

NATURALLY SUSTAINABLE

OUR COMMITMENT TO
SUSTAINABILITY

WE ARE PROUD TO BE A NATURALLY SUSTAINABLE BUSINESS.

No trees are deliberately felled for Pflleiderer – instead, we use recycled wood, often several times, to create premium engineered wood panels. Our circular model demonstrates how carbon dioxide stored in wood is locked in after harvesting for the entire service life. It also ensures that we create maximum value, while having minimal impact on the planet.

We deploy modern techniques and technology to extend the lifecycle of our raw materials, working closely with our partners across the value chain to drive recycling rates up, and carbon emissions down. And of course, true sustainability means that we must listen to our stakeholders, always act responsibly, and cultivate a safe, healthy work environment where our people can thrive.

A NEW ERA FOR PFLEIDERER

In this document, we are setting out a new sustainability strategy for Pfleiderer, a commitment which will guide our actions and decisions for many years to come.

While we have long pursued highly sustainable business practices, we recognise that in 2021, companies like Pfleiderer must play a more active role in constructing a truly sustainable society.

That's because we see the same world that our stakeholders do – increasing shortages of raw materials, overexploitation of nature and the dire consequences of rapid climate change.

We developed our new strategy by analysing our strengths as a sustainable business, and the impact we have on the planet and our stakeholders. From there, we identified three clear focus areas: materials, climate and people.

These three focus areas are closely aligned with our strategy, and build on the commitments made in our Sustainability-Linked Financing Framework, incorporating KPIs already set, i.e. percentage of recycled wood used, and carbon footprint (scope 1 and 2).

Read on for more information about our plans to become an even more sustainable business.

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CEO'S INTRODUCTION

Welcome, and thank you for joining us as we begin a new chapter of our sustainability journey.

OUR APPROACH

In 1894, Gustav Pfleiderer founded a timber trading company and a rafting business in Heilbronn which used wood-based products. He laid the foundations of our company, which to this day has sustainable wood-based products at its core.

This document is titled 'Naturally sustainable', and for good reason – no new trees are deliberately felled to make Pfleiderer's wood-based panels. The wood mix at Pfleiderer consists of only ~15% wood from forests, typically by-products such as thinning and residual wood. The remainder comprises sawmill residues such as chips, sawdust or edgings (so-called pre-consumer recycled material, approx. 45%), and material that comes back from the end consumer and is fed back into the product cycle through extensive reprocessing (so-called post-consumer recycled material, approx. 40%).

OUR PLACE IN THE CIRCULAR ECONOMY

Fundamentally, we recognised many years ago that cascade utilisation and recycling management are the only economic models that can guarantee sustainable production of high-quality wood products.

Also, the wood-based panels industry is committed to making a significant contribution to the fight against climate change in terms of carbon removals through sequestration, storage and substitution.



Dr. Boris Gorella
CEO / Chairman of the Management Board

"Pfleiderer's core business is naturally sustainable, but we understand that there is more work to do to meet the challenges facing us, and the growing expectations of our stakeholders."

That's why we have already implemented intelligent wood cycles at our raw chipboard sites. Sawing residues from sawmills and recycled wood are collected and prepared for further processing. And in the production process, new wood-based panels are created by sorting, gluing, compacting and pressing. These high-quality products are ideally suited for a wide range of applications in interior design and furniture production. Our offer is highly significant in modern construction, where product safety and sustainability attributes are dominant priorities.

OUR PROCESS

This year, we have thought long and hard about the ways in which we can build on the sustainable foundations of our business. Ultimately, we want to ensure we play a more active role in the transition to a lower-carbon economy, and do our part to help solve global challenges. Our stakeholders demand a response from us, and we are determined to meet their growing expectations.

Accordingly, the Management Board has been working together to identify relevant priorities and targets, across Environmental, Social and Governance dimensions. We have frequently challenged ourselves on all aspects of sustainability, and are committed to do better across the board, and to align ourselves with best-practice.

OUR PRIORITIES

The result of our deliberations and debate was our 'Naturally sustainable' strategy, comprising three priority areas: materials, climate and people. For each priority area, stretching, ambitious targets have been developed. For consistency, these incorporate the two KPIs from our previously-published Sustainability-Linked Financing Framework.

On 'materials', we are committed to increase the percentage of recycled wood we use, source 100% of our wood from FSC® or PEFC approved suppliers, and manufacture at least 10% of our chipboard products by volume using bio-based resins.

On 'climate', we have set ambitious short and medium-term greenhouse gas emissions reduction targets, the achievement of which will successfully transition Pfeleiderer towards being a net zero carbon business. We measure, audit, manage and reduce the emissions, our operations effectively maintain carbon sinks, we work with suppliers and others to reduce our Scope 3 emissions, and recognised offsets are used only after all other reduction initiatives have been employed.

On 'people' we will achieve a lost-time accident rate of 0.5 by 2025, ensure equal opportunity for all, and develop, improve and retain skilled employees, ensuring we have an excellent pipeline of future talent.

DELIVERING CHANGE

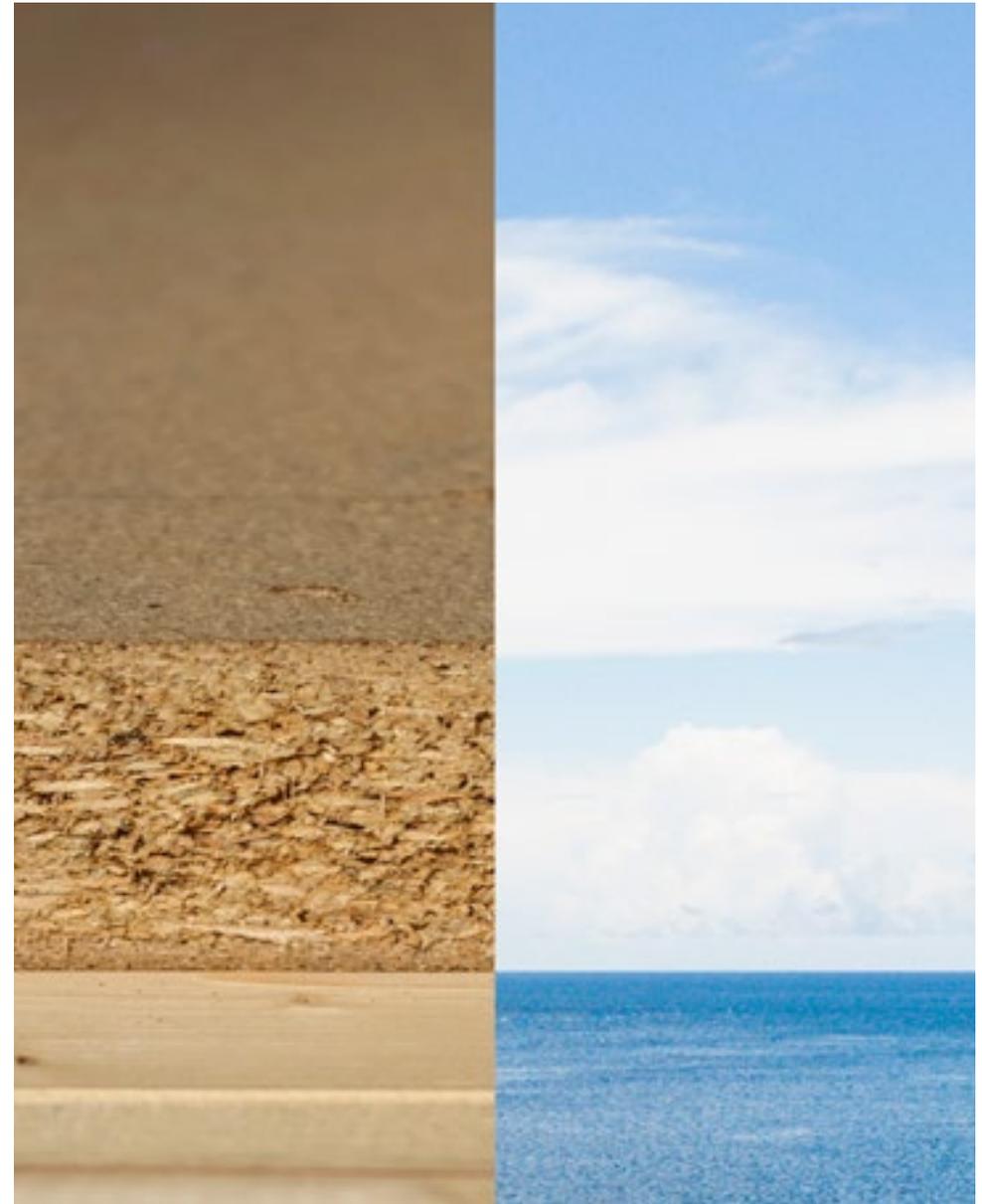
We operate at scale. The EU wood panel industry has a turnover of around €22 billion every year, creates over 100,000 jobs directly and counts more than 5,000 enterprises in Europe.

