

SUSTAINABILITY REPORT 2021



Bauwerk Group: Our vision

**INNOVATIVE LEADER IN THE FIELD OF NATURAL,
SUSTAINABLE WOODEN FLOORS**

Being inspired by the seemingly impossible is ingrained in the DNA of the Bauwerk Group. That is part of our success – and that also allows our partners and/or customers to work successfully. Our diverse, innovative parquet solutions are not only naturally beautiful, they are also completely non-hazardous for your health. 100% free of harmful substances, made using the most modern production methods, we only use sustainable resources for our floors. Moreover, we feel obliged to continually keep an eye on the whole value chain of our business activities – also outside our own group – and check it for sustainability. On the road to be the innovative leader in the field of natural, sustainable wooden floors.



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In the interest of better readability this report generally refrains from gender-specific double entries. Each entry is meant as gender-neutral and comprises men, women and diverse persons.

Editorial

Dear Reader,

Each tree and each piece of wood are unique – and fascinating as well. We regard it as our privilege to craft high-end parquet floors from this versatile natural product. We feel obliged to deal sustainably with our resources – and that over the whole of the value chain. Moreover, as leading European parquet manufacturers, we have the responsibility to leave as small an ecological footprint as possible – this we owe to nature, to future generations and to ourselves. That is why we continually optimise and develop our holistic sustainability strategy.

One of the main motivations for my taking on the executive management of the Bauwerk Group was and still is the great importance of our products for the design of rooms and the wellbeing of people. In times when our own four walls have become, more than ever, the centre of daily life, it is ever more important for us to create a healthy environment here. No floor other than parquet manages to influence so positively the room atmosphere and our sense of well-being.

Behind the success of our enterprise are passionate people who love what they do. We know that wood is a sustainable but finite resource. Climate change, natural disasters, supply shortages, and rising prices exacerbate the situation and thus innovative solutions to deal with resource shortages will be in demand. We are not perfect – but we can set things in motion. Therefore, it is our aspiration to constantly intensify our striving for ever more sustainability.

The steps we have taken for this in the business year 2021 are summed up on the following pages. We want to highlight the successful integration of our production sites in Croatia and Lithuania into our environment management system. Now, because of this all our main sites are certified according to ISO Standard 14001 and their environmental impact systematically recorded and controlled. Also, last year we increased our efforts to substitute some of the energy for the production of parquet with renewable, clean electricity: By now, three of our four production sites have solar and/or photovoltaic plants. In the future moreover, we want to further reduce our greenhouse gas emissions and to decrease, even more, our dependence on fossil fuels.

The personal business cases are another highlight of this year's sustainability report. These give our employees an interesting glimpse into the practical implementation of our projects.

In addition, you are very welcome to discover further stories about our company on our website and social media channels. I will be looking forward to hearing your opinions and suggestions.



Patrick Hardy
CEO & President Bauwerk Group

Bauwerk Group – Figures

1711	Employees worldwide
301.7	m CHF net sales
45.5	Average age *
9.3 Mio	m ² of parquet sold
3.36%	Investment ratio
45.6%	Share of female employees
45.4	Equity capital ratio
31	Different nationalities
11.8%	EBITDA-margin
0.8%	F&E-quota
2	Brands

* Data evaluation incorrect in the Sustainability Report 2020
Correction: 46.2 Years instead of reported 40.0 Years

Bauwerk Group: One Group, two brands

The Bauwerk Group is the second largest parquet company in Europe, and a leading company in the premium segment. The firm was founded in 2013 when the Swiss Bauwerk Parquet AG merged with the Norwegian firm BOEN AS. Around nine million m² of parquet are sold annually. The two brands offer a complimentary range of two- and 3-layer parquet, as well as sports flooring systems. The Head Office of the Bauwerk Group is in St. Margrethen (Switzerland). Our production sites are in St. Margrethen (Switzerland), Kietaviškės (Lithuania), and Đurđevac (Croatia).

We develop and produce parquet flooring, which is distributed by two brand organisations: Bauwerk Parquet and BOEN.

BOEN: A wide range of products, high standards of quality, sold in more than 50 countries.

The chief product of the BOEN-product portfolio is 3-layer parquet. With the pioneering click-locking system, the 3-layer flooring can be laid easily as a floating floor by professional parquet layers as well as experienced retail customers. The brand is made available for retail, for wholesale, and for the specialist trade. Solutions for sports flooring are also a part of the wide ranging BOEN-product portfolio. The brand is globally oriented because of its focus on lifestyle, its wide range of products, as well as having quality design, and is represented in the markets of Scandinavia, Germany, United Kingdom, China, Italy, France, Poland, Switzerland, and the USA.

Bauwerk Parquet: Healthy living and innovative solutions combined with Swiss precision

Moreover, the 2-layer expert design genius characterises the products of Bauwerk Parquet. Bauwerk Parquet was the innovative originator of professionally glued 2-layer parquet. Bauwerk reaches the end-customer mainly via the parquet installer. Apart from its presentation in the traditional shop in shop, customers can experience Bauwerk in our “parquet-worlds” – inspiring presentation rooms. Here the customers are advised by experienced parquet specialists in a pleasant and competent atmosphere. Bauwerk – with its focus on healthy living, innovation and precision is particularly strong in the markets of Switzerland, Germany and Austria, as well as in some selected international 2-layer markets with a long tradition of parquet-laying. Our two strong brands have a comprehensive product portfolio and complement each other with regard to their product range, their target group orientation and their marketing channels.

Sustainability in the Bauwerk Group

As a woodworking production company sustainable production is a central element of our daily task. Working with a commodity such as wood has always shaped our attitude towards nature and the protection of the environment. Our ecological and social responsibility continues steadily.

As a woodworking production company sustainable production is a central element of our daily task. Working with a commodity such as wood has always shaped our attitude towards nature and the protection of the environment. Our ecological and social responsibility continues steadily.

With the aspiration to become innovation leader in the field of sustainable wooden flooring, we have launched far-reaching processes, we have established consistent equal standards, and consequently integrated aspects of sustainability into our production processes. As part of that process we have founded a cross-functional sustainability committee presided by our CEO. Views are exchanged on a regular basis by the heads of operations, quality management, environment and safety management, human resources, procurement, and those responsible for the sales and marketing of both brands.

The goal: We are focused on sustainability as a Group-target in all fields, and continual cooperation on improvements. Together with our new CEO Patrick Hardy, we are in the process of adapting our vision and our enterprise strategy to the future expectations of our board and our owners. In general, we want to become “innovation leader in the field of natural, sustainable wood flooring”. In order to achieve this successfully, we have defined a series of strategic initiatives, from production to the further development of the digital transformation, to business (management) culture. A central initiative deals exclusively with the integration of sustainability management and dealing with chances and risks in relation to climate change. The progress is monitored monthly.

In all of our strategic initiatives, the ecological and social dimension plays a central role. However, we are fully aware that we still have things to do and to improve. It is an incentive and a challenge to critically examine all we do and to achieve better results.

About our report

This is the 5th sustainability report of the Bauwerk Group. It addresses our stakeholders, i.e. customers, investors, public authorities, companies, business partners, NGOs and our employees. In March 2017, we defined our sustainability themes and goals in a stakeholder dialogue. The present report therefore focuses on the relevant areas of responsibility which resulted from this dialogue.

