

SUSTAINABILITY ABILITY REPORT

2022

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PREAMBLE

DEAR READERS,

For over 125 years, the renewable material wood has been inextricably linked with Pfleiderer as a company and its employees, customers, and business partners. Sustainable business practices have shaped our corporate culture for decades. This has heightened our awareness not only of the versatility of this natural raw material, but especially of its value and irreplaceability in nature for countless ecosystems and climate stability.

Accordingly, we try to keep wood in the cycle as long as possible and to minimise the consumption of fresh wood. With our strong focus on the circular economy, we recycle this material wherever possible and use it to produce high-quality wood-based materials, thereby extending the CO₂ storage capacity of wood. We use waste wood, which has reached the end of its useful material life due to contamination, to generate energy at our locations – thus closing the circle of wood use. This way, we also contribute to the replacement of fossil fuels and reduce the emission of fossil carbon dioxide.

At Pfleiderer, corporate strategy and sustainability strategy are directly interlinked. We produce our wood-based materials with a steadily increasing proportion of recycled wood and use biomass as the main source of energy for this process. This is one of the reasons why sustainability – in its ecological, social and economic dimensions – is inextricably linked to Pfleiderer's business model. We are convinced that we can only achieve long-term entrepreneurial success with satisfied customers, healthy and motivated employees, and ambitious goals for environmental and climate protection. This results in a far-reaching responsibility, which we take very seriously.

In line with our commitment to being “naturally sustainable”, we can look back on many years of successful transformation. Our efforts are underpinned by concrete successes in securing our timber supply chain, increasing the proportion of renewable energy, increasing our recycling rate and reducing our greenhouse gas emissions. We have already been equally successful in increasing occupational health and safety in the company, fighting corruption and integrating compliance. We are consistently pursuing this path and present our results and objectives in this sustainability report.

At this point, I would like to emphasise the reduction of greenhouse gas emissions in our direct and indirect electricity and heating requirements by 31% over the past three years. In addition, we had increased the ratio of recycled wood in the total wood usage in our production at a fast pace to 48% by the end of the reporting year – after 40% in 2020 – and will probably reach the target value of 50% for 2025 ahead of schedule.

Of course, further training of our workforce also plays a major role at Pfleiderer. For example, we have firmly anchored compliance training in the organisation and are expanding it at our locations to ensure compliance with our governance principles and value systems.

On the product side, we have been offering Organic-Board since 2022 – this is a particle board whose fossil glues have been replaced by 50% by the use of the renewable OrganicGlue. I am convinced that such innovation will allow us to continue the successful ESG journey of Pfleiderer that was awarded a gold medal

by EcoVadis in August 2022, following a silver rating in 2021. Pfleiderer regularly receives awards from market participants for its innovative strength, high level of quality assurance and sustainable orientation. Since returning to the capital market in 2021, our business model has been closely scrutinised by rating agencies close to the capital market. For example, Sustainalytics rated Pfleiderer as one of the champions in the European building materials industry in terms of ESG risk in spring 2022.

In the year under review, we comprehensively examined the effects of our business activities on the environment, economy and society as part of a materiality analysis. We did so in the three existing fields of action, Materials, Climate and People, in order to restructure and further intensify our sustainability efforts. On the basis of the previous analysis in 2020, we expanded our set of targets to include several key aspects:

One prime example of this is the working conditions within the company, where we have placed a particular focus on equal opportunities for under-represented employee groups. Our aim is to increase transparency in our supply chains and to achieve this we are developing framework conditions and criteria catalogues in 2023. In particular, we intend to analyse the impact of our business activities in the areas of greenhouse gas emissions, biodiversity and human rights. First of all, the goal is to clearly define the status quo so that we can set milestones and measure progress in detail over the next three to five years.



Dr Frank Herrmann

“ We work for our vision – this principle guides us in our daily actions so that we can become even more sustainable. We are constantly challenging ourselves in all aspects of sustainability and see it as our duty to improve in all areas.

As a “naturally sustainable” company, we are clearly committed to the Paris climate agreement goals and aim to achieve net-zero CO₂ emissions by 2050. We are also committed to the goals of the UN Global Compact and promote the Ten Principles in the areas of human rights, labour standards, environmental protection and zero tolerance for corruption.

We have ambitious plans to make Pfleiderer an even more sustainable company. For us, economic, ecological and social objectives are not mutually exclusive. On the contrary, they complement each other and spur our innovative spirit and creativity to constantly develop further – for the benefit of all our stakeholders.

ABOUT THIS REPORT

BASIS OF THE REPORT

The new report is the further evolution of the last Sustainability Report 2020/21 and follows the Global Reporting Initiative (GRI) standard for the first time. As the parent company, PCF GmbH holds the shares in the two operating subsidiaries: Pflaiderer Deutschland GmbH for the Wood-Based wood-based panels business field and Silekol Sp. z o.o. for the Industrial Resins business field. The Poland-based Silekol Sp. z o.o. has been a subsidiary of PCF GmbH since 6 March 2020. The introduction of standardised ESG-relevant indicators has not yet been completed in a few Pflaiderer companies. The collection of indicators for the foreign sales companies, in which 40 people are employed, follows local requirements. This report covers the sustainability indicators of PCF GmbH without accounting for Silekol and the foreign sales companies. Since 1 January 2020, PCF GmbH has been part of the tax group management holding Pflaiderer Group B.V. & Co. KG. For the purposes of this report, Pflaiderer is related to the PCF GmbH subgroup.

We are reporting on the previous year (calendar year 1 January to 31 December 2022) and publishing the report in the middle of the second quarter of 2023. The editorial deadline was 5 April 2023.

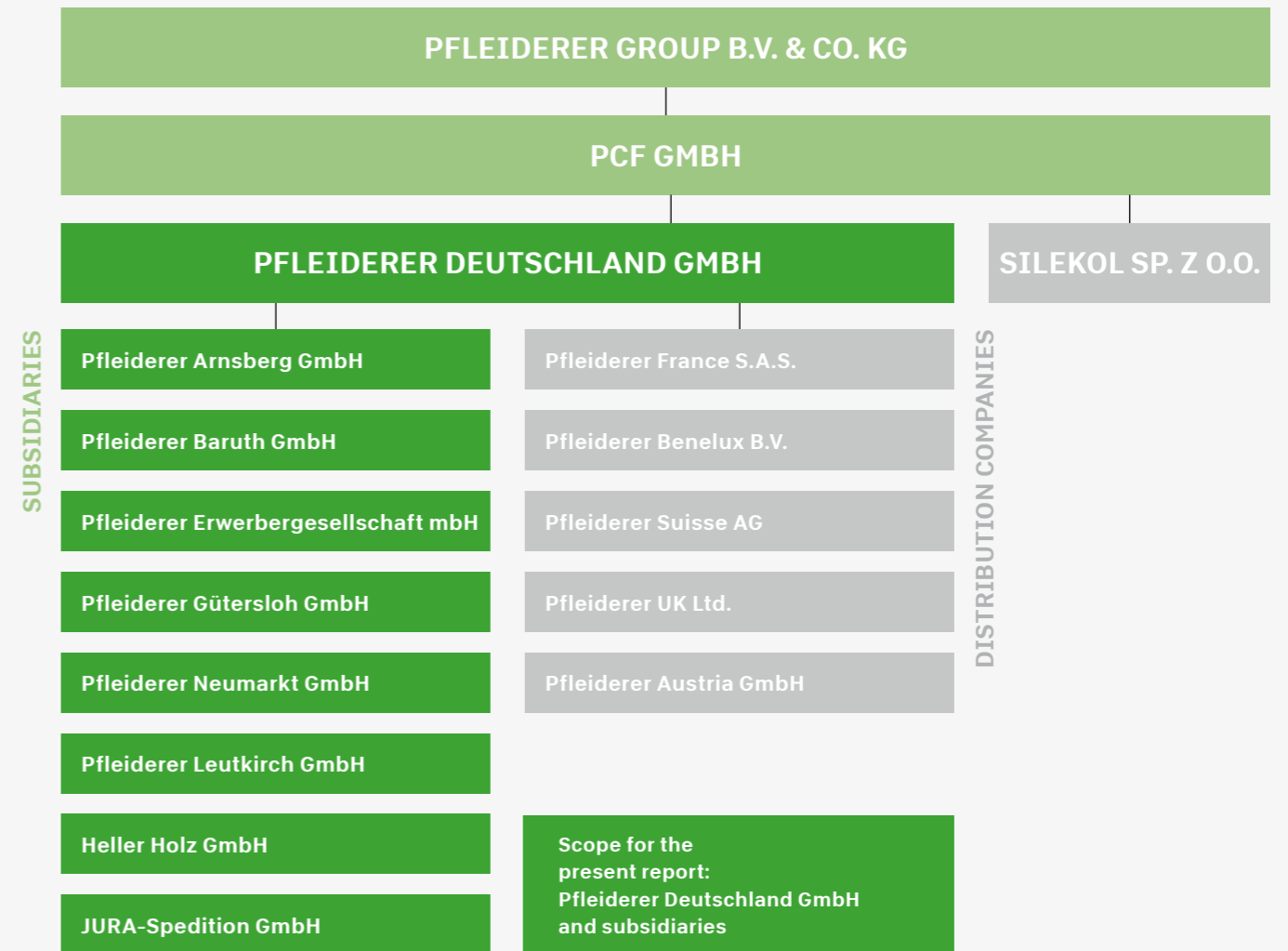
REPORTING STRUCTURE

Pflaiderer Sustainability Report 2022 is based on the standard of the Global Reporting Initiative (GRI, see also the following section) and the CSR Directive Implementation Act (CSR-RUG), as well as the requirements of sustainability ratings and the expectations of our stakeholders. Further information, especially relevant for investors in the area of ESG-based investing (Environment, Social, Governance), can be found online in our "Investor Relations" section and is not part of this report.

Throughout this report, Pflaiderer works with reference to the GRI standards for the reporting of management systems and specific standard data. Our targets contribute to the UN Sustainable Development Goals (UN SDG) and are marked accordingly.

As a member of the United Nations Global Compact (UN GC), we also report on how we implement its Ten Principles in corporate practice. Our latest progress report is available on the UN Global Compact website:

ORGANISATIONAL CHART: CORPORATE STRUCTURES



REPORT AUDIT

The management is responsible for the preparation of the consolidated financial statements. In addition, the management is responsible for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that, to the best of the management's knowledge, accurately present the facts. It is also responsible for the disclosure of matters related to operation as an ongoing concern. We are not currently obtaining an external audit for the sustainability report, but plan to do so in the medium term.

and nitrous oxide (N₂O) (CO₂ equivalents). Unless otherwise stated, all CO₂ emissions in this report are expressed in CO₂ equivalents.

When the terms "recycled wood" and "waste wood" are used in this report, they are synonyms for "post-consumer recycled wood" as defined on p. 27, i.e. recycled wood from our recycling suppliers as well as internal waste and returns.

EDITORIAL NOTES

The use of the term CO₂ emissions in this report includes the consideration and calculation of other climate-damaging greenhouse gases such as methane (CH₄)

STRATEGY

STRATEGY AND BUSINESS MODEL

RESPONSIBILITY FOR PEOPLE AND THE ENVIRONMENT

As a manufacturer of wood-based materials, we consider it our obligation to counteract the increasing scarcity of raw materials, the loss of biodiversity and the consequences of climate change. Sustainability is therefore a central theme throughout our business activities and is consistently implemented at all levels of the company and in the value chain. In this endeavour, we assume responsibility for the environment and for people.

PFLEIDERER IN PORTRAIT

Pfleiderer, based in Neumarkt, Germany, is a leading manufacturer of high-quality wood-based materials, laminates and resin-based adhesive systems. PCF GmbH is divided into two business units: Pfleiderer Deutschland GmbH produces high-quality wood-based materials and laminates for the Engineered Wood Products (EWP) division that are used in the construction of kitchens, furniture, interior fittings and timber construction. With products such as coated and

uncoated particleboard and fibreboard, HPL elements, worktops and decorative elements, EWP mainly supplies the markets in Western Europe. In 2022, the business unit generated approximately 80% of Pfleiderer's consolidated net sales.

The Silekol business unit is a leading manufacturer of industrial and special resins. Not only do we use these in our own products, but they are also used by our customers in panel production packaging, construction and building materials industries, predominantly in Eastern Europe. Silekol is the third-largest resin manufacturer in Central and Eastern Europe and employed 145 people as of 31 December 2022.

