

SUSTAINABILITY REPORT 2017

of Bauwerk Boen Group

BAUWERK®
Parquet



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THE BAUWERK BOEN GROUP IN NUMBERS

1978
EMPLOYEES
WORLDWIDE

26
DIFFERENT
NATIONALITIES

49%
WOMEN

9.2
MILLION
SQUARE METRES
PER YEAR

4.7%
INVESTMENT
RATIO

46.1% EQUITY-RATIO
1.5% R&D-RATIO 11.4% EBITDA-RATIO

36
YEARS AVERAGE AGE

285.1
MILLION CHF
NET SALES

2 BRANDS



Editorial

SUSTAINABLE MANAGEMENT

Dear Readers

I am pleased to present our first sustainability report. It is the first snapshot of the sustainability management system that we established across the Group in early 2017. On the basis of an honest review, we identified the most important effects of our business activities on the environment and society, set clear ambitions and drew up a milestone plan with concrete goals and measures for the coming years.

We have the privilege to produce parquet flooring from wood, a natural product which will serve and please its owners for many years. Sustainability is not an empty phrase for us in the wood business. We have long been pursuing activities contained in this report, because they are part of our self-image as a long-term, profit-oriented company that lives from the natural raw material of wood.

Just like our sustainability management, we will continue to develop our reporting in the coming years. In the future, our planned integrated data management system will increase data availability and data quality in particular.

In January 2018, EGS Beteiligungen AG acquired a majority stake in Bauwerk Boen Group from Patrimonium Private Equity. We are in the fortunate situation that EGS Beteiligungen, as a former minority shareholder, knows us extremely well and supports us in our sustainability efforts. For Bauwerk Parkett AG, this comes full circle: Ernst Göhner - the "E" and "G" of EGS Beteiligungen – founded the company in 1944.

In the following pages, immerse yourself in the many facets of the parquet business and learn about the Group's sustainability efforts.



"We have gone through a long and successful transformation process. In the future, we would like to consolidate this growth and bring success and sustainability to the company."

KLAUS BRAMMERTZ, President and CEO



Bauwerk Boen Group

TWO ORIGINS, ONE GOAL

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 the 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. Boen has produced parquet since 1966 and now focuses on three-layer parquet and sports floors made of wood. Kietaviškės in Lithuania and Dominga 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. Today, all three sawmills and three parquet production plants produce for both of our two brands – Bauwerk Parkett and BOEN.

How we create value

We develop, produce and sell parquet. Our parquet is distributed by two largely independent brand organizations, Bauwerk Parkett and BOEN. The two-layer parquet 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. 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 Germany, the United Kingdom, Norway, Sweden, Switzerland and the United

States. With the two brands, we have a complete range across all major sales channels and a presence in all key markets. In 2017, we sold 9.2 million square metres of parquet – corresponding to an area of 2'272 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 (About the Report) 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.

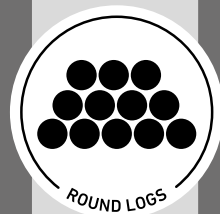


BAUWERK®
Parquet



“We will become Europe’s most valuable hardwood flooring company measured by sustainability, profitability and free cash flow.”

VISION OF BAUWERK BOEN GROUP



FACTS

Interesting details about our business (2017).

29% of hardwood purchases for the top layers are FSC®-certified.

94% of the top layers (hardwood) are oak.

We cover **10%** of our wood demand with wood from our own sawmills.

97% of our processed wood comes from Europe.

Bauwerk Boen Group VALUE CHAIN

PURCHASING

We have purchased **approx. 200'000 m³** of wood (without HDF wood materials) for the production of parquet.

We have relocated large parts of the drying and cutting of lamellas to the growing area.

We invest **1,5%** of our turnover in product development.

Between 2015 and 2017, we reduced our internal VOC emissions in Switzerland by **58%**.

43% of all employees use a platform to actively share their "Aware Actions" for more efficiency.

PRODUCT DEVELOPMENT & PRODUCTION

SALES

We sell **9.2 million square metres** of parquet – the equivalent of **2'272** football pitches.

Annually, we train **approx. 300 installers** in the Bauwerk Academy and **approx. 900 end customers** in cleaning and maintenance workshops.

With a total of **16 "Bauwerk Parquet World"**-stores in four countries, we advise **approx. 10,000** end customers and architects annually.

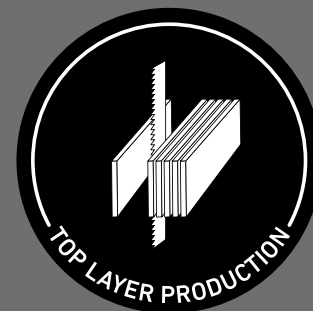
We train **approx. 200 commercial customers** in the BOEN Academy. In addition, we offer training courses for **approx. 1'000 customers** of our trading partners.



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BAUWERK®
Parquet

BOEN



EFFECTS

- › Emissions & climate change
- › Health and safety at the workplace
- › Anti-corruption

The most important impacts of our business activities on the environment and society across the entire value chain.
[About the Report](#)

- › Emissions & climate change
- › Resource efficiency
- › Health and safety at the workplace
- › Employee motivation
- › Customer health and safety

- › Emissions & climate change
- › Employee motivation
- › Customer health and safety

Action Area

HEALTHY SOLUTIONS

We spend 80 to 90 percent of our lives indoors, inhaling and exhaling ten to twenty cubic metres of air a day. Although today's nearly airtight building shells make sense from an energy point of view, they reduce the air exchange so much that pollutants from a wide variety of sources can accumulate in the room. Although wood is a natural raw material, glues, lacquers and oils are used in the production of parquet flooring, which can cause emissions during its service life. In addition, when laying and using parquet floors, materials such as glues, cleaning and care products are used, which can impair the air quality and a healthy living or working environment.



“We want to maintain our high quality standard throughout the group and differentiate ourselves in the premium segment through particularly healthy living solutions.”

