our company units, and between our warehouses and our clients is the backbone of our business processes. Currently, this transportation is handled by HGVs, associated with a high level of CO₂ emissions.³³

When the European railway infrastructure is harmonised, however, transportation will become more climate-friendly in the future. This change will be decisive in reducing our emissions to achieve compliance with the Paris Agreement. Since we do not have our own company logistics, the climate friendliness of our transport critically

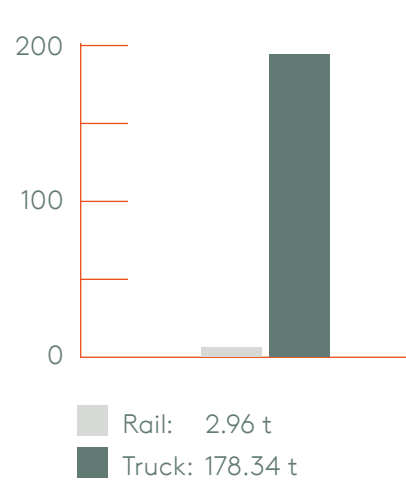
depends on the availability and the costs of environmentally friendly transport solutions.

Thus, in 2023, in conjunction with our local logistics provider SIEBER in Switzerland, we managed to cover 42.1% of our transport route using railway, 7.9% less than in 2022. Nevertheless, the CO₂ savings are massive, acting as an example of sustainability for the entire Bauwerk Group. If a similar level of railway use could have been achieved everywhere in Europe, our expected logistics emissions would have fallen from around 2300 tonnes to 1300 tonnes CO₂; this is an incentive for our Logistics division to look for new solutions.

