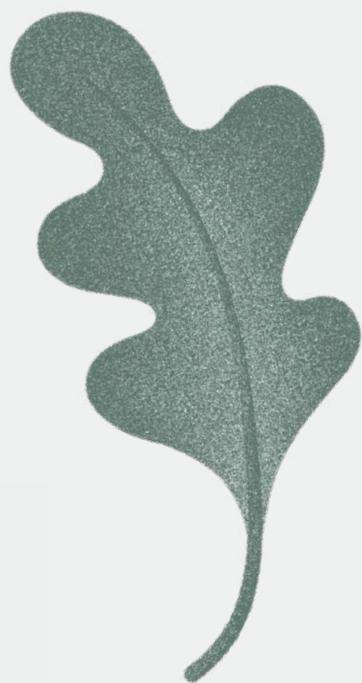
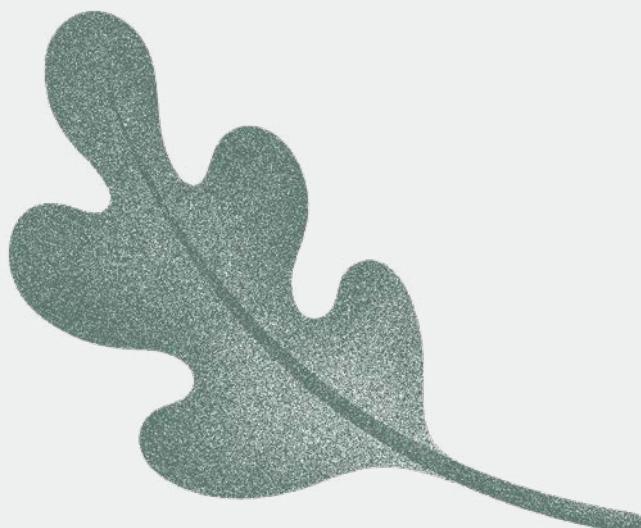


SUSTAINABILITY REPORT 2022




**BAUWERK
GROUP**

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Editorial

Dear reader,

Sustainable thinking and actions have always been a critical component of the Bauwerk Group's genetic makeup. This is because floors made from authentic wood are the most sustainable solution for turning rooms into uniquely natural living spaces, and the positive effect of these floors on the room climate is not the only reason for that. After all, our authentic-wood floors are made from renewable raw materials, they are very durable and can be repaired and sanded, they are energy-efficient, recyclable, and last for generations.

As a wood-processing company, we take a natural approach to responsible treatment of timber and of nature as a whole. This includes engaging in sustainable forest management, using materials that are not harmful to health, and continuously moving towards reducing the impact of our work on the environment as much as possible.

We worked tirelessly on this throughout 2022, and we do not intend to rest on our laurels. We see the forthcoming new EU regulations for the Green New Deal only as the minimum that a company in our industry should achieve. Bauwerk Group strives to do more, in a way that others can perceive. For example, the energy we use to manufacture parquet in Switzerland and Lithuania is already climate-neutral. And this is just the beginning.

In addition to our ambition to minimise the harm we inflict on the environment and to be aware of the consequences of climate change for the world and for our business, we also focus on developing more sustainable and reliable supply chains.

First and foremost, we want to operate in a clear and transparent manner. This report certainly presents what we achieved last year, but it also highlights what still has to be done to make it possible for us to work in even better harmony with nature. And as for the format of this sustainability report, we know that there is still room for improvement. For this reason, we have decided to publish our reports for up to 2026 in line with the demanding Corporate Sustainability Reporting Directive (CSRD) data and reporting standard. Until then, we will devote all our energy to making the best floors out of what I believe to be the most beautiful material in the world, with our full commitment and passion for sustainability!

My team and I hope you enjoy reading our 2022 Sustainability Report.

Yours faithfully,

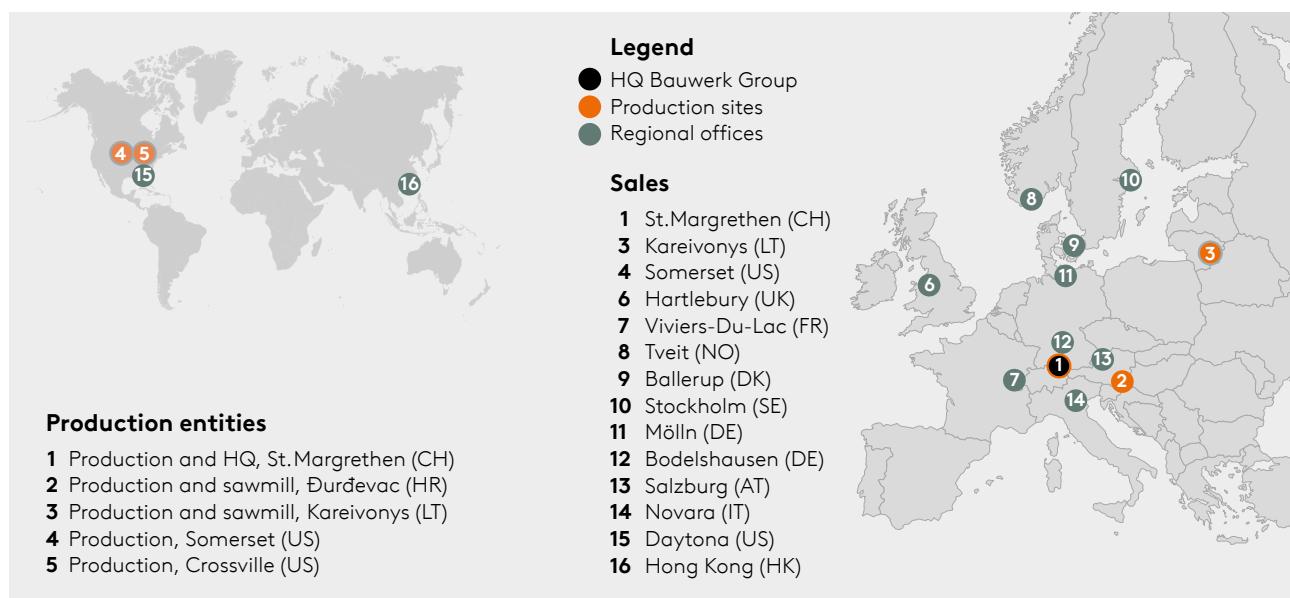
Patrick Hardy
CEO & President Bauwerk Group





About Bauwerk Group

Bauwerk Group, headquartered in St. Margrethen, has become the globally leading producer and supplier of premium parquet. Bauwerk Group's portfolio includes the Bauwerk Parkett and BOEN brands, and since May 2022, the North American company Somerset Hardwood Flooring. Selling some 10.1 million square metres of parquet every year, the group offers a comprehensive product range with solid, 2-layer, and 3-layer parquet, as well as specialised hardwood floors for sports facilities. It has production plants in Switzerland, Lithuania, Croatia, and the United States. With the addition of Somerset Hardwood Flooring, Bauwerk Group has solidified its position as the market leader in quality parquet.



Our product

Bauwerk Group produces two-layer, three-layer, and solid parquet. Layered parquet consists of a thin hardwood top layer and a thicker supporting sublayer, made from birch/spruce/fir/pine or HDF. Our products consist of almost only naturally grown wood. We use only 120 g adhesive per square meter and bonding. For the surface finish we use on

average of 75 g lacquer or oil. This results, depending on the product and its specific weights, is ~98% wood content in our products, making them the most sustainable flooring option. Parquet is repairable, and even more important, renewable, giving it a lifetime of a minimum 25 years.



We are reporting about 20 regional offices and three plants in Europe in which we used around 217'616.4 m³ of wooden material, 1962 t glue, and 824 t of lacquer and oil as raw material to produce 8'236'432 m² of parquet. Somerset Hardwood Flooring, with its two manufacturing facilities in Tennessee and Kentucky, is out of scope of this report due to the acquisition that was completed mid-year. With 1655 people producing and selling in Europe we generated around CHF 305 Mio. in 2022 net turnover (excl. Somerset Hardwood Flooring).

Sustainability ambitions

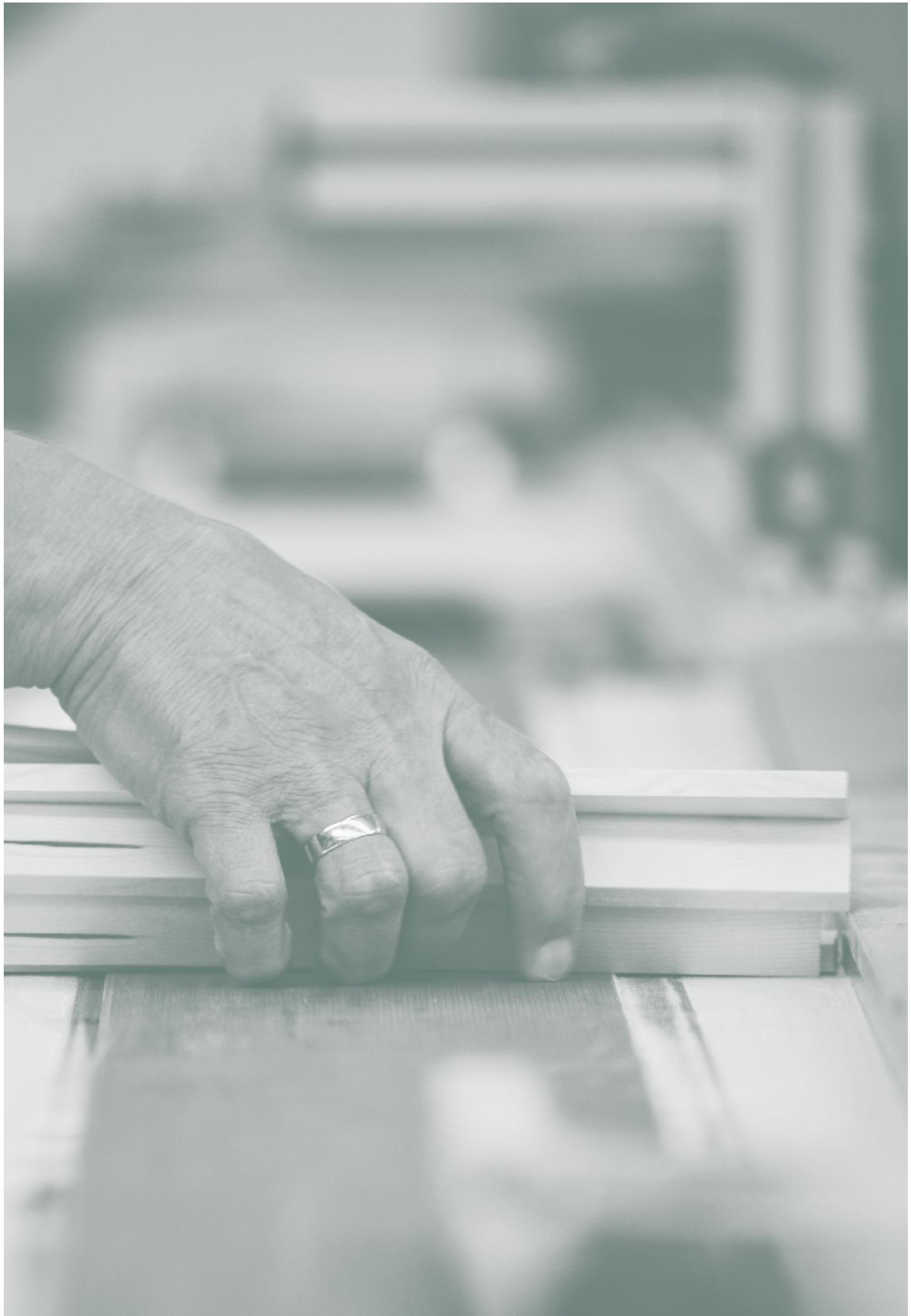
To future-proof our business, we are in the process of implementing a sustainability strategy to accomplish our devotion to be the innovative leader in natural, sustainable wooden flooring. We want to be in line with the Paris Climate Agreement and emit zero greenhouse gases as soon as possible. To be able to do that, we first need to measure and understand them in their completeness. Our assessments of emissions will be signifi-