Sustainability management and the reporting process

Within our systemised sustainability management we have had, since 2017, a cross-functional sustainability team. This team has prepared the present report in several steps. In the years to come the focus of sustainability management will be on for-

malising and consolidating our reporting system. Our reporting is guided by the standards of the Global Reporting Initiative (GRI). The present report has been prepared in accordance with the “GRI-Standards core option”.

In the years to come, we aim to publish an externally audited Sustainability Report.

Targets for a sustainable development in the Bauwerk Group

The following matrix shows how our internal and external stakeholder groups assess the responsibility for various sectors. Accordingly, these are the six most relevant areas of responsibility:

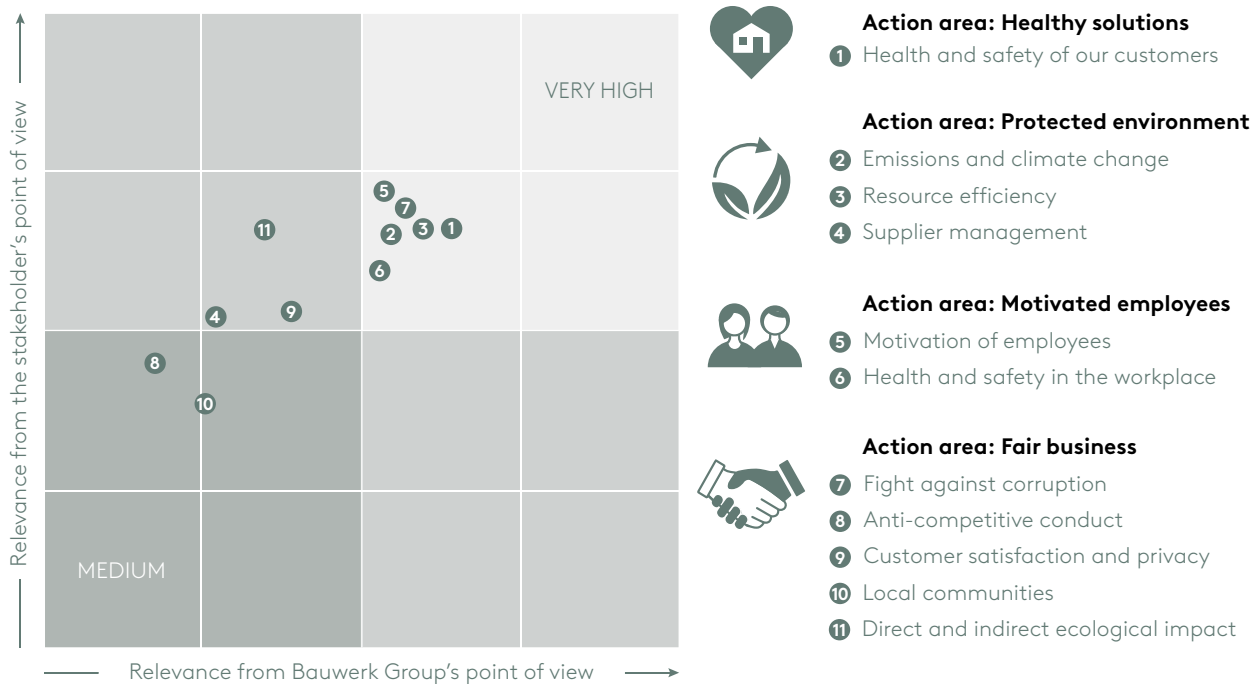
- Healthy solutions of our customers
- Emissions and climate change
- Resource efficiency
- Employee motivation
- Healthy solutions at the workplace
- Tackling corruption

We have summarised these areas of responsibility into four action areas.

- “Health and Safety”
- “Protected environment”
- “Motivated employees”
- “Fair business”

As well as data and statistics, we are introducing some concrete business examples from the Bauwerk Group.

Matrix of the main points



This matrix shows how our internal and external stakeholder groups rank our responsibility for diverse areas. The upper right-hand quadrant contains the six areas of responsibility for us from their point of view.



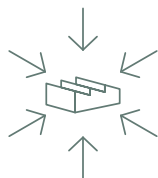
Reporting limit and data basis

The information and data in this report relate to the Bauwerk Group as a whole. Because of the consolidation measures after the merger of Bauwerk Parquet and BOEN, data is not yet available in reliable quality for all areas. In part, data is available only for single sites. If figures in this report relate only to single sites, this is mentioned explicitly. The

administration of sustainability-related data is organised in a decentralised manner by the those with respective functional responsibilities, mostly via our ERP-system or other internal data sources. We are aiming to create a comprehensive data collection management system for the compliance with environment, health and safety standards. This will help us in future to measure our sustainability and to further professionalise our reporting system.



Value chain



PURCHASE

We have purchased **227'620m³** of hard wood Implications and soft wood (incl. wood-based substrates) for the production of parquet. **96%** of the hard wood purchases for the top layer are oak. **55%** of our wood purchases (incl. HDF) are FSC™ and PEFC® certified This means an increase of. **6%** in comparison to 2020. **18.4%** of our timber requirement is covered by wood from our own sawmills. We have **248** active timber suppliers.

Implications

- Emissions and climate change
- Occupational health and safety
- Anti-corruption

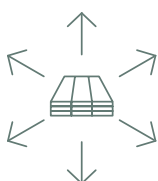


PRODUCT DEVELOPMENT AND PRODUCTION

We have invested **0.8%** of our revenue in product development. In the autumn 2020, we successfully integrated our two high-volume production sites in Croatia and Lithuania into our environmental management system according to ISO 14001. Our internal **VOC-emissions** in Switzerland at **2.9 tons**, are still at a very low level.

Implications

- Emissions and climate change
- Occupational health and safety
- Resource efficiency
- Employee motivation
- Customer health and safety



