



**SUSTAINABILITY
REPORT 2019**
Bauwerk Boen Group

BAUWERK®
Parquet



BOEN

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BAUWERK BOEN GROUP IN NUMBERS

1,736
Employees worldwide

40.3
Years average age

3.4%
Investment ratio

282
Mio. CHF
net sales

8.7 Mio
Square meters sold

46%
Share of female
employees

27
Different nationalities

45%
Equity ratio

10.5%
EBITDA ratio

1.1%
R&D ratio

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Brands

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Editorial

Dear Reader

The ongoing global crisis caused by the Coronavirus is a remarkable demonstration that things we take for granted – as companies and as individuals – can be much more fragile than we assumed. We implemented additional safety measures since early March, such as time gaps between the shifts and rigorous temperature checks of incoming employees. We also exchange our activities and learnings daily via intranet. Fortunately, we did not have any confirmed cases so far. But we already feel the business impact of the crisis and its scale is difficult to predict at the moment. The pandemic certainly underscores that we need to work together to strengthen the resilience of our economies and societies.

Staying with the crisis theme but switching to our environment: We saw an enormous increase in awareness regarding climate change and its impact on our planet, our economies, and society as a whole in the past year. "Fridays for Future" and similar initiatives gained traction and visibility. Greta Thunberg mobilized a whole generation of young people and beyond to get involved and help shape a more sustainable future. At the end of 2019, the European Commission launched its Green Deal to achieve "net zero emissions" by 2050. All of this is a reason for hope. The importance and urgency of the Paris Climate Agreement and the Sustainable Development Goals (SDGs) are suddenly palpable for many more people.

At Bauwerk Boen Group we are committed to do our share to guarantee the right of future generations to an intact planet. Our product is uniquely suited to support that effort: Wood is a natural and infinite resource – if managed sustainably. One kilogram of wood captures 1.65 to 1.8 kilograms of CO₂, and our flooring products give trees a second life.

At the same time, we still have impacts on society and the environment through all our activities. Better understanding those impacts and continuously making improvements in reducing our footprint are at the core of sustainability management within BBG. In the past year, in collaboration with our new sole owner – EGS Beteiligungen AG – we initiated the most significant

and challenging change process since our merger in 2013. We reviewed our strategy and developed strategic key initiatives that will guide our group activities for the next several years. Sustainability has been an integral focus in defining all key initiatives, and specific key initiatives focus purely on improving and accelerating our sustainability management.

This strategy review process required a lot of organizational focus at all levels. Therefore, we did not make as much progress on some operational aspects of our existing sustainability roadmap as we would have liked. Nevertheless, our progress included significantly reducing our greenhouse gas emissions and our direct energy consumption. We switched our complete three-layer parquet range, produced in Croatia and Lithuania, to a formaldehyde-optimized glue system and increased our FSC™ and PEFC® share in wood purchasing. Furthermore, we brought SPS groups to Croatia, completed a groupwide leadership training for all members of our extended management team, and managed to reduce employee turnover in Croatia significantly in a challenging environment. Finally, we put significant effort into providing more in-depth information on our management approaches to material topics as a further step towards more systematic sustainability management and reporting.

Some pictures in this report show employees with face masks. This is due to health prevention in connection with COVID-19.

More details about our reporting (incl. GRI content index, management approaches to material topics) can be found in the [appendix](#).



KLAUS BRAMMERTZ,
President and CEO

BAUWERK®
Parquet



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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 St. Margrethen since 1946, at first solid wood parquet and now primarily 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 1956 and now focuses on three-layer parquet and sports floors made of wood. Kietaviškės in Lithuania and 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 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 floors. BOEN has a global presence and is particularly well established in the markets of Scandinavia, Germany, the United Kingdom, China, the Baltic States, Poland, Switzerland and the United States. The two-layer parquet mainly sold by Bauwerk Parkett must be professionally glued down over its entire surface. We reach Bauwerk end customers in particular through selected 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 2019, we sold 8.7 million m² of parquet - the equivalent of 1,222 standard football pitches.

In addition to the two 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, TQM, R&D 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 environmental and social responsibilities. We did not start from scratch but were able to 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 ([see appendix](#)).

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. The heads of quality management, environment and safety management, HR, research and development, purchasing, and representatives of both brands are likewise 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 in strategic initiatives and improving the interfaces to our business processes and organizational setup.



Innovative leader
of natural, sustainable
wood flooring

VISION OF BAUWERK BOEN GROUP

VALUE CHAIN BAUWERK BOEN GROUP (2019)

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PURCHASING

We purchased **210,000 m³** of wood (incl. HDF) to produce parquet.

95% of hardwood purchases for top layer production are oak.

49% of our wood purchasing, incl. HDF, is FSC™ and PEFC® certified.

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

We have **279** active wood suppliers.

PRODUCT DEVELOPMENT & PRODUCTION

We have invested **1.1%** of our turnover in product development.

In autumn, our production site in Switzerland renewed its Cradle to Cradle Certified™ GOLD and BRONZE level certifications.

Our internal VOC emissions in Switzerland remain at a very low level of **4 tonnes**.

We launched a new and improved app (weffect) for all employees to share small success stories and learnings throughout the group.

SALES

We sold **8.7 million m²** of parquet – the equivalent of **1,222** standard football pitches.

722 installers attended training courses in our Bauwerk Academies in several countries and **1,018 end customers** were trained in cleaning and maintenance workshops.

With a total of **17 Bauwerk Parquet World** stores in four countries, we advised **23,100 end customers and architects**.

We trained **1,009 commercial customers** in the BOEN Academy.

In addition, we offered training courses for **6,773 customers** of our trading partners.

- > Emissions & climate change
- > Occupational Health and Safety
- > Anti-corruption

- > Emissions & climate change
- > Ressource efficiency
- > Occupational Health and Safety
- > Employee motivation
- > Customer health and safety

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

IMPACTS

The most important impacts of our business activities on the environment and society across the entire value chain.

[see about our reporting in appendix](#)

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Action areas

HEALTHY SOLUTIONS

As individuals we spend 80 to 90% of our lives indoors, inhaling and exhaling ten to twenty cubic metres of air a day. Although today's nearly airtight buildings make sense from an energy point of view, the ventilation systems needed are questionable in terms of healthy living. Wood is a natural material. In parquet production, glues, lacquers, colours, stains, oils as well as cleaning and care products are applied during installation and the subsequent use phase. If improperly developed and applied, these may cause emissions that impair indoor air quality and a healthy living or working environment during the hardwood floor's service life. With our brands BOEN and Bauwerk Parquet, we stand for parquet of high quality that is harmless to health. 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.



More details about our management approach to Customer Health and Safety can be found in the [appendix](#).

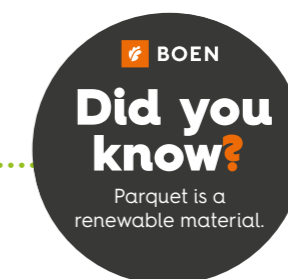


SENTINEL HAUS
INSTITUT



Our brands' certificates

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



THE REAL DEAL

Competition is good for business. One might think that our biggest competitors are our valued fellow hardwood flooring manufacturers. Far from it! In the market, our parquet solutions take on other – often fossil-based – flooring solutions. Consequently, both our brands started awareness campaigns in 2019 to win over potential customers with the various benefits a natural product like parquet has to offer. "We're convinced that our wooden floors are the real deal, and only our material can make credible claims of comfort, well-being and sustainability," explains Finn Roger Opedal, Marketing Director of Boen. In alignment with the European Federation of the Parquet Industry's efforts to promote real wood, both our brands created informative statements and questions on black stickers and speech bubbles. "We wanted to let the floor talk about its benefits directly to our users online," says Mara Oriovich, Online Marketing Manager of Bauwerk. And there is a lot to talk about: Parquet is a natural product – customers bring a piece of nature and well-being into their homes. Further, each plank is unique and never replicated. Parquet gives trees a second life and stores carbon. One cubic metre of wood stores one tonne of CO₂ on average. And finally, parquet can be easily maintained, renovated and even recycled. Convinced yet? "Of course, we have our standard ways of measuring the performance of our online marketing and we hear and see how customers react at the point of sale. But if our efforts really pay off, we won't see it until we look at sales figures in the months and years to come," states Tanja Lockwood, Chief Marketing Officer of BBG.

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 our main focus in our group-wide innovation efforts.



NEW GLUE – HEALTHIER SOLUTIONS

“The glue we use for our three-layer parquet is a combination of urea and formaldehyde,” explains Martin Glaunsinger, Head of Research & Development at BBG. When these two parts come together, they interact and form a solid substance. However, if they’re not in a perfect balance, the uncombined parts may emit into room air. Our goal then? “To offer a product that scores with a perfect balance of those components, so that emissions are not possible anymore,” stresses Martin Glaunsinger. And this endeavour has been successful. In 2019, BBG switched its complete three-layer parquet range produced both in Croatia and Lithuania to a formaldehyde-optimized glue system. “The word ‘system’ is important to stress,” explains Artūras Sumakaris, Vice President of Operations. “You do not simply change the glue and that’s it.” We had to adapt our processes, adjust the machinery, go back and forth with our supplier, and convince our people that the more elaborate application of glue eventually benefits the customer and is therefore worth it. And it is: Our products now meet the highest requirements of customers worldwide, and especially in Asia where requirements are among the highest worldwide.

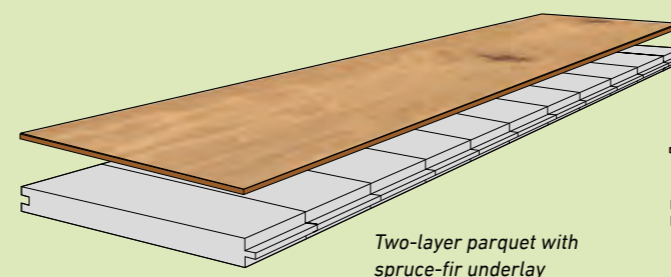
100%
NON-HAZARDOUS
PARQUET

16% of the parquet sold is certified according to Cradle to Cradle Certified™.

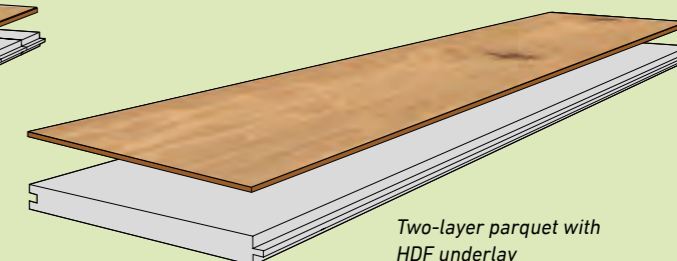
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OUR TYPES

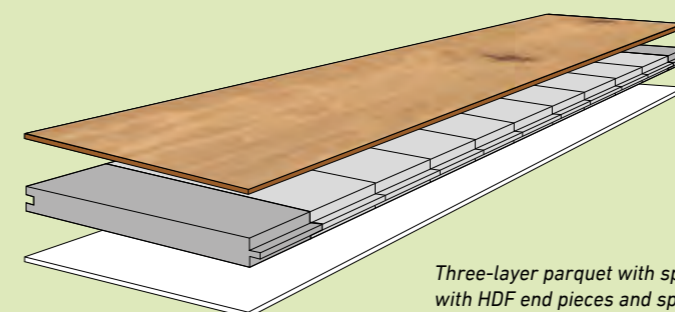
We are specialized in two-layer and three-layer parquet. We also sell a small amount of parquet from solid wood – less than 2% of our parquet sales.