cantly updated in the upcoming years and allow us to understand and manage them better in the future. Reporting this transparently is our first step towards creating less impact.

Consequently, we recognise the obligations the European Union (EU) is drafting currently with the Corporate Sustainability Reporting Directive (CSRD) as an important driver towards changing the production industry to become more sustainable. The current state of research and the strategy of the EU to create a future proof industry in Europe is to lessen environmental impact and to (consequently) implement a circular economy. We set out to fulfil our responsibility in creating this change in the upcoming years.

Following this logic, we want to deliver the most environmentally friendly flooring that exists, taking ownership of our contribution to a more sustainable world. We are achieving this by:

- creating transparency
- reducing our environmental impact
- implementing circularity



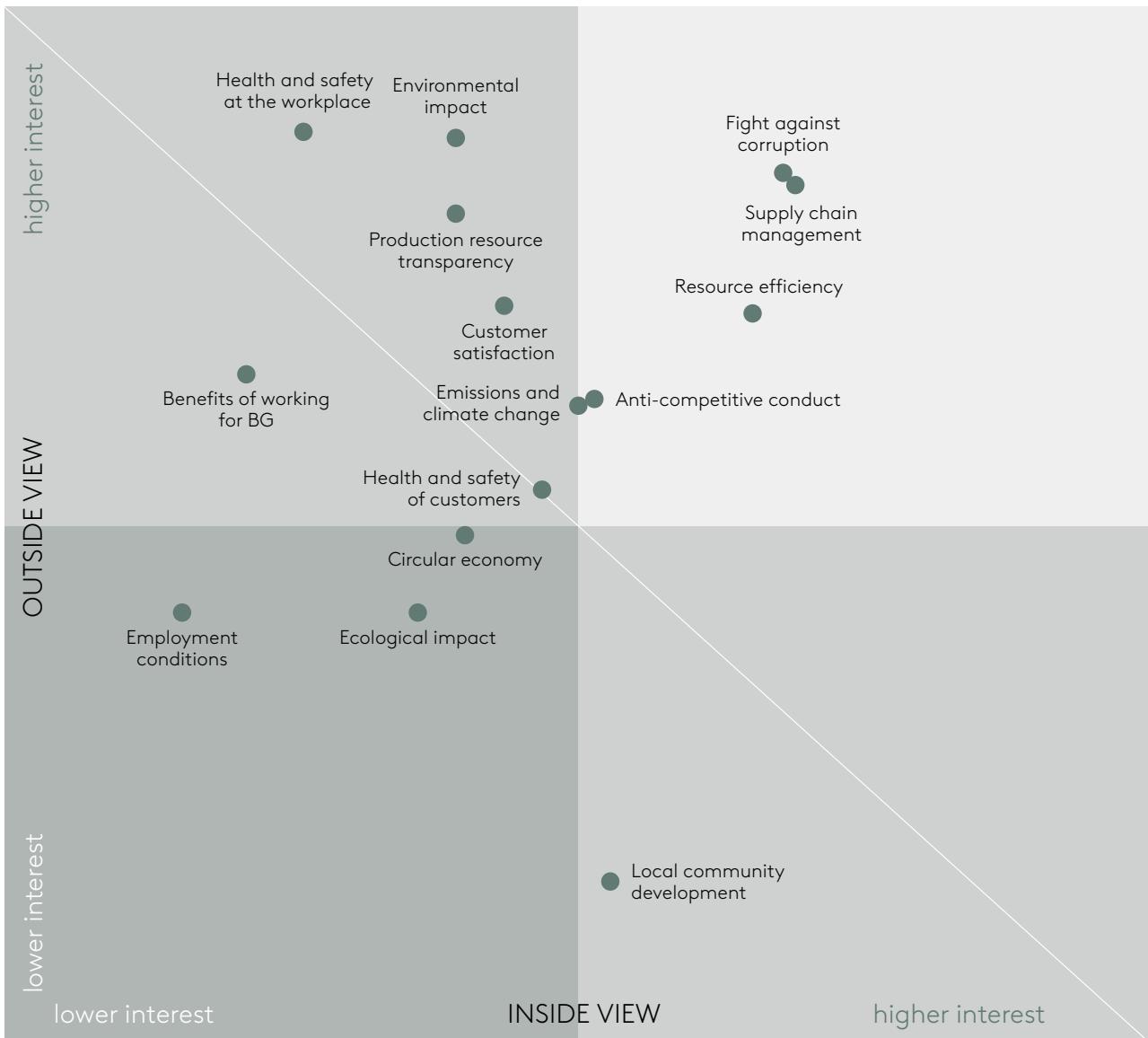
About this report

This 6th annual report is the start of a significant change in our reporting process: The last reports were compiled by referring to the GRI standards as close as possible. This current report tries to get closer to a practical sustainability and what is at our hands, and referring to the GRI standards as guidelines – without claiming completeness. For example, our Scope 3 emissions are still not fully covered or the intended detail level on management practices has yet to be reached (more information in chapter 7). However, over the course of the next three years, we will significantly build upon this GRI foundation to close the gap towards a CSRD-conformed report for 2026. We accepted the challenge of demonstrating our sustainability in a most transparent report.

Materiality Assessment

Our Materiality assessment, to choose on what is relevant to report, has been re-evaluated compared to the previous reporting period. In our previous reports, a stakeholder assessment from 2017 was used as the only defining input. To update these views on the company, we set up a questionnaire to be filled out by external stakeholders (NGOs, local governments, suppliers and partners, N = 27)

and internal stakeholders (employees and owners, N = 908). In the questionnaire, the stakeholders rated 15 fields of interest, oriented along the GRI standards, in their importance from 0 to 10. The questionnaire's result is presented in Figure 1. The diagonal line presents our threshold of which topics are especially important to the stakeholders.



The results were evaluated by the newly created sustainability department and put into perspective to the cornerstones of our sustainability ambitions.

This comparison yields a shift in our approach to sustainability reporting compared to the previous reporting period. Instead of using the four action areas defined in the preceding reports, we are now reporting on

- Management Structure
- Supply Chain
- Society
- Environmental Impact

This allows us to report on the fields that are most important to our business. First, our management

structure must be introduced to explain the context in which everything that follows is controlled. To reflect our stakeholder's interest in our supply chain, we present it in the following section. Thereafter comes the proud foundation of Bauwerk Group, our employees, and the impact we have on society by employing people. Reporting about work conditions and our practices to prevent and evade any discrimination at work is essential to show our transparent reporting approach. Afterwards we focus on our environmental impact, to report on the impact we left on our planet in 2022.



Scope and Boundaries

We aim to report as comprehensively as possible and will further expand the completeness of the report in the coming years, latest to match a CSRD-conformed reporting by 2026. In the meantime, certain boundaries are yet to be crossed. Most noticeably, today we are not able to provide fully complete transparent numbers to our Scope 3 emissions for 2022 (more information in chapter 7), leaving logistics out of scope. Tracking and tracing those in their completeness is a major task for our logistic department. As a strategic project, this task results in a logistics tracing platform, which is to be implemented in 2024. This platform will enable us to track almost 100% of the traffic moving goods for us over the coming years.

