

Our management approaches to material topics

APPENDIX TO THE SUSTAINABILITY REPORT 2021

Management approach disclosures enable an organization to explain how it manages the economic, environmental and social impacts related to its material topics. This provides narrative information about how the organization identifies, analyses, and responds to its actual and potential impacts.

Below are the disclosures for our management approaches to our six most material topics (key topics). The corresponding materiality matrix can be found in Bauwerk Group's Sustainability Report 2021 on page 7. The information is structured according to the recommendations in GRI 103 as follows: an explanation of the material topic and its boundary (103-1), the management approach and its components (103-2), and evaluation of the management approach (103-3).

Customer health and safety

Relevant GRI Standards:

GRI 416: Customer health and safety

Explanation of the material topic and its boundary

<p>a. An explanation of why the topic is material.</p>	<p>As individuals we spend 80 to 90% of our lives indoors, inhaling and exhaling ten to twenty cubic metres of air a day. Although today's nearly airtight buildings make sense from an energy point of view, the ventilation systems needed in consequence are questionable in terms of air quality. Glues, lacquers, colors, stains, oils as well as cleaning and care products are employed in hardwood flooring during production, installation and the subsequent use phases. If improperly developed and applied, these could cause emissions that impair air quality and a healthy living or working environment during the floor's service life.</p>
<p>b. The Boundary of the material topic with a description of: i. where the impacts occur</p>	<p>The impact on the health and safety of our customers occurs downstream in the installation of the parquet, the use phase, and the de-installation of our parquet. However, this is to some extent predetermined by the production phase and the quality of our products. Upstream activities are not relevant for wood, but they are important in the procurement of production materials such as glues, lacquers and oils, as well as cleaning and care products we trade.</p>
<p>ii. the organization's involvement with the impacts.</p>	<p>Impacts are direct regarding the quality and potential emissions of the parquet, and indirect regarding installation and cleaning in the use phase (conducted by third parties).</p>
<p>c. Any specific limitation regarding the topic Boundary.</p>	<p>None</p>

Customer health and safety

The management approach and its components	
a. An explanation of how the organization manages the topic.	We rely on continuous investments and innovation in product development, credible testimonials and certificates, and targeted information and training for installers and (end) consumers.
b. A statement of the purpose of the management approach.	We want to actively substitute any hazardous substances to the natural wood, which could negatively influence the health of people working with or using our products.
c. A description of the following, if the management approach includes that component:	All our products are certified by various labels and certification systems with a key focus on low emissions to air and the use of non-hazardous materials. The individual certifications are regularly re-evaluated with the aim of delivering cutting-edge material health and safety, plus the best fit for individual brand strategies in all our products.
i. Policies	
ii. Commitments	Every BG product is non-hazardous to health during the entire time of use.
iii. Goals and targets	<p>The consistent elimination or substitution of potentially harmful substances during gluing, pressing and surface treatment and in the traded (home) cleaning and care products is the focus of our group-wide innovation efforts.</p> <p>There are no quantitative targets, besides the overall ambition outlined above and operational quality targets (i.e. reduction of claims, see below). Also, ex ante emission certificates are compulsory for all our products.</p>
iv. Responsibilities	Our R&D department is responsible for continuously evaluating, developing and testing new product recipes and processes for surface treatment and gluing. The head of R&D reports directly to our CEO. Furthermore, the Chief Operating Officer is responsible for implementing defined standards in coordination with R&D and QM. R&D (Application Engineering) provides training to hardwood flooring installers. Marketing provides training to (end) customers.
v. Resources	Our group consistently invests around 1% of its sales in the advancement and development of new products to maintain our leading role in the market. A significant share of this relates to innovations regarding customer health and safety. In addition, we invest in web platforms, social media channels and special events to train installers and end customers of our products.
vi. Grievance mechanisms	Customer complaints are analyzed and investigated on a regular basis. Based on the characteristics of a claim, relevant BG functions are involved in the swift and satisfactory resolution of the claim. These topics are on the agenda of the monthly MT Meeting.

Customer health and safety

The management approach and its components (continued)

vii. Specific actions, such as processes, projects, programs and initiatives

Before we test new glues, lacquers and oils, but also cleaning and care products in our development laboratories, we use technical and safety data sheets to check whether these are harmless to health. Our Swiss production site is the incubator for our developments, which we then scale at our high-volume sites in Croatia and Lithuania. In our innovation process we analyze, evaluate and eliminate potential risks from new products during our compulsory Failure Mode and Effect Analysis (FMEAs).

In the past 3 to 5 years, our group has continually reduced any potentially harmful substance – regardless of how low its concentration was. We invested a lot of time and effort in the elimination of CMRs such as benzophenone, polyisocyanate and azo compounds from our products. The first two substances were used respectively as photoinitiators and hardeners in our lacquers. Azo compounds were used as dyestuffs in oils and stains. In the past few years we were able to finally and comprehensively substitute or reformulate these lacquers, oils and stains. New solutions need to be convincing not only in terms of their harmlessness to health but also in terms of gloss level, surface feel, yellowing, physical features such as robustness and elasticity, and chemical features such as how the parquet reacts to all kinds of liquids.