Physical impacts from severe climatic patterns as well as high level political coverage of climate change, which is increasing in its intensity from 2021, place sustainability thinking at the heart of every business model.

As a result our commitment to be more sustainable remains resolutely in place.

In the future, we will report on progress annually, and will at all times ensure that our stakeholders can find the information they need on our progress at [Pfleiderer.com](https://www.pfleiderer.com).

We have a lot of hard work ahead, but we are excited, too, by the notion that we can do better across every part of our business.



OUR FOCUS AREAS

Our three focus areas are closely aligned with our commercial strategy, and build on the commitments made in our Sustainability-Linked Financing Framework.

Materials

TARGET 1: Increase the proportion of post-consumer recycled wood used¹ to 50%, by 2025.

TARGET 2: Maintain at 100% the share of forest-derived materials from suppliers verified as operating in alignment with requirements from the FSC and the PEFC.

TARGET 3: Sustainable innovation: at least 10% of our chipboard products, by volume, will be manufactured using bio-based resins, by 2025.



Climate

TARGET 1: Reduce Scope 1 and Scope 2 greenhouse gas emissions by 21%, by 2025.

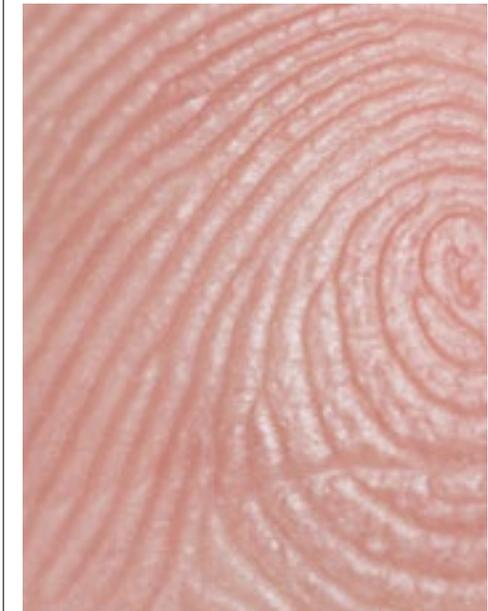
TARGET 2: Reduce the indirect greenhouse gas emissions intensity relating to purchased chemical products used in our wood-based panels² by 21%, by 2025.



People

TARGET 1: Zero harm: reduce accidents involving employees and contractors and achieve an LTA rate of 0.5, by 2025.

TARGET 2: Expand human capital management to diversify the pipeline of potential recruits, retain skilled employees, and improve career opportunities.



¹ This target concerns post-consumer material and internal rejects and returns.

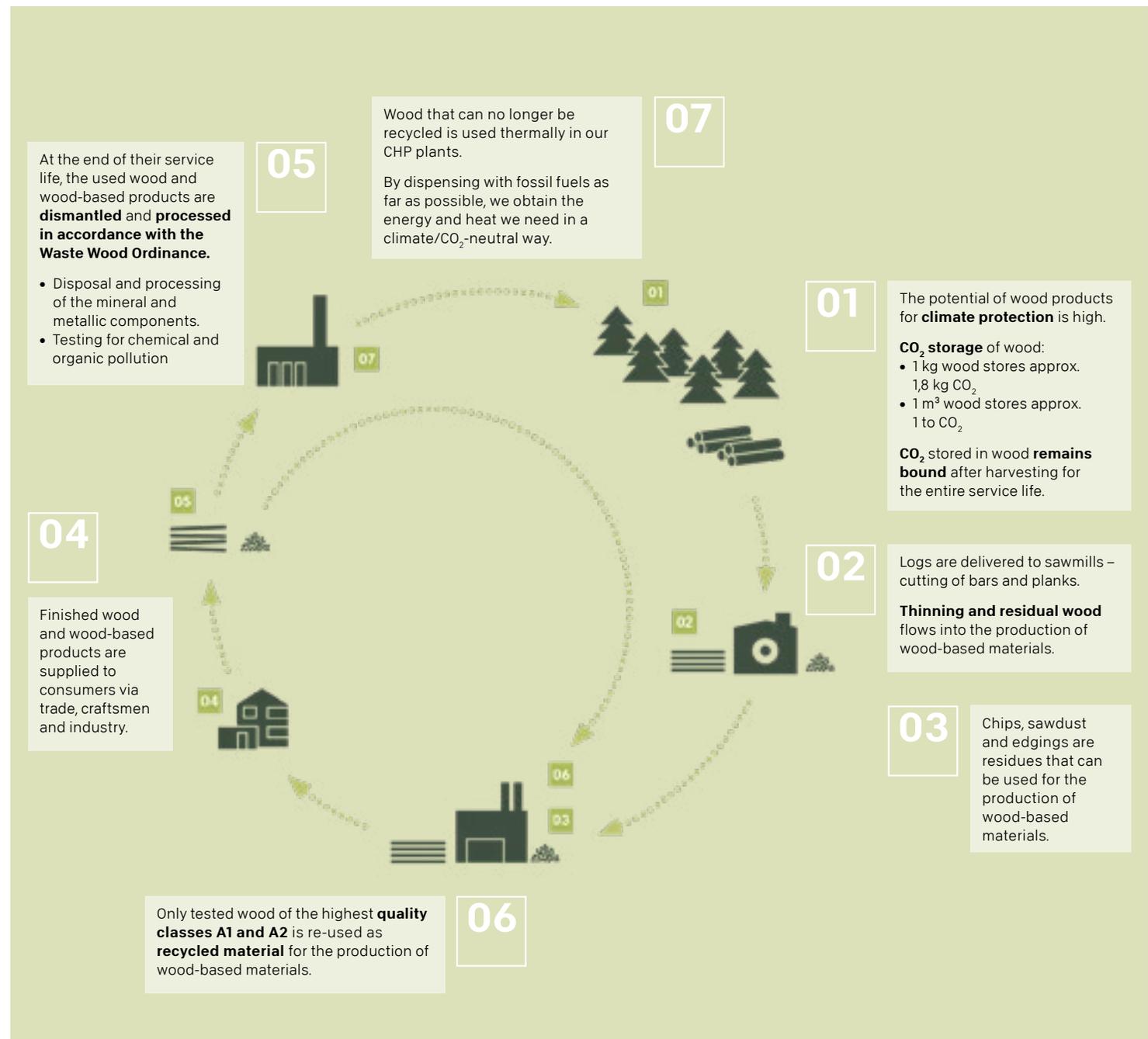
² Raw Chipboard (RCB), MDF and HDF which represent the majority of our business.