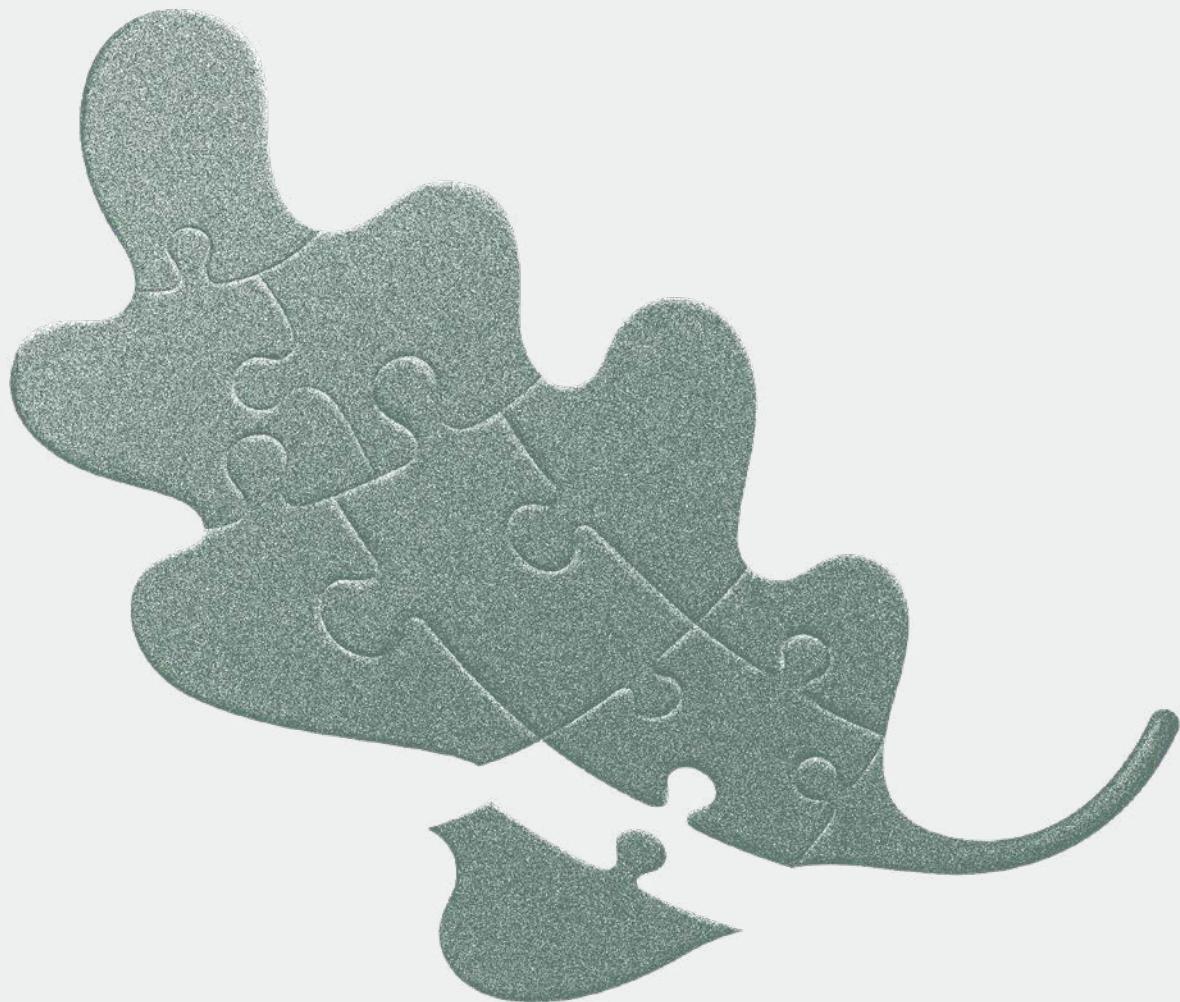
The single greatest limit to data availability is the lack of an uniformed and transparent approach to calculate Land Use and Land Use Change emission factors for wood from specific regions. The forest industry has yet to come up with a solution to show the CO₂ calculation per square metre wood – a vision which needs to be implemented to enable wood processing industries exact calculations about their environmental footprint.

The scope and boundaries of this report need to be understood in the framework of a changing climate which puts increasing pressure on our forests. We therefore need to balance the short-term financial costs against the long-term financial costs due to environmental change.



BAUWERK PARKETT
Cleverpark, Oak Sasso 14

Focus Management Structure



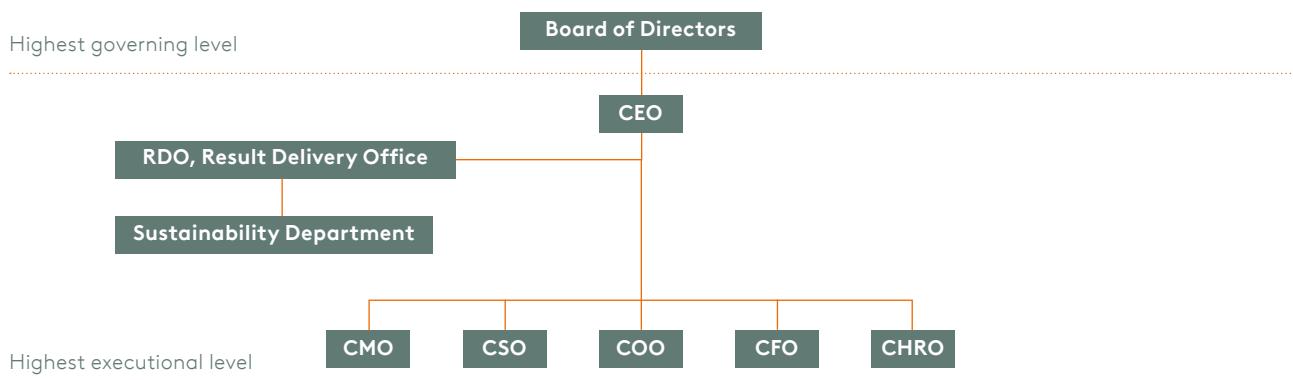
Focus Management Structure

Bauwerk Group is a Swiss AG, operating globally. Reporting transparently on our governing structures demonstrates our recognition of our corporate social responsibility. In this section we list the dependencies on governing and how we implement sustainability at Bauwerk Group. Creating the advisory level sustainability department shows our commitment towards shaping a sustainable future from inside the company.

Organisation

Bauwerk Group is governed by the Board of Directors. The CEO and Management Team (MT) are the second highest body and represent the highest execution level of the Bauwerk Group, meeting quarterly with the Board of Directors.

The MT meets on a weekly basis. An additional important governance structure is the extended Management Team, which represents 16 key roles in the globally operating company.





Implementing Sustainability

Sustainability at Bauwerk Group is closely interconnected with the leadership of the organisation. The strategic Result Delivery Office (RDO), which reports directly to the CEO, oversees the sustainability department, which acts as a consulting function for the whole group. Close collaboration with all departments across all levels is intended and practiced via the controlling function of the CEO over the Management Team.

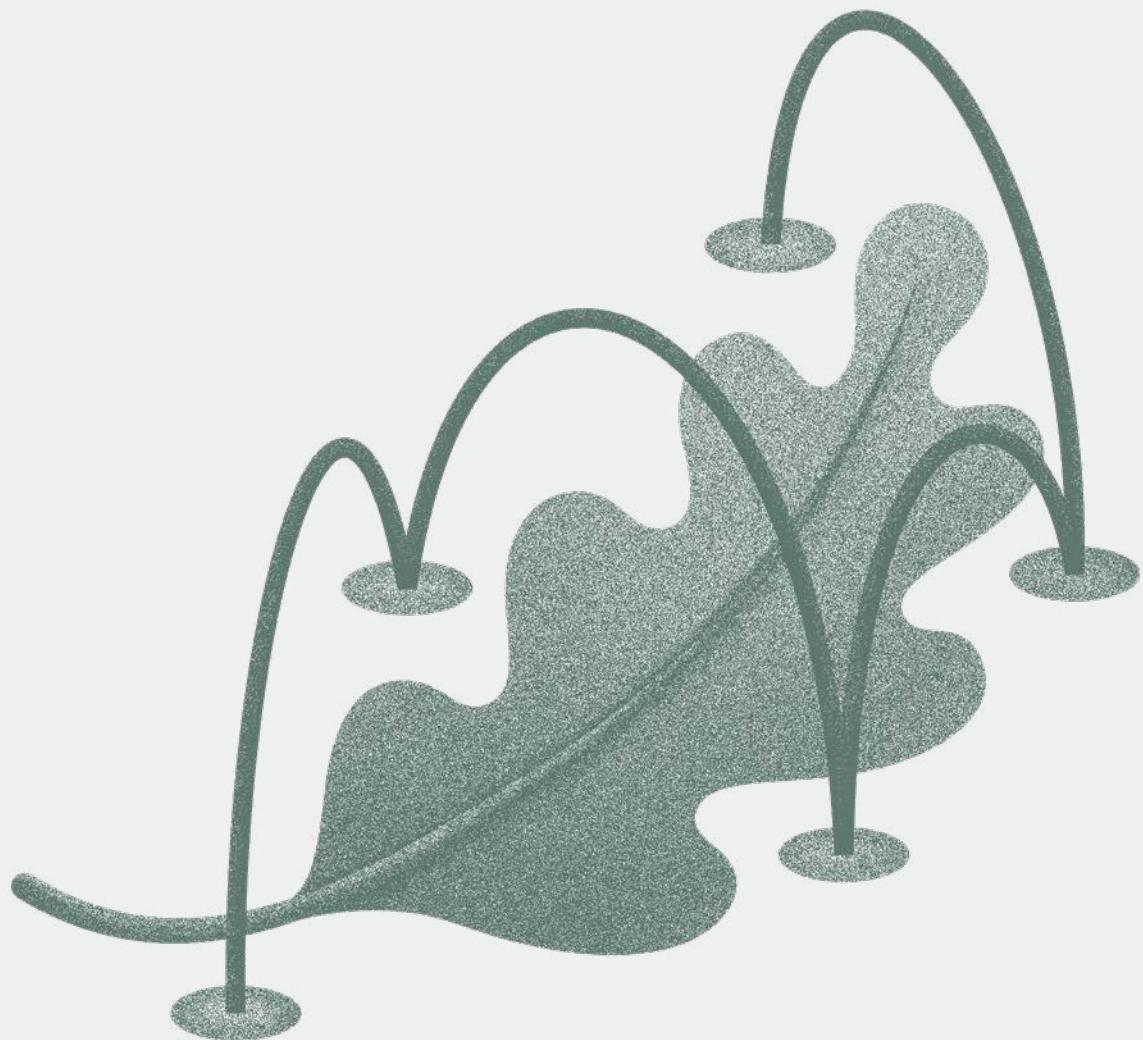
The sustainability strategy is executed via a sustainability roadmap, where the most important initiatives are defined as strategic projects. These aim to deliver either reductions in emissions or environmental impact, deepen available data and its usage or building steps towards a circular economy. The progress report of these projects is managed via monthly and quarterly management meetings, organised by the RDO, in which each project leader or owner must report the gains achieved by the running projects. Measuring our progress in this area will be part of the next sus-

tainability report, as due to structural changes the impact assessment will only be available in the future.