For our marketing we build on sophisticated seals of quality and certificates that give our customers the assurance that they are purchasing hardwood flooring of high quality that causes no harm to health. Moreover, they show our employees and private or professional installers that there are no health risks at the workplace:

Boen parquet products have been awarded the Blue Angel label. Products with this seal of quality contain very low levels of emissions to ensure a healthy indoor climate. The entire Bauwerk Parquet range is certified according to the high standards of the Sentinel Haus Institute concept. For individual products, Bauwerk Parquet goes well beyond this standard. The products in the two-layer range meet – with very few exceptions – the strict requirements of the eco-INSTITUT label. This guarantees quality control through regular independent laboratory tests for harmful emissions, ingredients and odours. The label safeguards good air quality in public and private buildings. The Cradle to Cradle® certificate is also of special importance for the Bauwerk Parquet brand. This is based on the “from cradle to cradle” design principle. In other words: Every certified product can be recycled entirely after its use without any negative environmental impact. We are the first and only wood flooring manufacturer to be awarded the Cradle to Cradle Certified® Gold certificate for all sound-reducing Silente parquet floors in the Bauwerk Parquet line.

Customer health and safety

The management approach and its components (continued)

vii. Specific actions, such as processes, projects, programs and initiatives

Our Boen brand, which mainly serves the wholesale and retail trade, provides sophisticated training for its commercial partners and customers, including painters, interior decorators, carpenters and parquet installers.

For the courses, our Boen sales staff make use of the Boen Academy, an internet-based platform with useful information and tools. Boen primarily uses digital channels such as YouTube and social media to reach end customers who do their own installing.

In 2021, approx. 967 commercial customers (2020: 1,299) and some 620 customers of trading partners (2020: 273) received training.

For the Bauwerk Brand products, we work with selected installers and offer these partners professional training in the Bauwerk Parkett Academy in several countries.

In 2021, 967 professional installers were trained in the Bauwerk Parkett Academy in several countries (2020: 481). Moreover, 328 end customers (2020: 428) attended cleaning and maintenance workshops in our Bauwerk Parquet World stores.

Evaluation of the management approach

a. An explanation of how the organization evaluates the management approach, including:
i. the mechanisms for evaluating the effectiveness of the management approach.

Our processes and products are independently evaluated on a regular basis in connection with our product-related certificates.

ii. the results of the evaluation of the management approach.

No significant adjustments to the management approach were required in the past year.

iii. any related adjustments to the management approach.

See above



GEIR WÅLAND
Chief Sales Officer

Resource efficiency

Relevant GRI Standards:

GRI 301: Materials

GRI 306: Effluents and waste

Explanation of the material topic and its boundary

<p>a. An explanation of why the topic is material.</p>	<p>Resource efficiency in general is one important lever to improve our environmental impact. Oak is in high demand and makes up for 96% of our purchased hardwood for top layers and 41% of our overall hardwood and softwood (excl. HDF) purchases. Being able to purchase enough oak hardwood at high quality is a key challenge. Resource efficiency is just one way to address this challenge on the supply side.</p> <p>Mandatory from a supply chain point of view is our sourcing from sustainably managed forests, governed by the EU Timber Regulation (EUTR). This regulation aims to counter illegal logging and associated trade in timber and timber products in the member states of the European Union, including reduced emissions from deforestation and forest degradation beyond EU borders. Not meeting these requirements could result in serious damage to our business and reputation.</p> <p>Beyond securing our supply for hardwood and softwood, i.e. our business, we also have a strong economic as well as environmental impetus to secure on-time availability and to increase the efficient use of industrial goods such as glues, packaging materials as well as lacquers and oils. These are our top four purchased goods – besides wood – in terms of volume. In 2020, we bought 1,947 tonnes of glue and hardener (2019: 2,027), 1,085 tonnes of packaging such as foil and cardboard (2019: 1,157), and 829 tonnes of lacquer and oil (2019: 875).</p>
<p>b. The Boundary of the material topic with a description of: i. where the impacts occur</p>	<p>Our impact regarding resource efficiency occurs primarily in our production activities. A potential impact of resource efficiency occurs also in the upstream processes through alternative sourcing.</p>
<p>ii. the organization’s involvement with the impacts.</p>	<p>Impacts are primarily direct by way of continuously improved production processes that increase wood yield and reduce use of materials per square meter produced. Efficiency gains result in reduced costs (direct) and lower material use, i.e. lower environmental impacts (indirect).</p>
<p>c. Any specific limitation regarding the topic Boundary.</p>	<p>None</p>

Resource efficiency

The management approach and its components

<p>a. An explanation of how the organization manages the topic.</p>	<p>We only purchase wood products from legal sources. We know our suppliers and the origin of the wood. In addition, we aim to further increase the share of certified wood purchased and of certified finished parquet. As part of our operations and environmental management we systematically track our materials, effluents and waste with the goal of increasing our resource efficiency in our four productions sites. In Switzerland, we operate an environmental management system according to the ISO 14001 standard. The certification was successfully expanded to our Croatian and Lithuanian sites in 2020 as planned. A roll-out to Russia will be undertaken afterwards.</p>
<p>b. A statement of the purpose of the management approach.</p>	<p>We continuously aim to identify and implement measures to improve our resource efficiency, particularly in connection with wood and our overall environmental impact. Alongside our efforts to increase our wood efficiency we place a specific focus on our wood sourcing from only sustainably managed forests.</p>
<p>c. A description of the following, if the management approach includes that component: i. Policies</p>	<p>Our commitment to procuring timber exclusively from controlled, sustainable and legal forestry businesses is laid out in our Group Environment, Health and Safety (EHS) Policy. This policy also states that BG recognizes and strives to minimize its environmental impact in design, manufacturing, distribution, consumption and utilization of its high-quality products. Moreover, the sparing use of resources is laid down in our Code of Conduct. In our Procurement strategy, we link to our Code of Conduct and our approach regarding sustainability.</p> <p>We continuously work on effective measures, including development of our suppliers, to attain this objective.</p>
<p>ii. Commitments</p>	<p>Our economic commitment to profitably produce and sell hardwood flooring goes hand in hand with our efforts to continuously improve yield, i.e. producing more square metres of flooring from the same amount of cubic metres of raw wood.</p> <p>Moreover, we are committed to addressing key challenges that currently prevent us from increasing the share of certified wood and wood products from sustainable forests (FSC™ and PEFC®).</p>
<p>iii. Goals and targets</p>	<p>We set ourselves annual specific reduction or efficiency targets for wood yield.</p> <p>In particular, there are yield targets for each entity, for each production step as well as for each product group.</p> <p>However, there is no group-wide harmonized yield target, as this would be highly dependent on our product mix and regional raw material quality and therefore not meaningful.</p>