Pfleiderer Deutschland GmbH employs around 2,000 people. In addition to our headquarters in Neumarkt, we operate further locations in Arnsberg, Baruth, Gütersloh and Leutkirch. Further, Pfleiderer Germany is represented by several sales companies abroad: Pfleiderer France S.A.S., Pfleiderer Benelux B.V., Pfleiderer Suisse AG, Pfleiderer UK Ltd and Pfleiderer

Austria GmbH. We have representative offices in Italy, the Czech Republic and Sweden. We bundle the Duropal and Thermopal product ranges under the Pfleiderer umbrella brand. Heller Holz GmbH and JURA-Spedition are further subsidiaries that support us in the area of wood procurement and logistics.

NATURALLY SUSTAINABLE

Our corporate strategy and our sustainability strategy are directly interlinked. This is because our entire business activity is based on sustainability in its ecological, social and economic dimensions. We are convinced that we can only achieve economic success with satisfied customers and, healthy and motivated employees and by sustainably protecting our environment and climate. This results in a far-reaching responsibility, which we take very seriously.

For this reason, back in 2020 we analysed what impact our business activities have on the environment, the economy and society, and where our greatest levers to achieve a positive effect lie. Based on the results, we developed a new sustainability strategy with three focus areas: Materials, Climate and People. These three focus areas served as the basis for the commitments we made in our 2021 sustainability-linked financing.

We are committed to the Paris climate agreement goals and aim to achieve net-zero CO₂ emissions by 2050. We are committed to the goals of the UN Global Compact and promote the Ten Principles in the areas of human rights, labour standards, environmental protection and anti-corruption policy.

In achieving our goals, we are guided by our sustainability credo: "naturally sustainable". We are building on successful transformation in the areas of renewable energy, recycling and sustainable forestry and are consistently

pursuing the path we have taken. The measures we take to achieve our goals have a clear focus on impact: they must have a clear positive impact or effectively reduce negative impacts. We make an impact if everyone pulls together: in the company as well as in society.

We can already look back on measurable successes in several areas. We are working throughout the company and with our stakeholders to improve in all areas, following best practices. We are constantly putting ourselves to the test in all aspects of sustainability.

SUSTAINABLE CORPORATE STRATEGY

Our goal is to grow sustainably and profitably. We recycle wood and manufacture high-quality products from it, thus extending the CO₂ storage capacity of this material. Our role in a sustainable circular economy for wood ensures that each piece of wood remains in the life cycle for as long as possible. For example, we have been using recycled wood for many years and are constantly striving to increase the proportion of it in the total wood used in our production. Through the consistent implementation of our recycling strategy, this proportion is currently already at 48%. As a result, we expect to reach our 2025 target of 50% ahead of schedule. We use wood, which has reached the end of its useful material life due to impurities, to generate energy at our locations – thus closing the circle of wood use. This way, we contribute to the replacement of fossil fuels and reduce the emission of fossil carbon dioxide. We explain our cascading use in the Materials chapter.

FOR OVER

125
years

... AT PFLEIDERER, SUSTAINABLE PRODUCTION HAS BEEN CLOSELY LINKED TO THE RENEWABLE RAW MATERIAL WOOD.

IMPORTANT SUSTAINABILITY-RELATED IMPACTS, RISKS AND OPPORTUNITIES

MATERIAL TOPICS IDENTIFIED

The review of material topics took into account both the external and internal perspectives. The basis for this was formed by internal interviews and management documents, published guidelines, reports and frameworks, media screening, publications by market competitors, standard requirements (in particular GRI, SASB

and the drafts of the European sustainability reporting standards and legal requirements such as the Supply Chain Due Diligence Act (LkSG).

In the process, 114 topic aspects were identified for Pflleiderer and condensed into a total of 16 potentially material topics. These were discussed and evaluated in moderated workshops and compared with the existing ESG goals. As a result, we identified the following six

material topics, which were validated by the management: emissions, energy, working conditions in our company, health and safety in our company, circular economy, and raw materials.

On the basis of the results of the materiality analysis, we have further developed our sustainability goals. These are strategically assessed, assigned to the fields of action Materials, Climate and People and documented with indicators and management approaches. We have also developed an approach for implementation in our business operations.

Each material topic is linked to targets and milestones as well as indicators and packages of measures – as far as this is already possible at present. The topics and respective fields of action classified as material form the structure of this sustainability report and serve as the basis for managing our sustainability strategy.

Topics, opportunities, risks

As a wood-processing company, we focus on issues related to the selection and procurement of raw materials and the way we produce them, as well as on issues that focus on the people we work with. For example, in the area of Materials, our material topics include the circular economy and raw materials. When it comes to the material topic of raw materials, we can contribute to the circular economy and to the protection of the environment and the climate by using recycled wood in our products; the use of certified fresh wood from sustainable forestry also contributes to this. In addition to this opportunity, there is also the risk of fierce competition for raw materials in the recycling market. On the one hand, construction and refurbishment activity that has been weakened by inflation leads to less used wood being disposed of and recycled. On the other hand, bottlenecks in gas supply lead to increased demand for wood as a fuel in private households, municipalities and industry. We are aware that we use hazardous substances, such as adhesives containing formaldehyde, where the associated health effects must be reduced. However, certain substances have so far been difficult to substitute, or only substitutable at high cost. The reduction of emissions (absolute or product-related) that are not relevant to climate change is another material topic that has positive health and regulatory effects, but it involves investment and management costs and ties up resources. Nevertheless, we have been able to reduce the formal-

dehyde emissions of our wood-based materials in recent years and have been producing formaldehyde-free panels for decades. In 2022, we replaced 50% of the fossil glues in our OrganicBoard product with renewable OrganicGlue.

With regards to the impact of our business activities on the climate, climate-relevant emissions along the entire value chain (Scope 1, 2 and 3) are a material topic, as are renewable energies and product-related climate-relevant emissions. The greatest challenge lies in Scope 3, our upstream and downstream supply chains. Here, we can only achieve improvements in cooperation with upstream suppliers, users and recyclers. In Scope 1 and Scope 2, we are already using renewable energies wherever possible, and further expansion is the only chance we have of achieving net-zero CO₂ emissions in the long term. We have significantly reduced our indirect emissions from purchased energy, Scope 2, through the use of renewable energy certificates. We use waste wood, which has reached the end of its useful material life due to contamination, to generate energy at our locations – thus closing the circle of wood use. In this way, we replace fossil fuels and reduce CO₂ emissions. With strictly monitored heating systems as well as modern and highly efficient filters, we ensure that not only climate-relevant emissions are reduced at our locations, but also non-climate-relevant emissions. Owing to constantly changing legislation on the topic, this is associated with a high level of bureaucracy, which we consider to be a risk.

With regards to the area of People, we have identified working conditions and corporate culture, as well as occupational health and safety, as material topics in the company. Both topics have an impact on our attractiveness as an employer, on employee retention and on securing the future of our business.

MATERIALITY MATRIX

Impact of environmental, social and governance topics on our company

Very high	<ul style="list-style-type: none"> • Emissions • Energy • Working conditions in our own company • Health and safety in our own company 	<ul style="list-style-type: none"> • Circular economy • Raw materials 	
	<ul style="list-style-type: none"> • Water • Human rights and labour laws in our supply chain 	<ul style="list-style-type: none"> • Product safety • Equal opportunities • Local communities • Compliance 	
	<ul style="list-style-type: none"> • Health and safety in our supply chain 	<ul style="list-style-type: none"> • Climate adaptation • Biodiversity and sustainable forestry • Land use 	
High			
Medium			
	Medium	High	Very high

Impact of our company on environmental, social and governance topics

DURING THE YEAR

2022

... WE CONDUCTED A MATERIALITY ANALYSIS TO IDENTIFY AND ASSESS THE SUSTAINABILITY ISSUES THAT ARE RELEVANT TO PFLLEIDERER AND ITS STAKEHOLDERS

OUR GOALS

In our sustainability strategy, we have defined the goals that will guide our actions and decisions in the coming years. We have developed measures to achieve these quantifiable goals. These goals are accompanied by principles and commitments in the fields of action that guide our approach.

MATERIALS

CLIMATE

PEOPLE

PRINCIPLES

- Circular economy
- Renewable resources
- Responsible procurement
- Protecting biodiversity

- Sustainable production
- Renewable energy
- Net-zero CO₂ emissions

- Fair and motivating working conditions
- Doing what is right
- Loyal and engaged stakeholders

COMMITMENTS





- Maintaining our commitment to the circular economy through consistent recycling of wood-based materials
- Maintaining 100% controlled wood for production purchasing
- Maintaining a high share of 90% of wood for production from domestic sources
- Ensuring a deforestation-free supply chain





- Offering a wide range of low-emission and environmentally friendly products
- Achieving net-zero CO₂ emissions by 2050

- Acting ethically, respectfully and responsibly towards all employees and external partners
- Applying the precautionary principle to prevent illness and accidents
- Promoting development opportunities for all our employees

GOALS

- Increasing the total wood yield of wood used in production in each plant to a minimum of 90% in 2025. Baseline: 82% in 2025 
- Increasing the share of post-consumer recycled wood from 40% (2020) to 50% (2025) 
- Manufacturing 10% of wood-based materials using biogenic binder content by 2025 
- Introducing a framework for assessing the sustainability of our suppliers in 2023 
- Developing specific KPIs for water and waste in 2023 

- Reducing Scope 1 and Scope 2 greenhouse gas emissions by 21% by 2025 (baseline 2020) 
- Reducing indirect greenhouse gas emissions associated with purchased chemical products used in our wood-based panels by 21% by 2025 (baseline 2020) 
- Developing a framework to reduce greenhouse gas emissions from all upstream products (Scope 3) in 2023 
- Developing a framework to reduce transport-related greenhouse gas emissions by 2023 

- Reducing employee and contractor accidents and achieving a lost-time accident frequency rate for each of 0.5 per 200,000 hours worked (LTA-FR2) by 2025 
- Creating an evaluation system in 2023 consisting of preventive indicators to reduce accidents 
- Creating a concept in 2023 for the extension of our human resources management in order to develop and retain employees, increase the share of women in management and increase the share of people with disability in our workforce 
- Conducting and documenting compliance training for 100% of staff by 2025 

GOVERNANCE AND ORGANISATION FOR SUSTAINABILITY

CORPORATE GOVERNANCE: RESPONSIBILITIES AND STRUCTURES

At the end of the financial year 2022, the Executive Board was composed as follows: Dr Frank Herrmann (CEO/COO), Dr Mani Herold (CFO) and Stefan Zinn (CCO). The shareholders appoint the Executive Board with long-term contracts. They implement value-oriented corporate management through a management incentive programme which includes ESG criteria.

“ A seven-member advisory board, whose members are representatives of the shareholders, monitors the activities of the management.

Variable remuneration system

With our variable remuneration system, which applies to senior and middle management as well as non-tariff employees in selected specialist functions, we promote both an increase in the shareholder value and the performance orientation of our employees.

The basis in each case is a target agreement that is aligned with the strategic corporate goals. The amount

of the individual bonus depends on the achievement of the agreed goals. The bonus is paid after approval of the annual financial statements. The Remuneration Committee of the Advisory Board of Pflaiderer Group BV und Co. KG determines the remuneration and the targets for the variable remuneration component of the management. The executives in the Senior Management Committee (SMC) play a special role in this system. They transfer the corporate strategy to the individual departments and translate the strategic goals into operational goals for the individual teams. The SMC managers are responsible for ensuring that all employees within the scope of their responsibility are aware of the corporate goals and contribute to their overall achievement.

Redundancy payments upon termination of employment are negotiated depending on the individual circumstances of the termination.

Managing and implementing sustainability

In our strategy process, we have integrated sustainability as an integral part of our corporate governance and anchored it in our processes. Overall strategic responsibility for sustainability lies with the Chief Operating Officer (COO). As the highest decision-making body, Pflaiderer's management adopts the company's fundamental sustainability principles and goals. The management is committed to acting sustainably in the key areas of Materials, Climate and People, as well as to pursuing quantifiable goals and monitoring their achievement. It also aligns actions

with the goals and agenda of the group's owners. The management is also responsible for reviewing and approving the information in the sustainability report, including the organisation's material topics. It devotes quarterly attention to sustainability-related topics and discusses indicators and measures at board meetings. The management reviews the progress made every six months. It receives immediate notification of potentially critical concerns.

Another important body is the Sustainability Committee. It consists of representatives from various departments, such as Quality and Safety, Environment, Finance, Operations/Production, Procurement and Legal/Compliance, as well as the management. Overall, the management has responsibility for the sustainability strategy and governance under the leadership of the CEO, who is also the chair of the Sustainability Committee. The main task of the Sustainability Committee is to ensure the strategy and goals, as well as the implementation of Pflaiderer's sustainability initiatives and guidelines at all levels of the company. It also conducts exchanges with external stakeholders and monitors the status of the implementation of the company's sustainability goals. The Sustainability Committee meets once per quarter.

