CONTENTS

Editorial
About Bauwerk Boen Group
Value chain
Action areas
• Healthy solutions
• Protected environment
• Motivated employees
• Fair business
About the report
Glossary
GRI content index
Dear Reader

This past winter, in the middle of February we already experienced the 10th day with temperatures of more than 12 degrees in Croatia. For a long time, temperatures in that region were much lower in the beginning of the year. This allowed the oak trees in Croatia to be dormant until the middle of March, which is important for their consistent growth – and thus the quality of their wood as our most important resource. Now there are essentially eight months of Summer in Croatia. Climate change is here, and it has an immediate impact on our core business. Access to high-quality oak trees is already a key challenge to us and will become even more so in the coming years.

This is just one aspect that illustrates why our efforts in sustainability management at Bauwerk Boen Group (BBG) are absolutely crucial. In the past year we made significant progress in the reduction of our internal VOC emissions in Switzerland. Also, we continued to increase transparency of our energy use across different locations and our greenhouse gas emissions. Moreover, we explored ways for combined transports on the road, rail or sea. In addition, we worked on the foundations of our activities by updating and greatly extending the scope of our code of conduct and developing a new human rights policy. On top of that, we had our first group-wide employee satisfaction survey since BOEN and Bauwerk Parkett joined forces in 2013.

We have been lucky that our ownership has supported our sustainability management efforts for the past several years. With EGS Beteiligungen AG becoming the majority shareholder in early 2018 we feel an even increased support – but also an even more demanding partner. Ernst Göhner – the “E” and “G” of EGS Beteiligungen – founded Bauwerk Parkett in 1944. And the EGS Beteiligungen AG is wholly owned by Ernst Göhner Stiftung, a foundation focused on positive environmental, social and cultural impact.

You are reading our second sustainability report. We are proud of it and of what we have achieved in the past 3 years, since we launched our more systematic approach to sustainability (About this report). At the same time, we are aware that there are many areas where we are in an intense learning process as an organization and want to improve in the future. We made progress in our data management, that also resulted in several restatements of previously reported figures. This is to be expected in such a profound change process and we rather report on our impact openly and transparently with our best effort early on with the possibility that there have to be some restatements than not being able to communicate at all.

We hope the following pages are interesting to you and, as always, we appreciate your feedback.
About Bauwerk Boen Group

ONE GROUP, TWO BRANDS

Bauwerk Boen Group is the second-largest hardwood flooring company in Europe and the leader in the premium segment. The group was formed in 2013 with the merger of Swiss Bauwerk Parkett AG and the Norwegian Boen AS. Bauwerk Parkett has produced parquet in the St. Gallen Rhine Valley since 1935, at first solid wood parquet and now two-layer parquet. Processing of wood at Boen can be traced back to as early as 1641 with two small sawmills in scenic southern Norway. Boen has produced parquet since 1966 and now focuses on three-layer parquet and sports floors made of wood. Kietaviškės in Lithuania and Domina NIK in the bordering Russian province of Kaliningrad have been production sites since the 1990s. In 2016, the group continued to grow with the acquisition of a wood processing plant and sawmill in the Croatian town of Đurđevac. The three sawmills and parquet production plants produce for both of our brands.

How we create value

We develop, produce and sell parquet. Our parquet is distributed by two largely independent brand organizations, Bauwerk Parkett and BOEN. Three-layer parquet, the main focus of the BOEN range, can be installed in floating floor installation directly by professionals or experienced end customers. We primarily reach BOEN end customers via wholesalers and retailers. BOEN also produces wooden sports surfaces. BOEN has a global presence and is particularly well established in the markets of China, Germany, the United Kingdom, Norway, Sweden, Switzerland and the United States. The two-layer parquet mainly sold by Bauwerk Parkett must be professionally glued over its entire surface. We reach Bauwerk end customers in particular through select floor installers, but also through the company’s own Parquet Worlds, showrooms in which interested parties can experience parquet directly and in an inspiring atmosphere and receive advice from competent parquet specialists. The Bauwerk Parkett brand is particularly well represented in the German, Austrian, and Swiss markets, as well as some other international markets with a tradition of floor installers. With the two brands, we have a complete range across all major sales channels and a presence in all key markets. In 2018, we sold 9 million square meters of parquet – corresponding to an area of 2223 football pitches.

In addition to the two independent brand organizations, we have centralized all services from the procurement of goods and (logistics) services to production and classic support functions such as HR, IT and finance. This provides great synergy potential in the purchase of raw materials, means of production and commercial products, but also in the broader use of our expertise from research and development.

Sustainability management at Bauwerk Boen Group

As a wood-processing production company, we have long been aware of our ecological and social responsibilities. We are not starting from scratch, but rather can build on past achievements. What is new, however, is our claim to consolidate our past growth, to establish the same standards throughout the group and to consistently anchor relevant sustainability aspects in our processes. In 2017, we set up a cross-functional Sustainability Committee to drive this process forward in the coming years. It is chaired by our CEO. In addition, the heads of quality management, environment and safety, HR, research and development, purchasing and representatives of both brands are part of the committee. In 2017, this committee drew up a detailed milestone plan for the years 2017 to 2019 with clear goals, measures and control points. Since 2017, sustainability has also been integrated as a key issue in our group strategy and vision. Our current focus is on further embedding sustainability management in the organization by anchoring it with additional strategic documents and improving the interfaces to our other business processes and organizational setup.
In 2018, we sold 9 million m² of parquet - the equivalent of 2223 football pitches.

Annually, we train approx. 950 installers in the Bauwerk Academy and approx. 900 end customers in cleaning and maintenance workshops.

With a total of 17 “Bauwerk Parquet World”-stories in four countries, we advise approx. 20,000 end customers and architects annually.

We train approx. 360 commercial customers in the BOEN Academy. In addition, we offer training courses for approx. 6,500 customers of our trading partners.

24% of hardwood purchases for top layers are FSC®-certified.

95% of hardwood purchases for top layers are oak.

We covered about 14% of our wood demand with wood from our own sawmills.

97% of our processed wood comes from Europe.

We have purchased approx. 227,000 m³ of wood for the production of parquet.

We have invested 1.5% of our turnover in product development.

From 2017 to 2018, we reduced our internal VOC emissions in Switzerland by 94%.