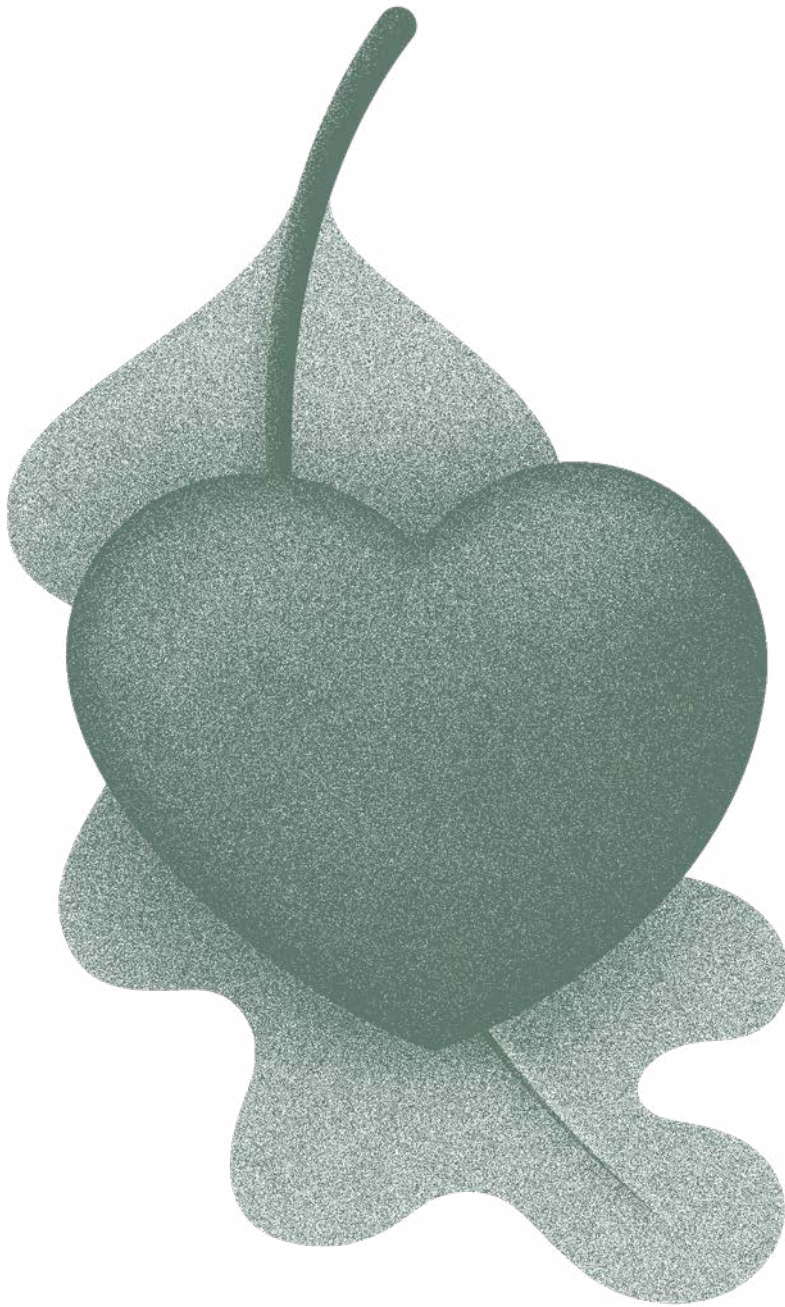
SALES

We have sold **9.3 million m²** of parquet. This equals the area of **1222** standard football fields. **387** participants took part in trainings in our Bauwerk academies in several countries, and **328** end-customers have been trained in cleaning and maintenance workshops. In our **20** parquet worlds we have advised **74'112** end customers and architects. Moreover, we conducted trainings for **620** customers of our trading partners.

Implications

- Emissions and climate change
- Customer health and safety
- Anti-corruption

Action area: Health and Safety



Action area: Health and Safety

We spend 80 to 90 percent of our life in closed rooms and breathe in and out ten to twenty cubic metres of air daily. In order to guarantee a high quality of air and a healthy life and work environment, the glues, lacquers and oils we use in the production of our parquet floors must be absolutely safe health-wise and processed with care. Health protection and also the safety of employees already plays a vital role in the production of our products.

Healthy products

Our brands, Bauwerk Parquet and BOEN stand for high quality parquet which is safe for your health. Moreover, Bauwerk Parquet has, over the years, achieved a good reputation and great trust among our clients under the rating “healthy for living”. In order to satisfy our clients' high expectations of quality, we rely on credible certification, ongoing investment in product development, as well as selective information and training for both floor layers and the end customer.

The Blue Angel:

BOEN Parquet products have been awarded the “Blue Angel”. Products with this seal of approval have very low emission levels and guarantee a healthy indoor climate.

Sentinel House:

But for very few exceptions, the Bauwerk Parquet range is certified with the top standard Sentinel-House-Concepts. Some Bauwerk Parquet products even surpass these standards.

eco-Institute:

But for very few exceptions, the 2-layer products from BOEN and Bauwerk fulfill the strict requirements of the eco-Institute label. In addition, in 2021, the majority of our 3-layer products were certified with the eco-Institute label (see Business Case). The label guarantees quality control by regular laboratory testing for harmful emissions, substances and odour. A guarantee of clean air quality in public and private buildings.

Cradle to Cradle®:

The renowned Cradle to Cradle® Certificate is especially meaningful to the Bauwerk brand. It is based on the design principle “from Cradle to Cradle”. As the premier wood flooring producer, all noise-reducing Silent-Parquet flooring of the Bauwerk brand carries the certificate Cradle to Cradle Certified® Gold. After use this full surface bonded 2-layer product can be removed completely without a negative environmental impact, and recycled.



SENTINEL HAUS
INSTITUT





ECO-INSTITUTE LABEL NOW ALSO FOR OUR 3-LAYER PARQUET FLOOR

(by Steffen Wöhrle, Manager Group Environment and Safety)

The eco-Institute tests and assesses low-pollutant and low-emission products and awards these with the eco-Institute label. The test criteria exceed by far the existing legal requirements. The products certified and their components must be toxicologically harmless and as environmentally friendly as possible.

At the end of 2020, the preparations for the certification process began. All hazardous materials in the products had been substituted. Then followed an extensive sampling procedure for the entire product portfolio of both brands in the 3-layer segment. And that successfully! Now not only the vast majority of our 2-layer products

carry the coveted eco-Institute label but also a major part of our 3-layer product line.

But the whole process has also made apparent the limits of the natural material wood which were, in part, difficult to overcome, but necessary in order to achieve the label: Some naturally occurring substances in the softwood content of our products had exceeded a required threshold during tests. Ultimately, this led to certain product groups not achieving the label. We see this as a challenge which we are working on. Especially by optimising the sorting of the softwood used as the base and middle layer in our products.

Healthy and safe working environment

Our employees, at all levels and functions and all along the supply chain are the most important factor for the success of the Bauwerk Group. As an employer, we are responsible for the health and well-being of our employees. The Bauwerk Group provides a safe workplace for its employees, and operates in conjunction with the employees to

continually improve the work environment. Accidents, smoldering discontent or conflict lead to loss of efficiency as well as risking loss of reputation. With our local experts and the assistance of regular risk analyses, hazard assessments, training (online and offline), technical optimisation, and intensive event management, we are able to keep occupational accidents at a very low level.



IN-COMPANY HEALTH PROTECTION DURING CHALLENGING TIMES

(by Steffen Wöhrle, Manager Group Environment and Safety)

The strength of a community is especially tested in times of crisis. We felt this too during the worldwide Covid-19 pandemic, which still affects us today. Our employees were affected in many ways by this crisis.

During this time, right from the beginning, we followed a “global approach”, i.e. we introduced global Covid-19 guidelines which were then adapted to a local context. Above and beyond that, we created a directory with all relevant contact persons in suspected cases, and carried out a log book of all reported Covid-19 infections, isolations and quarantines.

At all our production sites we have introduced a plan of action for critical functions in order to ensure that employees with the same skills do not work the same shift. We make use of (and use in the sense of reducing travel to this day) online tools

for our meetings and encourage teleworking. The noticeable will to successfully cope with the crisis together was decisive in all our measures taken: “Everyone was clear that an individual's behaviour had an impact on the whole community. It's about shielding your colleagues to the right and left of you.” as Marko Osmanović said, Local Head of TQM on our production site in Croatia.

Looking back, despite distancing rules and working from home, the crisis paradoxically brought us closer together. Experience has shown that our employees reacted positively and constructively when the reasons for certain preventative measures were clearly explained. Or, as Edita Morkūnienė, Director of Human Resources and leader of the Covid Task Force in Lithuania put it: “The factor for our success is the trust our employees have, which we have been building during the last decade – a clear and coherent communication and a consequent implementation of our rules.”