Resource efficiency

The management approach and its components (continued)	
iv. Responsibilities	Chief Operations Officer
v. Resources	Operations Planning and Environmental Management at group and production site level.
vi. Grievance mechanisms	Our internal EUTR handbook lays down our due diligence and risk mitigation measures to prevent the procurement of illegally harvested wood. Apart from that, BG does not operate any specific grievance mechanisms. However, should potential breaches come to our knowledge during our own due diligence or through indications from third parties, we will act according to our internal rules (see vii.).
vii. Specific actions, such as processes, projects, programs and initiatives	<p>EUTR compliance with all related documents (certificate of origin etc.) is the very baseline of our work. When we detect a risk of sourcing from potentially illegal sources, e.g. from Bosnia and Herzegovina, Russia, or Ukraine, despite all available documents, we have several mitigation actions including on-site supplier audits by internal and, in some cases external parties.</p> <p>Each production entity runs continuous improvement projects and processes to increase resource efficiency. In Lithuania and Croatia our internal SPS program specifically involves all employees to minimize waste and improve resource efficiency.</p> <p>In 2020, we purchased 191,054 m³ of wood (incl. HDF) to produce parquet. 96% of hardwood purchases for top layer production were oak. 49% of our purchased wood (hardwood, softwood and HDF) originated from FSC™/PEFC®-certified sources, the same share as in the previous year. For data on other purchased materials see our GRI Content Index.</p> <p>In our three production sites in Croatia, Lithuania and Switzerland, our total freshwater withdrawal was 44,019 m³ – a drop of 17% in comparison with 52,739 m³ in 2018. For our sawmill in Russia, we have started to systematically track water withdrawal in 2020.</p>

Resource efficiency

Evaluation of the management approach

a. An explanation of how the organization evaluates the management approach, including: i. the mechanisms for evaluating the effectiveness of the management approach.	Each production site is measured monthly on KPIs to evaluate its material efficiency and yield. In our production cockpits, any deviations are reported and followed up on when they are below target.
ii. the results of the evaluation of the management approach.	In 2020, we successfully increased our wood yield in key product groups.
iii. any related adjustments to the management approach.	To preserve our raw material quality and improve our grading yield, several projects, initiatives and investments were successfully implemented in 2020 and will be continuously improved.



MICHAEL RANKL
Chief Operating Officer

Emissions and climate change

Relevant GRI Standards:

GRI 302: Energy

GRI 305: Emissions

Explanation of the material topic and its boundary

<p>a. An explanation of why the topic is material.</p>	<p>Climate change is the challenge of our time and increasingly apparent for us on our supply side. In view of our dependence on wood as a raw material, we are directly faced with the consequences of climate change on wood availability and quality. In general, climate change has an impact on cultivated species and on individual forests/trees in terms of growth. Furthermore, it impacts bug and beetle infestation and extreme weather events (storm wood). Our impact on climate change is also determined by our wood sourcing decisions (see Resource Efficiency) as well as our direct and indirect greenhouse gas (GHG) emissions.</p>
<p>b. The Boundary of the material topic with a description of: i. where the impacts occur.</p>	<p>GHG emissions occur in all our activities along the full value chain: in production especially through the use of electricity and other energy sources; in upstream and downstream activities primarily through logistics and our business travel (combustion of fuels). For more information see the GHG footprint.</p>
<p>ii. the organization's involvement with the impacts.</p>	<p>We have a direct impact in our production and business travel activities and mainly indirect impacts through our purchasing of raw/production materials and our logistics, as we are working with third party logistics partners.</p>
<p>c. Any specific limitation regarding the topic Boundary.</p>	<p>None</p>

Emissions and climate change

The management approach and its components	
a. An explanation of how the organization manages the topic.	To systematically record and control our environmental impacts we use an environmental management system, including a group-wide data management tool which has been built up and updated over the past two years. Also, we are engaging our partners (e.g. suppliers and logistics partners) to obtain data on indirect emissions, and we are working on collaborative reductions of GHG emissions.
b. Eine Erklärung zum Zweck des Managementansatzes.	We fully want to understand our environmental impact in all its dimensions. In addition, we strive to continuously and systematically lower our GHG emissions and environmental impact.
c. A description of the following, if the management approach includes that component:	In our Group Environment, Health and Safety Policy we commit ourselves to analyze, review, and optimize environmental aspects and impacts so as to constantly improve our environmental performance. Also, we dedicated ourselves to producing our own heating energy using wood waste and residuals.
i. Policies	
ii. Commitments	In the long term we want to achieve zero net emissions.
iii. Goals and targets	We are in the process of analyzing further our impact on climate change and its repercussions on our business. We aim to define group-wide GHG emissions reduction targets as soon as possible.
iv. Responsibilities	Our Group Environment and Safety Manager is responsible for collecting and consolidating all GHG emissions data with the support of local Environment and Safety Managers as well as other relevant departments. Operational responsibility for GHG emissions reduction lies with our Chief Operating Officer (COO) and his team of production plant managers. In close cooperation with Sales the COO and the Director Group Logistics are also responsible for our reduction efforts in connection with our third-party logistics.
v. Resources	See above.
vi. Grievance mechanisms	Grievances are filed either through our internal whistleblowing mechanism or our cross-functional sustainability committee.