OUR PLACE IN A CIRCULAR WOOD ECOSYSTEM

Wood is the most sustainable building material – a renewable resource that stores huge amounts of carbon, and we recycle it to create effective, premium products. That's how we've always worked, with no trees deliberately felled for Pfleiderer.

Our role in a sustainable, circular wood ecosystem ensures that every piece of wood has an extended lifecycle – adding maximum value, while having minimal impact.

We complete the circle by using recycled wood at the end of its useful life to create the thermal energy which powers our operations.



MATERIALS

MATERIALS: OUR TARGETS

There can be no compromise on quality at Pflöiderer, and quality includes sustainability. We must ensure we get maximum value from the wood we use, with minimum impact on the environment. That's why we recycle repeatedly, source responsibly, obtain recognised certifications and test product compliance rigorously.

TARGET 1:

Increase the proportion of post-consumer recycled wood used¹ to 50%, by 2025.

BASELINE 2020: 40.3%

END 2025 TARGET: 50.0%

To be more sustainable we must do everything we can to contribute to the 'circular economy', whereby nothing is wasted – i.e. end-of-life wood products become valued raw materials rather than waste in landfill sites. We want all wood products, including our own, to be repurposed.

Circularity runs deep at Pflöiderer. Our cascade use system means that some 85% of our raw material is residues and recycled wood. The remaining 15% comprises logging by-products.

This target is all about increasing the amount of recycled wood we source from post-consumer sources⁴. Recycled wood is defined here as 'post-consumer reclaimed material and ex-factory returns'. It includes broken pallets from the packaging industry and old household furniture and kitchen cabinets, for example.

Our performance and target

	2018	2019	2020	Target 2025
Recycled wood (in kt)	537	567	546	773
Total wood (in kt)	1,411	1,346	1,355	1,546
Percentage increase	38.0%	41.8%	40.3%	50.0%

The volume of this material available to us is affected by reuse and recycling initiatives in the European Union, economic development, patterns of consumer behaviour and furniture retailers reclaiming used furniture. In 2020 we used over half a million tonnes of it, and we commit to increase this by nearly ten percentage points.

Our strategic approach to sustainability includes engagement with others to help us achieve the target. If we can help influence the behaviour of consumers and businesses, then we may see increased availability of post-consumer wood.

While we want to obtain greater quantities of recycled wood, we also insist on using only the highest quality materials. Our boards are regularly tested in our central lab in Arnsberg, and we work with our suppliers to achieve 100% compliance with product quality rules.

³ This target concerns post-consumer material and internal rejects and returns.

⁴ ISS ESG provided a second party audit in March 2021 that affirms the sustainability credibility of our recycled wood metric, and our alignment with recognized sustainable finance principles. ISS ESG is one of the world's leading independent sustainability research, analysis and rating firms.

"We want wood to be used in products before it is ultimately burned a long way down the line – this generates more value to society and the economy."

Carsten Möser-Benz
Director, Wood Procurement



MATERIALS: OUR TARGETS continued

Meanwhile, our 'recycled wood yield' – a key quality indicator – is constantly improving: in 2020 we achieved a close-to-perfect yield rate of 90%⁵. Furthermore, we process wood-derived recycled products in line with the Waste Wood Ordinance in Germany to ensure quality products with near-zero mineral, metallic, chemical and organic contaminants. Only wood classed at grade A1 or A2 under the Waste Wood Ordinance becomes post-consumer recycled material in our panels.

Recycled wood use and high standards of quality, product recognition and a strong operational culture all combine to deliver the perfect product.

Case study

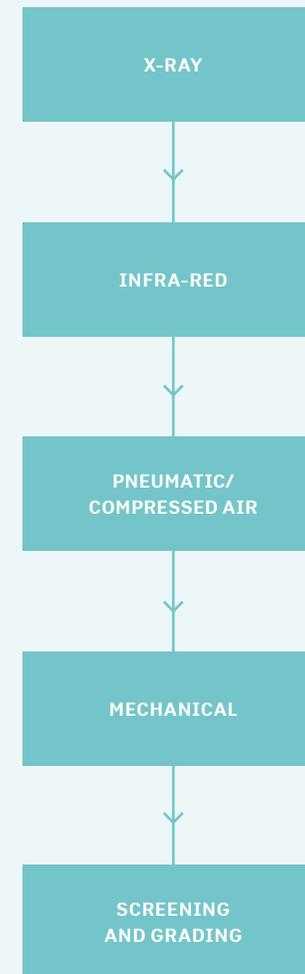
Sorting, cleaning and testing recycled wood

Our yield rate is an expression of the quality of our main raw material: recycled wood. As the material comes into the plant we want to minimise all losses of material as we clean it. The very high yield rate achieved at our sites (an average of 90%) is down to our consistent investment in state-of-the-art technology. Our sorting and cleaning processes, supplier relationships, and rigorous testing are key to our success. The 'sorting tower' (see graphic) aims to ensure no unwanted materials, such as plastics, arise in our production lines. Indeed, we are pushing the boundaries of yield maximisation: the high number of sorting processes in our towers means increasingly finer fractions of raw material become available to us. In effect, we are reducing our reliance on fresh wood by-products by using recycled wood fibres as many times as possible.

90%

Recycled wood yield in 2020

How we ensure product quality



⁵ 100% yield is not physically possible, there will always be some unwanted items in recycled wood inputs.

MATERIALS: OUR TARGETS continued

TARGET 2:

Maintain at 100% the share of forest-derived materials from suppliers verified as operating in alignment with requirements from the FSC and the PEFC.

In the sustainable wood cascade, we apply only the highest standards when sourcing materials, no tree is intentionally felled, and our suppliers are subject to demanding selection criteria. Around three million tonnes of wood and 9,000 tonnes of decor paper are processed by Pfleiderer each year.

All of it is from well-managed certified forests, recycled materials and other controlled sources, travelling a maximum of 250 kilometres (linear distance) to be processed. More than 500 active suppliers, ranging from small-scale regional forest owners, sawmills and recycling companies to international operators, ensure constant deliveries to our plants.

Since 2007, we have consistently achieved annual compliance with FSC and PEFC⁶ 'chain of custody' certification requirements. The whole process, including third-party audit and opinion, means a very low probability that any wood we use is from poorly managed forests.

We aim to ensure that, at a minimum, suppliers align with FSC or PEFC requirements; full annual certification is optional.

In the future new sources and suppliers will be needed, and as recycled and residual wood markets evolve, our processes will do the same. If our suppliers do not adhere to FSC and PEFC requirements, we will not do business with them.

The FSC and PEFC seals of approval cover the Chain of Custody (CoC) for products containing wood fibre.

⁶ License references: **FSC** (FSC C011773) and **PEFC** (PEFC/04-32-0828).

What do FSC and PEFC cover?

The **Chain of Custody** certification is a mechanism to prove responsible sourcing from forest to end-user. It ensures that materials and products have been checked at every stage of processing so that customers purchasing FSC or PEFC-labelled products can be confident that they are genuinely certified.

A **certified product** designation means that processed virgin material either originates in certified forests or is verified as having a low probability of containing fibre from illegally harvested wood, wood harvested in violation of traditional and human rights, wood harvested from forests in which high conservation values are threatened by management activities, wood from forests being converted to plantations or non-forest use and wood from forests in which genetically modified trees are planted.