Since February 2017 more than 49% of our employees shared “aware actions” for more efficiency on an internal web platform.
We spend 80 to 90 percent of our lives indoors, inhaling and exhaling ten to twenty cubic meters of air a day. Although today’s nearly airtight buildings make sense from an energy point of view, the ventilation systems needed as a consequence are questionable in terms of air quality. Wood is a natural material. As consumers we are even used to cutting food on wooden plates or eating our lunch with wooden cutlery. In parquet production, glues, lacquers, colors, stains, oils as well as cleaning and care products are employed during installation and the subsequent use phase. If improperly developed and applied these could cause emissions that impair the air quality and a healthy living or working environment during the parquet’s service life.

With our brands BOEN and Bauwerk Parquet, we stand for parquet of high quality that is harmless to health. On top of this, Bauwerk Parquet has also earned a strong reputation and a high level of trust with customers over many years under the motto of “Healthy Living”. To meet high quality demands for both of our brands, we rely on continuous investments in product development, credible certificates and targeted information and training for installers and (end) consumers.

Continuous R&D and strong certificates
In 2018, our group invested 1.5 percent of its sales in the advancement and new development of products in order to maintain our leading role in the market. 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 development, which we then scale at our high-volume sites in Croatia and Lithuania.

Our focus continues to be on the consistent elimination or reduction of all harmful substances in the entire production process. Our overall ambition remains unchanged: we want to have no or the lowest possible addition of substances to our parquet that are known or presumed to be hazardous to the health of our employees, our partners and end consumers. To this end, we continuously evaluate, develop and test new product recipes and processes for surface treatment and gluing.

During the reporting year, experts from production, total quality management, R&D, environment, health and safety as well as application technology worked intensely together with our respective suppliers to eliminate even the smallest concentrations of carcinogenic, mutagenic or reprotoxic substances (CMRs; Glossary) in our glue systems, lacquers, oils and stains (see box on the bottom right).

For our marketing we build on sophisticated seals of quality and certificates that give our customers the assurance that they are purchasing parquet flooring of high quality that causes no harm to health (see illustration on the right). Moreover, they show our employees and private or professional installers that there are no health risks in the workplace.

A PROVEN TRACK RECORD

“This is very important,” stresses Marcus Beutel, R&D specialist of Bauwerk Boen Group, “all our products are non-hazardous to health. Period.” Our group has continually reduced any potentially harmful substance – regardless of how low its concentration is. “We’ve come a long way,” explains Marcus Beutel, “and in the past three to four years we have dedicated a lot of our time to eliminating CMRs such as benzophenone, polyisocyanate and azo compounds from our products.” The first two substances are — or better: 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. However, given advances in both product technology and knowledge about potential health hazards, this work is never really done. And it is a far from easy task. 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, chemical features such as how the parquet reacts to all kinds of liquids, and so on. “I look at it as a decathlon,” says Marcus Beutel in light of these different demands, “you can’t and don’t have to win every competition to come out on top in the leader board.”
Our future priorities

The consistent elimination or substitution of potentially harmful substances during gluing, pressing, surface treatment and in the development of (home) cleaning and care products continues to be the main focus of our group-wide innovation efforts. In autumn 2019, the Swiss production site will renew its Cradle to Cradle Certified™ GOLD or BRONZE level certification.

Support for installers and customers

Our products display their full effect only if they are properly installed and maintained. 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 can make use of the BOEN Academy, an internet-based platform with useful information and tools. In 2018, approx. 360 commercial customers (2017: approx. 200) and some 6,500 customers of trading partners received training (2017: approx. 1,000). BOEN primarily uses digital channels such as YouTube and social media to reach end customers who do their own installing. To ensure professional installation, Bauwerk Parkett works with selected installers and offers these partners professional training in the Bauwerk Parkett Academy in several countries. 964 participants were trained in this way in 2018 (2017: approx. 300). For end customers, Bauwerk Parkett offers regular workshops and internet-based help for efficient and correct cleaning and maintenance of parquet. Some 927 end customers (2017: approx. 900) attended cleaning and maintenance workshops in our Bauwerk Parquet World stores.

HEALTHY SOLUTIONS AS A PREREQUISITE

Our regular market research shows that across our brands BOEN and Bauwerk Parquet, customers – institutional or private – take “healthy living products” for granted. “For Bauwerk customers, product look and quality are usually top-ranked in our surveys,” says Raffaele Benedetti, Head of Distribution for Bauwerk Parquet Switzerland. These surveys also tell us that private customers tend to attach more importance to “healthy living” than institutional customers. For the latter, however, the criterion of harmlessness to health often appears in the requirements lists in connection with building standards such as LEED. BOEN and Bauwerk Parquet products can help building contractors to earn points for LEED certification. Although “healthy living” is not a decision-making criterion, but rather a prerequisite for our customers, we nonetheless stress our best practice attitude and track record in terms of healthy living. It is part of every sales talk and a “net positive”, as Raffaele Benedetti puts it. In addition, healthy living gains momentum from another vantage point. With more and more people suffering from all kinds of allergies, our knowledge of the micro immission of the parquet and the substances used in our production, as well as of the installation and care products, help us get our value proposition across. In the case of customer inquiries, our specialists from R&D and application technology are happy to provide information about potentially allergenic substances and their concentrations in the installed parquet.
In our business, everything revolves around wood: from purchasing to processing to sales and maintenance. As a manufacturing and trading company, we also use renewable and non-renewable energy and water, and our business activities generate greenhouse gas emissions and waste. Our wood waste (chippings) is partly burnt at all production sites to generate heat. The remaining wood waste is either sold for pellets production or processed into and sold as briquettes. To systematically record and control our environmental impacts we use an environmental management system. In our production site in Switzerland, we have been operating an ISO14001-certified system for over ten years. In autumn of the reporting year this system was recertified. Our two production sites in Croatia and Lithuania will follow suit in 2020. For our sawmill in Kaliningrad, Russia, we will set a timeline after these roll-outs. In 2018, we introduced a group-wide environmental, safety and compliance data management system and have started to both transition our data management to this online tool and to collect data from all our production and sales sites, our own vehicle fleet as well as data from our logistics providers.

Our three key focus areas are responsible procurement of wood and wood products, efficient use of our resources and reduction of our greenhouse gas emissions.