The chair of the Sustainability Committee is assigned to the position of Head of Sustainability, which was newly created in the reporting year. The range of tasks includes the coordination of sustainability issues and sustainability ratings, advising the departments, gathering information for reporting and providing the necessary expertise on relevant sustainability topics. The scope of responsibilities also includes transferring the agreed targets into the integrated management system (IMS) and following up on them.

The plant managers monitor the implementation of the sustainability measures in the plants. All locations have their own officers for environmental, safety and energy management who report to the plant managers. Last but not least, it is crucial that sustainability management is also practised by every employee in order for it to be successful.



Involving stakeholders

Assuming social responsibility is part of our self-image. We want to expand the trusting relationship with our stakeholders and be a fair partner for employees, investors, customers, suppliers, business partners and service providers. We value maintaining an open and continuous dialogue with them so that we can identify at an early stage which emerging challenges are essential from our stakeholders' point of view, both now and in the future. In addition, by considering stakeholders' interests in the sustainable development of our company, we can have a broader impact. For example, we rely on partnerships with external stakeholders such as

We are involved in a number of networks and exchange information with other stakeholders. Major memberships include:

- European Panel Federation (EPF) (PFL board member)
- Association of the German Wood-Based Panel Industry (VHI) (PFL board member)
- Biodiversity in Good Company Initiative e.V. (PFL board member)
- Association of German Engineers (VDI) (PLF chair of several working groups)
- Fraunhofer Wilhelm-Klauditz-Institute for Wood Research (WKI)
- New European Bauhaus-Initiative
- Renovation Wave Initiative
- International Association for Technical Wood Issues (IVTH)
- Quality Community for Wood-Based Materials (QG HWS)
- Institute for Wood Technology Dresden (IHD)
- European Woodworking Industry Confederation (CEI): Member of CEI-Bois-Committee for construction elements
- Main Association of the German Woodworking Industry (HDH)
- Participation in the research project BASAJAUN

recycling companies, furniture manufacturers, suppliers and customers to promote the cascading use of wood and the circular economy.

We regularly inform our stakeholders and existing and potential institutional investors about important ESG topics: in annual reports, presentations, ratings, sustainability-related financial briefings and financial news. As part of the materiality analysis, we plan to actively engage external stakeholders in the upstream and downstream supply chain on key ESG topics (especially customers and suppliers) in 2023 and in subsequent years. This will promote continuous improvement, ensure the relevance of our engagement with the market and develop innovative solutions to ESG issues.

Our integrated management system (IMS)

In order to implement the company's targets, Pfeleiderer uses an integrated management system for Quality (DIN EN ISO 9001), Environment (DIN EN ISO 14001), Energy (DIN EN ISO 50001), Health and Safety (DIN EN ISO 45001), and the Chain of Custody certification systems (FSC and PEFC). The accompanying management manual contains all regulations relating to our corporate due diligence, to the quality assurance of our products, to the efficient use of energy, and to the protection of our workforce and the environment. The management manual is also used in the subsidiaries Heller Holz and JURA-Spedition in Neumarkt (FSC® C011773, PEFC/04-32-0828).

The management appoints the officer for the integrated management system (Quality, Environment, Energy, Health and Safety, and FSC and PEFC). This officer is responsible for the introduction of and compliance with the processes necessary for a functioning IMS. They regularly submit a report on its performance and necessary improvement measures within the system.

At the location level, the management also appoints officers for the areas of Quality, Environmental Protection, Energy, Health and Safety, and FSC and PEFC. These officers organise and monitor the IMS at the locations.

ACTING WITH INTEGRITY AND IN ACCORDANCE WITH THE RULES

Clear rules of conduct for employees ensure that everyone in the company always behaves responsibly and in accordance with the rules: in all business activities, towards people and the environment. For this reason, we have supplemented the applicable laws and external regulations with the company's own codes of conduct for employees, which describe our standard for behaving with integrity. Like the legal regulations, they are part of the Business Conduct Guidelines, Pfeleiderer's Code of Conduct. It is binding for all employees. In addition to the Code of Conduct, we have developed various guidelines, agreements and manuals. They express our attitude and our common values and regulate our cooperation. In particular, our guidelines on legal matters provide employees with further orientation and deepen their understanding of individual areas of law, such as the prevention of corruption.

All guidelines are approved by the management. They apply to all business activities and relationships and are communicated to employees. The comprehensive Compliance Manual, which includes the Business Code of Conduct and other relevant guidelines, can be found on our website.

Involving suppliers

We also expect our suppliers to share Pfeleiderer's values and to comply with all legal provisions and our specified guidelines themselves and in their supply chains. Our guidelines and requirements are set out in our Code of Conduct for Suppliers. Suppliers must confirm compliance in writing. We have already proactively informed our suppliers about our sustainability goals in the past; now we have set ourselves the goal of systematising this approach in 2023 and making cooperation for improved sustainability visible and measurable.

Our guidelines, systems and agreements include:

- Web-based whistleblowing system
- Compliance Manual (incl. approach to human rights, antitrust law, corruption, bribery and money laundering)
- Employee representation and company agreements
- Collective agreements
- Guidelines and measures for subcontractors
- Health and safety – risk assessment, risk management, measures
- Diversity policy
- Privacy policy
- Procurement guidelines

Protecting human rights

We protect human rights in line with the United Nations Universal Declaration of Human Rights. In addition, we are guided by the core labour standards of the International Labour Organization (ILO) and implement its standards for decent work. These include the four areas of freedom of association, prohibition of discrimination in respect of employment and occupation, abolition of child labour and elimination of forced labour.

For example, we do not tolerate any form of forced labour and are committed to the abolition of exploitative child labour. We pledge to comply with the Convention Concerning Minimum Age for Admission to Employment (ILO Convention No. 138) and the Convention Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour (ILO Convention No. 182). If a national regulation sets stricter standards on child labour, these stricter standards take precedence.

ENSURING COMPLIANCE

Our management and employees are committed to complying with fundamental ethical principles and legal regulations. This commitment forms the foundation of our compliance management system (CMS). The CMS consists of three pillars: Prevent – Detect – Respond. Our primary goal is to avoid violations. To ensure compliance with laws and guidelines in the company, we have also established a Compliance Committee and appointed a compliance manager, who also includes the expertise of the respective specialist departments in their work.

The Compliance Committee supports the management in the implementation, monitoring and further development of the compliance management system and meets on a regular basis.

Current compliance topics are presented to the Audit Committee of the Supervisory Board of Pflaiderer Deutschland.

The manager responsible for compliance prepares an annual internal compliance report, which they present to the management, the Audit Committee of Pflaiderer Deutschland GmbH and the Advisory Board of the group parent company Pflaiderer Group B.V. & Co. KG. If there is a suspicion of a serious compliance violation, they report ad hoc to the Compliance Committee and to the management. They decide whether the violation is serious. In case of doubt, a violation is to be assessed as serious.

Preventing misconduct

We have developed the Business Conduct Guidelines to prevent misconduct and as a basic source of orientation for acting with integrity and in compliance with the rules. We take various measures to ensure that employees are familiar with the Business Conduct Guidelines. For example, every employee who starts work at Pflaiderer must confirm in writing in their employment contract that they have taken note of the Business Conduct Guidelines. In addition, newly hired employees receive compliance training during the induction phase. Furthermore, managers confirm in writing that they will inform their employees of the validity and significance of the Business Conduct Guidelines at least once a year. Our training tools specify fixed periods of time during which all employees must undergo compliance training.

In addition to the Business Conduct Guidelines, there are numerous other guidelines and procedural instructions, for example on anti-corruption, antitrust law and

money laundering. The Legal and Compliance department regularly checks all guidelines to ensure they are up to date and relevant, updates them in the event of changes in the law or other necessities and communicates them to employees, for example in the IMS Share-Point or on the Compliance page on the intranet.

Training employees

In mandatory training courses, we provide employees with the necessary knowledge to assess situations correctly and thus avoid violations. Our training concept consists of e-learning and classroom training, for example in the legal areas of antitrust law, anti-corruption regulations, environmental protection and occupational health and safety. The content is regularly reviewed and adapted to the current legal requirements. Training on the supply chain, climate protection and product footprint is planned for 2023.

All new employees take part in compliance training as part of the onboarding process. In addition, employees are informed separately about legal regulations and due diligence obligations that serve occupational health and safety in regularly recurring instructions and through briefings.

The manager responsible for compliance is responsible for the compliance training concept and its further development. Significant adjustments are discussed and approved by the Compliance Committee. The responsible manager reports regularly to the Compliance Committee on the progress of the training.

In case of open questions regarding internal rules or legal regulations, the team of the Legal and Compliance department is available as a contact point for the employees.

As part of our compliance management system, we identify our compliance risks through risk analyses, including in the area of corruption, so that we can minimise potential negative effects through appropriate measures. The measures in place to minimise the risk of corruption include the following: the applicable dual control principle in all areas of the company (e.g. Sales, Purchasing, Invoice Verification, Payment Instructions, etc.), the separation of functions in SAP, the regular review of the Corruption, Treasury, Gift and Hospitality guidelines to ensure that they are up to date, the training of buyers on special topics such as white-collar crime, regular on-site training as well as online training

for Sales, Purchasing and Marketing. Evidence of successful training attendance is evaluated via our internal e-learning system SAM. In addition, there are annual evaluations of the cash and donation accounts. With our internal control system (ICS), we also annually review compliance measures from the various risk areas.

Where appropriate, clear rules are agreed with employees, e.g. on participation in listed companies and on taking up sideline activities.

Identifying compliance violations

Only when we learn of potential weaknesses in the company or of misconduct can we initiate countermeasures. For this reason, all employees are encouraged to report suspected cases of compliance violations. They can do this in a number of ways: they can either contact their managers directly, the chair of the group works council or their deputy, a member of the Legal and Compliance department or any member of the management.

To ensure that all employees are aware of the whistleblower system and use it in suspected cases, we make explicit reference to it in training sessions, meetings, on the intranet, in newsletters and on printed posters. These posters are displayed, in common rooms and meeting rooms. The posters also raise employees' awareness of the need to speak up about conspicuous incidents without fear of any consequences.

Responding to suspected cases

The compliance manager investigates every report received via the whistleblower system, involving external experts if necessary. The compliance manager leads and coordinates the clarification of the facts, for which purpose they have access to all necessary resources.

Depending on the type and severity of misconduct, disciplinary, civil or criminal measures may be taken. If there is indeed a compliance violation, the Compliance department coordinates and manages the criminal and regulatory investigation and enforcement procedures and serves as the central point of contact for the investigating and supervisory authorities. Comprehensive documentation is kept throughout the entire process.

Concerning a suspected case that is not directed against a member of the Compliance Committee or the Executive Board, the executive responsible for compliance informs the Compliance Committee about the report, the measures initiated and the current status. This is done in the regular meetings of the committee or in serious cases on an ad-hoc basis. The head of the Compliance Committee informs the supervisory body.



In addition, an online-based whistleblowing system is available to all employees and external stakeholders on the Pflaiderer website at <https://www.bkms-system.com/>. The platform is a protected and secure reporting channel. It can be used anonymously, thus guaranteeing the highest level of protection for whistleblowers and sensitive data. The report is sent directly to the compliance organisation.

Compliance structures and measures 2022

In 2022, we prepared a brochure on the Business Conduct Guidelines and rolled it out across the company. With the brochure, we want to provide employees with the necessary knowledge to act with integrity, in compliance with the rules and in a sustainable manner. The brochure contains rules of conduct, and information on dealing with human rights, antitrust law, anti-corruption, money laundering and import/export controls, conflicts of interest, data protection, sustainability, climate protection and occupational health and safety. The brochure also familiarises employees with the whistleblower system.

CUSTOMER HEALTH AND SATISFACTION

Ensuring confidence in our products

Our materials and production processes comply with all environmental and health protection regulations. International standards form the basis for this. We have implemented an environmental management system in accordance with DIN EN ISO 14001 as well as an energy management system according to DIN EN ISO 50001. Controls are carried out through annual internal and external audits. In addition, we adhere to strictly defined quality standards, guaranteed by the quality management system certified according to DIN EN ISO 9001. Our management systems for occupational health and safety, certified according to DIN EN ISO 45001, also contribute to offering our customers safe products that are not harmful to their health.

In our production, we have the capacity to process around 250,000 tonnes of resins, binders, additives and lacquers per year. Over the last few years, we have succeeded in continuously reducing the formaldehyde emissions of our wood-based materials.