Reclaimed materials are acceptable under these certification systems, enabling us to gain value from what some consider to be waste, and ensuring the wood is put to good use before becoming fuel for process heat and power.

Case study

Combining low-emission products with responsibly sourced materials



DECOBOARD P2 is a urea-resin bonded particleboard with decorative melamine facing on both faces. It has achieved several accolades, including Cradle™ Bronze, the QGHW Premium Quality label and the coveted 'Blue Angel' award. This is the end result of all the behind-the-scenes work we do to ensure all suppliers of the materials in our certified products respect the demanding certification requirements.

DecoBOARD is perfect for hygienic food preparation, given that the melamine facing undergoes formal anti-microbial testing.

MATERIALS: OUR TARGETS continued

TARGET 3:

Sustainable innovation: at least 10% of our chipboard products, by volume, will be manufactured using bio-based resins, by 2025.

All Pfeleiderer products are made using materials and production processes which comply fully with environmental and health regulations.

Each year, we use around 250,000 tonnes of resins, binders, additives, and lacquers. Such ingredients are very commonly used in our industry, and our manufacturing processes which emit VOCs, dust or odour, present a very low risk of fugitive emissions and are conducted in sealed units.

Our performance and target

Indicator	2020	Target 2022	Target 2025
Sustainable formulation used in resin binders for at least 10% of chipboard products, by volume	<ul style="list-style-type: none"> Continued to increase volumes shipped of our formaldehyde-free Living Board® Initial phase of bio-based binder tests completed 	<ul style="list-style-type: none"> Continue innovation and testing programme Expand use of bio-based binders in all chipboard products 	at least 10%

We have made strong progress on reducing the use of formaldehyde in our product range and, whilst we use chemical ingredients, we have been shipping formaldehyde-free boards for decades. Now, we are trialling alternative, biologically-based binders in the gluing process for chipboard, our dominant product by volume. We want to boost to 100% the volume shipped of chipboard that contains such alternative binders.

Product safety and integrity are vitally important: all materials and ingredients at all stages of processing and refinement are 'theoretically' safe, but that is not good enough for us. Our central laboratory in Arnsberg tests all materials for unwanted constituents, and measures formaldehyde emissions in our own test chambers to guarantee product safety. This target will enable us to ensure that the right products will be widely available to meet demand in the near future.

Once shipped, wood panels must meet certain consumer health regulations relating to their use-phase. Ours are fully compliant, and indeed meet the requirements of at least one of the following: the famous Blue Angel and Nordic Swan labels; the California Air Resource Board; TSCA⁷; the Japanese Industry Standard 'F****', and the Cradle to Cradle Certified™ Products Program. Our products also come with sector-level Environmental Product Declaration (EPD) documentation for customers wanting detail on ingredients.

All Pfeleiderer products are made in Germany using state-of-the-art processes and technology, within an integrated management system for quality, environment, energy and safety.

⁷ Toxic Substances Control Act, 2016, USA.

Case study

Enabling sustainable construction



High quality, durable products that meet the customer's needs over decades: that's the perfect combination. This is embodied by LivingBoard, a 'classic' in the field of sustainable construction.

When gluing boards, Pfeleiderer relies on formaldehyde-reduced and formaldehyde-free solutions. We have adapted our entire wood-based materials production to meet the stringent requirements of the extremely low German emission class 'E0.5', and have the Blue Angel certification for much of the product range and Cradle to Cradle Certified™ Program for LivingBoard, DecoBoard and PrimeBoard.

CLIMATE

CLIMATE: OUR TARGETS

We are an established contributor to a more circular management of natural resources – after all, we make recyclable wood products that store carbon dioxide. Our operations are low-carbon too: responsible management of our operations, our sustainable cascade use of wood resources, and investment in new technology all enable us to use less and less fossil fuel each year.

⁸ ISS ESG provided a second party audit in March 2021 that affirms the sustainability credibility of our carbon metric, and our alignment with recognized sustainable finance principles. ISS ESG is one of the world's leading independent sustainability research, analysis and rating firms.

⁹ The target was set following engagement with the SBTi and is informed by decarbonisation pathways applicable to the furniture and fittings sector, as well as the SBTi Absolute Contraction approach pathway. See sciencebasedtargets.org

¹⁰ No cooling is produced in the process.

¹¹ For definitions on the Scopes, please refer to <https://ghgprotocol.org/calculation-tools-faq>

TARGET 1:

Reduce Scope 1 and Scope 2 greenhouse gas emissions by 21%, by 2025.

BASELINE 2020: 220,164 tCO₂e

Pfleiderer is committed to the Paris Agreement on limiting global warming to 1.5°C. We have set ambitious short and medium-term emissions reduction targets. Achieving these will successfully transition Pfleiderer towards being a net zero carbon business. Our target to reduce CO₂e emissions by 2025 is science-based and has been audited by ISS⁸; we are working to evolve our targets in line with the Science Based Targets initiative (SBTi)⁹.

We use both thermal energy and electricity. On average, 84% of our energy is fuelled by biomass. Energy is generated on five sites, two of which use conventional boilers. The cogenerated electrical and thermal¹⁰ energy at our CHP plants is highly efficient and fuelled mainly by biomass except for re-starts after a shut-down when fuel oil is used.

We purchase 11% of our electricity requirements from energy utility companies, and we use

Our performance and target

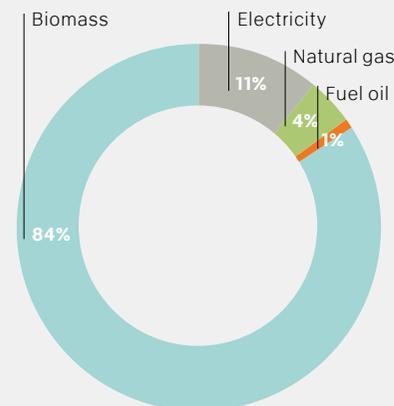
	2018	2019	2020	Target 2022	Target 2025
Carbon footprint (tCO ₂ e)	270,631	238,492	220,164	201,670	173,929
% decrease (on 2020 baseline)				8.4%	21.0%

a small amount of natural gas for certain processes, and as a back-up supply.

We have reduced CO₂ emissions in our three CHP plants by 26% since 2013. Where we find Scope 1 or Scope 2 carbon emissions¹¹ that we are unable to eliminate, we use high quality offsets via the EU Emissions Trading Scheme allowances, or fund green hydrogen power projects at various locations.

In addition, we are committed to reducing Scope 3 emissions; for example, we will further reduce our CO₂ emissions from waste management, wastewater treatment, consumed materials, and business travel.

Energy sources, Pfleiderer West 2020



“We have a strong track-record on reducing CO₂ emissions, we are working towards setting targets that align with the SBTi, and we are expanding how we account for and reduce our Scope 3 emissions.”

Dr. Axel Knörr

Head of Environment

We have set ambitious short and medium-term emissions reduction targets. Achieving these will successfully transition Pfleiderer towards being a net zero carbon business⁹.