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

Action areas

PROTECTED ENVIRONMENT

Our business revolves around wood: from purchasing and 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 is partly burnt at all production sites to generate heat. The remaining wood waste is either used 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 Environment Management System according to the ISO 14001 Standard for over ten years. 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. We also continue to expand our group-wide environmental, safety and compliance data management system. Our three key environmental focus areas are responsible procurement of wood and wood products, efficient use of our resources, and reduction of our greenhouse gas emissions.

More details about our management approach to Resource Efficiency and Emissions and Climate Change can be found in the [appendix](#).



ONE TARGET – NUMEROUS EFFORTS

Improving yield means saving natural and, consequently, financial resources. Our mindset of continuous improvement and our efficiency targets per product group also benefit the environment, as we need fewer cubic metres of wood to produce the same volume of square metres of parquet.

Our levers are manifold. At literally every stage of our production – from sawing and kiln drying all the way to surface treatment – we have potential room for improvement. Room that is constantly being analysed. By bringing together people from different processes, we identify gaps and implement new solutions. On a regular basis, each process team prepares recommendations on how to improve or fine-tune the previous production stage. “Here the pareto principle applies,” says Artūras Sumakaris, Vice President of Operations. “The more our actual yield approaches the theoretical yield, the more costly additional yield gains become.” His colleague Kęstutis Jasonas, Director of Group SPS, adds, “We have invested a great deal in the past 15 years to foster a ‘nothing is impossible’ mindset. Our SPS groups are a tremendous help in this regard.”

In 2019, our team at the sawmill in Russia successfully introduced a new drying and cutting process: Instead of sawing a beam into five planks, kiln-drying it, and then sawing it into a total of 25 lamellas, the wet wood block is sawn into 25 lamellas which are then kiln-dried right away. Although this process does not improve overall yield, it has various benefits: better grading from the same material, no unwanted discoloration, fewer end cracks, eight times faster drying time, and as a result significantly lower energy consumption. Artūras Sumakaris sums up: “The new technology we are using has been employed at other sawmills for quite some time. However, it was important for us to prove that it works in our context so that we can now make the substantial investments to make it work in our high-volume production sites.”

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Our future priorities

Our environmental and resource management continues to be characterized by consolidation in 2020. On the one hand, we are striving for certification according to the ISO 14001 standard for our production sites in Croatia and Lithuania in 2020. On the other hand, we are working at all sites to increase our resource efficiency and reduce our greenhouse gas emissions. In the latter case, we need to further invest in data availability and transparency. As for logistics, we are strengthening direct shipments – a pilot project for Switzerland is in the making – and combined transports. Finally, as part of the ongoing revision of our purchasing strategy in alignment with our new group strategy, we have a clear focus on sustainable sourcing and want to further increase the share of certified wood and wood products like FSC™ and PEFC®.



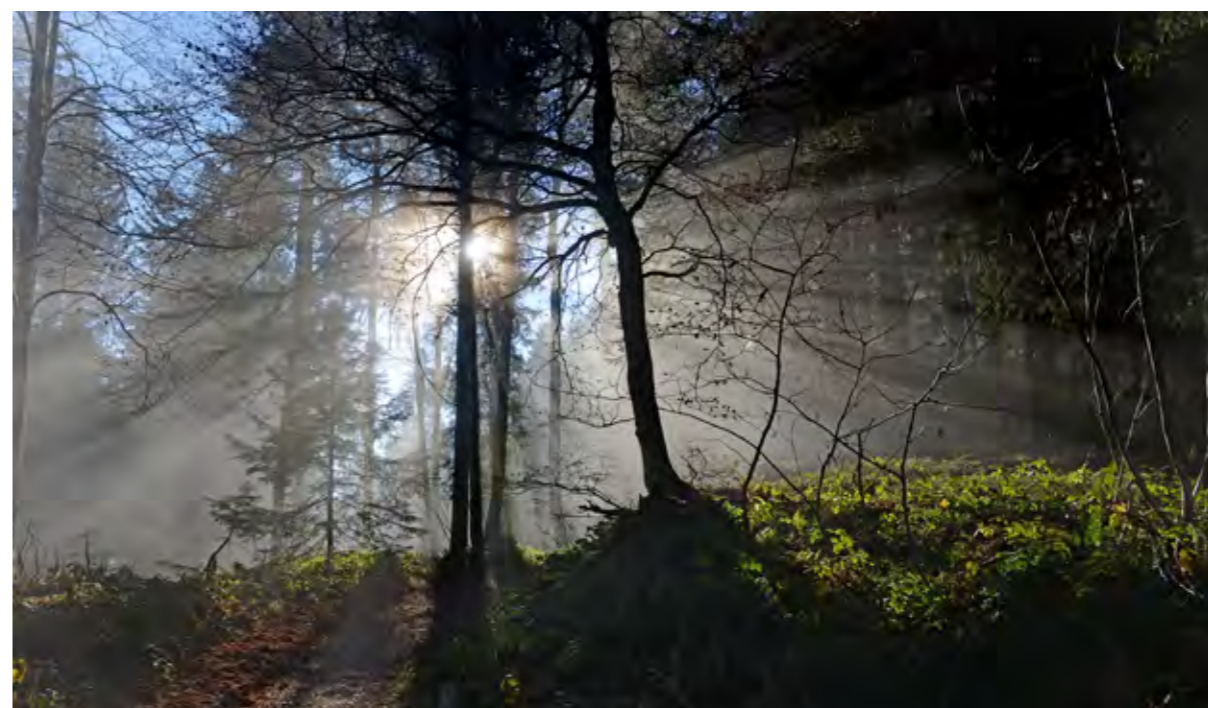
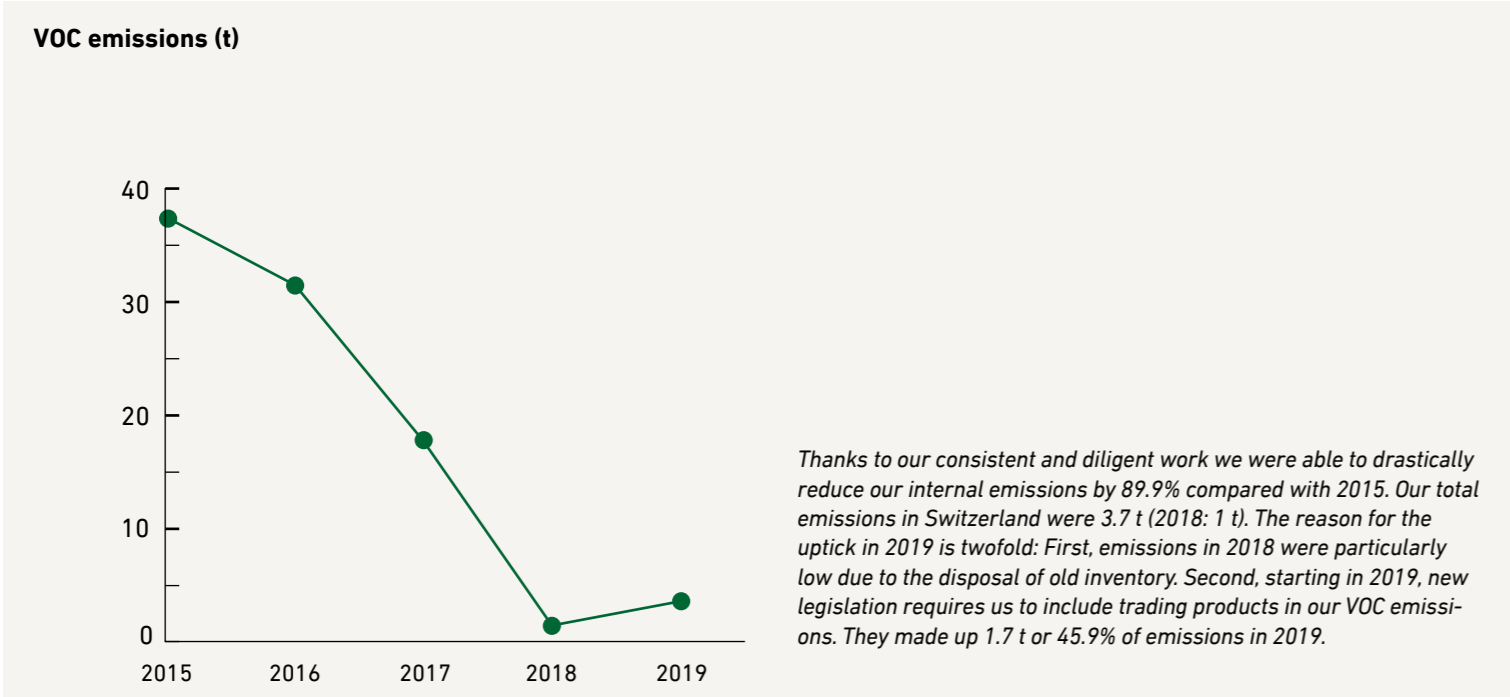
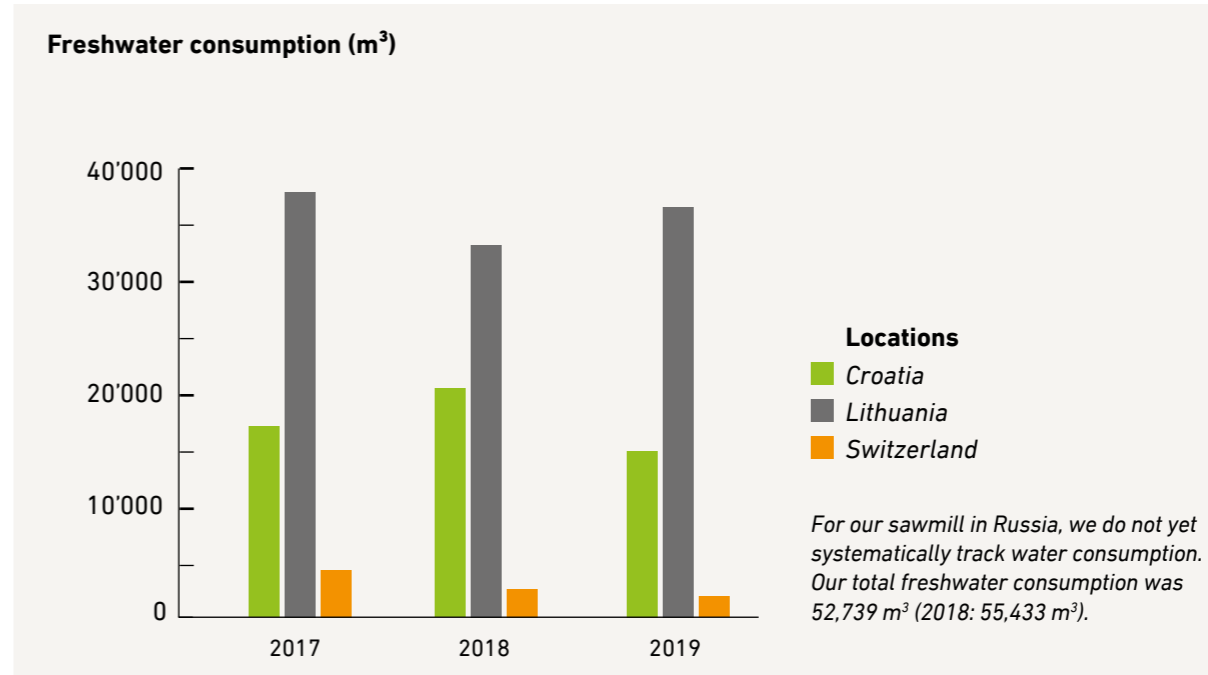
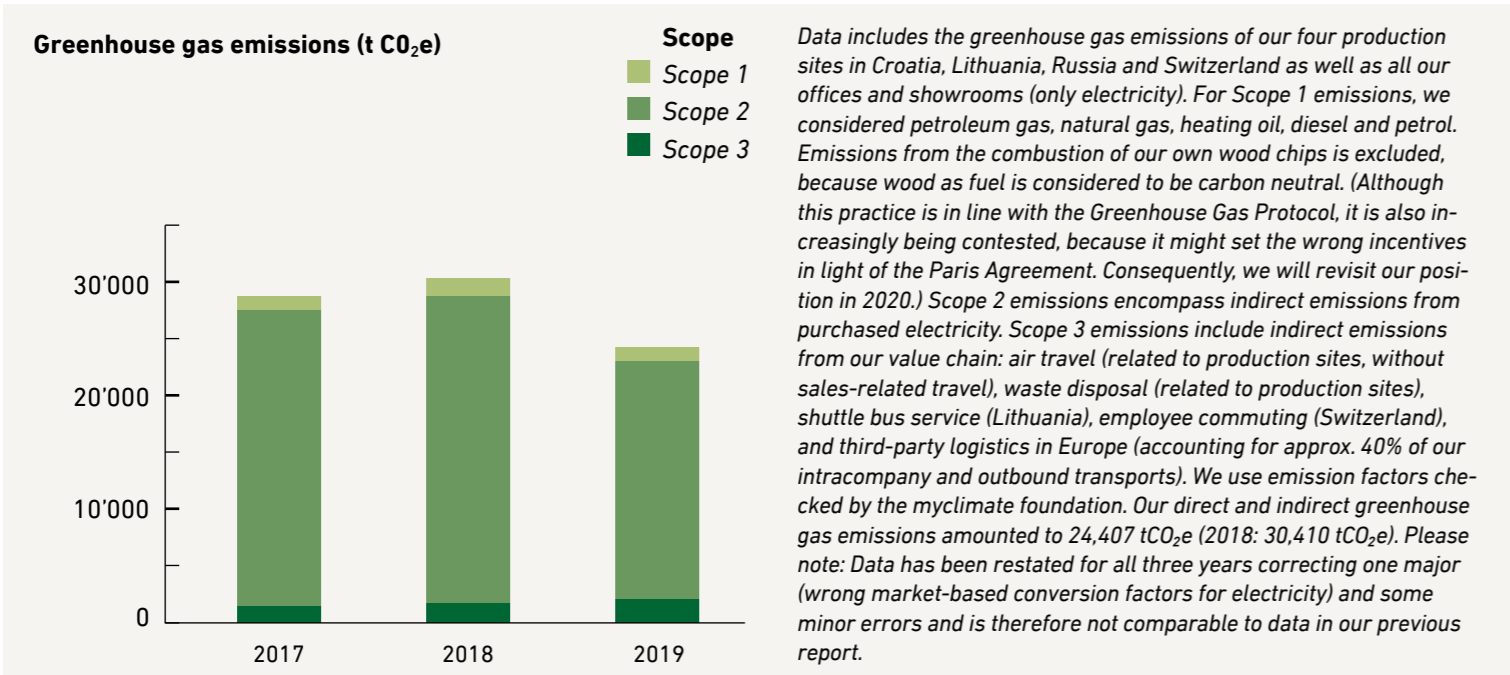
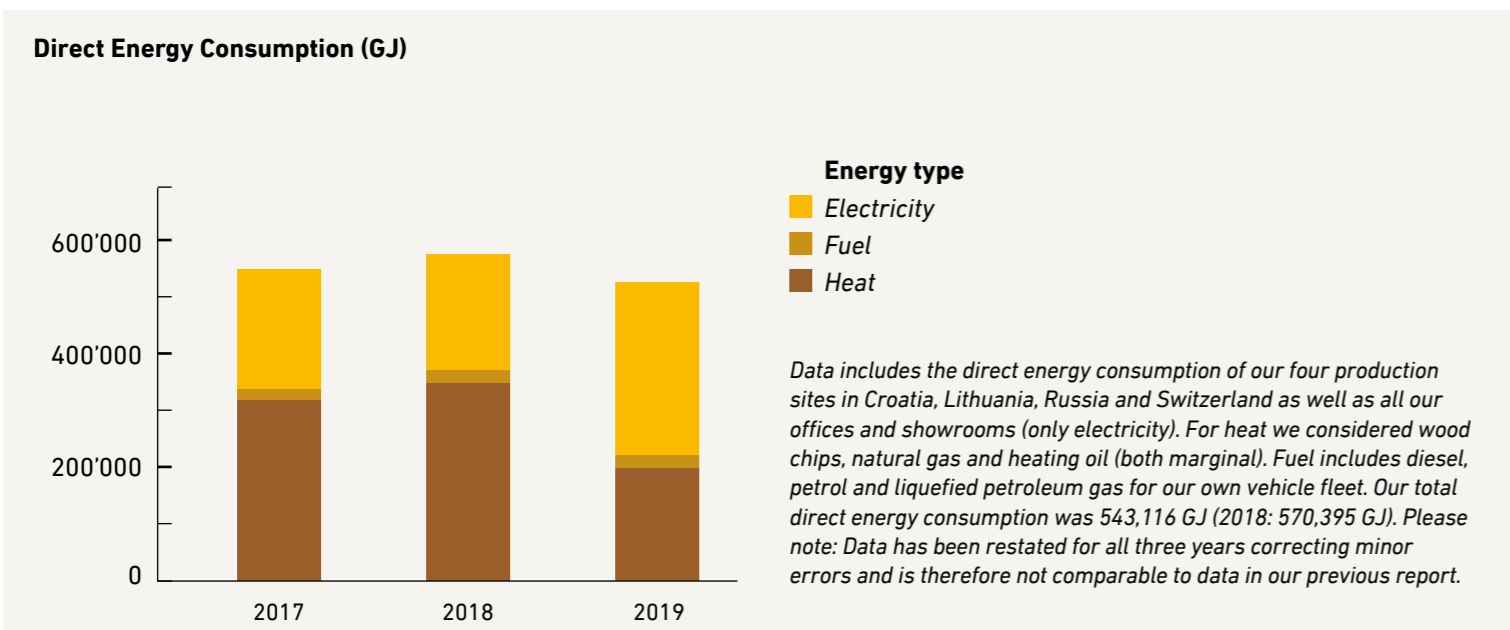
STEP BY STEP