Resource efficiency
In 2018, we purchased approx. 227,000 cubic meters (2017: 233,000) of wood to produce high-quality finished parquet in our three production sites in Europe. Included in these numbers are hardwood (top layer) and softwood (underlayer or middle layer), and HDF wood materials (underlayer and end pieces). Not included in these numbers are all our commercial goods such as solid parquet, skirtings, or stair nosings. We covered about 14 percent (2017: 12 percent) of this demand with wood from our own sawmills, the remaining 86 percent we purchased from other sawmills. In accordance with our procurement strategy we only purchase raw wood, wood materials, and manufactured wood products from controlled sources – either certified by third parties or subject to our own controls. Certificates such as FSC® (Forest Stewardship Council®) and PEFC® (Programme for the Endorsement of Forest Certification) promote wood from forests with environmentally appropriate, socially beneficial, and economically viable long-term management. 24 percent (2017: 24 percent) of our hardwood purchases for the top layers were FSC® or PEFC® certified. The overall FSC®/PEFC® ratio (hardwood, softwood, HDF) was 46 percent (2017: 47 percent). These figures would theoretically be considerably higher, given that all state-owned forests in Croatia, where our newest production site is located, are FSC® certified. Here, however, the challenge is that many of our suppliers of logs and sawn timber – some of them small businesses – do not have FSC® certification and thus interrupt the required continuous documentation of the chain of custody.

Efficiency is the focus not only when dealing with wood; it is also the guiding principle for managing our other key resources, namely energy (Direct energy consumption), water (Freshwater consumption) or other materials/waste (GRI Content Index).

Reduction of greenhouse gas emissions
Climate change is the biggest 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 confronted with its consequences on wood availability and quality. In Croatia, for example, trees in the national forest went into a considerably shorter winter because of mild temperatures. Winter is the common harvesting season for wood as nutrition flows from the soil normally stop. These changes are not without negative effects on wood quality.
That said, we also contribute to climate change with our direct or indirect greenhouse gas (GHG) emissions. These emissions are mainly generated in production (use of electricity) and logistics (combustion of fuels). Wood, our heating source at all our production sites, is carbon-neutral. Nevertheless, in 2018 we invested in new more efficient boilers at our sites in Lithuania and Switzerland.

To increase the efficient use of electricity and to reduce production-related CO₂ 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. We pursue the path defined by a voluntary target agreement with the Canton for 2013-2020. Thanks to this cooperation we are in a position to 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 potentials at our sites in Croatia and Lithuania.

Moreover, with our group-wide data management tool we continue to 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 (GHG footprint).

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 promoted direct shipments to customers and strengthened the use of combined transports, i.e. road, rail, and sea (Concerted steps on a long journey).

Finally, thanks to the establishment of our pre-production and drying know-how in Croatia, we were able to discontinue our shipments of wet wood elements to Switzerland for lamella production. Instead we ship dried and hence lighter lamella just in time which is more efficient due to lower volumes and weights.

CONCERTED STEPS ON A LONG JOURNEY

Increasing the performance of our logistics while at the same time reducing GHG intensity is not a sprint but a marathon, figuratively speaking. The foundation for this endeavor is data – reliable data. “We are working with our logistics providers to continuously increase transparency about carbon emissions of our transported goods. Some strategic partners such as the company Dachser are well advanced and able to produce sound data, while others are not there yet,” admits Jörg Holderegger, Director of Procurement and Logistics. Reliable data enables our logistics team to make informed decisions and to strike the balance between performance and GHG intensity. Jörg Holderegger says, “At the moment, we work with two levers: direct shipments and combined transports.” In 2018, we started to promote direct shipments from our production site in Lithuania to selected wholesale customers in Austria, Benelux, France, Germany, Italy and Spain. Although we only started recording the savings, we expect a calculated reduction of approx. 22 metric tons of CO₂e. As for combined transports, in addition to the already established transports on the road and by rail of our Swiss logistics partner, we also negotiated a new route from the port of Klaipėda, Lithuania, to Trelleborg on the southern tip of Sweden and then via truck to Tveit, our warehouse on the southern tip of Norway. In 2019, we plan to increase the share of material shipped by combined service truck/boat to our warehouse in Tveit. This will further reduce our CO₂ emissions as well as transportation costs.

FORMS & FSC® / PEFC® SHARE

Here are our three main types of parquet. In addition, we also sell a small amount of parquet from solid wood – less than 1 percent of our parquet sales.
Our environmental and resource management continues to be characterized by consolidation in 2019 and beyond. On the one hand, we are striving for certification according to the ISO 14001 standard (version 2015) for our production sites in Croatia and Lithuania. On the other hand, we are working at all sites to increase our resource efficiency and reduce our greenhouse gas emissions. In addition, we are further standardizing our environmental performance indicators across the group and are creating a group-wide CO2 balance sheet encompassing our scope 1 and scope 2 emissions as well as key scope 3 emissions, particularly from logistics and business travel. As for logistics, we are pursuing our roadmap of increasing transparency and decreasing the carbon footprint. Finally, as part of the ongoing revision of our purchasing strategy, we want to address key challenges that currently prevent us from increasing the share of certified wood and wood products like FSC® and PEFC®.

Our overall objective in connection with VOC emissions is clear: we want no VOC additions to our natural parquet products (A proven track record). “In light of the fact that VOC are used in the form of solvents in glues, natural oils, and cleaning agents in production for glueing, pressing, surface treatment, and machine cleaning, this was and is an ambitious goal,” says Steffen Wöhrle, Environment and Safety Manager. Due to an incentive tax in Swiss regulation, our local production site has always served as a spearhead for innovation and cooperation with key suppliers (see chart on the left). Although VOC monitoring is limited to Switzerland, our reduction efforts also benefit our production sites in Croatia and Lithuania (see box below).

Our future priorities are the difference between the amounts of purchased and disposed VOC. This breakthrough reduction was predominantly possible due to a newly introduced brush cleaning machine and a corresponding VOC-free cleaning agent for the brushes that are used to spread the oil and lacquer on the parquet surface (see Report 2017, p. 7). Introduced in late 2017, the substitution resulted in a reduction of 20 metric tons of purchased VOC. As a next step, our production site in Lithuania is also looking into introducing the same machine and a corresponding VOC-free cleaning agent for the brushes that are used to spread the oil and lacquer on the parquet surface.

