

MEASURING WHAT MATTERS: DANZER SUSTAINABILITY REPORT 2023



DANZER
Hardwood Excellence.

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INTRODUCTION

In response to so many questions from stakeholders, Danzer started reporting on its sustainability and compliance journey in 2015 with its 2014 Sustainability Report. That document included timelines of Danzer's touchpoints with Environment, Social and Governance (ESG) topics from its inception. Another report was prepared for 2016 that highlighted Danzer's connection to the UN Sustainable Development Goals (SDGs) and somewhat irregular updates on various goals followed, though not quarterly as intended. Danzer continued reporting using the Global Reporting Initiative (GRI) standards with its 2021 report that came out in Spring 2022.

This report on the year 2023, is based on the European Sustainability Reporting Standards (ESRS) because in about 2026 Danzer will be required to follow these standards under the requirements of the Corporate Sustainability Reporting Directive (CSRD). We attempt to comply at this early stage so that we can identify gaps before the requirement is in place. A reference table at the end of this report illustrates how the data points herein link to the CSRD, GRI, UN SDGs, UNGC Communication on Progress (COP). Page numbers, whether the issue is material, and the impact severity and likelihood scores (where applicable) are listed.

This has been a long 10 year journey that has involved so many stakeholders, especially colleagues in all departments who are also key team members supporting the Danzer Values in the offices, factories, warehouses, communities, and forests we all share.

In writing a 2023 report in the first quarter of 2024, it is hard to avoid talking about events or progress made since 31 December 2023. We do our best. All data points are for the calendar years 2022 and/or 2023.

For questions about this report, contact sustainability@danzer.com.

STATEMENT OF THE CEO

Danzer has a long history of corporate responsibility. This report is another milestone on our journey.

There are two areas that mark a major step forward:

- Our new, more systematic approach to improve our ESG performance
- The major, quantified improvements that we can report in key areas



Two years ago, I read a book by John Doerr, Measure What Matters which changed the way we approach Environment Social and Governance matters.

In this book, Doerr outlines a management system that is presented as “new”. Yet, similar approaches were used by organizations in the past. His wording and acronyms are particularly catchy, so we used them at Danzer to manage our sustainability impacts ever more systematically. Doerr calls his tool “OKR”: Objectives and Key Results”. In the end, it is a tool that helps to focus, to prioritize, to measure progress, and to create accountability.

The other area of improvement is the actual “performance”. I am proud to report major progress on many fronts. I am particularly happy with our success in reducing our water consumption. While we continue to push for further improvements, our progress only demonstrates how creativity, resolve and focused action can lead to very tangible results. In this case: Danzer reduced its water discharge by >60% in the run of one year.

We believe in transparency. We are happy to report progress, but there are also areas that will need more attention. The report addresses these issues as well.

At Danzer, we read the science journals Science and Nature on a weekly basis. We try to stay informed about the latest scientific insights. We believe that we can only improve further with a systematic approach, resolve, and innovation.

I want to thank the Sustainability and Compliance team and all involved at all levels of the organization for their many contributions. The year 2023 was a major step in the right direction. More steps to follow.

Yours,

Hans-Joachim Danzer

HIGHLIGHTS

Objectives and Key Results (OKRs)

Lots of good and fresh ideas are bubbling up from the OKR teams. The More (+) Training OKR team came up with posters to promote accountability for safety in the production facilities and implementation was a joint effort with the Fewer (<) Injuries OKR team. The Negative (-) Carbon OKR team found discrepancies among the facilities in wood fuel usage so the Edinburgh fuel feed system was modified, resulting in 48% less consumption of wood fuel in the first few months that followed.

| OKR | Key Result in 2023 |
|---------------------|--|
| Negative (-) Carbon | < 4.5% Scope 1, < 12.5% Scope 2 |
| Less (<) Injuries | Reduced injury rates at 3 locations, steady at 3, and increased at 3 |
| More (+) Training | Standardized recordkeeping in progress |
| Conserve (<) Water | < 64% discharge to river, < 21% to municipal system |
| Zero (0) Plastic | < 24 product packaging, < 66% drinking water bottles |

Table 1. Key Results 2023

Life Cycle Assessments

A Life Cycle Assessment (LCA) of all nine products produced in Europe was completed in 2022-2023. The resulting Environmental Product Declarations (EPD) for Sliced Hardwood, Flooring Lamella, Vinterio, Linea, Spliced Faces, 3D Veneer Basic, 3D Veneer Classic, and Pressed Shells will be available at www.danzer.com in 2024. The biggest learning from the LCA process was the importance of consistent, systematic and ongoing data collection. The biggest takeaways from the LCA results are:

- Danzer’s products are based on a renewable, bio-based material that absorbs carbon and is suitable for a sustainable circular economy while
- the biggest challenge is to keep the carbon stored in the wood along the downstream chain for as long as possible and ensuring that, after multiple reuse options, the end product and all side-streams is used for energy generation at the end of the life cycle.

EUDR

Danzer procurement, sustainable forest management, chain-of-custody, IT and sales professionals spent many hours in 2023 preparing for the European Union Deforestation Regulation (EUDR) which came into effect in June 2023. These individuals set Danzer on a path to be compliant with the regulations even though the guidelines and final implementation scenarios are not settled. More at

<https://www.danzer.com/en/company/corporate-responsibility/certificates-declarations>.

The Wood4Real Coalition

In 2021, Danzer worked to form The Wood4Real Coalition, an alliance of the European wood industry that launched a campaign in 2022 to ensure the correct promotion of pure wood surfaces. The Coalition has established itself as a respected interlocutor by the EU institutions. Since, the Coalition has submitted amendments and wording to key European legislative proposals such as the Empowering Consumers for the Green Transition Directive, the Ecodesign for Sustainable Products Regulation, and the Green Claims Directive. Danzer was featured on the American Hardwood Export Council's podcast, Words on Wood to talk about this initiative and the fallacies surrounding sliced hardwood.

Other News

Danzer AG officially became a participant in the United Nations Global Compact (UNGC) in September 2023. By doing so, Danzer commits to the 10 UNGC Principles:

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

This report demonstrates Danzer’s commitment to these principles. The UNGC Communication on Progress, required annually, will be submitted by Danzer AG in June 2024.

Two customers of Danzer require participation of the EcoVadis assessment platform that rates businesses’ sustainability based on environmental impact, labor and human rights, ethics and procurement. Danzer was notified that its 2022 EcoVadis rating and sustainability performance is eligible for an EcoVadis Sustainability Bronze Medal.

MANAGEMENT REPORT

Analysis

Danzer has been developing its sustainability reporting process since 2014 and its Environmental, Social and Governance management systems since as early as 1994. See the 2014 Danzer Sustainability Report (DSR 14) at <https://www.danzer.com/en/company/corporate-responsibility/danzer-sustainability-report> for a timeline of these activities.

In the DSR 21, Danzer laid out specific Objectives and Key Results (OKRs) targets based on Material Issues: Negative (-) Carbon, Conserve (<) Water, Zero (0) Plastic, Fewer (<) Injuries and More (+) Training. In this report, DSR 23, the OKRs have quantifiable results that Danzer teams aim to achieve in 2024. This report explains the plan.

Principle Risks and Uncertainties

The double-materiality assessment explained in the next section revealed that Danzer’s OKRs are focusing on the most pressing issues from an in-to-out perspective – how do Danzer’s activities and relationships impact the environment, economy, or community – as well as from an out-to-in perspective – the impact of the topic on the business. While some aspects of each OKR are not the most material (see Materiality Matrix), the OKR teams work on all items to minimize negative impacts and increase positive impacts.

Risk reduction is always at the top of the priority list in manufacturing facilities where employees are using equipment with moving parts. However, this focus may have been too narrow. A 2023 Occupational Health and Safety Administration (OSHA) inspection at our Williamsport, Pennsylvania facility revealed deficiencies. See more at the Social Information section of this report.

Uncertainties surround issues related to climate change so worst-case scenarios are considered and plans put in place to measure, assess, and mitigate proactively. For example, a system called RAMP (Risk Assessment Mitigation Preparation) was initiated in 2021 and is ongoing. RAMP asks the questions necessary to prepare every facility for unprecedented weather events based on local conditions.

Likely Future Developments: 5 Objectives & Key Results

The 5 Danzer OKR teams are committed to their purpose. OKRs address the two critical conditions of any goal worth fighting for: the “WHAT” and the “HOW.” Objectives (Os) are WHAT you aim to accomplish. Key Results (KRs) tell us HOW we’ll get the O done. Os are significant, action-oriented, durable, and inspirational. KRs are specific, timebound, aggressive, realistic, measurable and verifiable.

For these reasons it is likely that Danzer will:

1. dramatically cut injuries due to lacerations, strains/pulls, slips/falls by 50%;
2. reduce Scope 1 CO₂eq emissions from petrol and natural gas by 5% in 2024, reduce Scope 2 electricity usage by 10%, and collect more Scope 3, upstream and transportation related CO₂eq emissions data so specific targets can be set for 2025;
3. reduce water consumption, and the resulting quantity of discharged process water, by 15% and improve the quality where possible;
4. eliminate 100% of disposable plastic water bottles, reduce plastic product wrap and strapping by 20% and collect ancillary supplies data to set targets for upstream plastic; and
5. keep uniform employee safety and environmental training data across the organization to set improvement targets for 2025, while improving the quality of training programs for priority subjects continually.

CORPORATE GOVERNANCE STATEMENT

(ESRS 2 GOV-1 ¶19-21) The roles of the Board of Directors and Executive Board, the supervisory and management bodies respectively, are critical to corporate governance in the spectrum of sustainability matters. The compositions of these bodies have not changed since the Danzer Sustainability Report 2021 and it is incorporated here by reference.

The entire Board of Directors takes ultimate responsibility for decision-making on and overseeing the management of the organization's impacts on the economy, environment and people while delegating day-to-day operational decision-making and oversight to the Executive Board members. Both the Board of Directors and the Executive Board have access to the expertise and skills of the Sustainability and Compliance (S&C) team that is managed globally through the headquarters location. The S&C team has at least one member at each Danzer location.

The Board of Directors (ESRS 2 GOV-1) is a product of a family commitment to an independent board so that the company/business issues always come first. The composition of the Board is driven by this independence-philosophy: three independent non-executive directors and two family members represent both European and North American interests and ensure a non-family majority in the governing bodies. The CEO reports to the Board of Directors. Non-executive, non-family members of the Board are nominated by the General Assembly and must qualify as executives in the organizations they manage outside of Danzer and the chair of the Board is not a senior management executive at Danzer. The remuneration for Board members is cost compensation that is a minor income.

The present most junior member of the Board has served the company for 17 years and the average seniority of independent board members is 18.6 years (21.4 years including family members). The Board membership reflects a 100% white-male composition and three separate nationalities. As Board members retire and replacement members are recruited, diversity of gender and equity in addition to experience and qualification will continue to be an important part of the evaluation process. This is true of the Executive Board as well. As a general rule, Danzer prioritizes promoting from within and welcomes all applicants on a fair and equitable basis.