BOEN
Castle, Oak Warm Grey

Action area: Protected environment



Action area: Protected environment

Wood is by far the most important raw material in our business. Our success is dependent on it and thus directly on an protected environment. The responsible sourcing of wood and wood products, the efficient use of resources, and obviously the sun belongs to this category, as well as the reduction of greenhouse emissions, are our most important contributions. Furthermore, we use electricity and water for our work and we create refuse. Considering all these aspects, there is a good deal of responsibility which we will and must face.

Systematic environment management

The environmental impact of our work is recorded and controlled by an environment management system. In our site in Switzerland we have been operating an environment management system such as this according to the ISO 14001-Standard for ten years.

In the autumn of 2020 we integrated our two high-volume production sites, Croatia and Lithuania, successfully into this environment management system. The first external audit at the site in Lithuania was successfully completed in 2020.

In the same year also, the audit preparations began on our production in Croatia. In close agreement among those responsible, the Croatian team was introduced to the new themes, and thanks to the proven principle of Train the Trainer, could rely on full support when qualifying for future challenges.

The first test of our production in Croatia followed in the report year 2021. Both of the initial audits in

Lithuania and Croatia, – as well as the re-certification audit in Switzerland – were successfully completed with only a few proposals for further improvement.

Solar power for sustainably generating electricity

Like all companies in the timber industry, the Bauwerk Group is a heavy consumer of electricity. Electricity, as one of the most important sources of energy and indispensable for production, is not in itself harmful to the environment, but it carries an ecological burden. Part of the electricity from the European electricity markets originates in conventional power plants, or thermal power plants which use fossil fuels. For example, in Croatia this leads to 130g CO₂ per kWh mains voltage purchased.

In accordance with our approach to sustainability to reduce all indirect CO₂ emissions and to reach greater energy independence, all Bauwerk Group production sites have begun to invest in the production of solar energy for own-consumption.



ROOFS FOR THE FUTURE

(by Michael Rankl, Chief Operating Officer)

The production site in Lithuanian Kietaviškės, our largest plant for the production of parquet, is one of the most significant electricity consumers in our Group. Thus, in accordance with the principle of sustainability, to increase solar energy use is obvious here. In 2018 we began planning our on-site solar energy project. Having been issued with the mandatory permits and after extensive preparation, things began to proceed in the autumn of 2020.

The plant is engendered in the ESCO-Financial Model. This means that we are not the owners of the plant from the beginning of electricity generation. In the first stage we make the roofs of our plant available contractually for an energy part-

ner company. We had to prepare some of the roofs for this. We guarantee the partner company that we will purchase the entire energy generated. This allows us to profit from a reduction in the usual market prices.

The ESCO-Model installs the solar module at no cost for the user, even the maintenance is undertaken by the partner. We are in close exchange with them for future perspectives and potentials. Our site in Lithuania is one of the few production sites in the country with a solar power plant, especially one of this size. We are proud and pleased to be able to set a clear signal for sustainable action.

The project in detail

- The plant starts: 2021
- Full effective force from August 2021
- The solar plant produces 2120 kW of electricity (production side)
- It consists of 7007 single solar modules
- 12'562m² roof surface was used
- It covers 6 to 6.5% of energy demand on our site
- 1.3 GWh (1.3M kWh) electric energy was produced in 2021



UNDER CROATIAN SUN

(by Marko Osmanović, Local Head of TQM, Bauwerk Group Croatia)

The use of renewable energy in our production site in Durdevac, Croatia has long been a subject in mind. In 2018, these deliberations became more concrete in the initial discussions with engineers and technicians about the feasibility of a major solar plant. In 2019, we found a suitable partner for whom our large flat roof surfaces were ideally suited to installing solar panels.

During the project development phase, we learned of a national tender which c-financed such projects. The application deadline was the end of April 2021. In August of that year we received a positive notification with funding approval. That means that 60% of the total cost related to energy efficiency projects could be financed by the state via an EU initiative.

At the moment, we are waiting for the final decision on the resource allocation for the separate projects. In case of possible delays, we have an ESCO-funding as a backup. Two partner companies would then fund and build the solar plant. For several years we would, in return, buy the entire energy produced for a discounted price.

Our solar power plant with electricity generation for our own consumption will be the biggest of its kind in Croatia.

We look forward to the completion of this project and to future similar projects. This is a clear signal of our commitment to sustainability and green energy within the Bauwerk Group.

The project in detail

- Start of the plant: 2022
- The solar power station produces 2700 kW electric power (Production side)
- It consists of 11 544 solar modules
- 20 000 m² of roof area are used for this
- 25 % of the energy needs of the plant will be covered by this in future
- It will then produce 3.6 GWh (3.6 Mio. kWh) of electrical energy per year (that equals the annual electricity consumption of more than 400 households for loading 297 562 262 smartphones from 0% to 100%)



FROM RENOVATION PROJECT TO SOLAR POWER STATION

(by Steffen Wöhrle, Manager Group Environment and Safety)

The idea to produce sustainable energy from solar power on site in St. Margrethen in Switzerland emerged “accidentally” in the middle of day-to-day business. It was triggered by the restoration of our old wood dust silo.

For the renovation we had to erect a scaffold all around it. That gave us the idea to do more with this scaffold: Why not install solar panels on it? Job done!

Thus, we saved additional costs for the scaffolding for the panels and can profit from our own “cost-free” electricity.

Because our solar installation proved such a good investment, we are now examining additional solar energy projects. For we possess – as do many other enterprises in the woodworking industry – large, flat roof areas. The southern part of our production

grounds with a roof area of 2500 m² is most suitable for solar panels. That area, when covered with solar collectors, has the potential of producing 570.000 kWh solar electricity annually. That would cover about 9% of our energy requirements. We would use about 89% of the energy generated ourselves, and feed the rest into the grid (for example, on weekends and holidays etc.).

At the moment this idea is still in the project stage. Because the roofs are 50 to 60 years old, for the moment it is necessary to renovate and strengthen the roof structures.

Other projects which are being considered in order to exploit renewable energy, are to install solar panels on the roofs, as well as wind turbines on our silo. To help estimate if that is possible there, we are carrying out wind measuring.