“There is still a long way ahead of us,” admits Jörg Holderegger, Director of Logistics. “Although we made progress and took some important steps, we are far from having a full picture of our carbon emissions in our logistics setup.” Reliable data remains our key challenge ([see last report](#)). We continue to work with our logistics providers to increase transparency. However, it’s complex. Our strategic logistics partners in central Europe can produce sound data at the level of orders covering the past three years. Other haulage contractors are not there yet. They plan our transports and subcontract orders to smaller carriers. “Here’s where the data flow stops,” explains Jörg Holderegger. Moreover, each of their trucks often hauls a dozen or more individual orders for different customers and destinations. In this thicket, it is important not to lose sight of existing levers. “We continue to play our two strongest cards for the time being: direct shipments and combined road-sea and road-rail transports,” says Michael Rankl, Chief Operating Officer. In 2019, we intensified the promotion of direct shipments from our production site in Lithuania to selected wholesale customers in key markets such as Austria, Benelux, France, Germany, Italy, and Spain. 75% of our goods – as opposed to 63% in 2018 – were shipped directly.

In addition to already established combined transports on the road and by rail in Switzerland, we particularly strengthened our new road-sea-road route from the port of Klaipėda, Lithuania, to our warehouse in Tveit, Norway. In figures, we shipped 45% (2018: 18%) of our volume via this route. Additionally, we introduced a new road-sea-road route from the port of Rijeka, Croatia, to our warehouse in Tveit. In 2019, 68% of our volume reached Tveit via combined transport. Combined transports like these have the potential to be significantly more efficient than road transports alone. “Unfortunately, we do not yet have solid data to identify our true emissions reductions thanks to combined transports, but the international sea freight industry is in the middle of a big transformation towards lowering greenhouse gas emissions,” says Jörg Holderegger.



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Action areas

MOTIVATED EMPLOYEES

Across all levels and functions, our employees are the key success factor for BBG. To make a geographically spread-out business with a complex supply chain work with a rather small number of employees, the company requires knowledgeable, dedicated and entrepreneurial people throughout the whole organization. As an employer, we bear responsibility for the health and well-being of our employees. Accidents, simmering dissatisfaction or conflicts lead to both efficiency losses and reputational risks.

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.

.....
More details about our management approach to Employee Motivation and Occupational Health and Safety can be found in the [appendix](#).
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IMPLEMENTING A COMMON LEADERSHIP UNDERSTANDING

In 2018 and 2019 we put significant resources into a training program to solidify a common leadership understanding and approach within BBG. Our extended management team (MT+) currently consists of 49 people. A little less than half of those completed the leadership program in 2018, and most of the rest in 2019. We developed and implemented this comprehensive custom programme together with a specialized external partner. The content revolved around self-development as leaders, understanding how to best develop and engage team members, and effectively shaping change processes.

An evaluation of the program among participants revealed that they appreciated the combination of relevant and actionable methods with self-reflection and personal development and were very eager to implement what they learned in their day-to-day work. Michael Kummer, Chief Human Resources Officer, who conceptualized and developed the programme in collaboration with an external partner, is happy about its reception so far: "The leadership training for all MT+ members clearly changed the dynamic of our meetings and decision-making processes. We can build upon a shared experience that allows us to be more focused and efficient as a team."

For the long-term success of the leadership programme, ongoing application and reflection on the learning is crucial. There are memo cards and digital tools to review the methodologies and resources from the programme. We have established peer groups and mentoring relationships where participants can reflect on and discuss the leadership experiences of their daily business. And at every MT+ meeting there is a short refresher on some aspects of the training and the group leadership framework. "At the end of the day, the programme needs to translate into even more effective leadership. Employees at all levels need to learn from each other and feel empowered to do their best work," emphasizes Michael Kummer. "I am confident that we are on a great trajectory in that regard."



FIGHTING FIRE WITH TRAINING

It's a cold morning in Kietaviškės, Lithuania, in January 2019. Smoke that originates from the 16 sub-factories fills the air. The factory alarm system is ringing loudly and workers are moving swiftly towards the designated emergency assembly point. Suddenly, in the distance, flashing blue lights emerge and moments later the accompanying sirens – two firefighting vehicles are on their way. Artūras Zaikauskas, Local Manager of Technics and Engineering, is checking his watch, noticing the response time of less than 10 minutes and thinking to himself, "Things went great so far. Still, I am very grateful that this is only a test exercise."