(ESRS 2 GOV-1 ¶22-27) The roles and responsibilities of the Board of Directors and Executive Board (see <https://www.danzer.com/en/company/corporate-information/management> for a list of members' names) are explained here:

The Executive Board works with Danzer’s Sustainability and Compliance Counsel and her team throughout the year to improve the Code of Conduct and all related policies and procedures, such as the ESMS or Anti-Bribery and Corruption policy (ESRS 2 G1-4, GOV-1). Both the Executive Board and the Board of Directors conduct an annual review of these along with Internal Control subjects in September. The annual review is a presentation by the Sustainability and Compliance Counsel that highlights current events related to these documents and potential areas for strengthening the content. These meetings happen in succession so improvements by the Executive Board can be reported to the Board of Directors.

Controls and procedures used to monitor, manage and oversee impacts, risks and opportunities, are delegated to the Executive Board members who trust the aforementioned Sustainability and Compliance Counsel (a current member of the Pennsylvania Bar Association with a background in environmental engineering) and her team of experts (in the fields of safety, employee training, sustainable forest management and supply chain) to ensure oversight. The Counsel manages a cross-functional team across the organization and these team members report to their local management who are held accountable for sustainability and compliance matters. Further, the progress of each of Danzer’s 5 OKRs (material issues) is controlled by cross-functional teams made up of administrative, production, engineering, supervisory and management colleagues and each have an Executive Board member as champion who attends the meetings offering advice and providing resources. These teams set the goals that are presented to the Executive Board and Board of Directors for approval. In 2023, the first Danzer-wide OKR goals were set so progress will be reported to the Executive Board throughout 2024 and results will be reported in the Danzer Sustainability Report 2025. As new partners in the United Nations Global Compact, the team members have access to training materials to enhance their skillsets.

(ESRS 2 GOV-3 ¶27-29) When it comes to integration of sustainability-related performance in incentive schemes, Danzer’s business is not based on the Anglo-Saxon model of aggressive performance incentives linked to compliance, instead, we provide a fair salary, and adhering to corporate values generally and the Code of Conduct specifically is part of the job. Bonuses are tied to Danzer-wide performance for key managers.

(ESRS 2 GOV-4 ¶30-36, G1-3) Due diligence at Danzer is specific to its supply chain but is also broader in that its ABC Policy and associated risk assessment conducted every two years encompasses all business activities. The risk assessment involves:

1. a spatial analysis of all supply, operation and procurement areas is conducted including bribery and corruption risk, poor governance, illegal logging and forced labor
2. targeted interview questions for procurement, sales and operations staff in areas determined to be high risk by the spatial analysis and/or the latest Corruption Perceptions Index by Transparency International
3. a risk matrix of each region or country based on the risks identified from the interviews
4. training according to the techniques used to eliminate risk in the supply chain, operations and sales channels.

(ESRS 2 G1-4) To date, Danzer has identified zero incidents of corruption or bribery and has only identified correct responses to risky scenarios that involve bribery or corruption.* Our training aims to encourage these positive behaviors and reporting of risk. See more in Section 4.0 Governance Information. From 2024 on, Due Diligence Mapping will be pursuant to European Deforestation Regulation (EUDR) compliance. (ESRS 2 G1-6) Payment practices, including a Gift Policy, are included in the ABC Policy and its appendices which all affected employees receive on employment and it is reviewed every two years.

* No suppliers have presented forced labor concerns although some regions represent a concern our procurement agents look out for (i.e. prison labor in Bulgaria). Child labor concerns have been raised by a stakeholder about sawmills in Mennonite communities in parts of the United States. Our procurement team periodically meets with representatives to ensure that ILO standards are adhered to when it comes to education and non-hazardous work in family businesses. Danzer has no suspicion of violations, especially considering that our lumber buyers visit many sawmills in these communities.

SUSTAINABILITY STATEMENT

(ESRS 1 ¶8.2)

General Information

(ESRS 2)

Danzer operates manufacturing facilities in:

- the United States (Indiana (1), Pennsylvania (3))
- Canada (Ontario, 1)
- Czechia (2)

- Germany (1)

And stand-alone warehouses and/or sales offices in:

- the United Kingdom (1)
- the United States (California, 1)
- Austria (1)

In January 2023, Danzer AG located its headquarters in Ruggell, Liechtenstein where Danzer continues to run its worldwide operations according to its long traditions of appreciation for hardwood, commitment to quality and sustainability, pushing the boundaries of innovation, while fostering a culture of trust. (ESRS 2 SBM-1 ¶38)

- **Market position:** Danzer is a market leader (largest in world) in the sliced hardwood business who also produces high quality lumber, spliced hardwood faces, high-tech wooden surfaces and forms, as well as trades in finished wood products.
- **Strategy:** To grow market share and volume through partnerships with large (industrial) manufacturers to get the positive hardwood message through; improve hardwood appreciation by selling further down the value chain to decision makers where sustainable product choices are made; forward integration with existing products and new decorative and/or structural applications and applications where wood can replace plastic or other non-wood products; continue innovation and value.
- **Business model:** Danzer employs hardwood specialists to find the few, valuable and unique pieces of hardwood timber (logs) that lend themselves for slicing or sawing for decorative purposes. As a result, Danzer has more suppliers than customers – a rather unusual business model for a manufacturer. This selectivity on the resource side defines the products that Danzer can offer to its customers. In manufacturing, Danzer applies latest and proprietary technology to optimize the yield from tree to living room as the value of the resource is so high. Once produced, Danzer takes great care in sorting the products to match the requirements of its global customer base. For high end segments, Danzer offers unique, highly decorative and creative technical wood surfaces that are used for a wide range of applications and specific projects.
- **Value chain:** Danzer offers a unique value proposition to customers as a quality hardwood partner. Its customers consistently rely on Danzer for things that go beyond the product such as sustainability, compliance with regulations, care for employees, clean business, responsibility to communities, and sustainable forest management (which includes legality and responsible social and labor practices).

The elements of the Danzer strategy (ESRS 2 SBM-1 ¶39, 40) that relate to and impact sustainability matters, its business model and its value chain are grounded in the raw

materials (hardwood logs and water), its extraction, and the labor force that manufactures them. The Danzer strategy relates entirely and directly to sustainability matters. Ancillary to hardwood production are the necessary labor force, warehouse and trade activities, engineering, IT, and administration that impact not only the involved employees, but the communities and families they live among and support.

Further, a changing environment and global economy impacts Danzer’s business therefore, the strategy must adapt to be prepared. This is true in the areas where Danzer has developed five Objectives and Key Results (OKRs): carbon emissions where climate change is already affecting sourcing areas and forest health and threatening business operations with extreme weather events; water stress and quality; employee health, safety and the education and training to ensure health and safety; and non-circular product packaging that creates bottlenecks in disposal and recycling systems.

Since the previous Danzer Sustainability Report, Danzer has increased its offerings to the luxury packaging segment significantly, while still serving its traditional markets. As of 31 December 2023, Danzer employed 1,072 persons worldwide (396 in North America and 633 in Europe). See Section 3.0 Social Information for details.

A breakdown of total revenue, as included in its financial statements, follows:

| Revenue by region delivered to | 2023 | 2022 |
|---------------------------------|----------------|----------------|
| Europe | 90,049 | 109,766 |
| North America | 65,637 | 73,661 |
| Other | 27,694 | 26,110 |
| Revenue by product group | | |
| Sawn Wood | 38,891 | 48,080 |
| Sliced Wood | 109,340 | 133,176 |
| Timber, specialties, services | 35,149 | 28,281 |
| TOTAL | 183,380 | 209,537 |

Table 2. Total Revenue 2023 and 2022 in EUR

Danzer’s aforementioned OKR teams established sustainability-related 2024 goals (ESRS 2 SBM-1 40 (e-g)) in terms of all Danzer products and customers:

| | |
|---|--|
| <p>NEGATIVE CARBON</p>  | <p>Scope 1: 5% < petrol & natural gas</p> <p>Scope 2: 10% < electricity</p> <p>Scope 3: Collect indirect CO2eq emissions data</p> |
| <p>FEWER INJURIES</p>  | <p>50% < lacerations, strains/pulls, slips/falls</p> |
| <p>MORE TRAINING</p>  | <p>Keep uniform records to demonstrate Improved training quality and translation options in 2025</p> |
| <p>CONSERVE WATER</p>  | <p>15% < water consumption</p> |
| <p>ZERO PLASTIC</p>  | <p>100% < water bottles</p> <p>20% < wrap & straps</p> <p>Collect ancillary supplies data to set specific objectives for 2025</p> |

These OKRs are explained in greater detail throughout this report.

Stakeholders

(ESRS 2 SBM-2) Interests and views of stakeholders are taken into account by the Danzer strategy and business model as a part of the overall Environmental and Safety Management System communications protocol, the grievance mechanism and integrity line and a targeted outreach to stakeholders including

- employees
- customers
- lenders
- suppliers
- communities
- board members
- NGOs

that took place in 2021 and 2022. This outreach involved interviews with representative stakeholders about how important they felt Danzer’s impacts were. The Executive Board received a summary of the interview feedback. These results, along with any new communication from these stakeholders (documented according to the ESMS Communications Protocol in a Corrective Actions database), were taken into account in conducting the double materiality assessment illustrated below.

Over the years, Danzer has taken the feedback from stakeholders into consideration when modifying its Code of Conduct (for example, to include specific provisions prohibiting forced labor in the supply chain to comply with national legislation in the UK), in setting its OKRs (specifically, SBTi goals for emissions of CO2 equivalents), and in improving its training programs to provide better translation services for employees.

Materiality

(ESRS 2 SBM-1 ¶ 41, SBM-3) A materiality assessment of all Danzer activities and business relationships took into consideration all products, significant markets and customer groups and other stakeholders (see graphic below).

A sustainability matter is **material** from an impact perspective when it pertains to the undertaking’s material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term time horizons. A material sustainability matter from an impact perspective includes impacts caused or contributed to by the undertaking and impacts which are directly linked to the undertaking’s operations, products, and services through its business relationships.

(ESRS 2 IRO-1) Further, **double materiality** has two dimensions: impact materiality and financial materiality. A sustainability matter meets the criterion of double materiality if it is material from the impact perspective or the financial perspective or both.