CLIMATE: OUR TARGETS continued

Case study

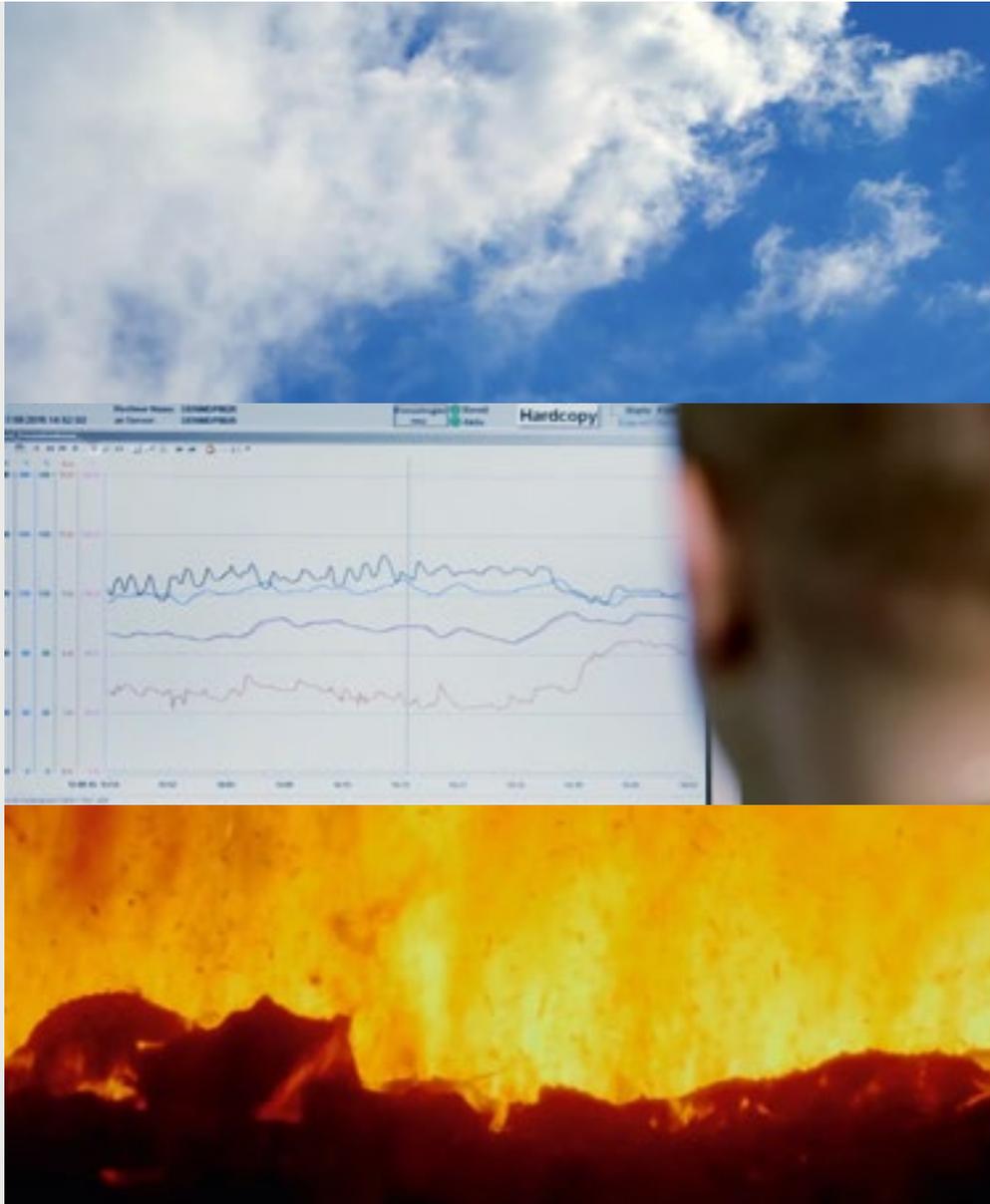
Three sites, three high-efficiency CHP plants

100% of the energy produced at our CHP plants comes from biomass. On three of our key sites, we use an integrated combined heat and power (CHP) plant that provides simultaneous generation of mechanical energy for electricity and usable heat for production processes.

Combined heat and power generation allows fuel savings of up to one third of the primary energy, compared to the separate generation of electricity and heat. The advantage of cogeneration is reduced fuel requirement and lower emissions.

100%

Biomass fuels 100% of energy produced at our CHP plants



Case study

Planning for success



All Pfeiderer sites are certified to the ISO 50001 Energy Management Standard. Energy planning is carried out in coordination with the distribution, production and purchasing teams and is updated frequently.

Our planning accounts for forward-looking business assessments and actual consumption. Based on energy data collected at all our sites, we regularly assess and analyse the usage and consumption of energy, creating energy registers to identify improvements.

CLIMATE: OUR TARGETS continued

TARGET 2:

Reduce the indirect greenhouse gas emissions intensity relating to purchased chemical products used in our wood-based panels¹² by 21%, by 2025.

Our performance and target

Scope 3 emissions intensity reduction – purchased chemical products

Percentage decrease in greenhouse gas emissions relating to purchased chemical products used in wood-based panels, expressed on a per cubic metre shipped volume basis (2020 baseline)

	Target 2022	Target 2025
Percentage decrease in greenhouse gas emissions relating to purchased chemical products used in wood-based panels, expressed on a per cubic metre shipped volume basis (2020 baseline)	12%	21%

At the core of Pfeiderer's operating model is the cascading system of wood recycling. Wood stores carbon dioxide even after the tree has been harvested, so when we use post-consumer recycled wood, such as old pallets or furniture, the carbon efficiency of the business is strengthened even further.

In a more forensic analysis of the life-cycle of our wood-based panel products we identify carbon-saving actions that have the greatest impact. We are therefore looking into 'indirect emissions' relating to the manufacture of relatively carbon-intensive chemical products such as glues, resins, and fire retardants. As of mid-2021 we have completed preliminary studies of indirect emissions across all product categories to provide formal emission inventories in accordance with the Greenhouse Gas Protocol Corporate Standard¹³. From them we can generate metrics that will strengthen our reporting on our product carbon footprint.

This innovation delivers new enhancements in product quality and sustainability, going beyond our existing goal of using more post-consumer recycled wood. The target is about reducing the carbon footprint of wood-based panels by focusing on emissions – known as Scope 3 emissions – relating to

the manufacture of chemical ingredients. The target aligns with our Materials targets in the previous section, as well as our commitment to the 2015 Paris Agreement.

An independent assessment of our Scope 3 emissions has been carried out. Of these, the significant majority are associated with our purchased chemical products. The materials within the scope of this target are glues, titanium dioxide, urea, paraffin, fire retardants, resins, paints, and other hot-melt products.

Their production involves comparatively high levels of energy consumption, and we are working with major chemical supply companies to find reductions in our existing materials.

We also seek alternatives. An example of a specific action underway is the use of more organic, bio-based glue systems in particleboard. Using alternatives to urea-formaldehyde (UF) adhesives will allow us to improve the product carbon footprint while maintaining quality. UF glues are the dominant bonding agent used worldwide in forest products industry; whilst we seek lower-carbon alternatives we note here that all our glue systems have always been fully compliant with all relevant quality and safety regulations.



¹² Raw Chipboard (RCB), MDF and HDF which represent the majority of our business.

¹³ These categories of emission are covered by the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions (v1.0) by the Carbon Trust and WRI, p7-8; <https://ghgprotocol.org/corporate-standard>.

PEOPLE

PEOPLE: OUR TARGETS

In line with our corporate values and with European regulations, we ensure physically safe and productive work environments, we nurture mental wellbeing and we encourage career development. All Pfeiderer workers are treated fairly, with the protections, freedoms and rights expected in Germany. We actively monitor recruitment, pay, performance assessment and promotions to discourage discrimination. We engage all employees and our local communities, and have in place the controls to manage any issues that arise.

“Our safety-first culture, focus on prevention, and in-depth training are delivering consistently safer workplaces for our people.”

Gradislav Gligorijevic

Head of Quality, Health and Safety

TARGET 1:

Zero harm: reduce accidents involving employees and contractors and achieve an LTA rate of 0.5, by 2025.