Distance in km



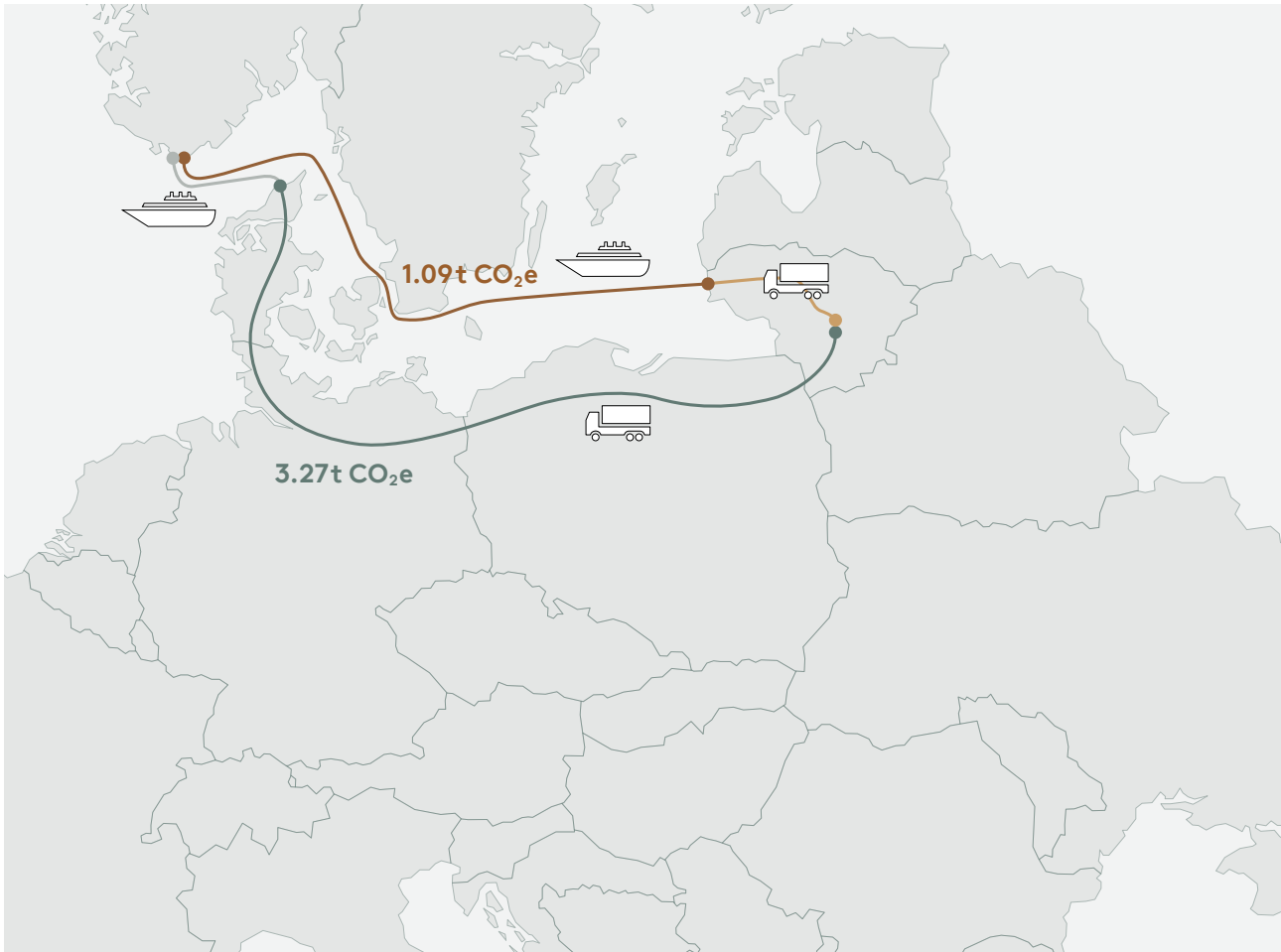
Emissions t CO₂e



The logistics emissions reductions for 45-foot containers sent from the factory in Lithuania to the Scandinavian market achieved in 2022 continued in 2023. Compared to the old route, we managed to lower our per-container emissions by 66%. We

are also expanding our concept of direct deliveries to our end clients to the Nordic market. We expect this to further reduce the CO₂ emissions per square metre of parquet delivered.

³³ E1-1 16d



Old route: Truck via Poland, Germany, Denmark, Ferry to Kristiansand, Norway.

New route: Truck to Klaipeda Freight Terminal, Lithuania, Container Shipment to Kristiansand, Norway

Bauwerk Group is also actively working on making its transport flows more transparent. For this purpose, we use a transaction platform, where we process and monitor the transportation of our goods. In order to enable our transport flows to be digitally represented, we will gradually link our key transport partners to our platform over the coming years. Our partners and service providers in the fields of transport and warehousing send us various digital status messages on how goods processing

is progressing. With these, we always have up-to-date, real-time order-based transport information about our service providers. In the future, we would like to use this information to make our clients aware of the planned delivery of our products, proactively and in advance, and to display our transport flows in a digital manner, so that the emissions per square metre of parquet sold are reduced further, down to a value that is as low as possible.

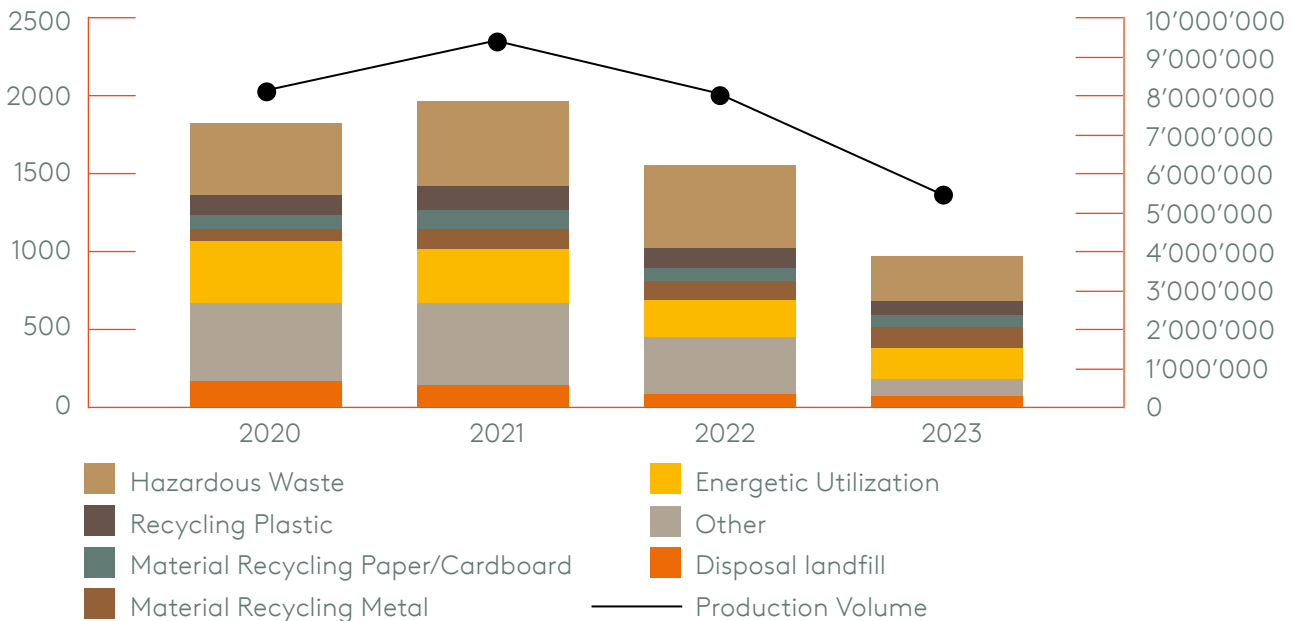
Production materials

In accordance with our ISO 14001 certification, we closely monitor and manage our waste flow, following the local laws. We do our best to use recyclable or very large packing whenever possible, in order to avoid unnecessary flows of waste. Nevertheless, currently, we are unable to completely

eliminate waste at our production facilities. The falling percentage share of waste disposed of in landfills is a good indicator of our recycling efforts and the improvements that are being achieved by those local authorities that implement more recycling solutions.