In 2022, a total of 2,202 training courses were conducted, which corresponds to 722 hours of training in the compliance focus areas. Within this period, 700 employees successfully completed the SAM training on anti-corruption. There were no significant violations of laws and regulations during the reporting period. Thus, no fines were paid for non-compliance with laws and regulations.

In 2023, we plan to launch the Compliance A.K.T.I.V. campaign in our factories. The campaign will focus on a training programme that supports employees in acting responsibly in their daily work.

We operate our own laboratories at all locations to conduct tests on materials and products. Our central laboratory is located in Arnsberg. There, we test the formaldehyde emissions of our products in particular in our own test chambers to guarantee that we are complying with or bettering the specified limits.

In addition, we have also been producing formaldehyde-free panels for decades. We are currently testing biogenic binders. In the long term, we intend only to produce particleboard with alternative binders.

In 2022, customers complained about exceeding VOC limits, which are recommended by building biologists but not prescribed by law. A review of this matter revealed that the values were attributable to an incorrect application of the measurement method. We had no incidents of non-compliance related to the health and safety impacts of products and services in 2022.

Labelling products safely

Pfleiderer follows all legal requirements to protect consumer health during the use of products. We have switched our complete wood products production in Germany to the requirements of the emission class E05. We offer the largest range of sustainably certified products in the industry, and our range includes products that partly comply with several of the following seals of approval or standards: FSC, PEFC, Blue Angel and Nordic Swan; California Air Resources Board; TSCA; the Japanese emissions standard JIS; F**** and the Cradle to Cradle Certified™ Products Program. An Environmental Product Declaration (EPD) for our products is available for customers who want to know details about the ingredients.

In 2022, there were no instances of non-compliance with product and service information and labelling, and no violations in marketing communications.

Protecting customer data

At Pfleiderer, all prescribed data protection regulations are observed and complied with. To this end, we involve an external data protection officer who also conducts regular audits. In the reporting year 2022, there were no notifiable data protection breaches in the processing of personal customer data in accordance with Article 33 of the EU Data Protection Regulation.

MATERIALS



GOALS

Promoting the circular economy and cascading use

Increasing the total wood yield for each plant to at least 90% by 2025

Increasing the share of post-consumer recycled wood to 50% by 2025

Using renewable raw materials in production

Manufacturing 10% of wood-based materials using biogenic binder content by 2025

Expanding sustainability in the supply chain

Introducing a framework for assessing the sustainability of our suppliers in 2023

Developing specific indicators for water consumption and waste generation in 2023

USING RESOURCES SUSTAINABLY

The renewable raw material wood forms the basis of our business. Private consumers, communities and industry are increasingly turning to wood as a sustainable material, especially for construction. The energy crisis has also increased the demand for wood as an energy source. Such trends cyclically increase the demand for wood – even in times of higher inflation and lower economic performance. A responsible approach to wood as a material is therefore essential in ensuring both the sustainable manufacture of high-quality wood products in the future and overcoming dependence on fossil raw materials and energy sources in the long term.

At Pfeleiderer, we focus on recycling management and cascading use so as to preserve the use phase of wood for as long as possible. By using mainly waste wood and sawmill residues and implementing intelligent wood utilisation cycles at our locations, we conserve valuable resources and relieve the burden on ecosystems and the wood market. We procure the fresh wood we need for our production from controlled sources and up to 90% from national sources (e.g. damaged, broken and thinned wood). This supports the forest conversion necessary for more climate resilience and biodiversity.

In line with our voluntary commitment to maintain this high proportion of national wood purchases, we only obtain 10% of our fresh wood in the form of thinnings and sawmill residues from abroad, and only from countries directly neighbouring Germany.

In addition to wood, we also use resins, binders, additives and lacquers in our production, and we also manufacture some of these ourselves. We are gradually replacing these materials, most of which are still of fossil origin, with renewable ones and have set ourselves specific goals for this. For all raw materials – including those that are already produced from renewable raw materials, such as decor papers – we strive to make sustainability measurable along the value added chain and, where necessary, to improve it in cooperation with our suppliers.

We operate according to international management standards to ensure the structured management of the material topics of circular economy and the use of renewable raw materials, as well as product safety and customer satisfaction.

Despite our stringent approach to recycling wood, waste cannot be completely avoided, even at Pfeleiderer. Our main goal for 2023 is to document this more precisely by collecting meaningful indicators. This will enable us to set medium-term targets for controlling and reducing non-wood waste streams in particular. We also use water resources responsibly. Our locations are in water-rich regions. Nevertheless, we are aware of the global relevance of water, a resource that is generally becoming increasingly scarce, and we are working on documenting our needs transparently and adapting our water management to the expected changes in water availability due to climate change.

Another strategically important topic for our company is biodiversity, which we influence not only in our supply chains but also through our contribution to climate change mitigation. In the Materials field of action, we are focusing on evaluating our impact on biodiversity throughout the supply chain as an aspect of our supplier assessment in 2023.

CIRCULAR ECONOMY

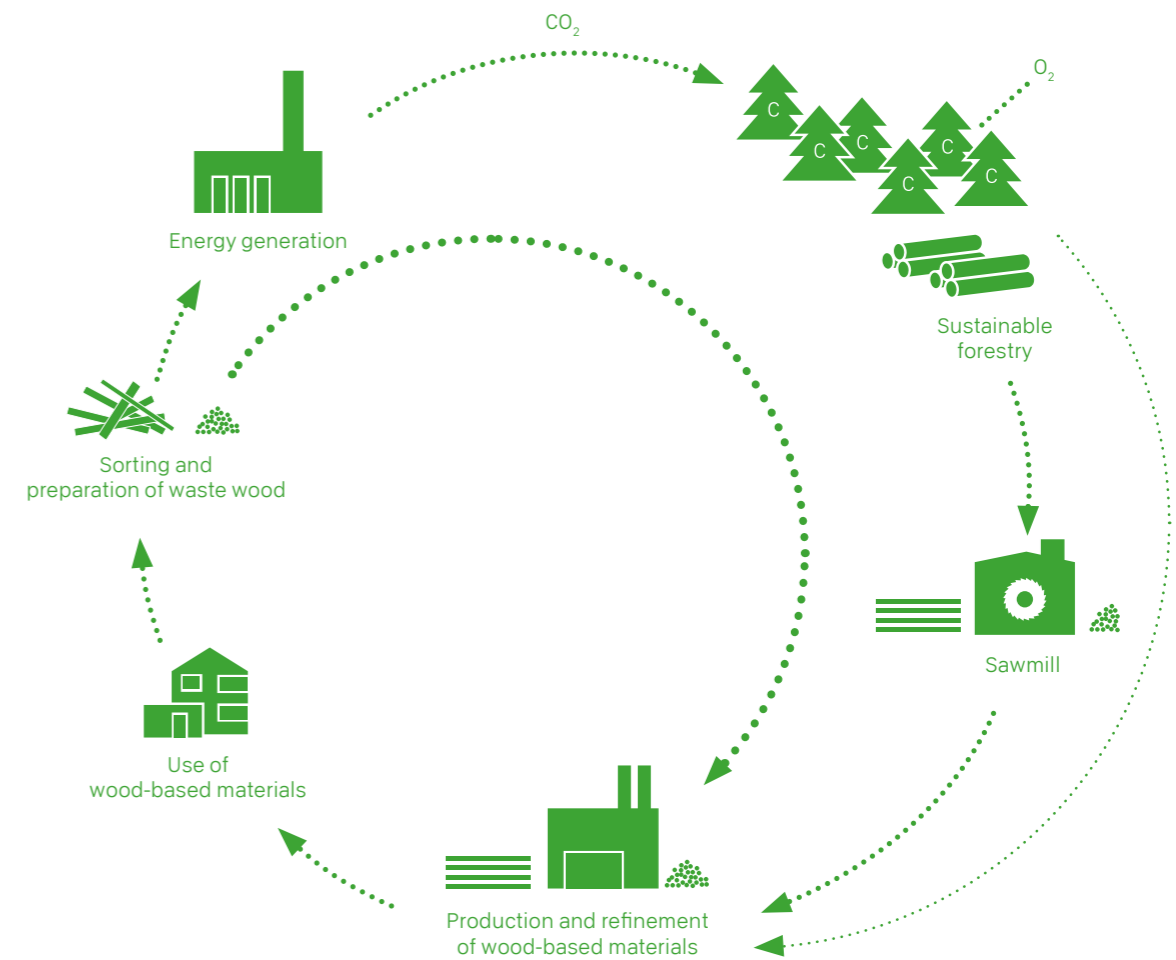
KEEPING WOOD IN THE CYCLE

The responsible and sustainable use of the renewable resource wood is at the centre of our entrepreneurial activities. Our goal is to keep wood in the material cycle for as long as possible. This is because the multiple processing of wood helps to reduce the burden on the forestry industry and conserve resources. Since wood is also a very efficient CO₂ reservoir, about one tonne of CO₂ per cubic metre of wood remains bound even over the

extended useful life of the material. In practice, our cascading use system means that already today we use predominantly, with a share of 48%, post-consumer recycled wood. The second largest share are with 32% sawmill residues. The remaining 20% is accounted for by thinning and damaged wood, mainly from domestic forests. All the fresh wood and decorative paper we process comes from controlled sources.



OUR CASCADING USE OF WOOD



We predominantly procure recycled wood from certified recycling companies.

From sawmills, we obtain sawmill residues in the form of edge trimmings, wood chips, and sawdust, which are produced during the manufacture of beams and boards.

Fresh industrial wood in the form of thinnings and damaged wood from windthrow and beetle infestation areas forms the smallest part of our wood raw materials.

We produce new particleboard from these raw materials and supply it to our customers.

When the products have reached the end of their service life, specialist recycling companies process them and remove material components that do not belong to the same type. At our locations, we remove the remaining impurities from the recycled wood that has been processed in this way.

We use the high-quality recycled wood for the production of new wood-based products. Wood that can no longer be recycled is converted into thermal and electrical energy in our integrated biomass power plants in Gütersloh, Neumarkt and Baruth. We use this energy in our production processes and feed surplus electricity and heat into the public electricity or heating grid. We ensure short transport routes for all raw material purchases. We source over 90% of our wood raw materials for production from Germany.

By establishing further partnerships with certified recycling companies, furniture manufacturers, suppliers and customers, we specifically promote the cascading use of wood and the circular economy in order to further increase the proportion of recycled wood in our production process.

CONTINUING TO ADVANCE WASTE WOOD RECYCLING

Waste wood recycling offers great potential for resource conservation but is still underdeveloped worldwide in terms of automation and standardisation compared to other industries, such as paper recycling. This makes it all the more important for the wood-processing industry to continue to advance waste wood recycling together with suppliers and recycling companies.



The Pfeleiderer Group was one of the pioneers in waste wood recycling and, in terms of the amount of waste wood purchased and processed, was the largest waste wood purchaser in Germany and one of the largest in Europe in 2022. This enables us to actively shape the further technical development of waste wood recycling and to actively contribute to the further development of the circular use of waste wood.

Our recycled wood complies with quality classes A1 and A2 according to the German Waste Wood Ordinance, which is the strictest in Europe, and is largely free of chemical, metallic or mineral impurities. The current technology does not allow 100% separation of impurities. This is why we are involved in numerous cooperations

for the technological improvement of sorting and separation technology. Waste wood category A1 includes untreated or only mechanically processed waste wood that was not more than insignificantly contaminated with non-wood substances during its use. According to the Waste Wood Ordinance, category A2 includes glued, painted, coated, lacquered or otherwise treated waste wood without halogen-organic compounds in the coating and without wood preservatives.

MANAGING THE CIRCULAR ECONOMY

Using wood as a renewable resource in the cascade is a high priority for Pfeleiderer. Accordingly, many departments and responsible persons are involved in the management of the material cycle. The Head of Sustainability coordinates the goals with the following specialist departments: Purchasing, Environment, R&D and Production. The Sustainability Committee and the management then confirm the goals before they are entered into the internal management system to be implemented in the plants. Clear implementation responsibilities and KPIs are defined and continuously reviewed. The indicators are collected monthly, prepared in quarterly reports and communicated to the Executive Board. Adjustments are made as needed. In addition, management compensation and an interest component of our sustainability-linked financing is linked to the achievement of the recycling rate.