Sustainable development is commonly measured by the entire emissions the organisation emits. The connection of strategic projects towards more sustainable operations represents our approach to measure our generated impact. Also small initiatives, beside strategic projects, are initiated. A good example is our new approach to reduce our environmental impact while exhibiting at large fairs: We use circular furniture and serve only vegetarian food.

Since 2021, we are ISO 14001 certified at all European production sites. The responsibility is with the operations department, with local managers executing the regulations on site. Management software ensures our compliance with local laws and a careful approach towards our environmental impact to lessen it wherever possible.

Focus Supply Chain





Focus Supply Chain

The interconnected topics of supply chain management, resource efficiency as well as emissions and climate change point towards a major interest of our stakeholders in these topics, as showed in the materiality assessment matrix. Therefore, we dedicated a whole chapter to this.

As all hardwood processing industries, we face major challenges in our supply chain in the long run: Oak wood is becoming more popular and competition on the buying market increases. At the same time, the availability of high-quality oak wood is expected to shrink in some regions due to the changing climate. Extreme weather conditions let trees reduce their growth rates and this limits the available supply. These contrary developments can put us in a challenging position. Still, we will maintain our strong position on the market by developing new ways of sourcing and processing hardwood. This is the main driver of our sustainability strategy, securing our market position and bringing nature's qualities directly into our customer's homes.

Our focus remains strong on selling real wooden flooring: shaping trees into a product and giving them a lifespan lasting as long as it takes for new trees to grow is a vital business model for the future. We are producing temporary carbon storage, including all the benefits of having natural materials in our home.

Business Practice

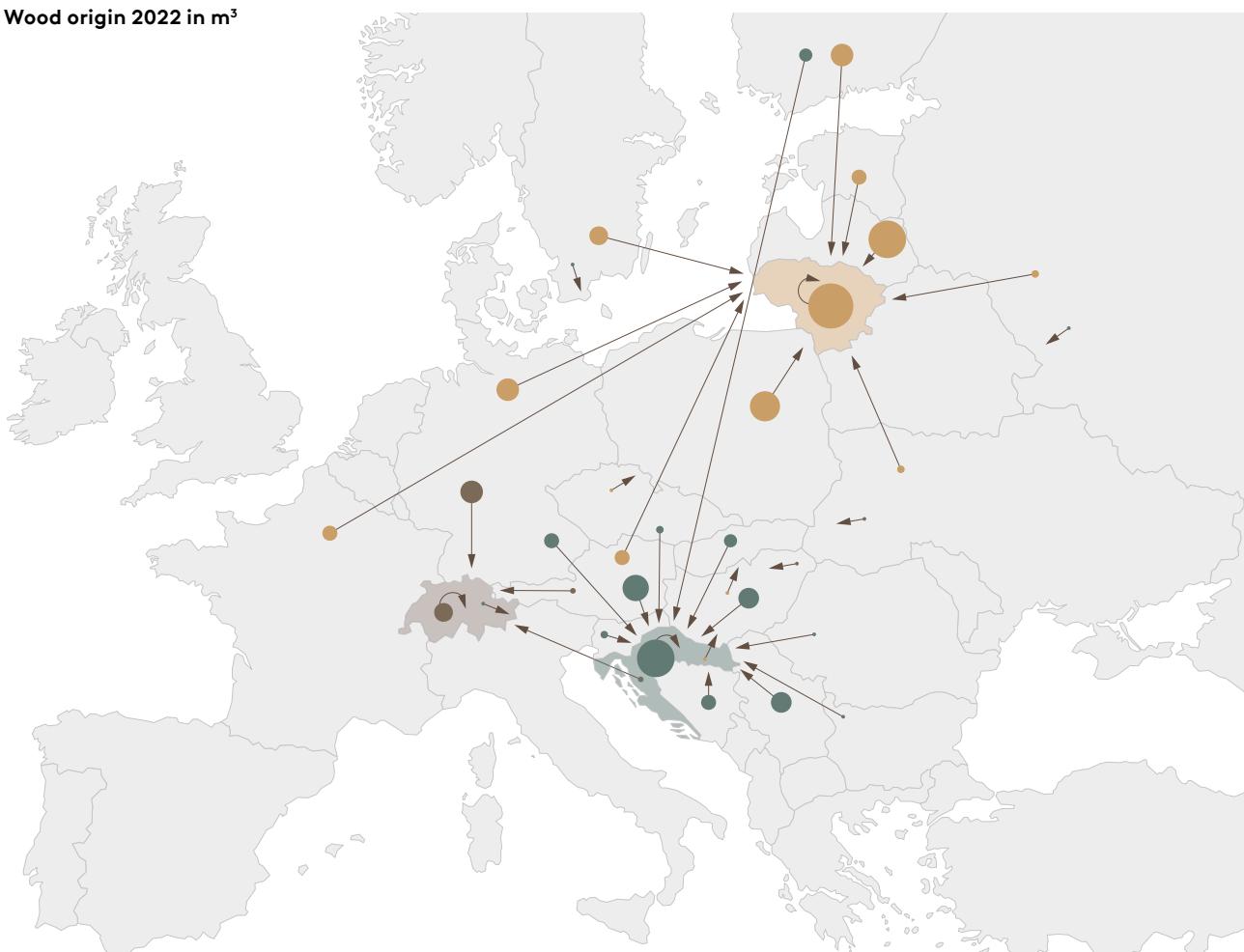
Our procurement guidelines include quality standards, to reassure ourselves of continually high quality in our raw materials. All of our employees in the procurement department have been trained in our anti-bribery and corruption guidelines, supported by the legally binding code of conduct.

In the future, these quality checks will include environmental quality checks and standards as well. By this, we will ensure that the procurement department is generating less impact on the environment than in the years before. In general, we make our suppliers countersign our code of conduct in which we reassure our interests in conducting fair, safe and non-discriminating business for people and the environment. If potential breaches from this code of conduct are identified, we try to assist our suppliers in overcoming any shortcomings.

Additionally, we run our supply monitor, according to the European Timber Regulation (EUTR) and the Swiss "Holzhandelsverordnung" (HHV), to assess and minimise our supply chain risks. This enables us to indicate risks in the supply chain as quickly as possible and to monitor our supply situation in general, leading towards more responsible and environmentally friendly decisions in our future supplier management. This helps us to live up to our due diligence responsibilities in a transparent manner.

Sourcing locally

In the following graph, a rudimentary outline of the mass flows in our supply chain is given. We work on deepening the transparency in our production resources, to be able to report more detailed information to our customers.

Wood origin 2022 in m³


Country	Lithuania	Croatia	Switzerland
CH	-	835.75	3831.51
RO	-	672.06	-
RS	-	1967.54	-
RU*	1083.10	87.74	-
SI	-	1232.99	-
SK	-	3670.03	-
CZ	52.11	1635.49	-
DK	640.88	-	-
HK	266.84	30.46	-
EE	1832.28	-	-
LV	39'893.43	-	-
FI	9229.00	1325.32	-

* We stopped sourcing wood from Russia in March 2022.

We buy 99% of our wood in Europe, and most often within a 250 km radius of our plants, to avoid transportation distance as a best practice. We strive to source more locally, which is inherent with our sustainable ambition of lessening our environmental impact. In line with this, we already stopped using tropical wood for our products seven years ago and do not source from tropic regions.



Responsibility in Sourcing

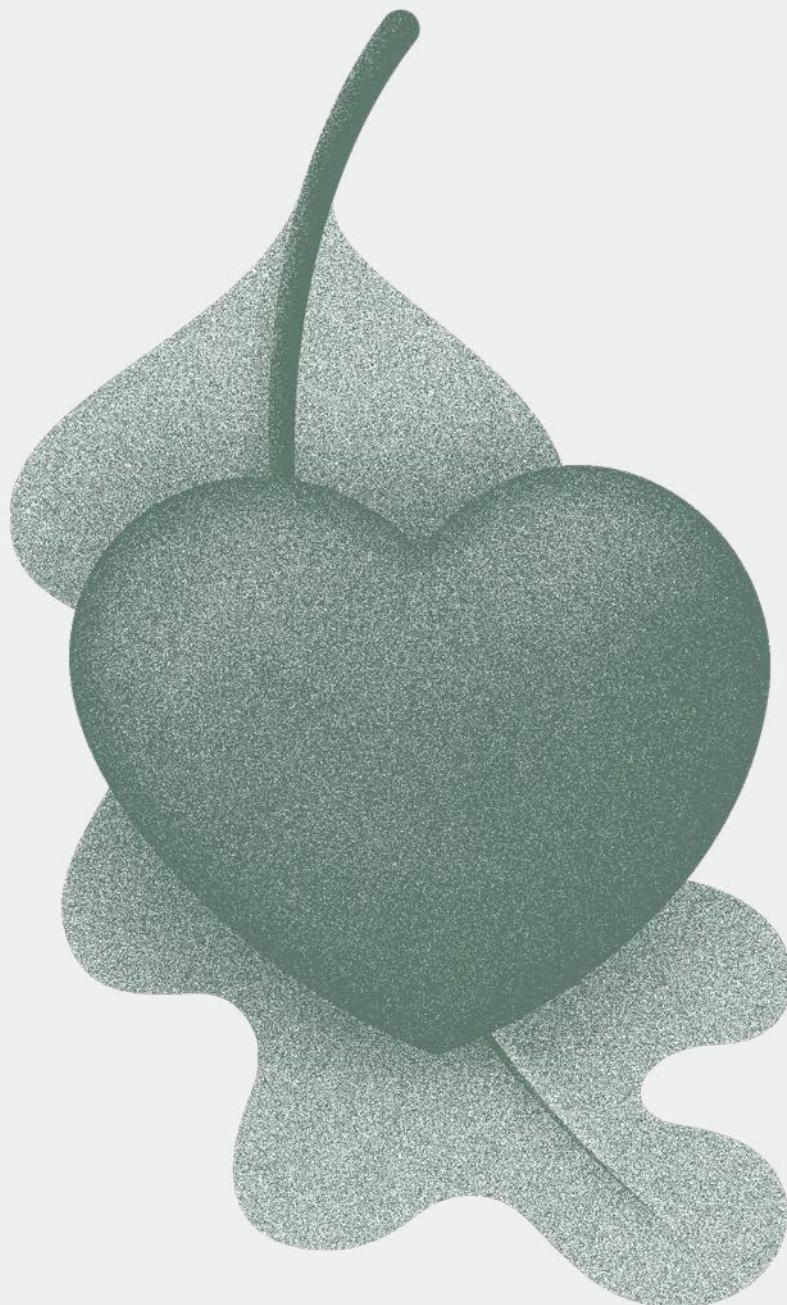
We act on the responsible sourcing of wood to strictly avoid unlawful or environmental harming practices in its supply chain, with independent certification requirements ensured by the supply monitor mentioned previously. We are certified by FSC® at all production sites and try to ever increase our share of FSC® or PEFC® certified wood. For 2022, we managed to buy 57% of our wood from independently certified resources. It needs to be mentioned that some of our suppliers are conducting sustainable forestry for generations, but do not have the financial resources to pay for a certificate. By visiting them personally we are controlling their efforts in sourcing wood sustainably. We are aware of the risk of processing wood from uncontrolled resources from south-eastern Europe. The various factors there include unlawful treatment of nature reserves and harming the refuge of endangered species. By buying directly from forest owners or adjacent sawmills, we oversee the impact we have on the environment and legality. Our procurement experts maintain excellent relation-

ships with all our suppliers and conduct regular visits to be able to check up with them about their environmental impact – it is in our and their interest to maintain healthy forest and personnel.