Waste mass tonnes

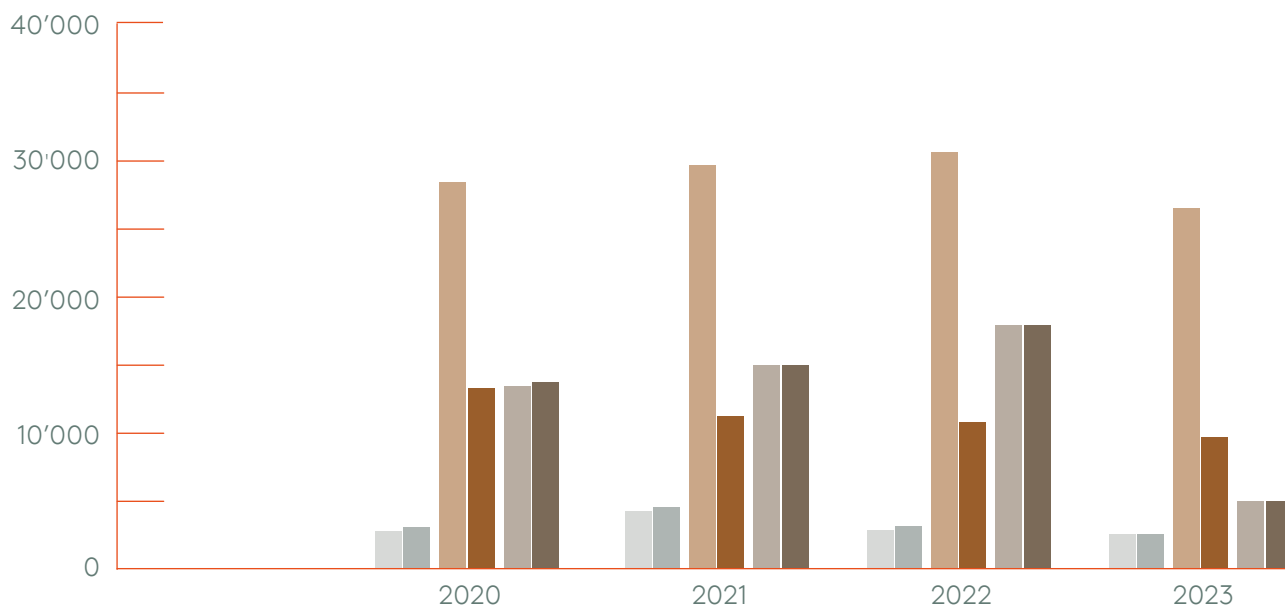
Production volume m²









The total amount of waste rises with the increasing production output. Since 2021, the amount of waste per square metre of parquet has risen by around 17% compared to previous years; although, this includes the waste generated by various infrastructure projects, like the renovation of buildings. A good indicator for the production resources used per square metre of parquet is the amount of hazardous waste. In 2023, this fell below 50 g per square metre of parquet for the first time, pointing at successful streamlining measures.

Although our European plants are located in areas that are not subject to water stress, we nevertheless closely monitor our water consumption. Water is the basis of life on Earth. It is therefore important for us not to use one of our most valuable resources to excess. As part of this, we test the quality of our waste water in local laboratories. In recent years, we have never exceeded the thresholds set as being environmentally compatible.

Water (m³)



Switzerland					
	Water withdrawal in m ³	2603	3800	2700	2500
	Water discharge in m ³	2702	2603	2700	2500
Lithuania					
	Water withdrawal in m ³	28'089	28'993	30'331	27'133
	Water discharge in m ³	13'280	11'553	10'561	10'326
Croatia					
	Water withdrawal in m ³	13'327	14'910	18'288	4982
	Water discharge in m ³	13'327	14'910	18'288	4982

We get our water from a local water supply system, and we use it in production for cleaning and for general household purposes. We consume 6.2 litres of water per square metre of parquet. The significant reduction of water consumption in Croatia is a result of renovating the water lines, successfully eliminating leaks. The total water abstraction amounts are approved by local authorities in charge