MARTIN GLAUNSINGER,
Director Research and Development

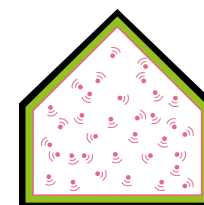
With our brands Bauwerk Parkett and BOEN, we stand for parquet of high quality that is harmless to health. Bauwerk Parkett has also earned a strong reputation and a high level of trust with customers over many years under the motto of “Healthy Living”. To meet the high quality demands of our customers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

Certificates as a basis of trust

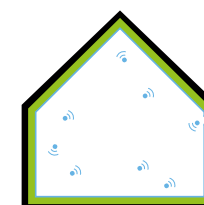
Sophisticated seals of quality and certificates give our customers the assurance that they are purchasing parquet flooring that causes no harm to health. Moreover, they show employees and installers that there are no health risks in the workplace. BOEN parquet has been awarded the “Blue Angel” seal of quality for an indoor climate without any harmful substances. The entire Bauwerk Parkett range is certified according to the high standards of the Sentinel-Haus-concept. For individual products, Bauwerk Parkett even goes well beyond this standard. The products in the two-layer range meet the strict requirements of the eco-INSTITUT-Label. This guarantees quality control through regular laboratory tests for harmful emissions, ingredients and odours. The label guarantees good air quality in public and private buildings. The Cradle to Cradle™ certificate is also of special importance for the Bauwerk Parkett brand. This is based on the “from cradle to cradle” design principle. In other words: Every certified product can be recycled entirely after 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 Parkett line. All products manufactured at the St. Margrethen production site are Cradle to Cradle™ Bronze certified. This makes us the first company in the world to have certified all the products of a production site. This process required five years of intensive work and a review of the entire supply and production chain.



Uninsulated buildings (past):
Permeable building envelope*



Insulated buildings:
Airtight building envelope* interior design with conventional materials



Insulated buildings:
Airtight building envelope* interior design with reduced-emission materials

- Building envelope
- Insulation
- Conventional building materials
- Emission-optimised building materials
- ventilation system

* Building envelope = all exterior surfaces including facade, basement, roof, windows, doors

Source: Sentinel Haus Institut

LIFECYCLE THINKING

Martin Glaunsinger, Director Research and Development, was initially a little surprised at the request. He and his application technology experts are often asked by property managers to train cleaning staff, but usually only when a property is completed. “In this case, the groundbreaking hadn’t even happened, and the future cleaning company wanted to talk about the right products and the training of its employees,” explains Glaunsinger. He is convinced that this exception will become the new standard in ten years’ time. With the growing lifecycle thinking in the construction industry, aspects of operation are already entering the planning phase. On the one hand, this is a challenge for Bauwerk Boen Group, as it increasingly has to provide more comprehensive information at an earlier stage, for example in the appropriate format for software- and data-supported building modelling. “On the other hand, we see this trend as a huge opportunity. From a lifecycle perspective, parquet is extremely attractive due to its long service life and recyclability and reusability,” the Head of Development predicts.

100%
NON-HAZARDOUS
PARQUET

41% of the parquet is
certified according to
Cradle to Cradle™.

Differentiation through innovation

Each year, we invest about 1,5% of our sales in the advancement and/or new development of products in order to maintain our leading role in the market. The focus here is on the consistent reduction of all harmful substances in the entire production process. To this end, we continuously evaluate new products and processes for surface treatment and work closely with existing or new suppliers. Before we test new glues, paints 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 – both for our employees in production and for our end customers. Our site in St. Margrethen is the incubator for our developments, which we then scale at our high-volume sites in Kieta-viškės and Đurđevac.

Support for installers and customers

Our products, which are harmless to the home environment, only display their full effect if they are properly installed and maintained. To ensure professional installation, Bauwerk Parkett works with selected installers and offers these partners professional training in the Bauwerk Parkett Academy in St. Margrethen and at other international locations. Approx. 300 participants were trained in this way in 2017. For end customers, Bauwerk Parkett offers regular workshops and internet-based help for efficient and correct cleaning and maintenance of parquet. The BOEN brand, which mainly serves the

wholesale and retail trade, trains its commercial partners and customers, including painters, interior decorators, carpenters and parquet installers. For the courses, the BOEN sales staff can make use of the BOEN Academy, an internet-based platform with useful information and tools. In 2017, approx. 200 commercial customers and approx. 1'000 customers of trading partners received training. BOEN primarily uses digital channels such as YouTube and social media to reach end customers who do their own installing.

Our future priorities

The consistent substitution of potentially harmful substances during gluing and pressing or surface treatment continues to be the main focus of our group-wide innovation efforts. In 2018, Bauwerk Parkett is developing an accessory concept in cooperation with suppliers for the targeted expansion of "Healthy Living" home cleaning and care products.



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QUALITY IN INSTALLATION AND CARE

Friday evening, 7 pm, at the Bauwerk Parquet World in St. Margrethen. Production is still in full swing, while for 30 customers – about 900 a year – work is only just beginning. Susanne Graf and Joël Blatter welcome them to the cleaning and care workshop. Within the next hour, participants will first experience how a well or poorly maintained parquet reacts to stains at demo stations specially prepared for this purpose. Afterwards, they receive training on how to oil a parquet and learn which type of cleaning keeps the parquet in good condition for as long as possible. The Bauwerk specialists are available to answer any specific questions the participants may have, and participants can purchase the tested cleaning agents and instruments on site if they are interested. At 8 pm, the participants can wind up their working day with an aperitif and then start their journey home, looking forward to the next time they clean their parquet.

The following Monday, things get more technical: twelve selected installers are introduced to the use of a new scrubber-dryer as part of the Bauwerk Parkett Academy. About 300 installers are trained in various application technology topics each year. Participation is free of charge and extremely popular. "The Bauwerk Parkett Academy is a win-win situation. Parquet installers can update their knowledge, and we can ensure that our products are professionally installed and that our end customers receive the best possible parquet at home", says Pascal Hinder from Bauwerk's application technology department.

Action Area

PROTECTED ENVIRONMENT

We develop, produce and sell parquet. In our business, everything revolves around the raw material of 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 waste and greenhouse gas emissions. We record and control the environmental impacts using an environmental management system. In St. Margrethen, we have been operating an ISO14001-certified system for over ten years, with the remaining sites maintaining systems that are also to be certified in the next two years.

With wood as our most important raw material, our business model is directly dependent on an intact environment. Our most important contributions to this are the responsible procurement of wood and wood products, the most efficient use of our resources and the reduction of our greenhouse gas emissions.

Controlled origin a must

Illegal logging is a serious global problem with negative environmental, social and economic impacts. Since 2013, the European Union Timber Regulation (EUTR) has been working

against the trade of illegally harvested timber and timber products on the European market. The EUTR places high demands on all market participants, especially those placing timber or timber products on the market for the first time. We welcome this regulatory framework for all market participants.

As a group, we have purchased approx. 200'000 cubic metres of wood (hardwood and softwood, without HDF wood materials) for the production of parquet. We cover about 10 percent of this demand with wood from our own sawmills, the remaining 90 percent we purchase. In accordance with our procurement strategy, we only purchase wood and wood products from controlled sources – either certified by third parties or subject to our own controls. We ensure this through our evaluation and auditing system for suppliers.