In 2019, we conducted additional firefighting training in Croatia and Switzerland. At all production sites our goal was to simulate the condition of a real incident as closely as possible. This meant that only a very small number of people were privy to the plans and involved in the logistics with the local fire departments. For the rest of our employees, the smoke and fire alarms actually came as a surprise to test the effectiveness of our internal emergency routines. We were able to take away very specific and tangible learnings from these exercises. In Lithuania, for example, the covers of the water pipes were hidden by snow, and firefighters lost valuable time looking for them. In Croatia, we realized that alarms in one specific department were not loud enough.

Exercises took between 30 and 90 minutes and involved between 20 and almost 100 external firefighters. In Switzerland, we even involved a fire brigade from a bordering town in Austria. One important aspect was to ensure that our own personnel, particularly our internal emergency services and on-site firefighting group, supported external firefighters in the most efficient manner possible. In Croatia, we are mandated by law to have professional firefighters on staff at all times. Marko Osmanovic, Local Head of TQM, is very proud of his team: "It took them no more than 7 minutes from the first call to evaluate the situation and start evacuating their injured colleagues in full gear." After the exercise, we held joint after-action reviews to share experiences and develop areas of improvement for the future. We used the experience of the exercise as a starting point for practical training in the afternoon, where our employees got to use actual fire extinguishers. Experience beats theoretical know-how.

Steffen Wöhrle, Group Environment and Safety Manager, concludes, "An equally important result is the simple fact that local fire brigades better know our production locations and, for instance, which lanes they can take in an emergency. We don't just train our own people – we also allow for the training of the external professional firefighters."



EMPLOYEE RETENTION TASK FORCE

To jump-start our activities in Croatia, we took over a third-party wood processing plant and sawmill in 2016. The next year was all about ramping up operations, and we practically doubled our headcount to around 280. In 2018, with the location in full production, we experienced a very high turnover of around a third of our workforce. This was obviously a very challenging situation. At the end of that year, we established an employee retention task force to help us better understand the situation and develop concrete measures to try to retain a much higher share of our employees.

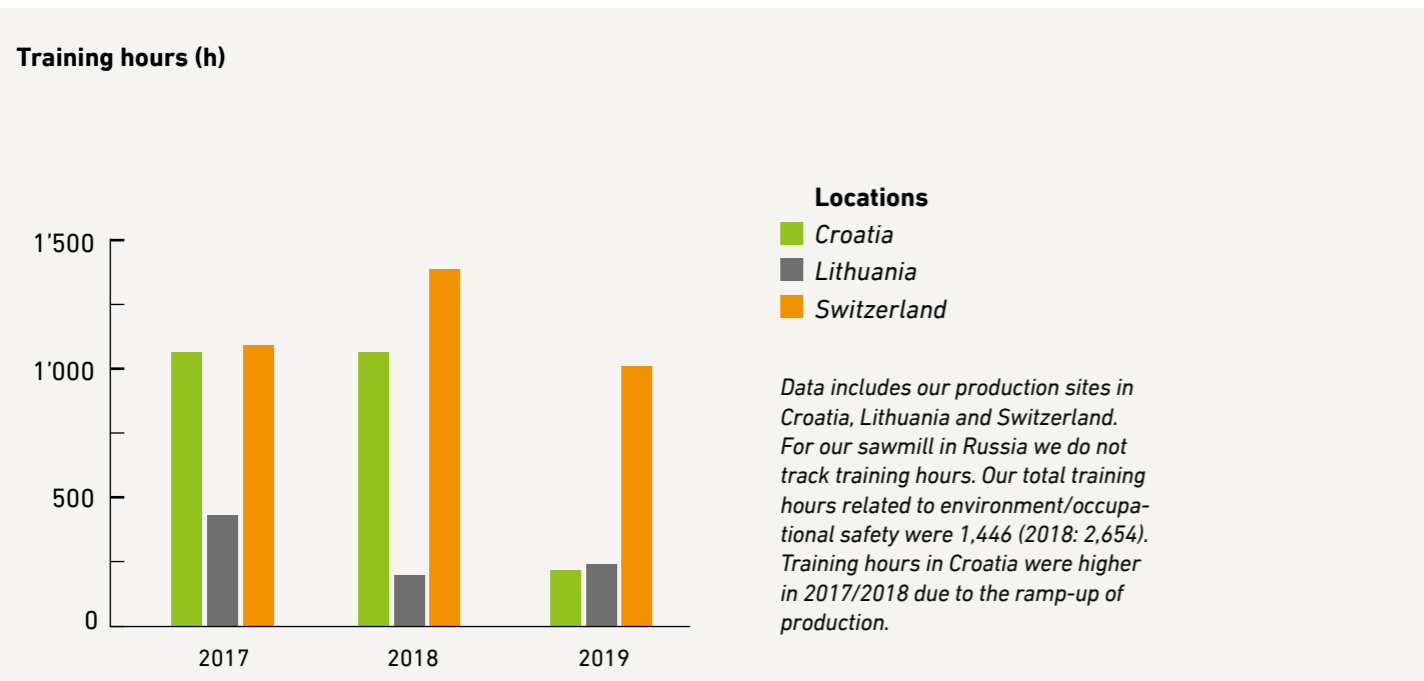
The area around Đurđevac, where our factory is located, experienced rapid industrial growth over the course of the last decade. "For skilled personnel in our sector, the unemployment rate went from around 14% a few years ago to only 2-3% today. They have alternative employment opportunities, both in the area and further west in Croatia or other countries of the European Union," explains Michael Kummer, Chief Human Resources Officer.

As a consequence, we developed a coherent set of measures to increase employee loyalty. We invested in further increasing cohesion within and among teams and demonstrating to employees that their contributions and initiatives are valued. The SPS roll-out in Croatia was one example (see story on next page). A particular focus was on leadership development across all levels. Igor Benakovic, Managing Director of BBHR, stressed the importance of that: "The interaction with their superiors is where employees have the most significant interactions with BBG and where we can prove that the BBG way is something distinctive, guaranteeing an interesting and motivating work environment." Based on extensive research, we also made some adjustments to the wage structures to further align them with local market conditions.

With this set of measures, we were able to significantly reduce our employee turnover rate in Croatia to around 11%, well below the regional average. Michael Kummer is encouraged by this progress: "Even knowing that employee retention will remain a key challenge for years to come and require ongoing focus, this is a very promising signal."



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weffect⁺
 Update on our employee engagement

- Last year's employee survey gave rather bad reviews to the user experience of the web platform for sharing actions to increase efficiency.
- In 2019 we evaluated alternatives and rolled out a much-improved and more user-friendly app – weffect – for all our employees.
- We made a conscious decision to wait for the conclusion of our strategy review before making a broad push for raising awareness and using the new app – this will take place in 2020.
- We are increasing the scope of our efforts: Every single employee now has access to the app, and we are looking for all kinds of success stories, not just increased efficiency.
- Since mid-2019 over 300 colleagues shared close to 1,500 little success stories, and we expect many more for the coming years.



REPLICATING SUCCESSFUL INITIATIVES ACROSS THE GROUP

SPS groups have been very successful in Lithuania for over a decade. They provide an outlet for bottom-up activities by our employees to continuously improve our products and processes. Most recently, a SPS group in Lithuania collaborated with our internal IT department to develop an app to report hazards in the production process or facility. In the past, these kinds of hazards were supposed to be reported by email. However, the number of reports was very limited. Demonstrating the new app, Kęstutis Jasonas, Director of SPS Bauwerk Boen Group, explains, "Employees can now simply snap a picture, add an optional description and upload a report anonymously. We see this app as a prototype, and initial results are promising." Reports of potential hazards almost doubled in 2019, and around 40% of reports came in via app. If we can raise awareness about the existence of the app and increase adoption, we see great potential for the app to further improve the workplace in Lithuania, and to potentially be rolled out across the group.

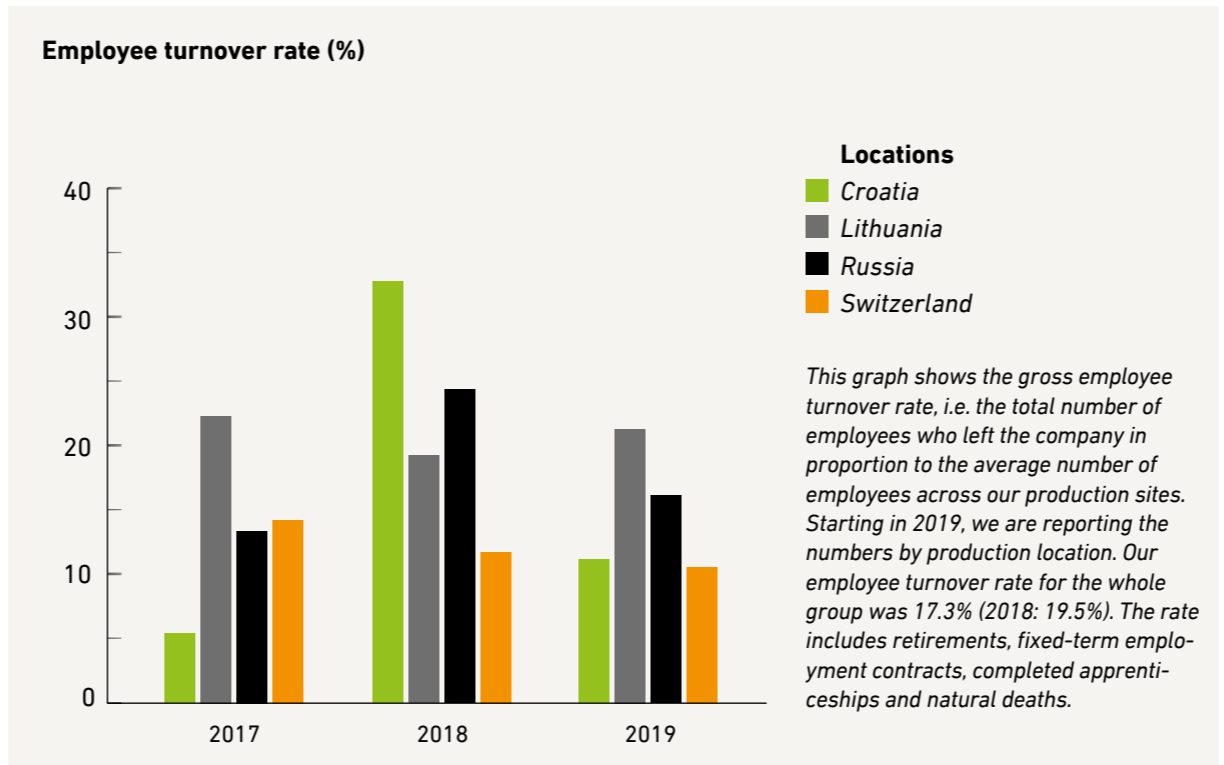
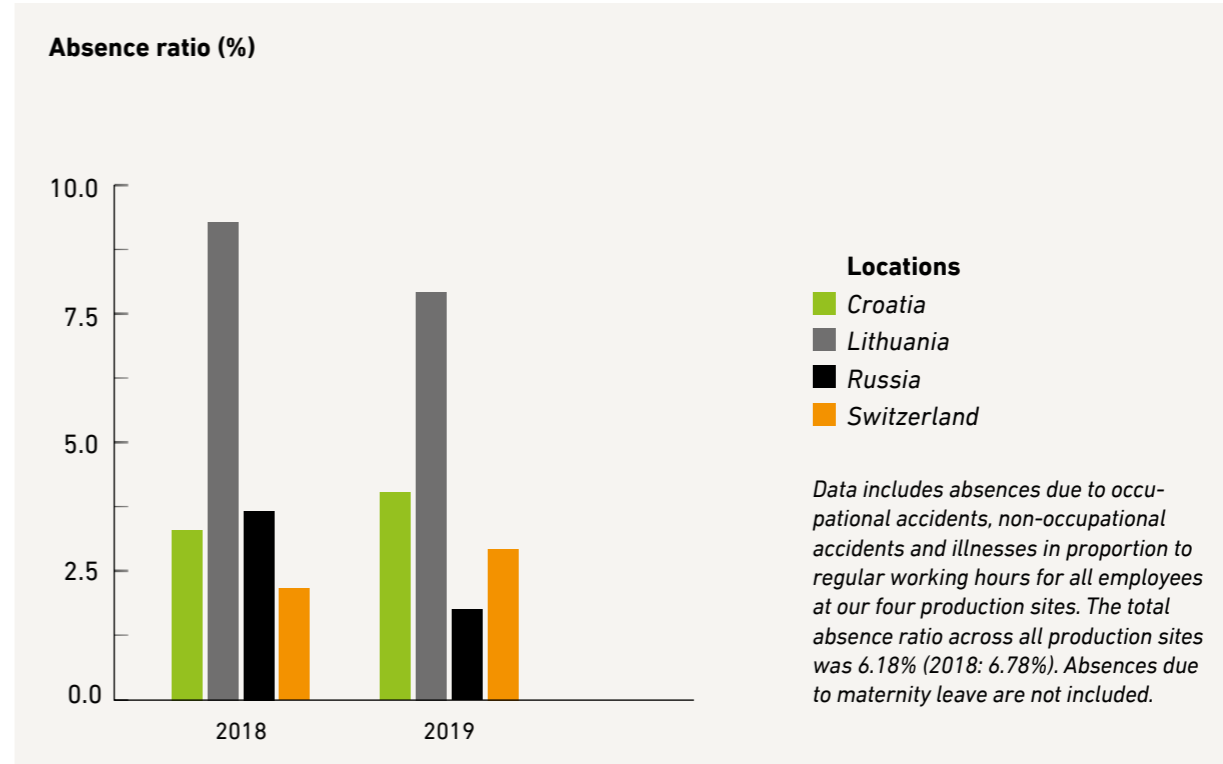
Due to their success in Lithuania, we started to implement SPS groups in Croatia in 2019. "We were in a very fortunate situation in Croatia," says Boris Poklepovic, the new SPS coordinator in Croatia. "Kęstutis Jasonas was very involved in the project and we were