The implementation of overseeing the supply chain is built on a strong foundation, as we have been sourcing wood internationally for more than 50 years and have built trustful and long-lasting partnerships. As a result, we did not notice any unlawful behaviour in our supply chain in 2022. Bauwerk Group's risk management system, to report any possible fraud according to the EUTR and HHV, is up and running, controlled by the procurement department.

In 2022 the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) confronted us with a lot of updates from our partners and we ourselves saw the chance to revise our code of conduct. This new code of conduct is currently being worked on.

Focus Society⁷



Focus Society

Our employees guarantee our daily success. We rely on a joint effort to create and sell our products and therefore highly value everyone working for and with Bauwerk Group. In the rolling mean our fluctuation rate across all entities is low at 10.6 %. We aim to keep our employees with their specific knowledge on board as long possible. This is also expressed via our encouraged horizontal and vertical advancement opportunities.

At any time, and especially in the annual performance reviews, our employees are encouraged to speak up about any discomfort which may occur in any dimension. We check and balance the well-being of our employees in triennial satisfaction reviews. Tearing down communication barriers is a key principle in our business policies. Accordingly, we strongly condemn discrimination of any kind. To show our involvement in social and charitable endeavours, we are carrying out the annual campaign "Parquet Magic". Every year, between the beginning of November and the end of February, social institutions and associations can submit their applications on the Bauwerk Parkett's website. Only state-funded organizations are excluded from participation. Hence, we have been able to support numerous charitable projects already. Whether it be in pre-school or social facilities, leisure clubs or scout huts, the parquet we donate creates magic in spaces that need an atmosphere of well-being, bringing joy to the people.



Employment

As we are operating globally, a detailed listing of our various employment situations is not given in this report. The Human Resources (HR) department issues an always up-to-date group policy about the values and ethics of the group, which are not negotiable. The entities set these guidelines as a minimum and adapt these policies to the regional specialities. For example, Swiss parental leave laws, on which the group policies are based, are weaker than the ones we are issuing at our EU based entities.

We try our best to offer a workplace suited to everyone's needs. In Lithuania and Croatia we employ according to EU laws. One aspect of those is equal pay for equal work, which we live up to and therefore we estimate our gender pay gap to be zero. In Switzerland, a study according to Swiss laws conducted in 2021 found no gender pay gap. The national working laws are always ensured by our HR and Environmental Health & Safety (EHS) departments, securing fair conditions by which our products are made. As we are only producing in the EU and Switzerland and our workforce is always employed by Bauwerk Group itself, we are well situated regarding the security in all dimensions of our jobs. To achieve this, our Swiss production workforce has a workers' council. In Croatia and Lithuania, the production workforce voted against such councils. Still, the Croatian workforce has two employee representatives and we set wages based on collective agreements in all entities. Our production workforce receives on average ten minutes of training per workweek.

We evaluate its effectiveness based upon our average accident rate.

Like all companies, the COVID-19 pandemic affected us strongly. However, we are proud to state that we did not have any lockdown related lay-offs in the last three years.

By training our staff, and especially the sales staff, about our code of conduct and our anti-corruption guidelines we ensure a lawful and fair approach of our employees towards conducting business.

Our employees get hired based on their skills. Bauwerk Group ensures this via personal interviews, in which skill gaining courses are provided on an as needed basis.

Along our chain of custody, we do not see major breaches of any working law as we perform personal site visits by our procurement at our main suppliers.

Discrimination of any kind is monitored by our HR department, which is in close contact with all employees. If a case is brought up, employees have the reassurance of the HR department to be taken seriously and that everything will be done to overcome an unjust situation. Therefore, we provide a mechanism for this in our whistleblowing policy.

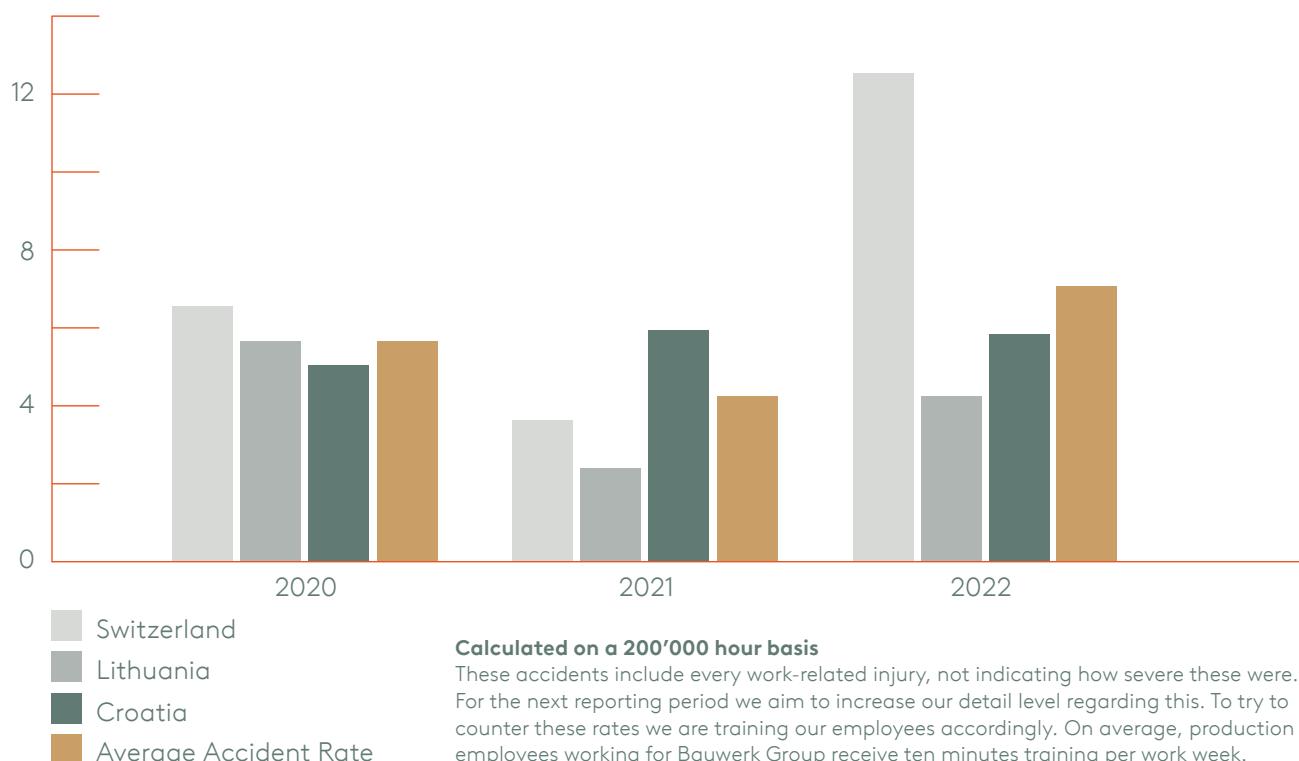
Health and Safety

We are proud to host our own Environmental, Health and Safety (EHS) department, operating at each production entity. The team consists of dedicated experts, trained according to and for national laws. By monitoring the latest legal requirements, the department ensures safe workplaces.

Safety is reflected in our products at Bauwerk Group as we consider a product only 100% healthy if the production happened without exposing workers to health risks. During the onboarding process, employees receive up-to-date safety information about their workplace and the production plant in general. The quality of this information is ensured by our dedicated and trained EHS staff. We do not use formaldehyde-based glues and keep our VOC loads as low as possible. The EHS department evaluates the workplace

safety with risk analyses and live inspections, aided by external inspectors. If risks are identified by either the EHS managers or workers, the working place is adapted towards the lowest risk possible. The communication here happens easily and at eye level from the EHS team to the worker and vice versa. Our internal SPS System with teams formed independently of the organisational structure supports us in keeping in touch and focus upon the needs of the workers. By this, we ensure keeping the health stress at the workplace as low as possible. The EHS department achieves 100% coverage for all production employees, creating the following accident rates:

	2020	2021	2022
Switzerland	6.4	3.5	12.5
Lithuania	5.6	2.5	4.5
Croatia	5.0	6.0	5.9
Average Accident Rate	5.7	4.0	7.7





BOEN

Castle, Oak Rustic



Product Safety / Labelling

Our brands, Bauwerk Parkett and BOEN stand for high quality parquet which is safe for health. In order to satisfy our clients' high expectations of quality, we rely on credible certification, ongoing investment in product development, as well as specific information and training for both floor installers and end customers. We state the formaldehyde content according to EN 16516, by which we achieve class E1 across all products.

The Blue Angel: BOEN parquet products have been awarded the "Blue Angel". Products with this seal of approval have very low emission levels and guarantee a healthy indoor climate.