The project in detail

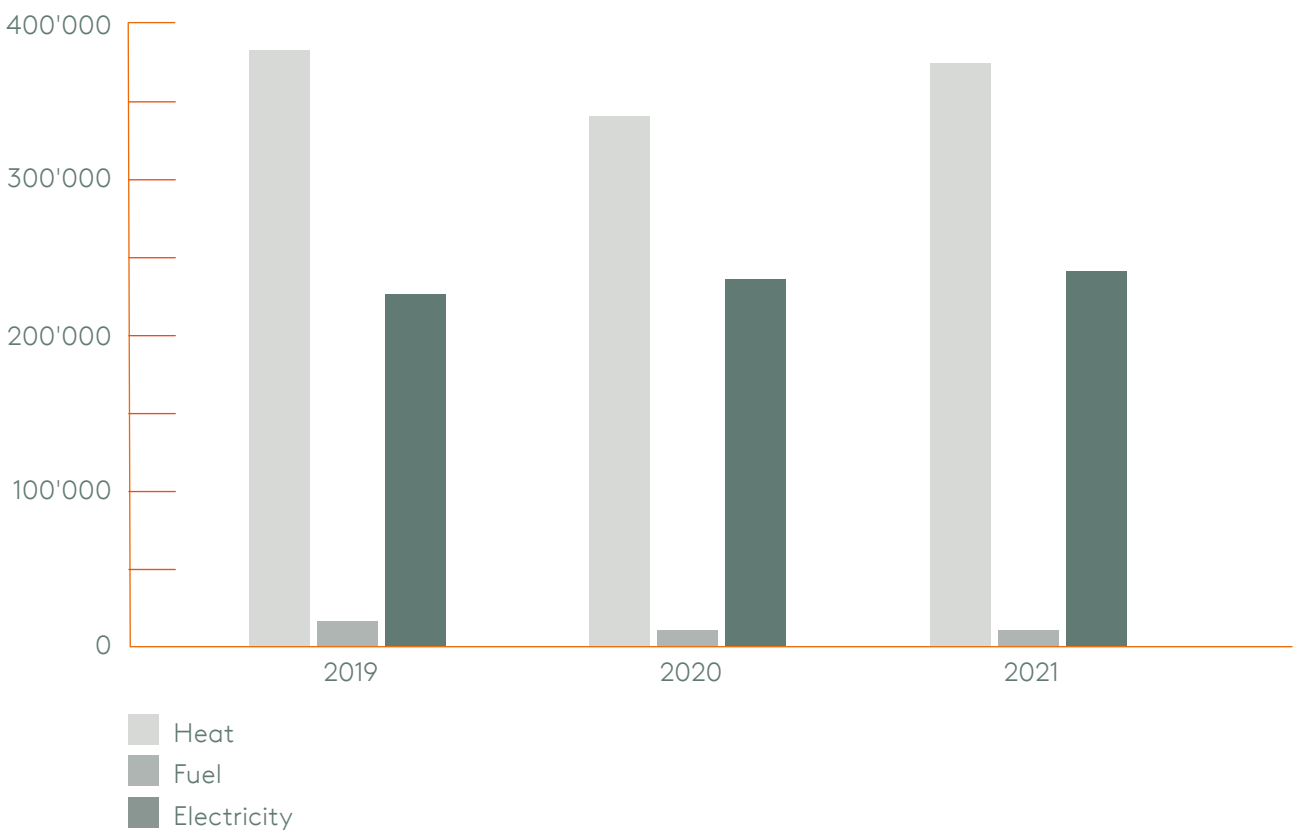
- The plant starts: 2021
- The solar plant generates 29 000 kW electricity per year
- It is 100% owned by the Bauwerk Group
- 100% own consumption, no surplus energy to feed into the grid.

Direct energy consumption (GJ) of our four production sites

This comparison shows the data and the development of the direct energy consumption of our four production sites in Croatia, Lithuania, Russia and Switzerland, as well as all our branches and show rooms (electricity consumption only). For heat generation we have considered wood chips, natural

gas and heating oil (both marginal). Diesel, petrol and liquid gas are the fuels used for our own car pool. Our entire direct energy consumption was 622'736 GJ (2020: 592'318 GJ).

Note: The data of the last three years has been adjusted retroactively in order to correct minor mistakes and are therefore not comparable to the data in our last report.



Greenhouse gas emissions (t CO₂e) of our four production sites

This chart shows the greenhouse emissions of our four production sites in Croatia, Lithuania, Russia and Switzerland, as well as all of our branches and show rooms (electricity consumption only).

For the **Scope 1-emissions** we have considered liquid gas, natural gas, heating oil, Diesel and petrol, but not emissions from burning our own wood shavings as the wood fuel can be considered climate neutral according to the Greenhouse Gas Protocol.

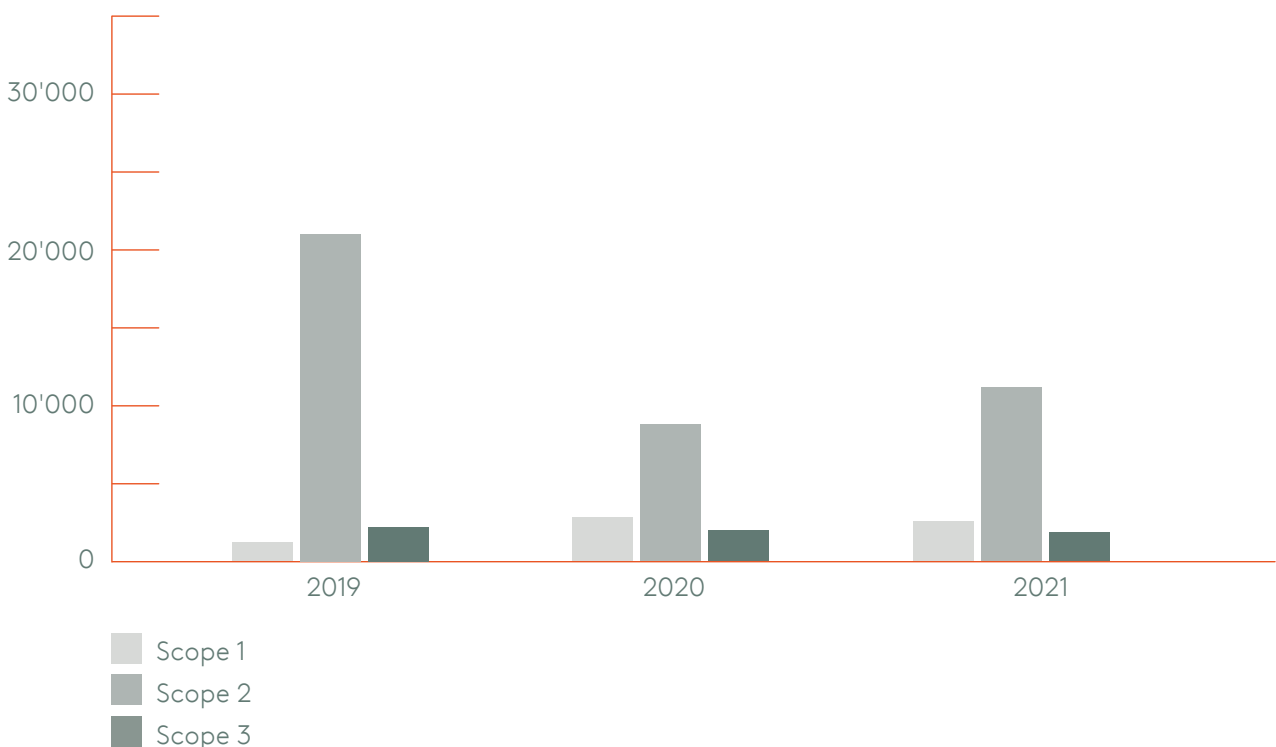
Scope 2-emissions comprise indirect emissions from electricity purchased.

Scope 3-emissions comprise indirect emissions

from our value chain, air travel (related to production sites without sales-related travel), waste disposal (related to production sites), shuttle bus service (Lithuania), shuttle service for employees (Switzerland), outsourced logistics in Europe (circa 40% of internal and sales logistics).