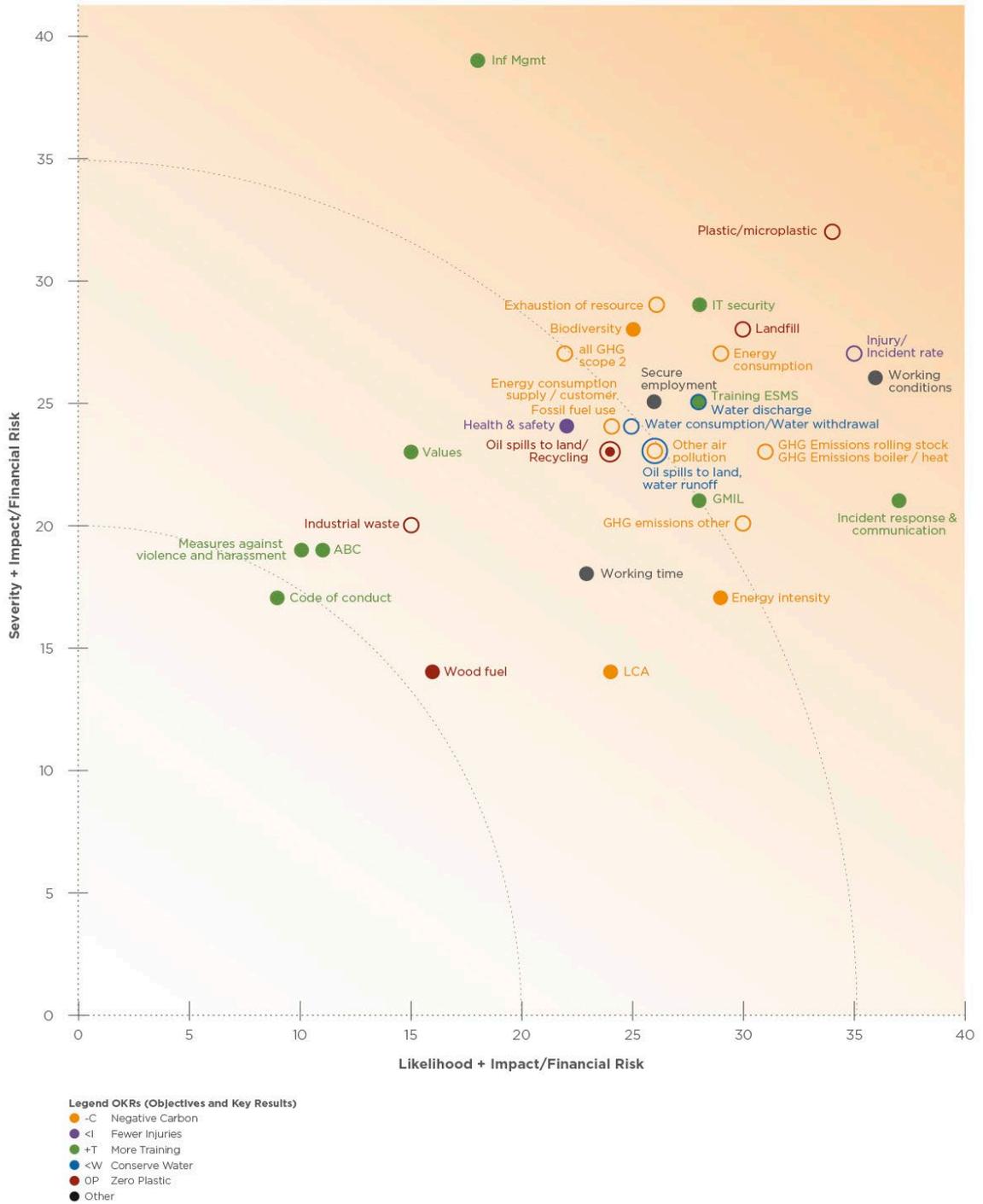
A very long table was prepared to evaluate every possible ESG issue that Danzer might possibly encounter. The table took the list of existing material issues (see previous sustainability reports) and added the list of sustainability matters to be included in the materiality assessment at (ESRS 1 AR16). The matters were divided according to Danzer's existing OKRs, topics and subtopics, then the ESRS, GRI, SDG, and UNGC Global Compact references were made (see reference table at the end of this report). Each matter was categorized as the result of an activity of Danzer or a business relationship and sorted according to whether the impact is actually occurring or might potentially occur. In the case of potential impacts, worst case scenarios were taken into account. Next, the items were categorized as to whether they were positive or negative. Only matters that had some negativity were evaluated for severity.

(ESRS G1-1) The severity step considers the scale (short-term, long-term, or ongoing), the scope (narrow to beyond Danzer), and the irremediable character of the matter. Likelihood is considered for all matters. Severity and likelihood parameters are ranked with a score from low (1-7), to medium-low (8-14), to medium (15-21), to medium-high (22-28), to high (29-35). This evaluation was done by the Sustainability and Compliance Counsel and reviewed by the S&C Leader based on expertise and experience.

The subsequent step is Impact Materiality (In-to-Out) which looks at whether the matter is a risk or opportunity and whether the magnitude of either risk or opportunity or both are low (1), medium (2) or high (3); whether the matter impacts the economy, environment or community; and whether that impact is positive or negative. The Out-to-In or Financial Materiality then looks to the same factors but with a view to the impact on the business from a financial standpoint. The evaluators were careful not to cancel out negative consequences with positive ones. Finally, the previous severity and likelihood scores were added to the magnitude of the risk. *Severity* was charted on the y-axis and *likelihood* on the x-axis. On the double materiality matrix illustration, only impacts with some negativity are illustrated with a circle; those with also positive impacts are denoted by a solid dot, but a separate score was not added to the matrix. Where items overlap with the same scores, one circle is enclosed by another of the corresponding color. Items that fell outside the OKR categories, are marked with black dots. The reference table at the close of this report identifies all issues evaluated for materiality.

DOUBLE MATERIALITY AT DANZER 2023

SEVERITY AND LIKELIHOOD WEIGHTED BY IMPACT AND FINANCIAL MATERIALITY



ENVIRONMENTAL INFORMATION

For decades, all Danzer manufacturing and warehouse operations use an ISO 14001 based process to identify all environmental aspects and impacts of their operations. They start with a flow chart of the location’s activities and they add all inputs and outputs, sources and destinations. This is the basis for an analysis called the Managing Aspects and Impacts plan. From this plan, all aspects and safety and environmental impacts are identified and controlled by best management practices and standard operating procedures. Compliance-related impacts are categorized in a legal table for each location with date sensitive tasks and responsibilities catalogued. From here, the “sustainability matters to be included in the materiality assessment” from European Sustainability Reporting Standards (ESRS) AR16 have been evaluated for double materiality as described in that section of this report.

This, of course, is a description of the ideal. As with any system, human error can lead to mistakes, even with warning systems and other reinforcements. The following tables summarize (1) permitting errors / incidents and resulting fines since the last report, and (2) corrective actions completed in the reporting years.

| Location/ Year | Incident | Notice of Violation | Fine |
|-------------------|-------------------------|--------------------------------|------------|
| Edinburgh 2022 | State waste inspection | Multiple labeling inadequacies | 19,600 USD |
| Williamsport 2023 | State safety inspection | Multiple | TBD |
| Williamsport 2023 | State water inspection | Recordkeeping inadequacies | TBD |
| Williamsport 2022 | Fire | None | |

Table 3. Incidents, violations, fines

| Location | Year | Ratio corrective actions reported: completed |
|-----------|------|--|
| Melnik | 2022 | 9:6 |
| | 2023 | 5:4 |
| Raspanava | 2022 | 6:6 |
| | 2023 | 1:1 |

| | | |
|--------------|------|-------|
| Kesselsdorf | 2022 | 11:8 |
| Edinburgh | 2022 | 6:4 |
| | 2023 | 18:15 |
| Williamsport | 2022 | 7:2 |
| | 2023 | 12:3 |
| Darlington | 2022 | 1:0 |
| | 2023 | 15:12 |
| Shade Gap | 2022 | 2:2 |

Table 4. Ratio of reported corrective action to completed corrective actions

CLIMATE CHANGE (ESRS E1)

NEGATIVE CARBON



Climate change adaptation

Danzer’s transition plan for climate change mitigation (ESRS E1-1) includes specific GHG emission targets related to Scope 1, 2, and 3 emissions with a long-term goal of achieving “negative carbon,” and ambitious investment projects including solar installation, biochar production are considered alongside practical energy saving methods. Danzer knows that the products we manufacture, sustainable hardwoods, sequester carbon in the final product and in the forest. These amounts are difficult to quantify given Danzer’s position so early in the value chain.

Danzer is a partner to the United Nations Global Compact (UNGC) and as such, fully intends to commit to the Science Based Targets Initiative’s key requirements of the SBTi FLAG (forest, land and agriculture sector) Guidance:

- Set near-term FLAG science-based targets: 5-10 year emission reduction targets in line with limiting warming to 1.5°C.

- Account for removals in near-term FLAG science-based targets: Biogenic CO₂ removals include things like restoring natural ecosystems, improving forest management practices, deploying silvopasture, and enhancing soil carbon sequestration on pasture and farmland.
- Set long-term FLAG science-based targets: Companies with significant activities in the land and agriculture sectors will reduce at least 72% of emissions by no later than 2050. They should use the SBTi Net-Zero Standard to set long-term FLAG science-based targets.
- Zero deforestation targets must be set for no later than 2025: In line with the Accountability Framework initiative (AFi).
- Set science-based targets for fossil emissions: Businesses with land-based emissions are required to set FLAG science-based targets FLAG science-based targets AND energy/industry science-based targets, since all companies produce fossil emissions.

(ESRS E1-4) Danzer will revisit the question of a Science Based Target at the end of 2024 because the SBTi temporarily suspended the use of the timber and wood fiber pathway included in the FLAG Target-Setting Tool on January 15, 2024. While this temporary suspension is in effect, companies in the forest and paper products sectors are required to use the FLAG Sector pathway to set science-based targets for all land-based emissions, including those related to timber and wood fiber.

Until the issuance of the guidance that will address the fact that forests around the world have different characteristics and therefore require different pathways for carbon targets, Danzer will work on immediate targets according to the scopes below. Danzer will participate in the UNGC's Climate Ambition Accelerator to prepare for targets in 2025. This is Danzer's transition plan.

As mentioned in the Management Report, RAMP is Danzer's documentation to

- reduce risk before climate change impact
 - prioritize the value chain
 - identify vulnerabilities
 - quantify the business impact
- provide a contingency plan (identify how much can be endured), and
- transition from now to where we need to be; transformation with resilience.

RAMP identifies physical, transition, supply chain, and community risks associated with Danzer's activities. The Negative (-) Carbon OKR team takes on the role of mitigation and adaptation to address regulation, energy cost and external pressures to de-carbonize associated with activities and business relationships.



Climate change mitigation

(ESRS 2 SBM-3) In the double materiality analysis described above (ESRS 2 IRO-1), Danzer identified the following risks and opportunities (ESRS E1-9) associated with business activities and relationships with regard to climate change (although not quantified precisely in financial terms):

- Climate change may stress uneven-aged forests with heat, drought/flooding and/or pest/disease infestation, but this has not yet materialized.
- The risk from the above may be especially hard on the hardwood market considering that it is dominated by one species, oak, worldwide.
- Danzer's dependency on natural gas or fuel oil for back-up process heat makes the greenhouse gas (GHG) reduction targets vulnerable to fires, break-downs, or other mishaps.
- Danzer's products are made from certified sustainably managed hardwood so as the world shifts to more sustainable materials with carbon sequestration in mind, Danzer's products will satisfy that demand.
- Since Danzer uses side-stream wood as fuel for onsite production heat, fluctuations in energy sources are somewhat minimized.
- The opportunity to use more wood side-streams for fuel or carbon sequestration may be significant.
- There may be financial incentives to invest now in more solar energy production on factory roof-tops and hybrid or electric rolling stock vehicles to reduce Scope 1 and Scope 2 emissions.
- Production efficiency increases

Danzer's Negative (-) Carbon OKR team has established the following metrics based on emissions calculated for each GHG scope between October 2022 and October 2023. The team meets every six weeks to evaluate ideas for improvements that would impact each scope, to conduct and assess trials at locations, and to plan for capital expenditures (ESRS E1-2, E1-3) or policy changes to propose to the Executive Board.