The term "sustainability" originally came from forestry, referring to forest management with a focus on natural regeneration capacity. Forests are important carbon reservoirs. However, if they are not managed sustainably, they are an additional source of carbon emissions that promote climate change. While the EUTR focuses on the legality of logging, forest certification



"We want to – and must – use our natural resources, especially wood, even more efficiently in the future."

CHRISTIAN STEINER, Director Total Quality Management

SUSTAINABILITY IN VOC REDUCTION

Reducing our internal VOC emissions is a multi-faceted challenge, which is why we're tackling it in an interdisciplinary project team comprising production, environment and safety as well as research and development. "Thanks to targeted substitution and reduction measures, we have already been able to reduce 58% of internal VOC emissions at the St. Margrethen site from 2015 to 2017", says Steffen Wöhrle, Environment and Safety Manager. The greatest remaining potential in St. Margrethen lies in cleaning agents for surface treatment systems. The dirty cleaning liquid has been distilled for years in order to be able to reuse the chemical building blocks. Nevertheless, the cleaning agents and thinners used are among the largest emitters – some with a VOC content of 100%. Their substitution has therefore been a top priority since 2017. "With outside help, we have found a cleaner that has neither negative effects on the parquet and the machines nor on the health of our employees", says Wöhrle. As part of a major evaluation process, the project team spent six months testing the optimum use of the new cleaner. Wöhrle makes clear: "This was not without any complications. In a complex and well-coordinated production process, cleaning agents are not easily replaced". The replacement was finalized in late 2017. "It was a complete success", says Wöhrle. "We expect further significant reductions in our internal VOC emissions in 2018. At the same time, we have been able to increase the occupational health and safety protection of our employees."



“We source wood only from controlled sources; where possible and economically feasible with FSC® certification.”

JÖRG HOLDEREGGER, Director of Procurement and Logistics



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systems such as FSC® (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification) focus on promoting environmentally appropriate, socially beneficial and economically viable forest management. We concentrate on the FSC® certificate in our purchasing and marketing, because this convincing certificate enjoys a high level of acceptance in most of our markets and customer segments. It is often also listed as a condition in building construction for quality standards such as Minergie, LEED and DGNB. 29 percent of our hardwood purchases for the top layers are now FSC®-certified. This figure would theoretically be considerably higher, given that all state-owned forests in Croatia – our newest location – are FSC®-certified. Here, however, the problem 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. Only about seven percent of our sales today are FSC® certified. We aim to continuously increase the proportion of FSC® in our portfolio over the next few years.

Resource efficiency as a major lever

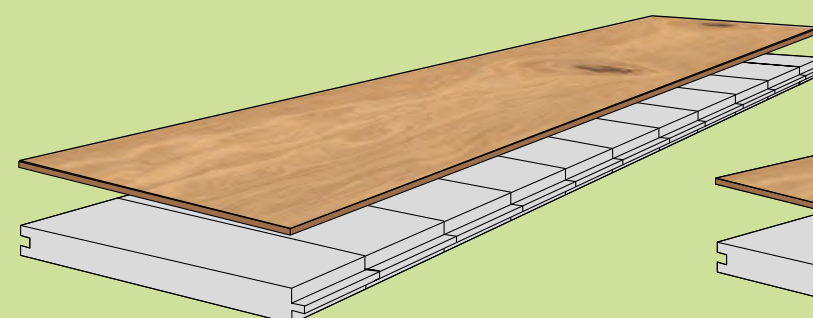
Oak is by far the type of wood most in demand for parquet. Although we sell around 94 percent oak parquet, we regularly analyse substitutes, and our range includes other types of wood such as ash, maple or beech. Nevertheless, it is almost impossible to find an adequate replacement for oak wood due to its technical properties and appearance. This makes the long-term availability of oak all the more essential for our business model. In addition to responsible purchasing, the efficient use of wood is another key success factor. We have two levers to improve our efficiency in the use of wood. First, we can extract even more from our raw material, i.e. produce more square metres from the existing cubic metres and thus increase our yield and output. To this end, we regularly test and implement measures to minimize our waste wood chippings. That may sound simplistic at first. With 20 different parquet formats and seven production steps, however, this is both a challenging and exciting task. Our second lever is on the input side: we are working on making an even greater proportion of a given log usable for parquet production.

EFFICIENCY THANKS TO TARGET AGREEMENT

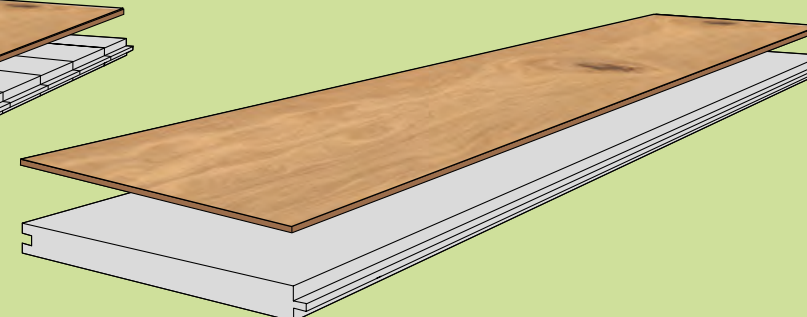
In Switzerland, as a production company with an electricity consumption of more than 0,5 GWh, we are subject to the legislation governing large-scale consumers in the Canton of St. Gallen. We pursue the path defined through a voluntary target agreement with the Canton in cooperation with the Energy Agency of the Swiss Private Sector (EnAW). The cooperation with the EnAW at the St. Margrethen location was initiated in 2012 and, according to Steffen Wöhrle, Environment and Safety Manager, it has been a very good experience so far: “Already in the past, we had a list of potential measures to improve our energy efficiency. Thanks to the target agreement from 2013 to 2020, however, we are now in a position to rigorously work through a comprehensive catalogue of measures and track them via an online tool.” Thus, in recent years, the lighting in various buildings has been converted to LED lighting, the heating system has been optimized, and various investments in improved insulation and energy-efficient ventilation have been made. In addition, the major consumers in the canton meet regularly to exchange experiences. “It’s exciting to see what others are doing,” says Wöhrle, “and the exchange often provides inspiration for further optimization potential in our own company.”