Eco-Institut-Label: But for very few exceptions, the 2-layer products from Bauwerk Group as well as the majority of our 3-layer products fulfil the strict requirements of the eco-Institut-Label. Exceptions are for some 3-layer products, as the pine sublayer emits slightly higher VOCs than the certification parameters allow. The label guarantees a strict quality control by regular laboratory testing for harmful emissions, substances, and odour. The test criteria extend far beyond existing legal requirements.

Sentinel Haus Institut: Due to their eco-Institut-Label, Bauwerk Parkett products are listed on the Sentinel Haus Institut website. The institute stands for a wholesome approach to safe and healthy living.

Cradle to Cradle®: Bauwerk Group is not only the first wooden-floor manufacturer to obtain Cradle to Cradle® certification, but it is also the first company in the world whose entire production facility

received this certification. All of the Bauwerk Parkett products made in Switzerland are Cradle to Cradle® Bronze-certified, and all of Bauwerk's Silente products even have a Cradle to Cradle® Gold certificate. After their end of life, the full surface bonded 2-layer Silente products can be removed completely without a negative environmental impact and be recycled. Our first approach to a circular economy, launched as far back as in 2016, has seen a lot of reviews and has been our first step towards a circular economy.

EPD: In 2022 we proudly issued our first product category specific EPD in Europe. By disclosing a lot more modules than usually in a Life Cycle Assessment we invite customers, planners and the public to take notice of the advantages parquet flooring has over others. In the next years we want to achieve transparency levels according to the revision of the EU's Construction Products Regulation, to provide a more detailed Life Cycle Assessment than issued in current EPDs

FloorScore®: Since 2022 the entire range of hardwood flooring products from BOEN and Bauwerk Parkett are certified with the FloorScore® certification. FloorScore® is a certification program established by the Resilient Floor Covering Institute (RFCI) for hard surface flooring and flooring adhesives products that meet strict indoor air quality (IAQ) requirements. Regular factory audits are also required. Products bearing the FloorScore® label meet the indoor air quality emissions criteria of LEED, CHPS, the Green Guide for Health Care, and are recognized by a long list of other healthy building programs.



SENTINEL HAUS
INSTITUT



Focus Environmental Impact



Focus Environmental Impact

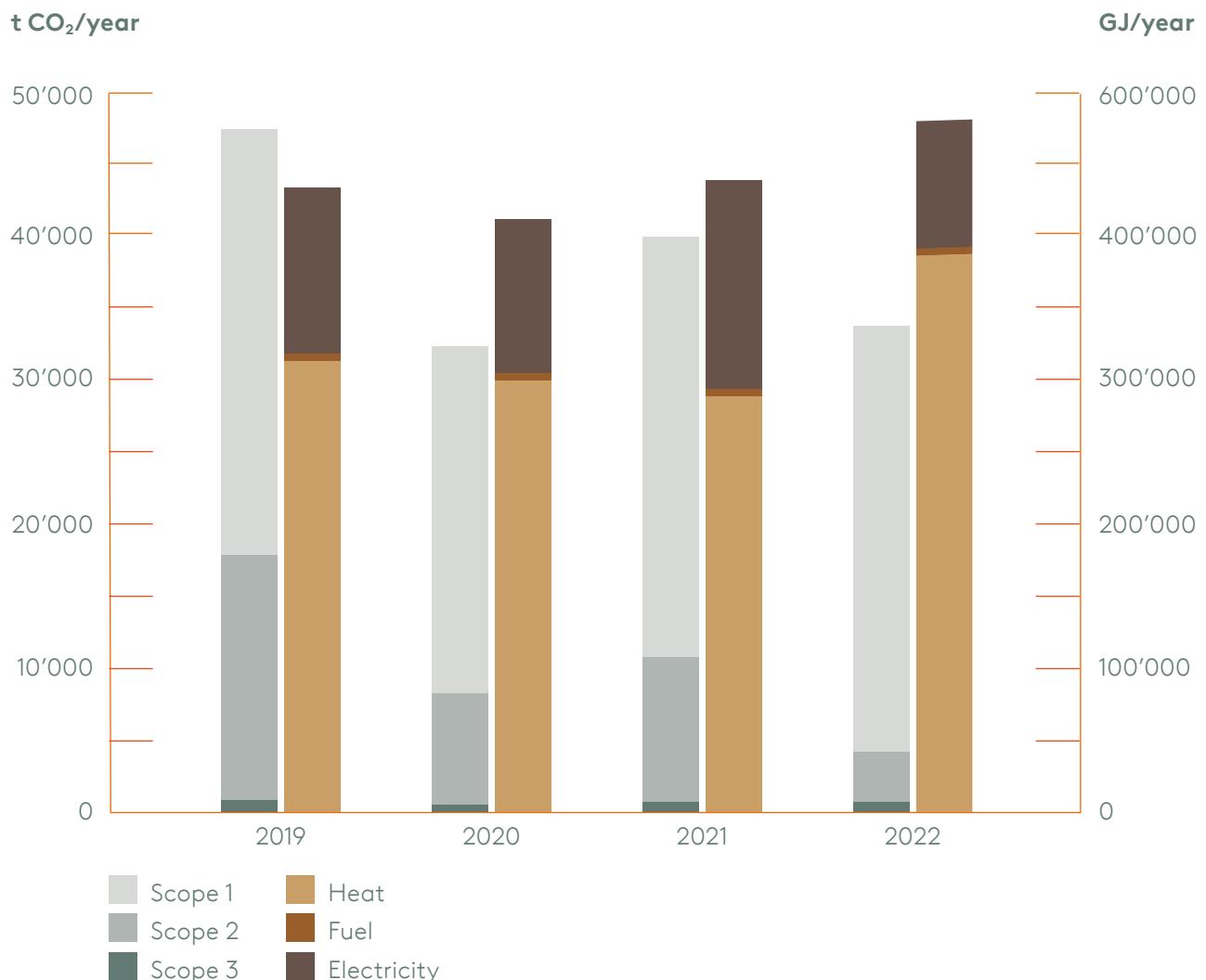
We recognise global warming as one of the greatest threats our society is facing, demanding action from everybody. To transparently show our impact and actions taken, we are disclosing our available data. Even if our product itself might help save the climate, as we are selling stored carbon, we still emit greenhouse gases along our chain of custody. Actively aiding our future demands us to work towards net-zero greenhouse gas emissions. In 2022 we started to build a roadmap on how to achieve this with our mindset of continuous improvement. By 2026 we aim to fulfil the requirements of the CSRD completely, indicating our target for the upcoming years: reach almost 100 % transparency for our Scope 1–3 emissions.

What do we mean by Scope 1–3 emissions?

Scope 1 emissions are direct emissions from sources owned or controlled by Bauwerk Group, such as emissions from the combustion of fossil fuels in company vehicles. Scope 2 emissions are those caused indirectly by Bauwerk Group through electricity procurement. Scope 3 emissions are all other indirect emissions generated in the company's value chain, including emissions from the transport of goods, waste disposal and employee commuting.

Energy and Emissions

The core of our environmental impact analysis is looking at how much energy we have been using and how much emission has been caused by this energy demand. We aim to produce our product with as little energy as possible, as we are convinced that the safest product for the planet is the one which uses the least energy possible.



The above graph shows our energy demand and greenhouse gas emissions across the group (without logistics). To give a reference: in 2022 this is roughly the same as the energy released by a hurricane in one second or the equivalent to the electricity Liechtenstein is using in one year. The steady baseline of heat is due to the great demand our drying kilns have, showing only a minor decrease due to COVID-19. We are covering this energy demand with the wooden by-products from our production like sawdust and offcuts. For economic reasons the drying process is running

continuously and explains the continued high heat demand. Our electricity demand is accordingly steady and only got affected by the pandemic. Only a small quantity of direct energy usage goes to our here reported vehicle fleet which excludes transportation. The steady energy usage is in strong contrast to our shrinking CO₂ emissions: Per unit of energy used we decreased our CO₂ intensity steadily. The overall reduction of our emissions achieved so far is put into perspective by looking more closely in the individual scopes:



Scope 1:

By phasing out stationary equipment fuelled by fossil fuels we were able to reduce our Scope 1 emissions in the last years. Since 2020 we use only the heat generated in our boiler house to heat our buildings. This switch to a wood-based heating system reduced our dependency on fossil fuels in Croatia to forklifts and cars. In Lithuania we ended electricity generation from natural gas in 2022, resulting in halving our Scope 1 emissions since 2019. Contrary to our efforts in stationary equipment, our vehicle fleet grew in 2022 and therefore emitted more CO₂ in our Scope 1 emissions. In 2022 our car policy saw a significant update, by minimising the use of fossil fuels in our vehicle fleet wherever possible. Similar to our logistics solution, this is limited by the availability of alternatives. We are striving towards finding better solutions in this field with our partners, as we want to be part of the collective turning point towards a climate neutral society.