7 AFFORDABLE AND CLEAN ENERGY



Energy

OKR: Negative (-) Carbon

(ESRS E1-4) The Negative (-) Carbon OKR team is divided according to scope: Scope 1 focuses on all GHG emitting sources at Danzer's production sites; Scope 2 on GHG emissions from upstream suppliers of electricity; and Scope 3 on value chain emissions up- and down-stream.

Scope 1

The focus of the Scope 1 team is to reduce petroleum product and natural gas consumption by 5%. This will involve adjustments to the rolling equipment stock (log loaders, forklifts) and careful management of the boiler fuel sources (more wood, less fossil fuels). Scope 1 direct GHG emissions for the past two years are summarized in the table below. Expected decreases if we meet our 2024 goal are also presented. Scope 1 emissions are related to Danzer's own activities.

Scope 2

The focus of the Scope 2 team is to reduce dependency on the public power grid by generating power through solar panels or other means and by eliminating electricity waste or excess through investments in lamps, more efficient sprinkler systems, and switching to hot water heat in some production steps; as well as simple things like turning off the lights, improving the efficiency of compressors and pumps, and general awareness campaigns. Scope 2 indirect GHG emissions from power suppliers for the past two years are summarized in the table below. Expected decreases if we meet our 2024 goal are also presented. Scope 2 emissions are related to Danzer's own activities and their consumption of 3rd party electricity.

| Year | Scope 1 CO ₂ eq (tons) | Scope 2 CO ₂ eq (tons) |
|----------------------|-----------------------------------|-----------------------------------|
| 2022 | 4,269.8 | 19,319.2 |
| 2023 | 4,074.3 | 16,907.0 |
| Danzer-wide Delta | <4.5% | <12.5% |
| LOCATION Delta | | |
| Darlington, PA, US | <34% | <23% |
| Edinburgh, IN, US | <9.4% | <4.9% |
| Williamsport, PA, US | >37.6* | >11.5 |
| Shade Gap, PA, US | <13% | <15.5% |
| Melnik, CZ | <13% | <17.4% |
| Raspanava, CZ | <20% | <20.7% |
| Kesselsdorf, DE | <20.8% | >4.4% |

Table 5. ESRS E1-6 Gross GHG Emissions

*An increase in natural gas consumption was necessitated by a fire that damaged the wood fuel storage silo.

Although not a material issue, energy intensity (energy per m³ product) data (ESRS E1-5) for the past two years in slicing production was as follows:

| Location | Energy Intensity (MMBtu/m ³) 2022 | Energy Intensity (MMBtu/m ³) 2023 |
|--------------|---|---|
| Melnik | 9.73 | 4.44 |
| Edinburgh | 8.90 | 5.48 |
| Williamsport | 8.59 | 6.62 |

Table 6. Energy Intensity

Scope 3

The focus of the Scope 3 team is simply to gather data. Danzer's position in the value chain means that the upstream raw material extraction and transportation emissions can be rather accurately calculated (we have done this as part of our products' Life Cycle Analyses (LCA)), but the downstream emissions are not accessible to us because it is impossible to know where our product is traded and processed. We are too early in the value-added

chain. For this reason, we will collect Scope 3 data up to the gate of our factory. To do more would result in double accounting as producers further downstream calculate their emissions and add ours. Danzer is investing time in 2024 to collect indirect CO₂eq emissions data for ancillary products and services and is conducting a trucking survey for all transportation in our control. Scope 3 emissions are related to Danzer’s business relationships only.

Danzer has not yet participated in any GHG removals or GHG mitigation projects financed through carbon credits (ESRS E1-7).

We know that the use of wood does reduce the overall impacts on global warming potential (GWP) but the subsequent disposal (incineration or landfilling) of the further production side-stream or ultimate consumer product cannot be assumed and therefore, is assumed to be zero. Sourcing of local timber is the best way to mitigate higher GWP from transportation. This is a core value at Danzer.



“SIZABLE ADVANTAGE: LARGE MAMMALS BENEFIT FROM RESPONSIBLE LOGGING THROUGH FOREST CERTIFICATION.”