In 2018, internal emissions of 7 metric tons of VOC were generated at the St. Margrethen site. Thanks to our consistent and diligent work we were able to drastically reduce our internal emissions by 94% compared with the previous year and 97% compared with 2015.

For Switzerland in 2018, we were able to drastically reduce our internal VOC emissions in production by 94 percent compared to 2017,” he explains. Internal VOC emissions are the difference between the amounts of purchased and disposed VOC. This breakthrough reduction was predominantly possible due to a newly introduced brush cleaning machine and a corresponding VOC-free cleaning agent for the brushes that are used to spread the oil and lacquer on the parquet surface (see Report 2017, p. 7). Introduced in late 2017, the substitution resulted in a reduction of 20 metric tons of purchased VOC. As a next step, our production site in Lithuania is also looking into introducing the same machine and cleaning agent as part of its surface treatment setup. Although the new cleaning agent is significantly more expensive than the one in use now and the procurement and installation of a new machine is a considerable investment, both investments could nonetheless pay off. The transformation offers a range of other benefits such as lower demand for cleaning material, no irritations of the respiratory tracts of factory workers and lower fire and explosion hazards.
“In 2018, we laid the groundwork to further consolidate our environmental management across our different sites.”

CHRISTIAN STEINER, Director of Total Quality Management
Across all levels and functions, our employees are the key success factor for BBG. While machines become more sophisticated, allowing us to automate certain processes, there is no substitute for the hand and eye checks by experienced workers to ensure the quality of our products and services. When customers make their purchasing decisions, the competent and friendly advice of a sales representative can make the key difference – this is particularly relevant in the Bauwerk Parquet Worlds. And to make a geographically spread-out business with a rather small number of employees, the company requires knowledgeable, dedicated and entrepreneurial people throughout the whole organization.

As an employer, we bear responsibility for the health and well-being of our employees. Occupational safety and a supportive and demanding work environment – which employees can actively influence – are therefore at the heart of our efforts. Accidents, simmering dissatisfaction or conflicts lead to both efficiency losses and reputational risks. Conversely, motivated and healthy employees with strong training fundamentals act in a more effective and efficient way, and they are prepared to make a contribution to the continuous improvement of our company.

Extending group safety standards In terms of occupational safety, we have not yet implemented a uniform management system across the entire group. All employees at our four production sites wear their personal protective equipment at work, e.g. hearing protection, safety shoes and safety glasses, depending on the activity. We have regular employee safety trainings at all locations. 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. An important area where we were able to further improve workplace safety of our employees was in automatic knot filling in Lithuania at our biggest production plant. Knot filling previously involved very demanding manual labor. Workers were exposed to odour emissions that required them to wear respirators at all times, and the use of carving instruments to grind out knots before filling them was injury-prone. Automatic knot filling with specialized machines alleviates all that.

Looking at organizational health in a comprehensive way also includes fluctuations and layoffs. In Lithuania and Croatia, job opportunities for workers in the wood industry are abundant. In both countries, the industry competes against labor markets in bigger cities as well as abroad in Western Europe, where many well-qualified people are attracted to. Overall, this exodus could be partly offset by a higher degree of automation and efficiency gains. Still, employee retention remains a challenge. A rather high fluctuation rate – 19.6 percent in 2018 year (15.8 percent initiated by the employee) – is a reality we just have to accept for the moment (Employee turnover rate). In Switzerland long-term fluctuations are much lower but so are job opportunities for production workers. This makes business transformations that entail a reduction of jobs all the more challenging, as the case of the relocation of production capacities from Switzerland to Croatia in 2018 illustrates (see box below).

PRODUCTION RELOCATION FROM SWITZERLAND TO CROATIA

In 2017, the sawmill and wood processing plant we acquired in Croatia became fully operational. With the increased production capacities, it became clear that both from a business and an environmental perspective it would make sense to relocate the storage, kiln-drying and top-layer lamella cutting processes to Croatia as the wood we use comes from Croatia and the surrounding Balkan region. In that way we could replace 400 truckloads of mainly water-containing fresh cut wood by 80 truckloads of pre-cut and dry top-layer parquet lamellas, a major improvement for our carbon footprint. Along with the relocation of production activities, however, the capacities of 28 people from our production site in Switzerland were no longer required. We immediately and personally informed every employee affected once the decision to relocate was final in mid-2017. In the following 18 months, we did everything in our power to make sure those 28 people had a perspective for when they would leave the BBG factory floor for the last time. This included providing them with job postings and good references, activating our personal networks to facilitate job interviews, and general support and encouragement in a difficult time. With a few early retirements and many new-found positions, we were relieved to realize at the end of 2018 that the whole transformation process could be concluded without any hardship cases.
57% of our employees voluntarily registered on our internal web platform to share “aware actions” for more efficiency.

Since February 2017 more than 49% of our employees shared “aware actions”.

More than 4,500 “aware actions” were shared in 2018 alone.

Challenging and engaging everybody

At BBG 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 to us. A good example of this approach is our systematic use of small groups of employees who independently identify ways to constantly improve our production and administrative processes (Bottom-up improvement of our work processes).

In 2018, we conducted the first group-wide employee satisfaction survey to measure our aspirations against the perceptions of all employees. The survey guides our quest to “strengthen our strengths and weaken our weaknesses” (Employee survey). The group-wide survey will be repeated every three years.

The reporting year also saw significant investments in our leadership development. A consistent understanding of leadership is crucial to working together in a credible way within BBG and to growing together as a group. 40 percent of the members of our extended management team took part in a comprehensive program aimed at solidifying a common leadership understanding and approach; the rest will follow in 2019. In the course of two workshop modules (two days each) participants engaged in practical role-playing games on a number of leadership challenges that were accompanied by a web platform to support learning as well as ongoing coaching. In addition to this leadership training we try to promote a common leadership culture via internal recruiting. Consequently, we were able to increase the share of management positions filled with internal candidates to 27 percent (2017: 23 percent).

Our future priorities

We are currently in the process of replicating the SPS groups and their underlying principles from Lithuania to other production sites. In addition, we are collaboratively working on a revised and updated version of “The BBG Way”, the cultural foundation which defines our values and key working principles. Moreover, we are looking for alternatives to our employee engagement web platform to support our “Crossing the Line” initiative. We are continuing our efforts to further standardize our wage systems. Finally, the implementation of a comprehensive group-wide occupational safety and absence management system, including systematic and uniform data management, was started in 2018 and remains a high priority for 2019.