Scope 2:

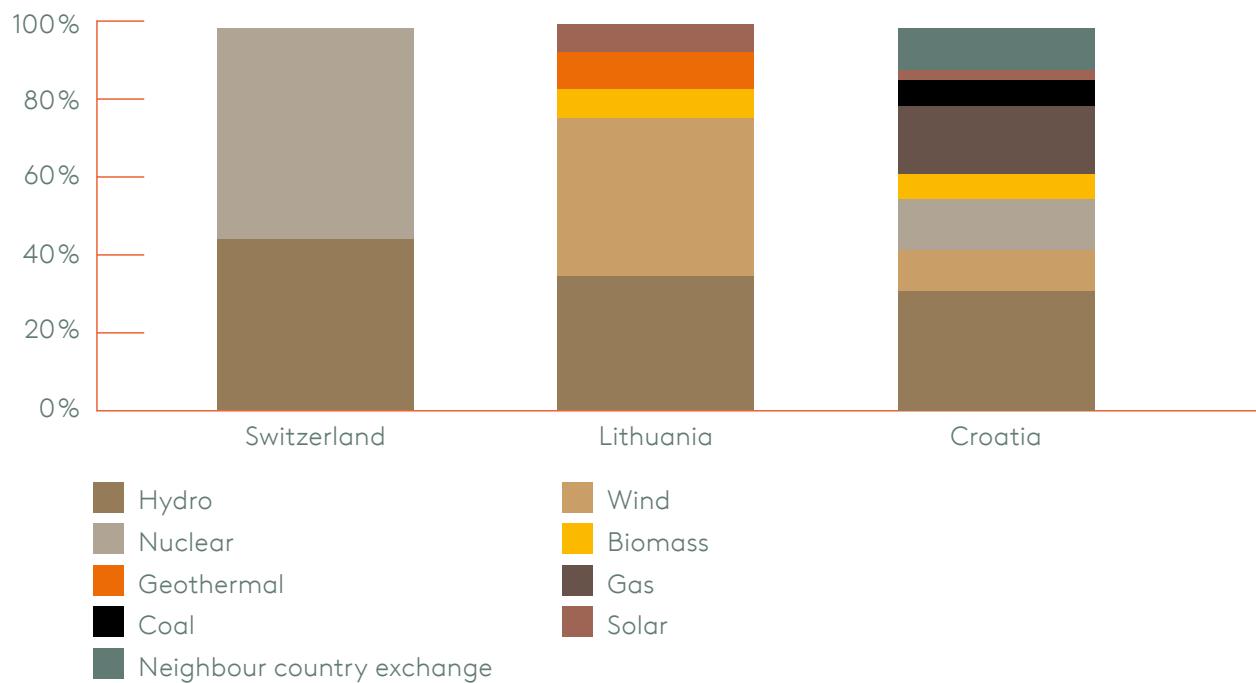
As of 2022 we are proud to state that the parquet production in Switzerland and Lithuania uses only renewable sourced electricity. Lithuania additio-

nally installed a large solar farm on the production site's roof with 2 MW installed capacity. Additionally, in our Croatian factory we are proud to have implemented one of the largest solar energy farms for own use in the country on the production site's roofs. Nearly 1 MW got installed there by the end of 2022, whilst up to 3 MW will be constructed during early 2023. By this we try to overcome the CO₂ intensive domestic grid mix in Croatia with our own production of renewable energy, showing in the share of solar energy in the following electricity mix. Our site in Switzerland is not contributing significantly to the Scope 2 emissions, as the production is the smallest and continues to use a very environmentally friendly electricity mix.

Scope 3:

The currently small proportion of our Scope 3 emissions is without taking into account the logistic emissions arising from our logistic partners. However, these are estimated to be a fundamental part of our emissions, and therefore we report on what has been achieved so far in lessening our logistic footprint.

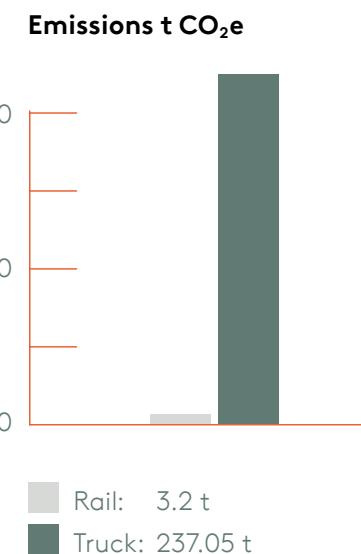
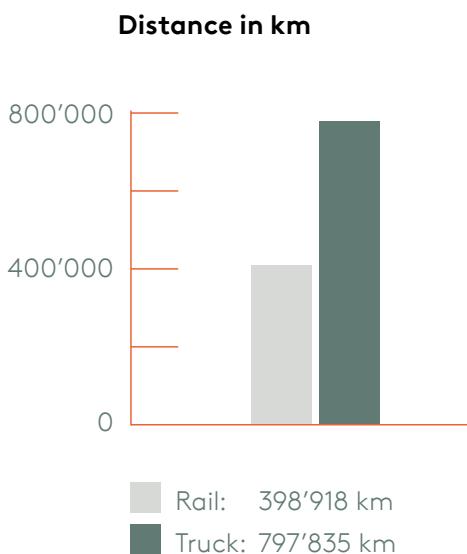
Electricity mixes at our production sites



Transportation

The flow of goods from our suppliers to the manufacturing entities, between the entities themselves and from the entities towards the warehouses and consumers is the backbone of our operations. At the moment this is realised with rather greenhouse gas intensive transportation via trucks. However, this is set to become more climate friendly with the harmonisation of the European rail infrastructure. To lower our emissions in accordance with the Paris Climate Agreement this is a must. As we do not have our own company logistics, the availability and cost of more climate friendly transport solutions is the deciding factor for how climate friendly our transportation is.

However, we are making progress in this direction, for example in Switzerland, where a good railroad infrastructure is available and gets frequently used by our transportation partner. Therefore, Bauwerk Group has reduced its annual footprint of inner Swiss transportation by nearly 40%, emitting 240 t CO₂e instead of 397 t CO₂e. In the future we are looking forward to increasing this percentage as the Swiss transportation market allows.





Old route: Truck via Poland, Germany, Denmark, Ferry to Kristiansand, Norway.

New route: Truck to Klaipeda Freight Terminal, Lithuania, Container Shipment to Kristiansand, Norway

Another major reduction in greenhouse gases was achieved by our logistic department to deliver parquet to the Scandinavian market from Lithuania. In 2022 we premiered in using combined transportation of truck-ship-truck, instead of only trucks, and brought emission per shipped 45 foot container from 3.27 t CO₂e down to 1.09 t CO₂e. This is a 66% saving, directly accountable to lessening our environmental footprint.

Production Materials

The main components of our products are European wood, a little bit of glue and a tiny amount of surface materials. Combining these components with renewable energy is our main activity, which we try to conduct without using additional materials such as packaging. Hereby the road towards true climate neutrality is rocky and a major challenge lies in our current wood combustion, which provides energy for our wood drying facilities. Bauwerk Group is currently developing a strategy on how to implement a climate neutral solution for this, as we are currently using only pre-consumer wood waste for this.

As indicated by the supply chain previously, we are proud to state that we source locally, as 99 % of

wood used in our production comes from Europe. We banned the use of any tropical wood in our supply chain already seven years ago. As of now, recycled content is restricted to our packaging.

According to our ISO14001 certification, we monitor and manage our stream of waste closely and according to local laws. We try our best in using as much circular or very large volume packaging to avoid any unnecessary waste streams. Waste is not avoidable in total at the moment in our production site. However, we strive towards less waste. The sinking percentage of landfill waste is a great indicator for our recycling efforts and the improvements we see in local authorities acting on more recycling solutions.

Composition of our products



98% wood on Spruce/Fir underlayer



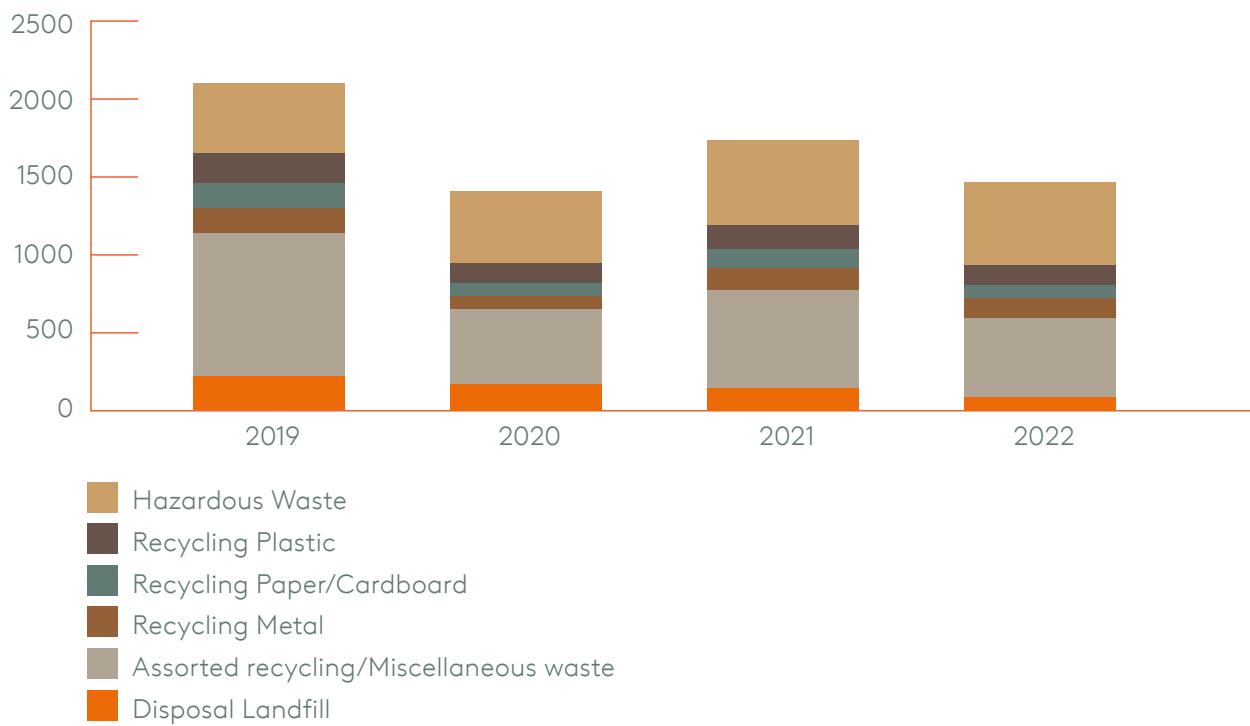
2-layer parquet



3-layer parquet

This graphic illustrates the general composition of our products. 98% of our product in the form of wood is coming directly and without any modifications from nature. 1% is owned to glue to connect the different wood layers. Our glues have either no formaldehyde content or it is close to detection limit. The last 1% is for our wood protecting surfaces of lacquers or oils.