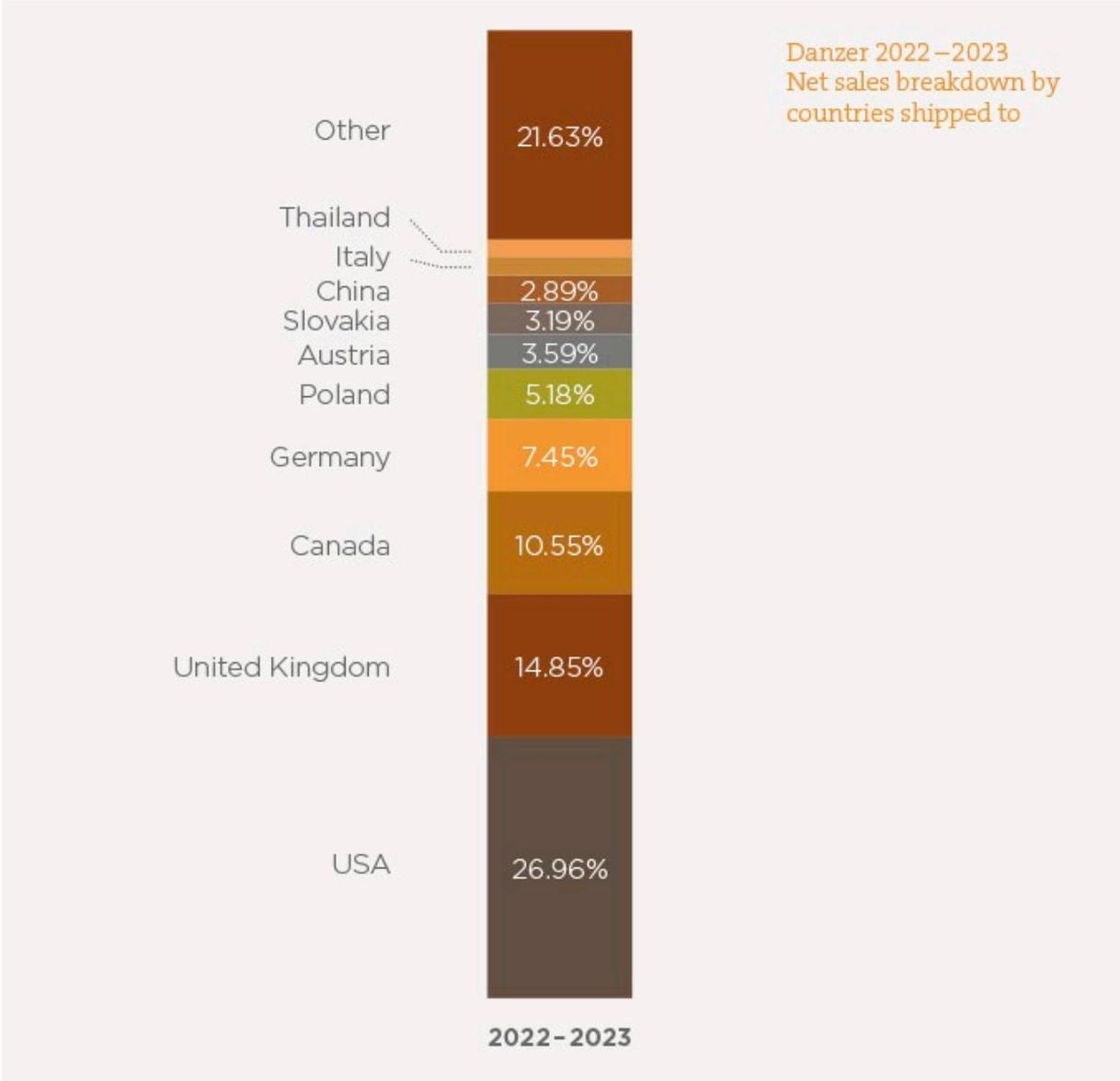
Nature, April 2024

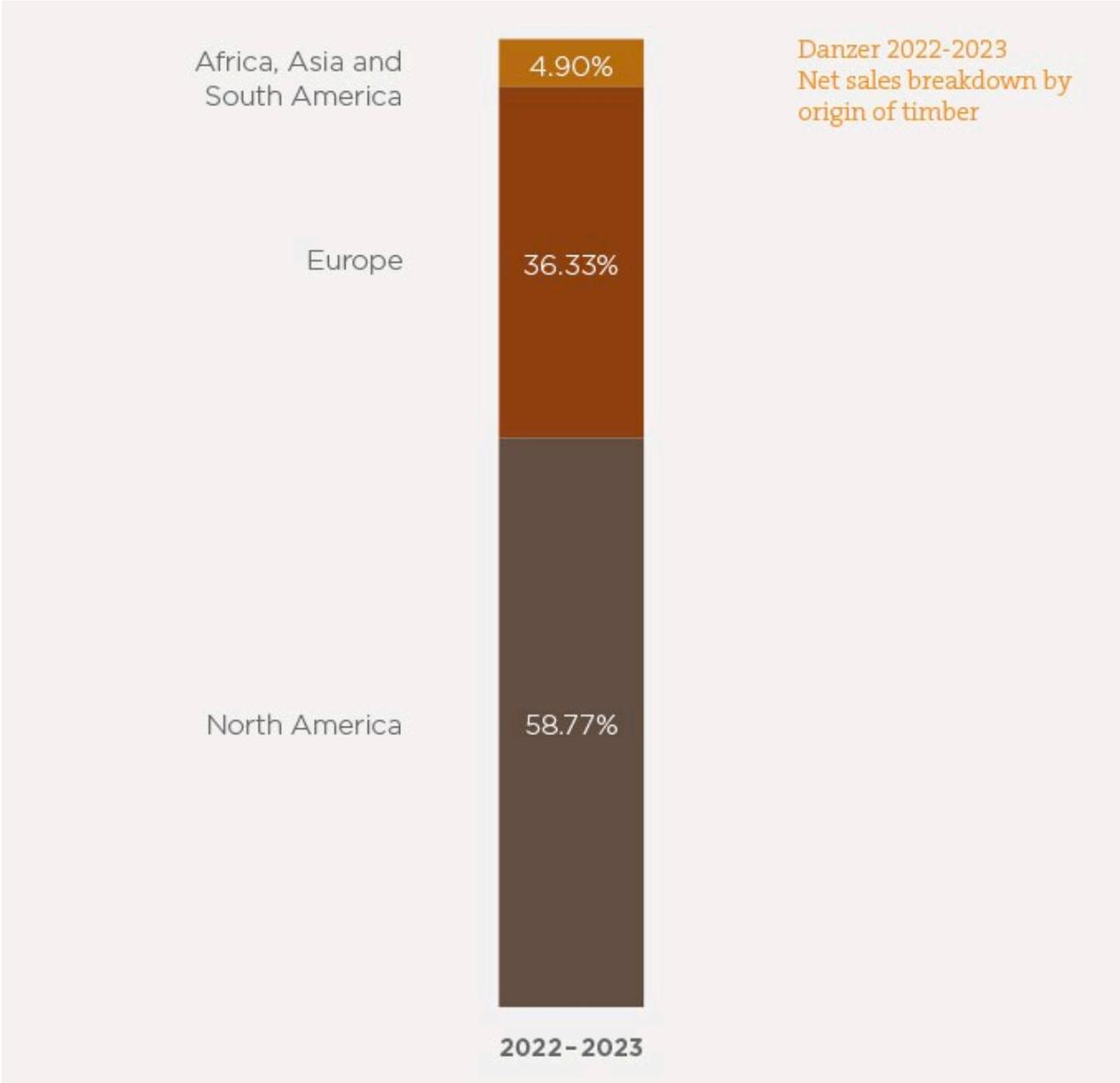
Biodiversity and Ecosystems

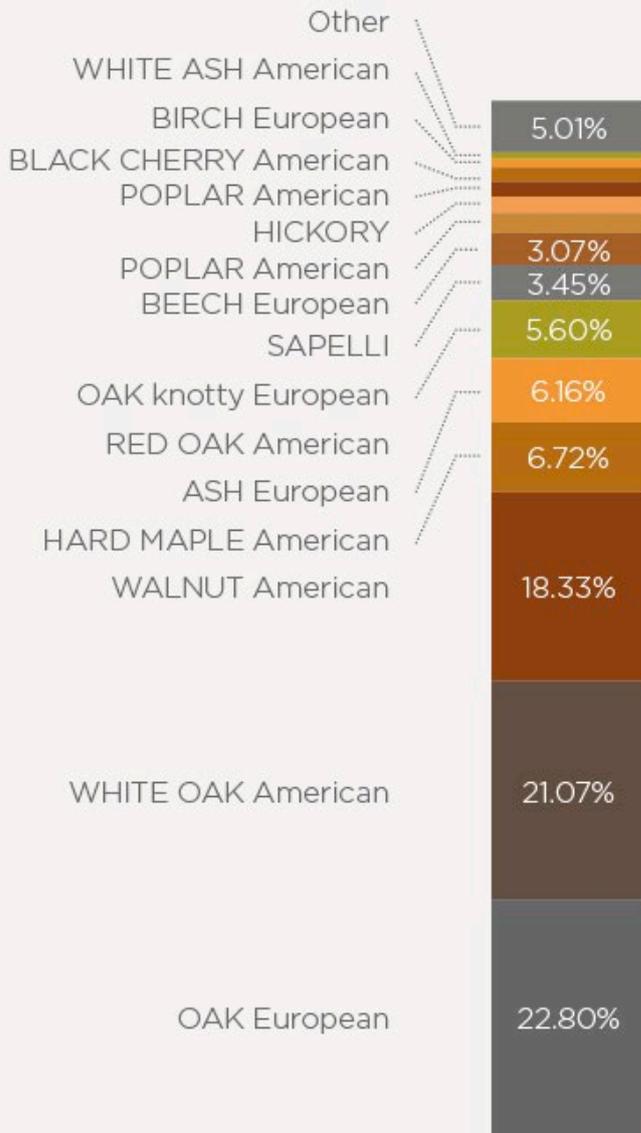
(ESRS E4) Climate change is intimately linked to biodiversity and ecosystems because resilient forests are key to climate stability: they are an important link in the water cycle which cools the planet, the carbon cycle that sequesters carbon in wood and soil, and the habitat that a biodiverse ecosystem relies on for shelter, food, and water. Biodiversity and ecosystems are importantly linked to Danzer’s business relationships.

Danzer protects biodiversity from soil to sun by demanding Sustainable Forest Management (SFM) certification or performing its own audits, verified by a certified Due Diligence (DD) system for the vast majority of its manufacturing and trade products (see graphic below) and sourcing sustainably managed timber from temperate forests in the northern hemisphere for local (within 800 km) manufacturing. Chosen SFM certifications are stringently audited chain-of-custody systems that ensure us that the source forest is managed to preserve biodiversity. We personally know that SFM certification audits are demanding but still we add a layer of our own auditing where a region has high

corruption or fraud risk. SFM certification schemes are always adapting its criteria to new forest science where forest resilience is of central importance. Resilient forests are resistant to drought and fire and provide safe habitats for species threatened by other dynamics of climate change (wildlife urban interface shrinkage, disconnected migratory routes, severe weather, pests, pathogens). Despite real deforestation concerns, the United Nations Forest and Agricultural Organization (FAO) consistently reports that forests are growing in the mixed hardwood forest regions where Danzer procures the vast majority of its raw material. Key stakeholders on this subject are Danzer’s procurement team, suppliers, Danzer’s customers and their customers (end-users who trust the SFM certification labels).







Danzer 2022-2023
Net sales breakdown by
top 15 species

2022-2023



Despite decades of effort by SFM certification schemes, studies show that the conservation status of tropical forests worldwide is worse than previously thought. Danzer maintains strict standards to avoid trade in species associated with risks of deforestation including illegality and fraud. This is a precautionary approach because we know that biodiversity is declining around the globe and many biodiversity hotspots still lack not only protection, but the initial species assessments to provide information necessary to that protection.

Resource Use and Circular Economy

(ESRS E5) The Danzer Code of Conduct states rather prominently at the start:

Responsible Procurement

1. Danzer is always inventing new ways to use wood smartly because wood is a good, modern material that is natural, healthy, and renewable.
2. Danzer employees always look for ways to use more of the tree.
3. Danzer buys wood that is grown responsibly and cut legally.
4. Danzer prefers to produce logs close to where they grow so that the local workforce is employed.

The concept of responsible resource use and the circular economy are embedded in Danzer's Values:

- We Love Hardwood

- We understand forestry and respect the value of wood resources
- We have a passion for hardwood and love it dearly
- We spread this passion
- We Make Quality Tangible
 - We believe that quality is a mind-set, not a product feature
 - We pursue a quality-focused approach in all aspects of our activities
 - We improve safe manufacturing practices through state-of-the-art engineering, design and awareness
- We Trust
 - We partner with stakeholders long-term and welcome their input
 - We are proud of the diversity of our people, products and markets
- We Create Value
 - With professionalism, excellent products and services we create value for customers, suppliers, landowners and society at large
 - We regard profit as a result of good management, not its purpose
- We Innovate
 - We invest in innovation to create new and better solutions from hardwood
- We Act Sustainably
 - We believe that sustainability as a mind-set, not a forest management approach
 - We commit to sustainability and accountability at all levels
 - We take decisions based on relevant facts, data and science

Danzer considers that a renewable resource is a good investment in a circular economy and anticipates financial benefits and growing opportunity will result from responsible sourcing, efficient manufacturing, and delivering a product customers can also use responsibly in a circular economy. Any Danzer activities linked to resource use and circular economy have positive impacts on the environment, the economy and the community whether direct activities (as in producing a sustainable product) or business relationships (as in procuring a renewable resource).

POLLUTION

(ESRS E2) The US Environmental Protection Agency defines *pollution* as the discharge, deposit, injection, dumping, spilling, leaking, or placing of any solid waste or hazardous waste into the environment (land, surface water, ground water, and air). Danzer's impacts of manufacturing in this regard include water discharges, air emissions, and industrial and municipal waste. According to the double materiality analysis, air emissions, water

impacts and waste/side-streams were deemed material for the purposes of this report. As discussed below, there may be positive and negative impacts associated with each of these material issues.

Air Emissions

Greenhouse gas emissions

Greenhouse gas (GHG) emissions (Scopes 1, 2 and 3) are discussed in the section Climate Change. Overall, all GHG emissions are a negative impact on the broader community, environment, and economy however, it is important to note that Danzer’s raw material stores carbon (a positive impact) in the ultimate finished product at a rate of 1.7 kg of carbon per kg of wood. Without knowing how much of Danzer’s product ends up in durable long-lasting goods, we cannot precisely calculate how much carbon is sequestered by Danzer’s products.

Transportation of raw materials, ancillary supplies and product to consumers contributes to Scope 3 GHG and is discussed in that section of this report along with combustion engines used on-site.

“LAND USE CHANGE AND CARBON EMISSIONS OF A TRANSFORMATION TO TIMBER CITIES: WOOD USED IN CONSTRUCTION STORES CARBON AND REDUCES THE EMISSIONS FROM STEEL AND CONCRETE PRODUCTION.”

Nature, August 2020

Other air pollution

Wood-fired boilers operate at five Danzer locations with either natural gas (4) back up or fuel-oil (1). Both fuel sources generate particulate matter (PM10) in their exhaust which is regulated under facility permits. If permit limits are exceeded, PM10 emissions can have a negative effect on local air quality affecting the environment and the community. All facilities report to the relevant regulatory body on testing and/or monitoring to confirm compliance with the permit PM 10 limits. Permit limit violations could cost the company significant fines. No exceedances occurred in 2022 or 2023. Minor amounts of pollutants like volatile organic compounds (VOCs) from glues or cleaning solvents have been determined to be *de minimus* and are therefore, not subject to regulatory limits or

monitoring. Danzer seeks out safe and effective options for these materials. The local and regulatory communities are important stakeholders in regard to air emissions generally.



Water Discharge

The manufacturing of sliced hardwood and lumber requires water for cooking logs or for creating process heat for dryers or kilns or steam. Process heat is generated by boilers that use chemically treated water that must be discharged to community wastewater treatment facilities although it has no contaminants in quantities of concern. Process water for these boilers is also softened with a salt system and the backwash of this system is also discharged to community wastewater treatment facilities because of the salt content. Steam condensate and log vat water is discharged with higher temperatures and color, acidity, solids and oxygen levels that are a concern for the community wastewater treatment facilities. Water post-treatment (from the Melnik state-of-the-art onsite wastewater treatment facility) and from the warm season (April – October) sprinkling of logs on the storage yards is discharged to nearby rivers. Danzer has permits for these discharges and works closely with local authorities to prevent disruption to the community, both of whom are significant stakeholders to Danzer’s business. At the Shade Gap lumber operation for example, the team is investigating a pretreatment system using an engineered wetland, or reed bed, to reduce the salt and color load at the municipal water treatment plant.

| Location | Discharge to river (m ³) / reduction or increase | Discharge to municipality (m ³) / reduction or increase |
|----------------|--|---|
| DANZER OVERALL | < 64% | < 21% |
| Darlington | na | 10,472 <11% |
| Edinburgh | 21,125 | 59,401 |

| | | |
|---------------------|---------------|---------------|
| | < 64%* | < 13% |
| Williamsport | 51,538 >2% | 27,999 >2% |
| Shade Gap | na | 1,475 <2% |
| Melnik | 90,964 <5% | na |

Table 7. Water discharged from slicing or lumber manufacturing facilities

*Innovation and experimentation with log yard sprinkler systems led to extreme water savings without quality losses. These techniques will be shared throughout Danzer.