Training hours environment/occupational safety (h)

All training hours at our production sites in Croatia, Lithuania, and Switzerland in the areas of environmental protection and occupational safety. For our sawmill in Russia, we do not track training hours.
Bauwerk and Boen merged in 2013 and added the Croatian production site in 2016, resulting in a group with around 1,900 employees. Throughout our integration and consolidation, we worked hard to establish the same standards across all entities and production sites and to develop a shared understanding and culture. In 2018, we had an opportunity to get feedback on how well we had done so far in the form of the first group-wide employee satisfaction survey. The comprehensive survey covered a range of topics including individual aspects of the jobs (content, conditions of employment, benefits, motivation and satisfaction), training and career opportunities, teamwork and evaluation of leadership, and principles, values and culture of the group.

We were delighted that 68 percent of our employees provided their input, well above the range of what can typically be expected for these types of anonymous surveys. In general, respondents were satisfied overall with their work at BBG and very motivated to provide useful feedback. At the same time, we did identify some crucial areas of improvement. Satisfaction regarding communication and remuneration was below average. This was not a surprise, as those are often issues where employees see room for improvement, no matter the organization. Nevertheless, we are taking this feedback seriously and are looking for ways to improve. For one, we already conducted an international analysis of our wage systems with a goal of further standardizing it in a fair manner. In the area of training and career development we see opportunities for improvement by extending the reach of our people development program. The feedback on EBITDA15+, our employee engagement web platform, was rather underwhelming. In the context of the whole survey, we interpret that as a tool-specific dissatisfaction rather than as unwillingness to participate and share aware actions and ideas for improvement. We will, therefore, evaluate alternatives to keep the constant stream of feedback open until the next group-wide satisfaction survey.
SPS groups are a roaring success. They demonstrate that our approach of engaging and trusting employees at all levels is exactly right.

KESTUTIS JASONAS, Director of SPS Bauwerk Boen Group

BOTTOM-UP IMPROVEMENT OF OUR WORK PROCESSES

The philosophy of "kaizen" revolves around continuously striving for incremental improvements in all business processes by involving all employees. Based on that idea is the concept of a “Synchronized Production System” (SPS). At our production site in Lithuania we started to experiment with SPS groups in 2006. The approach is rather straightforward: find a small group of 5 to 10 people willing to tackle a specific challenge we are facing – and let them do it. We support their efforts by allocating a fixed time budget of half a day per month and providing a coach from the local management team. Apart from that, we trust that SPS groups are able to organize themselves and are best suited to work on the challenge – because they are closest to it in their everyday work. Each SPS project runs for 6 months and finishes with a presentation by the whole team. Thanks to the proposals developed by SPS groups we made countless improvements to our processes, both big and small, including more efficient handling of containers and materials due to more consistent labelling, optimized workflows at our production lines and direct shipments for more cost- and emissions-effective deliveries of some orders. Today, 180 SPS groups are hard at work and their individual contributions make a significant cumulative impact on the success of BBG in Lithuania. So much so that we are currently working on replicating SPS approaches at our other production sites.
anti-corruption is firmly anchored throughout the group and across all hierarchy levels in clearly defined routines for everyday work. To prevent corruption, all potentially exposed employees sign an anti-corruption code of conduct as an integral part of their employment contract. It contains a formal ban along with a clear definition of „corruption“ and also concrete indications as to which behaviours are permitted or prohibited from the point of view of BBG. The issue of corruption is an fixed part of employee discussions and management meetings. In addition, 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. Cases, be they attempted or accomplished, are communicat ed to all employees throughout the group.

Despite our zero-tolerance policy we had two cases of internal corruption within BBG in 2018. Given our focus on this topic, this was disappointing. At the same time, however, it gave us a vital opportunity to review our processes and reiterate the importance of the topic within our organization (see box).

Our stakeholders, and our customers in particular, rightly expect us as suppliers of high-quality parquet to behave in an exemplary manner with regard to fair business practices. We are, however, quite exposed to corruption, as most of the countries where we source and process most of our timber are well outside the top tier in Transparency International’s Corruption Perceptions Index (see 2018 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 that a strict stance against corruption is associated with disadvantages in certain situations.

Zero tolerance for corruption

Nevertheless, we have a zero-tolerance policy set out in our group-wide anti-corruption policy. This approach is ostensibly very simple, but in practice an omnipresent challenge. We deliberately accept negative operational consequences such as difficulties with access to raw materials or more complex administrative processes. About 200 employees, or 13 percent of our workforce, are particularly exposed to corruption in light of their positions. Due to its significance, however, anti-corruption is firmly anchored throughout the group and across all hierarchy levels in clearly defined routines for everyday work.

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In principle our processes worked well. Both instances were identified, and in one case the act could actually be prevented just in time due to a smoothly functioning whistleblowing channel. We still were able to improve some aspects, namely by ensuring dual control at all crucial stages. In the long run, we will never be able to completely prevent cases where individual people make bad decisions for whatever reason. What we can do is continue to build a company culture that, together with our processes, is highly conducive to people acting with integrity. This is why we further elevated the topic of anti-corruption in performance appraisals and department meetings and include them as an integral part of our management development training.

SETBACKS AS OPPORTUNITIES

2018 clearly demonstrated that BBG is not immune to corruption. Two cases of passive corruption in two different countries both involved individuals accepting kickbacks for personal gain. With a strong guiding and ongoing organizational focus on anti-corruption, there might have been a feeling that corruption is something that just happens in other places. In that sense, the cases helped to further raise awareness within BBG by making the challenge much more tangible. There were in-depth discussions in the extended management committee and, crucially, also with the team to which the two employees concerned belonged. We wanted to truly understand what happened, but also what we could learn for the future.

In principle our processes worked well. Both instances were identified, and in one case the act could actually be prevented just in time due to a smoothly functioning whistleblowing channel. We still were able to improve some aspects, namely by ensuring dual control at all crucial stages. In the long run, we will never be able to completely prevent cases where individual people make bad decisions for whatever reason. What we can do is continue to build a company culture that, together with our processes, is highly conducive to people acting with integrity. This is why we further elevated the topic of anti-corruption in performance appraisals and department meetings and include them as an integral part of our management development training.
“A corruption case is disappointing and painful to talk about. However, it also makes us aware of how seldom we face such a situation. This should not be taken for granted with around 1,500 people in rather exposed environments. We owe a debt of gratitude to the employees upholding our group standards every single day.”