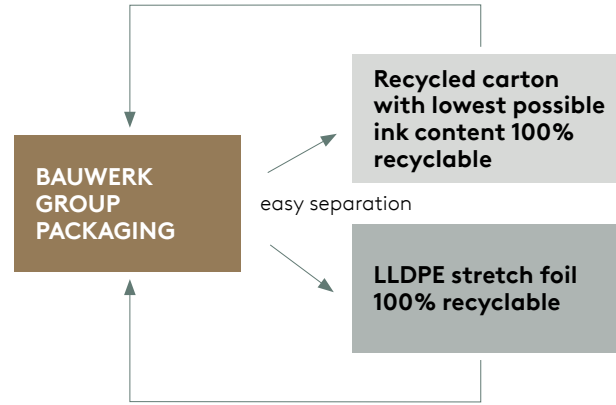
of water supply, and the quality of our waste water is regularly inspected by our EHS team and local official bodies. The difference in the amounts of water received and of waste water in Lithuania is due to the disposal of waste water from cleaning through a local disposal provider. This contractor treats the water contaminated by machinery cleaning and then disposes of it there.



Bauwerk Parkett
Cleverpark 900, Oak Mandorla 34

Packaging

Procuring sustainable materials for our packaging remains a challenge that we still must face. Looking for a solution that harms the environment as little as possible and, at the same time, guarantees a 100% air seal has brought us to our current approach: using a minimal quantity of linear low density polyethylene (LLDPE) to minimise the circulation of air, combined with cardboard that contains the highest possible portion of recycled materials. We are still searching for an even better solution, though this is difficult to imagine, because our current packaging is 100% recyclable. In view of this, and by using the highest recycled material portion that our supplier can currently provide, we are already actively participating in the circular economy.

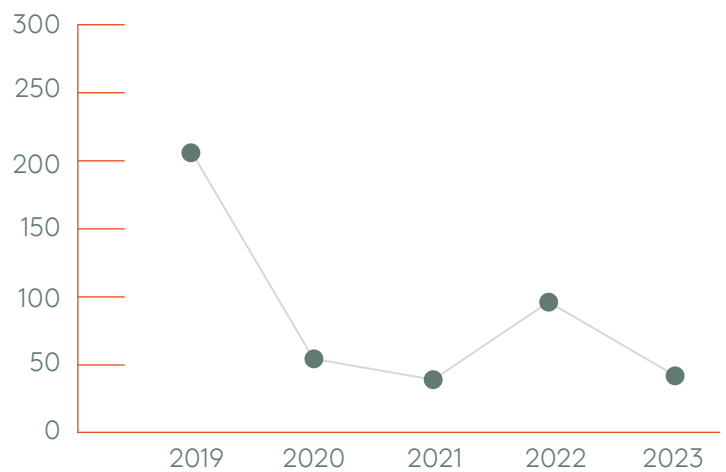


Recycling rate depend on national recycling availabilities

Business trips

In our limited assessment of the Scope 3 emissions, commuting and business trips play a major role. Our HR division has set a target of achieving carbon-neutrality in our vehicle fleet, offering commuting alternatives to our employees, and avoiding as many unnecessary trips as possible. This was achieved through learning the lessons of the COVID-19 travel restrictions. We reduced our travel activities to the absolute minimum and significantly ramped up the number of video-conferences, so that we now engage in only a half of the travel activity that we had prior to the pandemic.

t CO₂e, Emissions from flights Bauwerk Group



Outlook

In our efforts to build a more sustainable future over the past year, we achieved significant advances, as shown in this report. This last chapter offers an overview of our goals and plans in the fields of transparency, circularity and reduction of negative environmental impacts.

Transparency

By embarking on CSRD-compliant reporting, we have established a firm foundation for more transparency in our organisation. Although the more focused work on the materiality analysis is still ahead, thanks to this foundation that we have created, we are well-equipped to stand up to the challenges of the future.

Circularity

Our commitment to the circular economy is bolstered by our renewed Cradle to Cradle® certification and the Gold label for all Bauwerk Parkett's Silente products. Further developing our circular approaches is also a key component of our strategy.

Reduction of negative environmental impacts

Despite the difficult economic situation, we are proud of having achieved some successes in reducing the intensity of our emissions. We further reduced their intensity per square metre, and we almost completely eliminated the Scope 1 and 2 fossil emissions. Currently, the biggest remaining challenges are the forklifts in Lithuania and the company cars. We will continue to actively look for solutions in this area. Furthermore, we could further lower the quantity of waste we produce, underscoring our efforts to reducing our environmental impact.

We are aware of the biggest challenges in the field of sustainability. At the same time, we are emphatically committed to pursuing our sustainability goals. Our strategy for the coming year is to focus on achieving the targets we have set, and to continuously improve our processes and products, creating a net positive effect for our planet.



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