INCREASING THE SHARE OF POST-CONSUMER RECYCLED WOOD

Since there is no uniform definition of post-consumer recycled wood, we at Pfeleiderer have determined internally which wood shares we keep as recycled wood in our statistics: recycled wood from our recycling suppliers as well as internal waste and returns. To further increase the share of post-consumer recycled wood, we are expanding the purchase of recycled wood and increasing the recovery of internal wood waste streams within production. We collect a monthly indicator and share it with the Executive Board. Specifically monitoring the composition of our suppliers' recycled wood supplies allows us to collect the indicator more accurately. In 2022, we achieved wood yields of 82% to 94% in our plants. The current technology does not allow 100% separation of impurities from the wood. However, based on our ongoing research and development, we consider a higher share feasible. By 2025, we aim to achieve and maintain a minimum of 90% in each production plant. Our strategic sustainability approach also includes dialogue with other parties who can help us achieve this goal.

As post-consumer recycled material, we use processed residues from wood processing, furniture, interior construction, and structural applications (timber construction, packaging and formwork construction) as well as dismantled products after their life cycle. We receive the material primarily after it has been processed by our approximately 100 suppliers, with whom we work intensively with to maintain our strict product quality standards. Our panels are regularly tested in the factories' own laboratories, not least to ensure health. The amount of post-consumer recycled material available is influenced by the reuse and recycling initiatives in the European Union, economic development, consumer behaviour and the recycling of used furniture by furniture retailers.

REUSING RETURNS

With a share of only 2.5%, internal wood flows play a minor role in achieving our recycling quota. When it comes to recycled wood from our suppliers, we take special care to collect returns at the factory and feed them back into production. These include wood residues that occur when panels are edged, discards that occur when wood panels warp, rejects from production, packaging returns, complaints, square timber boards for transportation and cover boards. These categories are recorded in our technical databases.

CLOSING ENERGY CYCLES

We also rely on closed cycles for energy generation. We generate almost all of the electricity and heat required for drying and pressing the wood at our locations in Baruth, Gütersloh and Neumarkt through our own integrated biomass power plants. At these locations, Pfeleiderer, as a certified specialist waste management company, converts up to 600,000 tonnes of waste wood that is not suitable for recycling into thermal and electrical energy every year. This enables us to dispense almost completely with fossil fuels and to generate heat and electricity in a climate-neutral way. Surplus electricity is fed directly into the public electricity grid.

RECYCLED WOOD: OUR PERFORMANCE AND TARGET

	2018	2019	2020	2021	2022	Target 2025
Share of post-consumer recycled wood in our wood mix in percent	38.0	41.8	41.7	46.2	48.1	50.0

48%

... IS THE SHARE OF POST-CONSUMER RECYCLED WOOD IN OUR WOOD MIX ACROSS OUR COMPLETE PRODUCT PORTFOLIO. THROUGH THE CONSISTENT IMPLEMENTATION OF OUR RECYCLING STRATEGY WE WILL LIKELY REACH OUR 2025 TARGET OF 50% PRIOR TO THE TARGET YEAR.

RENEWABLE MATERIALS

USING CERTIFIED FRESH WOOD

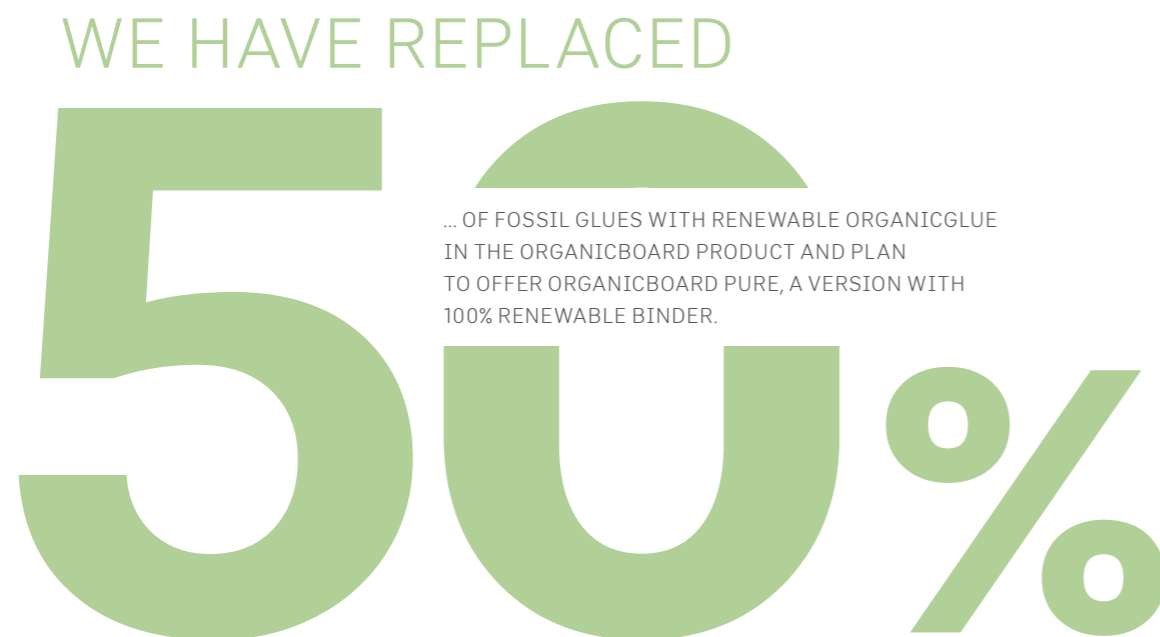
We are able to process 1.5 million tonnes of wood in the “absolutely dry” category (atro) per year, plus 9,000 tonnes of decor paper. Since 2007, we have been using fresh wood and decor paper exclusively from controlled sources.

Internal and external audits are conducted annually to verify that the underlying criteria of FSC® Controlled Wood and PEFC Controlled Sources are met throughout the entire chain of custody.

We determine the annual number of audits according to the specifications of the external supply chain assurance. In 2022, this was 43. In particular, fresh wood and, in the case of recycled wood suppliers, wood that has a rail or port connection or runs from a storage yard are audited. In addition, suppliers from countries through which criteria of the external chain of custody are classified as a risk are also audited. We conduct audits down to the exact forest location. Suppliers who do not meet the audit requirements or who do not allow our auditors access to their harvesting areas, even after signing confidentiality declarations, are consistently excluded.

REPLACING FOSSIL INGREDIENTS

In our production, we can process around 250,000 tonnes of resins, binders, additives and lacquers per year. To partially replace these with renewable raw materials, we are pursuing a concrete goal: by 2025, we aim to produce 10% of our wood-based products (measured by volume) using a share of biogenic resins. We also offer OrganicBoard Pure, a version with 100% renewable binder.



ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM

Our materials and production processes comply with all environmental and health protection regulations. This is based on recognised and applied international standards, in accordance with which we carry out production in Germany. We have implemented an environmental management system according to DIN EN ISO 14001 as well as an energy management system according to DIN EN ISO 50001. Controls are carried out through annual internal and external audits.

PROTECTING CONSUMER HEALTH

Pfleiderer follows all legal requirements to protect consumer health during the use of products. We operate laboratories at our locations to conduct quality tests on materials and products. At the central laboratory in Arnsberg, we test the formaldehyde emissions of our products to guarantee that we are complying with or bettering the specified limits. Over the last few years, we have succeeded in continuously reducing the use of formaldehyde in our particleboards. In addition, we were one of the first manufacturers to start producing formaldehyde-free panels decades ago.

In 2022, we received complaints about limit values being exceeded, but when these were reviewed, they were attributed to incorrect measurement and handling. We had no incidents of non-compliance related to the health and safety impacts of products and services.

We have now converted our entire wood-based material production in Germany to the strict requirements of emission class E0.5. In addition, we comply with voluntary requirements and also have formaldehyde-free panels in our product range. Pfleiderer has the largest range of products with an eco-label in the industry.

WASTE

As a waste management operation, we reduce waste by recycling waste wood both materially and thermally. Despite our stringent approach to recycling wood, waste also accumulates at Pfeleiderer in the form of ash, residues from the post-cleaning of waste wood and packaging.

Managing unavoidable waste

The locations do not operate landfills. The combined heat and power plants in Neumarkt, Gütersloh and Baruth, as well as Heller Holz GmbH, are certified as waste management facilities. As such they fulfil extensive requirements for the management, and as a member of the German Federal Association for Secondary Raw Materials and Waste Disposal (Bundesverband Sekundär-

rohstoffe und Entsorgung e.V.), Pfeleiderer contributes to the further implementation of cascade use in legal regulations, e.g. the Waste Wood Ordinance.

FOR
2023

... WE HAVE SET OURSELVES THE GOAL OF INTRODUCING ADDITIONAL INDICATORS SO THAT WE CAN BETTER MANAGE AND REDUCE NON-WOOD WASTE FLOWS IN THE FUTURE.

WATER

Our locations are in water-rich regions, and for us as a company, the topic is not material in the sense of a materiality assessment. However, in view of the global problem of water scarcity, which is further aggravated by the climate crisis, our handling of water is also becoming strategically more important. Consequently, we are developing KPIs on the use of water and water-related impacts of our business activities as part of our sustainability goals.

Reusing water

We use recycled water in the mixing of glues and in our wet electrostatic precipitators. The Baruth location operates its own waste water treatment plant, which purifies the process of water produced. All other locations discharge the waste water into the public waste water treatment system and are obliged to comply with the municipal limits for water quantity and quality. The compliance is monitored by the municipalities.

As owners and operators of industrial properties, we are, of course, bound by obligations in connection with environmental conditions. The focus in this context is on contamination of the soil, groundwater and buildings at

our current facilities and former locations, as well as at neighbouring properties. When contamination is found, we implement investigations, remediation, containment, closure or decommissioning. The soil and groundwater of a property in Neumarkt, which we currently use as a timber yard, have been contaminated by previous operators. Since the early nineties, we have treated this groundwater on our premises in order to use it as process water in our production.

Developing indicators

For each plant, we draw up balance sheets on fresh-water consumption. The use of recycled water, on the other hand, is not specifically recorded. To define concrete reduction targets for our plants and individual production steps, we have therefore resolved to develop KPIs for surveying of water use in 2023.

BIODIVERSITY

Cultivating biodiversity

Biodiversity is another topic to which we are dedicated as a company with a view to the future of our planet and our habitat. Pfeleiderer does not operate any locations in or near protected areas. In the Materials field of action, we focus on evaluating our impact on biodiversity in our supply chains and have set ourselves the goal of determining the impact of our business activities on biodiversity in 2023 by establishing suitable indicators.

Although fresh wood in the form of thinnings and damaged wood only accounts for about 20% of our wood volume, we are currently working on measures with our main suppliers to promote forest conversion for climate resilience and species protection. This will be done across the board and not just in selected showcase projects. We have also set ourselves a concrete goal for 2023. Where we source our fresh wood has an impact on biodiversity. Since 2007, the wood we process has therefore come exclusively from controlled sources. We offer a large part of our products certified according to FSC or PEFC.

We have a further impact on biodiversity through our contribution to climate change mitigation, as this is a major driver of species and habitat loss. We discuss corresponding management approaches in the following chapter, Climate.

” Fresh wood with a certification from the non-profit organization Forest Stewardship Council® (FSC) or the Programme for the Endorsement of Forest Certification (PEFC) comes from responsible forest management according to binding principles. Wood and wood products with these labels come from verified ecologically, economically and socially sustainable forestry. The complete production – from the raw material to the ready-to-use product – is third-party-verified. The certified forest management systems support the needs of people and nature: biodiversity is as important as workers’ health and safety.

CLIMATE

GOALS

Net-zero carbon emissions by 2050**We have set the following intermediate targets on our journey:**

Reducing emissions in Scope 1 and 2 by 21% by 2025 compared to 2020

Reducing indirect greenhouse gas emissions associated with purchased chemical products used in our wood-based panels by 21% by 2025 in comparison to 2020

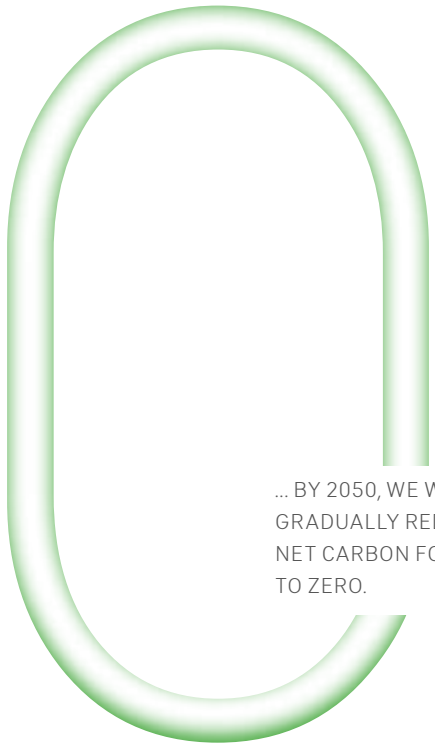
Developing a framework to reduce greenhouse gas emissions from all upstream products (Scope 3) in 2023

Developing a framework to reduce transport-related greenhouse gas emissions by 2023

FURTHER EXPANDING CLIMATE PROTECTION

Pfleiderer is committed to the Paris Climate Agreement's goal of limiting global warming to 1.5 °C. This goal guides our measures to reduce climate-relevant emissions in all three scopes. By 2050, we want to gradually reduce our net carbon footprint to zero.