MICHAEL KUMMER, Chief Human Resources Officer

From strategy to action
The last year demonstrated the complexity of implementing our sustainability roadmap. Translating our overall goals into daily business routines has been a challenge, as all change projects are. Even though we established a new sustainability committee comprised of very motivated and dedicated members, progress on the roadmap was at times sluggish. It took us some time to realize that even though we embedded sustainability in our vision and mission early on, not all management tools down to the operational level were aligned. At times this resulted in conflicting objectives for individual employees. In 2019, interlocking the sustainability roadmap with the established management tools at all levels will help us to increase our pace of progress.

With our quest for a systematic approach to sustainability management, we realized that there was a need for us to further clarify how we understand our role as a company. We did that by revising and adding to some of our key strategic documents, mainly an extended code of conduct along with a new human rights policy (see box below).

Our future priorities
In 2019, we will formally adopt a new code of conduct and human rights policy, and we see it as our clear priority to implement and operationalize them at all levels and locations in our processes and routines, with the ultimate goal of further anchoring them in our culture. This includes a refinement of our internal monitoring and reporting on fair business practices and corruption.

“Many of the topics included in the new code of conduct and human rights policies were implicitly obvious to virtually everybody at BBG. Take non-discrimination or the ban on child labour, for instance. But it was important to us to make them explicit in strategic documents, at the “constitution level” of our company, to ensure they reach the outermost layer of our sphere of influence.”

KLAUS BRAMMERTZ
CEO BBG

WORKING ON SOLID FOUNDATIONS
Our continuous engagement with sustainability management altered how we thought about the role of BBG as a company. As our understanding of the relevant topics and their interdependence grew, we realized that not all our strategic documents reflected that progress. We therefore decided in 2018 to invest more time in establishing a solid foundation for our ambitious sustainability management efforts. In a collaboration of our extended management team, we updated our code of conduct with a greatly extended scope. While the previous code of conduct had corruption as the focal point, the updated version elaborates in a holistic manner on our convictions about what it means to conduct business with integrity and how we understand our responsibilities to our employees, investors, society and the environment. In addition, we drafted and reviewed with experts a human rights policy with very specific commitments as well as mechanisms for grievance and remediation. Both the code of conduct and the human rights policy are in the final stages of our internal consultation process and will be published in 2019.
ABOUT THE REPORT

Identification and evaluation of sustainability issues
This is the second sustainability report of the Bauwerk Boen Group. It is aimed at our stakehold-
ers, in particular customers, investors, authorities, business partners, NGOs and our emplo-
yees at all levels and functions. We have based our reporting on the standards of the Global
Reporting Initiative (GRI) and this report has been prepared in accordance with the “GRI Stan-
dards: Core option”. We involved the above stakeholder groups in the identification and evalua-
ton of our sustainability issues in a stakeholder dialogue in March 2017. The materiality matrix
on the right shows how our internal and external stakeholder groups assessed the importance
of our impacts in the individual topics. The upper right quadrant contains our six key topics.

Sustainability organization and reporting process
As part of our sustainability management that was systematized in 2017, we established a
Sustainability Committee with the participation of the central corporate functions. With external
support, the Sustainability Committee has developed the contents of this report in several ite-
rations. One focus of sustainability management in the coming years will be the formalization
and consolidation of our reporting process. We have set ourselves the goal of publishing an
externally audited report within two years.

Boundary of the report and data basis
The information and data in this report refer in general to the Bauwerk Boen Group as a whole.
Due to the consolidation activities following the merger of Bauwerk Parkett and BOEN, reliable
figures are not yet available in all areas or, in some cases, only for individual locations. Where
figures in the report refer to individual locations this is explicitly mentioned.

Up to now, data management has been carried out on a decentralized basis via Excel by those
responsible in the functions. We are currently setting up a comprehensive central data ma-
agement system. This will help us to measure the success of our sustainability management
and formalize our reporting in the future.
GLOSSARY

B

Backing layer: The underlay for three-layer parquet. It is made of softwood.

C

Carcinogenic, mutagenic, reprotoxic substances (CMR): CMRs are often referred to as a group. Carcinogens are substances or mixtures which induce cancer or increase its incidence. Cancer is a disease characterized by uncontrolled growth of altered cells and their ability to migrate from the original site and spread to different parts of the body. Mutagen is used for agents which increase the occurrence of mutations. A mutation means a permanent change in the amount or structure of the genetic material in a cell. Reproductive toxicity is used for agents which cause adverse effects on sexual function and fertility in males and females, developmental toxicity in the offspring and effects through or via lactation. Such agents are often referred to as reprotoxins or as being reprotoxic. There are two categories of CMRs: Category 1A includes substances that are known to be carcinogenic, mutagenic, and/or reprotoxic and category 1B includes substances that are presumably carcinogenic, mutagenic, and/or reprotoxic.

D

DGNB, German Sustainable Building Council: At its academy, the DGNB imparts basic and specialist knowledge on the subject of sustainable construction, providing a system for planning, evaluation and labelling of sustainable buildings as well as an online platform with relevant information on construction products (Navigator). Further information

E

eco-INSTITUT: The eco-INSTITUT-Label guarantees quality control through annual laboratory tests for harmful emissions, substances and odours. The label guarantees good air quality in public and private buildings. At Bauwerk Parkett, the two-layer assortment, Preparrk and Preparrk Comfort, meets the strict requirements of the eco-INSTITUT-Label. Further information

F

FSC®, Forest Stewardship Council®: The FSC® organization promotes environmentally appropriate, socially beneficial and economically viable management of the world’s forests. The FSC® label guarantees that the wood comes from forests with exemplary management. The Bauwerk Boen Group is audited annually by an external certification company for compliance with the FSC® specifications and FSC® guidelines. We hold the following licences: FSC-C047288 (BOEN UK Ltd.), FSC-C013542 (BAUWERK BOEN d.o.o.), FSC-C021510 (UBA Bauwerk Boen), FSC-C136009 (BAUWERK BOEN GROUP ASIA LIMITED), FSC-C0351117 (Boen Bruk AS), FSC-C095158 (BOEN Hardwood Flooring, Inc), FSC-C101713 (BOEN Parkett Deutschland GmbH & Co. KG), FSC-C009732 (Bauwerk Parkett AG/ Bauwerk Boen Logistics GmbH/ Bauwerk Parkett GmbH/ Bauwerk France SARL/ Bauwerk Parkett Vertriebs GmbH). Further information

G

Gluing and pressing: Along with surface treatment and finishing (both downstream), gluing and pressing is one of the crucial quality steps in the process of parquet production. The top layer and the underlay are glued and pressed together.