Corporate health and safety is a constant risk to manage; there is always more to be done to ensure workplace safety, for instance by improving near-miss reporting or reducing stress at work. Beyond the personal impact, any operations with sub-standard health and safety will be negatively affected financially.

Our long term goal is zero harm, and we are working to reduce the accident rate over the next three years using this new target. Since 2016 we have recorded fewer notifiable accidents, although, as a result of better safety reporting, we are recording more incidents overall. We are safer than the industry benchmark¹⁴, our standards have improved and risks continue to be minimised.

But accidents do still occur and clearly this is unacceptable, so we will continue to refine how we do things.

Our performance and target

	2018	2019	2020	Target 2025
Lost Time Accident (LTA) frequency rate ¹⁵	1.7	1.4	2.1	0.5

The **ONE Safety** initiative is the core behaviour and process safety framework that unites us all. We encourage all employees to use our new ‘near-miss’ system, with a goal of at least one near-miss reported per employee per month (the current company-wide rate is 1.2). All managers at all levels receive regular training to firmly anchor safety in everyday life. This complements the employees’ and contractors’ sense of responsibility at operational levels. This culture is underpinned by preventive risk assessment and occupational health and safety management systems certified to ISO45001 at all sites.

All new recruits must undertake in-depth safety training, and working safely from home is also covered. We run ‘6S’ safety days¹⁶, organise extensive site safety audits and visits, and work on specific targeted issues at any underperforming sites.

Employees’ and contractors’ collective behaviour is at the heart of ONE Safety, coupled with senior management accountability and oversight.

¹⁴ Employers’ Liability Insurance Association for Wood and Metal 2015-2020.

¹⁵ Accidents per 200,000 hours worked.

¹⁶ ‘6S’ days add safety principles and practices to the well-known ‘5S’ principles of Sorting, Setting in order, Sustaining, Standardizing and Shining.

Case study

Prevention is paramount



Safety measures involve either behaviour change or process change. An example of the latter is new hazard detection solutions which ensure operator safety in high-risk tasks such as sawing.

The ‘Hand Guard’ table saw is a stunning piece of high-technology which uses digital optical recognition and bespoke software to detect danger instantly, and stop the saw blade immediately. This new system both eliminates injury risk and maintains productivity.

PEOPLE: OUR TARGETS continued

Building on our safety management, employee welfare is naturally vital too. We safeguard the welfare of employees and contractors using consistent, formal programmes that ensure safe work environments and support emotional and mental wellbeing.

We recognise that there is an economic burden when employees experience stress or other work-related illness. That's why welfare is anchored in fair employment terms and job security: employees working reasonable hours, who feel secure in their employment, and with adequate time off are more likely to thrive physically, emotionally, and mentally – in and outside work.

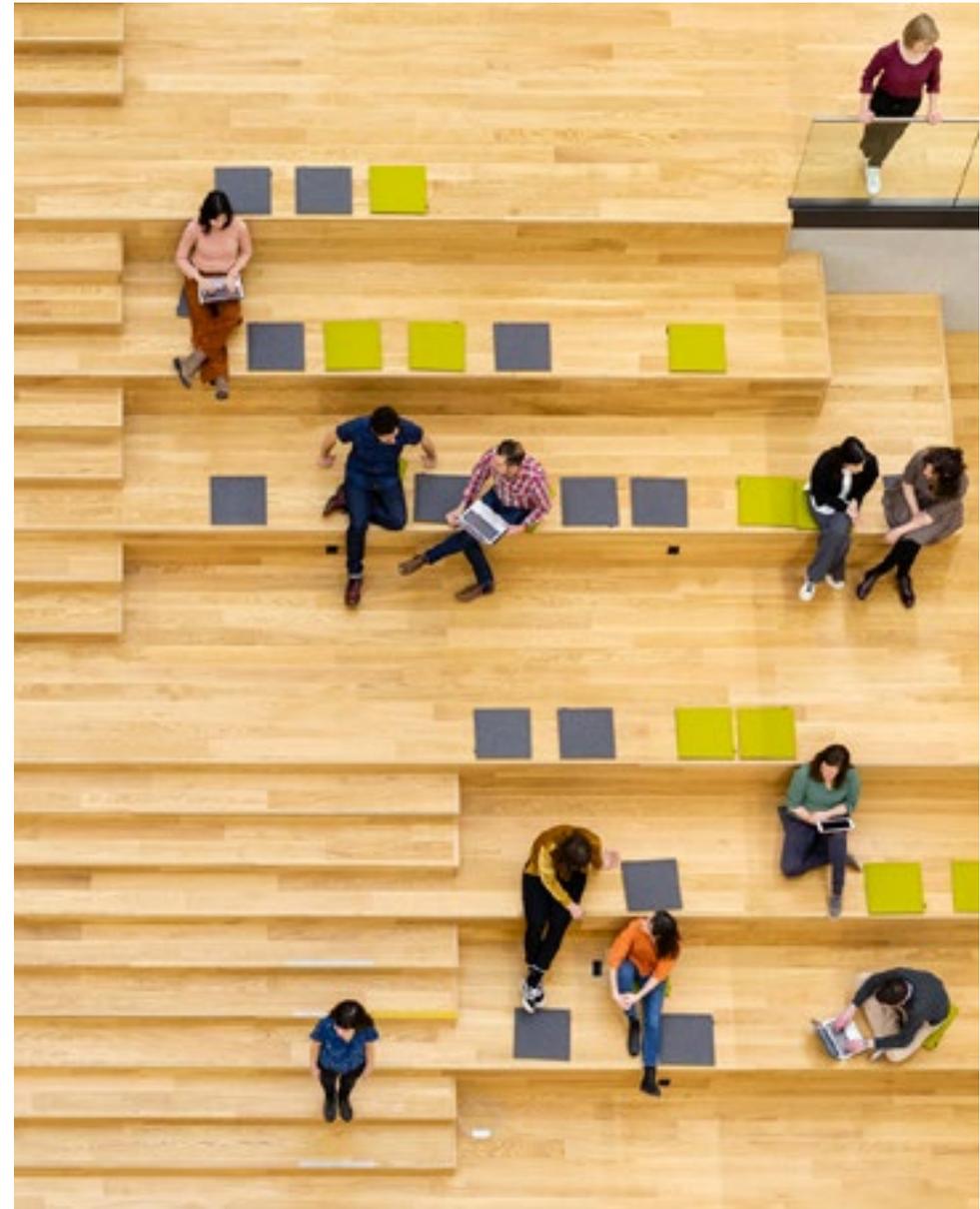
We comply with all applicable laws relating, for instance, to flexible work, bullying, and harassment. We have zero tolerance for harassment and bullying. Further, on COVID-19, we have so far invested around €1m on safety measures to protect staff, and, to date, nearly all staff have voluntarily received two vaccination injections. Our Business Conduct Guidelines and Pfeiderer Compliance System commit us to operate in compliance with the law and in line with our values.

We are fully committed to staff wellbeing, which comprises career development, labour rights, training, teambuilding, mentoring, and idea sharing.

All Pfeiderer sites provide access to medical care, including third-party support for employees affected by work-related mental health issues. Individual progress is our priority: we draw up customised employee development plans that value the employee as well as the needs of the company.

Employees can access health and fitness offers via our 'Fit by Pfeiderer' initiative in partnership with fitness studios, massage providers and swimming pools, all at reduced rates. Where possible, we also provide access to healthy eating options on site or within reasonable distance, and additional hydration is easily accessed on site when temperatures rise. These activities are supported by a strong drive to create smoke-free and alcohol-free workplaces and communal areas.