As a manufacturing company, Pfleiderer is an energy-intensive company. We are aware of the resulting responsibility and consider climate-relevant topics along the entire value chain. The first priority is to take measures to avoid or reduce climate-relevant emissions. This includes the use of renewable energies and the replacement of fossil binders. We also want to reduce our product-related climate-relevant emissions step by step and further expand our range of low-emission products. The two material topics of climate-relevant emissions and renewable energies are considered together in the following chapter.



... BY 2050, WE WANT TO GRADUALLY REDUCE OUR NET CARBON FOOTPRINT TO ZERO.

CLIMATE PROTECTION AND ENERGY EFFICIENCY

We are currently working on our intermediate target, to reduce our CO₂ emissions in Scope 1 and 2 by 21% compared to the year 2020. The ambitious level for this emissions reduction is based on scientific evidence and was confirmed by a third-party opinion during the issuing of our sustainability-linked financing in 2021.

To achieve our targets, we are focusing on saving and replacing. Our first step is to reduce our energy consumption and thus also our use of fossil fuels. To achieve this, we have exchanged our lighting systems, heat generators, cooling systems, and optimised windows and transformers, as well as production times. Changing to more efficient compressors, combined with the elimination of leaks, has reduced compressed-air consumption. We are also optimising our production planning in terms of plant utilisation by minimising set-up, shut-down and start-up operations. To reduce our energy consumption, empty runs are also kept to a minimum through well-thought-out route planning. In logistics, we use our own trucks from our company JURA-Spedition, which largely fulfilled the Euro emissions standards 6d and 6e in 2022 due to regular replacements. Our goal is to fully comply with these standards from mid-2023, and we are already preparing for higher standards such as Euro 7 as well as alternative drive types. The second step is to replace fossil fuels with alternative energy sources. We are first pursuing this approach with the largest thermal and electrical consumers that are not supplied in a CO₂-neutral manner, as this is where we will have the greatest impact.

Clear responsibilities

The Sustainability department commissions the annual calculation of the carbon footprint based on the Greenhouse Gas Protocol in Scopes 1, 2 and 3. The data basis for this comes primarily from the departments of Purchasing and Energy Production. Detailed questions about the calculations are clarified in cooperation with the Environment and Purchasing departments. A quar-

terly calculation of emissions from Scope 1 and 2 to meet legal requirements is carried out by the Purchasing department. All figures are regularly reported to the management. Action plans to reduce energy demand are prepared by the departments of Energy Production and Technology. The development of the road map to achieve the goal of net-zero greenhouse gas emissions is in the hands of the Sustainability department.

Moving forward step by step

Our energy sources are biomass, piped natural gas, heating oil and electrical energy. To protect the environment and contribute to mitigating the effects of climate change, we are working to continuously reduce our direct greenhouse gas emissions (Scope 1) as well as greenhouse gas emissions from purchased energy (Scope 2). In line with our sustainability-linked-financing, we have committed to reduce our Scope 1 and 2 greenhouse gas emissions to 201,700 tonnes by the end of 2022 and to 173,900 tonnes by the end of 2025 – compared to 220,164 tonnes in 2020.

Through investments and additional measures at our locations in 2020 and 2021, we have already been able to reduce emissions in Scope 1 and especially in Scope 2 very significantly and achieve values at the 2025 target level. For example, we generated 150,846 tonnes of greenhouse gas emissions in Scope 1 and 2 in 2022, compared to 171,969 tonnes in 2021 and 220,164 tonnes in 2020.

We have thus reduced greenhouse gas emissions in Scope 1 and 2 by 31% from 2020 to 2022.

Nevertheless, we are maintaining the target set for 2025 and will focus more on savings in Scope 1 in the coming years, as these require both investment and time for necessary planning work.

COMPANY CARBON FOOTPRINT: OUR PERFORMANCE AND TARGET

	2018	2019	2020	2021	2022	Target 2025
Company carbon footprint (tCO ₂ e)	270,631	238,492	220,164	171,164	150,846	173,929
% decrease (on 2020 baseline)				-21.9	-31.4	-21.0

Generating and using renewable energies

As a manufacturer of wood-based materials, we need thermal as well as electrical energy throughout the year for, among other things, drying the wood chips and heating the presses. We therefore generate energy at all five locations in Germany. In Arnsberg and Leutkirch, we work with conventional boilers that use fossil fuels. We have gradually converted a large part of the heat supply in Leutkirch from heavy fuel oil to gas since 2013. This happened in several steps. Then, following the expansion of thermal use through biomass, gas consumption at the plant was reduced by around 30% from 2020 onwards in a subsequent step.

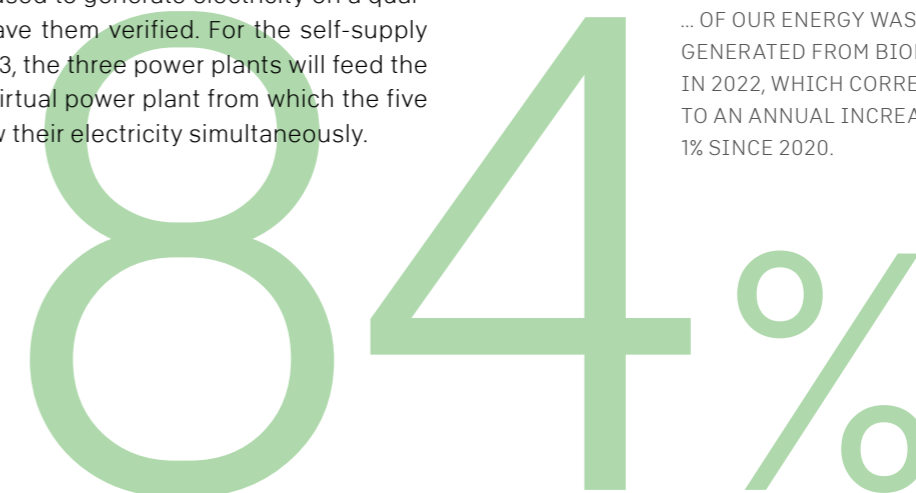
In Baruth, Gütersloh and Neumarkt, we use combined heat and power (CHP) plants in which we use biomass to generate the electricity and heat required for our production. In accordance with cascading wood use, we only use waste wood as biomass that is no longer suitable for recycling. In addition, we use by-products such as sanding dust. Heating oil is only used if a restart is needed after a shutdown. We achieve above-average efficiency because, as a manufacturer of wood-based materials, we need energy and heat throughout the year and can use it to dry the chips and heat the presses. As a certified waste management company, Pfeleiderer converts up to 600,000 tonnes of waste wood into thermal or electrical energy per year across all CHP locations.

The CHPs were subsidised until 2021 under the German Renewable Energy Sources Act and, in accordance with legal requirements, we fed the electricity into the public grid. After the subsidy expired, in mid-2022 we started to produce our own certificates of origin for the biogenic share of the fuel used to generate electricity on a quarterly basis and have them verified. For the self-supply planned from 2023, the three power plants will feed the electricity into a virtual power plant from which the five locations will draw their electricity simultaneously.

From the beginning of 2023, we will consume the renewable electricity from our production plants within the Pfeleiderer Group. We expect that in 2023 we will thus generate more than 90% of our energy from our own combined heat and power generation – for heat and electricity.

The sale and delivery of the electricity to the locations will take place through the subscription of green corporate PPA contracts.

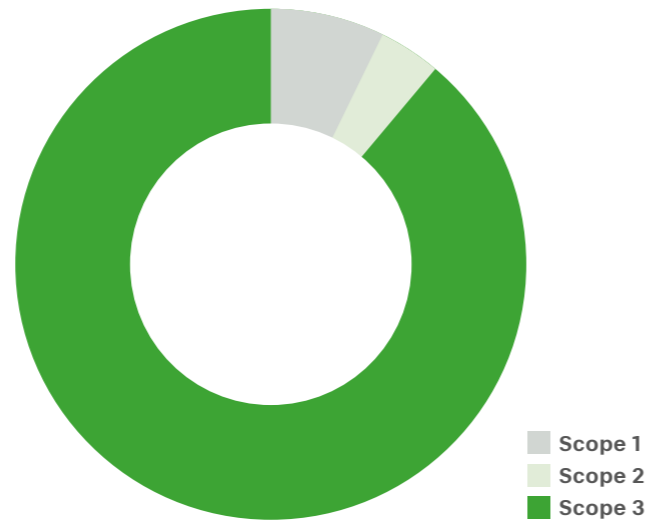
In 2022, we purchased 11% of our electricity from energy suppliers and used small amounts of natural gas as a back-up supply for certain processes. In addition to our own renewable energy generation, we also use European certified hydropower and our own certified green electricity.



... OF OUR ENERGY WAS GENERATED FROM BIOMASS IN 2022, WHICH CORRESPONDS TO AN ANNUAL INCREASE OF 1% SINCE 2020.

MINIMISING INDIRECT CO₂ EMISSIONS ALONG THE VALUE CHAIN

Along our value chain, indirect emissions occur where we source the resources for our wood-based materials. By using a high proportion of recycled wood for the production of our main product, particleboard, the product-related climate-relevant emissions are already lower than when using only fresh wood. In addition, the cascading use of wood leads to a reduction in climate-relevant emissions in other areas as well, such as energy production. The majority of our emissions in Scope 3 arise from the purchase of chemical products. For 2022, we are also calculating emissions from transport and primary products in Scope 3 for the first time. Therefore, the results are not directly comparable to those from 2021. The development of a framework for reducing Scope 3 emissions together with our suppliers is explicitly anchored in the sustainability goals in the Climate field of action. The quantities of CO₂e collected within the value chain in 2022 amount to 1.1 million tonnes.



Distribution of total company emissions

The chemical products we buy in for our wood-based material production include adhesives, titanium dioxide, urea, paraffin, flame retardants, resins, paints and other melting products. Their production is energy-intensive. That is why, on the one hand, we work with our chemical suppliers to reduce emissions from chemical production, especially through the use of renewable energy sources. On the other hand, we are looking for alternatives to chemicals. For example, we are increasingly replacing urea-formaldehyde resin glues (UF glues) – the most widely used binder in the global wood industry – with organic, biogenic glue in our particleboards. This allows us to improve the product’s carbon footprint while maintaining quality and meeting all applicable quality and safety standards.

LOW-EMISSION PRODUCTS

We offer a wide range of low-emission and environmentally friendly products to support our customers’ green building goals. By using a high proportion of recycled wood for the production of our wood-based materials, generating renewable energy from biomass and replacing chemical glues step by step with natural alternatives, we are reducing CO₂ emissions and contributing to climate protection.

“Our aim is to reduce indirect greenhouse gas emissions associated with purchased chemical products used in our wood-based panels by 21 % by 2025 in comparison to 2020.”

PARTNERSHIPS ALONG THE VALUE CHAIN

To reduce our upstream emissions (Scope 3) as well, we are working with our suppliers to replace fossil chemicals and chemicals that leave a large carbon footprint with biogenic materials and chemicals with a smaller carbon footprint. In particular, we are working closely with our own Silekol business unit on this and have been able to achieve rapid success through strict selection criteria. We have collected the indirect emissions according to the Greenhouse Gas Protocol Corporate Standard for 2022. These amount to 1.1 million tonnes. We are working together with the company Fokus Zukunft and the German Timber Industry Association (HDH).

The efficient use of energy becomes even more important in times of supply shortages. Accordingly, the feeding of waste heat from industrial production into the supply networks will become more important to enable climate-friendly and more cost-effective heating of connected households. In the first phase, which started in 2022, the waste heat from a boiler fired with natural gas is used and the hot exhaust gases from the natural gas are transferred via a heat exchanger. In a second step, other larger sources of waste heat from the biomass boiler will be able to be included as the city’s demand

increases. After connection to the city’s supply network, Pfeleiderer would probably be able to supply heat for the 2023 heating season.

The necessary investments will be borne by Pfeleiderer on the plant side, while the town of Leutkirch will bear the costs of the necessary connection to the network of the municipal district heating company.