able to benefit from his experience in Lithuania implementing and iterating the methodology within BBG." Nevertheless, SPS is not a one-size-fits-all solution but needs to be embedded in a manner that is very conscious of the local context. Boris Poklepovic is excited about the future of SPS in Croatia: "Once people have these lightbulb moments about SPS and how it gives them permission to improve their own workplace for their own benefit – and the benefit of everyone around them – they very quickly start developing new ideas and become interested in participating in a group to implement it. It is very inspiring!" Next year will be about turning a number of areas of potential improvement into tangible and measurable progress.

For 2020, we plan to roll out SPS in Switzerland. For Christian Steiner, Director of Total Quality Management, the dissemination of SPS groups is a great example of how BBG is growing together as a group: "With SPS we are trying to internalize a mindset of continuous improvement and entrepreneurship in every single employee."

Our future priorities

After replicating SPS groups and their underlying principles from Lithuania to Croatia we will do the same thing in Switzerland in 2020. One of the key initiatives of our strategy relaunch is "Making BBG our joint home". We are ready to introduce an updated, digital version of "The BBG Way", the cultural foundation which defines our values and key working principles. Moreover, we are strengthening our efforts of broad employee engagement with a new tool – weffect – with an extended scope and the goal of sharing all kinds of learnings and small success stories. We are also 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 2020.



SINCE 2013

44%

OF OUR OPEN MANAGEMENT POSITIONS HAVE BEEN FILLED WITH INTERNAL CANDIDATES.

Action areas

FAIR BUSINESS

Our stakeholders 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, particularly to corruption, as most of the countries where we source and process most of our wood score low in Transparency International's Corruption Perceptions Index ([see 2019 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.

We have a zero-tolerance commitment set out in our group-wide anti-corruption policy. Anti-corruption is a key focus at BBG, embedded in employee/management training, performance appraisals, and as a fixed item on the agenda of (extended) Management Team meetings. Our commitment to fair business also extends to our relations with the local communities where we operate ([see story below](#)).

More details about our management approach to Anti-corruption can be found in the [appendix](#).

Our future priorities

In 2019, we formally adopted a new Group Code of Conduct and the Human Rights Rules, and in 2020 we see it as a clear priority to further implement and operationalize them in our processes and routines at all levels and locations, 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.



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A RESPONSIVE AND RESPONSIBLE NEIGHBOUR

When the factories in Lithuania were first set up, there were no residential houses in close proximity (this is still the case in Croatia and Russia today). This changed over the last few years, and in 2019 we dealt with a noise complaint from a local neighbour for the first time. We were able to verify that the person's noise exposure indeed exceeded the legal threshold and quickly identified the source of the disturbing noise: a pipe transporting wood chippings away from a splitting machine. With the source pinpointed, we swiftly reduced noise by decreasing the usage of the machine as an immediate but temporary measure. In the course of the following months we were able to plan and build an isolation wall to significantly reduce the noise of the pipe. Today, the splitting machine can run again in its regular usage without disturbing our local neighbour.

We invest in building trusting relationships with local communities. This is particularly important at production sites where our activities do have tangible impacts. We help improve and maintain infrastructures (e.g. planting trees, cleaning roads, making public buildings accessible) in neighbouring towns, where many of our employees live and support community initiatives (e.g. supporting childcare, local sports events and people in need). We want to be a good corporate neighbour, and incidents like the noise complaint in Lithuania are concrete situations where we can measure ourselves against that ambition with a swift and constructive resolution.

0 NOTIFICATIONS OF UNLAWFUL SUPPLIERS IN RAW MATERIAL PURCHASING

CORRUPTION OR OTHER COMPLIANCE VIOLATIONS IDENTIFIED 0



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 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.

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 licence: C009732 Bauwerk Boen Group.

[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 95 % 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.



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GLOSSARY

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.

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.

SPS: Stands for “Synchronized Production System”, an approach based on the philosophy of “kaizen”, to continuously strive for incremental improvements in all business processes by involving all employees.

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 (underlay) 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 can 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: Wood residuals from production are pressed into a uniform shape using a briquetting press. The Bauwerk Boen Group sells parts of its waste wood 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.



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APPENDIX
Sustainability Report 2019
Bauwerk Boen Group

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ABOUT OUR REPORTING

Our sustainability report has two parts: The Bauwerk Boen Group Sustainability Report at the beginning of this document ([go to beginning of document](#)) is focused on selected key performance indicators and interesting stories regarding sustainability management at our group in the past year. In addition, this appendix provides more details about our sustainability management in six key topics and includes the GRI Content Index.



Identification and evaluation of sustainability issues

This is the third 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 involved these stakeholder groups in the identification and evaluation 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. For our Sustainability Report we group those topics into the four action areas "Healthy Solutions", "Protected Environment", "Motivated Employees", and "Fair Business".

Sustainability organization and reporting process

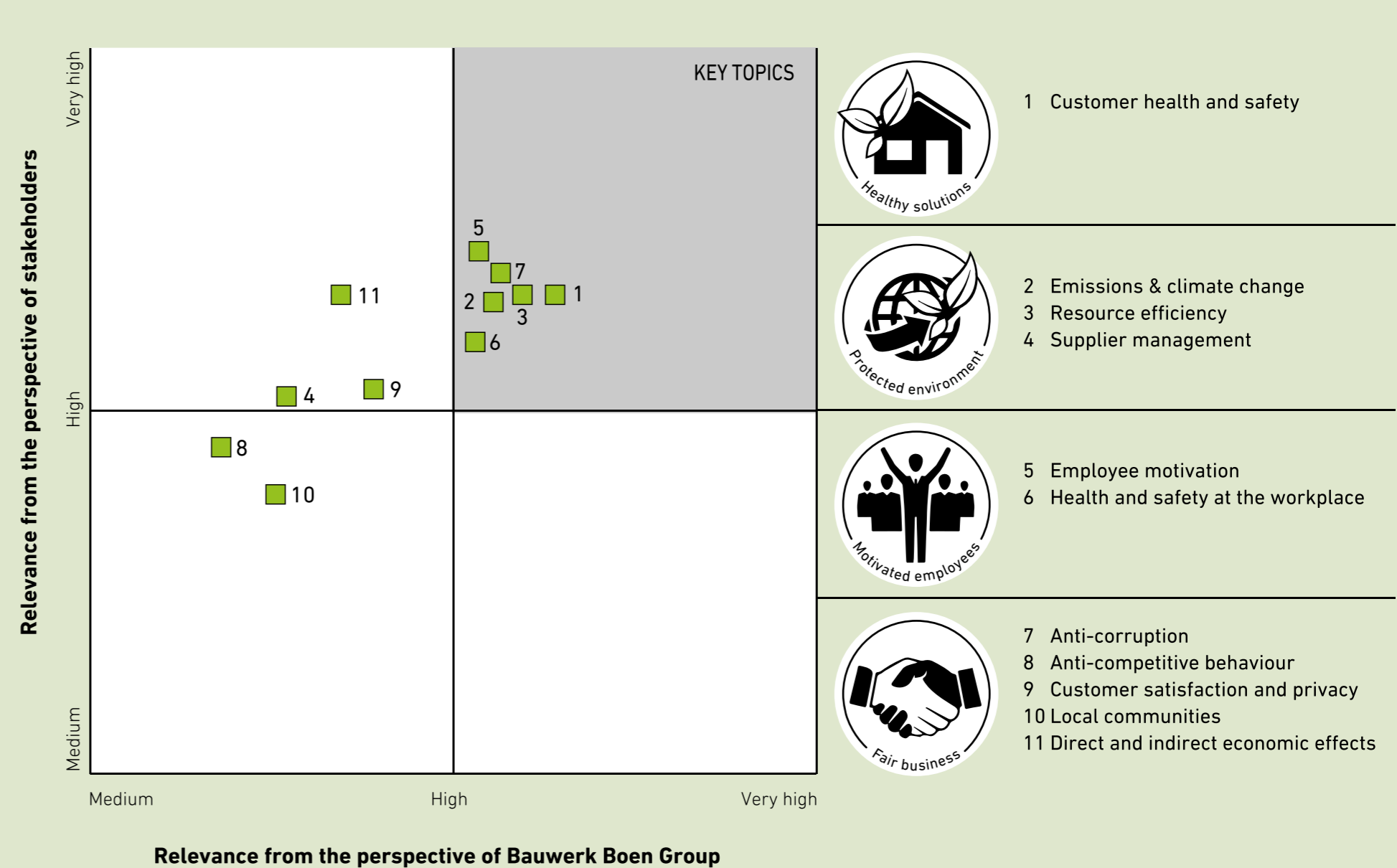
As part of our sustainability management that was systematized in 2017, we established a Sustainability Committee with the participation of the central corporate functions and a Steering Committee to guide the key processes at a strategic level. The Sustainability Committee has developed the contents 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 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". All GRI references refer to the 2016 standards. We have set ourselves the goal of publishing an externally audited report within the next few 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, the management of sustainability-related data has been carried out on a decentralized basis, mostly via our ERP system or Excel by those responsible in the respective functions. We continue to roll out a comprehensive central data management system for compliance, environment as well as health and safety. This will help us to measure the success of our sustainability management and further formalize our reporting in the future.