FORMATS & FSC® SHARE

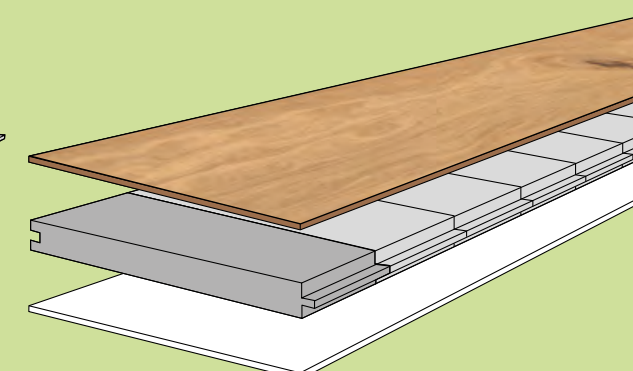
Here are our three main types of parquet. In addition, we also sell a small amount of parquet from solid wood (about 1% of our wood purchases). The FSC® share of top layers in 2017 was 29%.



Two-layer parquet with spruce-fir underlay



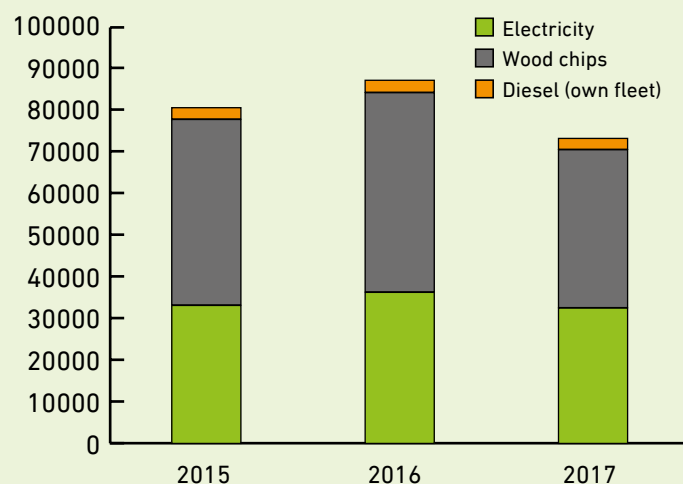
Two-layer parquet with HDF underlay



Three-layer parquet with spruce-fir centre layer with HDF end pieces and spruce-fir underlay

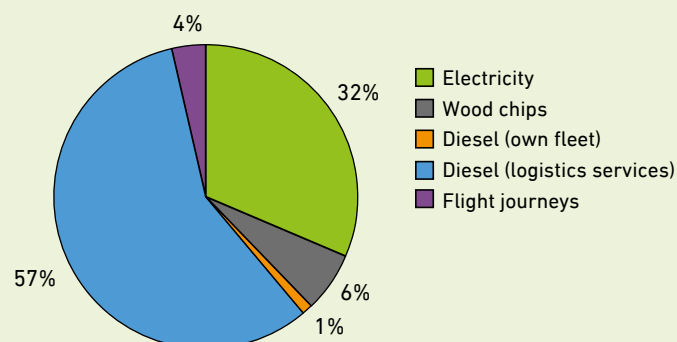
29%
FSC® share

Energy consumption in Switzerland, 2015-2017 (FY)



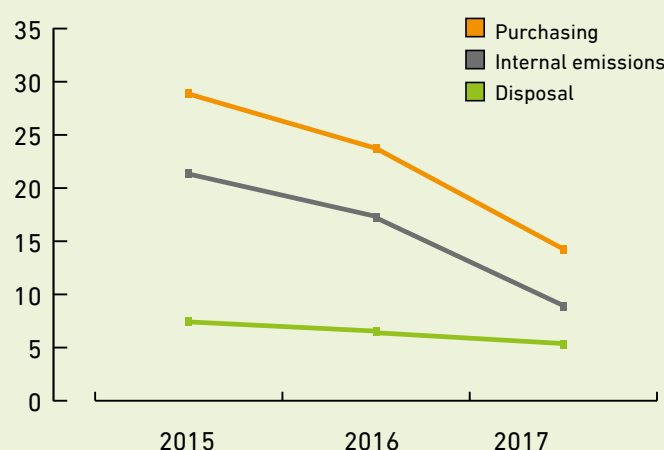
This includes the direct energy consumption of the production site in St. Margrethen, as well as the company's own vehicle fleet, which includes cars, lorries, vans, and forklifts. Not yet included are the nine "Bauwerk Parquet World" stores. Also not included is total indirect energy consumption by logistics service providers and air traffic.

Carbon footprint in Switzerland, 2017 (t)



In 2017, direct and indirect emissions of 4,257 tonnes of CO₂ were created in connection with our Swiss production (see above). The electricity purchased in St. Margrethen comes from 60% renewable sources. The emissions related to the burning of wood chips are based on an estimate. The diesel consumption of our own fleet was measured, as well as the flight miles. The diesel consumption by the logistics service providers is based on an estimate of the distances travelled. About 6% of goods were already transported by rail in 2017. This percentage is not included in the above figures, however.

Internal VOC emissions in Switzerland, 2015-2017 (g/m²)



In 2017, internal emissions of 17.85 tonnes of VOC were generated at the St. Margrethen site. We were able to reduce our internal emissions per square metre produced by 48% compared to the previous year.

Efficiency is not only the focus when dealing with wood; it is also the guiding principle when dealing with our other key resources, namely-energy and water ([GRI Content Index](#)). At all production sites, we burn our wood chippings to generate heat. We sell the remaining waste wood as wood briquettes.

Focus on greenhouse gas emissions

Climate change is the biggest challenge of our time. On the one hand, in view of our dependence on wood as a raw material, we are directly confronted with the consequences of climate change. However, current studies do not yet permit any conclusive assessments of the impact on the availability and quality of wood, especially oak. On the other hand, we also contribute to climate change with our greenhouse gas emissions, i.e. emissions of carbon dioxide (CO₂) and volatile organic compounds (VOCs). Greenhouse gas emissions in our business are mainly generated in production and logistics. Our CO₂ emissions are due to our own electricity and the fuel requirements of our logistics service providers – wood as fuel is carbon neutral. Internal VOC emissions in our production are mainly caused by the use of glues (pressing) and oils (surface treatment) as well as cleaning agents. The internal VOC emissions of the paints used (surface treatment) are minimal.

To increase our energy efficiency and reduce production-related CO₂ emissions at the St. Margrethen production site, we have been working with a moderator from the Energy Agency of the Swiss Private Sector (EnAW) since 2013 in order to achieve the goals of our universal target agreement with the Canton of St. Gallen. We also have a clear ambition with regard to our internal VOC emissions. We have been able to significantly reduce our emissions in recent years. In both areas, we are also helped by our engagement as part of Cradle to Cradle™.