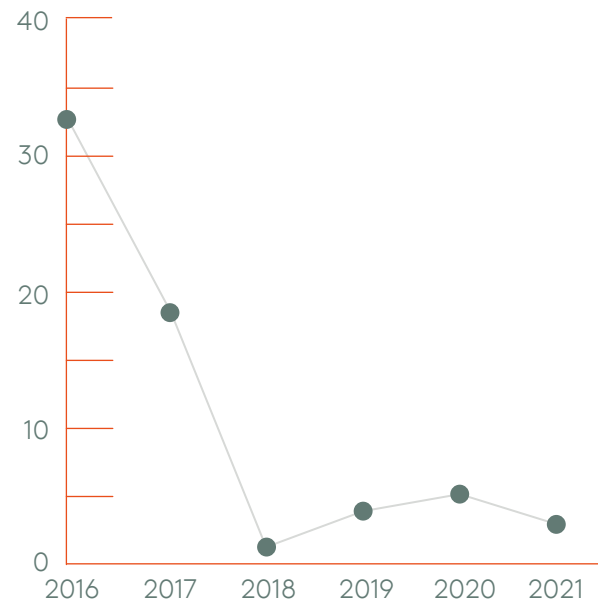
The emission factors used have been checked by the foundation myclimate. Our direct and indirect greenhouse emissions amount to 15'363 t CO₂e (2020: 12'319 t CO₂e).

Note: The data of 2019 have been adjusted retroactively in order to correct a major mistake (wrong market-based conversion factors for electricity) and some minor mistakes and are therefore not comparable to the data in our last report.



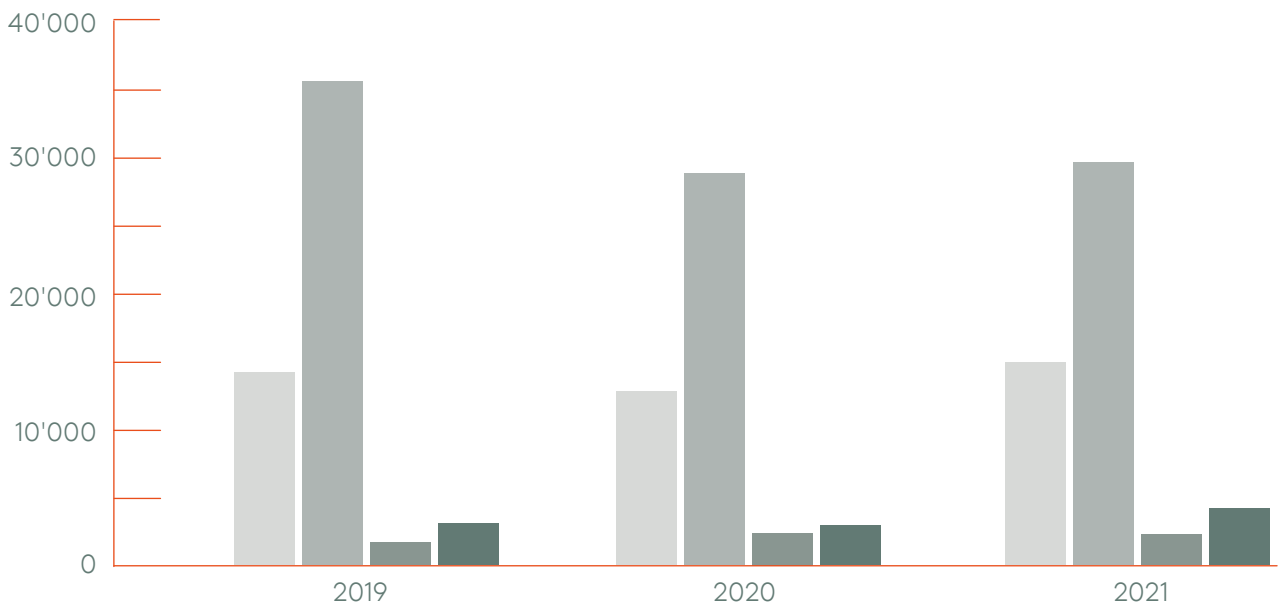
VOC-emissions (t)

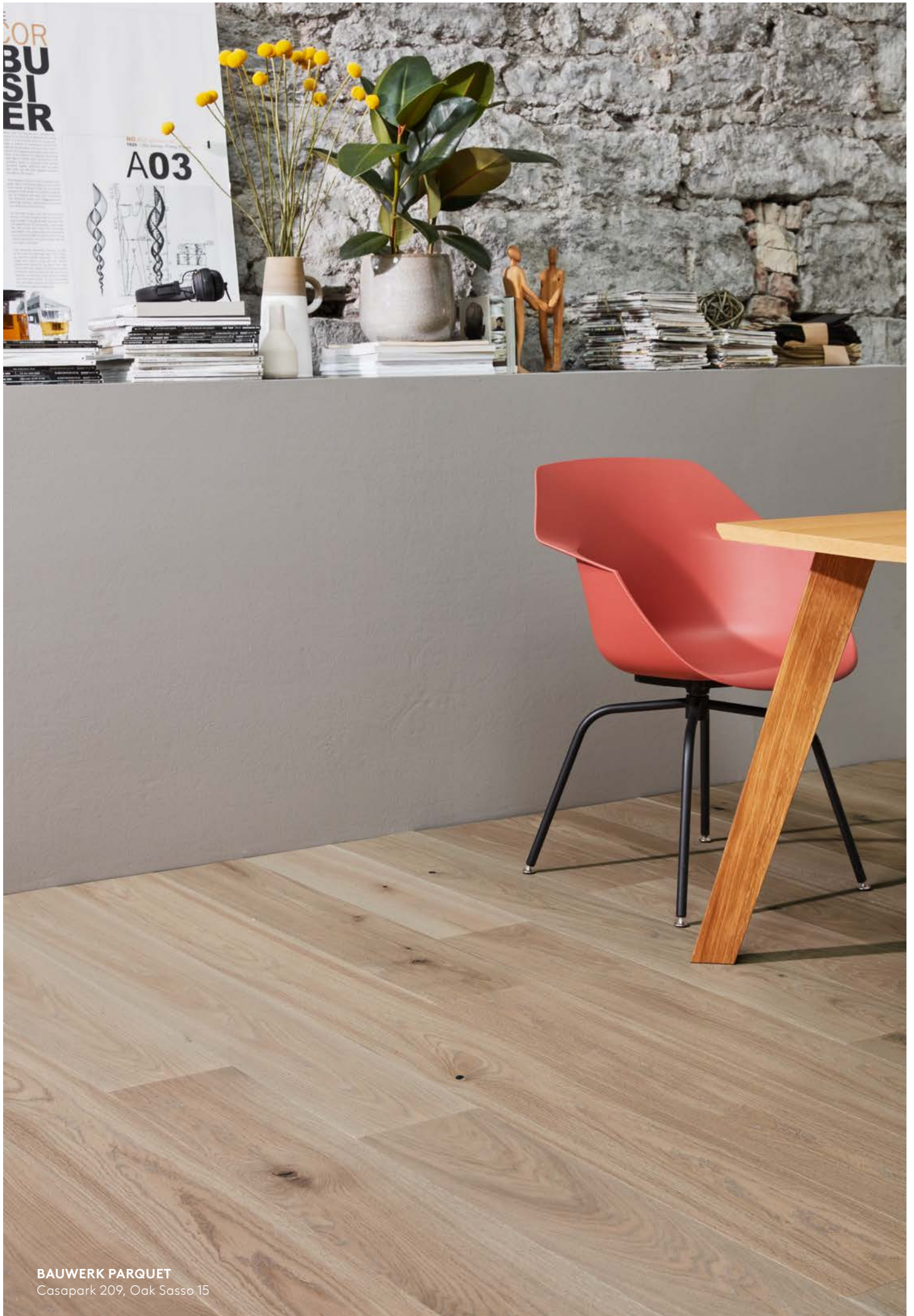
Because of the continued measures to reduce internal VOC-emissions at the site in Switzerland, the VOC-emissions have reached a low plateau. There are still fluctuations because of the market demand for naturally oiled products. The VOC balance is influenced by relevant production processes and recovered VOC amounts out of VOC-waste recycling processes. A solution was found with the relevant authority for considering the VOC recovery rate of the VOC-exempted detergent, so that values have changed again in 2020. This adaptation will now be considered in the years to come. In particular, the amount of trade products plays a major role in the VOC balance. (In 2020 four tons and in 2021 13.3 tons were traded). The internal VOC emissions at the site in Switzerland amounted to 5.4 tons in 2020 and to 2.9 tons in 2021.