Greenhouse gas emissions: Greenhouse gases contribute to the greenhouse effect and thus to global warming and climate change. Carbon dioxide (CO2) as the most important greenhouse gas is produced, for example, during the combustion of fossil fuels for heat or power generation as well as for the transport of goods. VOCs are also greenhouse gases. Further information

H

Hardwood: Wood used for the top layer (wear layer) of parquet. At Bauwerk Boen Group, this is about 94% oak.

HDF, high-density fibreboard: HDF consists of wood fibres saturated with glue which are joined under pressure and heat to form a particularly highly compressed wood material. As a durable and dimensionally stable backing layer with excellent thermal conductivity, HDF is particularly suitable for parquet production.
**L**

**Lamellas**: Dried and cut pieces of wood which, in the production of top layers, are cut to produce suitable parquet formats.

**LEED, Leadership in Energy and Environmental Design**: The international LEED certificate is proof that a building has been developed, planned and realized according to measurable sustainability criteria. [Further information](#)

**M**

**Middle layer**: The layer between the top layer and the backing layer in three-layer parquet.

**PEFC™, Programme for the Endorsement of Forest Certification**: A certification system to ensure sustainable forest management. The Bauwerk Boen Group buys both FSC®- and PEFC™-certified wood, but does not report this on the sales side. [Further information](#)

**R**

**Round wood (logs)**: Trunks of felled trees that have not been further processed. They are later processed into elements and lamellas (sawn timber).

**S**

**Softwood**: Wood used for the middle layer or underlay, especially spruce and pine.

**Surface treatment and finishing**: Along with gluing and pressing (upstream), surface treatment and finishing are among the crucial quality steps in the process of parquet production. Brushing – to work out the existing structure of the annual rings – and the application of colour requires a great deal of sensitivity; given that every piece of wood is different. The challenge is to achieve a constant gloss level and colour tone. The final processing involves profiling and edge treatment. Precision is required so that the parquet strips can be installed quickly and easily at a later time (on the construction site). During the final quality inspection, the parquet strips are checked by hand and sorted out in the event of defects.

**T**

**Two-layer parquet**: Parquet consisting of a top layer of hardwood and a backing layer of softwood or HDF.

**Three-layer parquet**: Parquet consisting of a top layer of hardwood, a middle layer of softwood and a backing layer (underlayer) of softwood.

**V**

**VOC, volatile organic compounds**: Volatile organic compounds that are used in the form of solvents in glues, natural oils and cleaning agents in production for gluing, pressing, surface treatment and machine cleaning. When VOCs get into the air, together with nitrogen oxides, they contribute to the excessive formation of ground-level ozone, which is why the Federal Customs Administration levies an incentive tax on VOC-containing products imported or manufactured in Switzerland. Given that they evaporate quickly, they pose a health risk, especially in closed rooms. They irritate the nose and throat and lead to allergic skin reactions, breathing difficulties, fatigue, headaches or asthma.

**W**

**Wear layer**: Also known as the top layer. The uppermost layer of a parquet board, i.e. the layer with which building occupants come into contact.

Wood briquettes: Saw by-products such as wood chips are pressed into a uniform shape using a briquetting press. The Bauwerk Boen Group sells parts of its wastewood as wood briquettes to third parties.

Wood chippings: Sawmill by-products that can no longer be used for parquet production. Bauwerk Boen Group burns parts of the wood chippings for heat recovery (process and space heating). The remaining wood waste is either sold for pellets production or processed into and sold as briquettes.
<table>
<thead>
<tr>
<th>GRI 102: General Disclosure 2017</th>
<th>Information / Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>102-1</strong> Name of the organization</td>
<td>Bauwerk Boen Group</td>
</tr>
<tr>
<td><strong>102-2</strong> Activities, brands, products, and services</td>
<td>see p. 3</td>
</tr>
<tr>
<td><strong>102-3</strong> Location of headquarters</td>
<td>St. Margrethen, Switzerland</td>
</tr>
<tr>
<td><strong>102-4</strong> Location of operations</td>
<td>Austria, Croatia, Germany, Lithuania, Norway, Russia, and Switzerland. See also p. 3.</td>
</tr>
<tr>
<td><strong>102-5</strong> Ownership and legal form</td>
<td>see p. 2-3</td>
</tr>
<tr>
<td><strong>102-6</strong> Markets served</td>
<td>Bauwerk brand: Austria, Benelux, France, Germany, Italy, Romania, Russia, and Switzerland; mainly floor installers and retail. BOEN brand: China, Denmark, France, Germany, Lithuania, Norway, Sweden, USA, and many others; mainly via wholesale. See also p. 3.</td>
</tr>
<tr>
<td><strong>102-7</strong> Scale of the organization</td>
<td>see p. 2-4</td>
</tr>
<tr>
<td><strong>102-8</strong> Information on employees and other workers</td>
<td>Total number of employees - by employment contract, by gender: 1,848, whereof 866 female (47%) - by employment contract, by region: CH: 208; LT: 1,054; RUS: 107; UK: 275; AUT: 10; GER: 72; FRA: 29; NO: 72; Hk: 5; USA: 6; - by employment type, by gender: 1,799 FTE; est. 11% of headcount in part time, not available by gender - no significant portion of the organization’s activities are performed by workers who are not employees - Data is compiled using existing KPI and reporting formats, as monthly, quarterly and annual reports, department cockpits and fact sheets</td>
</tr>
<tr>
<td><strong>102-9</strong> Supply chain</td>
<td>see p. 4</td>
</tr>
<tr>
<td><strong>102-10</strong> Significant changes to the organization and its supply chain</td>
<td>see p. 3</td>
</tr>
<tr>
<td><strong>102-11</strong> Precautionary Principle or approach</td>
<td>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 manage them proactively.</td>
</tr>
<tr>
<td><strong>102-12</strong> External initiatives</td>
<td>see p. 5-6</td>
</tr>
<tr>
<td><strong>102-13</strong> Membership of associations</td>
<td>see Bauwerk Parkett AG, see Boen AS</td>
</tr>
<tr>
<td><strong>102-14</strong> Statement from senior decision-maker</td>
<td>see p. 2</td>
</tr>
<tr>
<td><strong>102-15</strong> Values, principles, standards, and norms of behavior</td>
<td>see vision and values of BBG</td>
</tr>
<tr>
<td><strong>102-16</strong> Governance structure</td>
<td>Board of Directors with 5 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 (LMM) in each entity above 30 employees. Board of Directors and Management Team are reponsible for decision-making on economic, environmental, and social topics.</td>
</tr>
<tr>
<td><strong>102-17</strong> List of stakeholder groups</td>
<td>see p. 17</td>
</tr>
<tr>
<td><strong>102-18</strong> Collective bargaining agreements</td>
<td>none</td>
</tr>
<tr>
<td><strong>102-19</strong> Identifying and selecting stakeholders</td>
<td>see p. 17</td>
</tr>
</tbody>
</table>