Our future priorities

Our environmental and resource management will be characterized by consolidation in 2018 and beyond. On the one hand, we are striving for certification according to the new ISO 14001 standard (2015) for our Swiss production site. Certification for the other production sites in Croatia, Lithuania, and Russia will follow between 2019 and 2021. On the other hand, we are working at all sites to increase our resource efficiency and reduce our greenhouse gas emissions, including VOCs. To this end, we are currently drawing up a detailed roadmap. We also want to standardize our environmental performance indicators across the group and calculate our total CO₂ carbon footprint over the next two years. A group-wide data management system will

be available for this purpose in the future. Finally, we want to continuously increase the share of FSC®-certified wood and wood products with a package of measures. At the same time, we are revising our purchasing strategy, which officially sets out this increase.



THE RIGHT SHARP TOOL

The production of parquet is a relatively simple matter at first glance. Tool technology plays a key role in the efficient use of wood. "Cutting tools, especially, have made tremendous progress in the last ten years," says Paul Hehle, Manager Construction Tools in St. Margrethen. The tool suppliers already work closely together in the development phase. "We provide the manufacturers with important insights from the field," says Hehle. In one part of the lamella production, thin-cutting frame saws (see picture) produce lamellas for the top layer from four-sided planed wooden mouldings. Because the thin saw blades are re-sharpened up to twelve times, kerf widths of 0,7 mm and smaller can be achieved with optimal tool repair. Paul Hehle says: "We produce the necessary measuring equipment ourselves and the tool manufacturer has even copied it in the meantime." Significant improvements with a positive impact on product quality and tool life have been achieved in recent years during final production at the St. Margrethen site as well. Today, new types of diamond tools are being used almost exclusively and have been patented by the tool manufacturer in the meantime. "Here again, we were actively involved in the tool concept up until the start of production", says Hehle proudly. With these new tools, its lifecycles have increased from 1,5 million running meters in the past to 10 million today – with significantly improved product quality. "That's pretty good", says Hehle with a sly smile.



“The term “sustainability” originally came from forestry, referring to forest management with a focus on natural regeneration capacity.”



Even if machines are becoming more and more powerful and certain process steps are becoming much more efficient or even completely automated, the high quality for which our brands Bauwerk and BOEN are known, is only possible when people and technology are optimally coordinated. For example, in the area of surface treatment, there is no substitute for hand and eye checks by experienced employees.

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, well-educated and healthy employees act fundamentally in a more effective and efficient way, and they are prepared to make a contribution to the continuous improvement of our company.

Safety first

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. In Switzerland, 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. In Lithuania, SPS groups have proven to be very successful. SPS stands for "Synchronized Production System" and is based on the idea of "kaizen", or the continuous improvement of products and processes. The SPS groups work independently and with a fixed time budget of one half day per month. An important focus is the identification and removal of weaknesses in occupational safety. In addition, there are various group-wide training courses with a focus on the environment and safety.

Supporting and challenging

Our collaboration within the Group is based on the "The Bauwerk Boen Way" which defines our values and explains key working principles. This cultural foundation, which we de-

veloped together with employees at all levels and locations, is today reflected in virtually all HR instruments and is also discussed in the annual employee appraisals. We believe that employees can make a significant contribution to the success of our Group and contribute to its improvements. Therefore, employee development takes place directly in the management line and by all managers. Good employees need to see that their achievements are recognized and that their development prospects are shown. With the "People Development Programme" and the "Leadership Development Programme", we work to anchor this understanding of leadership in the organization and our culture. At the moment, we are focusing in particular on measures relating to internal recruitment. Deputies and, whenever possible, internal successors should be defined for important positions of our extended management team.

To create a motivating environment for our employees, we also actively involve them in the design of their work environment and our business processes. With the "EBITDA15+-programme" (see "Aware actions for greater efficiency"), we encourage our employees on all levels and in all functions to actively pursue efficiency gains of any kind.



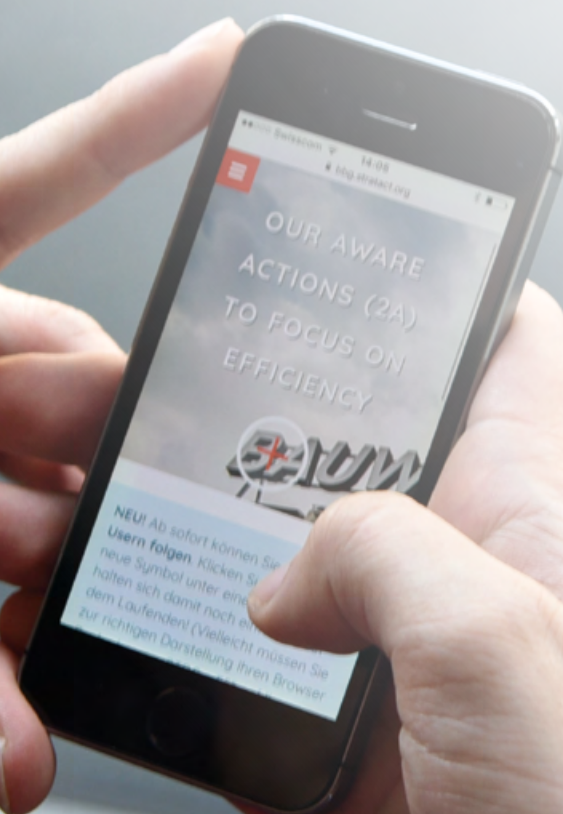
"We want to offer our employees a safe working environment in all locations, where they are challenged and supported by their supervisors."

MICHAEL KUMMER, Chief Human Resources Officer

AWARE ACTIONS FOR GREATER EFFICIENCY

"The higher the EBITDA value in percentage of sales, the higher the value of our company", explains CEO Klaus Brammertz on the introduction day for new employees in St. Margrethen. The CEO is not giving an introduction to the basics of business administration, but rather is introducing the new employees to our programme EBITDA15 +, which was launched in early 2017. This programme aims to bring us closer to the goal of increasing profitability from 12% today to more than 15% by 2019. With the programme, we are calling on every single employee to think about potential efficiency gains in their daily work and processes. In doing so, we encourage them to go beyond their own comfort zone and to courageously explore new paths – we call these "aware actions". At the core of the programme is a web-based platform where we set goals for ourselves, regularly record our aware actions and share them with the rest of our employees. In the annual appraisal and development discussions, EBITDA15 + is now firmly established.