Fresh water consumption (cubic metres)

We cannot yet systematically keep track of the fresh water consumption in our saw mill in Russia. Our total fresh water consumption amounted to 50'103 m³ (2020: 46'426 m³).





BAUWERK PARQUET
Casapark 209, Oak Sasso 15

Action area: Motivated employees



Action area: Motivated employees

The decisive factor for the success of the Bauwerk Group are our employees. Their competence, their commitment, their creativity, flexibility and loyalty make our internationally producing and active company strong and ready for the future. That is why we want them to feel secure and respected with us – in a fair and appreciative environment. As an employer we carry the responsibility for their health and well-being, as well as for their professional development – so that as a diverse team we remain motivated and open for new experiences.

SPS - Efficiency alongside an increase in motivation

The Synchronised Production System (SPS) is a proven method to identify and eliminate all types of efficiency loss during the production processes. The chief aim of the KAIZEN based system is to wipe out all non-value-added factors in order to reach the highest level of efficiency. This means trying to achieve even the smallest improvements every day – by every employee. This creates a company culture where everyone is continually searching for potentials for improvement.

Switzerland

The year 2021 was full of challenges – also in terms of SPS. We had to learn how to work together from afar, to distance, and despite all impediments, to find the best solutions. Nevertheless, a first Live Training could take place with our Japanese advisor

in the production site in Switzerland. And with great success: the employees who participated in the first training were very actively on the lookout for possible improvements. In addition, a plan of action was developed for the near future to increase productivity performance.

Croatia

Training could also take place with our Japanese advisor on the production site in Croatia. Live as well as virtual. The employees there work with SPS and during this time have made great progress with increases in performance and quality. In the past year the focus was on the improvement of transition processes and quality growth. In addition, major efforts were made to implement various SPS Analysis Tools and to take as many of the production employees as possible along on the SPS journey.

Lithuania

In our Lithuanian plant in Kietaviškės the focus of SPS last year was on improving the commodity revenue. All employees on site were incorporated in different SPS teams and worked in groups in order to reach their common goals. The main aim was revenue improvement. The next business year too offers many challenges which will be tackled using SPS methods.

Being asked: How content are our employees?

As in 2018, there was a Group-wide employee survey also conducted in 2021. This shall be continued in a 3-year rhythm. In this comprehensive survey, which took place in the first and second quarter of last year, we were again interested in the full range of work related and relevant subjects, like work content, performance, motivation, additional benefits/non-tariff special benefits, recognition and satisfaction. As well as training and career chances, teamwork and assessment of leadership and principles, values and culture in the Bauwerk Group.

Nearly 70% of our employees have given their input which was more than in 2018 and distinctly higher than what you can expect in anonymous surveys of that kind. Generally, one can state: the

interviewees are altogether content with their work at the Bauwerk Group and obviously very motivated to give valuable feedback. One reason for this presumably is the insecurity caused by the pandemic situation.

In all action areas, which were defined in the survey of 2018, the interviewees saw improvements in 2021. This confirms that we are on the right track. At the same time, we have again identified new fields of action for improvement. The optimisation of communication as well as salaries are subjects which will always be important factors for our employees as well as those in other organisations.

In the field of education and further training there is room for improvement, to broaden our personal development plan (PDP) and – as a new aspect – to have a stronger focus on induction training for new tasks and working tools. Sadly, the feedback on our web platform, in which our employees can share contributions, ideas and suggestions concerning their work and interact, was disappointing again. At closer observation we interpret this as dissatisfaction with the tool as such and not as a lack of willingness to participate actively with ideas for improvement. This shall now take place in our other platforms or within another framework (SPS, Intranet, team meetings).



TACKLING TOGETHER AFTER BIG FIRE IN CROATIA

(by Igor Benaković, Managing Director, Bauwerk Group Croatia)

On Saturday, April 10th 2021, a fire broke out on our Croatian site in Durdevac in the so-called briquette house, which is used for timber storage. Although on this Saturday some employees were working there, luckily nobody was injured thanks to the quick response of those who were responsible on the site, as well as the factory fire brigade and professional firefighters.

Unfortunately, the briquette house was completely destroyed very quickly. The cause of the fire was then officially investigated. To do this, the location of the fire was secured by officials and our team had to wait for the site to be cleared, before they were allowed to go there. Naturally, we immediately reported the incident to our insurance to settle the claims.

The local management reacted at once; they were on site during the firefighting and took appropriate measures to guarantee security after the incident, and to enable a speedy continuation of work.

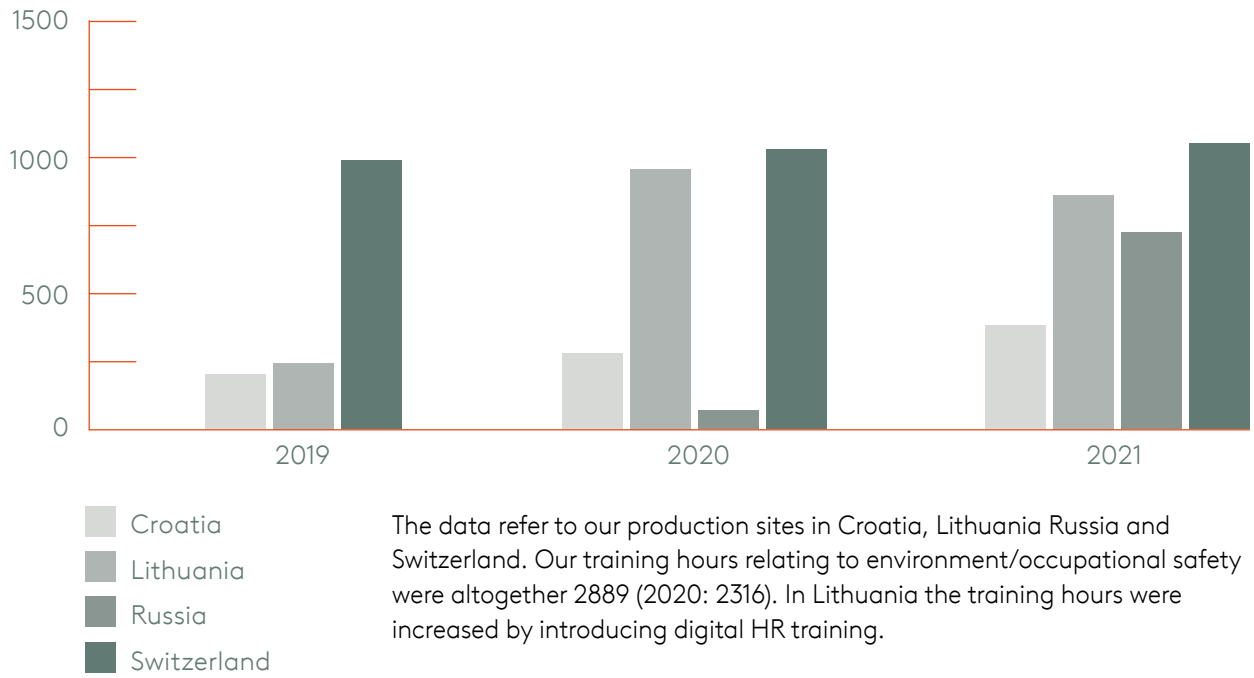
Unfortunately, not only the briquette house was destroyed but also the nearby silo was affected. It served as a central collection location for wood dust and wood shavings resulting from production.