Emissions and climate change

The management approach and its components (continued)

vii. Specific actions, such as processes, projects, programs and initiatives

Our Swiss production site is ISO14001-certified. Our two production sites in Croatia and Lithuania were successfully integrated in the certification in 2020 as planned.

To increase the efficient use of electricity and to reduce production-related GHG emissions at our Swiss production site, we have worked with a moderator from the Energy Agency of the Swiss Private Sector since 2013. As a production company with electricity consumption of more than 0.5 GWh, we are subject to the legislation governing large-scale consumers in the Canton of St. Gallen.

Heating energy is not within the scope of this cooperation, as we produce our own heat from wood scraps. We pursue the path defined by a voluntary target agreement with the Canton for 2013-2022. Thanks to this cooperation we can rigorously work through a comprehensive catalogue of measures and track them via an online tool. These efforts also help us to identify further electricity reduction potential at our sites in Croatia and Lithuania. We could successfully close solar power plant projects in Lithuania and Switzerland throughout 2021. A third solar power plant project at our Croatian subsidiary is still in progress and is planned to be closed during 2022.

Using our group-wide data management tool, we collect relevant, particularly energy-related data in connection with our direct and indirect GHG emissions. With this foundational work we will be able to determine a baseline for future reductions of GHG intensity of our business.

Both our upstream and downstream logistics – subcontracted to third parties – are a main contributor to our group GHG footprint. Here, we continued to increase transparency and cooperation with our logistics service providers. Furthermore, we promote direct shipments to customers and strengthen the use of combined transports, i.e. road, rail, and sea (see our report). In 2020, our total direct energy consumption was 592,318 GJ, a drop of 6% from 631,364 GJ in 2018. Our direct and indirect greenhouse gas emissions amounted to 14,508 tCO_{2e}, a significant decrease of 42% from 24,918 tCO_{2e} in 2019.

Internally and in our engagement with external stakeholders, we try to raise awareness of climate change and the need for GHG emissions reduction.

Emissions and climate change

Evaluation of the management approach

<p>a. An explanation of how the organization evaluates the management approach, including:</p> <p>i. the mechanisms for evaluating the effectiveness of the management approach.</p>	<p>Sustainability management and our environmental footprint as well as GHG emissions are a fixed agenda item in our Management Team meetings. In addition, we have quarterly meetings of our Sustainability Committee to discuss progress and next steps on the topic, and we publish the status of our progress in our annual sustainability report. We have also integrated sustainability aspects in our main internal efficiency programs in our production entities, which are followed up monthly.</p>
<p>ii. the results of the evaluation of the management approach.</p>	<p>Our management of environmental impacts at the group level is a work in progress. Understanding the direct and indirect GHG emissions of a complex production and sales organization such as BG is a daunting task. Although we continued to make progress over the last year in further systematizing our efforts we are still not where we want to be in the medium term.</p>
<p>iii. any related adjustments to the management approach.</p>	<p>In 2021, we will work out a climate strategy and an action plan to further include climate change and its various impacts in our corporate strategy and key business and support processes, among others.</p>



MICHAEL RANKL
Chief Operating Officer

Employee motivation

Relevant GRI Standards:
GRI 404: Training and Education

Explanation of the material topic and its boundary

<p>a. An explanation of why the topic is material.</p>	<p>Across all levels and functions, our employees are the key success factor for BG. To make a geographically spread-out business with a complex supply chain work with a rather small number of employees, the company requires knowledgeable, dedicated and entrepreneurial people throughout the whole organization.</p> <p>At BG we are convinced that every single employee can and should make significant contributions to the success of our group and its continuous improvement. This conviction guides our approach to employee and leadership development overall and is the reason why high employee participation and engagement is key.</p>
<p>b. The Boundary of the material topic with a description of: i. where the impacts occur.</p>	<p>Most of the impacts in this topic occur in production, as this is where most of our employees work. In marketing, sales and after sales, motivated employees can make a key difference in the customer experience. There are few impacts in upstream activities, as we buy most of our raw materials ready for production.</p>
<p>ii. the organization's involvement with the impacts.</p>	<p>As employee motivation relates to our own employees, the impacts are, by definition, direct.</p>
<p>c. Any specific limitation regarding the topic Boundary.</p>	<p>None</p>

The management approach and its components

<p>a. An explanation of how the organization manages the topic.</p>	<p>Employee motivation, in our understanding, is a function of a workplace that is safe (see separate management approach for occupational health and safety), challenging, engaging, and which offers opportunities to develop and grow on the job. Therefore, activities to continuously develop our organization and employees and engage employees at all levels are key to our management approach. At the very foundation of all this lies a non-discriminatory corporate culture. We want people to follow our mutual path by educating and sharing the key elements of our corporate strategy through ambassadors.</p>
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Employee motivation

The management approach and its components (continued)