MATERIALITY MATRIX



OUR MANAGEMENT APPROACHES TO MATERIAL TOPICS

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

Below are the disclosures for our management approaches to our six most material topics (key topics). The information is structured according to the recommendations in GRI 103 as follows: an explanation of the material topic and its boundary (103-1), the management approach and its components (103-2), and evaluation of the management approach (103-3).



CUSTOMER HEALTH AND SAFETY

Relevant GRI Standards:
GRI 416: Customer health and safety

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

The management approach and its components	
<i>a. An explanation of how the organization manages the topic.</i>	We rely on continuous investments in product development, credible certificates, and targeted information and training for installers and (end) consumers.
<i>b. A statement of the purpose of the management approach.</i>	We want to avoid adding any hazardous substances to the natural wood, which could negatively influence the health of people working with or using our products.
<i>c. A description of the following, if the management approach includes that component:</i> <i>i. Policies</i>	All our products are certified by various labels and certification systems with a key focus on low emissions to air and the use of non-hazardous materials. The individual certifications are regularly re-evaluated with the aim of best fit for individual brand strategies and of delivering cutting-edge material safety in all our products.

<i>ii. Commitments</i>	Every BBG product is non-hazardous to health during the entire time of use.
<i>iii. Goals and targets</i>	The consistent elimination or substitution of potentially harmful substances during gluing, pressing, and surface treatment and in the development of (home) cleaning and care products is the focus of our group-wide innovation efforts. There are no quantitative targets besides the overall ambition outlined above and operational quality targets (i.e. reduction of claims, see below). Also, ex ante emission certificates are compulsory for all our products.
<i>iv. Responsibilities</i>	Our R&D department is responsible for continuously evaluating, developing and testing new product recipes and processes for surface treatment and gluing. The head of R&D reports directly to our CEO. Furthermore, the Chief Operating Officer is responsible for implementing defined standards in coordination with R&D and QM. R&D provides training to hardwood flooring installers. Marketing provides training to (end) customers.
<i>v. Resources</i>	Our group consistently invests more than 1% of its sales in the advancement and new development of products in order to maintain our leading role in the market. A significant share of this relates to innovations regarding customer health and safety. In addition, we invest in web platforms, social media channels and special events to train installers and end customers of our products.
<i>vi. Grievance mechanisms</i>	Customer complaints are analysed and investigated on a regular basis. KPIs are adjusted annually. Based on the characteristics of a claim, relevant BBG functions are involved in the swift and satisfactory resolution of the claim.

CUSTOMER HEALTH AND SAFETY

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The management approach and its components (continued)

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

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

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

In 2019, approx. 1009 commercial customers (2018: 360) and some 6773 customers of trading partners (2018: 6,500) received training.

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

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

In 2019, we changed our entire 3-layer gluing system at our production site in Lithuania to a formaldehyde-reduced glue. See story in our report. For more information on our awareness-building campaign, see story in our report.

Our BOEN brand, which mainly serves the wholesale and retail trade, provides sophisticated training for its commercial partners and customers, including painters, interior decorators, carpenters and parquet installers. For the courses, our BOEN sales staff make use of the BOEN Academy, an internet-based platform with useful information and tools. BOEN primarily uses digital channels such as YouTube and social media to reach end customers who do their own installing.

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

In 2019, 722 professional installers were trained in the Bauwerk Parkett Academy in several countries (2018: 964). Moreover, 1018 end customers (2018: 927) attended cleaning and maintenance workshops in our Bauwerk Parquet World stores.

Evaluation of the management approach

a. An explanation of how the organization evaluates the management approach, including:

i. the mechanisms for evaluating the effectiveness of the management approach.

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

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

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

iii. any related adjustments to the management approach.

See above

RESOURCE EFFICIENCY

Relevant GRI Standards:

GRI 301: Materials

GRI 306: Effluents and Waste

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Explanation of the material topic and its boundary

<p><i>a. An explanation of why the topic is material.</i></p>	<p>Resource efficiency in general is one important lever to improve our environmental impact. Oak is in high demand and makes up 95% of our purchased hardwood for top layers and 40% of our overall hardwood and softwood (excl. HDF) purchases. Being able to purchase enough oak hardwood at high quality is a key challenge. Resource efficiency is just one way to address this challenge on the supply side.</p> <p>Also relevant from a supply chain point of view is our sourcing from sustainably managed forests, governed by the EU Timber Regulation (EUTR). This regulation aims to counter illegal logging and associated trade in timber and timber products in the member states of the European Union, including reduced emissions from deforestation and forest degradation beyond EU borders. Not meeting these requirements could result in serious damage to our business and reputation.</p> <p>Beyond securing our supply for hardwood and softwood, i.e. our business, we also have a strong economic as well as environmental impetus to secure on-time availability and to increase the efficient use of industrial goods such as glues, packaging materials as well as lacquers and oils. These are our top four purchased goods – besides wood – in terms of volume. In 2019, we bought more than 2,000 tonnes of glue and hardener, more than 1,100 tonnes of packaging such as foil and cardboard, and almost 900 tonnes of lacquer and oil.</p>
<p><i>b. The Boundary of the material topic with a description of:</i> <i>i. where the impacts occur.</i></p>	<p>Our impact regarding resource efficiency occurs primarily in our production activities. A potential impact of resource efficiency occurs also in the upstream processes through alternative sourcing.</p>
<p><i>ii. the organization's involvement with the impacts.</i></p>	<p>Impacts are primarily direct by way of continuously improved production processes that increase wood yield and reduce use of materials per square metre produced. Efficiency gains result in reduced costs (direct) and lower material use, i.e. lower environmental impacts (indirect).</p>
<p><i>c. Any specific limitation regarding the topic Boundary.</i></p>	<p>None</p>

The management approach and its components

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

RESOURCE EFFICIENCY

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The management approach and its components (continued)

<p><i>vi. Grievance mechanisms</i></p>	<p>Our internal EUTR handbook lays down our due diligence and risk mitigation measures to prevent the procurement of illegally harvested wood. Apart from that, BBG does not operate any specific grievance mechanisms. However, should potential breaches come to our knowledge during our own due diligence or through indications from third parties, we will act according to our internal rules (see vii.).</p>
<p><i>vii. Specific actions, such as processes, projects, programs and initiatives</i></p>	<p>EUTR compliance with all related documents (certificate of origin etc.) is the very baseline of our work. When we detect a risk of sourcing from potentially illegal sources, e.g. from Bosnia and Herzegovina, Russia, or Ukraine, despite all available documents, we have several mitigation actions including on-site supplier audits by internal and in some cases external parties.</p> <p>Each production entity runs continuous improvement projects and processes to increase resource efficiency. In Lithuania and Croatia our internal SPS programme specifically involves all employees in order to minimize waste and improve resource efficiency. See also story on yield improvement in our report.</p> <p>In 2019, we purchased 210,000 m³ of wood (incl. HDF) to produce parquet. 95% of hardwood purchases for top layer production were oak. 49% of our purchased wood (hardwood, softwood and HDF) originated from FSC™/PEFC®-certified sources, a 3 percentage point increase compared with the previous year. For data on other purchased materials see our GRI Content Index.</p> <p>In our three production sites in Croatia, Lithuania, and Switzerland, our total freshwater consumption was 52,739 m³ – a drop of 5% in comparison with 55,433 m³ in 2018. For our sawmill in Russia, we do not yet systematically track water consumption.</p>

Evaluation of the management approach

<p><i>a. An explanation of how the organization evaluates the management approach, including:</i></p> <p><i>i. the mechanisms for evaluating the effectiveness of the management approach.</i></p>	<p>Each production site is measured monthly on KPIs to evaluate its material efficiency and yield. In our production cockpits, any deviations are reported and followed up on when they are below target.</p>
<p><i>ii. the results of the evaluation of the management approach.</i></p>	<p>In 2019, we successfully increased our wood yield in key product groups.</p>
<p><i>iii. any related adjustments to the management approach.</i></p>	<p>Given that we were struggling with our grading yield in 2019, a specific focus was placed on that topic to measure and influence grading yield as one of our main initiatives in production for 2020.</p>

EMISSIONS AND CLIMATE CHANGE

Relevant GRI Standards:

GRI 302: Energy

GRI 305: Emissions

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Explanation of the material topic and its Boundary

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

The management approach and its components

<p><i>a. An explanation of how the organization manages the topic.</i></p>	<p>To systematically record and control our environmental impacts we use an environmental management system, including a group-wide data management tool which has been built up and updated over the past 18 months. Also, we are engaging our partners (e.g. suppliers and logistics partners) to obtain data on indirect emissions, and we are working on collaborative reductions of GHG emissions.</p>
<p><i>b. A statement of the purpose of the management approach.</i></p>	<p>We fully want to understand our environmental impact in all its dimensions. In addition, we strive to continuously and systematically lower our GHG emissions and environmental impact.</p>
<p><i>c. A description of the following, if the management approach includes that component:</i> <i>i. Policies</i></p>	<p>In our Group Environment, Health and Safety Policy we commit ourselves to analyse, review, and optimize environmental aspects and impacts so as to constantly improve our environmental performance. Also, we dedicated ourselves to producing our own heating energy using wood waste and residuals.</p>
<p><i>ii. Commitments</i></p>	<p>In the long term we want to achieve zero net emissions.</p>

iii. Goals and targets

We are in the process of analysing further our impact on climate change and its repercussions on our business. We aim to define group-wide GHG emissions reduction targets as soon as possible.

iv. Responsibilities

Our Group Environment and Safety Manager is responsible for collecting and consolidating all GHG emissions data with the support of local Environment and Safety Managers as well as other relevant departments. Operational responsibility for GHG emissions reduction lies with our Chief Operating Officer (COO) and his team of production plant managers. In close cooperation with Sales the COO is also responsible for our reduction efforts in connection with our third-party logistics.

v. Resources

See above.

vi. Grievance mechanisms

Grievances are filed either through our internal whistleblowing mechanism or our cross-functional sustainability committee ([see our report](#)).

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

Our Swiss production site is ISO14001-certified. Our two production sites in Croatia and Lithuania will follow in 2020.

To increase the efficient use of electricity and to reduce production-related GHG emissions at our Swiss production site, we have worked with a moderator from the Energy Agency of the Swiss Private Sector since 2013. As a production company with electricity consumption of more than 0.5 GWh, we are subject to the legislation governing large-scale consumers in the Canton of St. Gallen. We pursue the path defined by a voluntary target agreement with the Canton for 2013-2022. Thanks to this cooperation we can rigorously work through a comprehensive catalogue of measures and track them via an online tool. These efforts also help us to identify further electricity reduction potential at our sites in Croatia and Lithuania. Heating energy is not within the scope of this cooperation, as we produce our own heat from wood scraps.