For more discussion on this topic, see the section Water Resource for water consumption and water withdrawal figures.

6 CLEAN WATER AND SANITATION



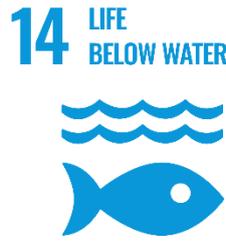
Oil spills to land / water run-off

Log yard rolling stock may leak oil, a fire in a silo will require fire suppression with water and these incidents, combined with rain sometimes, will result in oil or dirt reaching the stream unintentionally and a rainbow sheen may cover the water.

Both scenarios occurred at the Williamsport facility on separate occasions in 2023. The Department of Environmental Protection was notified, best management practices were enhanced and affected employees were re-trained.

OKR: Conserve (<) Water

Danzer's Conserve (<) Water OKR Team is testing methods to reuse process water and heat as much as possible. The facilities are standardizing procedures to reuse vat water to cook the logs that are less color sensitive after cooking color sensitive logs first. The team is asking questions about reusing boiler water discharges in the process and investigating rain collection systems for use in the facility.



Waste

OKR: Zero (0) Plastic

“OUR PLASTICS DILEMMA: PLASTIC WASTE IS ACCUMULATING RAPIDLY IN OUR ENVIRONMENT AND WILL LEAVE A GEOLOGICAL SIGNATURE LIKE FOSSILS OR ARCHEOLOGICAL REMAINS.”

Science, July 2021

Plastic packing is required by some customers to maintain moisture content and protect the product in shipping and storage. Over the years, plastic sheeting and shrink wrap became standardized for all products. In 2023, Danzer’s shipping and sales departments took an active role in working with customers to reduce the plastic needed for shipping. Many customers are taking product with no plastic or minimal plastic and others are returning plastic sheeting for re-use. In 2023, Danzer products worldwide were shipped with more than 24% less packaging. One warehouse is trying a waxed paper top layer, one factory is collecting plastic straps to chip and send to a recycling company, and alternative wrapping solutions are being tested systematically. Furthermore, employees reduced disposable water bottle consumption by approximately 66% after water coolers for re-usable bottles were installed.

Oil spills to land / recycling

Oil spills are always a potential risk with so much fixed and rolling machinery and small incidental (<10 litres) spills do happen on impervious surfaces and are taken care of immediately (with the exception of the Williamsport incident in the rain as mentioned above). This results in solid waste (oil-soaked absorbent material) from the clean-up which amounted to less than 3 tons across Danzer companies worldwide in 2023.

Industrial waste

Industrial waste is that waste that is not typically found in municipal trash (packaging, food waste, etc.) and is a result of manufacturing but not hazardous in nature. This includes things like oily solid waste, ash, metal grinding waste, oil filters, dried glue, empty paint cans. This material at Danzer manufacturing locations amounted to 946 tons in 2023, with the majority being boiler ash. The Melnik facility significantly reduced the weight of their boiler ash solid waste by adding a screw press in the boiler room to remove as much water from the bottom-ash as possible before disposal.

Wood Fuel

Wood diverted from disposal to use as biofuel onsite or to sell as a side-stream amounted to 48,738 tons in 2023. This does not include bark sold for mulch.

**"WATER RECYCLING GOES
MAINSTREAM."**

Science, March 2024

WATER RESOURCES

(ESRS E3) In addition to finding ways to reduce the pollution load in water discharges, a challenge of the Conserve (<) Water OKR Team is to find creative ways to further reduce water usage in the production of sliced hardwood and lumber in the first place. Simple solutions like, using a bucket and sponge to wipe down machinery instead of spraying the area down with a hose, saves water while at the same time reducing oil and dirt in the discharge. It is seldom that solutions in these areas do not go hand in hand, but in the case of re-using vat water, the discharge may decrease but the pollutant loading (total suspended solids, oxygen demand, pH, and color) will be somewhat higher per volume.

Even though no Danzer facility is located in an area of water scarcity (lack of fresh water resources to meet the standard water demand), conservation of the water resource, whether surface water or groundwater is important for the environment, the economy and the community. Employees and other local community members as well as local governments and utilities are important stakeholders on this issue. Water scarcity will only increase with population growth and climate change. Danzer's activities play a direct role in conservation of water supplies.

6 CLEAN WATER AND SANITATION



OKR: Conserve (<) Water

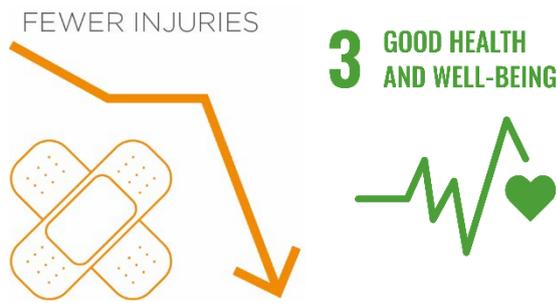
Between October 2022 and October 2023, water use across Danzer production facilities increased by 5%. This overall increase is low, considering an increase in Melnik of 20%, while log yard saving measures and other maintenance fixes reduced consumption in North America by 7% (sliced hardwood) and 12% (lumber). The team is working to reduce total water consumption in 2024 by 15%. The team will check progress in July and October before reporting results to the Executive Board in January 2025.

SOCIAL INFORMATION

Own Workforce

(ESRS S1) Of the list of potential impacts under the subject Own Workforce, only Health and Safety, Training and Skills Development Working Conditions, Working Time and Secure Employment rose to the level of double materiality given the analysis meaning: these items had both a high severity impact and financial risk as well as a high likelihood of impact and financial risk. Other topics evaluated included: adequate wages, social dialogue, freedom of association, information, consultation and participation rights of workers, collective bargaining, work-life balance, equal treatment, gender equality and equal pay, employment and inclusion of persons with disabilities, measures against violence and harassment in the workplace, diversity, child labor, forced labor, adequate housing, and privacy.

This is not to say that these items are not important to or addressed by Danzer, they are. Indeed, one could say that employees are the most important stakeholder to Danzer. The Danzer Sustainability Report 2021 explained Danzer's policy on and approach to each of these items. These items are rooted in Danzer's Code of Conduct and Values. For the record, across Danzer the ratio of women to men in production is 4:7, 3:4 in non-production, and 3:5 overall.



OKR: Fewer (<) Injuries

Risk reduction is always at the top of the priority list in manufacturing facilities where employees are using equipment with moving parts. Danzer’s management team focuses on our OKR improvements like employee safety training and our engineers’ concentration on safe machine design (Danzer has the most high-tech electronic slicer machine guarding system in the hardwood slicing industry). However, this focus may have been too narrow. A 2023 Occupational Health and Safety Administration (OSHA) inspection at our Williamsport, Pennsylvania facility revealed that for all Danzer’s proactive progress, local management missed the fact that a culture of tradition-dictated behavior contradicted our own safe-behavior training. This was a case of not seeing the forest for the trees. Sometimes it is appropriate to take business risk. Sometimes business has to respond to economic and world forces like a tough labor market and the Covid pandemic, but this can never be at the expense of our corporate values and at Danzer, we value safety first not only because employees are important stakeholders, but their families and the local community are too. It took an OSHA inspection to open our view to the fact that a birds-eye view is necessary to identify complacent habits.

The Fewer (<) Injuries OKR Team began its work with a detailed analysis of injuries across Danzer locations worldwide. They found that, despite varying costs in different geographic regions, injuries due to lacerations, strains/pulls and slips/falls dominated the statistics. This team worked with the More (+) Training Team on a Safety Accountability poster campaign to raise awareness in the factories among supervisors, management and employees. They continue to work on root cause solutions like improved standard operating procedures for knife and blade handling; housekeeping policies, procedures and staffing; safe lifting procedures and sling and hoist safety. The team’s OKR is to reduce injuries across Danzer by 50%.

The following table depicts the trend in injury rates at Danzer using international and United States methods for calculating; the LTIFR or Lost Time Injury Frequency Rate is

the number of lost day injuries multiplied by one million divided by the total hours worked for the reporting year; the LWD or Lost Work Day rate is the OSHA rate calculated by multiplying lost and restricted time injuries by 200,000 divided by total hours worked for the reporting period. The former is not a very effective indicator for small workforces as indicated by the italics.

| Location | LTIFR | LWD |
|------------------------|-----------------|-----------|
| Darlington 2022 / 23 | 24 / 9.6 | 7.7 / 5.7 |
| Edinburgh 2022 / 23 | 7 / 2.4 | 5.1 / 5.7 |
| Williamsport 2022 / 23 | 16.6 / 16.5 | 3.3 / 5.5 |
| Shade Gap 2022 / 23 | 0 / 0 | 0 / 0 |
| Durham 2022 / 23 | 0 / 0 | 0 / 0 |
| Melnik 2022 / 23 | 11.3 / 14.6 | 3.4 / 5.3 |
| Raspenava 2022 / 23 | <i>30 / 0</i> | 6 / 0 |
| Grödigg 2022 / 23 | <i>15.6 / 0</i> | 3.1 / 0 |
| Kesselsdorf 2022 / 23 | <i>18.9 /</i> | 3.8 / |

Table 8. Annual Injury Rates

MORE TRAINING



8 DECENT WORK AND ECONOMIC GROWTH



OKR: More (+) Training

At Danzer, we recognize that an informed workforce is a safe workforce that pulls together toward the same goals. Our More (+) Training OKR team realized right away that in order to improve on training, we must be able to measure it accurately. The first task of this team therefore was to create a single recordkeeping file for all of Danzer. This file will be populated during 2024 so that meaningful specific goals can be set for 2025.

In the meantime, the double materiality analysis revealed that the key training subjects are: Anti-Bribery and Corruption (ABC), measures against violence and harassment, Code of Conduct, Values, Environment and Safety Management System, IT security, Grievance Mechanism and Integrity Line and Incident response and communication.

These subjects are included in employee orientation and are regularly updated. The team is focusing its efforts on improving training methods and is evaluating: AI tools, including for translation, interactive computer training modules, more hands-on job training by supervisors and senior employees, and physical exercise programs. The team worked with the Fewer (<) Injuries OKR Team to create a series of Safety Accountability posters that will set the stage as training programs are upgraded. The return of the FUN training program (see DSR 2021) is being considered. The Sustainability and Compliance team began evaluating continuing education programs for themselves and are keeping records of this training to include in the 2024 report.



AT DANZER, SAFETY DRIVES SUCCESS



SAFETY ENSURES QUALITY, QUANTITY, AND SATISFACTION

Safety isn't just a rule; it's the key to achieving excellence in quality, production, and overall job satisfaction.