<p>b. A statement of the purpose of the management approach.</p>	<p>Motivated, knowledgeable, and healthy employees fundamentally act in a more effective and efficient way, and they are prepared to contribute to the continuous improvement of our company. We want to keep our employees healthy, engaged (and thus motivated), and free from discrimination, and we aim to ensure their high level of training. We want BG to become our joint home.</p>
<p>c. A description of the following, if the management approach includes that component: i. Policies</p>	<p>The principles of non-discrimination, non-harassment, equal opportunity, and employee development are deeply anchored in the Group Code of Conduct and the Human Rights Rules, and they are embedded in the local company rules.</p>
<p>ii. Commitments</p>	<p>We are fundamentally committed to the fair and equal treatment and further development of all our employees. As part of our new strategic framework, we also set ourselves the ambition to make BG our “joint home” (see below).</p>
<p>iii. Goals and targets</p>	<p>A crucial goal is to have the same standards at all our production locations and to continuously replicate innovations from individual sites to the rest of the group as soon as possible.</p> <p>For fair remuneration across the group, we take our guidance from market wages in the country, the region, and the industry, as well as from a consumer price basket.</p> <p>Targets for SPS groups are derived from the group’s annual efficiency goals (i.e. budget) and strategic initiatives. The contribution of SPS groups to the strategic targets is measured by KPIs such as number of accidents, near miss accidents, productivity, yield, etc. A further goal is to involve all our employees in our worldwide production entities through SPS groups.</p> <p>Incident and accident reporting is to be further harmonized throughout the group’s production entities, particularly on operational level.</p>

Employee motivation

The management approach and its components (continued)

iv. Responsibilities	Our Chief Human Resources Officer is responsible for all aspects related to employee development and engagement, in close coordination with our CEO. For our SPS groups we have a Director of SPS BG who reports to the Director of TQM.
v. Resources	Chief Human Resources Officer. Local HR Managers. SPS personnel. All leaders with direct reports.
vi. Grievance mechanisms	Overall, our organization’s flat hierarchy, informal culture (on a first name basis), and open-door policy foster an environment where people are willing to indicate potential wrongdoings. In addition, we have established an internal whistleblower mechanism through which employees can report (suspected) violations of any of our internal policies to their line managers, the Management Team, or the Board of Directors (see Fair Business). Also, we conduct employee satisfaction surveys and appraisal talks (performance reviews) on a regular basis followed by corrective action plans. And finally, BG holds regular meetings with works councils in countries where they exist.
vii. Specific actions, such as processes, projects, programs and initiatives	As part of our efforts to make BG “our joint home” (see above) we focus on employee motivation and involvement. The foundation for creating a joint home is a joint culture in values, our working principles and leadership. We therefore updated our BG journey brochure and aligned it with our new strategy. Furthermore, all MT+ meetings held in 2021 were partly used as a refresher of the leadership principles and of course related to the joint home initiative and leadership specifics due to Covid-19. The participants are supported with an app incl. memo cards, peer coaching and mentoring constellations with more experienced managers. In addition to this leadership training we continue to promote a joint leadership culture via internal recruiting.

Employee motivation

The management approach and its components (continued)

vii. Specific actions, such as processes, projects, programs and initiatives

(continued)

To fulfil our “joint home” commitment we improved our existing intranet to distribute information and enable communication across our group. The group-wide platform is complemented by three individual platforms for our three production sites in Croatia, Lithuania and Switzerland. Thanks to our intranet the latest news, key documents, regulations and other valuable information are now accessible to all our employees alongside new ways to interact with one another.

At all our production sites, we run a Kaizen-based production system, called SPS (“Synchronized Production System”). The system is aligned with BG’s strategic targets and initiatives. SPS groups bring together smaller groups of people during their working hours to develop and test improvements in their daily business routines. Groups are autonomous and hence choose their tasks themselves. Thematic scopes range from efficiency-related efforts to health and safety. During “SPS hours”, if necessary, the machinery is stopped to ensure a full focus on future improvements. BG regularly acknowledges the “best performing” teams at each entity. This kind of involvement strengthens teamwork.

The group-wide roll-out of the EHS tool is used to enable the next step in harmonizing accident and incident reporting. A human capital controlling project is running with the purpose of filling the gap in reporting derived from non-harmonizable personnel management systems.

We offer apprenticeships (vocational training) in Switzerland and Germany as a measure against local skills shortage. We provide trainings in the fields of commerce, production mechanic, mechanic practitioner and automation practitioner. We also offer internships and co-op programs for higher diploma students. Experienced and certified employees provide practical training in accordance with planning by HR.

Employee motivation

Evaluation of the management approach

<p>a. An explanation of how the organization evaluates the management approach, including:</p> <p>i. the mechanisms for evaluating the effectiveness of the management approach.</p>	<p>The management approach is evaluated on an ongoing basis by the Chief Human Resources Officer and the whole Management Team. Relevant KPIs, such as fluctuation, absenteeism and reasons for leaving are provided by monthly HR reports consolidated in the HR cockpit, analysed and discussed in every MT meeting. We re-conducted our next group-wide employee satisfaction survey to obtain broader feedback again on the effectiveness of keeping our employees motivated and satisfied.</p>
<p>ii. the results of the evaluation of the management approach.</p>	<p>Due to measures in compensation, investments in modern workplaces and personal equipment, fluctuation decreased from 17.3% in 2020 to 13.9% in 2021 – presumably partly driven by the Covid-19 crisis. Besides individual, local solutions, the group improved its intranet with daily updates and permanently accessible information.</p>
<p>iii. any related adjustments to the management approach.</p>	<p>In 2021, the employee engagement web platform “weffect” was shut down due to a decrease of participation rate. The valuable information and communication part of weffect is covered by the newly established intranet solution.</p> <p>Remuneration has again been adapted upon a thorough analysis of market data for various entities.</p>

MICHAEL KUMMER
Chief Human Resources Officer



Occupational health and safety

Relevant GRI Standards:

GRI 403: Occupational health and safety

Explanation of the material topic and its boundary

<p>a. An explanation of why the topic is material.</p>	<p>Across all levels and functions and along the whole value chain, our employees are the key success factor for BG. As an employer, we bear responsibility for the health and well-being of our employees. Accidents, simmering dissatisfaction or conflicts lead to both efficiency losses and reputational risks.</p>
<p>b. The Boundary of the material topic with a description of: i. where the impacts occur.</p>	<p>Most of the impacts regarding occupational health and safety (OHS) occur in production, as this is where most of our employees work. But there are also relevant impacts in the downstream activities of marketing, sales, and after sales. There are few impacts in upstream activities, as we buy most of our raw materials ready for production.</p>
<p>ii. the organization's involvement with the impacts.</p>	<p>As OHS is related to our own employees and to those who are hired to fulfill certain temporary tasks in our facilities, the impacts are direct.</p>
<p>c. Any specific limitation regarding the topic Boundary.</p>	<p>The physical and mental health of our employees is a result of our efforts as an employer offering a healthy work environment, but also of how our employees lead their private lives. We do not have direct impact on how, for instance, our employees spend their spare time. What we can do, however, is raise our employees' awareness of health- and safety-related aspects.</p>

The management approach and its components

<p>a. An explanation of how the organization manages the topic.</p>	<p>There is an ongoing management focus on OHS, as we continue to work towards a uniform management system across the entire group. We run various initiatives to minimize health risks and to engage our employees in creating and maintaining safe workplaces.</p>
<p>b. A statement of the purpose of the management approach.</p>	<p>Our employees are our most important resource, and we continuously work to identify risks and further secure their working environment to make it as healthy and safe as possible.</p>

Occupational health and safety

The management approach and its components (continued)

<p>c. A description of the following, if the management approach includes that component:</p> <p>i. Policies</p>	<p>Our group's OHS management is rooted in the BG Code of Conduct as well as in our Environment, Health and Safety Policy. In this internal strategy document, we commit ourselves to aligning our efforts with international occupational health and safety standards. Also, the policy lays down that health and safety matters are treated with the same priority as quality, productivity and profitability.</p>
<p>ii. Commitments</p>	<p>See above.</p>
<p>iii. Goals and targets</p>	<p>Our goal is to have a certified group-wide OHS management system according to ISO 45001 in the medium term.</p>
<p>iv. Responsibilities</p>	<p>Our Group Environment and Safety Manager coordinates efforts at group level. Our Chief Human Resources Officer is ultimately responsible at top management level.</p>
<p>v. Resources</p>	<p>There is a full-time Group Environment and Safety Manager in Switzerland, a local full-time TQM Manager in Croatia, full-time Safety as well as Environment Managers in Lithuania, and a full-time Environment and Safety Manager in Russia.</p>
<p>vi. Grievance mechanisms</p>	<p>Accidents and their causes and OHS performance indicators are reviewed on a regular basis and reported in the annual OHS management review. We plan to roll out internal near-miss reporting at all production sites.</p>
<p>vii. Specific actions, such as processes, projects, programs and initiatives</p>	<p>In Switzerland and Lithuania, we conduct regular risk assessments and optimization of our infrastructure and processes with the assistance of external specialist agencies. We have also established a case management system for accidents and illnesses. Our production sites in Croatia and Russia will follow suit in the next years.</p> <p>All employees at our four production sites wear their personal protective equipment at work, e.g. ear protection, safety shoes and safety glasses, depending on the activity and personal requirements. We conduct regular employee safety training at all locations. The content of this training ranges from correct use of machinery and chemicals to firefighting training together with local professional firefighters.</p>

Occupational health and safety

Evaluation of the management approach

a. An explanation of how the organization evaluates the management approach, including: i. the mechanisms for evaluating the effectiveness of the management approach.	Based on a management review prepared by the Group Environment and Safety Manager, the effectiveness of our OHS management is regularly evaluated and discussed at the eMT and eMT+ level.
ii. the results of the evaluation of the management approach.	Based on the OHS Management Review, necessary countermeasures are defined and aligned together with the Group's Environment and Safety Manager.
iii. any related adjustments to the management approach.	See above.

STEFFEN WÖHRLE
Manager of Group Environment and Safety



Anti-corruption

Relevant GRI Standards:
GRI 205: Anti-corruption

Explanation of the material topic and its boundary

<p>a. An explanation of why the topic is material.</p>	<p>Our stakeholders (particularly our customers) rightly expect us as producers of high-quality natural hardwood flooring to behave in an exemplary manner regarding fair business practices. We are, however, quite exposed, particularly to corruption, as most of the countries where we source and process most of our timber score low in Transparency International's Corruption Perceptions Index (see 2020 rankings). Those rankings are not just abstract figures but are also reflected in our day-to-day work experiences. In the procurement of raw materials in particular different shades of corruption continue to be the order of the day. It is precisely there where a strict stance against corruption is associated with economic disadvantages in certain situations.</p>
<p>b. The Boundary of the material topic with a description of: i. where the impacts occur.</p>	<p>The challenge of fighting against any form of corruption applies to our whole business. Our primary impact and focus is in upstream activities with the purchase of raw materials, hardwood in particular, as this mainly originates from multiple smaller sawmills. Furthermore, corruption is an immanent risk also in our downstream business, i.e. project business in sales.</p>
<p>ii. the organization's involvement with the impacts.</p>	<p>We have a direct involvement with the impact in our purchasing. Equally important, though, is the indirect impact through our suppliers and their conduct in wood production and procurement.</p>
<p>c. Any specific limitation regarding the topic Boundary.</p>	<p>None</p>

The management approach and its components

<p>a. An explanation of how the organization manages the topic.</p>	<p>We have a zero-tolerance commitment set out in our group-wide anti-corruption policy. Anti-corruption is a key focus at BG, embedded in employee/management training, performance appraisals, and as a fixed item on the agenda of Management Team and second level Management Team meetings.</p>
<p>b. A statement of the purpose of the management approach.</p>	<p>Anti-corruption needs to stay top-of-mind for all our employees at all levels. Our customers rightly expect that their premium hardwood flooring is produced by a company that does everything in its power to fight corruption.</p>