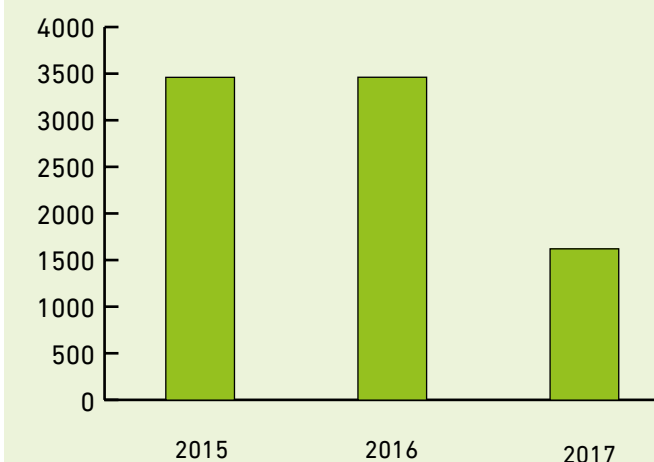
- › Almost half of all employees have registered on the EBITDA15+ platform.
- › 43% of all employees actively communicate their “aware actions” for greater efficiency on the platform.
- › More than 4,400 “aware actions” have been shared on the platform since the beginning of 2017.



Our future priorities

Following the strong growth in recent years, we would like to offer our employees an additional voice on top of EBITDA15+ and the direct exchange with their supervisors. In 2018, we will conduct a group-wide satisfaction survey of all employees, which we will repeat at a three-year frequency. Furthermore, we will work on the standardization of our wage systems. In order to ensure enhanced and immediate prevention of accidents and illnesses, we will transfer proven infrastructures and measures from individual production sites to the remaining sites. In the medium term, we are working on the implementation of a comprehensive group-wide occupational safety and absence management system, in which all data is recorded uniformly, thus providing us with insights into the success of existing measures and any need for further development.

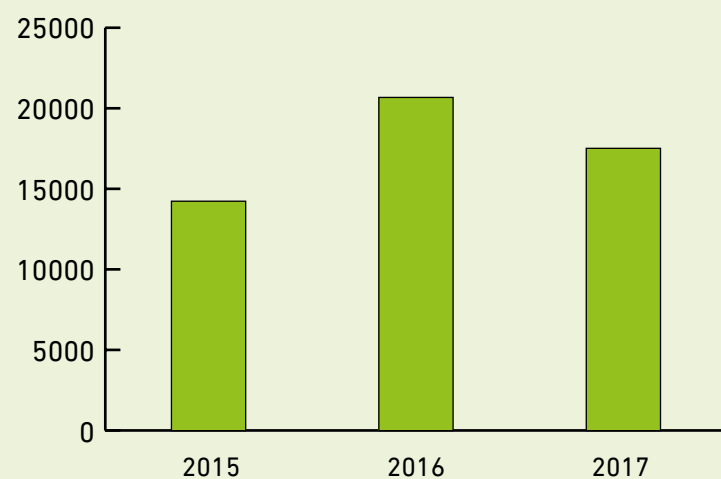
Number of training hours in Switzerland,
2015-2017 (h)



All training hours in the areas of quality (incl. leadership training) as well as environmental protection and occupational safety. In 2015 and 2016, an above-average number of external continuing education and language courses were completed.

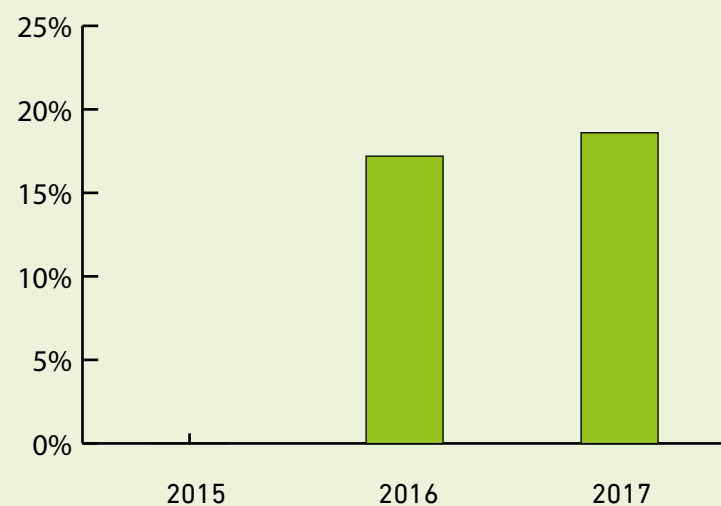
23% of our management positions are filled with internal candidates

Absence statistics for Switzerland, 2015-2017 (h)



At present, this level of detail only includes figures for the site in St. Margrethen. In Croatia, Lithuania and Russia, no breakdown of absence time was made available in the past due to a single national fund.

Fluctuation rate, 2015-2017



The gross fluctuation rate (voluntary and uncontrollable departures such as retirements) has been at an unpleasantly high level over the last two years. Reasons for this include the relocation of processes from Lithuania and Switzerland to Croatia, the high workload in four-shift operation and the continuing migration of young skilled workers out of Lithuania. With the establishment of production in Croatia, we want to return to three-shift operations in Lithuania. There is no validated fluctuation rate for 2015.



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NEW LOCATION, THE SAME HIGH STANDARDS

"When we do something, we do it right," says Michael Kummer, Chief Human Resources Officer, quoting an unofficial Group guiding principle and referring to the transformation process of the Croatian Đurđevac production site acquired at the end of 2016. Production was switched from wooden panels to three-layer parquet flooring, which necessitated major investments in infrastructure, modern machinery and the training of employees. In addition to the large financial investments, the smaller, symbolic investments were also extremely important, Kummer said: "For example, we attached great importance to all employees in Croatia receiving new uniforms with the Bauwerk Boen logo in the week after the takeover." Thanks to these investments and a new dynamism, we were able to quickly position the Group as an attractive employer and more than double the number of employees in just 12 months. We were only able to cope with the challenging production change-over while doubling our workforce because we could count on the experience and active support of our experts from Kietaviškės and St. Margrethen. But even so, the transformation process has not taken place without background noise: In its initial phase, "The Bauwerk Boen Way", which encourages employees to participate and shape the company, was a real culture shock for the organization and the individual employees at first, who were accustomed to steep hierarchies and an authoritarian management style. Michael Kummer is convinced that, despite a few stumbling blocks, the company is on a very good path. "When we eat at restaurants in Đurđevac, we are often asked whether there are currently vacancies at Bauwerk Boen. We can't imagine better feedback", says Michael Kummer proudly.