Because of its importance, a decision was made to repair the damaged silo provisionally so that it was possible to quickly continue with the work. Thanks to the joint effort of the firefighters and our employees, a large number of smoldering fires were brought under control in the silo. Together they pitched in to empty it and to examine the damage as well as doing repairs while simultaneously preventing further damage to people and materials. This enabled us to re-start production again on Wednesday afternoon, 14th April.

In addition, we developed two low cost solutions for the alternative disposal and transport of dry dust to the silo, improving efficiency ("Bypass" in case of future disruptions in the silo). Further, we are working on a plan for the production of a new by-product which the time being will be put in the old boiler house, but which could now find a place in the yard of the old briquette house.

And what have we learned from this incident? Continual attentiveness, training and preventative measures for fire hazards are of most importance in our timber business.

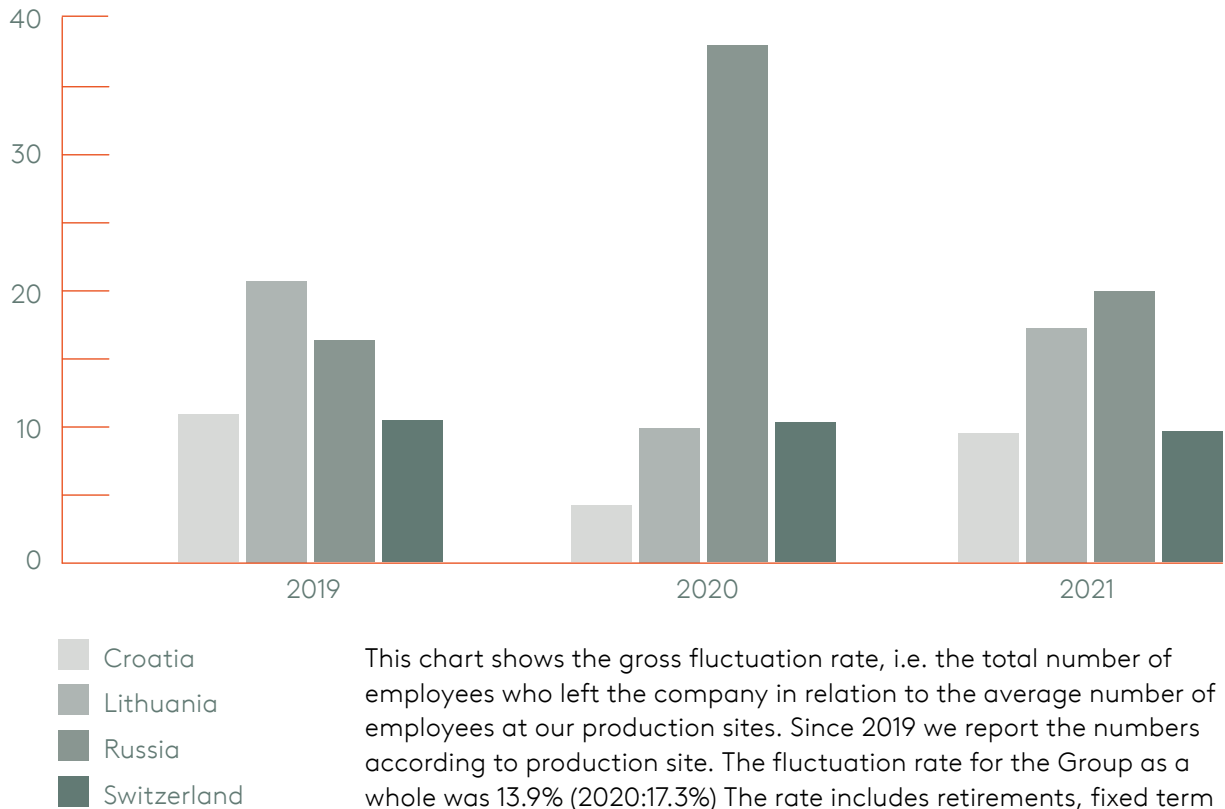
Hours of training (h)





BOEN
Castle, Oak Fresh White

Fluctuation (%)



This chart shows the gross fluctuation rate, i.e. the total number of employees who left the company in relation to the average number of employees at our production sites. Since 2019 we report the numbers according to production site. The fluctuation rate for the Group as a whole was 13.9% (2020:17.3%) The rate includes retirements, fixed term contracts, completed training and deaths.

Rate of absence (%)



Action area: Fair business



Action area: Fair business

We behave decently – and without compromise. And this especially because as the Bauwerk Group, we are confronted with potential corruption. Most of the States from where we source our timber and process it are not in the top rankings of the Corruption Index from Transparency International ([see Ranking 2020](#)). Unfortunately, these ranking lists are not abstract, rather they mirror our day to day experiences. Indeed because of this, our attitude is strict and unequivocal: Fair comes first. Always.

There is a zero-tolerance policy embedded in our group-wide company regulations against corruption. The fight against corruption is a central concern of the Bauwerk Group, and an integral part of our employees' training, discussions, and performance evaluations, as well as a fixed part of all meetings of the (wider) management teams.

In last report year we completed the setting up of our central EHS-data-collection and manage-

ment-tools for our chief production sites which log and manage data for legal compliance. Our obligation to comply with Fair business also applies in relation to the local communities of our production locations.

In the business year 2021, no potential cases of corruption were reported. There has not been any openly recognised cases of corruption with the Bauwerk Group either.

0 reports of illegal practices among any suppliers of raw materials

0 violations of anti-corruption, or other guidelines were reported

Our conclusion: Carry on!

Four years ago, we, in the Bauwerk Group, started the process of taking a more structured look at the subjects of sustainability and societal responsibility – documented by a yearly report which analysed and captured the actual situation and our developments in this area, for our stakeholders, and for ourselves - stocktaking and incentive in one.

We have come very much further this year, but are not yet fully satisfied with many aspects of the impact of our actions. There are many tasks ahead of us regarding better data collection and evaluation, as well as the structure of our reports. Therefore, we will continue to ask uncomfortable questions and will certainly open up additional fields of action relevant for our work. For 2022, we are planning to develop a sustainability stra-

tegy for our Group, to define responsibility for the individual fields of action and to set up a road map.

We are on our way. Motivated, ambitious, and with a firm intention to be better. Because we have a goal: to be an innovative leader in the natural and sustainable wood flooring sector.



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How Bauwerk Group manages and monitors its fields of action can be gathered from the management approaches according to GRI-Reporting standard: bauwerk-group.com/sustainability