Anti-corruption

The management approach and its components (continued)	
c. A description of the following, if the management approach includes that component: i. Policies	We have a group-wide anti-corruption policy and all potentially exposed employees sign an anti-corruption code of conduct as an integral part of their employment contract. We have defined anti-corruption as an integrative part of our supplier evaluation and auditing process.
ii. Commitments	We do everything we can to prevent corruption in any form. If corrupt practices are nevertheless identified, we are committed to investigating these incidents promptly, fully and transparently and to take effective corrective measures.
iii. Goals and targets	Our general aspiration is zero tolerance towards any form of corruption, be it active or passive.
iv. Responsibilities	A crucial responsibility lies with all employees involved in purchasing decisions. In that matter, the management responsibility lies first with the Chief Operating Officer. Regarding other potential corruption cases, the responsibilities lie with the Chief Sales Officer and the Chief Human Resources Officer. The ultimate responsibility for the anti-corruption efforts of BG lies nevertheless with the CEO and the Board of Directors.
v. Resources	We invest significant time and money in training and management meetings on anti-corruption. Moreover, we follow a risk-based approach: In delicate cases or countries rated low in Transparency International's Corruption Perceptions Index we execute audits at the suppliers' sites to mitigate the risk of corruption.
vi. Grievance mechanisms	<p>We have established an internal whistleblower mechanism through which employees can report suspected violations of the anti-corruption policy to their line managers, the Management Team or the Board of Directors.</p> <p>Alleged incidents are dealt with in the following way: The potential cases are investigated and discussed at the Top Management Level. After being 100% sure that the case is true, we inform all relevant stakeholders about the case, including the learnings out of it. In addition, we adjust the corresponding processes if needed.</p> <p>The same procedure is triggered if any doubt comes up during the appraisal talks, in which each individual employee is challenged with the question of being part of or having knowledge of any potential corruption case.</p>

Anti-corruption

The management approach and its components (continued)

vii. Specific actions, such as processes, projects, programs and initiatives

In the reporting year, Bauwerk Group continued to uphold its compliance management, incl. anti-corruption.

We further emphasized the topic of anti-corruption in performance appraisals and as an integral part of our management development training. Finally, the central EHS data collection and management tool, which features legal compliance information and data, has been comprehensively set up for all (production) sites, except the one in Russia. This will follow within the next two years. At the very end of the reporting year, one (potential) corruption case was identified by a whistleblower. Investigations are under way with the support of KPMG.

Evaluation of the management approach

a. An explanation of how the organization evaluates the management approach, including:
i. the mechanisms for evaluating the effectiveness of the management approach.

Anti-corruption is a fixed agenda item in the regular Management Team and second level Management Team meetings. Incidents, be they attempted or accomplished, are always discussed in the Management Team and communicated to all employees throughout the group. This allows for a very timely discussion of events along with an evaluation of whether our prevention mechanisms work.

ii. the results of the evaluation of the management approach.

We could make further progress in keeping corruption cases on a very low level. After the reported cases in 2017 and one not affirmed case in 2020, no further corruption cases were revealed in 2021. An evidence that our grievance mechanisms are effective and well-penetrated throughout the organisation.

iii. any related adjustments to the management approach.

In the reporting year, no significant adjustments to the management approach were required.



PATRICK HARDY
Präsident und CEO Bauwerk Group

GRI CONTENT INDEX

GRI 102: General Disclosure		Information / Reference
102-1	Name of the organization	Bauwerk Group AG
102-2	Activities, brands, products and services	see p. 4
102-3	Location of headquarters	St. Margrethen, Switzerland
102-4	Location of operations	Austria, Croatia, Germany, Lithuania, Norway, Russia and Switzerland. See p. 4.
102-5	Ownership and legal form	Company on shares; 98% EGS Beteiligungen AG
102-6	Markets served	Bauwerk brand: Austria, Benelux, France, Germany, Italy, Romania, Russia, and Switzerland; mainly floor installers and retail. Boen brand: the markets of Scandinavia, Germany, the United Kingdom, China, the Baltic States, Poland, Switzerland and the United States, and many others; mainly via wholesale. See also p. 4
102-7	Scale of the organization	Total number of employees: 1711, Total number of operations: 5 Net sales: 302 MCHF Total capitalization: equity 114.4 MCHF and debt 51.7 MCHF Quantity of products or services provided: above 2'000 active products of hardwood flooring, side products as glue, lacquer and accessories.
102-8	Information on employees and other workers	Total number of employees – by employment contract, by gender: 1711, whereof 729 female – by employment contract, by region: CH: 223, LT: 908, RUS: 7, HR: 322, AUT: 32, GER: 82, FRA: 11, NOR: 28, UK: 7, HK: 7, USA: 9, SE: 5, IT: 3 – our management team comprises 5 people; 5 male, 0 female – Data is compiled using existing KPI and reporting formats, as monthly, quarterly and annual reports, department cockpits and fact sheets
102-9	Supply chain	see p. 10
102-10	Significant changes to the organiz. and its supply chain	none
102-11	Precautionary Principle or approach	Risk assessments are part of our Board, top management and next level managements meeting agendas. If potential risks are detected we work out scenarios on how to managing them pro-actively.
102-12	External initiatives	see p. 12 (product related standards) and p. 10 (production and wood related standards)
102-13	Membership of associations	see Bauwerk Parkett AG /see Boen AS
102-14	Statement from senior decision-maker	see p. 2
102-16	Values, principles, standards and norms of behavior	see vision (p. 3 and 4) and values of BG
102-18	Governance structure	Board of Directors with 4 members, representing owners and governance functions law and benchmarking industries (6 pre-fixed meetings/year). Management Team (MT) with pre-fixed monthly meetings. Local Management Meetings (LMT) in each entity above 30 employees. Board of Directors and Management Team are responsible for decision-making on economic, environmental, and social topics.