In Leutkirch, a connection and expansion concept has been developed together with the town and the heating network operator, Kraftwärmeanlagen GmbH (KWA), which will make the Leutkirch production site a significant heat supplier to the Allgäu municipality in the medium term.

PEOPLE

GOALS

Occupational health and safety

Zero accidents: reducing accidents together with our workforce and contractors and achieving a lost-time accident frequency rate for each group of 0.5 per 200,000 working hours by 2025

Precautionary principle: establishing an assessment system in 2023 based on existing indicators for preventive measures, e.g. documented risk situations, and safety rounds

Human resources management and development

Expansion: development of a concept in 2023 for the expansion of human resources management; this includes the development of meaningful metrics for the individual aspects of human resource management

Training: by 2025, participation of all staff in compliance training and documentation of such training

Equal opportunities: 25 % women in management and on the Supervisory Board by 2027; the goal is to promote diversity, especially in new hires, to retain skilled workers and to improve career and development opportunities for employees

Our employees are our most valuable asset. We want them to enjoy working at Pfleiderer and to be able to develop within our company in a fair and motivating work environment. The diversity of our employees enriches our company. We cultivate and promote this diversity and do not tolerate any form of discrimination or harassment.

FOCUS ON PEOPLE

As a responsible employer, we focus on prevention to avoid accidents and illness. We respect human rights: they are the foundation for our due diligence in the supply chain. The goal of our daily work is to have customers who can trust in the quality and safety of our products.

WORKING CONDITIONS AND CORPORATE CULTURE

RESPONSIBILITY FOR OUR EMPLOYEES

We cultivate a corporate culture of responsibility and team spirit. We are committed to treating all employees fairly and in accordance with German and international prevention standards. In line with our corporate values and European legal standards, we create a safe work environment and strive to offer our employees attractive working conditions. We promote professional development and respect employee rights. Through cooperation with works council bodies, we incorporate the views of our workforce into the design of the work environment and working conditions. In doing so, we want to promote both a sense of community as well as the individual strengths of our employees.

MANAGING AND IMPLEMENTING PERSONNEL TOPICS

The Head of Sustainability coordinates our goals in the People field of action with the specialist departments, in particular with the Human Resources and Compliance departments. The Sustainability Committee and the management must then confirm the goals before they are integrated into the integrated management system (IMS) and implemented in the plants. Clear responsibilities and KPIs are defined in the IMS for implementation and monitoring. The indicators are collected monthly and reported to the management. Once a quarter, a report on the status quo of implementation is presented to the officers' meetings and the Sustainability Committee. Measures are adjusted if deemed necessary by those involved there. Relevant measures that affect our employees and their rights and duties are coordinated with the works council.

Employee retention

Pfleiderer has around 2,000 employees, the vast majority of whom remain with the company for around 17 to 18 years; employee terminations are relatively rare. In 2022, there was very low turnover and few new hires in a national and industry comparison. Employee turnover, including all retirements, was 9% in the reporting year. Due to a decline in demand, we concluded company agreements to introduce short-time work at all German locations. This eliminated the need for compulsory redundancies. Short-time work was implemented temporarily in Leutkirch, Arnsberg and Gütersloh. There is no discrimination against part-time employees and no benefits are granted exclusively to full-time employees.

Work and family in harmony

We want to offer our employees a work environment that takes into account the various aspects and challenges of work and family life within the framework of the company's possibilities and allows for a balance.

With the help of various working time models, we support employees in their individual life situations. Home office, flexitime and part-time work for older employees are natural pillars of working time flexibility for us.

The necessary regulations are laid down in corresponding company agreements and collective agreements.

Even before the Covid-19 pandemic, office employees (desk workers) had the option of working up to 50% of their working hours from home via a supplementary agreement to their employment contract. Individual agreements, for example a temporary adjustment of working hours or a sabbatical, can also be approved by Pfleiderer after consultation.

TRAINING AND EDUCATION

Pfleiderer trains young people in both the industrial and commercial sectors. Many of our long-standing employees started their careers with us as trainees in one of these areas. To ensure that our employees can act competently, Pfleiderer has standard training programmes. These are mandatory for all employees, including part-time employees, temporary employees and trainees. The training focuses on the topics of quality, environment, energy, compliance, safety, health, use of internal systems and data protection. Employees acquire or consolidate the knowledge they need to perform their tasks in internal instruction and training courses, some of which are required by law. These are either available to them in the e-learning portal SAM or are conducted in person on-site by officers, supervisors or external specialists.

Employee development and training

It is important to us that our employees can develop individually at Pfleiderer. We want to expand feedback conversations between employees and managers, and create the formal frame for this through our target for human resource management.

In Pfleiderer's senior management circle, annual target achievement meetings, as well as regular feedback meetings with managers, are standard. The senior management team includes the employees of the first and second management levels below the management as well as the management bodies of the group companies.

Many managers come from our own ranks; they have prepared themselves for these positions through internal or external qualifications and further training. Pfleiderer accompanies these developments with structured succession planning.

Employees who have taken on management responsibility for the first time or are being considered for a management position are prepared for this with special training. In 2022, we focused on training in "hybrid leadership" at the middle management level, which we will continue in 2023. With this, we are addressing the special features of leadership at a distance that have arisen in the context of the changed world of work. These include, among other things, more working from home as well as fewer business trips and thus less presence overall and a (partial) shifting of the leadership task into the virtual space. We also support the coordination of projects and processes across departments and locations.

BASIS OF OUR REMUNERATION

The average pay in the collectively agreed area is around 30 euros per hour, and in the non-collectively agreed area correspondingly higher and thus significantly above the legal minimum. 82% of our employees are included in company-internal collective wage agreements. In total, 90% of our employees were covered by collective agreements in the reporting year. In the absence of statutory or collective bargaining agreements, we are guided by industry-specific, locally customary remuneration and benefits. To prevent discrimination, recruitment, remuneration, performance appraisal and promotion are actively managed. In protecting against discrimination, we involve the workforce at our locations and have established controls to address any issues.

OCCUPATIONAL HEALTH AND SAFETY

SAFE AND HEALTHY THROUGH PREVENTION

Pfleiderer fosters a safety-first culture. Prevention is our top priority to ensure the safety of our employees in the best possible way. In addition, we also want to prevent factors such as stress or other work-related illnesses through job security and fair working conditions. After all, appropriate working hours and sufficient free time contribute to physical and mental well-being, making them an important prerequisite for professional performance. In the medium term, our goal is to further reduce the number of accidents and the absenteeism rate to achieve zero accidents in the long term.

MANAGING HEALTH AND SAFETY IN THE WORKPLACE

At Pfleiderer, safety comes first! All employees, contractors, suppliers and other business partners should be guided by this principle and prevent critical situations. All Pfleiderer locations meet the standards of the ISO 45001 management systems for occupational health and safety and are certified accordingly. All Pfleiderer employees are thus integrated into our occupational health and safety management system. An annual monitoring audit is carried out by TÜV Süd. Recertification takes place every three years. Where necessary, suppliers are also actively involved – for example when they carry out maintenance and repair work at our production sites. As part of the continuous development of our management systems, we are also constantly improving our health and safety measures.

Identifying and minimising dangers

We identify and assess dangers in everyday work through structured risk assessments. Wherever necessary, we initiate measures to eliminate or reduce the dangers. Process managers are deployed at all locations and for all areas, about 100 people in total. They are qualified to carry out risk assessments and regularly check that they are up to date. Currently (as of 31 December 2022), over 700 risk assessments have been entered into the system. In addition, the

occupational health service assesses various workplaces to detect health dangers in time and take countermeasures. For instance, the ergonomics of the workplace are checked.

Our manufacturing processes that release VOCs (volatile organic compounds), dust or odour pose a very low risk of fugitive emissions, which we monitor continuously. For example, our central laboratory regularly checks whether the limit values at the workplace are being complied with. To ensure that we measure according to the prescribed methods, we are also active in standardisation committees. We also participate in inter-company round robin tests to regularly improve the measurement accuracy of our laboratories.

Prevention based on guidelines and directives

To prevent accidents, we have introduced various measures, guidelines and directives. These include the risk assessment of individual workplaces, activity-related risk assessments, general safety and behavioural instructions, basic safety rules (cardinal safety rules), a guideline for evacuation, rules for dealing with contractors when entering the plant premises, and safety instructions for contractors and visitors. By regularly assessing risks and providing information about potential hazards, we continuously improve our occupational health and safety. In the process, we also check all guidelines and manuals to en-

sure they are up to date or find out if they need to be optimised. If occupational accidents occur despite our prevention work, we record them, analyse them in detail and develop measures to eliminate the causes found. If suppliers suffer an injury on our premises, we also record and analyse this and initiate corrective measures.

“All occupational health and safety measures and activities apply not only to Pfleiderer employees, but also to all employees of contractors working at our locations.”

Core concept for occupational and process safety

We have recorded fewer reportable accidents since 2016, but are recording more accidents overall internally thanks to better safety-related reporting. Our accident rates are significantly below the 2015 to 2020 occupational safety reference value of the German Employers' Liability Insurance Association for Wood and Metal.

To further minimise our accident rate of 1.9 (LTA-FR2) and achieve our goal of zero accidents, we are continuously working to optimise our processes. In addition, we have set ourselves the new goal of evaluating various preventive measures that form the basis for occupational and process safety with indicators and reporting them regularly.

These include near-miss rates and the safety training level (SAM).

SENSITISING AND TRAINING EMPLOYEES

The knowledge required by employees to carry out their work is imparted and reinforced through internal instruction and training, some of which is required by law. All new employees undergo comprehensive safety training, including on safe working from home. We hold "6S" safety days. 5S is an established management system with the core elements of "sort", "set in order", "shine", "standardise" and "sustain"; we supplement this with the aspect of safety. To this end, we organise safety audits and inspections and work specifically on weak points in areas with increased accident rates. In addition, we regularly train our managers to firmly anchor occupational health and safety in the company's daily routine and to sharpen the sense of responsibility of staff

WORK-RELATED INJURIES: OUR PERFORMANCE AND TARGETS

	2020	2021	2022	Target 2025
Lost-time accident frequency rate per 200,000 worked hours (LTA-FR2)	2.1	2.1	1.9	0.5

and contractors. In total, we use more than 250 different training modules on topics related to occupational health and safety. This covers all general occupational safety topics, work-specific topics, hazards and also the handling of hazardous substances.

Involving employees in danger prevention

We encourage employees to use our near-miss system and have set a target of reporting at least one unsafe condition or situation per employee per month. Currently, the rate for all production sites is 1.2 near-miss reports per employee per month. There were no fatalities due to work-related injuries or illnesses in the reporting year.

PROMOTING HEALTH

We have occupational health services at all locations. On the one hand, these services contribute to the identification and elimination of dangers and the minimisation of risks. On the other hand, they are available to all employees for preventive medical examinations and health checks as needed. In addition, we offer external help for work-related mental health problems. With our Fit by Pfeleiderer programme, we support employees in staying in shape. As part of the programme, they can take advantage of health and fitness offers in cooperation with fitness studios, massage practices and swimming pools at reduced rates. By complying with all applicable regulations – regarding flexible working, for example – and by not tolerating harassment or bullying, we contribute to the foundation of a healthy working environment. During the coronavirus pandemic, we invested about one million euros in safety measures to protect the workforce.

CONSULTING AND INVOLVING WORKS COUNCILS

We consult and involve all employees to continuously develop the health and safety management system. In accordance with the German Works Constitution Act (BetrVG), the works council plays a key role in this process. All German companies have their own site works councils. Representatives of the site works councils are also members of the Group Works Council (Konzernbetriebsrat, KBR), which represents the interests of em-

ployees at the highest level of the company. Consultation with and participation in the works councils take place in accordance with the provisions of the BetrVG. The works council is consulted on all processes in the management system for health and safety by the plant management in coordination with the quality manager,

Part of our preventive system is a near-miss system. It helps to prevent critical situations and accidents. Employees can report work-related dangers and dangerous situations in paper form to safety specialists, in person to works councils or supervisors, or by app – including anonymously.

the safety specialist and the company doctor. It is involved, for example, in risk assessments, training needs, emergency planning or the investigation of accidents and other safety-relevant incidents. The central body for the site works councils with regard to consultation and partici-

pation is the quarterly occupational safety committee (Arbeitsschutzausschuss, ASA). The site works councils bring their relevant topics to the ASA in accordance with the requirements of the German Occupational Safety Act (§6 ASiG).

“ If employees have the impression that work situations pose a risk of leading to injuries or illnesses, they can contact the works council at any time in close cooperation with the employee representatives at the location. They do not have to carry out the activity in question and are protected from reprisals.