102-43 Approach to stakeholder engagement  
We engage with our key stakeholders and regular basis. For stakeholder engagement in connection with this first sustainability report see p. 17.

102-44 Key topics and concerns raised  
see p. 17

102-45 Entities included in the consolidated financial statements  
Bauwerk Boen AG  
Bauwerk Parkett AG  
Bauwerk Parkett Vertriebs GmbH  
Bauwerk Parkett GmbH  
Bauwerk France Sarl  
Boen AS  
Boen Bruk AS  
UBA Bauwerk Boen  
Bauwerk Deutschland GmbH  
Bauwerk France Sarl  
Bauwerk Parkett GmbH  
Bauwerk France Sarl  
Bauwerk Deutschland GmbH & Co. KG  
Boen UK Ltd.  
Boen Hardwood Flooring Inc.  
AO Dominga Nik  
Bauwerk Boen Group Asia Ltd.  
Bauwerk Boen d.o.o.  
Bauwerk Boen Logistics GmbH

102-46 Defining report content and topic Boundaries  
see p. 17

102-47 List of material topics  
see p. 17

102-48 Restatements of information  
In this second edition we had to make several restatements due to the availability of more detailed/robust data and identified miscalculations in the previous report. All affected data points have been corrected and restated for this edition. In other words, data from this report is not necessarily comparable with data from our previous report. Finally, the expanded scope of our data is another factor that limits comparability.

102-49 Changes in reporting  
For this report we expanded the scope of our reported data. If not further specified this reports covers our four production sites (Croatia, Lithuania, Russia, and Switzerland) and all our company locations (offices and showrooms) across the globe; see p. 2.

102-50 Reporting period  
Calendar and financial year 2018; effective date: 31.12.2018

102-51 Date of most recent report  
Calendar and financial year 2018; effective date: 31.12.2018

102-52 Reporting cycle  
Annual

102-53 Contact point for questions regarding the report  
Klaus Brammertz, CEO; bauwerk-boen.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. 20-21

102-56 External assurance  
The content of this report has not been externally assured.
<table>
<thead>
<tr>
<th>GRI: Topic-specific Disclosures</th>
<th>Information / Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic topics</strong></td>
<td></td>
</tr>
<tr>
<td>205 Anti-corruption</td>
<td></td>
</tr>
<tr>
<td>103-1/2/3 Management approach disclosures</td>
<td>see p. 15</td>
</tr>
<tr>
<td>205-2 Communication and training about anti-corruption policies and procedures</td>
<td>see p. 15</td>
</tr>
<tr>
<td>205-3 Confirmed incidents of corruption and actions taken</td>
<td>see p. 15</td>
</tr>
<tr>
<td><strong>Environmental topics</strong></td>
<td></td>
</tr>
<tr>
<td>301 Materials</td>
<td></td>
</tr>
<tr>
<td>103-1/2/3 Management approach disclosures</td>
<td>For management approach on wood see p. 7-8</td>
</tr>
<tr>
<td>301-1 Materials used by weight or volume</td>
<td>For wood: see p. 4, 7-8</td>
</tr>
<tr>
<td>302 Energy</td>
<td></td>
</tr>
<tr>
<td>103-1/2/3 Management approach disclosures</td>
<td>see p. 7-9</td>
</tr>
<tr>
<td>302-1 Energy consumption within the organization</td>
<td>see p. 9</td>
</tr>
<tr>
<td>302-2 Energy consumption outside of the organization</td>
<td>see p. 9</td>
</tr>
<tr>
<td>302-3 Reduction of energy consumption</td>
<td>see p. 8</td>
</tr>
<tr>
<td>303 Water</td>
<td></td>
</tr>
<tr>
<td>103-1/2/3 Management approach disclosures</td>
<td>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 p. 9.</td>
</tr>
<tr>
<td>303-1 Water withdrawal by source</td>
<td>see p. 9</td>
</tr>
<tr>
<td>303-2 Water sources significantly affected by withdrawal of water</td>
<td>none</td>
</tr>
<tr>
<td>305 Emissions</td>
<td></td>
</tr>
<tr>
<td>103-1/2/3 Management approach disclosures</td>
<td>see p. 7-9</td>
</tr>
<tr>
<td>305-1 Direct (Scope 1) GHG emissions</td>
<td>see p. 9</td>
</tr>
<tr>
<td>305-2 Energy indirect (Scope 2) GHG emissions</td>
<td>see p. 9</td>
</tr>
<tr>
<td>305-3 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions</td>
<td>For internal VOC emissions see p. 9.</td>
</tr>
<tr>
<td>306 Effluents and Waste</td>
<td></td>
</tr>
<tr>
<td>103-1/2/3 Management approach disclosures</td>
<td>Waste and wastewater 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 p. 7, 9.</td>
</tr>
<tr>
<td><strong>Social topics</strong></td>
<td></td>
</tr>
<tr>
<td>306-3 Significant spills</td>
<td>none</td>
</tr>
<tr>
<td>306-5 Water bodies affected by water discharges and/or runoff</td>
<td>none</td>
</tr>
</tbody>
</table>

**GRI CONTENT INDEX**