GRI CONTENT INDEX

GRI 102: General Disclosure		Information / Reference
102-40	List of stakeholder groups	none
102-41	Collective bargaining agreements	none
102-42	Identifying and selecting stakeholders	see p. 7
102-43	Approach to stakeholder engagement	We engage with our key stakeholders on a regular basis. For stakeholder engagement in connection with identifying our material topics see p. 7
102-44	Key topics and concerns raised	see p. 7
102-45	Entities included in the consolidated financial statements	Bauwerk Parkett Vertriebs GmbH, Salzburg (AT) Bauwerk Parkett GmbH, Bodelshausen (DE) Bauwerk France Sarl, Viviers Du Lac (FR) Bauwerk Boen Logistics GmbH, Bodelshausen (DE) Bauwerk Group Asia Ltd, Hong Kong (HK) Bauwerk Group Hrvatska d.o.o., Durdevac (HR) Boen AS, Tveit (NO) Bauwerk Group Italia Aftersales S.r.l., Milano (IT) Boen Sverige AB, Vellinge (SE) Boen Bruk AS, Tveit (NO) UAB Bauwerk Group Lietuva, Vilnius (LT) Boen Deutschland GmbH, Mölln (DE) Boen Parkett Deutschland GmbH & Co, Mölln (DE) Bauwerk Group UK Ltd, Hartlebury (UK) Boen Hardwood Flooring Inc., Daytona Beach (US) AO Dominga Nik, Jasenskoe (RU) Bauwerk Group US Holding, Inc., Daytona Beach (US) Bauwerk Group Energy d.o.o., Durdevac (HR)
102-46	Defining report content and topic Boundaries	see p. 7 and 8
102-47	List of material topics	see p. 7
102-48	Restatements of information	see p. 3 (years average age)
102-49	Changes in reporting	none
102-50	Reporting period	Calendar and financial year 2021; effective date: 31.12.2021
102-51	Date of most recent report	This is Bauwerk Group's fifth sustainability report. This report is published in German and English (translation). In case of doubt, only the original English version shall apply. The previous report was published in April 2020.
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Patrick Hardy, CEO; bauwerk-group.com/contact/
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option
102-55	GRI content index	see p. 14 of the technical appendix
102-56	External assurance	The content of this report has not been externally assured.

GRI CONTENT INDEX

(nur in englischer Sprache)

GRI: Topic-specific Disclosures		Information / Reference
Economic topics		
205	Anti-corruption 2016	
205	Management approach disclosures	see p. 12–13
205-2	Communication and training about anti-corruption policies and procedures	see p. 12–13
205-3	Confirmed incidents of corruption and actions taken	see p. 12
Environmental topics		
301	Materials 2016	
301	Management approach disclosures	see p. 4–5
301-1	Materials used by weight or volume	For wood see p. 10 Foil: 417700 kg Packaging: 849650 kg Glue (incl. Hardener): 2130200 kg Cleaner / Thinner: 186900 kg Laquer, Oil: 894741 kg
302	Energy 2016	
302	Management approach disclosures	see p. 6–7
302-1	Energy consumption within the organization	see p. 6
302-2	Energy consumption outside of the organization	see p. 6 (greenhouse gas emissions)
302-4	Reduction of energy consumption	see p. 6
303	Water 2016	
303	Management approach disclosures	Water management is part of our ISO 14001 certified production in Switzerland. For more information about environmental management and future priorities (certifications of other production sites); see also p. 20–21
303-1	Water withdrawal by source	see p. 5
303-2	Water sources significantly affected by withdrawal of water	none
305	Emissions 2016	
305	Management approach disclosures	see p. 6–7
305-1	Direct (Scope 1) GHG emissions	3595 t CO ₂ e
305-2	Energy indirect (Scope 2) GHG emissions	11768 t CO ₂ e
305-3	Energy indirect (Scope 3) GHG emissions	2162 t CO ₂ e
305-5	Reduction of GHG emissions	see p. 22
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	For internal VOC emissions see p. 22
306	Effluents and Waste 2016	
306	Management approach disclosures	see p. 4–5
306-1	Water discharge by quality and destination	Data for Croatia, Lithuania and Switzerland (production sites): 50103 m ³
306-3	Significant spills	none

GRI CONTENT INDEX

(nur in englischer Sprache)

GRI: Topic-specific Disclosures		Information / Reference
	Social topics	
401	Employment 2016	
401	Management approach disclosures	see p. 8–9
401-1	New employee hires and employee turnover	Report p. 32
403	Occupational Health and Safety 2016	
403	Management approach disclosures	see p. 10–11
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	for absence ratio and employee turnover rate see p. 32–33
404	Training and Education 2016	
404	Management approach disclosures	see p. 8–11
404-2	Programs for upgrading employee skills and transition assistance programs	see p. 8–11
404-3	Percentage of employees receiving regular performance and career development reviews	around 75%
405	Diversity and Equal Opportunity 2016	
405	Management approach disclosures	see p. 8–9
405-1	Diversity of governance bodies and employees	see GRI 102-8
406	Non-discrimination 2016	
406	Management approach disclosures	see p. 8–9
406-1	Incidents of discrimination and corrective actions taken	none
416	Customer Health and Safety 2016	
416	Management approach disclosures	see p. 2–3
416-1	Assessment of the health and safety impacts of product and service categories	see p. 2–3
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	none