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

Both our upstream and downstream logistics – subcontracted to third parties – are a main contributor to our group GHG footprint. Here, we continued to increase transparency and cooperation with our logistics service providers. Furthermore, we promote direct shipments to customers and strengthen the use of combined transports, i.e. road, rail, and sea (see our report). In 2019, our total direct energy consumption was 540,918 GJ, a drop of 5% from 570,395 GJ in 2018. Our direct and indirect greenhouse gas emissions amounted to 24,399 tCO₂e, a significant decrease of 20% from 30,410 tCO₂e in 2018.

Internally and in our engagement with external stakeholders, we try to raise awareness of climate change and the need for GHG emissions reduction ([see our report](#)).

EMISSIONS AND CLIMATE CHANGE

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Evaluation of the management approach (continued)

<p><i>a. An explanation of how the organization evaluates the management approach, including:</i></p> <p><i>i. the mechanisms for evaluating the effectiveness of the management approach.</i></p>	<p>Sustainability management and our environmental footprint as well as GHG emissions are a fixed agenda item in our Management Team meetings. In addition, we have quarterly meetings of our Sustainability Committee to discuss progress and next steps on the topic, and we publish the status of our progress in our annual sustainability report.</p>
<p><i>ii. the results of the evaluation of the management approach.</i></p>	<p>Our management of environmental impacts at the group level is a work in progress. Understanding the direct and indirect GHG emissions of a complex production and sales organization such as BBG is a daunting task. We made significant progress over the last three years in further systematizing our efforts but are still not where we want to be in the medium term.</p>
<p><i>iii. any related adjustments to the management approach.</i></p>	<p>In 2020, we plan to include climate change and its various impacts in our standard risk management process in order to cover both financial as well as operational risks such as wood availability/quality and supply chain disruptions due to extreme weather events.</p>

EMPLOYEE MOTIVATION

Relevant GRI Standards:
GRI 404: Training and Education

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Explanation of the material topic and its boundary

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

The management approach and its components

<p><i>a. An explanation of how the organization manages the topic.</i></p>	<p>Employee motivation, in our understanding, is a function of a workplace that is safe (see separate management approach for occupational health and safety), challenging, engaging, and which offers opportunities to develop and grow on the job. Therefore, activities to continuously develop our organization and employees and engage employees at all levels are key to our management approach. At the very foundation of all this lies a non-discriminatory corporate culture.</p>
<p><i>b. A statement of the purpose of the management approach.</i></p>	<p>Motivated, knowledgeable, and healthy employees fundamentally act in a more effective and efficient way, and they are prepared to contribute to the continuous improvement of our company. We want to keep our employees healthy, engaged (and thus motivated), and free from discrimination, and we aim to ensure their high level of training. We want BBG to become our joint home.</p>

c. A description of the following, if the management approach includes that component:
i. Policies

The principles of non-discrimination, non-harassment, equal opportunity, and employee development are deeply anchored in the Group Code of Conduct and the Human Rights Rules, and they are embedded in the local company rules.

ii. Commitments

We are fundamentally committed to the fair and equal treatment and further development of all our employees. As part of our new strategic framework we also set ourselves the ambition to make BBG our "joint home" (see below).

iii. Goals and targets

A crucial goal is to have the same standards at all our production locations and to continuously replicate innovations from individual sites to the rest of the group as soon as possible.

For fair remuneration across the group we take our guidance from market wages in the country, the region, and the industry, as well as from a consumer price basket.

Targets for SPS groups are derived from the group's annual efficiency goals (i.e. budget) and strategic initiatives. The contribution of SPS groups to the strategic targets is measured by KPIs such as number of accidents, productivity, yield, etc.

For our joint leadership training sessions, we set ourselves the goal of a participation rate of 100% (result in 2019: 94%).

Furthermore, we encouraged employees to share learnings and measured our success by active participation on a web platform. In 2019, we switched to a new app and extended the scope of our efforts (see 103-3 iii).

iv. Responsibilities

Our Chief Human Resources Officer is responsible for all aspects related to employee development and engagement, in close coordination with our CEO. For our SPS groups we have a Director of SPS BBG who reports to the Director of TQM.

v. Resources

Chief Human Resources Officer. Local HR Managers. SPS personnel. All Leaders with direct reports.

vi. Grievance mechanisms

Overall, our organization's flat hierarchy, informal culture (on a first name basis), and open-door policy foster an environment where people are willing to indicate potential wrongdoings. In addition, we have established an internal whistleblower mechanism through which employees can report (suspected) violations of any of our internal policies to their line managers, the Management Team, or the Board of Directors. Also, we conduct employee satisfaction surveys on a regular basis followed by corrective action plans. And finally, BBG holds regular meetings with works councils in countries where they exist.

EMPLOYEE MOTIVATION

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The management approach and its components (continued)

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

As part of our efforts to make BBG “our joint home” (see above) we focus on employee motivation and involvement. The foundation for creating a joint home is a joint leadership culture. Consequently, we successfully completed our joint leadership training courses for the first and second managerial levels in 2019 to solidify a common leadership understanding and approach. The participants are very much encouraged to apply their learnings in practice and are supported with an app incl. memo cards, peer coaching and mentoring constellations with more experienced managers. Refreshers on the content of the leadership development programme are part of every MT+ meeting. In addition to this leadership training we continue to promote a joint leadership culture via internal recruiting.

Moreover, we use an employee engagement web platform where all employees are encouraged to share success stories with all colleagues, to honour great actions, and thus inspire them to follow suit and apply easy improvements also in their fields of responsibility.

At our production sites, we run a Kaizen-based production system, called SPS (“Synchronized Production System”). The system is aligned with BBG’s strategic targets and initiatives. SPS groups bring together smaller groups of people during their working hours to develop and test improvements in their daily business routines. Groups are autonomous and hence choose their tasks themselves. Thematic scopes range from efficiency-related efforts to health and safety. During “SPS hours”, if necessary, the machinery is stopped to ensure a full focus on future improvements. Every 6 months, BBG awards a prize to the “best performing” group. This kind of involvement strengthens teamwork.

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

Evaluation of the management approach

a. An explanation of how the organization evaluates the management approach, including:

i. the mechanisms for evaluating the effectiveness of the management approach.

The management approach is evaluated on an ongoing basis by the Chief Human Resources Officer and the whole Management Team. In 2018 we conducted our first group-wide employee survey to obtain broader feedback on the effectiveness of keeping our employees motivated and satisfied.

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

The 2018 employee survey indicated that 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 for improvement. In particular, satisfaction regarding communication and remuneration, as well as with the employee engagement web platform, was below average.

iii. any related adjustments to the management approach.

In 2019, due to the low satisfaction with our employee engagement web platform we made a switch to a new app with a better user experience. At the same time, we extended the scope of the feedback we encourage to all kinds of learnings and small successes (not just efficiency gains) and made the app available to every single employee. We will develop specific targets for app usage in 2020.

Remuneration has been adapted upon a thorough analysis of market data for various entities, and communication has become a standard agenda point in our management team meetings.

OCCUPATIONAL HEALTH AND SAFETY

Relevant GRI Standards:

GRI 403: Occupational health and safety

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Explanation of the material topic and its boundary	
<i>a. An explanation of why the topic is material.</i>	Across all levels and functions and along the whole value chain, our employees are the key success factor for BBG. As an employer, we bear responsibility for the health and well-being of our employees. Accidents, simmering dissatisfaction or conflicts lead to both efficiency losses and reputational risks.
<i>b. The Boundary of the material topic with a description of:</i> <i>i. where the impacts occur.</i>	Most of the impacts regarding occupational health and safety (OHS) occur in production, as this is where most of our employees work. But there are also relevant impacts in the downstream activities of marketing, sales, and after sales. There are few impacts in upstream activities, as we buy most of our raw materials ready for production.
<i>ii. the organization's involvement with the impacts.</i>	As OHS is related to our own employees, the impacts are direct.
<i>c. Any specific limitation regarding the topic Boundary.</i>	The physical and mental health of our employees is a result of our efforts as an employer offering a healthy work environment, but also of how our employees lead their private lives. We do not have direct impact on how, for instance, our employees spend their spare time. What we can do, however, is raise our employees' awareness of health- and safety-related aspects.
The management approach and its components	
<i>a. An explanation of how the organization manages the topic.</i>	There is an ongoing management focus on OHS, as we continue to work towards a uniform management system across the entire group. We run various initiatives to minimize health risks and to engage our employees in creating and maintaining safe workplaces.
<i>b. A statement of the purpose of the management approach.</i>	Our employees are our most important resource, and we continuously work to identify risks and further secure their working environment to make it as healthy and safe as possible.
<i>c. A description of the following, if the management approach includes that component:</i> <i>i. Policies</i>	Our group's OHS management is rooted in the BBG Code of Conduct as well as in our Environment, Health and Safety Policy. In this internal strategy document, we commit ourselves to aligning our efforts with international occupational health and safety standards. Also, the policy lays down that health and safety matters are treated with the same priority as quality, productivity and profitability.
<i>ii. Commitments</i>	See above.
<i>iii. Goals and targets</i>	Our goal is to have a certified group-wide OHS management system according to ISO 45001 in the medium term.

<i>iv. Responsibilities</i>	Our Group Environment and Safety Manager coordinates efforts at group level. Our Chief Human Resources Officer is ultimately responsible at top management level.
<i>v. Resources</i>	There is a full-time Group Environment and Safety Manager in Switzerland, a local full-time TQM Manager in Croatia, full-time Safety as well as Environment Managers in Lithuania, and a full-time Environment and Safety Manager in Russia.
<i>vi. Grievance mechanisms</i>	Accidents and their causes and OHS performance indicators are reviewed on a regular basis and reported in the annual OHS management review. We plan to roll out internal near-miss reporting at all production sites (see below and story in the report).
<i>vii. Specific actions, such as processes, projects, programs and initiatives</i>	<p>In Switzerland and Lithuania, we conduct regular risk assessments and optimization of our infrastructure and processes with the assistance of external specialist agencies. We have also established a case management system for accidents and illnesses. Our production sites in Croatia and Russia will follow suit in the next two years.</p> <p>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 and personal requirements. We conduct regular employee safety training at all locations. The content of this training ranges from correct use of machinery and chemicals to firefighting training together with local professional firefighters (see story in our report).</p> <p>In 2019, one of our SPS groups at our production site in Lithuania developed and successfully tested a mobile app to report potential health hazards and needed maintenance work in the different facilities (see story in our report).</p> <p>In Switzerland, 2018 saw a significant reduction in VOC emissions. Thanks to our diligent R&D and TQM efforts and cooperation with key suppliers we were able to drastically reduce our internal emissions. 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 flooring surface (see Report 2017, p. 7). Although the new cleaning agent is significantly more expensive and the installation of a new machine is a considerable investment, the transformation offers a range of benefits such as lower demand for cleaning material, no irritations of the respiratory tracts of production workers and lower fire and explosion hazards. Hence, we are also going to introduce a similar setup in our production sites in Croatia and Lithuania. Due to statutory provisions our VOC emissions monitoring will remain limited to Switzerland, but our future efforts will also benefit our two high-volume production sites.</p>

OCCUPATIONAL HEALTH AND SAFETY

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Evaluation of the management approach (continued)