RECOGNIZING EXCELLENCE

Doing the job right doesn't go unnoticed! Your commitment to safety will be acknowledged and celebrated.



YOUR CONCERNS MATTER

Supervisors are here for you. We value your safety concerns, and they will be a top priority. Speak up, and we'll act promptly.



ZERO TOLERANCE FOR COMPROMISES

Instructing anyone to ignore safety policies is a serious offense. It will result in disciplinary actions, up to and including termination.



SUPPORTING SAFE BEHAVIOR

Safe actions deserve applause. When you choose safety, you're making a positive impact on everyone around you.



ACCOUNTABILITY BUILDS TRUST

Repeated safety violations won't go unnoticed. A second violation will lead to a meeting with HR and a written record.



SAFETY IS NON-NEGOTIABLE

Ignoring safety policies has consequences for you and your team. A third violation will lead to loss of privileges, and a fourth may result in termination.



WORKING TOGETHER FOR WELLNESS

By prioritizing safety, we create a workplace where everyone can work happily and healthfully without the worry of injuries.

REMEMBER, SAFETY STARTS WITH YOU.

Let's make Danzer the safest and most successful place to work.



DANZER
Hardwood Excellence.

“NEARLY 3 MILLION PEOPLE DIE OF WORK-RELATED ACCIDENTS AND DISEASES: THE ILO ESTIMATES THAT 395 MILLION WORKERS WORLDWIDE SUSTAINED NONFATAL INJURIES LAST YEAR.”

ILO.org news, November 2023

Workers in the Value Chain

(ESRS S2) When considering workers in the value chain in the double materiality analysis, Danzer took its commitment to SFM certification of its log and trade supply chains and its own due diligence measures into consideration. All factors evaluated for its own supply chain were evaluated for severity and likelihood of impacts plus financial risk. Danzer trusts that its evaluation of the supply chain means that all matters are being addressed by suppliers and that the impact of its business relationships are positive for workers. See supply chain information on pages 26 – 29.

Affected Communities

(ESRS S3) The double materiality analysis considered impact on communities multiple times when it asked the following questions of each topic:

- Is this activity actual or potential?
- What is the scale of the activity (none to ongoing)?
- Does the scope of the impact extend beyond Danzer?
- How remedial is the impact?
- Is this a risk or opportunity for the community?
- What is the magnitude of the financial risk or benefit to the community?
- What should we consider taking the Precautionary Principle into account?

Community representatives were interviewed on material topics as part of the stakeholder engagement discussed in the section Sustainability Statement. Employees, who are also community members, were interviewed as key stakeholders as well. The Precautionary Principle states that,

decision-makers should adopt precautionary measures when scientific evidence about an environmental or human health hazard is uncertain and the stakes are high.

This is particularly important when considering potential impacts of the company's activities on climate change. Here are some of the precautionary items identified by the double materiality analysis:

- Move toward more wood for heat, invest in technology and back-up technology for control and monitoring of emissions
- Invest in e-vehicles, upgrades, preventive maintenance and new technologies
- Better alternatives to adhesives and solvents might lead to quality improvements
- Train existing employees on new technology to avoid displacement
- Monitor market trends, promote a variety of species
- Develop security-risk scenario contingencies and train for them
- Share best practices across industries, update ahead of requirements
- Keep Danzer Values at the center of all daily objectives for all employees
- Promote high-level awareness of grievance filing, follow-up and feedback
- Monitor water availability and conserve even without a shortage
- Save on disposal and other costs through ingredient substitution
- A well trained and informed workplace reduces all risks
- Forecast economic turns to minimize impact on the workforce
- Communicate about community concerns proactively.

Important to note here is that the concept of community goes beyond the communities where Danzer operates manufacturing facilities. Danzer's upstream business activity of buying logs "locally" (within 800 km) supports those local forest community economies, and employs local loggers, foresters, road builders, and truck drivers. Sustainable forest management (SFM) promotes healthy, resilient forests and biodiversity thrives because of it while the natural water cycle is maintained. Sourcing products certified to a sustainable forest management system promotes these communities all around us and the broader world community when one considers climate change and the carbon sequestration benefits of wood products and side-streams.

End-Users

(ESRS S4) Danzer has no contact with the final consumer of its wood products because it is a primary manufacturer and trader. For our customers in the value chain, we provide as much information as possible to make them secure in helping their customers make informed decisions about wood, its benefits, legality and sustainability.

First, Danzer provides a Safety Data sheet to inform downstream workers about the potential respiratory or tactile hazards of wood dust. Second, Danzer spent 2022 and 2023 updating its Life Cycle Assessment (LCA) of all manufactured European wood products so that a new Environmental Product Declaration (EPD) can accompany the product. This

process began in earnest in North America during the second half of 2023. All Danzer primary products will have an EPD in 2025 according to the schedule.

Finally, Danzer spearheaded a coalition of real-wood industry associations and companies called Wood4Real in 2022 to find ways through regulation and consumer protection action to end the legal loopholes that allow imitation-wooden-surface products to carry the names of wood or wood species on the surface. Especially today, when hardwood species are recognized for their contribution to conservation, biodiversity, health and carbon sequestration, consumers deserve to know that they are making the sustainable choice they think they are making. (ESRS 2 G1-5) While these efforts include lobbying in the sense that these Wood4Real issues are presented to EU lawmakers, Danzer adheres to its ABC Policy that no gifts are made to or accepted from government officials or their representatives or politicians or political parties without written approval of the CEO of Danzer AG. No such gifts were approved in this reporting period 2022-23.

GOVERNANCE INFORMATION

Business Conduct

(ESRS 2 G1-1) When it comes to business policies and corporate culture, that the Danzer Values and the Code of Conduct referenced throughout this report are integrated into the corporate culture should be shown by the evidence. Even where lapses happened, it was not without good intention toward one or the other Values or Codes. The Danzer Code of Conduct is included in its contractual agreements with its suppliers (ESRS 2 G1-2) including specifications for the ILO Core Conventions & FSC® Labor requirements (FSC-C017329). (ESRS 2 G1-6) No policies with regard to payment practices or special regard for small and medium-sized enterprises (SMEs) are in place at the present time. Still, it should be noted that:

- the number of Danzer suppliers is significantly greater than the number of its customers. This alone means that, as a rule, Danzer has no market power over suppliers and therefore there are generally no dependencies on Danzer that could be systematically exploited. On the contrary, failure to pay properly would mean a total disruption of the raw material supply for Danzer.
- In principle, Danzer meets its financial and other obligations and has no business partners (banks, suppliers) who have not been paid by Danzer.

- Of course, in the past, liquidity bottlenecks have led to payments being made later than agreed. As a rule, suppliers are informed and extensions of payment terms are negotiated.

Grievances (Whistleblowing)

To support Danzer's corporate culture, a Grievance Mechanism and Integrity Line (GMIL) has been established <https://www.danzer.com/images/danzer/Company/Danzer-Grievance-Mechansim-and-Integrity-Line.pdf>. This policy details the role of management and supervisory bodies related to business conduct and related matters. This system works like this: if an employee has a complaint on any value or conduct (i.e. environment, safety, chain-of-custody, anti-corruption, harassment, rights of people, community relations, legality), the employee will first report it to Human Resources or the immediate supervisor, then to the local general manager, then to the local president until action is taken. If the report goes beyond the immediate supervisor or requires additional resources, the problem and solution may be recorded in the Corrective Action Database with automatic reports going to individuals responsible for addressing the problem (from investigation to solution to implementation) and reviewing the corrective action. The employee receives feedback. Confidentiality and data protection are always a priority and anonymity is protected. In the case of non-response or a confidential report, the employee may raise the level to the local Executive Board member or a confidential reporting line. From the reporting line, the CEO (and in the event of a conflict, the Board of Directors Chair) will be notified and a corrective action will be entered in the database and the resolution concluded. The GMIL policy encourages reporting and solving problems at the first instances and strictly forbids any retaliation for such reporting.

Communication

Danzer locations maintain a Communication Protocol to direct all communications from any stakeholder to the correct party to address the concern at hand. Stakeholders identified in this document include: employees, customers, suppliers, community members, government agents, employee family members, NGOs, and auditors.

Political Activities

Activities and commitments related to political activities are limited to The Wood4Real Coalition where we pay for lobbying activities (0.42m€ in the period 2022-23). Memberships where organizations may also lobby in the general interest of the industry include: the Spanish Chamber of Commerce, the Decorative Hardwood Association, Timber Development UK, and the Canadian Hardwood Plywood Association.

Anti-Bribery and Corruption

The Danzer ABC Policy and the biennial review and risk assessment and training is discussed at the Corporate Governance Statement section of this report. All affected employees receive training. Affected employees include Human Resources, Sales, Accounting, Procurement (logs and factory), Finance, Sustainability & Compliance, Supervision, Management, IT, Engineering, and sales agents. During this reporting period, the assessment took place in 2022-2023 and training will be completed again in 2024 for all employees with an email account and any sales agents. (ESRS 3 G1-3) Employees are required to review the entire ABC Policy and GMIL at this time. As mentioned earlier in this report, zero incidents of corruption or bribery were reported, however the risk assessment did identify three incidents of attempted corrupt activity by potential business partners. Business was denied in all instances. Between December 2021 and December 2023 only 2 of 229 employees missed the required training and certification.

LOOKING FORWARD

At this time, Danzer intends to continue reporting according to the ESRS and you can expect the next report in Spring 2025 on our 2024 progress toward a safer and more sustainable world.