There is a strong sense of cohesion and family at Pfeiderer; a bond which we want to maintain. We aim to deliver a systematic and consistent delivery of policies and standards across all sites, and while much is being done already, this target will contribute further to a more environmentally restorative, socially just, and economically inclusive future.



PEOPLE: OUR TARGETS continued

TARGET 2:

Expand human capital management to diversify the pipeline of potential recruits, retain skilled employees, and improve career opportunities.

Human capital – our people and their energy – is the primary asset in the Pfeleiderer Group. Our approach to human resources is founded on compliance, high standards, and efficiency. Overlaid on these is innovation. We need to be constantly creative in assuring a productive workforce now, and a talented pool of workers for the future.

Building on these foundations, we must ensure that every worker continues to have access to learning opportunities, career development and job security: vital ingredients to happiness and productivity at work.

There are just over 2,000 of us here, and we pride ourselves on a career system that offers employees interesting and challenging opportunities, the means to shape their careers to suit their individual professional requirements, and a syllabus of training courses.

Employee wellbeing, a central part of our entire approach, is supported by health programmes, fitness offers, as well as engagement and feedback mechanisms. Employees tend to stay with us as a result of how we work.

Looking beyond the factory gate, being a good neighbour in Germany means being part of the local social fabric, seeking a positive impact beyond economic development. Social commitment is non-negotiable for us. We help quietly where the need arises in the pursuit of support and solidarity with the people at and around our operations. Hearing how employees promote us as an employer justifies such efforts.

We want to go further. We want this good approach to not only preserve our reputation as an 'employer of choice', but to expand the potential pool of skilled future engineers and operatives.

This target will be supported by additional per capita expenditure on training and development. It is about better cooperation with schools, more industry apprenticeships, more internships, more sharply focused Science, Technology, Engineering, and Maths (STEM) initiatives; and always in line with existing regional and local government support.

And it is also about diversifying the pool of candidates who could come to us; in the future labour markets, our business will compete with new types of jobs in other sectors, such as digital technology or healthcare. And so an inclusive working

environment – free of discrimination – is fundamental to securing such a pipeline of talent, now and in the future.

Whilst the Pfeleiderer Group complies with General Equal Treatment Act (AGG) in Germany to prevent or eliminate discrimination, we know that deepening the culture of inclusivity – bringing all voices to the table – will attract more diverse ideas, perspectives and backgrounds, all to the benefit of the business.

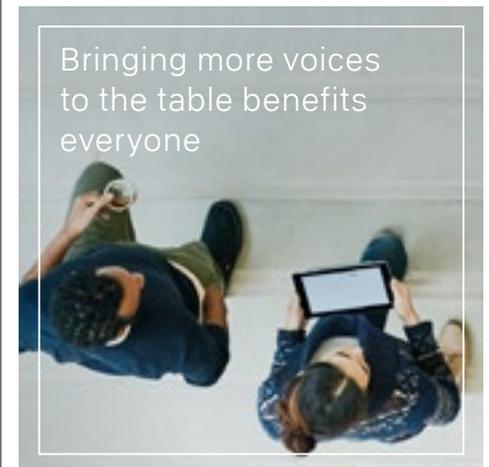
Once on board, all employees fall within the scope of our Diversity Policy. All employees are entitled to respectful, equitable treatment, regardless of characteristics¹⁷ such as age, gender, and sexual orientation, and ethnicity, country of origin, disability or socio-economic background. Consequently our approach to recruitment, pay, hiring, performance assessment and promotions all aim for no discrimination, however unintentional it may be.

We are already delivering the Policy using compliance programmes, training, data collection, governance and accountabilities. We expect to formally assess all relevant opportunities to enhance our recruitment pipeline locally and regionally across all major types of diversity, with specific focus on engineering for young women.

¹⁷ Protected characteristics are those covered by the international human rights legal framework under the United Nations. Protected characteristics sit within the broader category of personal characteristics, which include any other identifying factors, such as socio-economic background.

	2018	2019	2020
Gender (all)			
Male	2,028	1,976	1,897
Female	347	340	329
Total	2,375	2,316	2,226
Gender (top level management)			
Male	37	38	44
Female	5	7	6
Total	42	45	50
Age			
< 30 y	541	496	448
30 – 50 y	875	826	809
> 50 y	959	994	969
Total	2,375	2,316	2,226
Disabled personnel	109	104	108
Nationalities	39	37	34

Note: data currently exclude 40 staff in overseas sales offices.



PEOPLE: OUR TARGETS continued

Innovation in human capital management means being vigilant to ever-changing risk and opportunity, adopting creative methods to ensure equal opportunity for all.

Discrimination is often culturally entrenched, may take many forms, and may go unnoticed or unchallenged, but innovation can be as simple as inviting skilled people from immigrant communities to job interviews, reverse mentoring, or equal pay for equal work for men and women. Such adjustments can allow progress to a more just, healthy and equitable economy.

We look forward to further evolving how we keep the best talent, expand the pool of future recruits, and continuously improve our human capital strategy.



Interview

Diana Bachmeier,
Social Media Manager

“Pfleiderer is known for its high-quality apprenticeships. That is why eight years ago I decided to do a dual study programme in business administration with a focus on marketing in Neumarkt.”

“The combination of theory and practice was a great opportunity. At the same time, I was supported in the company with projects and in-depth insights into all areas. After three years, I was offered a job in marketing at Pfleiderer.”

“There I was given the opportunity to train as a social media manager, and later to become a vocational instructor, supporting other young people on their career paths.”

EFFECTIVE GOVERNANCE FOR A CLEAR DIRECTION

Robust and effective corporate governance arrangements ensure a clear direction for the business, an effective Management Board, and a robust management approach to the things matter.

GOVERNANCE

We aim to prevent fraud and other unethical practices by setting a strong, ethical 'tone from the top'.



The target in the field of governance is for all employees and contractors to abide by the terms of our Business Conduct Guidelines and our Compliance System. Our way of working aims for zero deviation from the Guidelines.

Our compliance system instructs us to prevent unwanted outcomes, recognise issues when they arise and apply appropriate responses where required.

Strategic commercial and ESG ambitions are supported by formal management systems.

Pfleiderer Deutschland GmbH has an integrated management system for quality (ISO 9001), environment (ISO 14001), energy (ISO 50001) and safety (ISO 45001), as well as chain of custody (FSC and PEFC).

A management handbook contains all regulations concerning our corporate duty of care, the quality management of our products, energy efficiency, and the protection of our employees and the environment. The manual also applies to the subsidiaries Heller Holz GmbH and JURA-Spedition GmbH.

For more on governance please visit our website, [pfleiderer.com](https://www.pfleiderer.com)

- Governance and Code of Conduct, [here](#)
- Business Conduct Guidelines in German [here](#)
- Management [here](#)
- Whistle-blower system [here](#)

If you wish to submit a concern via the whistle-blowing system, please visit the dedicated website, [here](#).

"Transparent governance processes and strong alignment between stakeholders and the Management Board will ensure Pfleiderer's continued success."

Dr. Boris Gorella
CEO / Chairman of the Management Board



Pfleiderer's management team. L-R: Dr. Mani Herold, Dr. Frank Herrmann, Dr. Boris Gorella, Stefan Zinn.

GOVERNANCE continued

STAKEHOLDER ENGAGEMENT

We engage with external parties in the development of our position on key environmental, social and governance (ESG) impacts.

Policy and standards advocacy

We run a comprehensive programme of engagement and advocacy with regulatory and advisory bodies working on key issues in our industry.