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Action Area

FAIR BUSINESS

It is evident: the countries where we source and process most of our timber do not rank highly in Transparency International's Corruption Perceptions Index. We are therefore quite exposed with regard to fair business practices and corruption. Our stakeholders, and our customers in particular, rightly expect us as suppliers of high-quality parquet to behave in an exemplary manner in our day-to-day business. In the procurement of raw materials, 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.

Our approach against corruption is ostensibly very simple, but in practice an omnipresent challenge. We have a zero-tolerance policy set out in our group-wide anti-corruption policy. We deliberately accept negative operational consequences such as difficulties with access to raw materials or more complex administrative processes. About 200 employees, or 10 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.

To prevent corruption, all potentially exposed employees sign a code of conduct along with their employment contract. It not only contains a clear definition of "corruption" and a formal ban, but also concrete indications as to which behaviours are permitted or prohibited from the point of view of the Bauwerk Boen Group, for example, in connection with gifts and hospitality, donations and sponsoring, or payments of "bribes" to speed up government services. The issue of corruption is an integral part of employee discussions and management meetings. In addition, we have established an internal whistle-blower mechanism through which employees can report suspected violations of the anti-corruption policy to their line managers, the management or the Board of Directors. Any reports are

treated confidentially, and retaliatory measures against the whistle-blowers are explicitly not tolerated.

Our future priorities

In 2018, we will be developing a concept for the continuous training and certification of exposed employees, via a digital learning platform. At the same time, we are refining our internal monitoring and reporting on fair business practices and corruption. In the future, we not only want to show that we have implemented the right routines, but also use data to determine how well they work.



"We want to achieve our business success fairly and are therefore uncompromising against any kind of corruption."

THORLEIF HALS
Chief Supply Chain Officer



3 NOTIFICATIONS
OF UNLAWFUL SUPPLIERS
IN RAW MATERIAL
PURCHASING

**CORRUPTION
OR OTHER
COMPLIANCE
VIOLATIONS
IDENTIFIED**



ABOUT THE REPORT

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Identification and evaluation of sustainability issues

This is the first sustainability report of the Bauwerk Boen Group. It is aimed at our stakeholders, in particular customers, investors, authorities, business partners, NGOs and our employees 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 Standards: Core option". We involved the above stakeholder groups in the identification and evaluation of our sustainability issues in a stakeholder dialogue in March 2017. The relevance 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

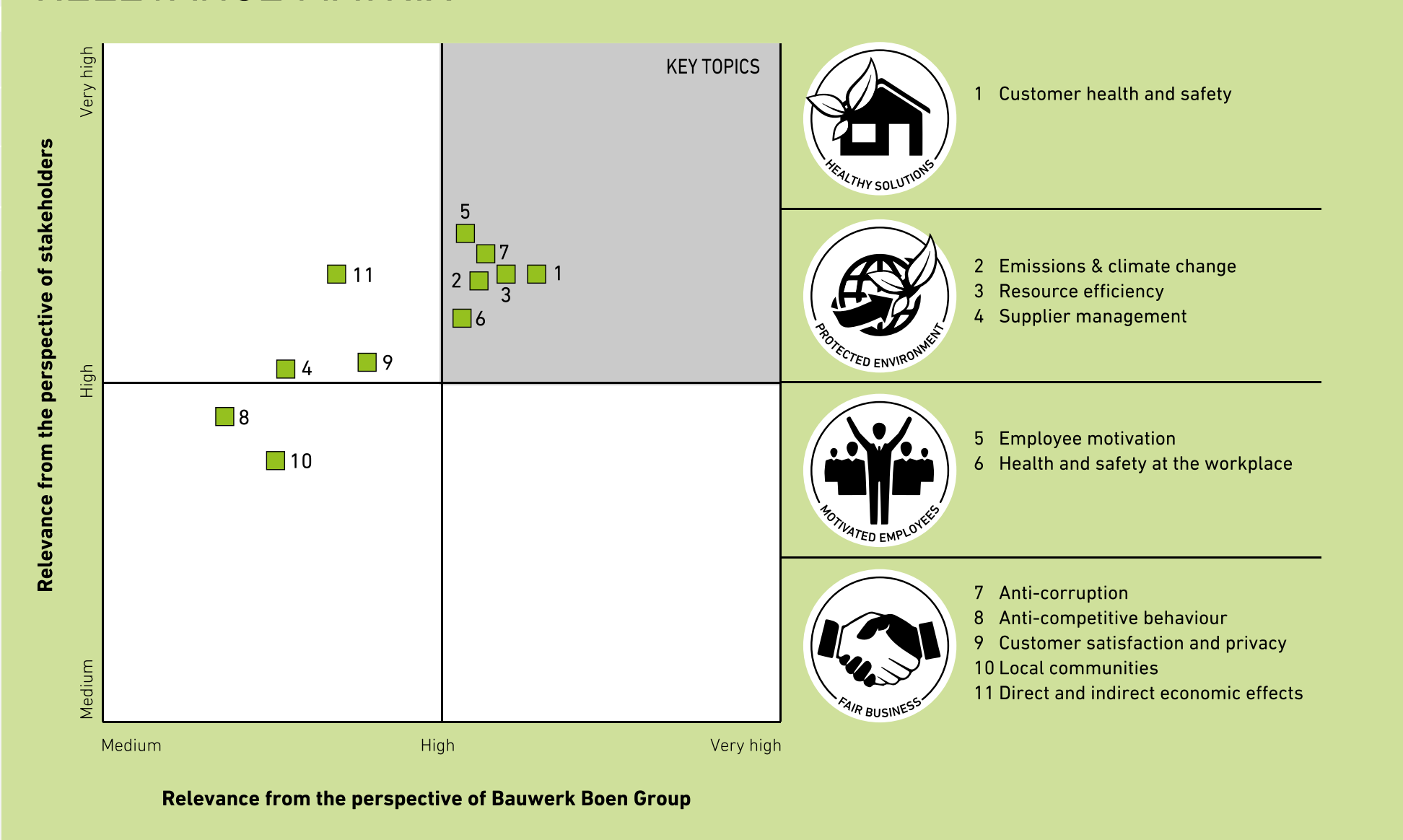
As part of our sustainability management that was systematized in 2017, we established a Sustainability Committee with the participation of the central corporate functions. With external support, the Sustainability Committee has developed the contents of this report in several iterations. One focus of 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 will start introducing a comprehensive central data management system in 2018. This will help us to measure the success of our sustainability management and formalize our reporting in the future.