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

ANTI-CORRUPTION

Relevant GRI Standards:
GRI 205: Anti-corruption

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Explanation of the material topic and its boundary	
<i>a. An explanation of why the topic is material.</i>	Our stakeholders (particularly our customers) rightly expect us as producers of high-quality natural hardwood flooring to behave in an exemplary manner regarding fair business practices. We are, however, quite exposed, particularly to corruption, as most of the countries where we source and process most of our timber score low in Transparency International's Corruption Perceptions Index (see 2019 rankings). Those rankings are not just abstract figures but are also reflected in our day-to-day work experiences. In the procurement of raw materials in particular, different shades of corruption continue to be the order of the day. It is precisely there where a strict stance against corruption is associated with disadvantages in certain situations.
<i>b. The Boundary of the material topic with a description of:</i> <i>i. where the impacts occur.</i>	The challenge of fighting against any form of corruption applies to our whole business. Our primary impact and focus is in upstream activities with the purchase of raw materials, hardwood in particular, as this mainly originates from multiple smaller sawmills. Furthermore, corruption is an immanent risk also in our downstream business, i.e. project business in sales.
<i>ii. the organization's involvement with the impacts.</i>	We have a direct involvement with the impact in our purchasing. Equally important, though, is the indirect impact through our suppliers and their conduct in wood production and procurement.
<i>c. Any specific limitation regarding the topic Boundary.</i>	None

The management approach and its components	
<i>a. An explanation of how the organization manages the topic.</i>	We have a zero-tolerance commitment set out in our group-wide anti-corruption policy. Anti-corruption is a key focus at BBG, embedded in employee/management training, performance appraisals, and as a fixed item on the agenda of Management Team and second level Management Team meetings.
<i>b. A statement of the purpose of the management approach.</i>	Anti-corruption needs to stay top-of-mind for all our employees at all levels. Our customers rightly expect that their premium hardwood flooring is produced by a company that does everything in its power to fight corruption.
<i>c. A description of the following, if the management approach includes that component:</i> <i>i. Policies</i>	We have a group-wide anti-corruption policy and all potentially exposed employees sign an anti-corruption code of conduct as an integral part of their employment contract. We have defined anti-corruption as an integrative part of our supplier evaluation process.

<i>ii. Commitments</i>	We do everything we can to prevent corruption in any form. If corrupt practices are nevertheless identified, we are committed to investigating these incidents promptly, fully and transparently and to take corrective measures.
<i>iii. Goals and targets</i>	Our general aspiration is zero tolerance towards any form of corruption, be it active or passive.
<i>iv. Responsibilities</i>	A crucial responsibility lies with all employees involved in purchasing decisions. In that matter, the management responsibilities lie with the Chief Operating Officer. Regarding other potential corruption cases, the responsibilities lie with the Chief Sales Officer and the Chief Human Resources Officer. The ultimate responsibility for the anti-corruption efforts of BBG lies with the CEO and the Board of Directors.
<i>v. Resources</i>	We invest significant time and money in training and management meetings on anti-corruption. Moreover, we follow a risk-based approach: In delicate cases or countries rated high in Transparency International's Corruption Perceptions Index we execute audits at the suppliers' sites to mitigate the risk of corruption.
<i>vi. Grievance mechanisms</i>	<p>We have established an internal whistleblower mechanism through which employees can report suspected violations of the anti-corruption policy to their line managers, the Management Team or the Board of Directors.</p> <p>Alleged incidents are dealt with in the following way: The potential cases are investigated and discussed at the Top Management Level. After being 100% sure that the case is true, we inform all relevant stakeholders about the case, including the learnings out of it. In addition, we adjust the corresponding processes if needed.</p> <p>The same procedure is triggered if any doubt comes up during the appraisal talks, in which each individual employee is challenged with the question of being part of or having knowledge of any potential corruption case.</p>
<i>vii. Specific actions, such as processes, projects, programs and initiatives</i>	<p>In the reporting year, BBG continued to uphold its compliance management, incl. anti-corruption.</p> <p>We further emphasised the topic of anti-corruption in performance appraisals and as an integral part of our management development training. Finally, the central ESG data collection and management tool, which features legal compliance information and data, has been comprehensively set up for Switzerland and already started to be rolled out into all other (production) sites. A full integration of all production sites will be completed within the next few years.</p> <p>In the reporting year no (alleged) corruption cases were identified.</p>

ANTI-CORRUPTION

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Evaluation of the management approach (continued)

<p><i>a. An explanation of how the organization evaluates the management approach, including:</i></p> <p><i>i. the mechanisms for evaluating the effectiveness of the management approach.</i></p>	<p>Anti-corruption is a fixed agenda item in the regular Management Team and second level Management Team meetings. Incidents, be they attempted or accomplished, are always discussed in the Management Team and communicated to all employees throughout the group. This allows for a very timely discussion of events along with an evaluation of whether our prevention mechanisms work.</p>
<p><i>ii. the results of the evaluation of the management approach.</i></p>	<p>We made significant progress in the last few years. Disappointingly, we had two cases of internal corruption back in 2017. One case could be prevented due to our whistleblowing channel. Evaluations showed our processes to be working well.</p>
<p><i>iii. any related adjustments to the management approach.</i></p>	<p>In the reporting year, no significant adjustments to the management approach were required.</p>

GRI CONTENT INDEX

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GRI 102: General Disclosure 2019		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	Austria, Croatia, Germany, Lithuania, Norway, Russia and Switzerland. See p.3.
102-5	Ownership and legal form	Company on shares; 98% EGS Beteiligungen AG
102-6	Markets served	Bauwerk brand: Austria, Benelux, France, Germany, Italy, Romania, Russia, and Switzerland; mainly floor installers and retail. BOEN brand: the markets of Scandinavia, Germany, the United Kingdom, China, the Baltic States, Poland, Switzerland and the United States, and many others; mainly via wholesale. See also p. 3
102-7	Scale of the organization	Total number of employees: 1'736 Total number of operations: 5 Net sales: 282 MCHF Total capitalization: equity 135 MCHF and debt 82 MCHF Quantity of products or services provided: above 2'000 active products of hardwood flooring, side products as glue, lacquer and accessories.
102-8	Information on employees and other workers	Total number of employees - by employment contract, by gender: 1,736, whereof 807 female - by employment contract, by region: CH: 224; LT: 974; RUS: 108; HR: 248; AUT: 34; GER: 90; FRA: 5; NOR:29; UK: 8; HK: 5; USA: 7; SE: 4 - by employment type, by gender: 1,692 FTE ; 81 female parttime; 14 male parttime; no significant portion of the organization's activities are performed by workers who are not employees - our management team comprises 6 people; 5 male, 1 female - Data is compiled using existing KPI and reporting formats, as monthly, quarterly and annual reports, department cockpits and fact sheets
102-9	Supply chain	see p. 3-4
102-10	Significant changes to the organization and its supply chain	none
102-11	Precautionary Principle or approach	Risk assessments are part of our Board, top management and next level managements meeting agendas. If potential risks are detected we work out scenarios on how to managing them pro-actively.
102-12	External initiatives	see p. 5 (product related standards) and p. 7-8 (production and wood related standards)
102-13	Membership of associations	see Bauwerk Parkett AG /see Boen AS
102-14	Statement from senior decision-maker	see p. 2
102-16	Values, principles, standards, and norms of behavior	see vision (p. 3) and values of BBG plus the management approaches in the appendix.
102-18	Governance structure	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 (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. 19
102-41	Collective bargaining agreements	none
102-42	Identifying and selecting stakeholders	see p. 19
102-43	Approach to stakeholder engagement	We engage with our key stakeholders and regular basis. For stakeholder engagement in connection with identifying our material topics see p. 19
102-44	Key topics and concerns raised	see p. 19
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. 19
102-47	List of material topics	see p. 19
102-48	Restatements of information	see p. 9 (direct energy consumption and greenhouse gas emissions)
102-49	Changes in reporting	This report for the first time includes disclosures on the management approaches to our material topics in this appendix.
102-50	Reporting period	Calendar and financial year 2019; effective date: 31.12.2019
102-51	Date of most recent report	This is Bauwerk Boen Group's third sustainability report (incl. appendix). This report is published in English and German. In case of doubt, only the original English version shall apply. The previous report was published in April 2019.
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Klaus Brammert, 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. 33-34
102-56	External assurance	The content of this report has not been externally assured.

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GRI: Topic-specific Disclosures 2019		Information / Reference
Economic topics		
205	<i>Anti-corruption</i>	
205	Management approach disclosures	see p. 31–32
205-2	Communication and training about anti-corruption policies and procedures	see p. 31
205-3	Confirmed incidents of corruption and actions taken	see p. 31
Environmental topics		
301	<i>Materials</i>	
301	Management approach disclosures	see p. 23–24
301-1	Materials used by weight or volume	For wood see p. 4 Foil: 357,800 kg Packaging: 799,500 kg Glue (incl. Hardener): 2,026,700 kg Cleaner / Thinner: 130,000 kg Laquer, Oil: 874,500 kg
302	<i>Energy</i>	
302	Management approach disclosures	see p. 25–26
302-1	Energy consumption within the organization	see p. 26
302-2	Energy consumption outside of the organization	see p. 26 (greenhouse gas emissions)
302-4	Reduction of energy consumption	see p. 26
303	<i>Water</i>	
303	Management approach disclosures	Water management is part of our ISO 14001 certified production in Switzerland. For more information about environmental management and future priorities (certifications of other production sites); see also p. 23–24
303-1	Water withdrawal by source	see p. 26
303-2	Water sources significantly affected by withdrawal of water	none
305	<i>Emissions</i>	
305	Management approach disclosures	see p. 25–26
305-1	Direct (Scope 1) GHG emissions	1,273 t CO ₂ e
305-2	Energy indirect (Scope 2) GHG emissions	20,754 t CO ₂ e
305-3	Energy indirect (Scope 3) GHG emissions	2,372 t CO ₂ e
305-5	Reduction of GHG emissions	see p. 26
305-7	Nitrogen oxides (NOx), sulfur oxides (Sox), and other significant air emissions	For internal VOC emissions see p. 26
306	<i>Effluents and Waste</i>	
306	Management approach disclosures	see p. 23–24
306-1	Water discharge by quality and destination	Data for Croatia, Lithuania and Switzerland (production sites): 33,396 m ³
306-3	Significant spills	none
306-5	Water bodies affected by water discharges and/or runoff	none

Social topics		
401	<i>Employment</i>	
401	Management approach disclosures	see p. 27–28
401-1	New employee hires and employee turnover	see p. 13
403	<i>Occupational Health and Safety</i>	
403	Management approach disclosures	see p. 29–30
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	see p. 30
404	<i>Training and Education</i>	
404	Management approach disclosures	see p. 27–31
404-2	Programs for upgrading employee skills and transition assistance programs	see p. 27–31
404-3	Percentage of employees receiving regular performance and career development reviews	around 75%
405	<i>Diversity and Equal Opportunity</i>	
405	Management approach disclosures	see p. 27–28
405-1	Diversity of governance bodies and employees	see GRI 102-8
406	<i>Non-discrimination</i>	
406	Management approach disclosures	see p. 27–28
406-1	Incidents of discrimination and corrective actions taken	none
416	<i>Customer Health and Safety</i>	
416	Management approach disclosures	see p. 21–22
416-1	Assessment of the health and safety impacts of product and service categories	see p. 21–22
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	none



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