At the European level, we engage primarily through our membership of the European Panel Federation (EPF), and at the national level via Germany's Wood Based Panel Industry Federation (VHI). We are Board members of both organisations, and are part of several working groups. For example, EPF task forces are working on issues like formaldehyde, waste wood, raw material, the Industrial Emissions Directive, and the EU Emissions Trading Scheme.

We are actively involved via the EPF in the EU's New European Bauhaus alliance, Club du Bois and Renovation Wave which, together, are exploring the potential of new build in wood to create a valuable additional carbon sink. This aligns well with the European Green Deal¹⁸ to make buildings less carbon intensive over their full life cycle and more sustainable while applying the circularity principles to building renovation to reduce materials-related greenhouse gas emissions for buildings.

In addition we provide regular, active and strategic Board-level engagement on scientific, technical and quality matters with the International Association for Technical Issues Related to Wood (iVTH), The Quality Association for Wood-based Materials (QG HWS), and the Institut für Holztechnologie Dresden (IHD).

We engage with the European Woodworking Industry Confederation (CEI-Bois) via our membership of the EPF, and we are a member of CEI-Bois component organisation, the Association of German Woodworking Industries (HDH), and BASAJAUN, which conducts research on sustainable wood supply chains.

Additional engagement

Each day we have detailed conversations with customers about technical product development, market demands, commercial strategy and retail consumer trends.

We offer a range of [digital tools](#) to make the customer's task easier in a variety of ways, from selecting wood-based materials, and then using them in designs, project planning, visualisation and implementation.

These tools are increasingly sophisticated and aligned with the needs of architects and other stakeholders ([click here](#) for an example in Building Information Modelling).

We consult with current and prospective institutional investors on material ESG topics using financial reports, presentations, ratings, sustainability linked finance briefings, and our financial news channel.

Employees indicate that Pflleiderer operates with a strong sense of unity. Extensive engagement and communication has helped achieve this, alongside the open channels available to them to share concerns when things do not go to plan. Specifically on safety, we conduct risk assessments and extensive safety training for employees and contractors. Such constant engagement ensures people are safe and business is successful.

Additional communications on-site support this engagement, the target audiences for which include all visitors, service providers and industrial contractors.

The net result of the ongoing engagement activity is collective knowledge to inform decisions relating to regulatory compliance as well as sustainability/ESG strategy and reporting development.

OUR CONTRIBUTION TO THE GLOBAL GOALS

Our engagement with government and policy development institutions, and our alignment with performance frameworks, norms and external codes of conduct is part of our drive – and that of our industry – to improve overall corporate sustainability performance.

The Sustainable Development Goals (SDGs) were launched by the United Nations in 2015 with ambitious targets to address major global issues – from ending poverty to tackling climate change.

Pflleiderer contributes to the targets under a number of SDGs because we are part of the circular economy, we serve the construction industry, and our high-grade products are an effective store of carbon.

The primary SDGs to which we contribute:



Other SDGs which our business directly supports:



sdgs.un.org/goals



¹⁸ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

CERTIFICATIONS AND FRAMEWORKS

BLUE ANGEL



www.blauer-engel.de/uz76

Environmental label for particularly environmentally friendly products and services, introduced in Germany in 1978.

In the case of chipboard, formaldehyde emission is an important criterion for the award of the Blue Angel. For boards which, due to so-called formaldehyde scavengers, have an approx. 50% lower emission than standard boards, the environmental label RAL UZ 76 – Blue Angel is awarded because they are low-emission. The panels are certified by the RAL Institute for the award of this eco-label.

TISE SUSTAINABLE



The International Stock Exchange (TISE) Sustainable market has been established to provide a reputable market segment which enables the flow of capital into investments that promote environmental, social or sustainable activities.

Pfleiderer is the only operator in our sector to be listed in the TISE Sustainable market segment.

Sustainable finance is gaining momentum globally. Market participants ranging from supranational organisations through to financial institutions, as well as individual investors, are increasingly recognising the importance of allocating capital in a manner which finances a sustainable future.

THE KLIMASCHUTZ HOLZINDUSTRIE INITIATIVE



This initiative aims to help make the wood industry climate-friendly and sustainable. Every company that joins the initiative recognises its guidelines, contributes to permanently reducing the CO2 footprint of our industry and, where possible, to sustainably compensating for unavoidable emissions. We are part of the Initiative's Climate Protection Wood Industry programme.

www.klimaschutzholzindustrie.de/

NORDIC SWAN



The Nordic Ecolabel, also known as the Nordic Swan or in Scandinavia "The Swan" for short, is an eco-label awarded by the Nordic Council of Ministers. It was launched in 1989 and now covers 63 product groups. It is the official eco-label of the Nordic countries. The Nordic Swan is a Type I eco-label (ISO 14024), as a statement about the environmental performance of products compared to competing products is made by independent third parties. Every three to five years, the respective criteria are reviewed and revised if necessary.

CRADLE TO CRADLE (C2C)



Cradle to Cradle (C2C) is an approach to a continuous and consistent recycling management. The principle, which can also be perceived as a philosophy or system, was designed by the German chemist Michael Braungart and the US-American architect William McDonough in the late 1990s. The C2C certification (Cradle to Cradle Certified Product Standard) for recycling management systems has been awarded by the non-profit organisation Cradle to Cradle Products Innovation Institute based in San Francisco since 2010. Products are evaluated in terms of material health, recyclability, use of renewable energies, responsible use of water and social justice.

PEFC



PEFC is the largest institution for ensuring sustainable forest management through an independent certification system. Wood and wood products with the PEFC label are proven to originate from ecologically, economically and socially sustainable forestry. PEFC is the most important forest certification system in Germany: With 7.7 million hectares of certified forest area, about two thirds of Germany's forests are already PEFC certified. PEFC is a transparent and independent system for ensuring sustainable forest management and thus a kind of global "forest inspection". The acronym PEFC stands for "Programme for the Endorsement of Forest Certification Schemes".

QUALITÄTSGEMEINSCHAFT HOLZWERKSTOFFE e. V.



The Quality Association for Wood-based Materials (QG HWS) awards the "Wood-based Materials Quality Label" to products from manufacturers of chipboard and fibreboard, plywood and wood-polymer materials which meet the high standards of the Community. On behalf of a notified body accredited and notified according to the Building Products Ordinance (BauPVO), QG HWS carries out selected tests and inspections in the field of building inspection according to the procedure defined for this purpose (QM system), in particular the monitoring of the factory production control according to the harmonised standard DIN EN 13986 in the currently valid version. The quality and testing regulations laid down by QG HWS are binding for its members. They are continuously controlled by the manufacturers and by external test centres. This ensures that the products monitored by QG HWS are of good quality, durable and safe and do not endanger the health of people and the environment.

FSC



Das Zeichen für verantwortungsvolle Waldbewirtschaftung

The Forest Stewardship Council® (FSC) is a global, non-profit organisation with the purpose of promoting responsible forest management worldwide. FSC defines standards for responsible forest management according to established principles, which are developed and supported by stakeholders from the environmental, social and economic sectors. For more information, please visit www.fsc.org.

CERTIFICATIONS AND FRAMEWORKS continued

FURTHER OPERATIONAL STANDARDS

Our certifications

Defined processes ensure transparency and clarity. Only in this way can we work with the greatest possible care and responsibility. The certifications we have already achieved help us to continuously improve. Here you will find an overview of our current certificates:

	CE LABEL	ISO 9001	ISO 14001	ISO 50001	ISO 45001
Arnsberg	■	■	■	■	■
Baruth	■	■	■	■	■
Gütersloh II	■	■	■	■	■
Gütersloh III	■	■	■	■	■
Leutkirch	■	■	■	■	■
Neumarkt III and IV	■	■	■	■	■