Waste composition at all sites in tonnes

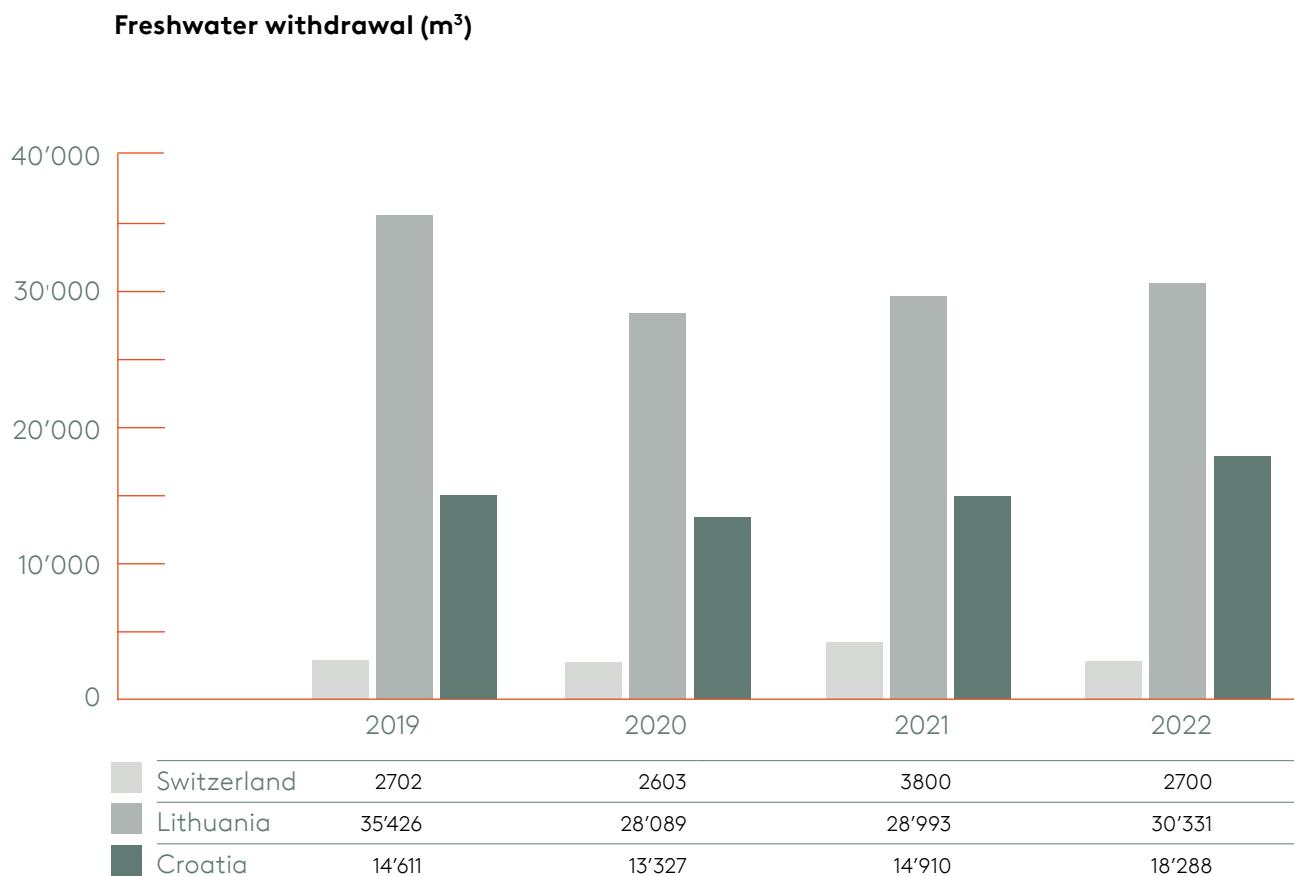


Our European facilities are located in areas which do not suffer from hydrologic stress. As water is the foundation for life on earth, we monitor our water usage closely to not over-use one of our most

precious resources. We closely monitor our discharge water qualities by testing it in local laboratories. In the past years we never exceeded the level declared as safe for the environment.



BAUWERK PARKETT
Formpark Rombico, Oak 14

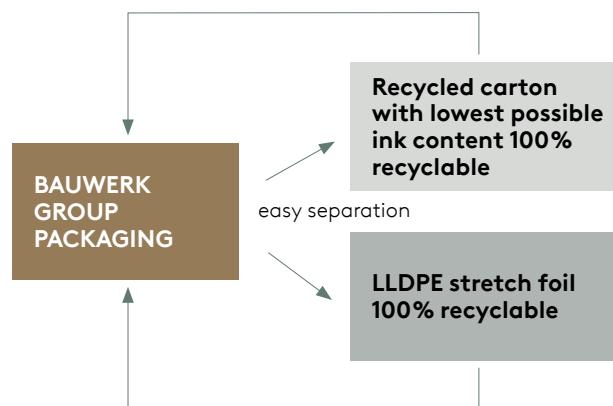


We obtain our water from local water supplies and use it in production for cleaning and as general household water. Per day we use around 1.5 standard 12 m shipping containers of water. The amounts are approved by local water authorities and our

discharge quality is controlled by our EHS team as well as the local water authorities on a regular basis. This is especially the case in Lithuania, where 2/3 of the water is being released in a natural see-page basin.

Packaging

Sourcing sustainable materials for our packaging is still a challenging topic to navigate. A solution towards the least environmental impact while ensuring 100% air tightness let us come up with our current packaging solution: a minimum of Linear Low Density Polyethylen (LLDPE) foil to minimise air exchange and carton with the highest possible recycling amount. We continue to search for a better solution, which is hard, as our current solution is 100% recyclable. With this and by using the highest recycling contents our suppliers can offer at the moment, we already participate in the circular economy.

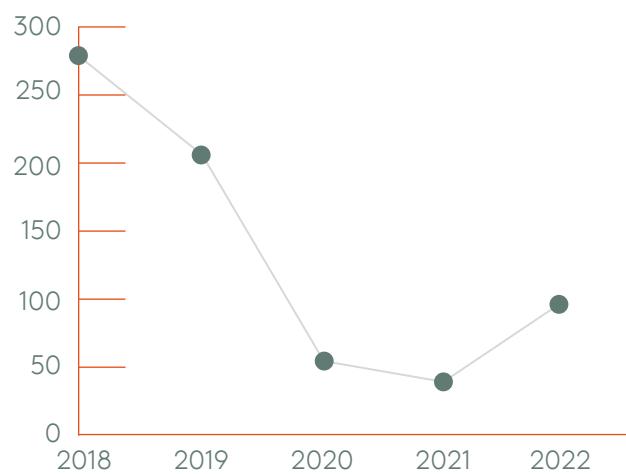


Recycling rate depend on national recycling availabilities

Business Travels

Commuting and business travel plays a big role in our limited assessment of Scope 3 emissions. Decarbonising our vehicle fleet, offering commuting alternatives to employees, and avoiding as much unnecessary travel as possible is the declared target of the HR department. This has been achieved by learning from COVID-19 travel restrictions. We limit our travel activities to the absolute necessary and have highly increased our video conference meetings rate, resulting in only half the travel activities pre-pandemic.

t CO₂e from Bauwerk Group's business flights



Outlook

The conducted assessment of Bauwerk Group's 2022 sustainability impacts yields a multi-faceted view of the company. We are changing our perspective of how we look at our sustainability data, as our stakeholders signalled their interest in our extended supply chain. The foundation for an assessment which can claim completeness are laid, now we will journey on towards a data repository which will make our organisation transparent in our impacts on society and environment. However, true sustainability will not arise solely from that but needs this as a foundation from which to operate from. We are committed to become climate neutral in the long run, as our business model de facto depends on it. We evaluate our initiatives and projects based on their sustainability and choose to only conduct those which lessen our impact. Our ambition to stay the innovative leader in sustainable wooden flooring holds true, as we practice challenging what is possible day-to-day.



BAUWERK PARKETT

Formpark Mini, Oak 14 (Reference: Vloerenhuis Amsterdam, Photo: Charlotte Kap)

GRI Index

GRI 3.2b: The following listing of GRI reporting standards is set up completely new for Bauwerk Group. The previously used 2016 version is replaced by the 2021 version of the GRI standards. The following table offers only a limited detail grade, which will get updated as needed over the upcoming three years until the CSRD will come into full force and we will switch towards the ESRS standards.

2.1 -2.3	About Bauwerk Group																														
2.4	Recalculated CO ₂ intensity from Lithuania: Since 2021, only renewable energy has been used and is corrected backwards. This results no emissions reported by Lithuanian electricity consumption.																														
2.5	Not applicable																														
2.6	ISIC: 4330, Building completion and finishing; Supply Chain																														
2.6d	Since the Russian invasion into Ukraine we have reduced our activities in the Russian business unit in Kaliningrad to a local minimum and there is no longer any exchange of goods with the other Group entities.																														
2.7; 401	<table> <thead> <tr> <th></th> <th>Lithuania</th> <th>Croatia</th> <th>Switzerland</th> <th>Regional sales</th> <th>total</th> </tr> </thead> <tbody> <tr> <td>Total headcount</td> <td>868</td> <td>375</td> <td>224</td> <td>173</td> <td>1640</td> </tr> <tr> <td>Male permanent positions</td> <td>441</td> <td>197</td> <td>151</td> <td>109</td> <td>898</td> </tr> <tr> <td>Female permanent positions</td> <td>427</td> <td>178</td> <td>73</td> <td>64</td> <td>742</td> </tr> <tr> <td>Fluctuation across the group</td> <td>10.60 %</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Lithuania	Croatia	Switzerland	Regional sales	total	Total headcount	868	375	224	173	1640	Male permanent positions	441	197	151	109	898	Female permanent positions	427	178	73	64	742	Fluctuation across the group	10.60 %				
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2.8	Not applicable; Employment																														
2.9	Organisation																														
2.18	Implementing Sustainability																														
2.22	Editorial																														
2.23-2.25	Implementing Sustainability ; Business Practice ; Responsibility in Recouring ; Employment ; Packaging																														
2.26	Society																														
2.27	In 2022 no non-compliance instances have been identified.																														
2.28	VDP, ISP, FEP, CEN, ISO																														
2.30	Employment																														
3	Materiality																														
201.2	Supply Chain ; Energy and Emissions ; Production ; Transportation ; Focus Environmental Impact Responsibility in Sourcing																														
202	Not applicable, as mentioned in Employment																														
203.1	Our solar plants ease the pressure on the electricity market as we are consuming the power directly, Energy and Emissions																														
205	Supply Chain ; Employment ; Business Practice																														
206	See 2.27																														
301	Production																														
302	Energy and Emissions																														
303	Production																														
304	Not applicable																														
302	Energy and Emissions																														
403	Health and Safety																														
404	Health and Safety																														



BOEN
Castle, Oak Semi Smoked

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