DIVERSITY AND EQUAL OPPORTUNITY

LIVING AND CULTIVATING DIVERSITY

Our employees are our most valuable asset. With their individual personalities and skills, their life experience and knowledge, their inventiveness and talent, they shape our corporate culture and contribute significantly to the success of the company. We wish to cultivate and promote this culture of diversity and inclusion and have developed a diversity policy for this purpose. It is designed to protect everyone's individuality and to ensure respectful interaction, tolerance and equal treatment in the workplace.

OUR DIVERSITY POLICY

We are committed to complying with all local equal employment opportunity regulations and will not tolerate discrimination, sexual or other personal harassment or insult. We respect equal opportunities and treat everyone in the company equally, regardless of age and educational profile, language, qualifications, work experience and nationality, ethnic background, religion or non-denomination, political views, health status, socio-economic status, lifestyle, place of residence and family status, and sexual orientation. We promote gender equality and aim to ensure that everyone in the company respects the personal dignity, privacy and personal rights of each and every individual.

Everyone in the company is encouraged to help ensure that the work environment is one of respect and free from abuse and harassment. The principles and values formulated in our diversity policy apply to all employees at Pfeleiderer, including members of the management bodies and executives. They apply to recruiting and selection, compensation and benefits, professional development and training, lateral movements, social and recreational programmes, and redundancies. Any employee who behaves inappropriately towards others may be subject to disciplinary action. Employees who feel that they are being discriminated against and do not feel that they are being treated in accordance with the diversity policy are encouraged to speak up. They can contact a works council member, a supervisor, a member of the HR department or the person responsible for equal treatment, or report this via the internal reporting system in the compliance section of the intranet. No cases of discrimination were reported in 2022.

LABOUR AND HUMAN RIGHTS IN THE SUPPLY CHAIN

PROTECTING HUMAN RIGHTS

Human rights are innate and can neither be conferred nor denied. They protect the dignity of every individual and are equally enjoyed by all. We support the protection of human rights as defined in the United Nations Universal Declaration of Human Rights. We are determined to fulfil our social responsibility not only within our own company, but also along the supply chain. We are committed to our human rights due diligence obligations. We also expect customers and suppliers to uphold human rights.

CODE OF CONDUCT FOR SUPPLIERS

We only work with suppliers who share our quality standards and ethical values. Our Code of Conduct for Suppliers sets out the requirements we place on them. All suppliers are obliged to meet these requirements – not only for themselves, but also in their supply chains and with their business partners. Our Code of Conduct is based on national laws and regulations as well as international conventions. These include: the United Nations Universal Declaration of Human Rights, the Guidelines on Children's Rights and Business Conduct, the United Nations Guiding Principles on Business and Human Rights, the International Labour Standards of the International Labour Organization (ILO), the German Supply Chain Due Diligence Act, and the principles of the United Nations Global Compact.

Our Code of Conduct requires our suppliers:

- To comply with all applicable laws, especially laws that serve to protect employees and minors
- Not to be corrupt
- To comply with human rights in their dealings with employees and suppliers
- Not to accept child labour
- To take responsibility for the health and safety of their employees
- To comply with the relevant national laws and international standards on environmental protection
- To implement and comply with these value principles in their own supply chain as well

If a supplier does not comply with our Code of Conduct, Pfeleiderer will request that it takes corrective action. In the event that such measures cannot be implemented, Pfeleiderer reserves the right to terminate the business relationship.

OUR VALUES AND PRINCIPLES

We support the principles laid down in the ILO Declaration of Fundamental Principles and Rights at Work. We recognise freedom of association and promote the right of workers to collective agreements within the limits of applicable laws. We oppose all forms of modern slavery and ensure that forced or compulsory labour does not take place in any form. We support the elimination of exploitative child labour and commit to respect the Convention Concerning Minimum Age for Admission to Employment (ILO Convention No. 138). We are committed to complying with all existing equal employment opportunity regulations in the respective countries. The remuneration and benefits paid or provided for a normal working week are at least the legally valid minimum to be guaranteed. In the absence of statutory or collective bargaining agreements, they are guided by industry-specific, locally customary remuneration and benefits. We reject any form of discrimination and comply with the laws applicable in this context. We guarantee the protection of the health and safety of our employees at the workplace within the framework of the applicable national regulations.

SUPPORTING THE SUPPLY CHAIN DUE DILIGENCE ACT (LKSG)

With the entry into force of the Supply Chain Due Diligence Act (LkSG) on 1 January 2023, there is for the first time a legally binding national framework which obliges companies and their suppliers to respect human rights. For Pfeleiderer, the LkSG will apply from 2024. Pfeleiderer also welcomes the EU's initiative for a European supply chain law, especially to ensure a level and fair playing field at the international level. To fulfil all the requirements of the LkSG, we defined overarching responsibilities for implementation in the company in 2022. We conducted an initial risk analysis, revised the Supplier Code of Conduct and communicated it step by step to our business partners. We also examined whether we need to adapt the existing whistleblower system. We want to conduct a detailed risk analysis (including weighting and prioritisation of the emerging risks) and develop measures (including the creation of

a policy statement) to prevent the identified risks. In addition, the necessary adjustments will be made to the already existing whistleblower system. We aim to continuously document the reviews, measures and adjustments and prepare the due diligence report.

DURING THE YEAR

2023

... WE PLAN TO FURTHER MEET THE REQUIREMENTS OF THE LKSG, TO EXPAND OUR RISK MANAGEMENT ACCORDINGLY AND TO APPOINT A PERSON RESPONSIBLE FOR ITS MONITORING.

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	417-2 Incidents of non-compliance concerning product and service information and labeling	P. 20 to 21
	417-3 Incidents of non-compliance concerning marketing communications	P. 20 to 21
GRI 418 Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	P. 20 to 21

INDICATORS

MATERIALS

GRI	Indicator	Unit	2020	2021	2022
CIRCULAR ECONOMY					
GRI 301-2	Recycled input materials used (wood)	%	41.7	46.2	48.1
GRI 306-3	Waste generated (total)	t	66339	67972	76429
GRI 306-4	Waste diverted from disposal (total)	t	0	0	0
GRI 306-5	Waste directed to disposal (total) ¹	t	66339	67972	76429
RENEWABLE MATERIALS					
GRI 301-1	Non-renewable materials used ¹	m ³	226973	214961	212137
	Renewable materials used	m ³	2042751	1934651	1999226
WATER CONSUMPTION					
GRI 303-3	Water withdrawal from all areas (total) ¹	m ³	808127	870224	741554
	Water withdrawal from all areas with water stress (total)	m ³	0	0	0
	Total water withdrawal Freshwater (≤ 1,000 mg/l Total Dissolved Solids)	m ³	808127	870224	741554
WATER POLLUTION					
GRI 303-4	Water discharge in all areas (total) ¹	m ³	148839	154922	116071
	Water discharge in all areas with water stress (total)	m ³	0	0	0
	Important substances of concern whose discharge is being addressed Cases where the specified discharge limits have not been met	Number	0	0	0

¹ From CCF Report.

CLIMATE

GRI	Indicator	Unit	2020	2021	2022
CLIMATE-RELEVANT EMISSIONS: SCOPE 1 AND 2					
GRI 305-1	Gross volume of direct (Scope 1) GHG emissions ¹	t CO ₂ equivalent	89225	98651	94543
	Biogenic CO ₂ emissions ¹	t CO ₂ equivalent	1039102	1073113	1047895
GRI 305-2	Gross volume of energy indirect (Scope 2) GHG emissions ¹	t CO ₂ equivalent	139938	73317	56302
	If applicable, the gross volume of market-based energy indirect GHG emissions (Scope 2)	t CO ₂ equivalent	139938	73317	56302
GRI 305-5	Extent of greenhouse gas emission reduction that is a direct result of emission reduction initiatives	t CO ₂ equivalent	0	66621	17015
CLIMATE-RELEVANT EMISSIONS: SCOPE 3					
GRI 305-3	Gross volume of other indirect (Scope 3) GHG emissions ¹	t CO ₂ equivalent	61031	77084	1058329 ²
	Biogenic CO ₂ emissions ¹	t CO ₂ equivalent	1016862	1025082	857951
RENEWABLE ENERGIES					
GRI 302-1	Total fuel consumption within the organisation from non-renewable sources, including fuel types used	GJ	2051131	1861738	1699979
	Total fuel consumption within the organisation from renewable sources, including fuel types used	GJ	8831273	9087122	8847901
	Total value for power consumption	GJ	1287917	1329213	1239036
	Total value for thermal energy consumption	GJ	9594486	9619646	9220334
	Total energy consumption within the organisation	GJ	10882404	10948860	10547880
GRI 302-4	Extent of reduction of energy consumption achieved as a direct result of energy saving and energy efficiency initiatives	GJ	1416883	1784346	2588386

¹ From CCF Report.

² Increase through the inclusion of preliminary products and transport emissions in the reporting.

PEOPLE

GRI	Indicator	Unit	2020	2021	2022
GENERAL DISCLOSURES					
GRI 2-7	Employees (total)	Number	2145	2148	2107
	Women	Number	303	288	285
	Men	Number	1842	1860	1822
	Permanent employees	Number	1993	1947	1944
	Women	Number	272	257	263
	Men	Number	1721	1690	1681
	Temporary employees	Number	152	201	163
	Women	Number	31	31	22
	Men	Number	121	170	141
	GRI 2-30	Employees covered by collective agreements	%	89	91
GRI 2-16	Communication of critical concerns Critical matters reported to the highest governance body during the reporting period	Number	0	0	0
GRI 2-27	Material violations of laws and regulations during the reporting period	Number	0	0	0
	Fines paid during the reporting period for violations of laws and regulations	Number	0	0	0
WORKING CONDITIONS AND CORPORATE CULTURE					
GRI 401-1	Newly hired employees	Number	144	245	130
		%	7	11	6
	By age group				
	<30 years	Number	87	119	62
		%	60	49	48
	30-50 years	Number	46	108	59
		%	32	44	45
	>50 years	Number	11	18	9
		%	8	7	7
	By gender				
	Women	Number	22	14	22
		%	15	6	17
	Men	Number	132	231	108
		%	92	94	83
	Employee turnover	Number	123	132	182
		%	6	6	9

GRI	Indicator	Unit	2020	2021	2022
GRI 401-1	By age group				
	<30 years	Number	38	41	52
		%	31	31	29
	30-50 years	Number	24	42	68
		%	20	32	37
	>50 years	Number	61	49	62
		%	50	37	34
	By gender				
	Women	Number	23	26	26
		%	29	20	14
GRI 401-3	Men	Number	100	106	156
		%	81	80	86
	Employees entitled to parental leave	Number	2145	2148	2107
	Women	Number	303	288	285
	Men	Number	1842	1860	1822
	Employees who have taken parental leave	Number	54	62	67
GRI 401-3	Women	Number	27	25	20
	Men	Number	27	37	47
	Average number of hours for education and training per year and employee	Average number of hours	8	7	7
GRI 404-1	Duration (total)	Hours	17369	15227	14274
OCCUPATIONAL HEALTH AND SAFETY					
GRI 403-8	Employees covered by a certified occupational health and safety management system (DIN EN ISO 45001)	Number	Approx. 2000	Approx. 2000	2107
		%	100	100	100
GRI 403-9	Work-related injuries				
	Deaths due to work-related injuries	Number	0	0	0
	Deaths due to work-related illnesses	Number	0	0	0
	Work-related injuries with serious consequences		32	31	29
	Documentable work-related injuries		2	5	1
	Hours worked		3276999	3365592	3166163
Lost-time accident frequency rate per 200,000 worked hours (LTA-FR2).					1.7

PEOPLE

GRI	Indicator	Unit	2020	2021	2022
	DIVERSITY				
	Supervisory Board				
	Women	%	25	25	25
	Men	%	75	75	75
	By age group				
	<30 years	%	0	0	0
	30–50 years	%	33	42	17
	>50 years	%	67	58	83
	With severe disability	%	10	10	10
GRI 405-1	Senior Management Committee				
	Women	%	6	5	13
	Men		94	95	88
	By age group				
	<30 years	%	-	-	-
	30–50 years	%	50	43	60
	>50 years	%	50	57	40
	With severe disability	%	6	8	8
	Non-exempt employees				
	Women	%	14	13	13
	Men	%	86	87	87
	By age group				
	<30 years	%	18	19	17
	30–50 years	%	41	42	42
	>50 years	%	41	40	40
	With severe disability	%	5	4	4
GRI 406-1	Trainees				
	Women	%	18	9	4
	Men	%	82	91	96
	Discrimination incidents	Number	0	0	0

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