RELEVANCE MATRIX



GLOSSARY

B

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

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 on-line 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, Prepark and Prepark Comfort, meets the strict requirements of the eco-INSTITUT-Label.

[Further information](#)

Elements: In an initial step, logs, i.e. round wood, are processed into sawn timber. These elements are dried and then processed into lamellas.

EUTR, European Union Timber Regulation: The European Union Timber Regulation counteracts the trade in illegally harvested timber and timber products. Clear obligations of due diligence are imposed on market participants placing timber or timber products on the market for the first time. Traders, i.e. all other market participants, excluding end customers, are obliged to keep records with their suppliers and customers in order to ensure the traceability of timber and log products. The Bauwerk Boen Group is both a market participant placing timber and timber products on the market for the first time and a trader. [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. Further information. [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](#)

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GLOSSARY

M

Minergie: Houses built according to the Swiss Minergie standard save energy efficiently and retain their high value. The Minergie label is supported by the Swiss private sector, the federal government and the cantons. [Further information](#)

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

P

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

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

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

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 waste wood is sold as wood briquettes.

Y

Yield: Percentage of the total input of wood from which parquet is effectively produced.

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GRI CONTENT INDEX

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	GRI 102: General Disclosure 2017	Information / Reference
102-1	Name of the organization	Bauwerk Boen Group
102-2	Activities, brands, products, and services	see p. 3
102-3	Location of headquarters	St. Margrethen, Switzerland
102-4	Location of operations	Lithuania, Switzerland, Croatia, Russia, Germany, Norway, and Austria. See also p.3.
102-5	Ownership and legal form	see p. 2-3
102-6	Markets served	Bauwerk brand: Switzerland, Germany, Austria, Benelux, Italy, France, Russia, Romania; mainly floor installers and retail. BOEN brand: Germany, Norway, France, USA, China, Lithuania, Denmark, Sweden and many others; mainly via wholesale. See also p. 3
102-7	Scale of the organization	see p. 2-4
102-8	Information on employees and other workers	Total number of employees - by employment contract, by gender: 1'978, whereof 953 female - by employment contract, by region: CH: 238; LT 1'210; RUS: 119; HR: 232; AUT: 39; GER: 88; FRA: 5; NOR: 30; UK: 8; HK: 4; USA: 5 - by employment type, by gender: 1'932 FTE; est. 5% of headcount in parttime, 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"
102-9	Supply chain	see p. 4
102-10	Significant changes to the organization and its supply chain	see p. 3
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 manage them pro-actively.
102-12	External initiatives	see p. 5-6
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 and values of BBG
102-18	Governance structure	Board of Directors with 6 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.
102-40	List of stakeholder groups	see p. 15
102-41	Collective bargaining agreements	none
102-42	Identifying and selecting stakeholders	see p. 15

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. 15.
102-44	Key topics and concerns raised	see p. 15
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 UAB Bauwerk Boen Boen Deutschland GmbH Boen Parkett 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. 15
102-47	List of material topics	see p. 15
102-48	Restatements of information	This is Bauwerk Boen Group's first sustainability report.
102-49	Changes in reporting	This is Bauwerk Boen Group's first sustainability report.
102-50	Reporting period	Calendar and financial year 2017; effective date: 31 Dec 2017
102-51	Date of most recent report	This is Bauwerk Boen Group's first sustainability report.
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Klaus Brammert, CEO
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. 18-19
102-56	External assurance	The content of this report has not been externally assured.

GRI CONTENT INDEX

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	GRI: Topic-specific Disclosures	Information / Reference
	Economic topics	
205	<i>Anti-corruption</i>	
103-1/2/3	Management approach disclosures	see p. 14
205-2	Communication and training about anti-corruption policies and procedures	see p. 14
205-3	Confirmed incidents of corruption and actions taken	see p. 14
	Environmental topics	
301	Materials	
103-1/2/3	Management approach disclosures	For management approach on wood see p. 7-9.
301-1	Materials used by weight or volume	For wood: see p. 4, 7-9
302	Energy	
103-1/2/3	Management approach disclosures	see p. 8-9
302-1	Energy consumption within the organization	see p. 9
302-2	Energy consumption outside of the organization	see p. 9
302-4	Reduction of energy consumption	see p. 8
303	Water	
103-1/2/3	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 p. 8-9.
303-1	Water withdrawal by source	Validated and consolidated data for all production sites will be available in the next two to three years. Currently available is data from our production sites in Switzerland and Croatia (in cubicmeters). 2016: 18,534 2017: 21,080
303-2	Water sources significantly affected by withdrawal of water	none
305	Emissions	
103-1/2/3	Management approach disclosures	see p. 7, 9
305-1	Direct (Scope 1) GHG emissions	see p. 9
305-2	Energy indirect (Scope 2) GHG emissions	see p. 9
305-7	Nitrogen oxides (NOx), sulfur oxides (Sox), and other significant air emissions	For internal VOC emissions see p. 7 and 9.
306	Effluents and Waste	
103-1/2/3	Management approach disclosures	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. 8-9.

306-1	Water discharge by quality and destination	Validated and consolidated data for all production sites will be available in the next two to three years. Currently available is data from our production sites in Switzerland and Croatia (in cubicmeters). 2016: 19,010 2017: 19,086
306-3	Significant spills	none
306-5	Water bodies affected by water discharges and/or runoff	none
	Social topics	
401	Employment	
103-1/2/3	Management approach disclosures	see p. 11
401-1	New employee hires and employee turnover	see p. 13
403	Occupational Health and Safety	
103-1/2/3	Management approach disclosures	see p. 11
403-1	Workers representation in formal joint management-worker health and safety committees	see p. 11
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	see p. 13
404	Training and Education	
103-1/2/3	Management approach disclosures	see p. 11
404-1	Average hours of training per year per employee	see p. 12
404-2	Programs for upgrading employee skills and transition assistance programs	see p. 11
404-3	Percentage of employees receiving regular performance and career development reviews	see p. 11
405	Diversity and Equal Opportunity	
103-1/2/3	Management approach disclosures	see p. 11-13
405-1	Diversity of governance bodies and employees	see GRI 102-8
405-2	Ratio of basic salary and remuneration of women to men	see p. 11
406	Non-discrimination	
103-1/2/3	Management approach disclosures	see p. 11-13
406-1	Incidents of discrimination and corrective actions taken	none
416	Customer Health and Safety	
103-1/2/3	Management approach disclosures	see p. 5
416-1	Assessment of the health and safety impacts of product and service categories	see p. 5-6
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	none



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