REFERENCE TABLES

Table 1.0 Material Topics (ESRS 1 AR16)

| Issue | Page # | ESRS | GRI | UN SDG | UNGC COP | Material? | Severity Score | Likelihood Score |
|--------------------------------------|--------|--------|----------------|--------|----------|-----------|----------------|------------------|
| SCOPE 1 | 23 | | | | | | | |
| GHG Emissions boiler / heat | 23-24 | E1-1-6 | 305-1 | 13 | E1-8 | Yes | 23 | 31 |
| GHG Emissions rolling stock | 23-24 | E1-1 | | 13 | | Yes | 23 | 31 |
| GHG Emissions other | 23-24 | E1-1 | | 13 | | Yes | 20 | 30 |
| Other Air Pollution | 31 | E1-1 | | 13 | E18 | Yes | 23 | 26 |
| Production efficiency | 22 | E1-1 | 305-4 | 9 | | No | + | + |
| SCOPE 2 | 23-24 | | | | | | | |
| Energy intensity | 24 | E1-5 | 302-3 | 7, 13 | E1-6 | Yes | 17 | 29 |
| Energy consumption | 23 | E1-6 | 302-1-4 | 7, 13 | | Yes | 27 | 29 |
| all GHG scope 2 | 23-24 | E1-1-6 | 305-2 | 7, 13 | | Yes | 27 | 22 |
| SCOPE 3 | 24-25 | | | | | | | |
| Energy consumption supply / customer | 24-25 | E1-1-6 | 305-3 302-2 | 13 | E1-5,7 | Yes | 24 | 24 |
| Fossil fuel use | 24-25 | E1-1-6 | 305-3 302-2 | 13 | E1-5,7 | Yes | 24 | 24 |
| LCA | 24 | S4 | | 12 | | Yes | 14 | 24 |

| | | | | | | | | |
|--------------------------------|-------|-------------|------------|----|-------------|-----|----|----|
| SFM | 25-29 | E4 | 204-1, 301 | 15 | E11, 15,17 | Yes | + | + |
| Due Diligence | 25-29 | E4 | 308 | 15 | | Yes | 28 | 25 |
| Biodiversity | 25-29 | E4 | 304-2 | 15 | E11-12, E16 | Yes | 29 | 26 |
| FEWER (>) INJURIES OKR | 37 | | | | | | | |
| Injury/Incident rate | 38 | S1 | 403-9 | 3 | L9-10 | Yes | 27 | 35 |
| Occupational Health and Safety | 37 | S1 | 403-1 | 3 | HR, L | Yes | 24 | 22 |
| MORE (+) TRAINING OKR | 38 | | | | | | | |
| Training ESMS | 38 | S1 | 403-5, 404 | 8 | | Yes | 25 | 28 |
| ABC | 43 | ESRS 2 G1-5 | 205 | 16 | AG | No | 19 | 11 |
| Code of Conduct | 43 | ESRS 2 G1-2 | 2-23 | | | No | + | + |
| Danzer Values | 43 | ESRS 2 G1-1 | 2-24 | | | No | + | + |
| GMIL | 44 | ESRS G1-1 | 2-26 | | | Yes | 21 | 28 |
| IT Security | 39 | ESRS 3 G1-3 | | | | Yes | 29 | 28 |
| Information Management | 44 | ESRS 3 G1-3 | 4-18 | | | Yes | 39 | 18 |
| CONSERVE (<) WATER OKR | 31 | E3 | | | | | | |
| Water consumption | 35 | E3 | 303-5 | 6 | HR | Yes | 24 | 25 |
| Water discharge | 32 | E2 | 303-2, 4 | 14 | | Yes | 25 | 28 |

| | | | | | | | | | |
|----------------------------------|-------|-----------------|-----------------|----|----------|--|-----|----|----|
| Oil spills to land, water runoff | 33 | E2 | | 14 | | | Yes | 23 | 26 |
| Water withdrawal | 33 | E3 | 301-1, 303-3 | 6 | E-13, HR | | Yes | 24 | 25 |
| ZERO (0) PLASTIC OKR | 34 | E2 | 303-3 | 6 | HR | | Yes | 24 | 25 |
| Waste | 35 | E2 | 306-1 | 15 | E19 | | No | 22 | 12 |
| Landfill | 35 | E2 | 306-5 | 15 | | | Yes | 28 | 30 |
| Hazardous | 35 | | | | | | No | na | na |
| Industrial | 35 | E2 | | 15 | | | No | 20 | 15 |
| Oil spills to land | 34 | E2 | | 15 | | | Yes | 23 | 24 |
| Plastic | 34 | E2 | | 15 | E21,22 | | Yes | 32 | 34 |
| Microplastic | 34 | E2 | | 15 | | | Yes | 32 | 34 |
| Wood fuel | 35 | E1-1-5 | 306.4 | 7 | | | No | + | + |
| Recycling | 34 | E2 | | 15 | | | No | + | + |
| GENERAL DISCLOSURES | | | | | | | | | |
| Organization | 10 | ESRS2 GOV-1 | 2-1-2 | | | | na | + | + |
| Employees | 36 | S1 | 2-7,8 | | | | na | + | + |
| Activities, value chain | 41-42 | ESRS2 SB1- 1 | 2-6 | | | | na | + | + |
| Governance structure | 10 | ESRS2 GOV-1 | 2-9 | | | | na | + | + |
| Highest governance body | 10 | ESRS2 GOV-1 | 2-10,11 | | G11 | | na | + | + |

| | | | | | | | |
|--|----|----------------|-----------------|----------|-----|----|----|
| role for impacts | 10 | ESRS2 GOV-1 | 2-12, 2-25 | G2 | na | + | + |
| role in reporting | 10 | ESRS2 GOV-1 | 2-13 | G1-5 | na | + | + |
| critical concerns | 10 | ESRS2 GOV-1 | 2-15,16 | G6-7 | na | + | + |
| collective knowledge | 10 | ESRS2 GOV-1 | 2-17 | G9 | na | + | + |
| remuneration (link to ESG) | 10 | ESRS2 GOV-1 | 2-19,20 | G10 | na | + | + |
| sustainable development strategy | 10 | ESRS2 GOV-1 | 2-22 | G7 | na | + | + |
| non-compliance | 10 | ESRS2 GOV-1 | 2-27 | G8 | na | + | + |
| stakeholder engagement | 16 | ESRS2 SBM.2 | 2-28,29, 413 | G8 | na | + | + |
| Culture | 17 | ESRS2 GI-1 | | | | | |
| Code of Conduct | 17 | ESRS2 GI-1 | | | Yes | + | + |
| ABC | 17 | ESRS2 GI-1 | | 16 AC | Yes | + | + |
| GMIL | 17 | ESRS2 GI-1 | | | Yes | + | + |
| Political engagement | 45 | ESRS3 GI-3 | | | Yes | + | + |
| Supplier relationship | 43 | ESRS2 GI-2 | | | Yes | + | + |
| Training | 36 | ESRS S1 | | | Yes | + | + |
| Incident response & communication (CAdB) | 36 | ESRS2 | | | Yes | 27 | 37 |

| | | | | | | | | | |
|---|----|---------|------|---|--------|-----|---|--|---|
| OWN WORKFORCE | 36 | SBM2 | | 8 | | | | | |
| Diversity, Equity (*BofD) | | ESRS S1 | 405 | | | No | + | | + |
| Employment | 36 | ESRS S1 | 401 | | | Yes | + | | + |
| Freedom of Association | | ESRS S1 | 407 | | HR, L | No | + | | + |
| Collective Bargaining | | ESRS S1 | 2-30 | | | No | | | |
| Working conditions | | ESRS S1 | | | | No | + | | + |
| Secure Employment | | ESRS S1 | | | | No | + | | + |
| Working time | | ESRS S1 | | | | No | + | | + |
| Adequate wages | | ESRS S1 | | | | No | + | | + |
| Social dialogue | | ESRS S1 | | | | No | + | | + |
| Work-life balance | | ESRS S1 | | | | No | + | | + |
| Equal treatment and opportunity | | ESRS S1 | 406 | | HR, L | No | + | | + |
| Gender equality and equal pay for | | ESRS S1 | | | HR, L8 | No | + | | + |
| Training and skills development | | ESRS S1 | | | | No | + | | + |
| Employment / inclusion of persons with disabilities | | ESRS S1 | | | | No | + | | + |
| Measures against violence and harassment | | ESRS S1 | | | | No | + | | + |
| Child labour | | ESRS S1 | 408 | | HR, L | No | + | | + |
| Forced labour | | ESRS S1 | 409 | | HR,L | No | + | | + |

| | | | | | | | | | |
|-----------------------------------|----|--|-----|--|----|----|---|---|---|
| Adequate housing | | | | | | No | + | + | + |
| Privacy | | | | | HR | No | + | + | + |
| Local economy | | | | | | No | + | + | + |
| VALUE CHAIN WORKFORCE | 41 | | | | | | | | |
| Diversity, Equity | | | 414 | | | No | + | + | + |
| Employment | | | 405 | | | No | + | + | + |
| Freedom of Association | | | | | | No | + | + | + |
| Collective Bargaining | | | | | | No | + | + | + |
| Working conditions | | | | | | No | + | + | + |
| Secure Employment | | | | | | No | + | + | + |
| Working time | | | | | | No | + | + | + |
| Adequate wages | | | | | | No | + | + | + |
| Social dialogue | | | | | | No | + | + | + |
| Freedom of association | | | | | | No | + | + | + |
| Workers Counsels / participation | | | | | | No | + | + | + |
| Collective bargaining | | | | | | No | + | + | + |
| Work-life balance | | | | | | No | + | + | + |
| Equal treatment and opportunity | | | | | | No | + | + | + |
| Gender equality and equal pay for | | | | | | No | + | + | + |

| | | | | | | | | | | | |
|---|--|--|--|--|--|--|------|----|----|----|----|
| Training and skills development | | | | | | | | No | + | + | + |
| Employment / inclusion of persons with disabilities | | | | | | | | No | + | + | + |
| Measures against violence and harassment | | | | | | | | No | + | + | + |
| Diversity | | | | | | | | No | + | + | + |
| Child labour | | | | | | | 8, 4 | No | + | + | + |
| Forced labour | | | | | | | 8 | No | + | + | + |
| Adequate housing | | | | | | | 8 | No | + | + | + |
| Privacy | | | | | | | 8 | No | + | + | + |
| OTHER | | | | | | | | | | | |
| Tax | | | | | | | | No | + | + | + |
| Recycled/reclaimed | | | | | | | | No | na | na | na |
| Pollution - living organisms | | | | | | | | No | na | na | na |
| Substances of Concern | | | | | | | | No | na | na | na |
| Marine resources | | | | | | | | No | na | na | na |
| Water discharges in the oceans | | | | | | | | No | na | na | na |
| Extraction and use of marine | | | | | | | | No | na | na | na |
| Animal Welfare | | | | | | | | No | na | na | na |

* In the Double Materiality Matrix, Severity (Scale/Scope/Irremediability score + in-to-out risk + financial risk) is on the y-axis and Likelihood (likelihood score + in-to-out risk + financial risk) is on the x-axis. See the process description in Section, “General Disclosures.”

Table 2.0 Acronyms

| Acronym | Meaning |
|----------------|---|
| ABC | Anti-Bribery and Corruption |
| CO2eq | Carbon Dioxide equivalents |
| COP | Communication On Progress |
| CSRD | Corporate Social Responsibility Directive (European Union) |
| DD | Due Diligence |
| EPD | Environmental Product Declaration |
| ESMS | Environmental and Safety Management System (Danzer) |
| ESRS | European Sustainability Reporting Standards |
| FLAG | Forest Land and Agriculture |
| FSC® | Forest Stewardship Council® |
| GMIL | Grievance Mechanism and Integrity Line (Danzer) |
| GRI | Global Reporting Initiative |
| ISO 14001 | International Standards Organization Environmental Management System Standard |

| | |
|-------|--|
| IT | Information Technology |
| LCA | Life Cycle Assessment |
| LTIFR | Lost Time Injury Frequency Rate |
| LWD | Number of Injuries and/or Illnesses Resulting in Lost Work Days (OSHA) |
| MMBtu | one million British thermal units |
| OSHA | Occupational Safety and Health Administration (United States) |
| RAMP | Risk Assessment Mitigation Preparation |
| SBTi | Science Based Targets initiative |
| SDG | Sustainable Development Goals (United Nations) |
| SFM | Sustainable Forest Management |
| SMEs | Small and Medium Enterprises |
| UNGC | United Nations Global Compact |
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